

UNFRUITFUL EXPENDITURE ON ESTABLISHMENT OF SPECIFIC PATHOGEN FREE SHRIMP SEED MULTIPLICATION CENTRE – (NFDB)"

[Action Taken by the Government on the Observations/Recommendations of the Committee contained in their 33rd Report (16th Lok Sabha)]

**MINISTRY OF AGRICULTURE AND FARMERS
WELFARE
(DEPARTMENT OF ANIMAL HUSBANDRY, DAIRYING
AND FISHERIES)**

**PUBLIC ACCOUNTS COMMITTEE
(2018-19)**

ONE HUNDRED AND SEVENTH REPORT

SIXTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

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**MINISTRY OF AGRICULTURE AND FARMERS
WELFARE
(DEPARTMENT OF ANIMAL HUSBANDRY, DAIRYING
AND FISHERIES)**



Presented to Lok Sabha on:

Laid in Rajya Sabha on:

**LOK SABHA SECRETARIAT
NEW DELHI**

August, 2018 /Shrawana, 1940 (Saka)

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- I Minutes of the 10th sitting of the Public Accounts Committee (2018-19) held on 30th July, 2018.
- II Analysis of the Action Taken by the Government on the Observations/Recommendations of the Public Accounts Committee contained in their Ninety-third Report (Sixteenth Lok Sabha)

**Not appended to the cyclostyled copy of the Report*

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (18-19)

Shri Mallikarjun Kharge - Chairperson	
<u>M E M B E R S</u>	
<u>L O K S A B H A</u>	
2.	Shri Subhash Chandra Baheria
3.	Shri Sudip Bandyopadhyay
4.	Shri Prem Singh Chandumajra
5.	Shri Gajanan Chandrakant Kirtikar
6.	Shri Bhartruhari Mahtab
7.	Smt. Riti Pathak
8.	Shri Ramesh Pokhriyal "Nishank"
9.	Shri Janardan Singh Sigriwal
10.	Shri Abhishek Singh
11.	Shri Gopal Shetty
12.	Dr. Kirit Somaiya
13.	Shri Anurag Singh Thakur
14.	Shri Shivkumar Chanabasappa Udasi
15.	Dr. Ponnusamy Venugopal
<u>R A J Y A S A B H A</u>	
16.	Prof. M. V. Rajeev Gowda
17.	Shri Bhubaneswar Kalita
18.	Shri Shwaiit Malik
19.	Shri Narayan Lal Panchariya
20.	Shri Sukhendu Sekhar Roy
21.	Vacant
22.	Vacant
	SECRETARIAT
1.	Shri A.K. Singh - Additional Secretary
2.	Shri T. JayaKumar - Director
3.	Smt. Anju Kukreja - Under Secretary

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2018-19), having been authorised by the Committee, do present this One Hundred and Seventh Report (Sixteenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Thirty-third Report (Sixteenth Lok Sabha) on "Unfruitful Expenditure on Establishment of Specific Pathogen Free Shrimp Seed Multiplication Centre – (NFDB)" relating to Ministry of Agriculture and Farmers Welfare (Department of Animal Husbandry, Dairying and Fisheries)

2. The Thirty-third Report was presented to Lok Sabha/laid in Rajya Sabha on 22nd December, 2015. Replies of the Government to all the Observations/Recommendations contained in the Report were received. The Public Accounts Committee considered and adopted the One Hundred and Seventh Report at their sitting held on 30th July, 2018. Minutes of the sitting are given at Appendix I.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

5. An analysis of the action taken by the Government on the Observations/ Recommendations contained in the Thirty-third Report (Sixteenth Lok Sabha) is given at *Appendix*.

NEW DELHI;
1 August,2018
10 Shravana, 1940 (Saka)

MALLIKARJUN KHARGE
Chairperson,
Public Accounts Committee

REPORT
PART – I

This Report of the Committee deals with the Action Taken by the Government on the Observations and Recommendations contained in their 33rd Report (16th Lok Sabha) on the subject "**Unfruitful Expenditure on Establishment of Specific Pathogen Free Shrimp Seed Multiplication Centre – (NFDB)**" based on Para 2.1 of the C&AG Report No. 23 of 2013 relating to the Ministry of Agriculture and Farmers Welfare (Department of Animal Husbandry, Dairying and Fisheries).

2. The Thirty-third Report (16th Lok Sabha) was presented to the Lok Sabha on 22nd December, 2015/laid in Rajya Sabha on 23rd December, 2015. It contained 13 Observations/Recommendations. Action taken Notes in respect of all the Observations/Recommendations have been received from the Ministry of Agriculture and Farmers Welfare (Department of Animal Husbandry, Dairying and Fisheries) and these have been categorized as under:

(i) Observations/Recommendations of the Committee which have been accepted by the Government:

Para Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12 & 13

Total: 13
Chapter – II

(ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government:

Para Nos. NIL

Total: NIL
Chapter – III

(iii) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:

Para Nos. NIL

Total: NIL
Chapter – IV

(iv) Observations/Recommendations in respect of which Government have furnished interim replies:

Para Nos. NIL

Total: NIL
Chapter – V

3. In their 33rd Report (16th Lok Sabha), the Committee observed that due to shortage of disease-free shrimp brood stock, Ministry of Agriculture and Farmers Welfare decided on 27th June, 2006, to set up a Specific Pathogen Free Multiplication Centre (SPF-MC) in India as a joint programme by importing quality seed of *Penaeus monodon* from reputed international companies. The primary objective of setting up of SPF-MC in India was an extremely well- intended, the purpose being to produce disease- free seed of black tiger shrimp (*Penaeus monodon*) and to supply them to shrimp farmers who were facing acute shortage of disease-free shrimp breed stock. In the same meeting it was decided that the proposal of M/s MOANA Technologies, Hawaii, USA (the firm) of bringing the seed to India may be considered.

Further the records of NFDB revealed that though an amount of `5.82 crore was incurred on various activities relating to the establishment of SPF-MC, the facility had not been set up till April 2013. Further, scrutiny by Audit disclosed the following shortcomings in the award of work:

- Responding to a simple proposal, the project was awarded to MOANA after evaluating the technical capabilities but without assessing its financial capabilities. The auditor of MOANA, M/s Ernst & Young, Hong Kong, which conducted the audit of the Financial Statements of MOANA from 18.11.2005 (date of incorporation to 31.12.2009, gave (December, 2011) disclaimer of opinion and observed that the company's ability to continue on going concern basis was doubtful.

- The agreement did not provide for any performance related security to ensure performance of the terms of agreement and for safeguarding the interest of the Government in the event of default by MOANA. As per the agreement MOANA in addition to providing of drawings was required to perform supervision of the construction and commissioning of SPF-MC. The decision to make payment of 90 percent of the agreed amount upon mere submission of the drawings without construction and commissioning of SPF-MC and without any security was injudicious.
- No date for completion of and operation of SPF-MC was mentioned in the agreement.
- Neither any time-frame for MTIPL-JVC to sign the license agreement nor any penalty clause in the event of not signing the agreement was included in the agreement.

4. The Committee in their 33rd Report (16th Lok Sabha) on the subject had made the following important observations/recommendations:

- (i) The Committee had desired the Ministry of Agriculture and Farmers Welfare to look into all the circumstances and facts which restrained them to consider the other four companies for the same project.
- (ii) The Committee had emphasized that in case of continuance of the project, suitable security clause be incorporated in the revised agreement to ensure accountability of the company in case of delay.
- (iii) Taking note of the inordinate delay in setting up and operation of SPF-MC, the Committee recommended that in future such agreements need to be addressed threadbare to ensure completion of such projects within the barest possible time.
- (iv) The Committee recommended that measures be implemented expeditiously with a view to optimum utilization of the land acquired.

(v) The Committee desired that either the amount paid to the MOANA be obtained from them or the project be completed expeditiously.

(vi) The Committee also desired the Ministry to chalk out a detailed plan for the time bound execution of the project so as to ensure early setting up of SPF-MC to facilitate supply of disease free seeds of *Penaeus monodon* to shrimp farmers in the country.

5. The Action Taken Notes furnished by the Ministry of Agriculture and Farmers Welfare (Department of Animal Husbandry, Dairying and Fisheries) to each of the Observations/Recommendations of the Committee contained in their 33rd Report (16th Lok Sabha) have been reproduced in the relevant chapters of this Report. In the succeeding paragraphs, the Committee have dealt with the action taken by the Government on some of their Observations/Recommendations.

A. **Delay in Submission of Action Taken Notes**

6. The 33rd Report (16th Lok Sabha) of the Public Accounts Committee was presented to Lok Sabha on 22nd December, 2015 and laid in Rajya Sabha on 23rd December, 2015. As per procedure, the Ministry of Agriculture and Farmers Welfare (Department of Animal Husbandry, Dairying and Fisheries) were required to furnish the Action Taken Notes duly vetted by Audit, on the observations and recommendations as contained in the Report within a period of six months from the presentation/laying of Report in Parliament i.e. by 22nd June, 2016. However, the vetted Action Taken Notes were received in this Secretariat only on 6th July, 2018.

7. **The Committee note that as per prescribed procedure the Ministry of Agriculture and Farmers Welfare (Department of Animal Husbandry, Dairying and Fisheries) were required to furnish the Action Taken Notes on the observations/recommendations as contained in 33rd Report**

(16th Lok Sabha) within six months of the presentation/laying of the Report in Parliament i.e. by 22nd June, 2016. However, the Committee are constrained to observe that the Ministry have submitted the Action Taken Notes after an inordinate delay of more than two years. The Committee are concerned over the inexplicable delay in submission of Action Taken Notes. The Committee would like to be apprised of the reasons for their failure in timely submission of Action Taken Notes and fix responsibility against the concerned officials.

**(B) Demarcation and fencing of Land acquired for establishment of SPF Shrimp Seed Multiplication Centre (MC)
(Recommendation Para No. 11)**

8. The Committee were anguished to note that as there had been no decisions to give up the project, there were no plans of the Ministry for utilizing the land of 97.45 acres acquired at Srikakulam District in Andhra Pradesh at a cost of ` 2.85 crore for any alternative purpose. Upon noticing that though several alternatives were explored by the Ministry, the land acquired was not put to use as of June, 2015 to achieve the intended objective of setting up a SPF-MC, the Committee had recommended that such measures be implemented expeditiously with a view to optimise utilization of the land acquired.

9. In the Action Taken Notes, the Ministry of Agriculture and Farmers Welfare (Department of Animal Husbandry, Dairying and Fisheries) have stated as under:

“Matter of Fact. The Committee’s recommendations are noted. In future measures as suggested by the Committee would be considered for optimum utilization of the land acquired.

2. Further, it is stated that a meeting was held with the representatives of the M/s. MOANA Technologies, at NFDB, Hyderabad on 13th January, 2016 and the following position emerged:

a) Moana Technologies is no longer willing to move forward on the committed project: 'SPF-Shrimp Seed Multiplication Centre' in view of the changed circumstances.

b) Further, the entire amount paid in Indian rupees by the NFDB to the Moana Technologies would be refunded in a single instalment soon after an approval to that effect is communicated to them by the NFDB/ Government of India.

3. As for the alternative steps to be taken up in the event of the Moana project not coming up, as suggested by the PAC, the Core Committee constituted in the Ministry felt that the site may be utilized for any of the following projects as below, subject to the decision by the Ministry:

- Selective breeding programme for *Penaeusindicus* with suitable modifications in design, on a PPP mode,(or)
- Promoting alternative indigenous/ commercially important shrimp/fin fish, (or)
- Establishment of an Institute for Fisheries Resource Development for running extension training centers /skill –up gradation centers for all categories for Fishers, Students, Professions giving more emphasis on fisheries HRD programs, (or)
- Establishment of Technology Demonstration projects in collaboration with RGCA/ MPEDA/ICAR Fisheries Institutes.

4. The Chief Executive, NFDB visited the SPF MC project site on 23rd September, 2015 and conducted meeting with the concerned State department officers and the District Collector, Srikakulam. The land has been demarcated and CPWD submitted a proposal and estimate for constructing a fencing/boundary wall for the site."

10. In their 33rd Report (16th Lok Sabha) the Committee had recommended the Ministry of Agriculture and Farmers Welfare (Department of Animal Husbandry, Dairying and Fisheries) to ensure that the suggested measures be implemented expeditiously with a view to optimum utilization of land acquired for the project at Srikakulam for other alternative purposes despite leaving it vacant for such a long

period. National Fisheries Development Board (NFDB) had taken possession of 97.45 acres of land at Mulapolam village, Sompeta Mandal of Srikakulam Distt. of AP from the Revenue Department, Government of AP on 10.03.2007 against payment of `2.85 crore. In their Action Taken Notes the Ministry have stated that on 23 September, 2015, Chief Executive of NFDB held meeting with concerned State Department and District Collector, Srikakulam and accordingly the land has been demarcated and CPWD submitted a proposal and estimate for construction of a fencing/boundary wall for the site. The Committee are appalled to note that inspite of encroachments of Government land in various parts of the country, the NFDD took 8 years even to get the land demarcated and arriving at a decision to construct fencing/boundary wall of the acquired land, which is yet to materialized. What is further disquieting is that the Ministry failed to intimate the Committee the precise date by which fencing would be completed. While expressing deep concern over the failure of the Ministry to expedite the construction of fencing/boundary wall for the site, the Committee would like the Ministry to address the matter seriously and ensure that the land is fenced and put to use for other alternative purposes at the earliest.

NEW DELHI;
1 August,2018
10 Shravana, 1940 (Saka)

MALLIKARJUN KHARGE
Chairperson,
Public Accounts Committee