Ministry of Commerce and Industry
Department of Commerce

Report on Performance Audit of 'Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE)' scheme

1 Introduction

Exports have come to be regarded as an engine of economic growth in the wake of liberalization and structural reforms in the economy. With a view to promoting and facilitating exports and creating attendant infrastructure, the Department of Commerce (DOC) in the Ministry of Commerce and Industry, Government of India launched a scheme called 'Assistance to States for Developing Export Infrastructure and Allied Activities' (ASIDE) with an outlay of Rs. 97 crore for March 2002 and Rs. 1725 crore for the 10^{th} Five Year Plan (2002-2007). The objective of the scheme was to involve the States in the export effort by providing assistance to the State Governments (linked to export performance) for creating appropriate infrastructure for the development and growth of exports.

Three existing schemes for export promotion viz. Export Promotion Industrial Parks (EPIP), Export Promotion Zones (EPZ) and Critical Infrastructure Balancing (CIB) schemes were merged with the new scheme. After the merger of these schemes, the ongoing projects under the older schemes were to be funded by the States from the resources provided under ASIDE. Also, the Export Development Fund (EDF) for North Eastern Region (NER), including Sikkim, which was another existing scheme for export promotion, was now to be funded from ASIDE for financing projects involving the activities permitted under the existing EDF scheme guidelines (which differ from the ASIDE scheme guidelines).

2 Salient Features of ASIDE

2.1 Approved purposes for the scheme

Activities aimed at development of infrastructure for exports could be funded from the scheme provided such activities had an "overwhelming" export content and their linkage with exports was fully established.

2.2 Allocation of funds

The outlay of the scheme was to have two components:

- 80 percent of the funds were to be earmarked for allocation to the States on the basis of approved criteria; this is called the State component.

- The balance 20 percent and amounts equivalent to un-utilised portion of the funds allocated to the States in the past year(s), if any, was to be retained at the central level, to be known as Central component, for meeting the requirements of inter-State projects, capital outlays of EPZs, activities relating to promotion of exports from the NER as per the existing guidelines of EDF, and any other activity considered important by the Central Government from the regional or national perspective.

2.3 Approval of Projects and Implementation

A State Level Export Promotion Committee (SLEPC) headed by the Chief Secretary of the State was to scrutinise and approve specific projects and oversee the implementation of the Scheme. The central sector projects were to be approved by an Empowered Committee (EC) in the DOC, headed by the Commerce Secretary. The projects were to be implemented through various Implementing Agencies (IAs), which could be government agencies, trade bodies, individual exporters etc.

2.4 Release of Funds

Funds under the State component were to be directly disbursed to the Nodal Agency (NA) nominated by the State Government subject to the limit of the entitlement worked out on the basis of laid down criteria. On approval of the proposals by the SLEPC, funds were to be distributed to the implementing agencies by the nodal agency. Funds under the Central component were to be disbursed by the DOC to the central nodal agencies on the basis of approval of proposals by the EC.

2.5 Organizational arrangements

An organizational chart showing the responsibilities of various agencies associated with the implementation of the scheme is given below:

Central Level

Department of Commerce (DOC)	Nodal Agency	Nodal Officers (DC–SEZs / JDGFT: Development Commissioner, Special Economic Zone/Joint Director General of Foreign Trade)
• Policy formulation • Allocation of funds (Central and State component) • Consideration and approval of Central Sector Projects by EC • Release of funds to Nodal Agencies • Co-ordination with State Nodal Department, Nodal Agency and Nodal Officers • Monitoring and Review of scheme	• Submission of project proposals for approval of EC • Disbursal of funds to Implementing agencies. • Overseeing implementation of projects • Submission of Utilisation Certificates (UCs)	• Evaluation of physical and financial progress of the projects and submission of report to SLEPC, Nodal Agency and DOC

State Level

Nodal Department	SLEPC	Nodal Agency
• Convening SLEPC meetings • Preparation of annual/5 year export plans • Co-ordination with Trade and Industry, Export Promotion Councils and DOC • Drawing up a shelf of location specific projects for approval of SLEPC	• Scrutiny and approval of state sector projects • Overseeing implementation of scheme • Allocation of funds for State sector projects	• Disbursal of funds to Implementing Agencies • Overseeing implementation of projects • Submission of quarterly and annual reports on physical and financial status through web-site of DOC

3 Audit Objectives

A performance audit of ASIDE, covering the period from March 2002 to March 2006, was taken up with the objectives of assessing whether:

- The projects funded by ASIDE had an overwhelming export content and their linkage with exports was fully established;
- ASIDE had appropriate impact on promotion of export activities;
- There was adequate and effective control over the release of ASIDE funds, and such releases were linked to export performance;
- The process for planning and implementation of ASIDE projects was adequate and effective, and the projects were executed economically and efficiently; and
- There were adequate and effective systems of monitoring at the Central and State levels.

4 Audit Criteria

The following audit criteria were adopted in this Performance Audit:

- Stipulations in the guidelines issued by the DOC regarding:
    - Approval of schemes for funding
    - Allocation of funds
    - State-wise allocation of funds
    - Release of funds
    - Eligibility of executing agencies
- In respect of projects subjected to detailed audits, projections made in detailed project reports in respect of:
    - Schedule for completion of projects
    - Estimated cost of projects
    - Expected results of projects
- In respect of project evaluation methodology and periodicity, stipulations contained in the notification issued regarding:
    - Progress in implementation
    - Impact assessment of exports
    - Recommendations for effective implementation
    - Utilization of funds

5. Audit Methodology and Coverage

The performance audit of the scheme commenced with an entry conference with the DOC in November 2006, in which the audit methodology, scope, objectives and criteria were explained.

The period covered under the audit was March 2002 to March 2006. Field audit of the relevant records of the DOC was conducted in the Department and eight selected States viz. Chhattisgarh, Haryana, Himachal Pradesh, Maharashtra, Manipur, Orissa, Uttar Pradesh and West Bengal between November 2006 and February 2007.

An exit conference was held in June 2007 with the DOC, where the audit findings were discussed in detail. The draft audit report was issued to the DOC in April 2007. Replies were received from the DOC in June 2007, which have been suitably incorporated in the report.

Audit gratefully acknowledges the cooperation and assistance extended by the DOC and the State Departments/Agencies.

5.1 Sample Selection

Of the 279 approved ASIDE projects (as of March 2006) involving ASIDE cost of Rs. 832.23 crore in the eight selected States, a sample of 114 projects was selected for detailed examination. These projects had a total approved ASIDE cost of Rs. 329.25 crore, and as of March 2006[1], the utilization of funds was Rs. 155.92 crore. These projects were selected primarily on the basis of volume of ASIDE contribution. State-wise details of the selected projects are given in **Table 1** below.

Regarding the Central Sector Projects, records relating to 130 projects were test checked in the DOC.

Table 1: Projects selected for detailed examination

(Rs. in crore)

Sl. No.	Name of State	No. of projects approved during 2002-06	Total ASIDE Cost	No. of projects selected for audit	ASIDE funding	ASIDE expenditure
1	Chhattisgarh	10	64.21	4	42.29	10.06
2	Himachal Pradesh	76	29.68	31	23.25	17.70
3	Haryana	24	34.54	18	26.13	25.35
4	Manipur	46	6.30	11	2.75	2.69
5	Maharashtra	44	450.45	15	103.49	44.09
6	Orissa	20	64.59	6	7.86	4.42
7	Uttar Pradesh	34	112.04	11	82.03	32.10
8	West Bengal	25	70.42	18	41.45	19.51
Total		279	832.23	114	329.25	155.92

6. Audit Findings

6.1 Scope of Projects

6.1.1 Ineligible ASIDE projects

The guidelines provided that activities aimed at development of infrastructure for exports could be funded from the scheme, **provided such activities had an overwhelming export content and their linkage with exports was fully established.** The scheme also envisaged creation of assets of capital nature only i.e. excluding activities of a revenue nature. The specific purposes for which the funds could be sanctioned and utilized were:

i. Creation of new Export Promotion Industrial Parks/Zones (including Special Economic Zones (SEZs)/Agri-Business Zones) and augmenting facilities in the existing ones.

[1] In respect of one State viz. West Bengal, the utilization was as of December 2006.

ii Setting up of electronic and other related infrastructure in export conclaves.

iii Equity participation in infrastructure projects, including the setting up of SEZs.

iv Meeting requirements of capital outlay of EPIPs/EPZs/SEZs

v Development of complementary infrastructure such as roads connecting the production centres with the ports and setting up of Inland Container Depots and Container Freight Stations.

vi Stabilising power supply through additional transformers and islanding of export production centres etc.

vii Development of minor ports and jetties of a particular specification to serve export purposes.

viii Assistance for setting up common effluent treatment facilities.

ix Projects of national and regional importance.

x Activities permitted as per EDF in relation to North East and Sikkim

Test check of 114 projects in the eight selected states**,** however, showed that 46 approved projects (40 per cent of projects) involving ASIDE funding of Rs. 148.20 crore, against which an expenditure of Rs. 67.01 crore had been incurred, were not covered under the scheme guidelines.

Further, test check of records in the DOC showed that 11 state sector projects in eight other states [2] involving ASIDE funding of Rs. 21.04 crore and 22 central sector projects relating to 13 central agencies involving ASIDE contribution of Rs. 8.35 crore, against which expenditure of Rs. 10.46 crore and Rs. 2.20 crore respectively had been incurred, were also not covered under the guidelines. While details of such projects are indicated in **Annexures 1 and 2,** significant instances of ineligible ASIDE projects and projects having no direct linkage with exports are discussed below:

- In **Gujarat,** a project relating to up-gradation of road not having a direct linkage with exports was approved for ASIDE funding of Rs. 9.15 crore.
- In **Haryana,** three projects relating to widening and strengthening of the roads in residential areas and having no linkage with export were approved for ASIDE funding of Rs. 3.80 crore.
- In **Himachal Pradesh**,
  - ➢ Three projects relating to power supply were sanctioned for ASIDE funding of Rs. 1.61 crore. These projects had no linkage with exports, since almost all the beneficiaries were either domestic or commercial consumers or industrial units having no export linkage.
  - ➢ Two projects relating to water supply and premixing of road and construction of culverts in industrial area involving ASIDE funding of Rs. 0.76 crore were neither linked to export oriented units nor supported by data, surveys and projections for the future.

[2] Andhra Pradesh, Gujarat, Karnataka, Lakshadweep, Meghalaya, Punjab, Rajasthan and Uttarakhand

- In **Maharashtra,** out of 15 test checked projects, four projects relating to airstrips involving ASIDE funding of Rs. 34.13 crore had no linkage with exports. The data of exports provided with the proposals was inappropriate and inadequate.
    - In one case, the data collected from Central Excise related to duty free assessment value of small scale industrial units and not to exports.
    - In another case, type of industries in the region shown in the project report included export oriented I.T. units, whereas as per the information collected from Nodal Agency, no I.T. units had been established there. Further, the cost benefit analysis also included export of steel by only one industrial unit, which had no direct link with expansion of the airstrip.
    - In another case, neither the export data of 2004-05 mentioned in the project report nor the boost in exports projected in the project report was supported from any authenticated source. Further, there was no evidence of any demand for the airstrip.
    - In another project, there was no evidence of any air cargo flights from the airport. Further, there was no request or recommendation for cargo exporting facilities from any industrial unit.
- Further, in **Maharashtra**,
    - three projects involving ASIDE fund of Rs. 24.95 crore were approved for providing infrastructure facilities like railway over-bridge, construction of approach road, providing water and power supply for the floriculture units in Talegaon area without adequate export data; it was observed that no export had taken place till January 2007.
    - Similarly, two projects related to construction of approach road to wine parks costing Rs. 3.62 crore were approved, without establishing export linkage. As per the project proposals, the export of wine from the areas was projected to be Rs. 127 crore during the period 2003-04 to 2005-06. However, even after completion of the projects (approved in 2003-04) in September 2005 and January 2006, no exports had taken place from there till January 2007.
- In **Manipur**, three projects costing Rs. 2.10 crore relating to land development, brick wall fencing, improvement of ceiling, etc. in the existing warehouse, trade centre and Land Custom Station complex at Moreh were approved without ascertaining any direct linkage to export growth. Further, most of the components of the projects were not of capital nature, as they were related to repair and maintenance of the existing facilities.
- In **Uttar Pradesh**, one project relating to Trade and Exhibition Centre involving ASIDE funding of Rs. 6.18 crore had no direct linkage to export promotion.

35 other projects involving ASIDE funding of Rs 82.94 crore, which were either not covered under the scope of the specified approved activities or were not of capital nature, were sanctioned in **Andhra Pradesh**, **Chhattisgarh, Haryana**, **Karnataka, Lakshadweep, Manipur**, **Meghalaya**, **Orissa**, **Punjab**, **Rajasthan**, **Uttar Pradesh**, **Uttarakhand** and **West Bengal**. Details are given in **Table 2** below:

Table 2: Ineligible projects

Sl. No.	State	No. of projects	ASIDE Cost (Rs. in crore)	Nature of projects	Remarks
1	Andhra Pradesh	2	0.08	Providing telephone and internet facility, rental charges.	Not covered under specified approved activities and also not of capital nature.
2	Chhattisgarh	4	42.28	Upgradation of existing basic facilities such as road, drainage, street lights etc. and containing components like training, export market survey, seminar, exhibition.	Not covered under specified approved activities and also not of capital nature.
3	Haryana	1	2.70	Construction of 66 KV D/C line.	Not covered under specified approved activities.
4	Karnataka	1	7.96	Maintenance grant for EPIP.	Not covered under specified approved activities and also not of capital nature.
5	Lakshadweep	1	0.31	Security cover for term loan.	Not covered under specified approved activities and also not of capital nature.
6	Manipur	1	0.63	Construction of convention hall and stay facility.	Not covered under specified approved activities.
		3	0.59	Improvement of approach roads.	Not covered under the specified approved activities of the scheme and also not of capital nature.
7	Meghalaya	2	0.35	Trade Delegation and Business Exchange Programmes.	Not covered under the specified approved activities of the scheme and also not of capital nature.
8	Orissa	1	2.16	Maintenance grant for EPIP.	Not covered under specified approved activities and also not of capital nature.
		1	2.25	Purchase of space	Not covered under scope of guidelines
		3	4.20	Renovation of existing infrastructure	Not of capital nature.
9	Punjab	1	0.14	Conducting pre feasibility study.	Not covered under scope of guidelines.
10	Rajasthan	2	2.80	Maintenance grant for EPIP	Not covered under specified approved activities and also not of capital nature.
11	Uttar Pradesh	1	0.09	Maintenance grant for EPIP	Not covered under specified approved activities and also not of capital nature.
		5	10.77	Upgradation and renovation of existing infrastructure such as roads, drains and sports goods complex.	Not of capital nature.
12	Uttarakhand	1	0.25	Preliminary feasibility reports.	Not covered under specified approved activities and also not of capital nature

13	West Bengal	5	5.38	Renovation in fisheries projects	Not covered under specified approved activities and also not of capital nature
	Total	**35**	**82.94**		

As regards the 22 central sector projects mentioned in **Annexure 2,** the same were either not covered under the specified approved activities or were of revenue nature such as:

- Preparation of DPR/feasibility reports.
- Development of road, waiting hall, canteen and other infrastructure activities.
- Accommodation for police personnel.
- Purchase of software, hardware, furniture and office equipment.
- Cost of interior decoration and furnishing of Custom Rest Room cum-Communication Facilitation Centre etc.

In order to review the progress and suggest improvements in implementation, the DOC appointed IL&FS Infrastructure Development Corporation Limited (IDCL) to undertake a mid-term appraisal of the ASIDE scheme. IDCL, in its mid-term appraisal report (September 2005), had mentioned that *"the rationale behind the scheme was perhaps unclear to the States and it was perceived as one to improve urban infrastructure, rather than export augmentation through improvement of export infrastructure. The export linkage is, more often than not, indirect and incidental rather than being the driving force for project selection"*. The observation is in line with the results of this audit.

In view of the lack of linkage of projects with exports, and also non-linkage of release of funds with export performance (as brought out in paragraph 6.2.2), the impact of ASIDE funds on promotion of export activities could not be verified.

6.1.2 Ineligible EDF projects

Activities like seminars, workshops, conferences, training programmes, expositions etc. were not covered under the scope of the guidelines of EDF for North East including Sikkim. Test check of records in the DOC, however, showed that 15 projects involving central assistance of Rs. 1.12 crore, out of which Rs. 1.03 crore had been released, were sanctioned by the department for such inadmissible activities. Details are given in **Annexure 3.**

Reply of DOC

In its reply (June 2007), the DOC stated that

- the State Sector projects were approved by the SLEPCs headed by the Chief Secretary of the State. All the States had been informed regarding the approved purposes of the scheme for strict compliance.
- Instructions were being issued again to the States/ UTs that only those projects, which demonstrated an overwhelming linkage with exports on the basis of supporting data/ records and were also as per the specified approved purposes mentioned in the scheme guidelines should be approved by the SLEPC under the ASIDE scheme.

Recommendation

The DOC may ensure that States comply strictly with the ASIDE scheme guidelines and the SLEPCs approve only projects demonstrating an overwhelming linkage with exports and are also as per the specified approved purposes.

6.2 Financial Control

6.2.1 Details of expenditure

Table 3 indicates the position of funds released and expenditure incurred there against during the period March 2002 and March 2006 under the State and Central sectors.

Table 3: Funds released and expenditure

(Rs. in crore)

State Sector				Central Sector		
Year	**Amount Released**	**Expenditure**	**% exp. to amount released**	**Amount Released**	**Expenditure**	**% exp. to amount released**
2001-02	43.52	00.00	0	6.00	00.00	0
2002-03	241.00	104.00	43	85.27	24.13	28
2003-04	252.00	217.79	86	99.42	59.08	59
2004-05	313.84	225.97	72	111.04	100.15	90
2005-06	383.00	266.00	69	121.29	63.75	53
Total	1233.36	813.76	66	423.02	247.11	58

Source : web-site of DOC

The state wise and central agency-wise break up of expenditure is given in **Annexures 4 and 5** respectively.

The above data showed that there was a mismatch between the release of funds and expenditure incurred on implementation of the scheme. The utilization of funds under the State sector during 2002-03 to 2005-06 ranged between 43 to 86 percent and between 28 to 90 percent in respect of the central sector.

Further

- In the case of six[3] States/UTs, out of Rs. 21.07 crore, there was no expenditure during the four years to which the audit pertained.
- In five States/UTs[4]**,** the expenditure of Rs. 34.77 crore was only 44 per cent of the release of Rs. 79.82 crore.
- In 14 States/UTs[5]**,** the expenditure of Rs. 440.43 crore was 61 per cent of the release of Rs. 717.97 crore.

As regards the central agencies, 15 out of the 37 agencies had not incurred any expenditure out of Rs. 35.25 crore released to them during 2001-02 to 2005-06, while

[3] Andaman and Nicobar, Arunachal Pradesh, Bihar, Dadra and Nagar Haveli, Daman and Diu and Lakshadweep
[4] Assam, Chandigarh, Delhi, Meghalaya and Uttarakhand
[5] Chhattisgarh, Goa, Gujarat, Karnataka, Kerala, Maharashtra, Mizoram, Orissa, Pondicherry, Punjab, Sikkim, Tripura, Uttar Pradesh and West Bengal

the expenditure in respect of 11 agencies ranged between 30 and 60 percent of the releases.

6.2.2 Funds not allocated on the basis of export performance

In terms of the scheme guidelines, the State component was to be allocated to the States in two installments of 50 percent each. The inter-se allocation of the first installment of 50 percent was to be calculated on the basis of the share of the states in the total exports of the country and the second installment of the remaining 50 percent was to be allocated among the states on the basis of their share in the average of the growth rate of exports of the country over the previous year. The allocations were to be assessed on the basis of the export data available from the office of the Director General of Commercial Intelligence and Statistics (DGCIS), which was to be compiled from the State of origin indicated in the shipping bills.

Audit showed that during 2002-03 to 2005-06, the DOC made the state-wise allocations on the basis of ad-hoc assessment and not on the basis of the twin criteria of export performance and share in growth rate of exports, on account of incompleteness/ inaccuracies in export data reported by DGCIS as detailed below:

- The entry regarding State of origin was blank or invalid in a large percentage of shipping bills.
- The DOC itself observed that the DGCIS figures did not reflect a “completely correct” picture of exports from States, as a large number of buying houses based in metropolitan centres sourced the products from several States, and those exports were recorded against the States from where those exports were shipped out, and not against the State of origin. Further, many of the products were not manufactured at a single location in a particular State. Their components were sourced from other States as well, a fact not possible to reflect adequately in the State of origin column in the shipping documents.

  The DOC further observed that:

- The hill States of Uttarakhand and Jammu and Kashmir did not get any special consideration (unlike the North East and Sikkim).
- Heavily populated landlocked States like Uttar Pradesh, Bihar and Madhya Pradesh, which were also comparatively deficient in export infrastructure tended to get a very small allocation.

  Consequently, the DOC made ad hoc allocations of ASIDE funds as follows[6]:

- For 2004-05, ad-hoc allocation for the first installment was made to States, with an added stipulation that States which received allocation of less than Rs. 1 crore were to be allocated Rs. 1 crore by re-appropriation from the allocations of Delhi and Maharashtra. In respect of the second installment, Rs. 34 crore was readjusted from allocation of Maharashtra by making additional allocations to the States of Jammu and Kashmir, Himachal Pradesh, Orissa, Uttarakhand, Jharkhand and Chhattisgarh, Kerala, Madhya Pradesh and Rajasthan.

[6] The methodology for allocation of ASIDE funds for 2002-03 and 2003-04 could not be verified, as the records for these periods were not produced to Audit.

In this connection, it was noted during the audit that at the time of formulation of the scheme in 2002, on an issue being raised by the Planning Commission regarding non-availability of export data from the States, the DOC had explained that there was no difficulty in capturing the data, as the shipping bill format had been amended with effect from April 2001 to provide for indication of State of origin of the products. However, the ad hoc allocation of ASIDE funds to States, without adhering to the criteria specified in the guidelines, indicated that the main objective of giving assistance to states based on export performance was not complied with.

Reply of DOC

In its reply (June 2007), the DOC stated that the audit observations were factually correct, and the reasons for non-compliance with the allocation criteria had also been well taken by audit. Review of allocation criteria in order to make it more just and equitable was under the active consideration of DOC.

Recommendation

The DOC may finalise the revised allocation criteria for funds, and ensure strict compliance with such revised criteria.

6.2.3 Diversion of funds

Scheme guidelines provided that no part of the scheme funds should be used to meet any administrative expenses connected with the implementation of the scheme. Audit examination showed that an amount of Rs. 17.71 crore in seven states and in one central project was diverted towards expenses of an administrative nature such as processing fee, departmental charges, agency charges, salaries, wages, repair/maintenance/hiring of vehicles etc.

Audit also revealed that an amount of Rs. 4.35 crore was diverted towards items not included in the project proposals. Details of such cases are given in **Annexure 6**.

Reply of DOC

In its reply (June 2007), the DOC stated that it was being reiterated to the Nodal Agencies of the States/ UTs/ Central Agencies that expenses of an administrative nature should not be met from ASIDE funds. In the past, in some cases, the agencies were requested to refund the amounts met out of ASIDE funds, but that did not yield the desired results. Therefore, deduction of such amount from releases to be made against future allocations was proposed to be considered.

6.2.4 Amount sanctioned in excess of admissibility

Test check of records in the department showed that in three States, Rs. 3.77 crore was sanctioned for three projects in excess of admissibility, as detailed below:

- Scheme guidelines stipulated that only up to 50 percent cost of the construction of Central Effluent Treatment Plant (CETP) could be sanctioned as assistance. However, in **Punjab** and **Andhra Pradesh,** Rs. 4.78 crore and Rs. 2.00 crore respectively, being 100 percent cost of two CETP projects, were sanctioned during 2005-06, which resulted in excess sanction of Rs. 3.39 crore.

- **In Manipur,** an amount of Rs. 0.38 crore was sanctioned to an NGO, under EDF for NER and Sikkim, in excess of the entitlement.

Reply of DOC

In its reply (June 2007), the DOC stated that while the ASIDE guidelines had already been circulated for strict compliance, the concerned States would again be instructed to meet only 50 per cent of the construction of CETP from ASIDE funds. In case expenditure in excess of 50 per cent from ASIDE funds had been incurred for the project, the same would be adjusted against future allocations, unless the State Government agreed to release an equal amount for other projects under ASIDE.

Recommendation

The DOC should deduct amounts equivalent to diversions of funds from future allocations, or alternatively effect recoveries.

6.2.5 Excess release of funds

Scheme guidelines provided that unutilized funds, if any, out of the allotted funds were to be counted against allocations for the next year and suitable deductions for equivalent amounts were to be made from the allocations of next year. Test check of records, however, revealed that while releasing the subsequent installments during the years 2002-03 to 2005-06, the DOC did not ensure full utilization of the previous installment, which resulted in excess/ injudicious release, as detailed below:

Table 4: Excess Release of Funds **(Rs. in crore)**

Year	Unspent Balance at the end of the previous year	Release by DOC	Excess Release (due to non-adjustment of unspent balance)
2002-03	127.05	219.00	94.12
2003-04	175.68	198.00	131.60
2004-05	144.28	225.38	114.17
2005-06	244.85	379.80	228.97

State-wise and year-wise details are given in **Annexures 7 to 10**.

6.2.6 Retention of unutilized funds

A test check of the records in the states revealed the following cases of retention of unutilized funds by the Implementing Agencies (IA):

- In **Haryana,** an amount of Rs. 2.66 crore released to the IA in 2004-05 and 2005-06 was lying idle in their current bank account as the project could not be started due to non-availability of land.
- In **Himachal Pradesh,** an amount of Rs. 3.49 crore remained idle with two IAs for 30 to 365 days due to failure to verify progress of work before releases. Further, surplus funds of Rs. 0.38 crore and interest of Rs. 0.10 crore

earned on unutilized ASIDE funds were not refunded by an IA since October and January 2005 respectively.

- In **Maharashtra**, funds were normally released by the State based on the progress of work communicated by the IA. However, in September 2005, an ad hoc release of Rs. 8.58 crore was made to the IA in respect of six projects. Of this, in respect of one project, expenditure of only Rs. 0.004 crore had been incurred as on September 2006 against the release of Rs. 3.98 crore. Thus, Rs. 3.976 crore was lying idle with the IA.
- In **Uttar Pradesh,** Rs. 4.68 crore released to Special Land Acquisition Officer (SLAO), Moradabad for purchase of land for SEZ, Moradabad involving ASIDE cost of Rs. 26.50 crore was still (February 2007) lying with the SLAO since February 2004 even after cancellation of the project in February 2005. Incidentally, the Nodal Agency had already submitted the UC for the same amount to the DOC in March 2004.
- In **West Bengal,** Rs. 2.50 crore released to an executing agency in March 2006, remained blocked with them as on January 2007 even after abandonment of the project.

Reply of DOC

In its reply (June 2007), the DOC stated that funds under ASIDE were released generally after the concerned State Government had furnished utilization certificate due in respect of funds released previously. However, since infrastructure projects entailed large gestation periods, the Central and State agencies had been insisting for larger time period for completion of the project and submission of utilisation certificate. Also, some projects were very big and some were small, and therefore different periods of submission of utilization certificate should be applicable on project basis. It was therefore proposed that in order to expedite physical and financial progress of the project, unutilized funds from previous releases would be counted against allocations for the next years, and suitable deductions from the releases proposed to be made in future, unless the State concerned had valid grounds for such non-utilisation.

Recommendation

Audit concurs with the DOC's proposal to deduct unutilized funds from future allocations. Where the DOC feels that specific big infrastructure projects require a longer gestation period than is possible under the system of annual Utilisation Certificates, the Guidelines in these projects should permit such deviations authorised by the DOC on valid and justifiable grounds.

6.2.7 Non-recovery of interest

Test check of records in the DOC and the selected states showed that interest of Rs. 19.52 crore (**details given in Annexure 11)** earned by 16 state agencies and 1 central nodal agency on ASIDE funds during the years 2002-03 to 2005-06 was not recovered by the DOC from them, which resulted in an unintended benefit.

Reply of DOC

In its reply (June 2007), the DOC stated that in a meeting chaired by Special Secretary (ASIDE) in April 2007, it had been decided that the State Government should utilize the interest accrued on ASIDE funds for future projects, and an intimation should be given to the DOC in a month's time. This decision is not correct as it results in an unintended benefit to the state governments to the detriment of the finances of the Union government which finances capital expenditure from borrowed funds. This also condones slow project implementation.

6.2.8 Incorrect financial reporting and non-submission of Utilization Certificates (UCs)

Test check of records revealed that the DOC had not received the UCs from 14 state nodal agencies and 22 central agencies against CIB/ASIDE funds of Rs. 37.75 crore and Rs. 61.71 crore respectively released to them during the years 1997-98 to 2003-04, which indicated that the department did not ensure timely utilization of the funds. Details are given in **Annexures 12 and 13.**

Similarly, records relating to EDF for NER including Sikkim revealed that UCs were not received from 10 private bodies and one state department against funds of Rs. 10.72 crore released to them during April 2002 to March 2005, as detailed in **Annexure 14.**

Audit examination in the DOC and the selected states further revealed the following instances of incorrect financial reporting or submission of improper/incomplete utilization certificates involving Rs. 176.18 crore:

- In respect of **Chandigarh,** the DOC accepted an UC for 2002-03 for Rs. one crore submitted by the nodal agency only on the basis of earmarking and setting aside of the amount for the purpose of procuring land. Incidentally, purchase of land from ASIDE funds was also not admissible.

- **In Haryana,** an **e**xecuting agency charged Rs. 2.37 crore in excess by reporting inflated figures of expenditure in 6 projects.

- **In Himachal Pradesh,** funds of Rs. 6.27 crore released by the nodal agency to two IAs during the years 2002-03 to 2005-06 were shown as utilized in the reports sent to the DOC immediately after release of funds, raising doubts about the veracity of the certificates.

- **In Orissa,** payment of Rs. 2.25 crore made as 100 percent advance in November 2004 towards purchase of space in India Exposition Mart, Noida was shown as utilized in the UC submitted to the DOC in June 2005 even though the possession of the space was still not taken as of January 2007. In another case**,** a UC for Rs. 0.63 crore was submitted by NA to the DOC in May 2005, without ascertaining the correctness of expenditure and supporting vouchers.

- **In Orissa,** there were discrepancies of Rs. 13.10 crore between the expenditure shown in the balance sheet of the Nodal Agency and that reported to the DOC.

- **In West Bengal,** there was a discrepancy between the funds shown as utilized in the UCs submitted to the DOC and actual expenditures incurred by the IAs. Against total expenditure of Rs. 24.61 crore incurred on 20 Projects during 2002-07 (up to December 2006), the Nodal Department submitted progress reports to the DOC indicating total expenditure of Rs. 35.90 crore.

- Although 11 UCs for Rs 10.72 crore remained outstanding as of January 2007 in six states in the NER viz. **Arunachal Pradesh, Assam, Mizoram, Nagaland, Tripura and Sikkim**, the nodal agency viz. Agricultural and Processed Food Products, Export Development Authority (APEDA) had already submitted the UC to the DOC on the basis of releases made, rather than utilisation.

- 23 Utilization Certificates amounting to Rs.118.51 crore submitted by the nodal agencies of 7 states **(Andhra Pradesh, Haryana, Kerala, Madhya Pradesh, Punjab, Tripura, and West Bengal)** did not mention the kinds of checks exercised by them. It was not clear as to how the DOC ensured that the UCs were submitted only after actual utilization of the funds.

- Similarly, **under EDF for NER,** UCs submitted by various private bodies/societies/Export Promotion Councils against funds sanctioned to them during 2002-03 to 2005-06 for projects implemented in the states of **Arunachal Pradesh, Assam, Manipur, Nagaland and Tripura** revealed that in 12 cases, the UCs for Rs. 10.04 crore were not supported by the audited statements of accounts. Further, the UCs either did not mention the kinds of checks exercised or were submitted only on the basis of physical verification. Since 10 out of 12 beneficiaries were private bodies, it was not clear as to how the department ensured proper utilization of the funds.

Reply of DOC

In its reply (June 2007), the DOC stated that the cases referred by audit were being cross checked from the files and wherever necessary, the concerned agencies from the States/ UTs/ Central sector would be reminded to send the requisite utilization certificates in the proper format immediately.

6.2.9 Non-leveraging of ASIDE Funds

One of the main objectives of the scheme was to encourage State Government and Private sector participation. It was made mandatory for the States to spend at least 50 percent of their allocation on implementing projects with private participation to leverage ASIDE funds from 2003-04. Test check of records in the DOC, however, revealed that

- In **Andhra Pradesh, Andaman and Nicobar, Goa, Himachal Pradesh, Manipur, Lakshadweep, Meghalaya and Pondicherry,** there was no contribution from both the private sector and the state government in the infrastructure projects from 2002-03 to 2005-06.

- Private participation was insignificant in **Chhattisgarh, Kerala, Maharashtra and Uttar Pradesh.**

- While there was state government contribution to some extent in **Assam, Chandigarh, Jammu and Kashmir, Mizoram, Madhya Pradesh, Nagaland, Tripura and West Bengal,** there was no private sector participation.

- Although the total project cost approved in **Jharkhand, Orissa and Uttarakhand** included private participation to the extent of Rs. 97.43 crore, Rs. 135.54 crore and Rs. 51.45 crore respectively, there was nil expenditure against private funds in these states upto March 2006.

- Although the project cost in **Orissa, Tripura, Uttarakhand and West Bengal** included state contribution, there was no expenditure from state funds.

Therefore, the scheme objective of ensuring state and private sector participation remained elusive.

Reply of DOC

In its reply (June 2007), the DOC stated that

- From time to time, the objectives of ASIDE had been explained to the representatives of the States/ UTs/ Central agencies.
- Recently, in a meeting chaired by Special Secretary (ASIDE) in April 2007, it had been reiterated that each State should maintain a list of projects, which would have potential for immediate execution and commitment for participation from private sector partners and already had necessary financial sanction of States or other agencies for approval of SLEPC.
- Generally, the scheme had been able to leverage funds substantially. With regard to States that were lacking on this count, it was proposed that a suitable penalty be imposed on them so that the mandatory guideline of ASIDE to leverage ASIDE funds was complied with.

6.2.10 Other irregularities

The Guidelines stipulated that wherever feasible, service charges for meeting the expenditure on operation and maintenance of the infrastructure so created should be charged from the users. However, it was noted by Audit that in **Chattisgarh**, no user charges were being recovered from the users in respect of three works completed with an investment of Rs. 7.08 crore, although the project reports envisaged collection of the same and units in one project had also agreed to pay the charges. Further, in **Manipur,** no user charges were fixed for utilization of the infrastructure projects like Convention Centre with stay facility, Warehouse and Weighbridge which were created during 2002 to 2006. In reply, the Nodal Department of Manipur State stated (January 2007) that the matter was under consideration of the SLEPC.

The General Financial Rules stipulate that before a grant is released to non-government grantee institutions, they should be asked to execute a bond with two sureties to prevent diversion or misutilization of Government funds. Test check of the records in the DOC relating to EDF for NER showed that while releasing the grants to the NGOs/Private Associations, the nodal agency did not get the bonds executed.

Reply of DOC

In its reply (June 2007), the DOC stated that these observations had been noted for future compliance and would be brought to the notice of States/ UTs/ Central agencies.

Recommendation

The DOC should ensure that interest accruing to the State Governments on ASIDE funds is either recovered or adjusted against future allocations. It should also take strict action against agencies, who do not submit utilization certificates in time. Further, the DOC should immediately take penal and other corrective action to

ensure leveraging of ASIDE funds with funds from the State Governments and private parties.

6.3 Project Planning and Execution

6.3.1 Project Planning

6.3.1.1 Lack of proper planning

Audit noticed that the department in August 2001 had entrusted a study on the evaluation of the CIB projects to the National Council of Applied Economics Research (NCAER) to be completed in six months, so that the feedback gathered through such evaluation could be a critical input in the formulation of the ASIDE scheme. However, while NCAER's draft and final reports were submitted only in October 2002 and March 2004 respectively, the ASIDE scheme was launched in March 2002 itself, obviously without benefiting from the inputs from the evaluation of CIB projects.

Further, the scheme guidelines provided that the Export Commissioner of the state, as the convener of SLEPC, should draw up five year/annual export plans in consultation with the trade and industry, the Export Promotion Councils and the DOC. Test check of records in the selected states, however, revealed that in seven [7] out of eight selected states**,** no such five year/ annual export plans were prepared. Absence of such export plans indicated at best ad-hoc planning by the State Governments.

Reply of DOC

In its reply (June 2007), the DOC stated that States/ UTs had been advised on several occasions about the need for having a shelf of good infrastructure projects. Recently, in a meeting held in the DOC in April 2007, they were again advised to prepare a shelf of good infrastructure projects for taking up under ASIDE scheme and share best practices amongst them. It was emphasized that export oriented clusters may be identified, infrastructure gaps in these clusters may be assessed and projects to fill these gaps may be implemented, preferably in PPP[8] mode, so as to increase exports from these clusters.

6.3.1.2 Non-approval by SLEPC/Administrative Authority

In **West Bengal**, eight projects involving ASIDE cost of Rs. 20.46 crore (total cost Rs. 27.10 crore) were taken up without the approval of SLEPC, which was irregular.

In Manipur, no administrative approval of the nodal department of the state was taken for any of the 46 projects undertaken by the IA during the years 2002-06. Expenditure sanction had also not been accorded in any case. The audit findings were confirmed by the nodal department in the exit conference held with audit.

Reply of DOC

In its reply (June 2007), the DOC stated that the State Governments were being asked to clarify as to why proposals without proper approval from SLEPC/ administrative authorities were taken up from ASIDE funds.

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[7] Chhattisgarh, Himachal Pradesh, Maharashtra, Manipur, Orissa, Uttar Pradesh and West Bengal
[8] PPP: Private Public Partnership

6.3.1.3 Incomplete project reports

Scheme guidelines provided that the DPRs should include details on different specified parameters viz. total cost of the project, financing pattern, whether land, if required, was available for the project, project phasing and date of completion, scope of work, detailed cost benefit analysis, details of cost of each component of the project, benefits accruing from the project in both qualitative and quantitative terms for growth of exports etc. All aspects related to projects should also be supported by the data, surveys, projection for future etc.

Test check of records in the selected states, however, revealed that in six[9] out of the eight selected states, the project proposals did not contain either one or more of the requisite details, as discussed below:

- In **Chhattisgarh,** the project reports in respect of all the four projects test checked were prepared without conducting detailed study/analysis and supported by data.
- In **Himachal Pradesh**, the project proposals were not supported by data, surveys, and projections for future. Neither was the linkage of projects with exports, nor was detailed cost benefit analysis conducted. The benefits supposed to accrue from the project in both qualitative and quantitative terms for growth of exports were also not given in the proposals.
- In **Maharashtra,** although the details of survey conducted and data collected project-wise were incorporated in the respective project reports, the data incorporated in ten project reports were incomplete and inadequate**.** The estimated benefits accruing from the projects i.e. boost in exports, were not based on any actual export details. Further, the probable date of completion of projects was not mentioned in any of the project reports scrutinized by Audit.
- **In Manipur,** the SLEPC had, from time to time, approved projects on the basis of estimates prepared by the Nodal/Implementing Agency, which did not contain details like the total cost of the project, benefits accruing from the project in both qualitative and quantitative terms, for growth of exports etc.
- In **Orissa,** 19 out of 20 project proposals did not contain details like the total cost of the project, financing pattern, project phasing and date of completion, scope of work etc. DPRs were also not supported by data, surveys and projections for futures.
- In **West Bengal**, out of 25 projects, 22 were approved only on the basis of estimates submitted by the implementing agencies of the respective projects.

Absence of details, therefore, indicated lack of proper scrutiny, rendering the outcome of the investment unverifiable.

Reply of DOC

In its reply (June 2007), the DOC stated that suitable instructions would be issued to States/ UTs reiterating that DPRs should contain the requisite details, and it should also be ensured that all aspects related to projects were supported by data, surveys, projections for future etc. The reply indicates that the DOC does not have a

[9] Chhattisgarh, Himachal Pradesh, Maharashtra, Manipur, Orissa and West Bengal

mechanism for proper scrutiny of projects even after five years of completion of the scheme.

6.3.2 Project Execution

6.3.2.1 Incomplete and suspended ASIDE and CIB projects

Scheme guidelines envisaged that before sanctioning new projects, the SLEPC should allocate funds for the likely expenditure of ongoing projects and should ensure that, except in exceptional cases, no new project had a gestation period of more than two years. Audit, however, noticed that 97 state sector projects in 24 states involving ASIDE contribution of Rs. 544.80 crore (expenditure incurred being Rs. 156.56 crore) and 50 central sector projects involving ASIDE contribution of Rs. 164.01 crore (expenditure incurred being Rs. 81.51 crore) remained incomplete after the maximum gestation period of two years, or after lapse of the scheduled period of their completion. Details are in **Annexure 15 and 16**.

Test check of records in the DOC revealed that 46 CIB projects **(Annexure 17),** which were approved during 1997-98 to 2001-02, were still incomplete after merger of the scheme with ASIDE and after incurring of an expenditure of Rs.52.76 crore. The reasons for the delay were not available in the DOC.

6.3.2.2 Delayed completion of projects and Time & Cost overrun

The audit showed that there were delays in completion of 18 central **(Annexure 18)** and 51 state sector projects **(Annexure 19)** ranging between 6 to 78 months. The reasons for the delay in completion of some projects, which could be ascertained from records included non-availability of site, delayed release of funds by the State Government, additional work, heavy rains etc.

Audit scrutiny also revealed escalation of cost of Rs. 2.62 crore in 2 states as under:

- **In Orissa,** the Nodal Agency released the funds to one project after 3 years of approval, which resulted in delay in completion and escalation of cost of the project by Rs. 0.21 crore.
- In **Uttar Pradesh,** before taking up a project relating to construction of Railway Over Bridge, the Nodal Authority did not obtain approval of Railway authorities, which resulted in delay in completion of the project and escalation of cost by Rs. 2.41 crore.

Reply of DOC

In its reply (June 2007), the DOC stated that the agencies would be instructed to get the completion of projects expedited and ensure that in future every project was completed as per the implementation schedule, so that cost of escalation was avoided. The reply indicates that the DOC was unable to monitor the progress of the projects.

6.3.2.3 Projects not yielding desired results

In **Chattisgarh, Himachal Pradesh, Jammu and Kashmir, Karnataka, Maharashtra, Manipur, Orissa and West Bengal,** an expenditure of Rs. 19.98 crore incurred on projects **(detailed in Annexure 20)** was rendered unfruitful on account of rescinding the contract/project midway, incurring of expenditure on projects having no positive effect on exports, not using the infrastructure created etc., thus not obtaining value for money to that extent.

Reply of DOC

In its reply (June 2007), the DOC stated that the agencies would be instructed to undertake fool proof planning and preparatory work so as to avoid such situations in future, and also to have an appropriate penalty clause in the contract signed with the executing agency/ contractor.

6.4 Inadequate monitoring

Successful implementation of a scheme is dependent upon proper monitoring. It was, however, noticed that there was lack of proper monitoring of the scheme, as discussed below:

6.4.1 Central Level

At the central level, an Empowered Committee was to periodically review the progress of the scheme and to ensure achievement of its objectives. It was, however, observed that:

- In respect of Central sector projects, only one review meeting was held in 2005-06 by the committee since the inception of the Scheme with the central agencies.
- As regards the state sector projects,
  - ➢ Although one meeting each on different dates was held with different states agencies between 2002-03 and 2004-05, no minutes were recorded in respect of six out of 12 meetings held during 2003-04 and 2004-05.
  - ➢ During 2005-06, only one meeting was held with the southern states, for which too minutes were not recorded.
- Similarly, only one review meeting was held on EDF for NER scheme since its inception, for which also no minutes were recorded,

In the absence of periodical review meetings and without recorded minutes of the meetings, audit could not ascertain results, if any, of those reviews and the specific interventions or solutions formulated by the department in coordination with the state agencies.

6.4.1.1 Lack of DOC representation

As per the guidelines, the meetings in which the projects were scrutinized/approved by SLEPCs were to be attended by representatives of the DOC. It was noted that the DOC was not represented in any of the meetings held in **Chattisgarh, Haryana, Himachal Pradesh, Maharashtra and Orissa** during 2002-03 to 2005-06. In **Uttar Pradesh,** the DOC representative attended only one out of six meetings. In the absence of regular attendance by the representatives of DOC, it was not clear as to how the department ensured fairness and objectivity in appraisal of the proposals sanctioned in those states.

Reply of DOC

In its reply (June 2007), the DOC stated that in addition to the representative of the DOC, the Joint DGFT and DC, SEZ in the States had been nominated member of the SLEPCs to ensure proper approval and for monitoring the implementation/ evaluation of projects.

Recommendation

The DOC should ensure that the DOC representatives attend all the meetings of SLEPC to ensure fair approval and proper monitoring.

6.4.2 State level Monitoring

The State Level Export Promotion Committee (SLEPC) was to meet quarterly and oversee the implementation of the Scheme. Scrutiny of records in the selected states, however, revealed that their meetings were not held on regular intervals as shown in **Table 5** below:

Table 5 : State wise details of meetings held

S.No.	Name of state	No. of meetings held against requirement of 16 meetings during 2002-03 to 2005-06
1	Chattisgarh	1
2	Haryana	5
3	Maharashtra	6
4	Manipur	4
5	Himachal Pradesh	10
6	Uttar Pradesh	6
7	Orissa	5
8	West Bengal	3

Further, the nodal officer/agency of a state was also to review/inspect the progress of the projects to see that funds were spent for the scheme and also to ensure achievement of the objectives of the scheme. It was, however, noticed that:

- In **Manipur,** no year-wise physical and financial progress reports were available separately for each year for each project.
- **In Himachal Pradesh, Uttar Pradesh** and **Orissa,** no physical and financial progress reports were obtained by NAs from IAs.
- In **West Bengal,** the IAs did not submit monthly/quarterly progress reports indicating actual expenditures incurred by them to the Nodal department. The Nodal Department submitted quarterly reports and utilization certificates to the DOC without verifying the progress of works and actual expenditure incurred by the IAs.

Reply of DOC

In its reply (June 2007), the DOC stated that the audit observations were being brought to the notice of the States/ UTs for strict compliance.

6.4.3 Project level

The department, in 2003, nominated 16 officers at the project level from different SEZs /Regional offices of Director General of Foreign Trade who were to physically inspect the state sector projects. After inspection of all projects of the state, a consolidated report in the prescribed format containing details such as main components of the project, physical progress of the project viz. date of start of project, scheduled period of completion, present status, month/year of completion, quality of work, financial details viz. cost of the project, funds released/utilized, and impact on exports etc. was to be prepared for the State and a copy of the same was to be sent to the DOC, the State Government and the Nodal Agency of the State. The State Government was to place the inspection report before the SLEPC in its next meeting for taking appropriate decisions and issuing appropriate directions to the concerned agencies, if so required. In addition to the 16 officers, the DOC had also nominated their senior officers as Nodal Officers for groups of states/UTs to maintain interaction with the concerned agencies in the states for monitoring the progress of projects.

Audit, however, noticed that inspections of the projects were not being done properly. Out of 520 CIB/ASIDE projects under implementation/completed in 32 states during the years 2003-04 to 2005-06, the nominated officers visited only 202 projects in 18 states during 2003-04 to 2005-06. Even in respect of these visits, inspection reports in respect of 131 projects submitted by them were incomplete and not in the prescribed format. Further, there was no record in the DOC of the inspection reports being forwarded to the concerned State Governments/Nodal Agencies for taking further corrective action.

As regards monitoring of the central sector projects, the concerned central agencies were required to constitute a committee to implement and monitor the projects, in which a representative of the DOC was also to be included. However, no records relating to monitoring of the central projects were produced to Audit, in the absence of which it could not be ascertained how many projects were physically inspected by officers of the DOC.

For monitoring the progress in implementation of the projects under EDF for NER, the concerned beneficiaries were to send quarterly performance figures to the department through APEDA. The physical verification of those projects was being done through APEDA and the concerned departments of the States. Test check of records, however, revealed that out of the total 179 quarterly reports due to be received from 22 beneficiaries during the years 2001-02 to 2005-06, the department received only 21 reports from 13 beneficiaries. Further, most of the progress reports submitted by the beneficiaries did not give the physical and financial status of the projects in quantitative terms. Regarding physical verification of the projects, only 7 out of the 22 projects were physically verified by the concerned nodal agency/state government during the last four years. Audit noted that though the DOC, on coming to know that the progress in respect of projects implemented in Nagaland was not satisfactory, had in 2005 asked the State Government to physically inspect the projects and give a report. No further progress was made in this regard as of February 2007, as the state government had not conducted the inspection or taken action against the defaulting agencies.

6.4.4 Web-enabled Monitoring system

The status of physical and financial progress of the scheme/projects was also monitored by the DOC through the Quarterly Progress Reports (QPR) furnished by the nodal agencies of the states on the web-enabled monitoring system. However, test check of the status reports available on the web site for the period 2002-03 to 2005-06 revealed several deficiencies and shortcomings regarding completeness and accuracy of data/reports. A few significant instances are discussed below:

- 16 States[10] had submitted 32 QPRs after a delay of more than one month to 44 months after closure of the respective quarters, while four States/UTs [11] had never submitted the physical and financial progress reports.
- As of February 2007, the status of 33 projects (being executed by 18 central agencies) had not been updated for more than one year, the earliest period being December 2003.
- The same QPRs showing the amount of expenditure incurred by the states during the years 2002-03 to 2005-06 downloaded from the web-site on different dates between June 2006 and March 2007 showed different figures of expenditure, which indicated that data/reports previously entered were altered by the nodal agencies, thus casting doubts on the reliability and authenticity of such data entry. Details of a few such discrepancies are given in **Table 6** below:

Table 6: Discrepancy in web-based database

(Rs. in crore)

Year	**Amount shown as spent by all States/UTs during the year as per QPR dated 9.6.06**	**Amount shown as spent by all States/UTs during the year as per QPR dated 19.12.06**	**Amount shown as spent by all States/UTs during the year as per QPR dated 12.3.07**	**Remarks**
1	2	3	4	5
2002-03	105.58	104.00	104.00	There was a difference of Rs. 1.58 crore between col. 2 and 3
2003-04	221.42	217.79	217.79	There was a difference of Rs. 3.63 crore between col. 2 and 3
2004-05	226.13	225.97	225.97	There was a difference of Rs. 0.16 crore between col. 2 and 3
2005-06	236.32	264.77	266.00	There was a difference of Rs. 28.45 crore between col. 2 and 3 and Rs. 1.23 crore between col. 3 and 4

- Amounts of Rs. 0.41 crore, Rs. 6.72 crore and Rs. 0.12 crore earned as interest by Chhattisagarh, Maharashtra, and Manipur respectively on ASIDE funds during the years 2002-03 and 2005-06 were not shown in the QPRs.

[10] Andaman and Nicobar, Andhra Pradesh, Assam, Chandigarh, Chhattisgarh, Delhi, Gujarat, Himachal Pradesh, Jammu and Kashmir, Jharkhand, Karnataka, Kerala, Meghalaya, Nagaland, Punjab, Rajasthan

[11] Arunachal Pradesh, Bihar, Dadar and Nagar Haveli and Daman and Diu

- There were discrepancies in the amounts actually utilized/reported by the Nodal Agency and the figures of expenditure reflected by six states on the web-site during the years 2002-03 to 2005-06, as detailed in **Table 7** below:

Table 7: Discrepancy in expenditure figures

(Rs. in crore)

Name of the state	**Actual expenditure seen from records/reported by NA**	**Expenditure reflected on web-site**	**Difference**
Himachal Pradesh	18.43	20.78	2.35
Jharkhand	1.47	7.93	6.46
Maharashtra	116.99	113.72	3.27
Manipur	4.83	5.12	0.29
Orissa	4.08	17.18	13.10
Uttar Pradesh	43.48	42.79	0.69

The above examples, therefore, showed that the web based monitoring system suffered from inadequacies and deficiencies in data entry and updating.

Reply of DOC

In its reply (June 2007), the DOC stated that suitable instructions had already been issued to States/ UTs in February 2007. Further, in the meeting held in April 2007, the recommendations of IDCL were emphasized before the representatives of the States/ UTs for compliance. The Nodal Agencies had again been directed to undertake inspections in the States/ UTs allocated to them.

Recommendations

1. The DOC should improve its monitoring mechanism to ensure that all the projects are inspected physically on a regular basis and necessary timely corrective actions taken thereon.

2. The deficiencies in the web based monitoring system may also be removed on priority by evolving a practicable action plan.

7 Conclusion

The ASIDE scheme was intended to establish a mechanism for involving the State Governments in creating appropriate infrastructure for the development and growth of exports through assistance linked to export performance. However, due to lack of linkage of projects with export activities, and also non-linkage of release of funds with export performance, the impact of ASIDE funds on promotion of export activities could not be verified.

The physical and financial progress of the scheme was far from satisfactory, as a large number of projects under the State sector remained incomplete, while there were significant delays in completion of other projects. Audit also noted numerous instances of diversion of funds, excess releases, non-leveraging of scheme funds with private sector funds and inordinate delays in utilization of funds. The mechanism for monitoring of the scheme at various levels was also inadequate. The DOC needs to ensure that ASIDE funds are disbursed only to infrastructure projects with direct linkage to exports, and also put in place an effective mechanism for monitoring project planning and execution.

(K.R. SRIRAM)
New Delhi **Principal Director of Audit**
Dated: **Economic and Service Ministries**

COUNTERSIGNED

New Delhi **(VIJAYENDRA N. KAUL)**
Dated: **Comptroller and Auditor General of India**