Appendix – II

Guidelines for Central Assistance to States for Developing Export Infrastructure and other Allied Activities.

1. Introduction

1.1 Exports have come to be regarded as an engine of economic growth in the wake of liberalization and structural reforms in the economy. A sustained growth in exports is, however, not possible in the absence of proper and adequate infrastructure as adequate and reliable infrastructure is essential to facilitate unhindered production, cut down the cost of production and make our exports internationally competitive.

1.2 While the responsibility for promotion of exports and creating the necessary specialized infrastructure has largely been undertaken by the central Government so far, it is increasingly felt that the states have to play an equally important role in this endeavor. The role of the State Government is critical from the point of view of boosting production of exportable surplus, providing the infrastructural facilities such as land, power, water, roads, connectivity, pollution control measures and a conductive regulatory environment for production of goods and services. It is, therefore, felt that coordinated efforts by the Central Government in cooperation with the State Governments are necessary for development of infrastructure for exports promotion.

1.3 Department of Commerce currently implements, through its agencies, schemes for promotion and facilitation of export commodities and creation of infrastructure attendant thereto. The Export Promotion Industrial Parks Scheme (EPIP), Export Promotion Zones scheme (EPZ), and the Critical Infrastructure Balancing Scheme (CIB) are also implemented to help create infrastructure for exports in specific locations and to met specific objectives. However, the general needs of infrastructure improvement for exports are not met by such schemes. With a view, therefore, to optimizing the utilization of resources and to achieve the objectives of export growth through a coordinated effort of the Central Government and the States this scheme has been drawn up. The features of the Scheme and the Guidelines for consideration of proposals in respect of the Scheme are given below.

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2. Objective

2.1 The objective of the scheme is to involve the states in the export effort by providing assistance to the State Governments for creating appropriate infrastructure for the development and growth of exports.

2.2 States do not perceive direct gains from the growth in exports from the state. Moreover, the States do not often have adequate resources to participate in funding of infrastructure for exports. The proposed scheme, therefore, intends to establish a mechanism for seeking the involvement of the State Governments in such efforts through assistance linked to export performance.

3. Scheme

3.1 The scheme shall provide an outlay for development of export infrastructure which will be distributed to the States according to pre-defined criteria. The existing EPIP, EPZ and CIB schemes shall be merged with the new scheme. The scheme for Export Development Fund (EDF) for the North East and Sikkim (implemented since 2000-2001) shall also stand merged with the new scheme. After the merger of the schemes in respect of EPIP, EPZ, CIB and EDF for NER and Sikkim with the new scheme, the ongoing projects under the schemes shall be funded by the States from the resources provided under the new scheme.

4. Approved purposes for the scheme

4.1 The activities aimed at development of infrastructure for exporters can be funded from the scheme provided such activities have an overwhelming export content and their linkage with exports is fully established. The specific purposes for which the funds allocated under the Scheme can be sanctioned and utilized are as follows:-

i. Creation of new Export Promotion Industrial Parks/ Zones (including Special Economic Zones (SEZs)/ Agri- Business Zones) and augmenting facilities in the existing ones.
ii. Setting up of electronic and other related infrastructure in export conclave.
iii. Equity participation in infrastructure projects including the setting up of SEZs.
iv. Meeting requirements of capital outlay of EPIPs/ EPZs/ SEZs
v. Development of complementary infrastructure such as roads connecting the production centers with the ports, setting up of Inland Container Depots and Container Freight Stations.
vi. Stablising power supply through additional transformers and islanding of export production centers etc.
vii. Development of minor ports and jetties of a particular specification to serve export purpose.
viii. Assistance for setting up common effluent treatment facilities for which separate guidelines will be issued.
ix. Projects of national and regional importance.
x. Activities permitted as per EDF in relation to North East and Sikkim.

5. Allocation of funds

5.1 The outlay of the scheme will have two components. 80% of the funds (State component) shall be earmarked for allocation to the states on the basis of the approved criteria as indicated in para 6 to be utilized for the approved purposes (para 4). The balance 20% (Central component), and amounts equivalent to un-utilized portion of the funds allocated to the States in the past year (s), if any, shall be retained at the Central level for meeting the requirements of inter state projects, capital outlays of EPZs, activities relating to promotion of exports from the NER as per the existing guidelines of EDF and any other activity considered important by the Central Government from the regional or the national perspective.

6. Criteria for State-wise allocation

6.1 The State Component will be allocated to the States in two trenches of 50% each. The inter-se allocation of the first trenched of 50% to the States shall be made on the basis of export performance. This shall be calculated on the basis of the share of the State in the total exports. The second trenched of the remaining 50% will be allocated inter-se on the basis of share of the States in the average of the growth rate of exports over the previous year. The allocations will be based on the data of exports of goods alone and the export of services will not be taken
into account.

6.2 As full and reliable data about the exports from the States is not likely to be available during the year 2001-2002, the State-wise allocations will be made on the basis of the project proposals received from the State Government.

6.3 A minimum of 10% of the Scheme outlay will be reserved from expenditure in the NER and Sikkim. The funding of Export Development Fund for NER and Sikkim will be made out of this earmarked outlay and the balance amount will be distributed inter-se among the States on the basis of the export performance criteria as laid down. Allocation amongst N.E. States will also be done on the basis of criterion mentioned in para 5.1 above.

6.4 The export performance and growth of exports from the State will be assessed or the basis of the information available from the office of the Director General of Commercial Intelligence & Statistics (DGCIS). The office of the DGCIS will compile the State-wise data of exports from the Shipping Bills submitted by the exporter. The shipping Bill form provides a column in which the exporter will enter the name of the State/ UT from where the export goods have originated. Filling up of this column is mandatory with effect from 15.6.2001 under the FT (D&R) Act. Each State/ UT Government would periodically interact with the exporters to guide and motivate them to make proper entries in the Shipping Bills so that State of Origin of the exported goods are entered correctly. The States may set up appropriate mechanisms at the field level in cooperation with the trade and industry associations to disseminate this information amongst exporters.

7. Released of Funds

7.1 The release of the funds to the States shall be subject to the limit of the entitlement worked out on the basis of the laid down criteria. The required funds will be directly disbursed to a State level Nodal Agency nominated by the State Government which will keep the funds in a separate account. The unutilized funds, if any, out of the allotted funds will be counted against allocations for the next year and suitable deductions for equivalent amounts may be made from the allocations next year.

7.2 50% of allocation shall be released in the first quarter of financial year. Balance amount shall be released in third quarter based on utilization of funds and adherence of the State to guidelines of the scheme. States would be advised to take up projects for utilizing full amount in the beginning of the year. They would also be advised to identify such projects in advance.

8. Approval of Projects and Implementation

8.1 There shall be a State Level Export Promotion Committee (SLEPC) headed by the Chief Secretary of the State and consisting of the Secretaries of concerned Departments at the State level & a representative of the States cell of the Department of Commerce (DoC) and the Joint Director General of Foreign Trade posted in that State/ region as Members. SLEPC will scrutinize and approve specific projects and oversee the implementation of the Scheme.

8.2 Each State/ UT shall appoint/ designate one of its officers as Export Commissioner who shall be the convener of SLEPC and with whom DoC will interact on the issues pertaining to ASIDE. He shall draw up five year and annual export plans for the State/ UT in consultation with the trade and industry, the Export Promotion Councils and the DoC. He shall also draw up a shelf of location specific projects, for the approval of the SLEPC, which are proposed to be taken up under this scheme. He shall also act as a single point interface with the exporters from the State/ UT.

8.3 The SLEPC will ensure that the proposals will be location specific and selection of location and inter-se prioritizing will be done by the SLEPC. For this, SLEPC will draw a list of centres to be focused for developing export infrastructure over next 2-3 years and a shelf of projects will be kept in advance to take full advantage of this Scheme each year. The list of centres may be drawn in consultation with Export Promotion Councils (EPCs) and other export promotion bodies. On approval of the proposals by the SLEPC, funds shall be disbursed to the implementing agency of the project by the Nodal Agency. State Governments are advised to put in place a system for Disbursement of funds by Nodal Agency to Implementing Agency of the project. As far as possible the States may leverage the funds released by the DoC with other schemes and projects of the State Government.

8.4 Before sanctioning new projects, the SLEPC will allocate funds for the likely expenditure of the ongoing projects. The SLEPC will ensure that except in exceptional cases no new project has a gestation period of more than 2 years.

8.5 For outlays under the Central component, there shall be an Empowered Committee in the Department of Commerce, headed by the Commerce Secretary and consisting of representatives from the Planning Commission and the respective Ministries to consider and sanction the proposals received as per the procedure prescribed in para 9. If any project has any bearing on the external sector, a representative of the Ministry of External Affairs would be invited for the meeting of the Empowered Committee.

8.6 The 20% Central component would be approved as per the delegation of powers under Financial Rules of Government of India. The 80% State component would be approved by the State Government as per the Rules of Business of the State Government.

8.7 Payments made under the scheme will be subject to audit by the Comptroller & Auditor General of India as also by other means as deemed fit by Government of India. Government of India will cause physical verification and other such enquiries as deemed fit, of the projects sanctioned under the Scheme.

8.8 The Implementing Agency of each project will see that wherever feasible, users of the infrastructure will pay a service charge for the same, which could meet the expenditure on operation and maintenance of the infrastructure so created.

9. Criteria for approval of projects

9.1 The proposals must show a direct linkage with the exports. The proposed investments should also not duplicate the efforts of any existing organization in the same field. The funding for the project should generally be on cost-sharing basis, if the assistance is being provided to a non-government agency. However, the SLEPC/Empowered Committee may consider full funding of the project on merits.

10. Eligible Agencies

10.1 **Under the scheme, funds for the approved projects may be sanctioned to**:-

- i. Public Sector under takings of Central/State Governments
- ii. Other agencies of Central/State Governments
- iii. Export Promotion Councils/Commodity Boards
- iv. Apex Trade bodies recognized under the EXIM policy of Government of India and other apex bodies recognized for this purpose by the Empowered Committee set up under para 8.
- v. Individual Production/Service Units dedicated to exports.

11. Administrative expenses.

11.1 All administrative expenses connected with the implementation of the scheme will be met by the concerned State Governments from out of their own budget and no part of the scheme funds shall be used to meet such expenditure.

12. Submission/scrutiny of project proposals

12.1 The project proposal should be exhaustive and precise. All aspects related to projects should be supported by data, surveys and projections for future etc.

12.2 The project proposal should be accompanied by an executive summary, which should contain the following facts:-

i. Name and complete address of the proposing organization.
ii. Name and complete address of the implementing organization.
iii. Status of the implementing agency (whether government agency, or Trade Body or Individual Exporters etc.)
iv. Total Cost of the project.
v. Financial pattern
vi. Whether finance from source(s) has been tied up
vii. Whether land, if required, is available for the project
viii. Project phasing and date of completion
ix. Scope of work(Type of facilities required)
x. Main benefits accruing from the project.

12.3 Details on each of the parameters indicated above should be included in the detailed project report. The report should also contain, inter alia, detailed cost benefit analysis, details of cost of each components of the project, benefits accruing from the projects in both qualitative and quantitative terms, for growth and exports.

13. Monitoring and Review.

13.1 Each State/UT shall submit a quarterly report in the prescribed format as given at Annexure-I. This form will be used to review the progress of utilization of the funds released as also the basis of further release of funds by the Ministry. The annual utilization of the funds shall be submitted on Form GFR 19-A (Annexure-I

13.2 The Empowered Committee shall periodically review the progress of the Scheme and will take steps to ensure achievements of the objectives of the Scheme.