NEWS ITEMS ON CAG/ AUDIT REPORTS (06.05.2022)

1. India's defence offset contracts are in shambles, need a revamp *(theprint.in)* SNEHESH ALEX PHILIP | 6 May, 2022

Minister of State Ajay Bhatt's reply in Parliament last month on the state of defence offsets gave us a glimpse into the mess that these contracts are in when it comes to imbibing modern technology and mark up India's defence production capabilities.

The minister said there are 21 offset contracts in which the vendors have defaulted/non-performed offset obligation during the last five years amounting to $2.24 billion till 31 December 2021. He also said that penalties amounting to $43.14 million have been imposed against defaulters/non-performing vendors in 16 cases.

Bhatt added that during the last five years, offset claims worth $2.64 billion have been submitted in 47 contracts till 31 December 2021.

This reply is a shocker because it means that a significant amount of 57 offset contracts signed have resulted in penalties with the number expected to rise, as per sources in the defence and security establishment.

Moreover, penalties have been imposed on major defence companies. Sources say these include Lockheed Martin during the work related to C-130J Hercules aircraft, Safran (France) during a Mirage aircraft upgrade project and the acquisition of Rafale aircraft, Dassault Aviation (France) during a Mirage upgrade project, Thales (France) during a Mirage upgrade project and rocket-related efforts with Hindustan Aeronautics Limited (HAL), European consortium MBDA for an effort involving MICA missiles for the Mirage-2000H and during the Rafael acquisition, Rosoboronexport (Russia) for contracts related to Kamov Ka-28 helicopter upgrades, MiG-29 fighter jet upgrades and Mi-17 helicopters. Even Israel Aerospace Industries have faced penalties for contracts involving Harop and Heron drones.

India adopted the Defence Offset Policy for capital purchases above Rs 300 crore made through imports in 2005. Foreign vendors were required to invest at least 30 per cent of the value of the purchase. The first offset contract was signed in 2007 with a total of 57 contracts signed since then. Offset contracts estimated at $13.52 billion have been signed and are expected to be implemented by 2033.

A difficult time lies ahead

Experts, speaking off the record, argue that the cases of penalisation are going to see an exponential increase in the next five years, even though fresh offset contracts are not expected to be signed.

India is one of the few countries that does not count the quality of an offset package as a bid evaluation criteria for assessing competing tenders, and this could have played a role in the quality of offsets received.

A recent wargame by Delhi-based Insighteon Consulting noted that for contracts signed before the issue of offset guidelines of 1 August 2012, penalties levied are restricted to the duration

of contract and therefore stalemate situations are inevitable, with long periods of inaction from either side.

It also noted that more than 50 contracts are still open out of the 57 offset contracts signed.

The Comptroller and Auditor General (CAG) had in 2020 lashed out at the practice, saying foreign vendors often make offset commitments to win contracts but dilly-dally later on. The CAG had cited as an example a proposal from Dassault Aviation and MBDA that was struck as part of the Rafale deal.

The CAG had noted that from 2005 to March 2018, 46 offset contracts had been signed with foreign vendors that were together valued at Rs 66,427 crore. According to the auditor, by December 2018, Rs 19,223 crore worth of offsets should have been discharged by the vendors, but only claims worth Rs 11,396 crore, or 59 per cent, were submitted.

"Further, only 48 per cent (Rs 5,457 crore) of these offset claims submitted by the vendors were accepted by the ministry. The rest were largely rejected as they were not compliant to the contractual conditions and the Defence Procurement Procedure," the CAG noted.

The offset in the Rafale deal was a surprise to the French as well. They argued that this was a government-to-government deal and has not been applicable in any of the deals done earlier. Given that the original tender for fighters had a 50 per cent offset clause, the Indian government insisted on the same for off-the-shelf purchase.

Need a dispute resolution body

The Modi government has done away with offsets in future government-to-government deals, such as the Rafale deal that was signed in 2016.

More steps need to be taken to ensure that existing contracts are fulfilled to the liking of all parties including the defence ministry.

With a likely increase in the quantum of unfulfilled obligations in the coming years, priority should be given to such possible cases.

Rajiv Chib, founder of Insighteon Consulting, said that in legacy stalemate situations, the suppliers of the MoD should be given a second chance to fulfil their obligations.

It was also recommended that this second chance be provided under a new regulation/broad policy framework, where the Original Equipment Manufacturers (OEM) be allowed to fulfil offset obligations, governed by the provisions indicated in offset procedures of any of the defence procurement procedures published till now.

And for this, the defence ministry may create an Empowered Dispute Resolution Body (EDRB), led by a senior bureaucrat or a senior industry professional with representatives from the forces as well as the industry.

The objective of EDRB will be to close all existing stalemate situations by the best possible outcome, which could include calling for fresh proposals and clearing them through the approving body in the defence ministry – Defence Acquisition

Council. https://theprint.in/opinion/brahmastra/indias-defence-offset-contracts-are-in-shambles-need-a-revamp/944531/

2. Why the distress sale of PSUs amidst booming govt revenue? *(fortuneindia.com)* By PRASANNA MOHANTY | May 06, 2022

After the sell-off of profit-making and strategic CEL, questions have been raised by opposition regarding valuations in the privatisation of Pawan Hans and LIC IPO

Last month, the Centre issued a statement saying that the revenue collection for FY22 exceeded by ₹5 lakh crore from the budget estimates – ₹27.07 lakh crore against estimates of ₹22.17 lakh crore. It also said the indirect tax "GST has seen an exemplary growth" as the CGST revenue increased from ₹4.6 lakh crore in FY21 to ₹5.9 lakh crore in FY22. These were intended to signal a robust economic recovery.

At the same time, the Centre is rushing to sell or disinvest in PSUs whose valuations and buyers have been questioned at a time when the market is highly volatile. The latest example is Pawan Hans Limited (PHL), the premier helicopter service in India owning 43 helicopters – none of the private service providers come anywhere close to it – for just ₹211 crore. There are several reasons why this deal raises eyebrows.

Distress sale of Pawan Hans

On April 29, the Centre announced that its entire 51% stake in PHL, which provides strategic and emergency services to oil PSU ONGC and to the rest of the country, is being sold off for ₹211 crore to Star9 Mobility Private Limited registered exactly six months earlier on October 29, 2021. The ministry said, this was the one of three bidders which bid above the reserve price of ₹199.9 crore.

Why this sudden rush when, going by the unexpected jump in revenues, the economy is on the recovery path and revenue collection is far above the expectations? Why couldn't the government wait for better bids – as it had done thrice earlier?

ONGC owns the rest 49% of PHL and is expected to sell off its stake to the same buyer at the same valuation. The PHL employees' union told Fortune India that they had expressed interest in the privatisation process and sought it to be merged with ONGC when the privatisation talk began in 2016 – but the Centre did not entertain their ideas. At that time, ONGC was not supposed to offload its stakes as PHL is critical to its operations in high sea oil rigs. In fact, they say PHL was set up in 1985 to provide offshore services. At present, PHL connects inaccessible areas in the northeast region, Lakshadweep, Andaman and Nicobar Islands, Daman, Jammu and Kashmir, anti-Maoist operations in Gadchiroli (almost all of which private operators refuse to service), besides providing rescue and relief services during national calamities and other emergencies.

The Centre's statement said the ONGC had earlier decided to offer its entire stakes to the successful bidder as if the oil PSU acts of its free will. Had that been the case, ONGC wouldn't have wasted its financial resources by buying bankrupt Gujarat State Petroleum Corporation (GSPC) in 2017 – GSPC had declared a loss of ₹17,061 crore that year – or borrowed ₹24,881 crore from the market to pick up Centre's stakes in another oil PSU, HPCL, in 2018. Once a cash-rich and debt-free "maharatna", ONGC is now cashless – cash and bank balance dipping

from ₹9,956.6 crore in FY16 to ₹302.6 crore in FY21 – and heavily indebted – its current borrowings zooming from zero in FY16 and FY17 to ₹8,695.1 crore in FY21. These details are provided in its annual report for FY21.

As for the buyer, Star9 Mobility Private Ltd, it is a consortium of three companies – Big Charter Private Limited, Maharaja Aviation Private Limited and Almas Global Opportunity Fund SPC. The official website of Almas Global says it is registered in the tax haven Cayman Islands and is into "investment". Maharaja Aviation Pvt Ltd provides air transport service and claims to own three helicopters. The Big Charter Pvt Ltd is a "transportation/trucking/railroad company" and its official website (only found on LinkedIn) doesn't declare how many helicopters it owns.

PHL employees say, none of these is known to provide offshore services and has just three helicopters and is taking over the "maharaja" of helicopter services in India for a pittance. Curiously, the Centre's statement declaring the sale doesn't provide any information about the credentials and competencies of the consortium and its three constituents (only reveals their names). The Department of Investment and Public Asset Management (DIPAM), the nodal agency for disinvestment and privatisation, doesn't disclose even that; all it provides is two documents – one is the "preliminary information memorandum" of December 2020 for inviting expression of interest (EOI) and the other, dates for filing EOI to its "global invitation".

As for the poor valuation of the PHL, the Centre's statement says it was making losses for the last three years (FY19, FY20 and FY21) and that it has an ageing fleet of helicopters. It doesn't tell why a profit-making PSU turned loss-making from FY19. PHL employees, talking to Fortune India, attribute it to several key factors since 2016, when the privatisation decision was first taken: (i) ONGC banned more than 5-year-old helicopters for a crew change at its offshore oil rigs (ii) at the same time, the aviation ministry refused permission to buy new helicopters (capital expenditure) because it had decided to privatise the PSU (iii) pending government dues and (iv) demoralised employees (due to the privatisation decision).

Rush for LIC IPO

The same rush is evident in the LIC IPO too. Initially, it was supposed to be floated in the second week of March 2022 – even after the Russia-Ukraine war broke out in February and turned the stock market volatile. This was apparently to meet the shortfall of ₹64,469 crore (an actual receipt of ₹13, 530.7 crore) in the disinvestment target of ₹78,000 crore for FY22 (RE). Since the government was to offload a 5% stake, market experts assumed the LIC's price band would be around ₹2,000 per share. Then it was postponed to May 4, 2022, because of market volatility.

When it was finally announced, LIC was priced at ₹902-949 band and the IPO size was cut from 5% to 3.5%. The government said the LIC price valuation was "fair and attractive" but market experts have questioned it for one particular reason: the low valuation of LIC compared to its peers, despite it being the market leader with more than 60% share. They point out that at this price band LIC's embedded value (EV) works out to around 1.1x, while that of junior players like the SBI Life and HDFC Life is far higher at over 3x and that most private life insurance companies are trading at 2.5-5x of their EV. Multiple reports quoting market experts have said the lowering of LIC price brand was because of poor response, including Fortune India's "LIC IPO size cut by one-third, valuation by half".

The lowering of stake sales to 3.5% also indicates market pressure to lower the LIC price band. The past two days have seen headlines suggesting a strong response from "anchor investors"

(institutional buyers like foreign portfolio investor, mutual fund, insurance company etc. which invests before the IPO is made available to the public) and that 71% of "anchor allotment was made to domestic mutual funds (MF).

This would also indicate a poor response from foreign investors. Days before submitting the red herring prospectus in February 2022, the Union Cabinet had cleared an amendment to the Foreign Exchange Management Act (FEMA) to allow 20% FDI into the LIC. The amendment was carried out in April 2022. The Centre's initial plan was to offload 10% and then take it to 20% over the next couple of years. But now it is offloading 3.5%.

Privatisation of CEL

The question over LIC's valuation comes close on the heels of the privatisation of Central Electronics Limited (CEL), a profit-making PSU developing critical frontier technologies for defence and space, to a minor finance firm Nandal Finance and Leasing Company owned by furniture and interior decorator company in November 2021, as Fortune India had reported earlier ("Why profitable strategic PSU CEL's sale leaves scientists aghast"). It was sold at ₹210 crore. When the employees went to court, the deal was put on hold.

Ghosts of privatisation of Hindustan Zinc

Not just the CEL, PHL and LIC IPO, the entire disinvestment and privatisation drive, first initiated by the previous BJP-led government under Prime Minister Atal Behari Vajpayee, has been under a cloud for gross undervaluation and other acts of omissions and commissions.

The Comptroller and Auditor General of India (CAG) had exposed these in its 2006 report which looked at the privatisation of 1999-2003: From not valuing mines (only one operational mine of Hindustan Zinc was valued and three others were handed over free), fully developed township and land (BALCO), plant and building of several PSUs (Modern Bread, VSNL) to using "far too conservative assumption" for 7 out of 9 PSUs using "discounted cash flow" method – which drastically reduce the PSU valuations – instead of "asset valuation" method that the Disinvestment Commission had recommended.

One of these deals has come back to haunt.

The Centre handed over the management of Hindustan Zinc Limited (HZL) to Sterlite Opportunities & Ventures (SOVL) in 2002. In November 2021, the Supreme Court asked the CBI to register an FIR into the gross irregularities in HZL's privatisation, after dismissing the latter's closure report filed in 2017 (saying that it found nothing amiss). But CBI officers (from its investigating wing) opposing the closure report (by the prosecution wing) provided the court with a rich haul of documents that proved otherwise, forcing the court to order an FIR and regular investigation.

These documents, that decided the court verdict for a proper investigation were, among others: (i) SEBI had disqualified SOVL from participating in the bidding (ii) CAG had objected to selling HZL's shares at ₹40.51 when the market rate was ₹119.1, "resulting in a loss of about ₹650 crore" (iii) the CBI investigation had found the global advisor using the "discounted cash flow", instead of the "asset valuation" method to reduce the value of PSUs, had disappeared and was untraceable and (iv) the global asset valuer had "failed to consider" goodwill, technical know-how and various assets, including three operational mines, to the tune of ₹80,000 crore.

More than 5 months later, the CBI finally registered an FIR in late April 2022 and began its probe – after fighting hard in the court in the interim to get the court to reverse its order.[xxi] None of these privatisation and disinvestment cases inspire confidence, they rather raise serious questions. https://www.fortuneindia.com/opinion/why-the-distress-sale-of-psus-amidst-booming-govt-revenue/108058

3. Evaluating CPSEs *(business-standard.com)* May 06, 2022

https://www.business-standard.com/article/opinion/evaluating-cpses-122050501428_1.html

4. Digging deep into the coal crisis *(thehindubusinessline.com)* May 05, 2022

The cancellation of coal blocks and inadequate domestic production have made costly imports inevitable

Coal and power shortages are dominating the headlines. States are being asked to import coal. The common understanding is that electricity demand has suddenly surged with a robust post Covid economic recovery and an unexpected heat wave. This has caught key players — Coal India, the Railways, thermal power plants and Discoms (distribution companies) — on the backfoot. They are now getting their act together on a war footing. But going further back would give a better understanding of how we have got into the difficult situation we are in.

Having the fifth largest reserves, thermal coal demand was being fully met from domestic production. Then about 15 years back, India began to import thermal coal and has gone on to become the second largest importer. These imports would have been around 125 million tonnes in 2021-22. This would be lower than in the earlier two-three years as Coal India has been increasing production. This illustrates what is called the phenomenon of 'unintended consequences' in public policy.

Private investment

After the reforms of 1991, getting private investment into sectors where only the public sector existed became a goal. With private investment, capacity constraints would be overcome it was thought. The private sector was also ipso facto supposed to be more efficient. Coal nationalisation had been undertaken by Indira Gandhi in 1973.

The NDA government at the turn of this century introduced legislation in Parliament for private coal mining, then developed cold feet and did not pursue it. The UPA government which followed took the pragmatic view that private coal mining through legislative change was not feasible. However, the same net result could be achieved by liberally allocating coal blocks for captive use.

Thermal power plants and other industries such as cement and steel were given coal blocks for the asking. These were coal blocks which had been investigated, reserves established and were in the pipeline for mining by Coal India. As these were given for captive use, the pipeline of new mines for Coal India was reduced. This would not pose a problem as future demand would get correspondingly reduced through captive mining. Captive mining would lower costs and liberal allocation in a competitive industry structure would result in the benefits of lower costs being passed on to downstream users and increasing their competitiveness.

There was, however, a different view within government then that price maximisation through auctions should be the way to allocate scarce resources. This was picked up by the then CAG in a public campaign mode with the use of the creative notion of "presumptive loss." The presumed loss figure of ₹10.67 lakh crores declared by the CAG naturally created a storm.

Supreme Court intervenes

The matter went to the Supreme Court. The government was unable to successfully assert that policy is its prerogative. Even if it should change at the behest of the court, a questionable proposition, it can only be done prospectively. If in some individual cases of allocation, there was a prima facie case of corruption, these could be investigated and the guilty punished.

The Supreme Court cancelled the allocation of 214 (all but four) coal blocks in 2014. These allocated coal blocks with reserves of about 28 billion tonnes could have achieved a production capacity 500 million tonnes per annum by now. Coal supply would not have been a constraint today.

In the meantime, thermal power investment by the private sector grew rapidly and this gave India adequate generating capacity at the national level for the first time. But faced with inadequate domestic coal production, imports became unavoidable. The practice of a thermal plant getting coal linkage from a dedicated mine to meet its full requirements was no longer sustainable. For new plants that were fortunate in getting linkage, Coal India provides what it can, and they have to import the rest of their requirements.

Some private plants came up, which were designed to use only imported coal. This seemed feasible initially as the price of thermal coal in the international market had been low and stable. This changed and international coal prices started to move in tandem with oil and gas prices. Many plants needing to use only imported coal became non-competitive and could not find buyers for their expensive electricity.

The worst affected were plants set up near the captive coal mines allotted to them which were cancelled by the Supreme Court. The logistics for bringing imported coal to these mines did not exist. Many of these power plants became NPAs (non-performing assets).

Coal India importing coal in bulk and meeting full demand at a pooled price with the higher cost of imported coal being equitably shared by all was an option which was not considered. It could have obviated the stranded asset and their NPA problem. If these plants were running smoothly there may not have been a crisis today.

Looking ahead

Increasing coal imports now would have a lead time. Following the Ukraine war, international spot market coal prices have soared to over $400 a tonne from around $50 a tonne in 2020. These are not expected to fall significantly in the coming months. Electricity prices from imported coal would, therefore, be so much higher. Equitable allocation of such expensive power going forward could be quite contentious.

Increasing domestic production to reduce and even avoid imports altogether is imperative. The key enabler for this would be to dispense with the requirement for fresh environment clearance (this takes a long time) if the annual production is raised substantially, only the annual production in the approved mining plan would change with the reserves getting exhausted earlier.

Coal India and others could be directed to raise production from their operating mines to the extent technically possible. This could even be a multiple of the present production in some cases. Mining blocks allocated to the private sector, private commercial mining now being legal, may be helped to get into production at the earliest. The requirement for higher coal imports and the consequent onerous financial burden would get moderated. https://www.thehindubusinessline.com/opinion/digging-deep-into-the-coal-crisis/article65381800.ece

5. AIFF asks Bajaj to furnish 'documentary evidence' over molestation allegation against Kushal Das *(theprint.in)* 05 May 2022

An under-pressure All India Football Federation on Thursday asked entrepreneur Ranjit Bajaj to substantiate his allegation of molestation of women employees against general secretary Kushal Das with "proper documentary evidence" within 15 days.

The decision to ask evidence from Bajaj was taken at an executive committee meeting here after the AIFF was put under immense pressure on several fronts, including the charges against Das as well as its refusal to hold elections even after the end of tenure of the current dispensation.

"…it has been unanimously decided that the AIFF write a letter to Mr. Ranjit Bajaj to substantiate his aspersions and allegations against Mr. Kushal Das, General Secretary, AIFF, with proper documentary evidence within fifteen (15) days, failing which the AIFF shall take appropriate action as it deems fit and proper," the AIFF said in a statement.

Bajaj, who owned former I-League club Minerva Punjab FC, last month alleged that Das molested employees at workplace, a charge that was outrightly rejected by the AIFF with their integrity officer Javed Siraj giving Das a clean chit.

Earlier in the day, Bajaj lodged a complaint with the National Commission of Women against Das besides writing to FIFA and AFC's ethics committees.

The AIFF has been facing the heat of late, largely because of the delay in conducting its elections, pending since more than a year despite several members of the body expressing their opposition to it.

The AIFF, however, took umbrage of the pending case in front of the Supreme Court.

"It has been reiterated time and again that the AIFF is not in a position to hold its elections as presently the Hon'ble Supreme Court of India is seized of the matter pertaining to the amendment of the Constitution to bring the AIFF Constitution in consonance with the National Sports Code, 2011.

"The AIFF Constitution is thus, sub-judice before the Hon'ble Supreme Court." It said the Supreme Court is yet to hear the AIFF's suo motu application filed in November 2020.

"As a part of this application, the AIFF had, in order to show its earnestness, submitted before the Hon'ble Court that it shall not take any major financial or policy decisions.

"During the continuance of the matter before the Hon'ble Supreme Court of India, should the AIFF be left bereft of its President, the AIFF will essentially become defunct, and headless leading to the appointment of an administrator as per the laws, and subsequent derecognition by FIFA." The AIFF also said that it will take opinion of a senior advocate on the way forward regarding the holding of elections after the three-member committee set up earlier to look into the matter submitted its report to the General Body.

"The Committee consulted with the external legal counsel of the AIFF who opined that a move on the part of AIFF for Suo-moto amendment of its constitution followed by elections may not be viewed favourably by the Hon'ble Supreme Court." The national federation also reiterated its stand that it has not received any communication from the sports ministry or the Comptroller and Auditor General of India (CAG) on the conduct an audit of its accounts for the last four financial years for alleged financial irregularities.

"In India all organisations which are subject to Government funding can be covered under CAG audits except National Sports Federations. The CAG has expressed a view to MYAS that since NSFs get grants from the Government, they should be subject to CAG audits.

"The MYAS has not communicated anything in this regard to the NSFs. In 2021, the AIFF submitted the audited statements from 2017-18 to 2020-21 upon a request from the CAG. There has been no further communication from the CAG since then to the AIFF." On the reports of possible de-recognition of the AIFF from the sports ministry, the federation said, "The Hon'ble Delhi High Court is currently presiding on a matter dealing with whether or not the NSFs not in compliance with the National Sports Code, 2011 should get recognition of the MYAS.

"The AIFF's submissions regarding such recognition have been that since the AIFF Constitution is sub-judice before the Hon'ble Supreme Court, it would be in a position to be fully compliant only once the Hon'ble Supreme Court issues appropriate directions." https://theprint.in/sport/aiff-asks-bajaj-to-furnish-documentary-evidence-over-molestation-allegation-against-kushal-das/944536/

6. UT Deptts trivialising inspection, audit reports *(dailyexcelsior.com)* 06 May 2022

Hardly is there any department /office/PSU etc of the UT Government which has been normally and at average levels been found working in relation to and as per set rules, procedures and directions etc by the Comptroller and Auditor General (CAG) of India. We have been duly voicing our concern with intent to have a system in place in each department where audits and inspections were given top priority especially when it comes to setting irregularities as pointed out in Audit Reports , right. Whether regular meetings of audit committees are held to take stock of all aspects of inspections and audits so as to precisely come to know about the levels of progress achieved, on this ground too the audits have found a total casual approach adopted as an accepted practice. Not only that, numerous "sensitive" audit paragraphs have, for years together remained unattended , perhaps, treating those paragraphs as optional to be attended to or not even being unmindful of the consequences as those could carry some hidden reference to a scam or a fraud having taken place. Even a bird's eye view in respect of the overall post audit position is a revealing disappointing scenario of 927 audit/ inspection reports involving Rs.2266 remaining unattended and not rectified/set right. Why should matters regarding audit and inspections be taken so much casually involving hundreds of crore of Rupees and , therefore, why proper responsibility and accountability should not be fixed, is a moot question.

That, not only the CAG should be viewing the scenario quite seriously but advising the UT Government of Jammu and Kashmir to ensure that regular meetings of the audit committees took place, denotes the extent of an air of utter dispensability existing so far as the most critical and extremely important audits and inspections are concerned that primarily weigh the extent of correctness and adherence to the set rules, regulations, procedures , code book manuals, exercising of discretionary powers as delegated by the competent authorities and last but not least, whether expenditures and other money matters were handled absolutely honestly, discreetly and in a transparent way .

In fact, audits and inspections otherwise conducted at frequent intervals by the Principal Accountant General (Audit) Jammu and Kashmir, should on the contrary, be "invited" regularly by the UT departments in order to ensue whether the system in a particular department worked strictly according to set procedures especially in critical and most vulnerable area of money matters so that timely corrective measures were taken. Such should be the working culture in the Government departments so that the golden principle of "checks and balances" as provided for in the system got manifest in the findings of the audit reports which are not only sent by the auditing authority to the department concerned but to other authorities wielding power to exercise monetary and administrative control over the particular department for effective monitoring and ensuring rectification and corrective measures taken speedily. It looks ludicrous as also unacceptable on all counts that audits should be avoided and the audit notes, reports, particular paragraphs and the like should remain unattended despite the same pointed out repeatedly even by the highest auditing authority of the land.

Dealing with a few serious revelations made by the CAG in respect of inspection reports up to December 2019 related to a few departments show as many as 5006 paragraphs related to 927 irregularities involving Rs.2226 crore remained un-reconciled and hence outstanding. There is a long list where how much amount was at stake against how many IRs enumerated in how many paragraphs concerning how many departments which, in fact, remaining not set right till the filing of the CAG's observations, is not only a matter of concern but indicative of how response to the crucial and sensitive audit and inspection system was abysmally low , disappointing and prone to vulnerabilities like commissioning of irregular financial transactions , frauds or even embezzlements. Not surprising , looking to the enormity of the problem, the CAG has been constrained to advise the Government of Jammu and Kashmir to devise a mechanism whereby regular holding of Audit Committee meetings take place, not less than three in a quarter, to monitor the progress of "repairing", correcting and taking other steps depending upon the severity of the irregularity. https://www.dailyexcelsior.com/ut-deptts-trivialising-inspection-audit-reports

7. Over Rs 5.5cr spent on swearing-in event on Mar 28 (*timesofindia.indiatimes.com*) 6 May 2022

Panaji: The state government spent over Rs 5.5 crore on the swearing-in ceremony of chief minister Pramod Sawant-led BJP government on March 28. Over Rs 68 lakh were sent for pole branding along the road from GMC complex to the Raj Bhavan complex.

A senior government officer said that though the two bills have been generated, the amount is yet to be paid.

The one-of-a-kind swearing-in ceremony of the new BJP government was held at Dr Shyama Prasad Mukherjee Stadium in Taleigao, in the presence of nearly 10,000 people. This is BJP's third consecutive term in Goa.

Prime Minister Narendra Modi, chief ministers of BJPgoverned states and Union ministers had attended the swearing-in of chief minister Sawant and his eight ministers.

Information obtained under RTI shows that Rs 3 lakh was spent on chairs for separate VIP seating and Rs 8.7 lakh for providing on-hire cushioned chairs and VIPs seating arrangement in front of the main stage.

The document also shows that Rs 57 lakh was spent on a sixcourse buffet lunch.

Over 7 lakh was spent on arrangements for sweeping, housekeeping and maintaining cleanliness in the area and providing adequate dustbins around the venue.

The government spent Rs 14 lakh on the sound system.

Activist Aires Rodrigues, who obtained the information under RTI, said that the documents show that Vinsan Graphics has generated two invoices for the event with two different amounts — first invoice of over Rs 4 crore and second one of over Rs 5 crore — on the same date.

He said that he will request the Comptroller and Auditor General (CAG) to investigate the spending and the procedure followed in holding the gala swearing-inceremony. https://timesofindia.indiatimes.com/city/goa/over-rs-5-5cr-spent-on-swearing-in-event-on-mar-28/articleshow/91356449.cms

8. विश्वविद्यालय प्रशासन हो गया सख्त:85 में से महज 7 कॉलेजों ने ही सौंपा 6 साल का लेखा- जोखा; ऑडिट से भाग रहे बीआरए बिहार विवि के कॉलेज *(bhaskar.com)* 6 May 2022

बीआरए बिहार विश्वविद्यालय के कॉलेज
ऑडिट से भाग रहे हैं। संबद्ध कॉलेजों के साथ अंगीभूत कॉलेज भी आय-
व्यय से संबंधित कागजात जमा नहीं कर रहे हैं। विश्वविद्यालय प्रशासन इस पर सख्त हो गया है। कागजात जमा नहीं कराने वाले किसी भी कॉलेज में अब सीधे ऑडिट टीम धावा बोलेगी। इसके लिए कॉलेज प्रशासन को पिछले 6 साल के लेखा- जोखा से संबंधित कागजात तैयार रखने होंगे।

सीएजी की टीम डेढ़ माह पहले विवि आई थी। उस वक्त ही कॉलेजों को कागजात तैयार रखने का निर्देश दिया गया था। बाद में विवि के कुलसचिव ने विवि के सेक्शन ऑफिसर, पीजी विभागाध्यक्ष, कॉलेज प्राचार्यों को पत्र भेज आय-
व्यय का लेखा जोखा विवि में जमा कराने के लिए कहा। 27 अप्रैल तक सभी को कागजात जमा कराने थे। लेकिन, 7-8 कॉलेजों ने ही 24 बिंदुओं पर कागजात सौंपे। वह भी आधे-अधूरे।

कुलसचिव डॉ. आरके ठाकुर ने कहा कि सरकार के निर्देश पर सीएजी की टीम जांच कर रही है। सीएजी के पत्र के आलोक में कॉलेजों को निर्देश दिए गए थे। कागजात नहीं जमा कराने वाले कॉलेजों में सीधे

भी ऑडिट टीम जांच के लिए जाएगी। कहा कि जांच में हर तरह से सहयोग किया जाएगा। इसमें कोताही बर्दाश्त नहीं की जाएगी।

विवि से कॉलेजों का पूरा रिकॉर्ड मंगाने पर भी उठ रहे सवाल : विवि से कॉलेजों का पूरा रिकार्ड मंगाने पर भी कॉलेज प्रशासन सवाल उठा रहे हैं। कॉलेज प्रशासन का कहना है कि पिछले 6 साल का हर खर्च का हिसाब-किताब विवि में जमा कराना संभव नहीं है। इस बहाने आर्थिक व मानसिक रूप से शोषण किया जा रहा है। ऑडिट टीम कॉलेज में आकर जांच करे तो सभी कागजात उपलब्ध कराए जाएंगे।

2015-16 से 2021-22 तक के खाते की हो रही है जांच

सीएजी 2015-16 से 2021-22 तक के खाते-बही की जांच कर रही है। इससे संबंधित सारे रिकॉर्ड खंगालने शुरू कर दिए हैं। विवि में हुए खर्च का हिसाब-किताब मांगा गया है। लेकिन, कॉलेज ही नहीं विवि भी इसे उपलब्ध कराने में आनाकानी कर रहा है। विवि के ऑडिट विभाग के अनुसार, अधिकतर कॉलेज में वार्षिक लेखा ही उपलब्ध नहीं है। ऐसे में बड़े पैमाने पर गड़बड़ी सामने आने की आशंका है। https://www.bhaskar.com/local/bihar/muzaffarpur/news/only-7-colleges-out-of-85-submitted-6-years-of-accounting-colleges-of-bra-bihar-university-running-away-from-audit-129766551.html

SELECTED NEWS ITEMS/ARTICLES FOR READING

9. India's dependence on coal based power is proving to be very expensive *(business-standard.com)* Updated: May 6, 2022

Nothing makes you appreciate air-conditioning like high summer in India. Here in Delhi, temperatures are running over 100 degrees for much of the day, with two full months still to go before the cooling monsoon rains arrive. Unfortunately, just as everyone decided to crank up their ACs or at least their ceiling fans, electricity supply collapsed under the strain in large parts of the country.

This is not, sadly, a rare occurrence. It happens almost every summer and on other occasions when power demand spikes. There’s no clearer evidence that India’s electricity sector, dominated by coal-guzzling power plants and state-run utilities, simply isn’t up to the job. And the problem is only going to get worse: India has rapidly electrified in recent years and peak power demand has been growing between 8 per cent and 10 per cent a year.

The reasons for these successive power crises are almost always the same. Thermal power plants produce three-fourths of India’s electricity. But they can never seem to get their hands on enough coal.

Sometimes the generation companies can’t pay for coal shipments because they, in turn, have not been paid by India’s improvident electricity distribution companies. Sometimes Coal India Ltd., the state-run behemoth that produces 80 per cent of India’s coal supply, doesn’t produce as much as promised, whether because its miners are on strike or for other reasons. Sometimes the coal has been dug out of the ground but left at the pithead because Indian Railways can’t organize enough wagons or locomotives. Sometimes protesters disrupt the long national coal

supply chain. Sometimes the imported coal some plants prefer isn't available or shipments are late.

Whatever the reason, the result is that India, famously dependent on coal, has coal-fired plants that run at between 50 per cent and 70 per cent capacity even at times of peak demand. Combined with the low tariffs set by long-term power purchase agreements, as well as chronically delayed payments, this means the entire business is unremunerative. Unsurprisingly, nobody wants to invest in the sector.

Ordinary Indians are paying the price. Last month, utilities in the industrial state of Gujarat were forced to buy electricity from the spot market at three or four times the usual price, even as thermal power plants locally were operating at only 45 per cent capacity.

It has long been conventional wisdom in India that the country must continue to depend on coal because — unlike, say, crude oil — we are sitting on huge reserves. Understandably, we don't want to be entirely dependent upon imported energy. Energy security means macroeconomic stability.

Yet the fact is that India's coal-fired fleet hasn't been designed to take advantage of domestic coal. Back when many of these plants were planned a decade or more ago, they were expected to use Indonesian or even Australian coal because those supplies were available quickly, while India's coal resources were difficult to exploit.

Imported coal is now much more expensive and supply is no longer reliable. But cheaper domestic coal often isn't of the quality many plants are designed to handle; in 2017, the federal minister in charge complained that a third of India's coal-based capacity depended on imported coal. According to research in 2020 from Stanford University economist Gireesh Shrimali, about the same proportion of these plants cost more to run than the levelized cost of solar power in India.

As many analysts have since pointed out, the situation cries out for more global investment in India to retire coal, buy out existing contracts, compensate affected communities and switch to renewables. After all, power crises hit India when temperatures are at their highest and the sun is shining. (Admittedly, current solar power cells tend to work less efficiently at high temperatures.)

India cannot keep relying on its hopelessly inefficient thermal power plant network. The government's own energy maps make clear how unfit for purpose it is. While efficient modern plants are located along the coasts and near ports, domestic coal reserves are far inland. Geography means that getting domestic coal to newer power plants will always be a problem.

Unlike China, India has significantly scaled back its plans to expand its coal fleet. There are worries that the current crisis will cause a minor reversal in these plans and lead to new plants being commissioned. But that's obviously not going to solve what is a structural problem.

Indians need to look at our dependence on coal-fired electricity with an objective eye. Far from being cheap and reliable, it too often winds up being pricier than it should be and absent when we need it most. Whatever else coal might provide India, it isn't energy security. https://www.business-standard.com/article/current-affairs/india-s-

dependence-on-coal-based-power-is-proving-to-be-very-expensive-122050600151_1.html

10. Govt orders imported coal-based plants to generate power at full capacity *(business-standard.com)* Updated: May 6, 2022

In order to manage the rising power crisis in the country, the government has invoked Section 11 of the Electricity Act, asking all imported coal-based projects to generate electricity, an Economic Times report said.

This order will bring on stream at least 7 GW power plants of Essar Power, Coastal Energen in states such as Gujarat, Andhra Pradesh and Tamil Nadu and it will also apply to the plants under the National Company Law Tribunal. The order will also help restart non-operational units of Adani Power and Tata Power, says the report.

India has 17,600-MW imported coal plants, however, only 10,000 MW are operating due to the lack of compensation for the high imported coal prices, the report said.

Section 11 of the Electricity Act gives the government the authority, in extraordinary circumstances, to order any generating company to operate and maintain its stations in accordance with the order.

These plants will supply power to power purchase agreement holders. Any surplus power shall be sold in the power exchange.

"With this order, any state including Gujarat and Rajasthan can buy power from exchanges while the commercial issues can be resolved later. This will help in increasing electricity availability in the country," a senior government official said.

The tariffs of the projects operating on high-cost imported coal will be worked out by a committee constituted by the ministry of power, the Central Electricity Authority, and the Central Electricity Regulatory Commission. https://www.business-standard.com/article/economy-policy/govt-orders-imported-coal-based-plants-to-generate-power-at-full-capacity-122050600112_1.html

11. Govt turns to expensive foreign LNG to ease power crisis *(theprint.in)* May 5, 2022

Sweltering heat and ongoing blackouts are forcing India’s liquefied natural gas importers to top up with expensive shipments.

Torrent Power Ltd. and GAIL India Ltd. bought LNG for May delivery in the last week, with the fuel set to be used to help power plants boost generation, according to traders with knowledge of the matter. The utilities paid about triple the normal spot rate for this time of year, as Russia’s invasion of Ukraine exacerbates a global supply crunch.

The purchases are unusual for India’s cost-sensitive power generators, which tend to avoid buying LNG at such high rates. They illustrate how a domestic coal shortage is forcing the

South Asian nation to look for alternative fuels no matter the price, further elevating international demand.

While natural gas makes up just a small portion of India's power mix, a scarcity of coal and hot weather has triggered scheduled blackouts, threatening to upend the economy. Gas was used to produce about 4% of the nation's electricity in 2020, versus 71% for coal, according to BloombergNEF.

GAIL is seeking at least one more shipment for late-May, the traders said, adding that several other Indian firms are inquiring about cargoes in the bilateral market.

The heat wave also prompted neighboring Pakistan to purchase the nation's most expensive shipment of the fuel ever to avoid blackouts during the Eid holiday this week. Cash-strapped Pakistan recently released a tender seeking to purchase another two cargoes for June.

"This time of year is when South Asia, namely India and Pakistan, have their hottest weather in advance of the monsoon," said Jason Nicholls, a meteorologist at AccuWeather Inc. "These areas will likely continue to be favored for heat waves until the monsoon rains arrive in June and July."

Thailand's PTT purchased a cargo for delivery in late May to the Map Ta Phut terminal at about $23 to $24/mmbtu, traders said. The Southeast Asian country imported record amounts of LNG during the first quarter, Cheniere Energy Inc. said Wednesday. https://theprint.in/economy/govt-turns-to-expensive-foreign-lng-to-ease-power-crisis/943558/

12. Let's make GST a good and simple tax *(indianexpress.com)* Written by M Govinda Rao | Updated: May 6, 2022

The introduction of the value-added tax (VAT) has been perhaps the most important tax reform seen across countries in the last three decades. As of 2018, as many as 166 out of the 193 countries that are members of the UN had implemented the VAT in one form or another. In India, it has been a remarkable achievement and a unique experiment in cooperative federalism. In this, both the Union and the state governments gave up their tax autonomy in favour of harmonising domestic trade taxes. The objective of the reform was to simplify the indirect tax system, make the system competitive by reducing cascading effects and increase revenue productivity. Building a consensus to implement GST by combining 11 different domestic indirect taxes levied by the Centre, states and Union territories with legislatures took considerable time and involved several compromises in the structure and operational details. Not surprisingly, some bad features entered into the structure of the tax to get it accepted. It has now become extremely difficult to remove them.

One of the most important shortcomings in the structure of GST is multiple rates. The committee headed by the Chief Economic Adviser estimated the tax rate at 15-15.5 per cent. It further recommended that in keeping with growing international practice, India should strive towards a single rate in the medium-term to facilitate administrative simplicity and compliance, but in the immediate context, it should have a three-tier structure (excluding zero), comprising of a lower rate of 12 per cent, a standard rate varying between 17 to 18 per cent and a very high rate of 40 per cent on "demerit" goods. The structure finally adopted was to have four rates of

5, 12, 18, and 28 per cent besides zero, though almost 75 per cent of the revenues accrue from the 12 and 18 per cent slabs.

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The reasons for adopting a single rate structure in most countries are to have a simple tax system, prevent misclassifications and litigations arising therefrom, and to avoid an inverted duty structure of taxes on inputs exceeding those on outputs requiring detailed scrutiny and refunds. In India, items like electrical transformers, railway wagons, some textile products, plastic bags, and solar modules are examples that have inverted duty structures. The main reason for rate differentiation is equity. But it is argued that this is an inefficient way of targeting benefits for the poor. Although the exempted and low-rated items are consumed relatively more by the poor, in absolute terms, the consumption may be more by the rich. Furthermore, the ideal way of targeting the benefits to the poor is on the expenditure side, through targeted cash transfers to vulnerable groups and providing quality education and healthcare. Of course, unprocessed food items have to be exempted for reasons of administrative difficulty, but the list should be kept small. The rate structure that has been adopted in India is chaotic and in need of urgent reform.

Now, in fact, is the opportune time to rationalise the rate structure. The economy is in recovery mode and more importantly, GST revenues have shown reasonably high buoyancy with collections of over Rs 1 lakh crore in the last 10 months and touching a record of Rs 1.68 lakh crore in April 2022. What is important is that the revenue increase has not come about only due to the economic recovery. The more important reason seems to be that at last, the GSTN has been able to stabilise the technology platform. Mandating the issue of e-invoicing for all businesses above Rs 100 crore has enabled better invoice matching and detection of fake invoices that were used to claim the input tax credit. This has helped to improve tax compliance and has also enabled better enforcement. With time, the GSTN should be able to enforce e-invoice requirements on all businesses above Rs 10 crore, which will cover more than 95 per cent of taxpayers. With this development, we can expect high revenue buoyancy, which should provide sufficient compulsion to comply with the tax.

Of course, the GST council is concerned about the problems arising from excessive rate differentiation and has set up a seven-member ministerial panel chaired by the chief minister of Karnataka. The panel's report is awaited. But it has been widely reported that the committee is thinking of increasing the lower tax rate from 5 per cent to 8 per cent and moving some essential items from the 5 per cent category to the 3 per cent slab. This will be retrograde because a rate category will be added. The need of the hour is to reduce the rate categories.

Ideally, it would be desirable to have a single rate of tax besides exemptions on unprocessed food items. That will avoid not only the problems arising from multiple tax rates but also put an end to lobbying by manufacturers for placing their products in the low tax rate category. However, moving over to a single rate structure may not be implementable at this stage due to political economy considerations. It would be preferable to merge the 12 per cent and 18 per cent categories into a 15-16 per cent slab and move the items in the 5 per cent category to the 8 per cent slab and remove the 28 per cent category altogether. That will result in the GST structure with two rates and as the cesses will cease after 2026 when the compensation requirement is over, it will really become a "good and simple tax". https://indianexpress.com/article/opinion/columns/lets-make-gst-a-good-and-simple-tax-7902024/

13. GST 2.0: Ideas to improve indirect taxation *(economictimes.indiatimes.com)* May 06, 2022

India is set to complete five years since the implementation of the Goods and Service Tax Law. The journey of the first half decade of this landmark reform has undoubtedly been a rollercoaster ride with a mixed bag of hits and misses.

During this time, India has witnessed changes in effective tax rates and improved supply chain efficiencies. A tax regime founded on a technology based monitoring system through e-returns, e-invoices, and e-way bills has been one of the biggest achievements of GST in India. It would also be important to laud the success of the Centre-State partnership under the aegis of the GST Council which has ensured that all policy decisions are implemented seamlessly across states.

While the implementation of GST in India has been commendable, the time is ripe for the government to take note of some of the challenges which the business community at large has been facing, from blockage of working capital to duplicity of assessment proceedings.

Here are the five areas that could be reviewed for optimising GST efficiencies: Modernising the Input Tax Credit(ITC) system and unblocking working capital

Several sectors are burdened with accumulated ITC owing to several factors including availability of credit attributable to input services to the traders, seasonal businesses, long gestation periods, inverted duty structure etc. One suggestion that could help avoid such precious working capital from getting blocked, could be for the Central GST (CGST) pool made fungible across states. Companies having central GST balance in one state should be able to utilise the balance in another state.

Another method that the government could consider is allowing conversion of the accumulated input tax credit into tradeable scrips in the market. This would help free up the working capital and mobilise unproductive assets in the financial statements of businesses.

Group companies having multiple registrations across states often face issue of accumulation of credit in one state and cash outflow in other states owing to their business structure. It would also help if credit across entities in a group structure could be made fungible to help manage working capital and improve cash flows.

Simplifying and rationalising of ITC provisions
GST continues to carry vestiges of the erstwhile regime in terms of credit restrictions. The GST laws have specific restriction on construction of immovable property, despite such expenses being incurred for a taxable output service. Companies incur huge commercial investments in warehousing and logistics, large factories across sectors. Denial of such credit adds to the cost of doing business. Hence, it is imperative that the government considers permitting such construction related input tax credit.

Streamlining of audits, assessments, investigations etc
In recent times, there has been a surge in summons issued by GST authorities to top management of companies. While the intention is to plug evasion, genuine companies have also come under the radar of investigating authorities, causing undue hardship. In most cases, investigating authorities pick up issues that are revenue neutral in nature or based on contrary advance rulings available across states. There is also lack of uniformity in the details and

manner in which information and documents are sought during audits and assessments. There is thus a need for issuance of detailed SOPs for processes to be followed during summons and investigations, manner in which details are sought during audits and cross empowerment of centre and state to ensure uniformity and ease of operations for taxpayers.

Dispute resolution
A National Bench of Advance Ruling was proposed to be set up to resolve conflicting rulings rendered by various states. However, this body is yet to be formed. In the interim, the GST Law Committee should consider proactively reviewing areas with such conflicting rulings and proactively clarify to avoid continued litigation and a pile-up of cases at High Courts.

Further, even as we are approaching the 5-year mark, GST Appellate Tribunals have not been set up and there seems to be no clear visibility on that till date.

Expansion of TAX network
With petroleum outside the ambit of GST, a large part of the economy is still outside the tax net. A lot is expected out of the exercise currently being undertaken by the Group of Ministers (GoM) set up by the Council and chaired by Mr Basavarj Bommai, the Chief Minister of Karnataka.

Conclusion
Therefore, while GST has helped achieve significant changes and objectives of a unified indirect tax regime, in the backdrop of 5 years of GST and the increasing audits/ investigations, the journey towards a "good and simple tax" will only continue. There is a need for balancing revenue augmentation measures and ensuring ease of doing business for taxpayers. A change in mindset coupled with a hard look at reforms will go a long way in providing further thrust to India's economy as we continue on this road to recovery, post the pandemic. https://economictimes.indiatimes.com/small-biz/gst/gst-2-0-progressive-ideas-for-improving-gst-efficiency/articleshow/91366351.cms

14. Watch out for a silent build-up of bad assets *(livemint.com)* Updated: 06 May 2022

The Reserve Bank of India (RBI) has the unenviable job of choosing to fight inflation or promote economic growth. In the era of multi-objective multi-instrument monetary policymaking, there was an inbuilt trade-off in the objectives. The trade-off might not have been fully transparent, but by and large, there was enough manoeuvring room. Since 2016, we have had the Monetary Policy Committee (MPC) regime, with a single mandate of targeting inflation to keep it between 2% and 6%. This is as per a contract between the central bank and the government. Failure to meet this flexible target for three successive quarters calls for the offending party (i.e., the MPC or RBI itself) to explain the failure. The MPC has been ultra-accommodative for nearly four years, since much before the pandemic's onset. During the worst phase of the pandemic, monetary policy was used to the hilt. The Prime Minister's Atmanirbhar Bharat Abhiyan relief package, placed at 10% of India's GDP, was nearly all in terms of either liquidity injection or loan guarantees, or some loan restructuring. The fiscal restraint on display then did not prevent the fiscal deficit from hitting 9.5% of GDP during fiscal 2020-21. With loss of incomes and livelihoods, it was no surprise that there was initially lukewarm demand from small entrepreneurs for state-guaranteed loans. It took a while for credit offtake under the Emergency Credit Line Guarantee Scheme (ECLGS) to cross ₹2

trillion. With hindsight, that is not surprising. When business comes to a halt, a fresh loan, even if guaranteed partially by the government, is hardly the top priority.

RBI additionally also imposed a moratorium on loan repayments, giving extra relief through regulatory forbearance. Major loan restructuring was offered via the Kamath committee, for sectors particularly harshly affected by the pandemic. The moratorium had a perverse impact on the reported extent of bad loans, or the ratio of non-performing assets (NPAs). The banking sector's gross NPA ratio declined from 7.3% in March to 6.9% in September 2021. This was not merely because of better recoveries. It was partly the impact of relaxed regulatory norms that allowed leeway in not classifying loans as NPAs. We should remember that back in December 2020, RBI's Financial Stability Report (FSR) had forecast a scenario of 13.5% as gross NPAs by September of the following year, even rising to 14.8% under severe stress conditions. Naturally, there was great anxiety about asset quality, loan recovery possibilities, survival of businesses badly hit by the pandemic and labour market prospects. By July 2021, the revised forecast as per the FSR was more optimistic than before, but still saw the NPA ratio going up from 7.5% to 10% by March 2022, and 11.2% under severe stress. So, the FSR was being a conscience keeper cautioning us about the true health of corporates, small businesses and retail buyers, despite others predicting a V-shaped recovery.

Not surprisingly, the MPC kept its monetary stance accommodative all through. Concerns about a weak recovery were seen to override worrying signals on the inflation front. Oh, don't forget that the MPC overshot its inflation target in most of the 12 months prior to April 2021, for which it was not hauled up as per the contract of the targeting regime. In fact, there was also an RBI research report which recommended that the MPC "failure" rule be extended to four successive quarters of missing the target, rather than three. The low-rate stance of the MPC was merrily cheered by stock and bond markets, and RBI's statement about doing "whatever it takes" for liquidity support was music to their ears.

For quite a while, our wholesale price index (WPI) based inflation has been much higher than consumer price index (CPI) inflation, the latter being the MPC's target mandate. Surely, the 14% plus inflation rate of commodities as captured by the WPI would eventually slip into retail prices, would it not?

And finally, amid the war in Ukraine, continued supply chain disruptions (partly caused by lockdowns in major Chinese cities) and a global oil price that threatens to remain in three digits, the MPC has abruptly raised rates and the cash reserve ratio, removing nearly 12% of market liquidity.

Its action came just hours before a 50 basis points rate hike by the US Federal reserve. Much has been written about the shadow of stagflation in the Western world and dismay over the unending war in Europe. The world is also struggling with mounting sovereign debts, with countries like Sri Lanka and Ghana at the brink of default and bankruptcy. Since 2008, we have seen massive money expansion and a rising mountain of debt, and it has not been clear how all this will unwind, short of outright defaults and repudiation, even by sovereigns.

What also needs urgent attention in the Indian context is a build-up of NPAs. The large amount of write-offs, healthy tax collections and handsome corporate profits of the last quarter should not make us complacent over hidden and growing NPAs.

The time for regulatory forbearance is over and lessons from the ILFS collapse should not be forgotten. The MPC's actions will of course increase interest burdens and add to stress on loan repayments. Hence it is imperative that we urgently and dispassionately examine the books of banks to spot the rot before it grows into another crisis. https://www.livemint.com/opinion/columns/we-should-watch-out-for-a-silent-build-up-of-bad-assets-11651777243922.html

15. Double blow: Reserve Bank of India's dual whammy *(telegraphindia.com)* 06 May 2022

The Reserve Bank of India delivered its bolt from the blue when it raised its policy rate — the repo — by 40 basis points to 4.40 per cent. It topped that off with a half-a-percentagepoint increase in the cash reserve ratio to 4.5 per cent, which will drain cash worth Rs 870 billion from the banks. The double whammy comes at a time when the central bank is struggling to bring inflation under control before there is a train wreck. It is very rare for the RBI to use the two bazookas from its monetary policy arsenal to blast the bugbear of inflation, which climbed to 6.95 per cent in March and is very likely to top 7.5 per cent in April when the government's statisticians put out fresh data on May 12.

The repo rate increase is the first in four years. Now that the central bank has stepped on to the rate treadmill, it is very likely that the policy rate could rise to as high as 5.5 per cent, considerably higher than the pre-pandemic level of 5.15 per cent. The uncharitable view is that the RBI could no longer afford to ignore its primary objective, which is to maintain inflation within a tolerance band of 2 to 6 per cent. Retail inflation has stubbornly stayed above 6 per cent for three consecutive months. Fearing that this could surge in April, the policymakers on Mint Street had to drop the pretence that they were helping the economy recover by holding off on a rate increase. The RBI governor, Shaktikanta Das, has executed a neat somersault to now argue that a repo rate increase is actually growth-positive after having clung to the other side in a fulsome debate that has raged ever since central banks in advanced economies started to winch up their rates. Even though the policymakers voted to stick with the accommodative policy they first adopted in June 2019, they intend to gradually switch off the funding taps over time. This will take some doing because there is Rs 7.2 trillion of surplus liquidity sloshing around in the system. The debate over the RBI policy measures could turn very shrill over the next few months if data smother rhetoric. https://www.telegraphindia.com/opinion/double-blow-reserve-bank-of-indias-dual-whammy/cid/1863764

16. Wheat Crisis: Centre to procure half of what it procured last year; stops procurement in Punjab *(downtoearth.org.in)* Updated: 05 May 2022

Current circumstances could lead to a reddux of 2006-07, when wheat had to be imported

The Centre announced May 4, 2022, that it would procure only 19.5 million tonnes (MT) of wheat in 2022-23, about 56 per cent less than the target decided for this year.

It also announced that government procurement of wheat in Punjab would stop from May 5. The reason given was the lesser amount of wheat reaching the mandis or wholesale markets.

According to government data, around 16.2 MT of wheat was procured in the country till May 1, of which, 8 MT had been procured from Punjab, where the target set was to procure 13.2 MT.

Sudhanshu Pandey, secretary, Department of Food and Public Distribution, Government of India, said in a conference May 4 that this time, the government procurement of wheat was likely to be less than half of the target for this year.

The reasons behind this were the damage caused to the wheat crop in Punjab, Haryana and Uttar Pradesh due to high temperatures in March and April.

Another reason given by Pandey was farmers selling wheat to private traders in their quest for getting higher prices in Madhya Pradesh, Uttar Pradesh, Rajasthan and Gujarat.

Farmers are selling wheat to traders and exporters in these states at Rs 21-24 per kg, while the minimum support price (MSP) is Rs 20.15.

What about food grains for the poor, as part of the Public Distribution System (PDS)? Pandey said the government had decided to give 5.5 MT of rice instead of wheat under the Pradhan Mantri Garib Kalyan Yojana (PMGKY).

He added that 30.5 MT of wheat would be distributed under the National Food Security Act (NFSA), other welfare schemes and PMGKY this year. This figure was 44.6 MT last year.

Pandey said there were 19 MT of wheat in the central pool April 1, 2022 and that 19.5 MT of wheat would be procured this year. That is, the government will have 38.5 MT of wheat.

Of this, 30.5 MT will be distributed to the poor and needy. Thus, on April 1, 2023, the Food Corporation of India (FCI) will be left with eight MT of wheat.

There should be at least 7.5 MT of wheat in government reserves every April 1, according to official rules.

Pandey said India was expected to produce 111.32 MT of wheat this year according to the Second Advanced Estimate of the Union Ministry of Agriculture and Farmers' Welfare released in February this year. But now, India will produce an estimated 105 MT of wheat.

The food secretary clarified that the latest situation regarding wheat will not affect exports. He said many countries, including Egypt, had decided to buy wheat from India due to the efforts of the Centre.

Contracts for four MT have been signed so far. Some 1.1 MT of wheat has been exported in April alone, Pandey said. Union Commerce Minister Piyush Goyal had earlier said India's target was to export 10 MT tonnes of wheat.

Pandey also said there was a surplus of rice in the central pool at the moment. Last year, the government bought 60 MT. The same amount of rice is likely to be purchased this year as well. Some 35 MT of rice is distributed under the NFSA.

Déjà vu?

The circumstances regarding wheat procurement currently are very similar to those experienced in 2006-07, according to agriculture and policy expert, Devinder Sharma.

The government was able to procure very less wheat that year. The situation was so bad that wheat had to be imported and given to the needy via the PDS.

Sharma said there was reduced wheat production this year due to bad weather. Moreover, the government wants to exploit the situation arising out of the Russian invasion of Ukraine and export Indian wheat, which is allowing private traders to buy the crop in large numbers.

If the Centre now procures less wheat, it will have to either buy wheat from the market or import it to feed the poor through PDS. Sharma said the erstwhile United Progressive Alliance government in 2005-06 had allowed private traders to buy wheat from farmers.

These traders bought wheat at high prices from farmers since they did not pay the mandi fee / cess. The farmers did not sell wheat to the government due to which the reserves in the central pool reduced.

The government asked private traders to give their stocks to be used in the PDS, which the traders refused to. Consequently, the government had to import 5.5 MT of wheat at double the MSP.

This also caused wheat prices to skyrocket. The Bharatiya Janata party was then in the opposition and had demanded that the entire episode be subject to an investigation by the Central Bureau of Investigation.

India imported 5.3 MT of wheat in 2006-07 and 1.8 MT of wheat in 2007-08, according to FCI's records. These are the only two years in the last 20 years when India has had to import wheat. The imports came from Australia, Russia, Canada, Argentina, France, Ukraine, Brazil and Hungary.

Down To Earth also went through parliamentary questions of the time to find out about the prices at which this wheat was bought. On December 12, 2008, then Rajya Sabha Member of Parliament, Hema Malini had asked whether the imported wheat was costlier than the MSP given to farmers, which was Rs 8,500 per tonne at the time?

Akhilesh Prasad Singh, the then minister of State in the Union Ministry of Consumer Affairs, Food and Public Distribution, had answered that the 5.3 MT of wheat imported by India in 2006-07 was priced at Rs 9,300 per tonne.

The wheat imported in 2007-08 was priced at Rs 14,800 per tonne. The MSP that year was Rs 10,000 per tonne.

Another reply by the then-government informs that wheat was initially available to the public at Rs 11 per kilogram. When the government imported stocks, this price declined to Rs 8-9 per kg.

Sharma noted that the government had to stop wheat being exported by private traders in 2007-08 when imports did nothing to solve the shortage problem.

The current circumstances can lead to imports of wheat if status quo prevails. What going into private silos also means prices could rise. The government should hence fix a cap on wheat export, something in the range of 10-12 MT. https://www.downtoearth.org.in/news/agriculture/wheat-crisis-centre-to-procure-half-of-what-it-procured-last-year-stops-procurement-in-punjab-82714

17. Statistics of poverty suffer from the country's poverty of statistics *(livemint.com)* Updated: 06 May 2022

Two different sets of poverty estimates for India were released recently. One of the papers was authored by Surjit Bhalla, Karan Bhasin and Arvind Virmani and the second by Sutirtha Roy and Roy Weide, both affiliated to the World Bank. Both presented estimates for roughly the same period, after 2011-12, but ended up at starkly different estimates of poverty and the magnitude of its decline. This is in contrast with two earlier estimates, both of which showed an increase in poverty after 2011-12 using data on consumption expenditure from the National Statistical Office (NSO), although from different surveys. S. Subramanian presented his estimates in 2019 using leaked data of consumption expenditure from the 2017-18 survey which was junked by the government. On the other hand, Santosh Mehrotra and Jajati Parida used consumption aggregates from the NSO's employment surveys to arrive at broadly similar estimates as Subramanian of a rise in poverty after 2011-12.

Putting it all together, one gets estimates of poverty ranging from 2.9% by Bhalla, Bhasin and Virmani to 13.6% by Roy and Weide, 25.9% by Mehrotra and Parida and 35.1% by Subramanian. Except for Mehrotra and Parida's, whose estimates are for 2019-20, the rest are for 2017-18. Clearly, the variation is too vast. The reality doesn't change irrespective of the way poverty is measured, but that variation is an indicator of the state of affairs in poverty measurement. The differences in poverty estimates are due to the measure of income/consumption used as much as their choice of poverty lines. While Subramanian used leaked NSO data on consumption, Mehrotra and Parida used a short consumption question in NSO's job surveys. Roy and Weide used the Consumer Pyramid Household Survey of the Centre for Monitoring Indian Economy, with some adjustment. Bhalla, Bhasin and Virmani have used the private final consumption expenditure (PFCE) estimate of National Accounts to create a series. The only one that's different here is the estimate by Bhalla, Bhasin and Virmani which does not use a household survey; this is the old method that Bhalla has been advocating without success, given the non-comparability of National Accounts data with survey data. Differences also arise from the poverty line: Like Roy and Weide, Bhalla, Bhasin and Virmani used the $1.9 and $3.2 poverty line of the World Bank, while Subramanian and Mehrotra and Parida used the official poverty lines by the Rangarajan and Tendulkar committees, respectively.

This is not the place to examine the merits and demerits of those estimates. Part of the reason there are conflicting estimates of poverty for the same period is the loss of reliable data and a yardstick to measure poverty and inequality after 2011-12. Until then, the responsibility of providing official poverty estimates based on comparable and acceptable criteria was the government's, in particular the erstwhile Planning Commission. Panels would regularly define and update our poverty line for use with NSO data, all of which was freely available, allowing for a healthy debate on poverty. Indeed, India can rightfully claim to be a pioneer in poverty studies as well as household consumption surveys, which were acclaimed and adapted by such agencies as the World Bank.

We are now in a situation where the last consumption survey of 2017-18 was abruptly junked without any official study or abnormality findings being made public. Even for committees that defined poverty line, the last panel led by C. Rangarajan has not seen any action by the government though its report was submitted eight years ago.

The absence of an official poverty line and consumption data has forced researchers to use alternative ways of estimation. But this has created more confusion than clarity on how hard-up Indians have fared. The question is important in normal times but more so after the economy went through policy shocks such as demonetization and the GST roll-out and also natural calamities such as the droughts of 2014-15 and the covid pandemic. Poverty estimates are not just an academic exercise but are crucial parameters to judge policy outcomes and the overall functioning of the government. Note that poverty statistics continue to be used for allocations under various government programmes and notably for the distribution of resources, financial and otherwise, across states. Poverty and income distribution are issues for public discussion as much as they are instruments of governance and public policy for an economy which still has a substantial population that's financially vulnerable even if not officially poor. https://www.livemint.com/opinion/columns/statistics-of-poverty-suffer-from-the-country-s-poverty-of-statistics-11651776978366.html

18. WHO estimates over 47.4 lakh excess deaths in India in 2021, Modi govt questions data again *(theprint.in)* 05 May 2022

India had over 8,30,000 excess Covid-related deaths in 2020 and 47,40,894 in 2021, according to the latest estimates published by the World Health Organization.

Immediately after the WHO released these estimates in a press conference Thursday, India's Ministry of Health issued a rebuttal, objecting to the use of mathematical models for projecting excess mortality estimates, when it had made the data of excess deaths available earlier this week.

WHO's new estimates show that the full death toll associated directly or indirectly with the Covid-19 pandemic across the world — described as "excess mortality" — between 1 January 2020 and 31 December 2021 was approximately 14.9 million (1.49 crore).

Excess mortality is calculated as the difference between the number of deaths that have occurred and the number that would be expected in the absence of the pandemic, based on data from earlier years.

Excess mortality includes deaths due to Covid-19, or due to the pandemic's impact on health systems and society. Deaths linked indirectly to Covid-19 are attributable to other health conditions for which people were unable to access prevention and treatment because health systems were overburdened by the pandemic.

The estimated number of excess deaths can be influenced also by deaths averted during the pandemic due to lower risks of certain events, like motor-vehicle accidents or occupational injuries.

India's objections to math modelling, WHO defends its data

For countries like India, WHO has used mathematical modelling to arrive at estimated figures. However, last month, the Narendra Modi government had raised strong objections regarding the methodology through a series of formal communications, including six letters to the WHO.

A statement issued on 16 April by the health ministry pointed out that the WHO used mortality figures directly obtained from its ‘Tier–I’ set of countries, but relied on mathematical modelling for ‘Tier-II’ countries (including India).

For its estimation, WHO had categorised countries as Tier-I or Tier-II based on the availability of “robust” deaths data. For Tier-II countries like India and Tunisia, whose mortality data sets were not complete, the WHO arrived at estimates using mathematical modelling, according to Somnath Chatterji, senior adviser, Department of Data and Analytics, WHO.

“The concern specifically includes on how the statistical model projects estimates for a country of the geographical size & population of India, and also fits in with other countries which have smaller population. Such one-size-fits-all approach and models which are true for smaller countries like Tunisia may not be applicable to India with a population of 1.3 billion,” the statement read.

Addressing this controversy, Samira Asma, Assistant Director-General for Data, Analytics and Delivery at WHO, said the agency engages in close consultations with the member states.

“These new estimates use the best available data and have been produced using a robust methodology and a completely transparent approach,” Asma said. “We are continuing to engage with colleagues in India.”

She added that India has now published its own CRS data, which the WHO will include in its next update of the excess Covid deaths, expected to be published in June.

While the WHO press conference releasing the figures was still underway, the Indian health ministry issued a statement, once again raising objections about the methodology.

Amid the tussle between WHO and India over the excess deaths data over the past year, the health ministry released India’s Civil Registration System data for 2020. The data showed a six per cent increase in the deaths in 2020 compared to 2019, and revealed the number of excess deaths in 2020 to be 4,74,806. Data for 2021 has not been released.

Details of WHO estimates

WHO’s estimates are a result of a global collaboration supported by the work of the Technical Advisory Group for Covid-19 Mortality Assessment, and country consultations.

This group, convened two years ago jointly by the WHO and the United Nations Department of Economic and Social Affairs (UN DESA), consists of many of the world’s leading experts, who developed an innovative methodology to generate comparable mortality estimates even where data is incomplete or unavailable.

As much as 84 per cent of the excess deaths are concentrated in South-East Asia, Europe, and the Americas.

Some 68 per cent of excess deaths are concentrated in just 10 countries globally.

Middle-income countries account for 81 per cent of the 14.9 million excess deaths — 53 per cent in lower-middle-income countries and 28 per cent in upper-middle-income countries. High-income and low-income countries each accounted for 15 per cent and 4 per cent respectively.

The estimates confirm that the global death toll was higher for men than for women, and higher among older adults. The absolute count of the excess deaths is affected by the population size.

WHO has published the input data, the methods, and codes for the models for countries to verify. https://theprint.in/health/who-estimates-over-47-4-lakh-excess-deaths-in-india-in-2021-modi-govt-questions-data-again/944107/

19. Mumbai: Cost of 7 sewage treatment plants up Rs 5,000 crore plus in 2 years *(timesofindia.indiatimes.com)* 06 May 2022

MUMBAI: The revised cost of BMC's sewage treatment plants (STP) has risen by over Rs 5,000 crore in two years in the latest bids by BMC as against estimates of 2020. BMC had estimated the seven STPs to cost around Rs 29,653 crore, but the companies pitched to carry out the work at Rs 25,963.32 crore.

Work to construct the same in 2020 was bid around Rs 21,000 crore - over Rs 5,000 crore less. BMC wants to construct seven STPs at Worli, Bandra, Dharavi, Versova, Malad, Ghatkopar and Bhandup with capacity to treat 2,464 million litres of sewage daily (MLD). Supreme Court had in February rapped BMC for the delay.

BMC scrapped the tenders a third time in three years. The STP project is caught up for nearly 15 years.

BMC chief Iqbal Chahal said 24 companies took part in tenders processed most transparently. "There is a 22% hike in 2 years and around 10% annual escalation in such projects is an accepted norm. Cost of steel and cement has risen due to Russia-Ukraine war. We are placing all details before Supreme Court... The escalation is justified," Chahal said.

BMC's ambitious STP project has come under fire. Leader of opposition Devendra Fadnavis reiterated that BMC's rates were too high. "Prima facie the rates look too high as compared to other parts of the country. We will decide the course of action once we get relevant information," he said.

BJP leader Vinod Mishra said that there was a cost escalation of Rs 8,000 crore. "The current estimate for seven STPs is Rs 29,653 crore. Estimates in 2020 were Rs 21,000 crore and since bidders had bid above estimate, BMC scrapped tenders. The revised estimated cost for six STPs is up by 42%. In 2020, otcost Rs 16,412 crore," he said.

Additional municipal commissioner (Projects), P Velrasu said, "Estimates are discussed and approved by the peer review committee. The factors which were not considered earlier were considered and revised..." https://timesofindia.indiatimes.com/city/mumbai/mumbai-cost-of-7-sewage-treatment-plants-up-rs-5000-crore-plus-in-2-years/articleshow/91362612.cms

20. 4 years on, Punjab State Cancer Institute not yet operational *(hindustantimes.com)* May 06, 2022

The 150-bed Punjab State Cancer Institute in Amritsar is not yet operational even four-and-a-half years after work on the much-needed facility started, forcing the patients of the region to travel to distant places for advanced treatment.

The foundation stone of the ₹ 120 crore institute in the premises of Government Medical College was laid in November 2017 by the then Punjab minister of health and family welfare, research and medical education Brahm Mohindra.

It has missed several deadlines so far. August this year is the new deadline, Dr Rajiv Devgan, principal Government Medical College, said.

“Right now we are providing services of chemotherapy, oncology, high energy linear accelerator in the Government Medical College with over 100 patients daily getting treated almost free of cost under Mukh Mantri Punjab Cancer Rahat Kosh Scheme,” he said.

In a state like Punjab where cancer is digging its roots at an alarming rate, this cancer institute, boasting of latest techniques and qualified teams, provides a ray of hope for patients of Majha region and surrounding districts of Doaba. After, Malwa region, cases are also increasing in Majha. The presence of arsenic, uranium, and pesticides in water are considered as major causes of cancer.

Concerned over the delay in completion of the hospital, Amritsar MP Gurjeet Singh Aujla on Tuesday visited the institute building to review the progress. He demanded chief minister Bhagwant Maan to immediately appoint doctors for the institute.

He also demanded that the state government should vest the powers of this institute to the principal of Government Medical College or district administration so that prompt decisions should be made and appointments of pass out medical students should also be done without wasting valuable time of the students.

Former Punjab minister of research and medical education Om Prakash Soni had set June 2021 as the deadline for completion of the project. However, Dr. Raj Kumar Verka, former state minister of research and medical education) asked the authorities to complete the work by October 2021. The institute is still far from completion. https://www.hindustantimes.com/cities/chandigarh-news/4-years-on-punjab-state-cancer-institute-not-yet-operational-101651780868923.html