

OVERVIEW

In March 2002, the Government of India launched the ‘Assistance to States for Developing Export Infrastructure and Allied Activities’ (ASIDE) scheme with the objective of involving 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. The outlay of the scheme was to have two components. 80 percent of the funds (State Component) was to be earmarked for allocation to the States on the basis of approved criteria. The balance 20 percent (Central Component) 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 for meeting the requirements of inter-State projects, capital outlays of Export Promotion Zones (EPZ), activities relating to promotion of exports from the North Eastern Region (NER) as per the existing guidelines of Export Development Fund (EDF) etc. Activities of a capital nature 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.

A performance audit on ASIDE covering the period March 2002 to March 2006 was conducted between November 2006 and February 2007 in the Department of Commerce (DOC), Ministry of Commerce and Industry and the State Nodal Departments/Agencies and various Implementing Agencies in eight selected States. The audit revealed the following:

- Contrary to the scheme’s objective of creation of export infrastructure of capital nature for specific purposes having direct and overwhelming linkage with exports, 79 projects involving ASIDE funding of Rs. 177.59 crore were either not covered under the scope of the scheme guidelines or were not of a capital nature. Allocations of ASIDE funds to different States were also made on ad hoc basis, without fully complying with the twin criteria of export performance and export growth specified in the scheme guidelines.
- Scheme funds amounting to Rs. 25.83 crore were diverted or used on items not included in the project proposals or sanctioned for projects in excess of admissibility.
- An amount of Rs. 19.98 crore incurred on projects was rendered unfruitful on account of rescinding contracts/projects.
- The scheme had been unsuccessful in leveraging ASIDE funds from state government and private funds.
- There was delay in completion of projects, as 147 state and central sector projects involving ASIDE funding of Rs. 708.81 crore (expenditure incurred being Rs. 238.07 crore) remained incomplete after the maximum gestation period of two years or after lapse of the scheduled period of their completion.
- The Director General of Commercial Intelligence and Statistics (DGCIS) did not have data regarding the States from which items of export originated, and only had data about the entities which purchased such items prior to their export. This resulted in allocation of ASIDE funding to the States where

purchasing entities were located rather than to States which were producing the export items.

- There was lack of proper monitoring mechanism of the scheme at the Central, State and project levels. Also, there were many inadequacies and deficiencies in the web based online monitoring system.