

## **“SEZs Have not Achieved any of the Declared Objectives” Indicts the CAG Report**

### **Employment**

It was noticed that in the selected 117 Developers/Unit in 12 States the actual employment (2,84,785) vis à vis the projections (39,17,677) made by the Developers / Units had fallen short by nearly 93 per cent (absolute number being 36,32,892) Five states viz Andhra Pradesh, West Bengal, Karnataka, Maharashtra and Gujarat constitute 90 per cent of the total shortfall of the employment. Further, the shortfall was significant in IT Sector SEZs followed by Multi Product sector .

Thus, there are wide gaps in the employment projected by the developers and that provided in all the categories of the industries. It is clear from the above data that the pattern of employment generation is also not uniform across sectors and states. The other interesting fact is that there is a Concentration of SEZs close to urban agglomerations resulting in employment generation in the districts that are already industrialized with higher levels of literacy. Thus, SEZs to be 'a new avenue of employment generation' as claimed by the MOC&I could not come true

### **An Example of Breach of Condition of MOU to Generate Employment**

The Government of Andhra Pradesh allotted 80.98 hectares Land to M/s Hyderabad Gems SEZ in June 2007 vide MOU with the condition to generate employment for 15000 people within five years of allotment of land which was relaxed to 10000 people vide revised GO (February 2010). However as of March 2013, the total employment Generated was only 3835 i.e. 38.35 per cent of the commitment. Similarly, M/s Wipro Gopanapally was allotted 40.46 hectares in October 2005 and They were required to generate employment for 10000 people. However, as of March 2013, the total employment generated was only a meagre 356 (3.6 percent). However, no action was initiated against the developers for violation of condition in The absence of any enabling provisions.

### **Rehabilitation, Resettlement and Employment**

Government of Andhra Pradesh vide its G.O. Ms. No. 68 dated 8<sup>th</sup> April 2005 issued the Rehabilitation and Resettlement (R&R) Policy for the persons affected due to compulsory acquisition of land. Chapter VI of the policy stipulates the R&R benefits for the Project Affected Families (PAF) which includes free house sites, grant for house construction/subsistence allowances, etc.

APIIC acquired 9287.70 acres of land (6922.29 acres of Patta land and 2365.41 acres of Government/assigned land) during 2007-08 in Atchyutapuram, Rambilli mandals of Visakhapatnam district for development Of integrated SEZ. The rehabilitation payout was proposed at Dibbapalem and Veduruvada villages for the Project Displaced Families (PDF) and the cost of Rehabilitation package was worked out at 106.21 crore. 5079 families were Affected in 29 villages (15 villages in Atchyutapuram mandal and 14 villages in Rambilli mandal). It was observed that only 1487 families could be shifted to Dibbapalem till date. Further, out of 4300 plots developed for the major married sons of the affected people, only 3880 could be allotted. In Veduruvada too, no plots had been allotted till date.

### **Shortfall in Investment**

SEZs were intended to attract a foreign multinational enterprise which was supposed to have a catalytic effect. The foreign capital was to be attracted by means of leveraging incentives

and to use foreign technology and management skills to augment exports. While applying for permission to establish an SEZ, the Developer indicates the quantum of investment proposed to be made in the SEZ. It was noted that during the period of audit the actual investment (‘ 80176.25 crore) vis à vis the projections (‘194662.52crore) in 79 Developers/Units in 11 selected States was 58.81 per cent lesser than the projected amount. This includes shortfall in FDI to the tune of ‘2468.53 crore (66.83 per cent). Five states (Andhra Pradesh, Uttar Pradesh, Karnataka, Maharashtra and Gujarat) contributed to 57 per cent of the total shortfall of the investment. In case of Madhya Pradesh, no short fall of investment was noticed.

The establishment of SEZs was envisaged as an important strategic tool to expedite the growth of international trade which manifests itself in the form of increased exports as units set up in an SEZ have to produce goods and services mostly for exports. Hence, the increased level of exports has been critical to the success of SEZs. It was noted that the actual Exports (‘1,00,579.70 crore) vis à vis the projections (‘3,95,547.43crore) in 84 Developers / Units in 9 selected States was 74.57 per cent lesser than the projected amount during the period of audit. Four states viz., Andhra Pradesh, Tamilnadu, Maharashtra and Rajasthan constitute 72.61 per cent of the total shortfall of Exports.

### **Foreign Exchange Earning**

It was noted that there was shortfall in respect of 74 operational SEZ Units which completed five years in the following 10 States. Five states viz., UP, Tamilnadu, Karnataka, Maharashtra and Chandigarh constitute 97.87 per cent of the total shortfall of Net Foreign Exchange.

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