

NEWS ITEMS ON CAG/ AUDIT REPORTS (25.05.2022)

1. E-procurement eliminates corruption and rent-seeking: CAG Girish Chandra Murmu (economictimes.indiatimes.com) May 25, 2022

"E-procurement with its promise of transparency, is also a deterrent to collusion between officials and the suppliers as a digital trail for every transaction is recorded."

Making a strong case for promoting e-procurement, CAG Girish Chandra Murmu on Tuesday said it has the potential to eliminate avenues for corruption and rent-seeking in public procurement. The Comptroller and Auditor General of India (CAG) was speaking at the e-seminar of INTOSAI Working Group on IT Audit (WGITA) on the topic 'Auditing e-procurement systems', hosted by SAI India.

"There is no doubt that e-procurement has the potential to eliminate avenues for corruption and rent-seeking in public procurement. E-procurement with its promise of transparency, is also a deterrent to collusion between officials and the suppliers as a digital trail for every transaction is recorded," said Murmu, as the Chair WGITA.

However, Supreme Audit Institutions (SAIs) need to remain vigilant as discretion in many steps in the procurement process continues, leaving scope for corruption, he added.

Murmu informed the participants that in India, eProcurement by government is identified as a Mission Mode Project under the National E-Governance Plan with the objective to transform government /public sector purchase activity from labour-intensive paper based activity to an efficient e-procurement process.

The two major public sector e-procurement platforms in India are the Government e-Procurement System of the National Informatics Centre (GePNIC) and the Government e-Marketplace (GeM) portal.

The CAG said that goods worth USD 13 billion were procured through Government e-Marketplace (GeM) in the last fiscal year. E-procurement has replaced paper tendering and manual procurement in government.

Murmu emphasised that auditors, as guardians of public accountability, need to acknowledge and absorb the changes brought in by massive digitalisation of government work and, accordingly, evolve and manifest dynamic guidelines and methodologies in audits.

Audit, he said, is no more a year-on-year perspective, peeping through a tunnel, but is a process of looking at investments through binoculars into the future.

Thus, SAIs need to build internal capacity for robust IT security audits to accurately identify lapses in cyber security of the governments' functionalities, he added.

The INTOSAI Working Group on IT Audit, has a membership of about 63 Supreme Audit Institutions (SAIs) worldwide. <https://government.economictimes.indiatimes.com/news/governance/e-procurement-eliminates-corruption-and-rent-seeking-cag-girish-chandra-murmu/91778782>

2. E-Procurement Has Potential to Eliminate Avenues for Corruption: Murmu ([businessworld.in](https://www.businessworld.in)) 24 May, 2022

Murmu underscored the need for research activities by SAIs on themes such as, use of blockchain technologies for e-tendering and of big data algorithms

Girish Chandra Murmu, as the Chair of the INTOSAI Working Group on IT Audit (WGITA) on Tuesday said that E-procurement is a deterrent to collusion between officials and the suppliers, as a digital trail for every transaction is recorded. E-procurement has potential to eliminate avenues for corruption and rent-seeking in public procurement.

While addressing the e-seminar of the INTOSAI Working Group on IT Audit he said that e-procurement audit focuses on assessment of the fairness, cost efficiency, swiftness and transparency, the four main objectives of an e-procurement system.

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He said that SAI India has prioritised IT audit of e-procurement platforms and systems for more than a decade. In the last 15 years, SAI India has audited many state-specific e-procurement systems. Recently, SAI India undertook an audit of the Government e-Marketplace (GeM) portal.

Murmu underscored the need for research activities by SAIs on themes such as, use of blockchain technologies for e-tendering and of big data algorithms for faster analysis of digital transactions and data from web platforms.

During the virtual seminar, László Domokos, President of the SAO Hungary, delivered a video-recorded address to the participants highlighting significance of auditing e-procurement system. Besides, SAIs of Oman, Indonesia, Egypt and India shared experience on e-procurement efforts and their audit in the respective countries. The e-seminar provided an opportunity for the member SAIs of WGITA to discuss policy-related matters, address queries and exchange knowledge on auditing e-procurement system. <https://www.businessworld.in/article/E-Procurement-Has-Potential-To-Eliminate-Avenues-For-Corruption-Murmu/24-05-2022-430070/>

3. E-procurement eliminates avenues for corruption: CAG ([theprint.in](https://www.theprint.in), [theweek.in](https://www.theweek.in), [inventiva.co.in](https://www.inventiva.co.in)) 24 May, 2022

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4. डिजिटल खरीद व्यवस्था में भ्रष्टाचार की गुंजाइश नहीं: कैग (navbharattimes.indiatimes.com, indiagroundreport.com) 24 May 2022

नियंत्रक एवं महालेखा परीक्षक (कैग) गिरीश चंद्र मुर्मू ने मंगलवार को इलेक्ट्रॉनिक माध्यम से खरीद (ई-खरीद) व्यवस्था को बढ़ावा देने पर जोर दिया। उन्होंने कहा कि इससे सार्वजनिक खरीद में भ्रष्टाचार की गुंजाइश समाप्त होती है और कमीशन की मांग पर अंकुश लगता है।

कैग ने सर्वोच्च ऑडिट संस्थानों के अंतरराष्ट्रीय संगठन (आईएनटीओएसएआई) के आईटी (सूचना प्रौद्योगिकी) ऑडिट पर कार्यसमूह (डब्ल्यूजीआईटीए) के डिजिटल रूप से आयोजित सेमिनार में यह बात कही। इसका आयोजन एसएआई (सुप्रीम ऑडिट इंस्टिट्यूशन) इंडिया ने किया था।

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खरीद व्यवस्था लेखा परीक्षण’ विषय पर आयोजित सेमिनार में डब्ल्यूजीआईटीए के अध्यक्ष के रूप में मुर्मू

ने कहा,

“इसमें कोई संदेह नहीं है कि ई-

खरीद व्यवस्था में सार्वजनिक खरीद में भ्रष्टाचार और कमीशन की मांग पर अंकुश लगेगा। साथ ही इससे पारदर्शिता बढ़ेगी और अधिकारियों तथा आपूर्तिकर्ताओं के बीच मिलीभगत पर भी लगाम लगेगा क्योंकि हर लेनदेन डिजिटल माध्यम से होगा, जिसपर नजर रखी जा सकती है।”

उन्होंने कहा कि हालांकि सर्वोच्च ऑडिट संस्थानों को सतर्क रहने की भी जरूरत है। क्योंकि खरीद प्रक्रिया में कई चरण में निर्णय लेने का अधिकार भी होता है। इससे भ्रष्टाचार की गुंजाइश रहती है।

मुर्मू ने कहा कि भारत सरकार ने ई-खरीद को राष्ट्रीय ई-संचालन व्यवस्था के तहत एक मिशन मोड परियोजना के रूप में चिन्हित किया है। इसका उद्देश्य सरकारी / सार्वजनिक खरीद गतिविधियों को श्रम-गहन कागज आधारित गतिविधि से एक कुशल इलेक्ट्रॉनिक खरीद प्रक्रिया में बदलना है।

भारत में सार्वजनिक क्षेत्र के दो प्रमुख ई-खरीद मंच राष्ट्रीय सूचना विज्ञान केंद्र (एनआईसी) की सरकारी ई-खरीद प्रणाली (जीईपी) और गवर्नमेंट ई-मार्केटप्लेस (जीईएम) पोर्टल हैं।

कैग ने कहा कि पिछले वित्त वर्ष में गवर्नमेंट ई-मार्केटप्लेस (जीईएम) के जरिये 13 अरब डॉलर का सामान खरीदा गया था। सरकार के स्तर पर देश में अब कागजी निविदा और खरीद की जगह ई-खरीद ने ले ली है।

मुर्मू ने कहा कि लेखा परीक्षक सार्वजनिक जवाबदेही के संरक्षक हैं। उन्हें व्यापक स्तर पर डिजिटलीकरण से हुए बदलाव को स्वीकार करने और उसे अपनाने की जरूरत है। उन्हें इसके अनुसार लेखा परीक्षा में दिशानिर्देश और कार्यप्रणाली विकसित करने की आवश्यकता है। <https://navbharattimes.indiatimes.com/business/business-news/cag-no-scope-for-corruption-in-digital-procurement-system/articleshow/91770285.cms>

5. What a Scathing Audit on Mining in Jharkhand Tells Us about CAG's Toothlessness (thewire.in) 25 May 2022

A performance audit brings home the point of what happens when the national auditor is denied access to information and records.

A recently concluded performance audit on the functioning of District Mineral Foundation (DMF) Trusts in Jharkhand has indicted the state's Mining and Geology Department for failing to furnish the actual figures of collections from mining leaseholders.

Bringing the sad state of affairs to public notice, the national auditor said, “There were three sets of un-reconciled collection figures: one reported by Director of Mines, one as per DMFT ban accounts and one by District Mining Officers (DMOs)”.

This performance audit presents all that has gone wrong with the implementation of this fund meant for the welfare of mining-affected communities in the country.

As per the figures available on the DMF dashboard, as on March 31, 2022, cumulative contribution to DMF stood at Rs 61,867.92 crores, out of which the cumulative expenditure as on March 31, 2022 was Rs 31,212.49 crore.

Jharkhand accounts for the third largest DMF collection, amounting to Rs 8,301.37 crore as on March 31 2022. Two other mineral rich states, Odisha and Chhattisgarh received the highest DMF contribution amounting to Rs 17,907.32 crores and Rs 8,943.47 crores respectively.

While the DMF Rules notified by Jharkhand government in 2016, as well as Pradhan Mantri Khanij Kshetra Kalyan Yojana Guidelines (issued by Union Ministry of Mines) dated September 16, 2015, envisioned preparation of annual action plans and budgets for respective DMFTs, the performance audit revealed, “The District Collectors of none of the sampled DMFTs prepared annual budget or annual action plan”.

Further, in a shocking revelation, the performance audit noted that the DCs of Bokaro, Dhanbad and Ranchi incurred an expenditure of Rs 1,568.04 crore from DMFT funds on various schemes during 2016-21, without identifying the areas affected directly and indirectly by mining and generating the list of affected people by involving the Gram Sabhas of the concerned affected villages.

A mammoth Rs 4,473.18 crore (81% of total DMF collection as on March 31, 2021) in Jharkhand was sanctioned on just two areas: piped drinking water schemes and ‘open-defecation free’ activities.

When CAG auditors raised a red flag on this, bureaucracy at different level mentioned that it was so “reportedly on the instructions of Chief Minister and Chief Secretary of the state to meet scheme targets.”

A paper tiger

Beyond all these details showing us how a fund meant for local area development with participation from mining-affected communities got reduced to a line departments-driven fund, lies another lesson. Reading this performance audit brings home the point of what happens when a national auditor is denied access to information and records.

The question of whether there is a need to amend the Comptroller and Auditor General of India (Duties, Powers and Conditions of Services) Act, 1971, to grant more enforcement powers to the national auditor has become an aimless cry in the wilderness. Indian auditors who passionately love to perform their constitutionally ordained duty today wonder what to make of the letter ‘P’ in the law that is popularly known by its abbreviation: CAG (DPC) Act, 1971.

While this question was discussed at biannual Accountants General Conference in October 2008, and an amendment draft was prepared in 2009, consecutive finance ministers and ruling governments have largely ignored the matter.

In a final draft of the Jharkhand mining performance audit, the Principal Accountant General, Indu Aggarwal stated:

“Audit was denied access from examining and reporting on the functioning of State Level Monitoring Committee, which is the apex body to monitor the (District Mineral Foundation Trust) Fund at state level though the matter was reported to the Secretary of the Department and escalated to the Chief Secretary of the State Government.” [emphasis added]

At another place in the performance audit, the PAG noted:

“Thus, restrictions on access to crucial and primary records to audit despite assurance of full cooperation by the Secretary of the Department in entry conference, especially when all the audit procedures and criteria for conducting audit were explained in the entry conference (held during initiation of the performance audit, wherein PAG office briefs the representatives of the audited department about the scope and methodology of audit) and Chief Secretary of the state government was taken on board with requests to produce records is a Red Flag to presumptive fraud and misappropriation. These potentially derail the constitutional mandate of audit and prevent it from providing insights to the State Legislature for fixing accountability on erring officials”. [emphasis added]

Reading the above quotes from the final draft of the performance audit of DMF in Jharkhand reminded me of the concern expressed by P.K. Kataria and Subir Mallick in a theme paper, ‘Auditing for Good Governance: Oversight and Insight’.

Arguing for the need to grant the CAG of India wider powers on access to information and records kept by public offices, Kataria and Mallick stated:

“While section 18 of the CAG (DPC) Act, 1971, provides access to the records and accounts and empowers Audit to inspect any offices of accounts under the state of central government, it doesn’t provide any enforcement powers to the CAG of India to ensure compliance by the auditee to her/his request for information within a reasonable time.”

CAG of India had initiated the performance audit on District Mineral Foundation Trusts in Jharkhand with an entry conference in December 2020 with the Secretary of the Department of Mines and Geology. The performance audit was carried out between December 2020 and April 2022 (roughly 17 months) and the audit team picked up just six districts (Bokaro, Chatra, Dhanbad, Hazaribagh, Lohardaga and Ranchi) out of 24 districts in Jharkhand as a representative sample.

In the final draft, there is a full paragraph on constraints faced by the audit.

In this paragraph, the Principal Accountant General noted down the factors which hindered the audit examination:

“(i) The Department (of Mining and Geology) did not provide any information on the functioning (policy decisions, instructions, corrective measures, monitoring etc.) of State Level Monitoring Committee (SLMC) on District Mineral Foundation Trusts despite repeated requisitions and reminders (between September 2021 and April 2022) by Audit to the Secretary of the Department and Director of Mines followed by active pursuance by audit team.

(ii) Audit requested (October 2021) the Chief Secretary of the state who is also the chairman of State Level Monitoring Committee to intervene in the matter in providing the access to the functions rendered by SLMC in handling the DMFT Funds. However, no response was received even after lapse of more than six months. This impeded the audit mandate as SLMC is the only body established under the Act to handle the Fund centrally at the Apex level. Denial of access to records of SLMC prevented audit from examining and reporting on the performance of SLMC in managing the Fund during the period under the audit (i. e. 2015 to 2020).

(iii) The Secretary of the Department and Director of Mines were also requisitioned and reminded (between August 2021 and April 2022) for production of monthly collection report of DMFT contribution and royalty. However, these were not responded to even after lapse of more than seven months (as on 19th April 2022). This prevented Audit from ascertaining the correctness of DMFT contribution and its actual loss in the state arising from delayed promulgation of DMFT Rules. Besides, the Director of Mines and the Department could not provide data of DMFT collection and expenditure for the year 2020-21 to audit as no authority had been maintaining such records for the state as a whole.

(iv) The Department did not provide, despite repeated reminders, any record for the methodology adopted for selection and prioritisation of schemes or for identification of directly/ indirectly affected area and people in compliance with the Act/ Rules. Such non-production of records from Audit prevents examination of the basis of resource allocation in the absence of mining affected area and people. The matter, therefore, merits examination from a vigilance angle as it is not possible, without impartial investigation, to find out how resources have been allocated and spent on any particular area, cluster or for any set of beneficiaries.

(v) The Director of Mines visited (October 2021) the office of the Principal Accountant General (Audit) and assured to provide all the above records/data/information etc. (which were not produced) besides data dump of Jharkhand Integrated Mines and Minerals Information System (JIMMS) portal. The records however were not produced when audit teams again visited (between November 2021 – April 2022) the office of the Director of Mines who informed audit that data/information called from field offices (DMO) were not received. In the name of data dump, a CD was sent (November 2021) by post to audit which contained excel sheets of DMO wise daily collection of DMFT contributions. No information was available in the CD (excel sheets) how these contributions were arrived at. Thus, audit was prevented from verifying the system of collection and computation of DMFT contributions being captured in JIMMS. The Director of Mines was informed (December 2021) that it was not data dump but excel sheets without any information of the royalty and payable DMFT contribution. Further request (April 2022) to provide data dump was not responded to (as on 19th April 2022).

(vi) Audit forwarded a draft report on audit findings covering the period 2015-2020 on working of DMFTs in October 2021 for response and reply of the Department. No response has been received (as on 19th April 2022) for the Department”.

The performance audit was shared with Chief Secretary with a letter from the Principal Accountant General dated April 20, 2022. In the letter, PAG informed the Chief Secretary that a copy of the final performance audit had already been shared with Secretary, Mining and Geology Department, Jharkhand on April 19, 2022. With that letter PAG office had requested the Secretary of the Mining and Geology Department, to furnish the replies within two weeks and requested the date for an Exit Conference in the first week of May 2022. The letter also reminded that an earlier correspondence dated October 22, 2021 has not been responded to by the office of the Secretary, Mining and Geology Department.

In a file noting, the Chief Secretary, while forwarding this letter, noted:

“Kindly go through it. A reply must be sent without fail by 30/04/2022”.

Has the reply been filed by the Secretary, Geology and Mining Department, who is under the custody of Enforcement Department?

Will the 'exit conference' to this performance audit take place soon?

We may have no clue on the probable answers to such questions. However, one thing is certain. If the ruling government indeed wants to walk the talk we heard from the podium of the National Audit Diwas, it must give a consideration to the proposed amendments to CAG (DPC) Act, 1971. <https://thewire.in/political-economy/what-a-scathing-audit-on-mining-in-jharkhand-tells-us-about-cags-toothlessness>

6. Health, nutrition common CSR theme among PSEs (thehansindia.com) 24 May 2022

'Health and nutrition' will be the common theme for the corporate social responsibility (CSR) activities of public-sector enterprises (PSEs) for the current fiscal. The Department of Public-Sector Enterprises has informed all Central ministries and departments that the PSEs under theme should adhere to this decision, said official sources.

For 2021-22 too, the theme was similar: 'Health & Nutrition, with special focus on Covid-related measures including setting up makeshift hospitals and temporary Covid care facilities.'

In India, companies with a net worth of Rs500 crore (or more), turnover of Rs1,000 crore, or net profit of Rs5 crore are stipulated to spend at least two per cent of their average profit for the previous three years on CSR activities every year.

In April 2018, the government had decided that the utilization of CSR funds should be done in a focused manner, keeping in mind the national priorities at the time. Accordingly, a common theme would be adopted every year. For 2018-19, school education and healthcare were the theme.

CSR expenditure for thematic programme should be around 60 per cent of annual CSR expenditure of PSEs. It was also decided that Aspirational (that is, poor) Districts may be given preference. A list of 112 Aspirational Districts was prepared by the NITI Aayog.

CSR spending by PSEs, however, has not been beyond reproach. An Assam Assembly committee had lamented last year that major PSEs, including Oil India, ONGC, IOC and Coal India, were not spending the mandatory 2 per cent of their annual profits on CSR activities in Assam, even though their production units were located in the state.

In its 2021 report, the Comptroller & Auditor General said, "out of 95 CPSEs (Central PSEs) reviewed, 29 CPSEs allocated funds towards CSR more than the prescribed minimum two per cent of average net profit of three immediate preceding financial years in pursuance of its CSR Policy and 60 CPSEs allocated the required minimum two per cent. While three CPSEs allocated less than two per cent, three other CPSEs did not allocate funds on account of negative net profit under Section 198 of Companies Act, 2013." <https://www.thehansindia.com/business/health-nutrition-common-csr-theme-among-pses-744627>

SELECTED NEWS ITEMS/ARTICLES FOR READING

7. PSBs to pay ₹8,000 cr dividend to Centre ([livemint.com](https://www.livemint.com)) May 25, 2022

State-run banks have paid substantial dividends to their shareholders, many of them after a gap of nearly six years, as credit growth accelerated and asset quality improved.

The government stands to be the biggest beneficiary of the generous payouts by the banks and is expected to net nearly ₹8,000 crore. State-run banks, barring Central Bank of India, which is still under the Reserve Bank of India's (RBI's) restrictive prompt corrective action framework (PCA) for weak banks, reported improved performance in the year ended 31 March.

The payouts by state-run banks come as a minor relief to the government, which is struggling to generate resources amid higher spending on subsidies and tax cuts to cool inflation. The RBI also approved a lower-than-expected ₹30,307 crore as dividend to the government for the year ended March 2022, upsetting the government's budget maths.

The highest payout to the government is from the country's largest lender State Bank of India, which will pay a dividend of ₹3,600 crore. Union Bank will pay ₹1,084 crore, followed by Canara Bank at ₹742 crore and over ₹600 crore each by Indian Bank and Bank of India.

However, some banks, including Indian Overseas Bank (IOB) and IDBI Bank, did not announce any dividend this time, despite reporting a full-year profit. Uco Bank has, however, sought regulatory approval for declaring dividends as the lender just exited the PCA framework, while Central Bank is barred from announcing any payout because of the RBI restrictions. Bank of Maharashtra's board will decide on a dividend payout on Wednesday.

"As per Banking Regulation Act, no banking company shall pay any dividend on its shares until all its capitalized expenses, including carry-forward losses, have been completely written off. Although IOB has doubled its profit (₹1,710 crore from ₹831 crore the previous year), we could not declare a dividend as we incurred annual losses from 2015 to 2020, the years the bank was under PCA. From last year onwards, we have started building up reserves," said Partha Pratim Sengupta, managing director and chief executive of Indian Overseas Bank.

From FY16, state-owned banks stopped paying dividends due to their weak financial condition following the RBI's asset quality review exercise to check whether banks classified loan repayments correctly and if they had made adequate provisions. Among state-run banks, State Bank of India declared nominal dividends in FY16, FY17 and FY21 and Indian Bank in FY18 and FY21.

In FY20, RBI barred banks from paying dividends and instead asked them to conserve capital because of the uncertainty caused by the pandemic. The central bank's stress tests showed that banks' asset quality and capital buffers could be at risk again as regulatory forbearances given during the pandemic get wound down. But in FY21, the regulator relaxed the restriction, allowing banks to pay 50% of the amount determined as per the dividend payout ratio.

"Public sector banks (PSBs) were profitable in FY22, which was the case after six years. With improved profitability and capital position, almost all public banks have declared dividends after a long time," said Anil Gupta, vice-president, ICRA.

According to RBI's report on trends and progress in banking released in December, the regulator said "the financial performance of banks in FY21 was marked by a discernible

increase in profitability as their income remained stable, but expenditure declined. This was in sharp contrast with the past five years during which PSBs incurred losses and profitability of private banks was declining." <https://www.livemint.com/industry/banking/psbs-to-pay-8-000-cr-dividend-to-centre-11653418778321.html>

8. Apex court's ruling on GST is a watershed (thehindubusinessline.com) May 24, 2022

The judgment is likely to have some impact on the GST Council's functioning. Collaborative decision making is the way forward

In tax laws, every once in a while, a Supreme Court decision gets the 'landmark' tag.

The recent Supreme Court ruling in the Mohit Minerals case has earned that tag. The issue before the apex court was whether GST could be levied on ocean freight when IGST has been levied on the total transaction value which included freight.

The apex court struck down the levy as unconstitutional and ended the controversy over double taxation on ocean freight. What interested everyone during the course of this decision was the observations of the Court on the GST Council.

The judgment

The operative part of the court ruling was that the recommendations of the GST Council are not binding on the Union and States for the following reasons:

Parliament intended for the recommendations of the GST Council to only have a persuasive value, particularly when interpreted along with the objective of the GST regime to foster cooperative federalism and harmony between the constituent units.

Parliament and the State legislatures possess simultaneous power to legislate on GST.

The 'recommendations' of the GST Council are the product of a collaborative dialogue involving the Union and States. They are recommendatory in nature. To regard them as binding edict would disrupt fiscal federalism, where both the Union and the States are conferred equal power to legislate on GST.

It is not imperative that one of the federal units must always possess a higher share in the power for the federal units to make decisions.

The government, while exercising its rule-making power under the provisions of the CGST Act and IGST Act, is bound by the recommendations of the GST Council.

However, that does not mean that all the recommendations of the GST Council made by virtue of the power of Article 279A (4) are binding on the legislature's power to enact primary legislation.

The IGST Act and the CGST Act define reverse charge and prescribe the entity that is to be taxed for these purposes. The specification of the recipient — in this case the importer — by

Notification 10/2017 is only clarificatory. While import of services qualifies for reverse charge under this notification, this cannot be extended to cases where IGST has already been paid.

The apex court has observed that the impugned levy imposed on the 'service' aspect of the transaction is in violation of the principle of 'composite supply' enshrined under Section 2(30) read with Section 8 of the CGST Act. Since the Indian importer is liable to pay IGST on the 'composite supply', comprising supply of goods and supply of services of transportation, insurance, etc. in a c.i.f. contract, a separate levy on the Indian importer for the 'supply of services' by the shipping line would be in violation of Section 8 of the CGST Act. In essence, the Centre cannot tax a transaction twice, in the interest of federal balance.

Impact of the judgment

This judgment of the apex court is bound to have some impact on the working of the GST Council. Collaborative decision making would be the way forward — this is easier said than done since a few States have strong views on certain aspects of GST taxation and the decision in Mohit Minerals gives them more teeth.

It is expected that the GST Council would not recommend anything that could turn out to be controversial.

While the decision in Mohit Minerals does not give State governments unilateral powers of taxation, it sends a message to the GST Council to listen to all voices including those of protest. The States' powers to tax may not extend to items outside the GST Act. <https://www.thehindubusinessline.com/opinion/apex-courts-ruling-on-gst-is-a-watershed/article65457849.ece>

9. Tax harmonisation vs fiscal autonomy: A renewed debate in Indian GST ([timesnownews.com](https://www.timesnownews.com)) May 25, 2022

Harmonisation of tax rates across States is expected to minimize rate wars across States and rein in revenue leakage due to cross border tax shopping, trade diversions, and misclassification of goods.

The Supreme Court of India has recently pronounced that recommendations of the Goods and Services Tax (GST) Council are not binding on the Union or State governments. One way this pronouncement has clarified is that both the Union and State governments enjoy fiscal autonomy, as their freedom to set tax rate under GST depending on revenue needs will continue. On the other hand, the pronouncement has created apprehensions among stakeholders that probably harmonized rate structure of GST may be at stake in future. The pronouncement came at a very crucial juncture when the GST Compensation regime will be ending on 30 June 2022 and a Group of Ministers is working on the restructuring of the GST rates. Even after five years of introduction, Indian GST is evolving in many ways and stabilization of the GST system will be delayed if either the Union or State governments decide to discontinue the harmonized rate structure.

It is believed that the scope of deviation from the harmonized GST structure will be limited to the GST rate structure; as other components of the harmonized GST system (e.g., Acts, Rules, Regulations, Processes, Procedures, Tax Administration) will be the same across all tax jurisdictions. In other words, probably neither States nor the Union government may deviate

from the harmonized structure of GST, except in setting GST rates. On average two-third of own tax revenue of State governments have been subsumed into GST. Therefore, to keep pace with rising demands for public expenditures, States may feel the urge to increase GST rates to mobilize larger public resources. However, it is to be noted that tax collection also depends on the tax base, tax compliance, tax efforts (or efficiency) etc. apart from tax rates.

Therefore, enlarging the tax base by protecting the consumption base of a State (i.e., aggregate consumption expenditures of a State) would be important. For example, States could rein in base erosion due to tax-shopping (or cross-state purchases) due to the availability of better options/ choices in neighbouring states by facilitating investment in consumer retail infrastructure. Similarly, demands for goods and services may be enlarged by providing economic opportunities to a larger group of people by investing public infrastructure. Improving tax compliance, especially by pursuing taxpayers to file both the GST monthly returns – GSTR-1 (invoice-wise details of outward supplies) and GSTR-3B (summary of inward and outward supplies, availability of input tax credits and tax liabilities thereof) could also help the states to improve tax collection. Effective utilization of analytical tools developed by the Business Intelligence and Fraud Analytics (BIFA) unit of the GSTN depends on State-specific compliance in filing both GSTR-1 & GSTR-3B returns. A large section of taxpayers (who are either not filing any tax returns or filing any one of the mandatory tax returns, either GSTR-1 or GSTR-3B) remain outside the purview of tax administrations for the purpose of tax enforcement.

Tax compliance is also a function of tax effort, therefore investing in tax administration infrastructure, especially in data analytics, fraud investigations, monitoring of inbound and outbound flows of goods may help in augmenting revenue mobilization. Therefore, deviating from harmonized GST rate structure may not be required if other factors of tax collection are strengthened. Moreover, changing tax rates destabilize the tax system and enhances the possibility of revenue leakage.

There are benefits as well as costs associated with harmonized GST rate structure. The benefits are accrued in terms of ease-of-tax administration and ease-of- tax compliance (and associated compliance costs). In the GST regime, adjustments of input tax credits (ITC) are not restricted to intra-state supplies alone, as was the case in the State Value Added Tax (VAT) regime. For effective monitoring of revenue, tax officials need to assess transaction chains which involve multiple layers of inter-state transactions. Therefore, harmonized GST rate structure lessens the tax administration burden in matching the inward and outward invoices.

In absence of robust IT system for backend processing of tax information (administrative data) and without access to information of taxpayers of other States to tax officials across field formations, if there are differences in law, practice or rates, it would be impossible to catch the tax evaders. In other words, without access to cross-state information to all levels of tax officials, any attempt to deviate from harmonized GST rate structure may result in increasing burden on tax administration and increase the possibility of revenue leakages. Similarly, tax payers operating in multiple States, tax compliance costs will increase if harmonized GST structure is not maintained. Building a robust IT infrastructure (for front- and back-end processing of tax information) to handle rate differentiations across tax jurisdictions with automated invoice-matching system may help to accommodate in future any move to deviate from the harmonized GST structure.

Since a Group of Ministers is working on restructuring of GST rates, it will important to reduce number of GST rates gradually to two to three rates. This will also contain revenue leakages on account of misclassification, improve tax compliance and reduce tax administration burden. Though comprehensive assessment of tax expenditures is yet to be taken up for the GST regime, protecting the tax base by containing tax expenditures on account of tax exemptions, incentives, thresholds, abatements etc. may help to protect the tax base.

The ongoing GST compensation period will be ending on 30 June 2022 and States will receive arrears of GST compensation corresponding to GST transition period (i.e., 1 July 2017 to 30 June 2022). Probably designing a framework to compensate States for GST revenue shortfall may help to dissuade them to deviate from harmonized structure of GST in post-GST compensation period. It will be imperative for States to keep the harmonized structure of GST intact, as it will reduce revenue leakage on account of trade diversions and misclassifications of goods. There is also apprehension that rate differences among States may lead to Input Tax Credit conflicts.

If the deviation from the harmonized GST rate structure becomes unavoidable, it will be important to set a common harmonized floor rate with a band which will allow States some flexibility in fixing rates. The Rajya Sabha Select Committee suggested that GST rates will be levied with floor rates and with bands, where a band is defined as “Range of GST rates over the floor rate within which Central Goods and Service Tax (CGST) or State Goods and Services Tax (SGST) may be levied on any specified goods or services or any specified class of goods or services by the Central or a particular State Government as the case may be”. There were also discussions that maximum 1 to 2 per cent deviation from the floor rate should be allowed. This option may be explored as a last option if States are keen to set their own GST rates by deviating from the harmonized GST structure.

There is always a trade off between harmonization of tax system and fiscal autonomy of States. Given the federal structure of India, it is desirable that tax rates will remain harmonized across States to minimize the compliance burden as well as cost of tax administration. Harmonization of tax rates across States is expected to minimize rate wars across States and rein in revenue leakage due to cross border tax shopping, trade diversions, and misclassification of goods. <https://www.timesnownews.com/business-economy/economy/tax-harmonisation-vs-fiscal-autonomy-a-renewed-debate-in-indian-gst-article-91780232>

10. A new road for India’s fiscal federalism ([thehindu.com](https://www.thehindu.com)) May 25, 2022

After the ‘Mohit Minerals’ judgment, States will now be free to exercise independent power to legislate on GST

On May 19, in Union of India vs Mohit Minerals, the Supreme Court of India delivered a ruling which is likely to have an impact far wider than what the Centre might have imagined when it brought the case up on appeal. At stake was the validity of a levy imposed on importers, of Integrated Goods and Services Tax (IGST) on ocean freight paid by foreign sellers to foreign shipping lines. The Gujarat High Court had declared the tax illegal. The Supreme Court affirmed the ruling through Justice D.Y. Chandrachud’s judgment and held that the levy constituted double taxation — that is, that the importer, which was already paying tax on the “composite” supply of goods, could not be asked to pay an additional tax on a perceived “service” that it may have received.

In making this finding, the Court proceeded on a technical reading of various laws, in particular the provisions of the Central Goods and Services Tax Act. That reading, in and by itself, has limited implications. But the Court also made a slew of observations, which, if taken to their logical conclusion by State legislatures, could potentially transform the future of fiscal federalism in India. It held, for instance, that both Parliament and the State legislatures enjoy equal power to legislate on Goods and Services Tax (GST), and that the Goods and Services Tax Council's recommendations were just that: recommendations that could never be binding on a legislative body.

Reacting to the ruling, the Union Ministry of Finance has claimed that it “does not in any way lay down anything new”, and that it “does not have any bearing on the way GST has been functioning in India, nor lays down anything fundamentally different to the existing framework of GST”. But a close reading of the judgment belies this suggestion. Until now, governments across India have treated the GST Council's recommendations — even where they disagreed with them — as sacrosanct, because they believed that this was indeed the law. What Mohit Minerals holds, though, is that State governments, on a proper construal of the Constitution, need to hardly feel circumscribed by any such limitation. As such, according to the Court, State legislatures possess the authority to deviate from any advice rendered by the GST Council and to make their own laws by asserting, in the process, their role as equal partners in India's federal architecture.

Advent of Articles

When, in July 2017, the Union government introduced the GST regime through the 101st constitutional Amendment, it did so based on an underlying belief that tax administration across India needed unification. ‘One Nation, One Tax’, was the mantra. To give effect to this idea, many entries in the State list of Schedule VII of the Constitution were either deleted or amended. No longer could State governments, for example, legislate on sale or purchase of goods (barring a few exceptions, such as petroleum and liquor) through the ordinary legislative route. Instead, a power to legislate on GST was inserted through a newly introduced Article 246A. This provision overrode the general dominion granted to Parliament and State legislatures to bring laws on various subjects and afforded to them an express authority to make legislation on GST.

In addition, the 101st Amendment also established, through Article 279A, a GST Council. This body comprises the Union Finance Minister, the Union Minister of State for Finance, and Ministers of Finance from every State government. The Council was given the power to “make recommendations to the Union and States” on several different matters. These include a model GST law, the goods and services that may be subjected to or exempted from GST and the rates at which tax is to be levied. In framing the manner in which the Council's votes are to be reckoned with, the Union government was granted a virtual veto.

As I wrote in these pages when the Amendment was first introduced, there was some amount of confusion on whether the Council's decisions would be binding. The use of the word “recommendations” suggested on the one hand that its decisions would be advisory, at best. But, at the same time, the fact that Article 279A directed the establishment of a mechanism to adjudicate disputes between governments on decisions taken by the Council suggested that those governments would, in fact, be bound by any advice rendered to them. If the former reading was to be deployed, the purpose behind the introduction of a common GST would be in jeopardy. But the latter interpretation effectively entailed a destruction of the well-laid plans

of the Constituent Assembly. Fiscal responsibilities that had been divided with much care and attention between the Union and the States would now stand dissolved.

Not a symmetrical compact

In its judgment in *Mohit Minerals*, the Supreme Court has provided what ought to be seen as the final word on this conundrum. Although States had until now proceeded on a tacit belief that the GST Council's recommendations were binding, such an approach, in Justice Chandrachud's words, would run counter both to the express words of the Constitution and the philosophical values underlying the language deployed. Our federal compact, the judgment holds, is not symmetrical, in that there are certain areas of the Constitution that contain a "centralising drift" — where the Union is granted a larger share of the power — and there are other areas where equal responsibility is vested.

Article 246A, which was introduced by the 101st Amendment, is one such clause. The provision provides concomitant power both to the Union and to the State governments to legislate on GST. It does not discriminate between the two in terms of its allocation of authority. That allocation, according to the Court, cannot be limited by a reading of Article 279A, which establishes a GST Council, and which treats the Council's decisions as "recommendations". "If the GST Council was intended to be a decision-making authority whose recommendations transform to legislation," wrote Justice Chandrachud, "such a qualification would have been included in Articles 246A or 279A." But in the present case, no such qualification can be found.

In perspective

The Court's ruling does not mean that a legislature — whether Parliament or the States' — cannot through statutory law make the Council's recommendations binding on executive bodies. Indeed, insofar as the laws today make such a mandate, rulemaking by the executive would necessarily have to be bound by the Council's advice. But a constitutional power, in the Court's ruling, can never be limited through statute. Such curbs must flow only from the Constitution. And in this case, in the Court's analysis, no restrictions on legislative power can be gleaned on a meaningful reading of the Constitution.

Today, because of the ruling in *Mohit Minerals*, State governments will be free to exercise independent power to legislate on GST. It is possible that this might lead to conflicting taxation regimes, with the idea of 'One Nation One Tax' rendered nugatory. But as the Court puts it, "Indian federalism is a dialogue between cooperative and uncooperative federalism where the federal units are at liberty to use different means of persuasion ranging from collaboration to contestation."

GST was conceived as a product of what some described as "pooled sovereignty". But perhaps it is only in an administrative area, animated by contestation, where we can see synergy between different sovereign units, where our nation can take a genuine turn towards a more "cooperative federalism". <https://www.thehindu.com/opinion/lead/a-new-road-for-indias-fiscal-federalism/article65457350.ece>

11. India could be an upper middle income country within a decade ([livemint.com](https://www.livemint.com)) May 25, 2022

India is currently what the World Bank describes as a lower middle income country. The average income of an Indian was \$1,935 in 2020. The International Monetary Fund (IMF) now

estimates that number will go up to \$3,769 in 2027, the latest year for which the multilateral lender publishes its forecasts, which were recently redone after the Indian government pointed out some inconsistencies in its calculations. This means that per capita income in India is expected to cross \$4,000 towards the end of the decade. India will thus be on the cusp of becoming an upper middle income country, according to the current definition used by the World Bank.

How long have other countries taken to double their per capita income from \$2,000 to \$4,000? The accompanying table provides data from some comparable Asian countries that have made the journey after 1980 and some that are on the verge of doing so. China, Taiwan and South Korea clearly maintained a scorching pace of economic transformation when they were broadly at our current level of development. Thailand, the Philippines, Indonesia and Malaysia took more than a decade. India seems on track to double its income at a rate that Sri Lanka and Vietnam maintained.

For any country, average income in US dollars depends on a combination of nominal economic growth in its domestic currency and the exchange rate of that currency against the dollar. How both move then matters. China let its currency appreciate in the four short years that its average income doubled to reach \$4,000. Thailand saw its currency collapse in the second half of 1997. Such sharp movements in exchange rates undoubtedly affect the conversion of nominal average incomes calculated in terms of national currencies into a common measure like the US dollar.

However, no country will see its standard of living shoot up or reduce sharply over long periods of time just based on the international value of its currency or movements in domestic prices. That is because exchange rates eventually reflect inflation differentials between various countries, so a country with high inflation will see its exchange rate come down over a reasonably long period of time, and vice versa. A lot more depends on the rate at which economic output is growing in real terms, or after stripping out the effects of inflation.

Two of the original Asian Tigers—Taiwan and South Korea—as well as China are good examples. They could successfully double their average incomes in terms of US dollars in six, five and four years respectively. Others took far more time. Why these three countries could race ahead, while comparable countries with similar structural features and economic policies could not, is one of the great debates in development economics. The median time taken in this small sample is 10 years, which is close to what India will need, by current estimates, to reach a per capita income of \$4,000.

There is another factor to consider: the state of the world economy, especially since export growth was such a big part of the economic strategy of successful Asian economies when they were in the early stages of their economic transformation. But global economic growth is not a dominant influence. A quick—and perhaps simplistic—look at the data shows that there is a negative correlation between the number of years taken by a country to double its income in US dollars and the pace at which the world economy expanded in the relevant time periods for each country.

In other words, a country is more likely to quickly double its average incomes when the world economy is also doing well. However, this negative correlation is weak, and not the dominant explanation (the R-squared is 0.1203). That continues to be rapid domestic growth sustained over long periods of time.

In its new Report on Currency and Finance released a few weeks ago, the Reserve Bank of India has estimated that India can maintain an economic growth rate of between 6.5% and 8.5% over the medium term. Rapid growth is needed not just to boost our position in international rankings, but also provide economic opportunities to a young population, especially given our failure to create quality jobs in productive enterprises. There are also shocks to consider. Indian output is still below where it would have been if the pandemic had not struck, and is expected to remain below trend for perhaps another decade. (Note: this is about the level of output rather than its growth rate.) A climate shock is on the horizon.

This decade may see India narrow its income gap with countries such as the Philippines and Sri Lanka, especially the latter because of its ongoing economic tragedy. India will need more time to reduce the income gap with most of the other countries considered here. A lot will depend on whether we move ahead near the lower or higher end of the potential growth estimate made by our central bank. <https://www.livemint.com/opinion/columns/india-could-be-an-upper-middle-income-country-within-a-decade-11653411257881.html>

12. Power ministry seeks 2-year extension on deadline for emission norms ([business-standard.com](https://www.business-standard.com)) May 25, 2022

India's power ministry has sought a two-year extension from the environment ministry for utilities to install emission cutting equipment, according to a power ministry letter seen by Reuters.

India initially had set a 2017 deadline for thermal power plants to comply with emissions standards for installing flue gas desulphurization (FGD) units that cut emissions of toxic sulphur dioxide. That was later changed to varying deadlines for different regions, ending in 2022.

Thermal power companies, which produce three-quarters of the country's electricity, account for some 80% of India's industrial emissions of sulphur- and nitrous-oxides in India, which cause lung diseases, acid rain and smog. https://www.business-standard.com/article/economy-policy/power-ministry-seeks-2-year-extension-on-deadline-for-emission-norms-122052500432_1.html

13. By Acing Space Race, India Can Cut Military Spending, Develop Self-reliance, Deter China ([news18.com](https://www.news18.com)) May 25, 2022

The defence ministry's move to grant an Acceptance of Necessity (AoN) to the Army in March to get the indigenous satellite GSAT 7B was long-awaited.

It's just that it came too late.

The AoN is only the first step in the long and arduous defence procurement process which may or may not necessarily culminate in an order.

If and when the final order is placed, this will be the first-ever dedicated communications satellite for the 13-lakh-strong Indian Army. The force did not have a dedicated satellite of its own; it shared the services of the GSAT 7A for the Indian Air Force (IAF) launched in 2018 by the Indian Space Research Organisation (ISRO).

The primary communication satellite for the Navy, GSAT 7, was launched in 2013. The Navy has already placed an order to procure the GSAT 7R satellite as a replacement for the existing GSAT 7. In November last year, the Defence Acquisition Council (DAC) approved the proposal to procure the GSAT 7C satellite for the IAF.

In the last three years, India's efforts in the space sector for the military include setting up the tri-service Defence Space Agency for the command and control of the military's space assets and the Defence Space Research Organisation (DSRO) in 2019. In the same year, India also conducted a simulated space warfare exercise called IndSpaceEx.

In 2020, the government had approved the creation of IN-SPACe—an independent nodal agency under the Department of Space to encourage private participation in the domain—but it is yet to fully take shape. In the works is also a separate space policy that would take into account the Indian military's needs in the domain.

However, even if one avoids a comparison with China—which has been heavily investing in establishing space dominance in the last two decades—it is high time that India's space reforms gather greater pace.

This is because India needs to use space better for uninterrupted and seamless communication over large geographical areas, navigational purposes, ballistic missile warnings and superior Intelligence-Surveillance-Reconnaissance (ISR) capabilities among others while being self-reliant enough for these.

While these capabilities will act as a force multiplier for India in case its forces engage in a conventional military operation, it is equally critical for the country to develop potential to curb its adversaries' coercive actions in space which might be detrimental to its interests.

WHY INDIA NEEDS TO AUGMENT SPACE CAPABILITIES

India currently has over a dozen satellites for military use.

The Indian military also hires the services of a range of commercial satellites and of those operated by friendly foreign countries.

Much of these come at an exorbitant cost and with the risk of interruption of services in instances of contingencies.

With India working towards rationalising defence expenditure and establishing self-reliance in the sector, it is paramount to aggressively augment defence space capabilities—including sending up additional satellites, getting better sensors, high-speed communication, efficient and reusable ones, along with linked infrastructure—as part of “militarisation of space”.

India also needs to procure high-tech jammers for rogue satellites and also protect its own satellites from electronic attacks.

ENCOURAGING PRIVATE SPACE INDUSTRY

Since early 2000, ISRO has carried out substantial work in developing space-based military assets and systems. But the need of the hour is to significantly involve and encourage the private space industry towards designing and developing niche technologies in this domain.

The formation of the Indian Space Association comprising 43 companies as an industry body last year is a step in this direction. However, the government needs to do much more to encourage and nurture this nascent industry and space start-ups by providing them adequate orders as well as ensuring their ease of doing business by simplifying the licensing processes and cutting down the number of permissions required for tests.

There also exists a need to increasingly sensitise government departments on the use and adoption of space technologies for better transparency in processes and carve out separate budgets for this.

It is not possible to develop specific niche space technologies for military use overnight. But as civil uses of space assets increase and the industry grows significantly, the military can then put forth their specific requirements to the industry which might be capable enough to meet them within strict timelines.

CHINA'S FOCUS ON SPACE

With the rising asymmetry in the space domain in its neighbourhood, India should also emphasise building defensive capabilities to carry out counterspace operations.

Over the last two decades, China has made substantial progress in space programmes with the aim of getting into space, exploiting and controlling it to establish regional hegemony in this domain. This would invariably be critical to its future military operations, as that would encompass an information dominance achieved with the help of its space assets.

As early as 2007, China carried out an anti-satellite missile test, which first exposed to the world its growing interest in the space domain.

This was further evident after China's 2015 defence white paper designated space as part of its military domain, followed by the subsequent raising of the People's Liberation Army Strategic Support Force to integrate the country's space, cyber and electronic warfare capabilities and the testing of a quantum communications satellite in 2016.

As per some estimates, around 150 military satellites are in use by China, most of which are for ISR purposes.

What also needs to be taken into account is China's space cooperation with Russia providing the former with a bigger bouquet of options in case of any damage to its space assets.

With India focusing on cutting military expenditure, establishing self-reliance in defence and developing deterrence against China's growing space assets, it is turning out to be an existential requirement for the country to work towards expanding its military capabilities in the space domain so that it is able to assert itself as a formidable regional power in the future while aiming to be a global power.

However, the investments—whether monetary or policy reforms—have to be done against the backdrop of space being a high-expenditure sector, which would give slow, bite-sized but steady returns. <https://www.news18.com/news/india/defence-diary-to-not-lag-in-space-race-india-must-cut-military-spending-develop-self-reliance-deter-china-5239999.html>

14. India Must Account for Human and Ecological Costs of Highway Expansion ([newsclick.in](https://www.newsclick.in)) May 25, 2022

Highways link regions and improve connectivity, but the break-neck pace of construction comes at a human, environmental, and social cost that cannot be ignored.

Rapid highway expansion is among the priorities of the central government, evident from how the National Highways Authority of India (NHAI) budget has expanded very rapidly in recent years. The actual expenditure of the NHAI in 2020-21 was Rs. 46,062 crores. Despite severe resource constraints during the Covid-19 pandemic, the following year's budget estimate was raised significantly to Rs. 57,730 crores. Then the government increased the revised estimate in 2020-21 to Rs. 65,060 crores.

Highways are important for economic development and boost connectivity and transportation, but there is an ecological cost to building them, especially when it is done at break-neck speed. In 2022-23, India saw the most significant increase ever in the allocation for the NHAI, an over 100% hike in the budget estimate to Rs. 1,34,015 crore in the last Union budget. It implies a very rapid expansion of highways, which means the government must make efforts to reduce their ecological and social costs.

Instead, there are shocking reports of serious harm to the environment from many parts of the country, particularly the Himalayan region, during highway construction. Little is done to recompense for those who are losing out in the process of construction. To begin with the ecological costs, according to an official reply to an RTI request in December 2020, over 1.89 lakh trees were felled for the 297-km Bundelkhand Expressway project that seeks to link Chitrakoot and Etawah in Uttar Pradesh. Progress on this project is officially around 94% complete. Yet the figures for trees cut down are underestimated, as the destroyed shrubbery and soil were not accounted for here. For the roughly 900-km Char Dham project in Uttarakhand, both large and small felled trees were counted in the first three phases. Some have concluded that over two lakh trees were lost in this process. It's quite possible that somewhere close to this number is also threatened in this project's remaining 100-km stretch from Uttarkashi to Gangotri. This is a highly sensitive eco-zone near the origin of the Ganga river.

Along with tree-felling, serious harm has been caused by the tendency to save construction expenses by using unscientific means to cut hills. One big culprit is the excessive use of explosives. It raises the growing number of landslide-prone sites and highway danger zones. Our planners forget that the cost of a project includes the benefits it will bring in terms of time and fuel savings. If a highway project raises the frequency of traffic disruptions, delays, and accidents, then the purpose of expansion and road-widening gets defeated over time.

The problems start with poor planning and projects cleared without consulting communities. As a result, mass-scale road widening exceeds its tolerance limits in hilly regions. Another serious lapse is the inability to make arrangements to dispose of the muck that is created during construction. This mud finds its way into rivers and hurts water flow and riverine lifeforms and raises flood risk.

The project to widen the highway from Udhampur to Banihal in Jammu and Kashmir has devastated water sources, particularly the Tawi river in the Jammu region. In Ramban, people have complained of severe breathing problems where the muck is deposited. The National Green Tribunal (NGT) constituted a monitoring committee headed by a retired senior judge,

which said in October 2021, NHAI must repair the damage and provide Rs. 129 crore on the polluter-pays principle. The NGT then instructed the NHAI to strengthen its capacity to prevent and monitor environmental damage while executing projects.

It is also a fact that in India no agency computes the cost of lives lost during mega-construction projects. A landslide took place at Ramban on 21 May, at the site of an ongoing tunnel construction project as part of the project to widen (four-lane) the Jammu-Srinagar highway. Ten workers digging at the mouth of the tunnel died. According to media reports, the mouth of this tunnel and areas around have become a “death trap” even for commuters, as it is constantly affected by landslides and shooting stones.

We also forget that the cost of building highways includes the tolls that people must pay once they are completed. Recently, local residents of Sohna in Gurgaon protested against the setting up of a toll plaza on the partially-opened elevated road along the 19-km stretch. They said they want exemption from the toll tax permanently, as opposed to the temporary relief given by NHAI to locals, along with monthly discounted passes. The residents say their movements are restricted by the presence of not just one but four toll plazas in Gurgaon, which have too few exits.

People facing environmental damages, economic hardships and social costs is not new, but as more funds are poured into highway-building work, these conditions will only worsen unless there is a correction. In 2019, the 1,328-km Delhi-Mumbai Expressway passed through protected areas. It was reported that the engineers engaged in this project were “exploding and flattening entire hills” and repurposing soil to create beds for the widened highways.

People do not realise that the higher the ecological losses, the more the social costs will climb. This writer’s conversations with people living near the widened Parwanoo-Solan Highway in Himachal Pradesh revealed many had lost their homes or parts of houses, pathways and farms during heavy construction work. While compensation for the land acquired during widening is generally received, the indirect harm often remains unsettled for long or is never compensated. Roadside shops are removed to make room for the roads, and they are usually classified as encroachments, disentitled to compensation. Those with modest livelihoods tied to tourism and pilgrimages are more adversely affected. Some have formed committees and are protesting to demand justice.

Or recall the tragic story of the Telangana village along an expressway whose numerous male residents died while trying to cross it. Such problems exist across the country and arise because the costs of access roads and by-passes are high. There are always villages and towns that do not get access roads, exits or by-passes, and each situation has its own complex impact. That is why we need measures to compute and then minimise the social and environmental effects of highway development. A recent National Green Tribunal (NGT) ruling said more financial resources must get allocated to repair such damage, which is welcome. It is even more critical to have precautionary systems that avoid inflicting harm in the first place. Highway building must learn from past mistakes. Unbiased pre-project assessments and community consultations are crucial to this process. Making good use of the local community and understanding conditions is essential. <https://www.newsclick.in/India-account-human-ecological-costs-highway-expansion>

15. UP govt not to import coal to boost power output, despite Centre's fiat ([financialexpress.com](https://www.financialexpress.com)) May 25, 2022

The Union power ministry had asked all utilities in the country to import 10% of their total requirement for blending with domestic coal by October-end, given the constraints in the domestic coal supply.

The Uttar Pradesh government has decided not to import coal for power generation in the state, despite a Centre's directive that both state-sector and private gencos must import fuel for 10% blending.

The state government has told UP Rajya Vidyut Utpadan Nigam, the umbrella body of state-owned generators, that "after considering all aspects, it has come to the decision of not allowing either the state gencos or the independent power producers in the state to import coal," according to a letter to gencos seen by FE.

The Union power ministry had asked all utilities in the country to import 10% of their total requirement for blending with domestic coal by October-end, given the constraints in the domestic coal supply. Setting stiff targets and timelines, the Centre had stated that out of the 38 million tonne (MT) of coal to be imported, 50% had to be imported by June end.

The Centre followed up the directive with a warning that if the gencos do not import 10% of coal for blending by June 15 — they would be penalised and their domestic coal supply would be cut by 5%. Not only that, but the Centre also said that it would then increase the coal import target to 15% for the gencos that do not follow its directive to meet the 10% of their fuel requirements through imports.

Union power minister, RK Singh separately wrote to chief ministers of some states for delaying the process of coal imports, including Uttar Pradesh. "If the present state of affairs continues, it may lead to a shortage of coal in states during the monsoon, thereby adversely affecting the power supply situation in these states," he wrote.

According to official sources, the UP government's decision comes in the wake of the state power regulator asking why they issued tenders to import coal without seeking its permission. It also raised concerns about the import plan, given the tariff implications.

Following this, the Uttar Pradesh Rajya Vidyut Utpadan Nigam asked for the state government's clearance to import coal. The matter has been pending with the state government for the last month.

"Almost 89% of the consumer base in Uttar Pradesh is domestic. The pass-through would have been a challenge for Uttar Pradesh," said an official on condition of anonymity, adding that the financially stressed discoms in the state are in no condition to absorb such a huge burden. <https://www.financialexpress.com/economy/up-govt-not-to-import-coal-to-boost-power-output-despite-centres-fiat/2536549/>

16. Power thefts costing Punjab Rs 1200 crore annually ([indiatoday.in](https://www.indiatoday.in)) UPDATED: May 24, 2022

While the urban areas account for Rs 700 crore power theft, pilferage worth Rs 500 crore has been reported in the rural areas.

Punjab State Power Corporation Limited (PSPCL) is struggling to stop pilferage of power. According to an estimate, power thefts are costing the state of Punjab Rs 1200 crore annually.

While the urban areas account for Rs 700 crore power theft, pilferage worth Rs 500 crore has been reported in the rural areas.

Border areas including the Bhikhiwind, Patti and Zira sub divisions of PSPCL were the top defaulters and account for 44 per cent of the losses, which have been estimated at around Rs 552 crore.

The PSPCL has now launched a crackdown on those who have been stealing power and causing losses to the state exchequer. Besides the domestic, commercial consumers, many police officials and police stations, besides the Deras, have also been found stealing power.

Besides three dozen police stations in various parts of the state, 23 out of a total 124 police staff quarters in Punjab Armed Police complex have been found stealing power.

PSPCL officials have imposed a fine of Rs 6.50 lakh on the cops who were found stealing power in Jalandhar alone. While some police allegedly used magnets to stop the power metres, some were found stealing power directly from the supply line.

"We have launched a drive to check power theft. We found 15,000 illegal power connections and have imposed a fine of Rs 22 crore on the defaulters," PSPCL Chairman Baldev Singh Saran said.

Recovering the pending power bill payments and taking action against the people found guilty of power theft is not that easy. A PSPCL team was roughed up by the locals in a Ferozepur village when the officials tried to recover the unpaid amount.

Not only the domestic and commercial consumers but the state government departments have also defaulted power bill payments.

Various government departments are yet to pay pending power bills worth Rs 2,669 crore. The state government has yet to pay a power subsidy bill of Rs 9,020 crore for the year 2021-22 on account of free power to the farmers and other beneficiaries. The state government owes a total Rs 11,699 crore to PSPCL. <https://www.indiatoday.in/india/story/punjab-power-crisis-theft-losses-government-state-corporation-1953683-2022-05-24>

17. Rising People's Party alleges Rs.65 cr graft in road works ([nagalandpost.com](https://www.nagalandpost.com)) May 25, 2022

Nagaland: Rising People's Party (RPP) on Tuesday levelled a serious allegation on fraudulent withdrawal of approximately Rs.65 crore by the contractor and officials of PWD (R&B)

without executing two road projects (Akhen-Star Lake and Lephory-Molhe Post) in Meluri sub-division under Phek district.

This was made at a media briefing here Tuesday by RPP president Joel Naga. He claimed that the firm, contractor, executive engineer (PWD, R&B), Phek division, chief engineer (PWD, R&B) siphoned off Rs. 65, 67,27,000 sanctioned against two work orders in complete violation of the terms and conditions laid down in the work orders.

Joel claimed that contracts were awarded to government registered class-I contractor & supplier M/S Rhino Construction and M/S Nagaland Steel Engineering Works that operate under the same proprietor.

Joel Naga claimed the “scam” was brought to its notice by concerned residents of Lephori area after the culmination of party’s walkathon campaign.

Subsequently, he said the party members along with Rising Youth of Phek division travelled to Lephori area to assess the situation. At Lephori, Joel said they met and interacted with village council chairmen of three to four adjacent villages, council members and youth leaders. Joel said that a first information report (FIR) was filed with Meluri police station by Rising Youth Phek on April 11.

He said the work order was issued in 2011 and withdrawal was done over a period of six-seven years with Rs.30 crore as the initial withdrawal amount.

RPP president also claimed that the state finance department sanctioned an additional amount of Rs.15 crore against the work order in 2017, the same was repeated in 2018.

In total, Joel alleged that Rs.60 crore of funds for construction of roads connecting Lephory area to Molhe post were misappropriated without any work.

Describing the road connecting Akhen area and Star Lake as “namesake road”, he said that even “Shaktiman trucks” would find difficult to ply.

Joel Naga said that an estimated Rs. 5crore of funds was sanctioned for the said construction project.

On inspection of the site, RPP president said that instead of constructing assigned roads for public commute, the contractor directed the funds towards constructing roads for his personal commute (around 5-10km stretch) into a remote area within Akhen village.

He further claimed that the contractor set up his own sawmill and had been running a logging business for the past 10 years or so.

In this regard, Joel said the party has approached principal chief conservator of forest (PCCF) and asked the Forest department to take necessary actions. However, Joel said that the department has failed to take any actions till date.

RPP, in a representation dated April 14, 2022 addressed to the principal chief conservator of forest, demanded immediate closure of the sawmill and take action against the person(s) responsible under relevant sections of the Law within 11 days.

With regard to road projects, RPP said that besides the first work order the executive engineer on January 21, 2014 issued completion certificate for the second and third work orders, but no work was done at the sites.

RPP said that public have been lodging complaints for a long time, adding that a court case was also underway. However, the party said that the department was “not willing to entertain them or their grievances.”

RPP general secretary Amai Chingkhui also claimed that when the concerned public went to submit an ultimatum to the department, they were intervened by the contractor and threatened the chief engineer and the village council representatives.

The party has questioned as to why the department was hesitant to settle the grievances of the public despite withdrawing crores of rupees? <https://www.nagalandpost.com/index.php/rpp-alleges-rs-65-cr-graft-in-road-works/>

18. Affordable housing projects make no progress (newindianexpress.com) 25th May 2022

The Centre’s plan of ensuring affordable housing for all under the Pradhan Mantri Awas Yojana-Urban (PMAY-U) by 2022 seems to not be on the priority list of the State government.

ROURKELA: The Centre’s plan of ensuring affordable housing for all under the Pradhan Mantri Awas Yojana-Urban (PMAY-U) by 2022 seems to not be on the priority list of the State government. In the Steel City, affordable housing projects of the Rourkela Municipal Corporation (RMC) for slum dwellers have been stuck in a limbo without any visible progress.

RMC’s affordable housing project-1 (AHP-1), which envisages construction of 800 houses for slum dwellers of Dhamra Basti, Koel Bank and Ambedkar Nagar has already been approved but is yet to be implemented. Similarly, under AHP-2, another 800 housing units will be constructed for slum dwellers of Haripur Basti, Malgodam, Ambedkar Nagar, BPUT Basti and Pradhan Colony. The project is awaiting government approval.

RMC Deputy Commissioner Sudhanshu Bhoi hoped that the AHP-1 will be implemented soon. Both AHP 1 and 2 would come up near the housing project of Rourkela Development Authority (RDA). He informed that under the Beneficiary-Led Construction (BLC) scheme, 714 PMAY-U beneficiaries with own land have already constructed houses.

Sources said the RMC had earmarked 36 acre of land at Madhusudanpali for rehabilitation of around 4,900 families. However, the proposal is lying in cold storage. In early 2021, RMC had surveyed and identified around 6,100 residents of 55 slums located on land of Rourkela Steel Plant (RSP) for provision of Economically Weaker Section (EWS) housing units. These people would be evicted for further expansion of RSP.

Similarly, an approved AHP of RDA for 720 EWS housing units at Chhend Colony for slum dwellers of Ambedkar Basti, Haripur Basti, Gangadharpali and Kumbharpada is yet to go for tender. However, a low-cost housing project of RDA has gained pace after a wait of nearly six

years. In 2017, the RDA had floated tender for construction of 500 housing units at Chhend Colony over 3.30 acre with private participation.

Though construction started late, nearly 50 per cent work have been completed now. Slum dwellers of Mantola, Banglatola and Panposh will benefit from the project. The under-construction RDA project coming up at a cost of around Rs 29 crore is the first for Rourkela under the 'Policy for Housing for All in Urban Areas, Odisha, 2015. <https://www.newindianexpress.com/states/odisha/2022/may/25/affordable-housing-projects-make-no-progress-2457721.html>