CHAPTER II: MINISTRY OF COMMERCE AND INDUSTRY

Footwear Design and Development Institute

2.1 *Non-compliance of guidelines of Central Vigilance Commission and Central Public Works Department and corrective action taken thereon at the instance of Audit*

Footwear Design and Development Institute paid interest free mobilisation advance to contractors in violation of CVC guidelines and CPWD Manual which led to avoidable loss of ₹4.62 crore.

Ministry of Commerce and Industry, the controlling Ministry of Footwear Design and Development Institute (Institute) approved the establishment of Footwear Design and Development Institute (FDDI) campuses between June 2012 and February 2014 at six locations[1] across the country with the condition that the Institute should adhere to all the relevant provisions of General Financial Rules (GFR) and any other instructions/ guidelines issued by Government from time to time. The Ministry also approved the establishment of Campus Networking Centre (CNC) at existing campuses in January 2014.

Central Vigilance Commission (CVC) issued circulars[2] on mobilisation advance from time to time. The circulars stipulate the following:

- Decision to provide interest free mobilisation advance in the tender document should rest at the level of Board (with concurrence of finance) in the organisations.
- Payment of interest free mobilisation advance should be discouraged, and if Management feels it is necessary in specific cases, then it should be clearly stipulated in the tender document and its recovery should be time based and not linked with progress of work to ensure that misuse of such advance could be reduced.
- The bank guarantee taken towards mobilisation advance should be at least 110 *per cent* of the advance and the mobilisation advance should not be paid in less than two instalments except in special circumstances for the reasons to be recorded.

Similarly, Central Public Works Department (CPWD) Works Manual has also stipulated guidelines for payment of mobilisation advance. As per Section 32.5 of CPWD Manual, mobilisation advance limited to 10 *per cent* of tendered amount at 10 *per cent* simple interest can be sanctioned to the contractors on specific request as per terms of the contract and such advance should be released in not less than two instalments.

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[1] *Hyderabad (Telangana), Patna (Bihar), Ankaleshwar (Gujarat), Chandigarh, Chindwara (Madhya Pradesh) and Guna (Madhya Pradesh)*

[2] *CVC Circular No. 4CC-1-CTE2 dated 10 April 2007 and 5 February 2008*

The Institute finalised its tender documents on the basis of CPWD Guidelines and Manuals of Delhi Schedule of Rate (DSR). As per the tender document, interest free mobilisation advance of 10 *per cent* on the contract value was to be paid. Accordingly, FDDI paid mobilisation advance of ₹45.13 crore during October 2012 to July 2016 to different contractors (as detailed in **Appendix XIV**) towards construction works, interior works and furniture works in single instalment.

Audit observed that the Institute did not comply with the CVC guidelines and CPWD Works Manual on mobilisation advance as detailed below:

- Interest free mobilisation advance was paid without approval of Board i.e. Governing Council of the Institute.
- Mobilisation advance was paid in single instalment against the prescribed norm of not less than two instalments.
- Recovery of mobilisation advance was made from the payments towards running bills instead of time based recovery.
- Institute accepted bank guarantee at 100 *per cent* of the mobilisation advance against the prescribed norm of 110 *per cent*.

Thus, non-compliance to CVC Guidelines and CPWD Manual led to avoidable interest loss of ₹4.62 crore to the Institute (calculated @ 10 *per cent* simple interest on the outstanding balances after adjustment from running account bills).

The Management accepted (December 2019) the Audit observations and stated that the Institute had stopped giving mobilisation advance.

Audit appreciates the action taken by the Management and this would be verified during future audits. However, the fact remained that not adhering to CVC Guidelines and CPWD Manual while granting interest free mobilisation advance led to avoidable loss of ₹4.62 crore.

The matter was referred to the Ministry in January 2020; their reply was awaited (May 2020).

Marine Products Export Development Authority

2.2 Unfruitful expenditure in mangrove crab project

Ineffective implementation and poor monitoring of mangrove crab project resulted in unfruitful expenditure of ₹1.28 crore.

The Forest Department, Government of Maharashtra (GoM) planned (December 2013) to implement a GOI-UNDP-GEF[3] project (funded by UNDP) on 'Mainstreaming Coastal and Marine Biodiversity Conservation into Production Sectors in Sindhudurg Coast in

[3] ***Government of India-United Nations Development Programme-Global Environment Facility***

Maharashtra' through the Marine Products Export Development Authority (MPEDA) as it is the nodal agency for the holistic development of seafood industry in India. To implement such projects, MPEDA has two societies viz. Network for Fish Quality Management & Sustainable Fishing (NETFISH) and Rajiv Gandhi Centre for Aquaculture (RGCA). The role of NETFISH was to identify the beneficiaries, supervision and releasing of fund whereas RGCA was responsible for execution of the project, imparting training/ technology transfer to the beneficiaries and to evaluate the progress.

The objective of the project was to improve the livelihood of traditional fishers through stock enhancement by producing 18-20 Metric Ton (MT) of mangrove crabs from various sites of Sindhudurg. The project period was four years (December 2013 to December 2017). During project period, MPEDA received an amount of ₹1.62 crore from GoM, out of this an amount of ₹1.51 crore was released, in four phases, for various project activities. The project harvested 5.76 MT crab and earned an income of ₹0.23 crore which was distributed amongst the Self Help Groups[4].

Audit noticed that the site selected at 22 locations had high tidal variations, which caused high mortality/ death of crabs. Moreover, stocking of varied sized crablets and non-planning of timely hide-out caused cannibalism. In addition, unscientific feeding, entry of predators and escape of crabs due to use of bigger mesh resulted in lower harvest, which was only 30 *per cent* of the targeted production. The representatives of UNDP reviewed (December 2015) the project and observed that the monitoring by the implementing agencies was inadequate. Though the project was implemented in different phases, implementing agencies failed to rectify the deficiencies noticed in earlier phases. Average survival percentage of crabs in the project sites was only 16.55 *per cent* which indicates that desired level of training and technology transfer was not imparted to fishers relating to sorting of small and big crablets; scientific, timely & adequate feeding of crabs; cleaning feed checktrays etc. As such, the project failed to achieve its intended objectives in full.

MPEDA replied (September 2019) that the project had earned revenue of ₹0.50 crore against an expenditure of ₹1.51 crore. MPEDA further stated that being a demonstration project; it was organised to motivate fishers to take up the culture of crabs for their economic benefits.

The reply of MPEDA was evasive without giving the reasons for failure to achieve the objective of producing 18-20 MT of mangrove crabs despite spending ₹1.51 crore. As per the details furnished by MPEDA, the revenue generated by the project was ₹0.23 crore only. Moreover, it was not a demonstration project as MPEDA has expertise in the crab

[4] ***Self-Help Groups are groups of local fishermen. These groups were supposed to perform day to day operations of the project as per the recommendations/ advice of Technical Experts which may include releasing of crablets to grow-out pen, feeding of crabs, prevention of entry of predators /competitors etc.***

farming and has been doing mangrove crab farming through RGCA, which has a crab hatchery & farm.

The Ministry replied (February 2020) that the poor survival/ growth and low harvest of crabs was due to non-cooperation among members of SHGs. The feeding also was not proper and according to the recommendations of the Technical Experts and there were instances of theft of crabs by the SHG members appointed as watch & ward.

The reply of the Ministry may be seen in the light of the facts that MPEDA failed to orient and promote SHGs towards the project through proper training and required monitoring. SHGs failed to perform day to day operations of the project as per the recommendations/ advice of Technical Experts which contributed to the failure of the project to achieve the envisaged objectives. Also, theft of crabs due to poor monitoring may not be cited as a justifiable reason for failure of the project.

Thus, ineffective implementation of the project and poor monitoring resulted in unfruitful expenditure of ₹1.28 crore (₹1.51 crore - ₹0.23 crore).