

INEFFECTIVE MONITORING BY APEDA

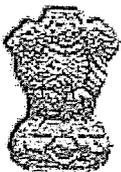
[Action Taken by the Government on the Observations/Recommendations of the Committee contained in their One Hundred and Twenty-third Report (16th Lok Sabha)]

**MINISTRY OF COMMERCE AND INDUSTRY
(DEPARTMENT OF COMMERCE)**

**PUBLIC ACCOUNTS COMMITTEE
(2020-21)**

EIGHTEENTH REPORT

SEVENTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

2199

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PUBLIC ACCOUNTS COMMITTEE
(2020-21)

(SEVENTEENTH LOK SABHA)

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MINISTRY OF COMMERCE AND INDUSTRY
(DEPARTMENT OF COMMERCE)



Presented to Lok Sabha on: 19-09-2020

Laid in Rajya Sabha on: 19-09-2020

LOK SABHA SECRETARIAT
NEW DELHI

September, 2020/Bhadrapada, 1942 (Saka)

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2020-21)

Shri Adhir Ranjan Chowdhury - **Chairperson**

MEMBERS

LOK SABHA

2. Shri T. R. Baalu
3. Shri Subhash Chandra Baheria
4. Shri Sudheer Gupta
5. Smt. Darshana Vikram Jardosh
6. Shri Bhartruhari Mahtab
7. Shri Ajay (Teni) Misra
8. Shri Jagdambika Pal
9. Shri Vishnu Dayal Ram
10. Shri Rahul Ramesh Shewale
11. Shri Rajiv Ranjan Singh alias Lalan Singh
12. Dr. Satya Pal Singh
13. Shri Jayant Sinha
14. Shri Balashowry Vallabhaneni
15. Shri Ram Kripal Yadav

RAJYA SABHA

16. Shri Rajeev Chandrasekhar
17. Shri Naresh Gujral
18. Shri C. M. Ramesh
19. Shri Sukhendu Sekhar Ray
20. Shri Bhupender Yadav
21. Vacant
22. Vacant

SECRETARIAT

1. Shri T. G. Chandrasekhar - Joint Secretary
2. Shri. M.L.K. Raja - Director
3. Smt. Bharti S. Tuteja - Additional Director

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2020-21), having been authorised by the Committee, do present this Eighteenth Report (Seventeenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their One Hundred and Twenty-third Report (Sixteenth Lok Sabha) on '**Ineffective Monitoring by APEDA**' relating to the Ministry of Commerce and Industry (Department of Commerce).

2. The One Hundred and Twenty-third Report was presented to Lok Sabha/laid on the Table of Rajya Sabha on 18 December, 2018. Replies of the Government to the Observations/ Recommendations contained in the Report were received on 20 March, 2020. The Committee considered the draft Report on the subject and thereafter adopted the Report at their sitting held on 28 August, 2020. Minutes of the sitting form appendix to the Report.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in **bold** 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 Committee Secretariat and 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 One Hundred and Twenty-third Report (Sixteenth Lok Sabha) is given at Appendix-II.

NEW DELHI;
17 September, 2020
26 Bhadrapada, 1942 (Saka)

Adhir Ranjan Chowdhury
Chairperson
Public Accounts Committee

CHAPTER - I

REPORT

This Report of the Public Accounts Committee deals with the Action Taken by the Government on the Observations and Recommendations of the Committee contained in their One Hundred and Twenty-third Report (16th Lok Sabha) on "Ineffective monitoring by APEDA" relating to the Ministry of Commerce and Industry (Department of Commerce).

2. The One Hundred and Twenty-third Report which was presented to Lok Sabha on 18th December, 2018 contained six Observations/Recommendations. The Action Taken Notes on all the Observations/Recommendations have been received from the Ministry of Commerce and Industry (Department of Commerce) and are categorized as under:

i. Observations/Recommendations which have been accepted by the Government:

Para Nos. 1, 2 and 6

Total: 03
Chapter – II

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

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. 3, 4 and 5

Total: 03
Chapter – IV

iv. Observations/Recommendations in respect of which Government have furnished interim replies/no replies:

NIL

Total: NIL
Chapter -V

3. The detailed examination of the subject by the Committee had revealed certain shortcomings/deficiencies on the part of Ministry of Commerce and Industry (Department of Commerce), Agriculture and Processed Food Products Export Development Authority (APEDA) and Spices Board (SB) which included inter-alia issues of non-inclusion of important clauses in Memorandum of Understanding (MoU) executed between APEDA and SB; Absence of monitoring mechanism; Recovery of unutilized funds with penal interest @ 10 per cent; Incorrect utilization of funds/Deviation of project; Failure to monitor the project at Spices Park, Guna; and Implementation of Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE).

4. The final Action Taken Notes furnished by the Ministry of Commerce and Industry (Department of Commerce) have been reproduced in the relevant chapters of this Report. The Committee will now deal with action taken by the Government on their Observations/Recommendations which either need reiteration or merit comments.

5. The Committee desire the Ministry of Commerce and Industry (Department of Commerce) to furnish Action Taken Notes in respect of Observations/Recommendations contained in Chapter I within six months of the presentation of the Report to the House.

Absence of monitoring mechanism

(Recommendation No. 2)

6. The Committee noted that APEDA released second instalment to SB in contravention of the provisions of clause 4 of the MOU which stipulated that the funds or facility shall not be diverted or utilized for the purpose other than for which it was sanctioned. The Committee were of the opinion that APEDA should have been careful in scrutiny of UC and more proactive in the way of monitoring the utilization of the funds by designating an officer to oversee the execution of the project. The Committee were also of the view that absence of provisions for submission of periodical progress report by SB in the

MOU gave them a free hand to utilize the funds at its disposal as per its whims and fancies. Although APEDA made repeated communications to the SB for submission of periodical progress reports, it proved futile. The Committee were further appalled to note the casual response of APEDA that though the MOU between APEDA and SB did not specifically contain any clause for physical inspection, as per prevailing practice APEDA conducted physical verification. The Committee were disappointed to note that ASIDE Scheme did not provide for physical inspection of the project before releasing further instalment. The Committee while noting that ASIDE Scheme provides for annual appraisal by an independent agency desired to be apprised of the details of yearly appraisals conducted by the independent agency in respect of the project under ASIDE scheme since its inception. The Committee also desired MoCI to scrutinize whether ASIDE guidelines were followed in execution of all the projects.

7. The Ministry of Commerce and Industry (Dept. of Commerce) in their Action Taken Notes have stated as under:-

“Under the Trade Infrastructure for Export Scheme (TIES), which was launched after discontinuation of erstwhile ASIDE Scheme, Price Waterhouse Coopers (PwC) has been engaged as Project Monitoring Agency (PMA) to assist in implementation of TIES. One of the Terms of Reference of PwC is to map the infrastructure created under the erstwhile ASIDE scheme. As part of this, PwC is assessing the functional/operational status of the assets created and modus operandi of maintenance of assets. The exercise is expected to be completed by March 2020.”

8. While vetting the above ATNs, the Audit made the following comments:-

“Ministry has not replied on the Committee’s opinion for designating an officer to oversee the execution of the project for careful scrutiny of UC and monitoring the utilization of funds.

In respect of ASIDE Scheme, the Ministry replied that they had engaged PwC to map infrastructure created under the erstwhile ASIDE Scheme during the implementation of TIES (new scheme). Further, Audit observed that no proper

monitoring mechanism was found to be developed to watch the proper utilization of grants before releasing subsequent instalments. Furthermore, no reply has been given by the Ministry on the desire of the Committee to scrutinize whether ASIDE guidelines were followed in execution of all the projects.”

9. In their further comments to the above said Audit observation, the Ministry stated as under:-

“As per the monitoring and review mechanism laid out in the guidelines of the (erstwhile) ASIDE Scheme, Nodal Officers/Assisting Officers were appointed in the Department of Commerce for monitoring and reviewing the progress and physical inspection of the projects sanctioned under the ASIDE scheme, The State/UT Agency/Central Agencies were required to submit a quarterly report to enable the Department to review the progress of utilization of funds released and this report also formed the basis for further release of funds by the Ministry. The progress of the Scheme was also reviewed by the Empowered Committee periodically.”

10. The Committee, in their Original Report, noted that Agriculture and Processed Food Products Export Development Authority (APEDA) released second instalment to Spices Board (SB) in contravention of the provisions of the MOU. The MOU *inter alia* stipulated that the funds or facility shall not be diverted or utilized for the purpose other than for which they were sanctioned and opined that APEDA should have been careful in scrutiny of Utilization Certificate and more proactive in the way of monitoring the utilization of the funds by designating an officer to oversee the execution of the project. The Committee observe that the Ministry has neither accepted the lapse of wrongful utilization of the funds pointed out by the audit nor given their response on the suggestion of designating an officer to oversee execution of the projects. The Committee reiterate that action has to be taken on the officials responsible for such lapses and a senior level officer in the Ministry, not below the level of Divisional Officer designated to monitor progress and completion of the projects. The Committee

were also of the view that absence of provisions for submission of periodical progress report by SB in the MOU gave them a free hand to utilize the funds as per their discretion. The Committee also noted that ASIDE Scheme did not provide for physical inspection of the project before releasing further installments and desired to be apprised of the details of yearly appraisals conducted by the independent agency in respect of the project under ASIDE scheme since its inception. The Committee also desired the Ministry to scrutinize whether ASIDE guidelines were followed in execution of all the projects. The Committee note from the reply of the Government that as per the monitoring and review mechanism laid out in the guidelines of the (erstwhile) ASIDE Scheme, Nodal Officers/Assisting Officers were appointed in the Department of Commerce for monitoring and reviewing the progress and physical inspection of the projects sanctioned under the ASIDE scheme. The State/UT Agency/Central Agencies were required to submit a quarterly report to enable the Department to review the progress of utilization of funds released and this report also formed the basis for further release of funds by the Ministry and the progress of the Scheme was also reviewed by the Empowered Committee periodically. The Committee would like to be apprised of the findings/ reports of the Nodal officer/ Assisting Officer appointed for the monitoring and reviewing the progress and physical inspection of the Spices Park in Guna and the quarterly reports submitted by the agencies concerned which formed the basis for further release of funds to the Spices Board; and the reports of the review by the empowered committee. The Committee also wish to be informed about the specific action taken by the Ministry to address the concern raised by Audit regarding the need for a proper mechanism for monitoring utilization of grants before releasing subsequent instalments. The Committee, further, reiterate that a comprehensive review of all the projects under the ASIDE Scheme may be made to ascertain whether all guidelines were followed in executing the projects so as to ensure that the same lapses are not repeated and improvements are made to strengthen the ongoing Trade Infrastructure for Export Scheme (TIES).

Recovery of unutilized funds with penal interest @ 10 per cent

(Recommendation No. 3)

11. The Committee noted that in compliance with the directions of MOCI, APEDA approved in its 71st meeting held on 24.06.2011, financial assistance of Rs. 6.12 crore to SB for setting up of cold storage of 3000 MT. For execution of the project, APEDA released total amount of Rs. 5.79 crore to SB. Subsequently, SB informed APEDA (July, 2016) that a cold storage of 374 MT capacity, instead of the mandated 3000 MT had been set up. Considering pro-rata cost of the storage capacity, so created, as Rs. 0.80 crore, APEDA requested SB to refund the balance amount of Rs. 4.99 crore. However, SB refunded (November, 2016) only Rs. 3.84 crore to APEDA. APEDA was unable to recover penalty of Rs. 0.87 crore from SB and also sustained a loss of Rs. 1.77 crore due to non-inclusion of a clause in the MOU regarding levying of interest @10% per annum on the unutilized grant refunded by SB. The Committee noted with concern that APEDA overlooked the clear directions of MoCI on insertion of penal and interest clauses and therefore, suffered financial loss. Though APEDA had asked (18 July, 2018) SB to refund the entire amount of Rs. 578.96 lakh alongwith 10% interest per annum, it was clear that APEDA acted only after the matter being pointed out by the Committee. The Committee, therefore, desired that APEDA should recover the entire amount with 10% interest per annum for the delayed period and apprise them within two months of the presentation of this report.

12. The Ministry of Commerce and Industry (Dept. of Commerce) in their Action Taken Notes have stated as under:-

“The entire principal amount of Rs. 578.96 lakh has been recovered by APEDA. As both APEDA and Spices Board are autonomous organisations under the Ministry of Commerce & Industry, largely dependent on the Government grants for their operational needs, the payment of interest by the Spices Board may not be insisted upon.”

13. While vetting the above ATNs, the Audit made the following comments:-

“Reply is factually incorrect as only Rs. 399.36 lakh has been recovered as of 31.03.2019 from Spices Board and not Rs. 578.96 lakh as stated in the reply. Further, no penal interest of 10% p.a. has been recovered.”

14. In their further comments to the above said Audit observation, the Ministry stated as under:-

“Spices Board had refunded the entire unutilized amount of Rs. 399.36 lakh, which had not been used for construction of cold storage. However, it was erroneously reported to the PAC that the entire principal amount of Rs. 578.96 lakh had been recovered from the Spices Board. The error is deeply regretted. Spices Board have refunded the balance amount of Rs. 179.60 lakh on 20.11.2019 and the entire principle amount of Rs. 578.96 lakh now stands refunded.

As regards penal interest, it is submitted that both APEDA and Spices Board are autonomous organisations under the Ministry of Commerce & Industry, largely dependent on the Government grants for their operational needs. Payment of penal interest may, therefore, kindly not be insisted upon as it would cut into the funds required for operational needs of the Spices Board. ”

15. The Committee in their Original Report noted that Agriculture and Processed Food Products Export Development Authority (APEDA) overlooked the clear directions of Ministry of Commerce and Industry (MoCI) on inserting penal and interest clauses in the MoU with the SB. Financial loss was suffered as it was unable to recover penalty of Rs. 87 lakhs from Spices Board (SB) and Rs. 1.77 crore due to non-inclusion of clause regarding levying of interest @ 10 per cent per annum on the unutilized grant. The Committee had, therefore, desired that APEDA should recover the entire amount of Rs. 578.96 lakh with interest @ 10 per cent per annum for the delayed period. The Committee note that the Ministry erroneously submitted that the entire principal amount of Rs. 578.96 lakh was recovered by APEDA. Only Rs. 399.36 lakh had been recovered till 31.03.2019

as pointed out by the Audit and this was later on accepted as correct by the Ministry. The Committee are disappointed over the callous attitude of the Ministry in furnishing the reply to the Committee. The Committee, while noting that the entire amount was recovered later, take a serious view on the lapse on the part of Ministry and desire that the replies/ details that are submitted to the Committee may invariably be verified by the senior most officer of the Ministry before such information is forwarded to the Committee. Further, the Committee note from the submission of the Ministry that as both APEDA and Spices Board are autonomous organisations under the Ministry of Commerce & Industry, largely dependent on the Government grants for their operational needs, it has been desired that payment of penal interest may not be insisted upon as it would cut into the funds required for operational needs of the Spices Board. The Committee note that APEDA had released Rs 5.79 crore to the SB between February 2012 and March 2013 of which only Rs .80 crore was utilized by the SB for creation of a warehouse of 374 MT capacity instead of 3000MT as intended, and refunded Rs 3.84 crore in November, 2016. The Committee do not agree with the contention of the Ministry that payment of penal interest may not be insisted upon as SB would have earned interest on Rs 4.99 crore which was lying with it for more than three years. Moreover, as Spices Board has erred by way of diverting the money given by APEDA and creating truncated capacity as well, imposing penal interest will act as a deterrent and will ensure that such lapses are not repeated. The Committee, therefore, reiterate their earlier recommendation that 10% interest per annum may be paid by the SB on the unutilized grant.

Incorrect utilization of funds/Deviation of project

(Recommendation No. 4)

16. The Committee found that after release of first instalment of Rs. 305.88 lakh, APEDA wrote several letters to SB and other concerned authorities in Madhya Pradesh for speedy implementation of the project. APEDA released the 2nd instalment of Rs. 273.08 lakhs (on 31 March 2013) on receipt of UC and running bills from SB mentioning

that the fund had been utilized for the purpose of establishment of warehouses/cold storage for which it was sanctioned. However, during the physical verification conducted by APEDA (August 2013) it was found that no cold storages were established by SB and instead warehouses were built. APEDA sought clarification from SB on this deviation and also asked SB to create the infrastructure as per MoU. The SB (May 2016) informed APEDA that they had only created a cold storage with a capacity of 374 MT instead of 3000 MT for an expenditure of Rs. 179.60 lakh. The Committee were appalled to note that SB not only diverted the funds for creation of warehouses but also kept APEDA/MoCI in the dark by constructing warehouses instead of cold storages. The Committee strongly condemned the arbitrary attitude of SB for violating the provisions of MOU, furnishing incorrect UC (March, 2013) and not responding to repeated communications of APEDA. It was only after much persuasion SB was able to create a cold storage of just 374 MT capacity. It was nothing but a mere cover-up of the issue, after being pointed out by C&AG in September 2014. The creation of cold storage of just one-tenth of the intended capacity would definitely not serve the desired purpose as it would fail to meet the storage requirements of the local farmers. The Committee noted that SB failed to accede to the request of APEDA (18 July 2018) seeking refund of the entire amount of Rs. 578.96 lakhs along with 10% interest per annum. The Committee, therefore, were of the view that MoCI should direct SB to furnish clear reasons for violating the provisions of MOU with APEDA and fix responsibility for diversion of funds, wrong submission of UC, delayed execution of project with creation of truncated capacity of cold storage and for full refund sought by APEDA.

17. The Ministry of Commerce and Industry (Dept. of Commerce) in their Action Taken Notes have stated as under:-

"The Spices Board have informed that in the district of Guna, the total production of coriander, which is the major spice grown in that region, is in the range of 15000-20000 tonnes per year. After meeting both export and domestic demand, the carry over stock is around 20% of the total production. Therefore, the estimated quantity available for warehousing is in the order 3000-4000 tons per year for which the Board has already constructed warehouses for more than 3000 tons.

Hence, if additional cold storage was constructed, the utilization would have been very less and the Board would have been forced to meet the recurring costs. All these details were discussed in a stakeholders meeting and as per the decision taken in the meeting, it was decided to go for the warehouse first and to establish cold storages in a phased manner, depending on the expansion of production in that area.

It is submitted that the decision to not construct the cold storage capacity was taken on the basis of feedback received from the stakeholders. There was no mala fide intention behind the decision. However, it is accepted that Spices Board erred in diverting funds received from APEDA, which were meant specifically for construction of cold storage, towards construction of warehouses. Spices Board has since refunded the entire principal amount of Rs. 578.96 lakh to APEDA."

18. While vetting the above ATNs, the Audit made the following comments:-

"Ministry has accepted that funds were diverted by Spices Board. Ministry failed to reply on the question raised by the Committee regarding reasons for violating the provisions of MoU apart from fixing responsibility for diversion of funds, wrong submission of UC and delayed execution of project.

Spices Board refunded only Rs. 399.36 lakh instead of Rs. 578.96 lakh as stated in the reply."

19. In their further comments to the above said Audit observation, the Ministry stated as under:-

" The Spices Board have clarified that the deviation, of building warehouses instead of cold storage, was based on the request of stakeholders. The total production of Coriander, the major spice in that region, is in the range of 15000 – 20000 tons per year. After meeting the demand for both export and domestic consumption, the carry over stock would be 15-20% of the total production. Therefore, the maximum estimated quantity available for warehousing would be 3000 – 4000 tons per year. As the harvesting season of coriander is very short and limited to maximum 45 days, the quantity of material requiring storage for long duration would be very less as per the production level. Had the Board

constructed the cold storages of higher capacity, the utilization would have been very low and the Board would have been forced to meet the recurring maintenance cost. The Board has submitted that there was no diversion of funds with any malafide intentions and the audit findings have been duly taken note of, for guidance in all future projects. The Board has requested that the Ministry may condone and ratify the action taken by the Board.

Spices Board had refunded the entire unutilized amount of Rs. 399.36 lakh, which had not been used for construction of cold storage. However, it was erroneously reported to the PAC that the entire principal amount of Rs. 578.96 lakh had been recovered from the Spices Board. The error is deeply regretted. Spices Board have refunded the balance amount of Rs. 179.60 lakh on 20.11.2019 and the entire principle amount of Rs. 578.96 lakh now stands refunded."

20. The Committee in their Original Report noted that Spices Board (SB) not only diverted the funds for creation of warehouses but also kept APEDA/Ministry in the dark by constructing warehouses instead of cold storages. The Committee had taken note of the fact that the SB had adopted an arbitrary attitude by violating the provisions of MOU, furnishing incorrect UC (March, 2013) and not responding to repeated communications of APEDA. The Committee, therefore, desired that Ministry should direct SB to furnish clear reasons for acting contrary to the provisions of MOU with APEDA and fix responsibility for diversion of funds, wrong submission of UC, delayed execution of project with creation of truncated capacity of cold storage and for full refund sought by APEDA. The Committee note from the reply of the Ministry that the decision of the Spices Board to not to construct cold storage was taken on the basis of feedback received from the stakeholders. The Committee further note that though the Ministry has admitted that the Spices Board had erred in diverting funds received from APEDA, which were meant specifically for construction of cold storage, towards construction of warehouses, it has not initiated any action against those responsible in the Spices Board for diversion of funds and creation of truncated capacity, that too

after prolonged delay, without informing either the APEDA or the Ministry. The Committee do not agree with the contention of the Ministry that since there was no malafide intention the action may be ratified. The Committee, in this regard, opine that the organizations largely dependent on the Government grants for their operational needs cannot take decisions regarding utilization of those grants without the approval of the Government. The Committee, therefore, reiterate their earlier recommendation that the responsibility for diversion of funds, wrong submission of UC, delayed execution of project with creation of truncated capacity of cold storage may be fixed and action initiated against those found responsible.

Failure to monitor the project at Spices Park, Guna:
(Recommendation No 5)

21. The Committee found that despite the MOU between APEDA and SB to set up cold storage in Spices Park, Guna, MP, SB failed to create the desired cold storage capacity of 3000 MT, diverted the funds to construct warehouses instead of cold storages and caused loss to the Government exchequer. The Committee were of the opinion that when SB deviated from MOU and constructed warehouses on pretext of stakeholders interests, it should have sought clear directions from the MoCI and kept APEDA informed about the same. The fact that after being flagged by C&AG (September, 2014), ADEPA had to seek intervention of MOCI (DoC) to direct the SB for implementation of the projects as per MOU spoke volumes about the whimsical attitude of MoCI in monitoring the project. Further, the inaction of Monitoring Committee (MC) comprising the representatives of SB, APEDA and other stakeholders was deplorable. The Committee were astonished to note the reply of the Ministry that the role of MC was only to oversee the efficient functioning of the facility and play advisory role once the facility was set up. They were unhappy to note that the MoCI chose to be a mute spectator as the Government nominee on APEDA/SB Boards did not bring to the notice of MoCI about the diversion of funds/delays in the project. Further, the Committee did not agree to the view of MoCI that the loss computed by C&AG was only a 'notional

loss'. Notably, the farmers who would have been the actual beneficiary, had the project been completed as intended, were deprived of the facility because of the casual approach of agencies involved. The Committee were, therefore, of the considered opinion that misuse, diversion or non-utilisation of public money should be viewed seriously and financial misappropriation cannot be hidden under the pretext of a mere 'notional loss'. The admission of MoCI for lack of oversight in monitoring the project was enough for it to act swiftly and take exemplary disciplinary action against officers responsible in Ministry as well as APEDA and SB, for failure to protect the taxpayers money.

22.. The Ministry of Commerce and Industry (Dept. of Commerce) in their Action Taken Notes have stated as under:-

"The Spice Park, Guna project was primarily funded through ASIDE scheme. However, the component for construction of cold storage was funded through APEDA. Due to unique nature of funding of the project and multiplicity of the agencies involved, the oversight and monitoring of the project was not adequate.

The decision to limit the construction of cold storage was taken by the Spices Board on the basis of feedback received from stakeholders and was seemingly based on sound logical grounds. However, it is accepted that Spices Board should have kept MoC&I and APEDA in loop while effecting a major change in the project and should have immediately refunded the funds received from APEDA, which were specifically meant for construction of cold storage. Spices Board has since refunded the entire principal amount of Rs. 578.96 lakh to APEDA."

23. While vetting the above ATNs, the Audit made the following comments:-

"Ministry has accepted that Spices Board should have informed MoCI and APEDA while effecting a major change in the project..

However, the Ministry was silent on the action taken on the issues desired by the Committee on taking exemplary disciplinary action against officers responsible in Ministry as well as APEDA as SB, for failure to protect the taxpayer's money."

24. In their further comments to the above said Audit observation, the Ministry stated as under:-

"It is submitted that there was no malafide intention behind construction of warehouses instead of cold storage by the Spices Board. The Spices Board have clarified that the deviation, of building warehouses instead of cold storage, was based on the request of stakeholders. The total production of Coriander, the major spice in that region, is in the range of 15000 – 20000 tons per year. After meeting the demand for both export and domestic consumption, the carry over stock would be 15-20% of the total production. Therefore, the maximum estimated quantity available for warehousing would be 3000 – 4000 tons per year. As the harvesting season of coriander is very short and limited to maximum 45 days, the quantity of material requiring storage for long duration would be very less as per the production level. Had the Board constructed the cold storages of higher capacity, the utilization would have been very low and the Board would have been forced to meet the recurring maintenance cost."

In view of the above, it is requested that the action taken by Spices Board may be ratified. The officers involved in handling of the case have since retired. However, APEDA has initiated action and issued show cause notices to all the concerned officers.

Department of Commerce is committed to ensuring systematic improvement to bring in efficiency in monitoring projects and overall functioning of the Department by making systems online and reducing human interface. These steps are likely to result in greater efficiency and better monitoring of projects."

25. The Committee, in their, original report, *inter alia*, noted the inaction of Monitoring Committee (MC) comprising the representatives of SB, APEDA and other stakeholders. They were unhappy to note that the Ministry chose to be a mute spectator as the Government nominee on APEDA/SB Boards and did not bring to the notice of the Ministry the diversion of funds/delays in the project. The Committee were of the considered opinion that misuse, diversion or non-utilisation of public money should be viewed seriously and financial misappropriation cannot be hidden under the pretext of a mere 'notional loss' and recommended that exemplary disciplinary action may be taken against officers responsible in Ministry as well, for failure to protect the taxpayers money. The Committee note from the reply of the Ministry that though it has accepted that Spices Board should have kept Ministry and APEDA in loop while effecting a major change in the project and should have immediately refunded the funds received from APEDA, which were specifically meant for construction of cold storage facility, it has not taken any action against the officers responsible in the Ministry for being mute spectators in the APEDA/SB Boards and has also not responded on the aspect of inability of the Monitoring Committee to point out the lapses. The Committee are of the view that due to lack of oversight in monitoring by the Ministry, the organizations under its aegis were either lackadaisical or disdainful towards the Ministry. The Committee are of the view that strict exemplary action against those responsible for allowing such misuse of taxpayers' money will go a long way in ensuring discipline amongst those giving and receiving the Government grants and those responsible for monitoring them. The Committee, therefore, reiterate their earlier recommendation that exemplary disciplinary action against officers responsible in Ministry as well as APEDA and SB, for failure to protect the taxpayers money may be initiated.

CHAPTER II

OBSERVATION/RECOMMENDATIONS OF THE COMMITTEE WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Observation/Recommendation

Non-inclusion of important clauses in MoU:

The Committee took note of the omissions in the MOU on the part of APEDA viz., failure to include provisions for periodical follow-up of the project, penal clause for ensuring timely completion of the project and levying interest on unutilized grant. The Committee observed that failure to include these provisions in MOU actually led to diversion of funds, non-completion of project and financial loss to APEDA.

The Committee noted that as per the terms of payment in the MOU, out of the total assistance of Rs. 6.12 crore, APEDA released (February, 2012) an advance amount of Rs. 3.06 crore for the FY 2011-12. For the remaining grant of Rs. 3.06 crore for the FY 2012-13, Spices Board (SB) was required to submit running bills along with UC (Utilisation Certificate) to APEDA. The SB furnished the UC and running bills for an amount of Rs. 273.08 lakh in March, 2013 mentioning that the fund had been utilized for the purpose of establishment of warehouse/cold storage for which it was sanctioned. Based on this, APEDA released the 2nd instalment on 31 March, 2013. The Committee further note that (i) During physical verification of the project, APEDA came to know (August, 2013) that no cold storages were established by Spices Board and instead warehouses were built; (ii) MoCI directed APEDA to include a penal clause in the contract so that the project is completed within the time frame. However, APEDA failed to include the same in the MOU which resulted in APEDA being unable to recover the penal interest of Rs. 87 lakh from SB; and (iii) MoCI's order for release of grant for creation of capital assets clearly stated that 'in the event of APEDA failing to comply with terms and conditions of the sanction, it shall be liable to refund the whole or part of the grant with interest @ 10 % per annum thereon'. APEDA, however, did not include an identical clause in the MOU signed with SB and sustained a loss of Rs. 1.77 crore.

The Committee were shocked to note the non-serious attitude of APEDA in releasing second instalment of Rs. 2.73 crore in March 2013 to SB without physically verifying that whether the intended purpose i.e. construction of cold storage of 3000 MT had been undertaken or not. They are further dismayed to note that inspite of clear directions from the MOCI, APEDA failed to incorporate penal provisions in the MOU with SB resulting in non-payment of penal interest @ 10% by SB for the balance unutilized amount of Rs. 4.99 crore. The Committee desired that strict disciplinary action be taken against the officers responsible for the above lapses.

[Observation/Recommendation Nos. 1 of the 123rd Report of Public Accounts Committee (16th Lok Sabha)]

Action taken by the Ministry

As both Spices Board and APEDA are autonomous organisations under the administrative control of Ministry of Commerce & Industry, inclusion of penal clause was not deemed necessary by APEDA at the time of entering into the MoU. There was no mala fide intention behind non-inclusion of the penal clause. This act of omission by APEDA may be condoned. The observation of Hon'ble Public Accounts Committee (PAC) will be kept in mind for further guidance.

Vetting Comments of the Audit

Ministry replied that the observation will be kept in mind for further guidance. However, no such guidelines to insert all the important clauses including penal clauses at the time of entering into any contract, were made available to audit. Also, Ministry has not replied on the disciplinary action taken against the officers responsible.

Final Action taken by the Ministry

While DoC has not issued any standard guidelines in this regard as MoUs are drafted keeping in view the provisions of General Financial Rules. Instructions/suggestions issued by the Ministry of Finance and the Audit, from time to time, are also incorporated in the MoUs. The Government agencies are supposed to be, and are fully aware of existing rules, regulations and instructions issued by the Ministry of Finance from time to time to observe financial prudence and discipline. After the deficiency of not including the penal clause was pointed out by the Audit, APEDA started including the penal clause in MoUs signed with the grantee agencies.

Department of Commerce had already submitted that there was no mala fide intention behind non-inclusion of the penal clause. As both Spices Board and APEDA are autonomous organisations under the administrative control of Ministry of Commerce & Industry, inclusion of penal clause was not deemed necessary by APEDA at the time of entering into the MoU.

It is submitted that all the senior officers of APEDA, who were responsible for implementation of the project, have retired from service on attaining the age of superannuation. However, APEDA has initiated action against them and has issued show cause notices to all the concerned officers.

It is also submitted that Department of Commerce is committed to and is putting all its efforts to bring about a systematic improvement, to avoid lapses and bring in efficiency by the way of bringing technological interventions, making transparent system of online functioning of various schemes, switching over to e-file/e-office system etc. These steps are expected to result in greater efficiency and better monitoring of aided projects.

**[Diwakar Nath Misra, Joint Secretary, Department of Commerce
O.M. No. 10/1/2019-EP (Agri.IV) dated 20.03.2020]**

Observation/Recommendation

Absence of monitoring mechanism:

The Committee noted that APEDA released second instalment to SB in contravention of the provisions of clause 4 of the MOU which stipulated that the funds or facility shall not be diverted or utilized for the purpose other than for which it was sanctioned. The Committee were of the opinion that APEDA should have been careful in scrutiny of UC and more proactive in the way of monitoring the utilization of the funds by designating an officer to oversee the execution of the project. The Committee were also of the view that absence of provisions for submission of periodical progress report by SB in the MOU gave them a free hand to utilize the funds at its disposal as per its whims and fancies. Although APEDA made repeated communications to the SB for submission of periodical progress reports, it proved futile. The Committee were further appalled to note the casual response of APEDA that though the MOU between APEDA and SB did not specifically contain any clause for physical inspection, as per prevailing practice APEDA conducted physical verification. The Committee were disappointed to note that ASIDE Scheme did not provide for physical inspection of the project before releasing further instalment. The Committee while noting that ASIDE Scheme provided for annual appraisal by an independent agency desired to be apprised of the details of yearly appraisals conducted by the independent agency in respect of the project under ASIDE scheme since its inception. The Committee also desired MoCI to scrutinize whether ASIDE guidelines were followed in execution of all the projects.

[Observation/Recommendation No. 2 of the 123rd Report of Public Accounts Committee (16th Lok Sabha)]

Action taken by the Ministry

Under the Trade Infrastructure for Export Scheme (TIES), which was launched after discontinuation of erstwhile ASIDE Scheme, Price Waterhouse Coopers (PwC) has been engaged as Project Monitoring Agency (PMA) to assist in implementation of TIES. One of the Terms of Reference of PwC is to map the infrastructure created under the erstwhile ASIDE scheme. As part of this, PwC is assessing the functional/operational status of the assets created and modus operandi of maintenance of assets. The exercise is expected to be completed by March 2020.

Vetting Comments of the Audit

Ministry has not replied on the Committee's opinion for designating an officer to oversee the execution of the project for careful scrutiny of UC and monitoring the utilization of funds.

In respect of ASIDE Scheme, the Ministry replied that they had engaged PwC to map infrastructure created under the erstwhile ASIDE Scheme during the implementation of TIES (new scheme). Further, Audit observed that no proper monitoring mechanism was found to be developed to watch the proper utilization of

grants before releasing subsequent instalments. Furthermore, no reply has been given by the Ministry on the desire of the Committee to scrutinize whether ASIDE guidelines were followed in execution of all the projects.

Final Action taken by the Ministry

As per the monitoring and review mechanism laid out in the guidelines of the (erstwhile) ASIDE Scheme, Nodal Officers/Assisting Officers were appointed in the Department of Commerce for monitoring and reviewing the progress and physical inspection of the projects sanctioned under the ASIDE scheme, The State/UT Agency/Central Agencies were required to submit a quarterly report to enable the Department to review the progress of utilization of funds released and this report also formed the basis for further release of funds by the Ministry. The progress of the Scheme was also reviewed by the Empowered Committee periodically.

[Diwakar Nath Misra, Joint Secretary, Department of Commerce
O.M. No. 10/1/2019-EP (Agri.IV) dated 20.03.2020]

Observation/Recommendation

Implementation of Assistance to States for Development of Export Infrastructure and Allied Activities (ASIDE) Scheme:

The Committee noted that the Government of India launched ASIDE Scheme in March, 2002 with an objective to involve the States in the growth of export by providing incentive-linked assistance to the State Governments and to create appropriate infrastructure for the development and growth of exports. In line with the objective of ASIDE, MOCI sanctioned a project for setting up of Spices Park, Guna, Madhya Pradesh. The Committee noted from Para 13 of ASIDE Guidelines (12th FYP (2012-17)) on 'Monitoring and Review' that though an in-built mechanism existed for the projects executed under ASIDE, the MoCI failed to bring the agencies on board for following the guidelines and successful implementation of project. The Committee observed that, in the instant case, financing agency was unaware of the delay, diversion of fund, non-utilisation of money for the intended purpose. The Committee were of the view that the Ministry should play the pivotal role by strengthening the monitoring mechanism wherein delay/diversion/cancellation of the sanctioned projects under the Scheme should be automatically taken-up for review by the Empowered Committee (EC) headed by Commerce Secretary. As Audit is only a test check, the Committee desired that MoCI review all projects under the Scheme and evaluate overall performance of the same. The Committee further understood that as a successor to ASIDE Scheme, MoCI has launched TIES (Trade Infrastructure for Export Scheme) for three years from 2017-18 to 2019-20. They, therefore, desired the Ministry to fine tune the present Scheme by putting robust monitoring and review mechanism.

[Observation/Recommendation No. 6 of the 123rd Report of Public Accounts
Committee (16th Lok Sabha)]

Action taken by the Ministry

The present Trade Infrastructure for Export Scheme (TIES) has a provision for engaging a professional agency as Project Monitoring Agency to assist the Department in implementation of the Scheme. Accordingly, Price Waterhouse Coopers (PwC) has been engaged as PMA under TIES and tasked with the work of monitoring.

Vetting Comments of the Audit

Ministry is silent in its reply on the Committee's desire that MoCI should review all projects under the Scheme and evaluate overall performance of the same. Further, Ministry has stated that they have engaged PwC as Project Monitoring Agency under TIES.

Thus, from the above points, it is observed that the Ministry has not taken actions as proposed by the Committee and has not given reply as desired by the Committee in most of the cases.

Final Action taken by the Ministry

As regards the observation of PAC for review of projects under the ASIDE Scheme, the inputs given w.r.t S. No.2 ; Part II of the 123rd Report of PAC (16th Lok Sabha)-Absence of monitoring mechanism, may please be referred to.

Scheme guidelines provided for a mid-term evaluation of the scheme. Independent evaluations of the scheme were thus also done.

On the observations regarding fine-tuning the present Scheme, namely TIES, it is stated that a robust monitoring and review mechanism has been put in place for effective evaluation and monitoring of projects under TIES. This includes appointment of a Project Monitoring Committee (PMC) for each project approved under TIES with a representative from the Department of Commerce and appointment of Nodal Officers in the Department of Commerce for various States/UTs to monitor progress of projects approved under TIES, in addition to engaging a professional agency as Project Management Agency to assist the Department in implementation and monitoring of the Scheme. The Empowered Committee also reviews the progress of the approved projects.

[Diwakar Nath Misra, Joint Secretary, Department of Commerce
O.M. No. 10/1/2019-EP (Agri.IV) dated 20.03.2020]

CHAPTER III

OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT
DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM THE
GOVERNMENT

- NIL -

CHAPTER- IV
OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES
OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE
COMMITTEE AND WHICH REQUIRE REITERATION

Observation/Recommendation

Recovery of unutilized funds with penal interest @ 10 per cent

The Committee noted that in compliance with the directions of MOCI, APEDA approved in its 71st meeting held on 24.06.2011, financial assistance of Rs. 6.12 crore to SB for setting up of cold storage of 3000 MT. For execution of the project, APEDA released total amount of Rs. 5.79 crore to SB. Subsequently, SB informed APEDA (July, 2016) that a cold storage of 374 MT capacity, instead of the mandated 3000 MT had been set up. Considering pro-rata cost of the storage capacity, so created, as Rs. 0.80 crore, APEDA requested SB to refund the balance amount of Rs. 4.99 crore. However, SB refunded (November, 2016) only Rs. 3.84 crore to APEDA. APEDA was unable to recover penalty of Rs. 0.87 crore from SB and also sustained a loss of Rs. 1.77 crore due to non-inclusion of a clause in the MOU regarding levying of interest @10% per annum on the unutilized grant refunded by SB. The Committee noted with concern that APEDA overlooked the clear directions of MoCI on insertion of penal and interest clauses and therefore, suffered financial loss. Though APEDA had asked (18 July, 2018) SB to refund the entire amount of Rs. 578.96 lakh alongwith 10% interest per annum, it was clear that APEDA acted only after the matter being pointed out by the Committee. The Committee, therefore, desired that APEDA should recover the entire amount with 10% interest per annum for the delayed period and apprise them within two months of the presentation of this report.

[Observation/Recommendation No. 3 of the 123rd Report of Public Accounts
Committee (16th Lok Sabha)]

Action taken by the Ministry

The entire principal amount of Rs. 578.96 lakh has been recovered by APEDA. As both APEDA and Spices Board are autonomous organisations under the Ministry of Commerce & Industry, largely dependent on the Government grants for their operational needs, the payment of interest by the Spices Board may not be insisted upon.

Vetting Comments of the Audit

Reply is factually incorrect as only Rs. 399.36 lakh has been recovered as of 31.03.2019 from Spices Board and not Rs. 578.96 lakh as stated in the reply. Further, no penal interest of 10% p.a. has been recovered.

Final Action taken by the Ministry

Spices Board had refunded the entire unutilized amount of Rs. 399.36 lakh, which had not been used for construction of cold storage. However, it was erroneously reported to the PAC that the entire principal amount of Rs. 578.96 lakh had been recovered from the Spices Board. The error is deeply regretted. Spices Board have refunded the balance amount of Rs. 179.60 lakh on 20.11.2019 and the entire principle amount of Rs. 578.96 lakh now stands refunded.

As regards penal interest, it is submitted that both APEDA and Spices Board are autonomous organisations under the Ministry of Commerce & Industry, largely dependent on the Government grants for their operational needs. Payment of penal interest may, therefore, kindly not be insisted upon as it would cut into the funds required for operational needs of the Spices Board.

[Diwakar Nath Misra, Joint Secretary, Department of Commerce
O.M. No. 10/1/2019-EP (Agri.IV) dated 20.03.2020]

Observation/Recommendation

Incorrect utilization of funds/Deviation of project

The Committee found that after release of first instalment of Rs. 305.88 lakh, APEDA wrote several letters to SB and other concerned authorities in Madhya Pradesh for speedy implementation of the project. APEDA released the 2nd instalment of Rs. 273.08 lakhs (on 31 March 2013) on receipt of UC and running bills from SB mentioning that the fund had been utilized for the purpose of establishment of warehouses/cold storage for which it was sanctioned. However, during the physical verification conducted by APEDA (August 2013) it was found that no cold storages were established by SB and instead warehouses were built. APEDA sought clarification from SB on this deviation and also asked SB to create the infrastructure as per MoU. The SB (May 2016) informed APEDA that they had only created a cold storage with a capacity of 374 MT instead of 3000 MT for an expenditure of Rs. 179.60 lakh. The Committee were appalled to note that SB not only diverted the funds for creation of warehouses but also kept APEDA/MoCI in the dark by constructing warehouses instead of cold storages. The Committee strongly condemned the arbitrary attitude of SB for violating the provisions of MOU, furnishing incorrect UC (March, 2013) and not responding to repeated communications of APEDA. It was only after much persuasion SB was able to create a cold storage of just 374 MT capacity. It was nothing but a mere cover-up of the issue, after being pointed out by C&AG in September 2014. The creation of cold storage of just one-tenth of the intended capacity would definitely not serve the desired purpose as it would fail to meet the storage requirements of the local farmers. The Committee noted that SB failed to accede to the request of APEDA (18 July 2018) seeking refund of the entire amount of Rs. 578.96 lakhs along with 10% interest per annum. The Committee, therefore, were of the view that MoCI should direct SB to furnish clear reasons for violating the

provisions of MOU with APEDA and fix responsibility for diversion of funds, wrong submission of UC, delayed execution of project with creation of truncated capacity of cold storage and for full refund sought by APEDA.

[Observation/Recommendation No. 4 of the 123rd Report of Public Accounts Committee (16th Lok Sabha)]

Action taken by the Ministry

The Spices Board have informed that in the district of Guna, the total production of coriander, which is the major spice grown in that region, is in the range of 15000-20000 tonnes per year. After meeting both export and domestic demand, the carry over stock is around 20% of the total production. Therefore, the estimated quantity available for warehousing is in the order 3000-4000 tons per year for which the Board has already constructed warehouses for more than 3000 tons.

Hence, if additional cold storage was constructed, the utilization would have been very less and the Board would have been forced to meet the recurring costs. All these details were discussed in a stakeholders meeting and as per the decision taken in the meeting, it was decided to go for the warehouse first and to establish cold storages in a phased manner, depending on the expansion of production in that area.

It is submitted that the decision to not construct the cold storage capacity was taken on the basis of feedback received from the stakeholders. There was no mala fide intention behind the decision. However, it is accepted that Spices Board erred in diverting funds received from APEDA, which were meant specifically for construction of cold storage, towards construction of warehouses. Spices Board has since refunded the entire principal amount of Rs. 578.96 lakh to APEDA.

Vetting Comments of the Audit

Ministry has accepted that funds were diverted by Spices Board. Ministry failed to reply on the question raised by the Committee regarding reasons for violating the provisions of MoU apart from fixing responsibility for diversion of funds, wrong submission of UC and delayed execution of project.

Spices Board refunded only Rs. 399.36 lakh instead of Rs. 578.96 lakh as stated in the reply.

Final Action taken by the Ministry

The Spices Board have clarified that the deviation, of building warehouses instead of cold storage, was based on the request of stakeholders. The total production of Coriander, the major spice in that region, is in the range of 15000 – 20000 tons per year. After meeting the demand for both export and domestic consumption, the carry over stock would be 15-20% of the total production. Therefore, the maximum estimated quantity available for warehousing would be 3000 – 4000 tons per year. As the harvesting season of coriander is very short and limited to maximum 45 days, the quantity of material requiring storage for long duration would be very less as per the

production level. Had the Board constructed the cold storages of higher capacity, the utilization would have been very low and the Board would have been forced to meet the recurring maintenance cost. The Board has submitted that there was no diversion of funds with any malafide intentions and the audit findings have been duly taken note of, for guidance in all future projects. The Board has requested that the Ministry may condone and ratify the action taken by the Board.

Spices Board had refunded the entire unutilized amount of Rs. 399.36 lakh, which had not been used for construction of cold storage. However, it was erroneously reported to the PAC that the entire principal amount of Rs. 578.96 lakh had been recovered from the Spices Board. The error is deeply regretted. Spices Board have refunded the balance amount of Rs. 179.60 lakh on 20.11.2019 and the entire principle amount of Rs. 578.96 lakh now stands refunded.

[Diwakar Nath Misra, Joint Secretary, Department of Commerce
O.M. No. 10/1/2019-EP (Agri.IV) dated 20.03.2020]

Observation/Recommendation

Failure to monitor the project at Spices Park, Guna

The Committee found that despite the MOU between APEDA and SB to set up cold storage in Spices Park, Guna, MP, SB failed to create the desired cold storage capacity of 3000 MT, diverted the funds to construct warehouses instead of cold storages and caused loss to the Government exchequer. The Committee were of the opinion that when SB deviated from MOU and constructed warehouses on pretext of stakeholders interests, it should have sought clear directions from the MoCI and kept APEDA informed about the same. The fact that after being flagged by C&AG (September, 2014), ADEPA had to seek intervention of MOCI (DoC) to direct the SB for implementation of the projects as per MOU spoke volumes about the whimsical attitude of MoCI in monitoring the project. Further, the inaction of Monitoring Committee (MC) comprising the representatives of SB, APEDA and other stakeholders was deplorable. The Committee were astonished to note the reply of the Ministry that the role of MC was only to oversee the efficient functioning of the facility and play advisory role once the facility was set up. They were unhappy to note that the MoCI chose to be a mute spectator as the Government nominee on APEDA/SB Boards did not bring to the notice of MoCI about the diversion of funds/delays in the project. Further, the Committee did not agree to the view of MoCI that the loss computed by C&AG was only a 'notional loss'. Notably, the farmers who would have been the actual beneficiary, had the project been completed as intended, were deprived of the facility because of the casual approach of agencies involved. The Committee were, therefore, of the considered opinion that misuse, diversion or non-utilisation of public money should be viewed seriously and financial misappropriation cannot be hidden under the pretext of a mere 'notional loss'. The admission of MoCI for lack of oversight in monitoring the project was enough for it to act swiftly and take exemplary disciplinary action against officers

responsible in Ministry as well as APEDA and SB, for failure to protect the taxpayers money.

[Observation/Recommendation No. 5 of the 123rd Report of Public Accounts Committee (16th Lok Sabha)]

Action taken by the Ministry

The Spice Park, Guna project was primarily funded through ASIDE scheme. However, the component for construction of cold storage was funded through APEDA. Due to unique nature of funding of the project and multiplicity of the agencies involved, the oversight and monitoring of the project was not adequate.

The decision to limit the construction of cold storage was taken by the Spices Board on the basis of feedback received from stakeholders and was seemingly based on sound logical grounds. However, it is accepted that Spices Board should have kept MoC&I and APEDA in loop while effecting a major change in the project and should have immediately refunded the funds received from APEDA, which were specifically meant for construction of cold storage. Spices Board has since refunded the entire principal amount of Rs. 578.96 lakh to APEDA.

Vetting Comments of the Audit

Ministry has accepted that Spices Board should have informed MoCI and APEDA while effecting a major change in the project.

However, the Ministry was silent on the action taken on the issues desired by the Committee on taking exemplary disciplinary action against officers responsible in Ministry as well as APEDA as SB, for failure to protect the taxpayer's money.

Final Action taken by the Ministry

It is submitted that there was no malafide intention behind construction of warehouses instead of cold storage by the Spices Board. The Spices Board have clarified that the deviation, of building warehouses instead of cold storage, was based on the request of stakeholders. The total production of Coriander, the major spice in that region, is in the range of 15000 – 20000 tons per year. After meeting the demand for both export and domestic consumption, the carry over stock would be 15-20% of the total production. Therefore, the maximum estimated quantity available for warehousing would be 3000 – 4000 tons per year. As the harvesting season of coriander is very short and limited to maximum 45 days, the quantity of material requiring storage for long duration would be very less as per the production level. Had the Board constructed the cold storages of higher capacity, the utilization would have been very low and the Board would have been forced to meet the recurring maintenance cost.

In view of the above, it is requested that the action taken by Spices Board may be ratified. The officers involved in handling of the case have since retired. However, APEDA has initiated action and issued show cause notices to all the concerned officers.

Department of Commerce is committed to ensuring systematic improvement to bring in efficiency in monitoring projects and overall functioning of the Department by making systems online and reducing human interface. These steps are likely to result in greater efficiency and better monitoring of projects.

[Diwakar Nath Misra, Joint Secretary, Department of Commerce
O.M. No. 10/1/2019-EP (Agri.IV) dated 20.03.2020]

CHAPTER V
OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH THE
GOVERNMENT HAVE FURNISHED INTERIM REPLIES

NIL

NEW DELHI;
September, 2020
Bhadrapada, 1942 (Saka)

ADHIR RANJAN CHOWDHURY
Chairperson
Public Accounts Committee

**MINUTES OF THE FOURTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2020-21)
HELD ON 28TH AUGUST, 2020.**

The Public Accounts Committee sat on Friday, the 28th August, 2020 from 1500 hrs. to 1715 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri Adhir Ranjan Chowdhury - Chairperson

Members

LOK SABHA

2. Shri T.R Baalu
3. Shri Subash Chandra Baheria
4. Smt. Darshana Vikram Jardosh
5. Shri Bhartruhari Mahtab
6. Shri Vishnu Dayal Ram
7. Shri Rahul Ramesh Shewale
8. Shri Jayant Sinha
9. Shri Balashowry Vallabhaneni

RAJYA SABHA

10. Shri Naresh Gujral
11. Shri C.M Ramesh
12. Shri Bhupender Yadav

LOK SABHA SECRETARIAT

1. Shri T.G Chandrashekhar - Joint Secretary
2. Shri MLK Raja - Director
3. Shri Paolienlal Haokip - Additional Director

REPRESENTATIVES OF THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1. Ms.Shubha Kumar - Dy.CAG
2. Shri K. Srinivasan - DG
3. Shri Sanjay Kumar - DG
4. Ms.Ritika Bhatia - PD
5. Shri S.V. Singh - PD

REPRESENTATIVES OF THE MINISTRY OF TEXTILES

PART-I

1. At the outset, the Hon'ble Chairperson, welcomed the Officers of the C&AG of India to the sitting of the Committee. Thereafter, he invited suggestions of the Members on the following Draft Reports:-

- (a) *****
- (b) *****
- (c) Action Taken by the Government on the Observations/Recommendations of the Committee contained in their 123rd Report (Sixteenth Lok Sabha) on the subject, "Ineffective Monitoring By APEDA";
- (d) *****
- (e) *****

2. After deliberations, the Draft Reports were adopted by the Committee without any modifications/changes. The Committee authorized the Chairperson to finalise the reports in light of factual verification/vetting comments, if any and present the same to Parliament on behalf of the Committee.

3. The Chairperson, then, thanked the Members and the representatives of the Office of the C&AG of India for assisting the Committee in the examination of the subjects.

PART-II

The Committee then adjourned.

APPENDIX-II

(Vide Paragraph 5 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE CONTAINED IN THEIR ONE HUNDRED AND TWENTY-THIRD REPORT (SIXTEENTH LOK SABHA)

(i) Total number of Observations/Recommendations	-	06
(ii) Observations/Recommendations of the Committee which have been accepted by the Government:	-	Total : 03 Percentage: 50%
Para Nos.1, 2 and 6		
(iii) Observations/Recommendations which the Committee do not desire to pursue in view of the reply of the Government:	-	Total : 0 Percentage:0%
-Nil-		
(iv) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:	-	Total : 03 Percentage:50%
Para No. 3, 4 and 5		
(v) Observations/Recommendations in respect of which the Government have furnished interim replies/no replies:	-	Total : 00 Percentage: 0%

-Nil-
