

Terms of Reference for the Internal Evaluation of Distribution of tax exempted diesel and kerosene to fishing boats in Karnataka

1. Title of the study:

The study is titled “*Distribution of tax exempted diesel and kerosene to fishing boats in Karnataka*”

2. Department implementing scheme:

The department of Fisheries of the Government of Karnataka implements the scheme.

3. Background:

A) **Distribution of tax exempted diesel:** Having a continental shelf of 27000 square kms, 300 kms of coastline and 14.8 lakh hectares of inland waters (rivers and canals excluded), the State is rich in fisheries resources. The total fish production in the State was 575.30 thousand tonnes in 2012-13, of which 373.17 thousand tonnes was marine fish. The State's fish production accounts for 5.8% of India's total fish production. The current level of per capita fish availability in the state is 6.8 kg. Karnataka ranks 5th in marine fish production and 9th in the inland fish production of India. The total fish folk population of the State is 8.72 lakhs. Of these, 3.11 lakh persons are related to marine fishing area and 5.65 lakh persons to inland fishing.

Marine fisheries being capture fishery, needs to be exploited with efficient methods of fishing. Prior to 1960, marine fishing was carried out with traditional methods, nearer to shore. Fishermen did not possess proper vessels, gears and mechanical measures of propulsion to go deep into the sea. Due to this, the bottom fauna and shoal fishes in open waters were not efficiently caught. Thus, the Government decided to encourage mechanisation of fishing vessels with liberal subsidy in mid-sixties. This resulted in increase in number of trawlers and purse-seiners, and by early 1980s, sufficient number of trawlers and purse-seine boats (As per the paper “Marine fisheries of Karnataka State, India, published in Naga, The

ICLARM Quarterly April-June 1998 on pages 10 to 15 Karnataka has the highest number of purse-seine boats in the Country) started operating in the coastal waters. This first resulted in increased catch, but later in overexploitation, so much so that the catch per boat started declining(The State's year wise marine fish production is given in *Annexure-1* and Wholesale Price Index for marine fishes with 1970 as base year is in *Annexure-2*). Also, increase in cost of diesel used by mechanised fishing boats, resulted in less income realization per unit effort. The department stopped encouragement for further mechanisation of fishing vessels.

In order to improve the income realisation by mechanized fishing vessels, and with a view to encourage fishermen to go to deeper waters for fishing, the Government felt the need to subsidise the diesel being used by these fishing vessels. Hence, in 1985-86, the State Government introduced a scheme of providing subsidy on diesel purchased by exempting the State sales tax which was about Rs.0.52 per litre (now the subsidy due to exemption of sales tax is close to Rs 7 per litre), and capped on eligible maximum subsidy per mechanised boat as detailed below:

Sl.no.	Category of Boat	Maximum subsidy permitted per year
1	Purse-seiners	Rs.9000
2	Trawlers	Rs.3000
3	Gill netters	Rs.1000

The relief was being released to mechanised fishing boats through backend subsidy. The Deputy Directors of Fisheries of Mangalore and Karwar were given powers to countersign the subsidy bills. This scheme prevailed from 1985-86 to 1998-99.

Subsequently, on the demand from fisher folk, the Government decided to do away with back end subsidy and instead provided “*at source sales tax exemption*” for the diesel being purchased for mechanised fishing boats. In order to cater to these needs, the Government facilitated establishment of department approved diesel outlets (bunks) in fishing harbours and fish landing centers. These bunks are supplied sales tax exempted diesel from oil companies, based on the permission letter issued by the fisheries department.

The finance department annually releases certain quantity of State sales tax exempted diesel under Section 5 of Karnataka Sales Tax Act 1957. To this effect every year, a Government order is issued by the finance Department.

Initially, in the year 1999-2000, 40000 kilolitres (KL) of sales tax exempted diesel was released. With the passage of years, the demand for diesel increased and at present 150000 KL of sales tax exempted diesel has been allocated for 2014-15. The number of mechanized boats registered and having fishing licence availing the benefit of the Scheme is given in **Annexure-3**.

The Diesel quota allotment and consumption during the last five years is given below:

Year	Quota allotted (in KL)	Diesel consumed (in KL)	Number of mechanized fishing boat	Marine Fish Production (Mt Tonnes)
2009-10	85000	84118	2353	248728
2010-11	95000	94799	2500	340571
2011-12	115000	114560	3193	347383
2012-13	125000	120758	3152	357325
2013-14	150000	126092	2912	357000
2014-15	150000	119768*	3777	323876

** Upto January 2015*

Presently 30 approved Diesel Bunks are located in fishing harbours and fish landing centres. The list is enclosed as **Annexure-4**. These bunks are procuring diesel from Indian Oil Corporation (IOC), Bharat Petroleum Company (BPC) and Hindustan Petroleum (HP) oil companies and supplying the same to mechanised fishing vessels as per guidelines issued by the department of Fisheries.

1) Measures taken at Fisheries Department level:

- a) The Director of Fisheries releases the required diesel quota every quarter to the Deputy Directors of Fisheries Mangalore and Karwar, who in turn release the monthly quota to department approved diesel bunks within their jurisdiction, based on consumption.

- b) Monthly diesel quota released and consumed is monitored by the respective Deputy Directors.
- c) The Deputy Directors every year issue diesel pass books to the registered mechanised fishing vessels, which are to be produced by the boat owners for entries when procuring the sales tax exempted diesel from the diesel bunks.
- d) The Department of Fisheries, based on boat engine horse power(HP) has fixed daily diesel quota, to be released per boat, as given below:

Horse power of the Boat Engine	Diesel released/day (litres)	Diesel released/month (litres)
Up to 40 HP	70	2100
41-70 HP	90	2700
71-90 HP	150	4500
91-130 HP	250	7500
Above 130 HP	300	9000

2) Procedure for distribution of tax free diesel to fishing boats as per office order No.MEF/36/2003-04, dated: 06.01.2005 of Director of Fisheries.

1. This scheme is implemented through Fisheries Co-operative Societies, District Co-operative Fish Marketing Federations and Karnataka Fisheries Development Corporation Ltd.
2. As per Karnataka Marine Fisheries Act 1986, the benefit of tax exemption is given to boats having fishing license and identity cards. The diesel is to be procured from any of the department approved bunks.
3. Sales tax free diesel can be procured by Karnataka Fisheries Development Corporation, District Co-operation Fish Marketing Federation and Primary Fisheries Co-operative Societies from the 30 department approved bunks only.
4. The diesel is to be distributed to boats as per maximum limit fixed based on the engine capacity (HP) of the boats.
5. The tax exempted to diesel can be purchased on payment of cash, not on credit.

6. Tax exemption is not permitted to those boats which go for fishing when it is prohibited. In case, fishing is done during the prohibited period the benefit of tax free diesel supply to such boats is stopped.
7. The diesel cannot be supplied to fishing boats of other States.
8. The transfer of the diesel from one boat to another is not permitted. The procured diesel cannot be sold to anybody and use other than for which it was purchased is prohibited.
9. The distribution of diesel can be done to those pass book holders who have registered as per the Fisheries Act and certified by the fisheries department.
10. The responsibility of printing pass books is entrusted to the Karnataka Co-operative Fisheries Marketing Federations.
11. The owner of boat should authorise a person to sign the cash bill and get the sales tax free diesel.
12. The person authorised to get the diesel should get the signature of manager of the petrol bunk in the pass book.
13. The Fisheries Co-operative Society, District Co-operative Fish Marketing Federation and Karnataka Fisheries Development Corporation Ltd. should certify about the utilisation of the sales tax free diesel by the boats by way of verification by the bunks or by enquiry etc, and send a certification to district officers of Fisheries department regarding proper utilisation of diesel of the previous month.
14. In case it is found that misappropriation of diesel has taken place by any boat, the pass books of such boat will be cancelled and diesel supply stopped.
15. The Deputy Directors of Fisheries of coastal districts and other officers should make surprise visits to the bunks every now and then, and examine the process and supply to see that no misappropriation takes place.
16. It is the responsibility of the approved diesel bunks to record the quantity of sales tax free diesel distributed with dates in the passbook.
17. The pass books are to be provided to the departmental (fisheries) officers during the course of inspection.

The Bunk wise diesel supply during the last 3 years is enclosed at ***Annexure-5***.

B) Supply of Subsidized kerosene to the fishing boats:

In coastal Karnataka, marine fisheries are mainly done through capture of natural resources. Prior to introduction of mechanisation, fishing was done in the traditional way by gill nets and *rampani*(Shore-seine). This method of fishing could be used only in near shore waters. A large fishery wealth in open and deeper waters within littoral zone remained untapped.

The Department of Fisheries introduced mechanisation of fishing vessels by providing financial assistance, training, infrastructure etc. Rich fisher folk made use of this programme and built bigger boats, fitted with mechanical means of operating nets, thus resulting in coming into operation of purse seiners, trawlers and bigger gill net boats.

But the poor fishers who could not afford mechanisation, continued to fish in near shore water using wooden boats with manual power for movement. In order to uplift these fisher folk, who operated mainly gill nets/*matubale* the Government introduced a scheme for providing subsidy for fitting motorised engines. The engine capacity varied between 9.8 to 20 HP. The fuel used by these engines is mainly kerosene.

As kerosene has become a scarce commodity in open market, the Government felt the need to provide subsidised kerosene through Public Distribution System (PDS) of the Department of Food and Civil Supplies. In the year 2007, 200 litres of Kerosene per boat per month was being supplied to 3265 motorised boats under PDS. The total quantity of kerosene supplied was about 660 KL per month. As the monthly quota of 200 litre was not sufficient, the Government of Karnataka by order no. ಅನಾಸ 119 ಡಿಆರ್‌ಎ 2013 dated 23-10-2013 increased the monthly quota to 300 litres per boat.

There are 4514 motorised boats of which 990 are there in Uttara Kannada 2610 in Dakshina Kannada and 914 in Udupi districts. The kerosene is given to these boats at the rate of Rs. 16.50 per ltr. This is distributed through 25 fair price shops and other institutions shown in Annexure-3.

The number of motorised boats operating in the district is identified by conducting a joint inspection by officers of the Department of Fisheries and

Food and Civil Supplies Department. After this, each motorised boat is provided with a permit for procuring subsidized kerosene through PDS.

4. Background Material relevant to the study:

- A. The paper “*Fuel price increase, subsidies, overcapacity and resource sustainability*” authored by Ussif Rashid Sumaila, Louise Teh, Reg Watson, Peter Tyedmers, and Daniel Pauly source www.researchgate.net..Fuel...subsidies.../0912f4febc983655e9000000.
- B. The Handbook of Fisheries Statistics 2008, published by the Ministry of Agriculture, Government of India.
- C. The study “*Changing fish utilization and its impact on poverty in Karnataka*” funded under DFID post harvest fisheries research programme in March 2003.
- D. The paper “*Marine fisheries of Karnataka State, India*, published in Naga, The ICLARM Quarterly April-June 1998 on pages 10 to 15.
- E. The paper “*Depleted and Collapsed marine fish stocks along southwest coast of India- A simple criteria to assess the status*” of K S Mohamed, T V Santhlanandanet. al.

5. Evaluation Scope and Purpose:

The scope of evaluation is confined to the three costal districts of namely Dakshina Kannada, Uttar Kannada and Udupi. The purpose of evaluation is:

- a) To evaluate the need and utility of the Scheme.
- b) To evaluate the process of implementation of the entire Scheme.
- c) To study the organizational and administrative problems and loopholes, if any, in the implementation of the Scheme.
- d) To study the economics and operational efficiency of mechanised boats after the implementation of the Scheme.
- e) To assess whether the Scheme has impacted on employment, earnings and levels of the fisher folk.
- f) Need of continuance of the Scheme and modifications/ improvements if any in the Scheme if it is recommended for continuation.
- g) Overall impact of the Scheme on the marine fish production and fish population of Karnataka.

6. Evaluation Questions (inclusive not exhaustive):

For the Diesel distribution part only

- A. The Scheme provides for sales tax exempted diesel to all registered mechanized boats having fishing licences. What is the average subsidy (in Rupees per year) provided to a mechanized boat for powers classified in Annexure 3? Are there cases wherein more than one mechanized boat qualifies for subsidy within the same family?
- B. What are the documents required to avail the benefit of this scheme?
- C. What is the frequency of renewal of boat license and fishing license as of now? What is the frequency of these renewals suggested?
- D. What is the average catch per effort and gross return per effort in respect of mechanised boats? How does it compare with mechanized boats not receiving sales tax free diesel?
- E. Whether the scheme has been effectively implemented with respect to following-
 - a. Procurement of diesel,
 - b. Distribution of diesel,
 - c. Issue of diesel pass book, and,
 - d. Quality and quantity of diesel supplied?
- F. What measures are in place to ensure that sales tax exempted diesel is not used by an unregistered and/or fishing licence lacking mechanized boat in the name of a mechanized boat that is qualified to get sales tax free diesel? What measures are in place to ensure that sales tax exempted diesel is not used by an intensely active fishing boat in the name of a casually fishing qualified boat? Are these measures enough? Can measures be suggested for checking these at bunk level as well as when fishing in the sea?
- G. What measures are in place to ensure that sales tax exempted diesel is not used for any use other than what it is intended for? Are these measures enough? Can measures be suggested for checking these at bunk level?
- H. Are there any complaints received in the department regarding misuse of sales tax free diesel? How many complaints were received in fisheries department? What type of misuse done and by whom? What action has been taken by the department on it?
- I. What is the opinion of the fisher folk about the Scheme?
- J. Considering the following points-

- i. The price of marine fish has risen by more than 15 times between 1985-86 and today,
- ii. As per paper cited at serial number E of paragraph 4 above and also it being common knowledge that marine fishes have and are being overexploited, so much so that yield is getting affected,
- iii. The mechanized boats being provided diesel subsidy do not cost less than Rs 60 lakhs, and,
- iv. Marine fishing done by mechanized boats is an commercial activity rather than meant for sustenance,

How far and on what grounds is the provision of sales tax free diesel to mechanized boats justifiable? Thus what is the inference regarding continuation/ continuation with modification of the Scheme?

- K. Irrespective of the inference of continuation of the Scheme, how much important and justified is the proposition of the department to have the sales tax subsidy benefit given byback end direct benefit transfer to the accounts of the boat owners through RTGS.

For the Kerosene distribution part only

- L. The Scheme provides for subsidized Kerosene to all registered small motorized boats having fishing licences. What is the average subsidy provided (in Rupees per year) to one such boat? Are there cases wherein more than one mechanized boat qualifies for subsidy within the same family?
- M. What are the documents required to avail the benefit of this scheme?
- N. What is the frequency of renewal of boat license and fishing license as of now? What is the frequency of these renewals suggested?
- O. What is the average catch per effort and gross return per effort in respect of motorized boats? How does it compare with motorized boats not receiving subsidized kerosene?
- P. Whether the scheme has been effectively implemented with respect to following-
- a. Timely distribution,
 - b. Issue of kerosene pass book, and,
 - c. Quality and quantity of kerosene supplied?

- Q. What measures are in place to ensure that subsidized kerosene is not used by an unregistered and/or fishing licence lacking motorized boat in the name of a motorized boat that is qualified to get subsidized kerosene? What measures are in place to ensure that excess subsidized kerosene is not purchased by a motorized boat by attaching the same boat to a number of engines? Are these measures enough? Can more and better measures be suggested for checking these?
- R. What measures are in place to ensure that subsidized kerosene is not used for any use other than what it is intended for? Are these measures enough? Can more and better measures be suggested for checking these?
- S. Are there any complaints received in the department regarding misuse of subsidized kerosene? How many complaints were received in fisheries department? What type of misuse done and by whom? What action has been taken by the department on it?
- T. What is the opinion of the fisher folk about the Scheme?
- U. How far and on what grounds is the provision of subsidized kerosene to motorized boats justifiable? What is the inference regarding continuation/ continuation with modification of the Scheme?
- V. Irrespective of the inference of continuation of the Scheme, how much important and justified is the proposition of the department to have the subsidy benefit given by back end direct benefit transfer to the accounts of the boat owners through RTGS.

Question common to the scheme for diesel as well as kerosene

- W. What is the review mechanism by the District officers to check the process of supply of tax free diesel and kerosene to boats? What is the frequency of review?
- X. What are the main features of this scheme as being implemented in the States of Goa, Kerala, Tamilnadu and Andhra Pradesh? How are where does the Karnataka scheme differ with them? Based upon these, is the scheme recommended for continuation? If no, why so and If yes, with what changes?

7. Sampling and Evaluation Methodology:

The Consultant Evaluation Organization selected to do the study should answer questions A,C, J and L by studying the list of boats (in real craft software to be provided by the department), pass books and 10% of the bunks

(for diesel)and PDS centres (for kerosene) and after field verification and discreet discussions with fisher folk and departmental staff. To answer questions B K,G and P, the data should be gathered from at least 10% of the boat owners (in mechanized this should be boat power wise) in each of the three districts under the Scheme, and final figures arrived at vetted by Deputy Directors of Fisheries of the concerned districts. All other questions are to be answered after discussions and personal interviews of Scheme benefitted boat owners, Boat owners not covered under the Scheme, discreet personal interviews of departmental staff, retired employees and knowledgeable Scientists of Central Marine Fisheries Research Institute and/ or the Fisheries College in Cochin (one office is in Karwar) and Mangalore respectively. Inputs can also be taken from Academicians of the department of Marine Biology, Karnatak University, based in Karwar.

8. Qualifications of the consultants and method of selection:

Consultant Evaluation Organizations should have and provide details of evaluation team members having minimum technical qualifications/capability as below-

- i. B.F.Sc with 5 years' experience in related field,
- ii. Marine/ Mechanical/Automobile Engineer, and,
- iii. Research assistant/Statistician.

Consultant Evaluation Organizations not having these kind of personnel will not be considered as competent for evaluation.

9. Deliverables and time schedule:

The Director of Fisheries will provide the guidelines of the scheme and details on process of sanctions etc. which are available at the head office level and issue necessary instructions to the concerned Deputy Directors of Dakshina Kannada, Uttar Kannada and Udupi district officers of Fisheries department and Food and Civil Supplies Department to provide the details required to the consultant organisation and co-operate in completion of the study in the stipulated time. It is expected to complete the study in 4 months' time, excluding the time taken for approval. The evaluating agency is expected to adhere to the following timelines and deliverables.

The Consultant Evaluation Organization should complete the study in 4 months' time, excluding the time taken for approval. They are expected to adhere to the following timelines and deliverables or be quicker than the follows

- a. Work plan submission : One month after signing the agreement.
- b. Field Data Collection : One months from date of Work Plan Approval.
- c. Draft report Submission : One month after field data collection.
- d. Final Report Submission : One month from draft report approval.
- e. Total duration : 4 months.

10. Qualities Expected from the Evaluation Report:

The following are the points, only inclusive and not exhaustive, which need to be mandatorily followed in the preparation of evaluation report:-

1. By the very look of the evaluation report it should be evident that the study is that of the Director of Fisheries Department and Karnataka Evaluation Authority (KEA) which has been done by the Consultant. It should not intend to convey that the study was the initiative and work of the Consultant, merely financed by the Fisheries Department.
2. Evaluation is a serious professional task and its presentation should exhibit it accordingly.
3. The Terms of Reference (ToR) of the study should form the first Appendix or Addenda of the report.
4. The results should first correspond to the ToR. In the results chapter, each question of the ToR should be answered. It is only after all questions framed in the ToR are answered, that results over and above these can detailed.
5. In the matter of recommendations, the number of recommendations is no measure of the quality of evaluation. Evaluation has to be donewith a purpose to be practicable to implement the recommendations

11. Cost and schedule of budget releases:

Output based budget release will be as follows-

- a. The **first instalment** of Consultation fee amounting to 30% of the total fee shall be payable as advance to the Consultant after the approval of the inception report, but only on execution of a bank guarantee of a scheduled

nationalized bank, valid for a period of at least 12 months from the date of issuance of advance.

- b. The **second instalment** of Consultation fee amounting to 50% of the total fee shall be payable to the Consultant after the approval of the Draft report.
- c. The **third and final instalment** of Consultation fee amounting to 20% of the total fee shall be payable to the Consultant after the receipt of the hard and soft copies of the final report in such format and number as prescribed in the agreement, along with all original documents containing primary and secondary data, processed data outputs, study report and soft copies of all literature used in the final report.

Taxes will be deducted from each payment, as per rates in force. In addition, the evaluating agency/consultant is expected to pay service tax at their end.

12.Selection of Consultant Agency for Evaluation:

The selection of evaluation agency should be finalized as per provisions of KTPP Act and rules without compromising on the quality.

13.Contact person for further details:

Sri. H.S.VeerappaGowda, Director of Fisheries Department, 3rdFloor, Podium Block, Sir.M.VisveswarayaTower, Dr. B.R.Ambedkar Veedhi, Bangalore-01. Land Line Ph.: 22864681, Sri NaseemAfsar, Deputy Director, (Marine Fisheries) Ph: 22864661 &Mobile: 9886952944, ddpoultry@gmail.com, will be the contact persons for giving information and details for this study.

The entire process of evaluation shall be subject to and conform to the letter and spirit of the contents of the Government of Karnataka Order no. PD/8/EVN (2)/2011 dated 11th July 2011 and orders made there under.

The Terms of Reference were approved by the Technical Committee of KEA in its 18th Meeting held on 04th May 2015.

Chief Evaluation Officer
Karnataka Evaluation Authority

Annexure 1

Marine Fish production of Karnataka from 1992-93

Sl. No.	Year	Marine Fish production in thousand metric tonnes
1	1992-93	234.19
2	1993-34	204.52
3	1994-95	203.75
4	1995-96	247.51
5	1996-97	252.78
6	1997-98	219.86
7	1998-99	190.61
8	1999-2000	195.63
9	2000-01	205.90
10	2001-02	128.42
11	2002-03	180.16
12	2003-04	187.00
13	2004-05	171.23
14	2005-06	176.97
15	2006-07	168.54
16	2007-08	175.57
17	2008-09	218.13
18	2009-10	248.72
19	2010-11	340.57

Source: Director of Fisheries, Karnataka

Annexure 2

Marine Fish Wholesale Price Index of Karnataka from 1971

Base year 1970 = 100

Sl. No.	Year	Marine Fish price index
1	1971	103.1
2	1972	115.5
3	1973	133.8
4	1974	159.3
5	1975	157.8
6	1976	172.7
7	1977	192.3
8	1978	228.8
9	1979	252.7
10	1980	267.0
11	1981	246.6
12	1982	292.7
13	1983	314.9
14	1984	304.1
15	1985	347.2
16	1986	371.1
17	1987	385.2
18	1988	405.1
19	1989	419.4
20	1990	477.2
21	1991	533.6
22	1992	732.4
23	1993	816.7
24	1994	1088.5
25	1995	1319.6
26	1996	1448.0
27	1997	1785.8
28	1998	1971.3
29	1999	1973.4
30	2000	2300.4
31	2001	2305.1

32	2002	2527.2
33	2003	2484.5
34	2004	2499.9
35	2005	3785.7
36	2006	3027.1
37	2007	3070.9

Source: Table H-1, Indices of Wholesale Prices, Handbook of Fisheries Statistics 2008.