

CHAPTER III : MINISTRY OF COMMERCE

3.1 Expenditure on inadmissible components of infrastructure projects averted at the instance of Audit

An amount of Rs. 4.20 crore on inadmissible components of infrastructure projects was averted at the instance of Audit.

With a view to strengthening export infrastructure at important locations, Ministry of Commerce (MOC) launched in 1996 a plan scheme titled Critical Infrastructure Balance (CIB). As per the guidelines, MOC was to provide funds to Central/State Government departments for infrastructure projects of emergent nature covered under the scheme.

A project relating to development of Software Technology Park facilities at Gurgaon costing Rs. 9.85 crore (which included Rs. 2 crore towards cost of land and Rs. 2.60 crore towards recurring cost on administration and establishment, marketing, salaries etc) was received from State of Haryana. MOC in December 2001 agreed to share 50 *per cent* of the total cost including the cost of land and the recurring cost. MOC accordingly sanctioned funds of Rs. 4.92 crore in March 2002 for the project. In August 2002, Audit pointed out to MOC the inclusion of inadmissible components such as cost of land and recurring cost for the project amounting to Rs. 4.60 crore. MOC, in June 2003 requested the State government to reduce the share by Rs. 2.30 crore.

Similarly, in another project proposal of Chhatisgarh State for establishment of High Speed Data Communication Centre at Software Technology Park, Bilai, MOC while calculating its share in December 2001, did not exclude the recurring cost on salaries, wages, establishment expenses etc amounting to Rs. 3.80 crore from the total cost of Rs. 8.50 crore. Funds amounting to Rs. 4 crore were sanctioned in March 2002 for the project. In response to audit observation made in August 2002, MOC wrote to the State government in February 2004 reducing the share of MOC by Rs. 1.90 crore towards the inadmissible cost.

Thus inadequate scrutiny by MOC resulted in sanction of Rs. 4.20 crore on inadmissible components. The Ministry should take action to fix responsibility for the lapses.

3.2 Loss due to non-realisation of revenue

Failure of Falta Special Economic Zone to initiate timely legal action against the defaulters resulted in loss/non-realisation of non-tax revenue amounting to Rs. 2.26 crore from private entrepreneurs for periods ranging between six to twelve years.

Falta Export Processing Zone (now Falta Special Economic Zone) (FSEZ) at Falta, West Bengal is located on a plot of land acquired from the Kolkata Port Trust on lease basis. It aims at promoting export and earning foreign exchange in the interest of national economy by encouraging export industries to establish their industrial units. From January 1986, FSEZ started sub-leasing of the land and built-up space to entrepreneurs for carrying out export oriented business activity for an initial period of five years to 15 years on rent at different rates.

Till March 2004, FSEZ allotted land and built-up space to 109 units, of which 85 units were in arrears of rent. Outstanding recovery stood at Rs. 4.19 crore as on 31 March 2004. FSEZ could not furnish the year-wise break-up of the outstanding amount.

Audit noticed that out of the 85 units, 13 units having dues of Rs. 2.26 crore had closed their business. At the instance of Audit the department requested the Certificate Officer of the concerned district in February 2004 to take action to realise the dues. It had also taken up the matter with the Liquidator for recovery of the dues against the sale proceeds of the assets of the companies. However, Audit noted that out of 13 units, assets were already auctioned in two units, no assets were available in four units and assets of one unit were transferred to another unit. Thus recovery of dues in these cases against sale proceeds of assets seemed remote.

Failure on the part of FSEZ to take timely action for realisation of rent resulted in non-realisation of non-tax revenue amounting to Rs. 2.26 crore from private entrepreneurs for periods ranging between six to twelve years.

The matter was referred to the Ministry in August 2004; their reply was awaited as of December 2004.