# NEWS ITEMS ON CAG/ AUDIT REPORTS (25.06.2022 to 27.06.2022)

## 1. The quiet transformation in defence pensions *(thesangaiexpress.com)* Jun 27, 2022

The media scape is rife with narratives which may lead distinguished retired defence services personnel to get apprehensive about the quiet transformation which is happening in the management of Defence Pensions in India. The System for Pension Administration–Raksha or SPARSH, as announced in the Union Budget 2017-18, is a landmark policy decision of the Government of India, to provide comprehensive web-based interactive pension disbursement system for defence pensioners. The project is managed and implemented by the Defence Accounts Department under the aegis of the Ministry of Defence, with the support of Tata Consultancy Services (TCS) as the software development partner.

This article is not a declaration but a presentation of contrast, between legacy systems and technological innovation, and between facts and fiction. The phenomenon of governance in India has evolved, where numerous initiatives are being designed keeping the beneficiary at the centre. The Government is increasingly relying on digital systems to ensure transparency, efficiency and effective public service delivery.

It is a privilege that the Defence Accounts Department, over the course of more than two and half centuries, continues to serve defence pensioners whose number is nearly 33 lakh presently. Within this system, steeped in history, outdated processes and regulations, SPARSH comes as a positive disruption, where the Department has adopted a paradigm shift towards enhancing and ensuring right pension to the right person at the right time by a transparent and participative process.

There is a need to examine these legacy systems and corresponding transformational innovation. For the benefit of the reader, here is a short primer on the old system of Pensions Management, which involves nearly 2,500 offices across the Defence Services. When service personnel retire, their service details including their names, service records, commendations and details of their dependents inter alia are verified by the Pensions Initiating Agencies, be it Record Offices, Directorates, Head of Departments, or others.

These details are sent to the Pension Sanctioning Agencies (PSAs) which are various offices of the Defence Accounts Department, namely, Principal Controller of Defence Accounts (PCDA) Pensions in Prayagraj, Jt. CDA (Air Force) in New Delhi and PCDA (Navy) in Mumbai for audit and sanction of pension payment and generation of the Pension Payment Order (PPO). The PPO is communicated to the pensioners and the various Pension Disbursing Agencies (PDAs) such as Banks and Defence Pension Disbursement Offices (DPDOs).

At this point, it is impressed upon the reader the importance and difficulty of audit. Errors in details are difficult to rectify by any singular agency and disconnect within the ecosystem is a bane to efficiency. The systems are old and need reform.

The scale and size of the process is concomitant with the size and complexity of how the Indian Armed Forces operate–with their own rules and customs. This is why even the Comptroller & Auditor General (C&AG) in their report on Defence Pensions recommended that the three

pillars-Record Offices, PSAs, and PDAs- should be connected online, enabling automated flow of information, in a secure mode, with proper validation and security checks.

The SPARSH Portal bridges a long-pending lacuna in public service delivery, where the portal takes on the responsibility of connecting and interfacing with all stakeholders in the pension ecosystem. More than 5.13 lakh pensioners have been onboarded to SPARSH, whereas more than 27 lakh pensioners continue to be served by the legacy system. There is verifiable data of massive improvements in processing time and sanction, with majority of the PPOs being generated within a week.

There was a delay in credit of April 2022 monthly pension to 58,275 pensioners via SPARSH due to technical and procedural reasons was immediately addressed and pension was credited within four working days. In contrast, the department continues to actively pursue non-credit of pension in nearly 1.2 lakh cases which are disbursed by the banks. SPARSH has the capability and the flexibility to generate corrigendum PPOs at the click of a button. Fresh cases i.e. the new retirees who are coming onboard SPARSH have expressed satisfaction at the ease of pension processing.

SPARSH services have further been expanded across more than 4 lakh Common Service Centres (CSCs) to ensure last mile access to pensioners, established backend linkage to fetch Aadhaar-based Jeevan Pramaan directly on the portal. Recently, a mobile number updation utility has also been deployed for pensioners for better communication and ease of access.

Principal Controller of Defence Accounts (PCDA) Pensions, Prayagraj is the primary agency for Pension Sanction on behalf of the Defence Accounts Department. However, it would be simplistic to assume only one agency or office is completely empowered and autonomous in function within a careful system of checks and balances.

The Pension Regulations for various Defence Services, as approved by the Parliament, are the primary rules based on which the Defence Pensions are regulated in India. The requirement for annual identification or life certification is drawn from these regulations, which bounds the Department as well all other audit agencies in India. The rule of law is the sine qua non of a functioning democracy.

TCS has been brought on board as software development partner. The SPARSH Portal has undergone testing and security clearances from the highest cyber security agencies in the country, to ensure that the handling of data of ex-servicemen and defence pensioners is protected and secured.

With two rounds of pilots being run from February 2020 and despite the advent of a global pandemic, SPARSH was deployed in a phased manner successfully for the civilians and consequently for the Indian Air Force, Indian Navy and the Indian Army. The technical complexity of pensions management is matched by the innovation.

The SPARSH Portal has truly transformed this entire process and it has been the constant effort on part of the Ministry of Defence to ensure that Defence Pensioners are provided the best possible services, which is a vast improvement over the legacy system described above. The pensioner should not have to run from pillar to post, seeking to move offices and departments for their rightful pension.

The Department is using technology to do so. The Defence Accounts Department, with the sincere cooperation of the Service Headquarters, is striving to ensure satisfaction of all stakeholders and welcomes the continued cooperation of the defence pensioners in this endeavour to transform defence pensions management in India. https://www.thesangaiexpress.com/Encyc/2022/6/26/Rajnish-KumarThe-media-scape-is-rife-with-narratives-which-may-lead-distinguished-retired-defence.html

## 2. All India Football Federation constitution changes could leave members divided *(timesofindia.indiatimes.com)* June 25, 2022

PANAJI: The All India Football Federation (AIFF) is racing against time to get its newly-drafted constitution approved by the general body with several sticking points likely to cause some friction.

Following meetings with the Supreme Court-appointed committee of administrators (CoA) and state football associations on Thursday, the FIFA and AFC joint delegation said the new constitution must be finalised by July 31 and elections latest by September 15. Failure to meet the deadlines will lead to a ban from international football.

“We have no problem in adopting provisions of the National Sports Code and the FIFA statutes in full,” said a member of the state association. “But there are clauses in the draft constitution that are not acceptable to everyone.”

The seven-member committee of state associations has listed 47 changes, most of which will be accepted by the CoA. Getting everyone to agree on everything won’t be an easy task.

Most are not in total agreement with the draft constitution that has provision for just one vice president, treasurer and five members in the executive committee.

According to one suggestion by a group of senior officials from Goa, “the composition of the executive committee is small for a country as large as India.”

They have recommended that zonal representation, followed by FIFA and AFC, be continued, with a vice president and member from each zone. Representation has also been sought for senior most top division league clubs.

Another debatable point is the decision to classify vice presidents and members of the AIFF executive committee as principal office bearers. If that goes through, several executive committee members will have a restricted term and tenure in the federation.

“It can be done from this term, don’t count the previous ones,” said another official. “Those who have previously been elected, they were not aware of the fact that they will be regarded as principal office bearers.”

Some members have objected to the removal of the restrictive clause that now allows anyone to contest AIFF elections, unlike in the past when the person had to be a member of the AIFF executive committee or state association.

“This could pave the way for someone influential, without any link to football or administration, to throw his hat into the ring,” said the member.

The restrictive clause finds no mention in the sports code.

Other points for debate include induction of individual members, associate members and accommodating players in the executive committee.

"There is a provision for associate membership for those promoting football and willing to pay a one-time registration fee," said former Goa Football Association (GFA) president Elvis . "Across India, several entities have mushroomed with a commercial interest. They have commercial tieups with brand names of foreign clubs. Allowing them, and others of such type, to be members of the general body is not advisable. This could give rise to conflict of interest. Besides, why allow member association of the concerned state to be bypassed?"

A nominee from the Comptroller and Auditor General of India (CAG) may tantamount to government interference, said Gomes in his email to the CoA. Instead of three different authorities proposed for resolution of disputes – ombudsman, arbitrator and arbitration tribunal – the group from Goa suggested such disputes should be referred to the arbitration tribunal.

"Whatever (changes) we presented, most of them the CoA has agreed. We will know only next week, if there are some points where there is still some disagreement," said a senior member of the state association. https://timesofindia.indiatimes.com/city/goa/aiff-constitution-changes-could-leave-members-divided/articleshow/92444302.cms

## 3. State prisons have 166% more inmates than capacity *(hindustantimes.com)* Jun 27, 2022

**In Yerawada central prison, 6,866 inmates were filling the space meant for 2,449, an increase by 288 per cent**

Pune: The state prisons are housing more inmates than pre-Covid period. The latest figures released by the state prisons department till the end of May 2022 pegged the current prison capacity of state jails at 24,772 and, as of June 1, as many as 40,946 prisoners were languishing in different central and district prisons.

The increase of 16,174 is higher than the actual capacity which amounts to 166% occupancy despite clarion calls by the judiciary and civil society seeking decongestion of different jails in Maharashtra.

In May 2021, the total prison capacity of state jails was 24,032 and it was occupied by 35,124 prisoners, an occupancy rate of 146%.

In Yerawada central prison, 6,866 inmates were filling the space meant for 2,449, an increase by 288 per cent. According to the prison authorities, Yerawada jail is one of the fifteen jails in the state which has double or more than sanctioned capacity of inmates.

Between May 8 and November 11, 2020, 4,000 inmates had been released on parole and furlough by jail authorities following the Covid outbreak. In May 2022, they were ordered to return to prisons within 15 days by the Maharashtra home department. They were released for 45 days which was extended to 90.

The statistics reveal that of the 4,049,46 prisoners, 39,314 were males, 1,619 females and 13 transgenders. The Mumbai central jail known as Arthur Road jail stood on top in the state with

highest prisoners. Mumbai central jail currently has 3,406 inmates against its official capacity of 804, followed by Thane, Buldhana, Kalyan and Nanded. Yerawada jail is the state's seventh most populous that currently houses 6,866 prisoners against its capacity of 2,499.

There are nine central jails, 28 district jails, one special jail at Ratnagiri, one juvenile improvement home at Nashik, one Mumbai district women's jail, 19 open jails and one open hostel at Atpadi.

The minimum ground space per inmate is 1.19 square metre for sleeping as against the average minimum ground space of 3.71 square metre set as a standard requirement, according to Maharashtra Prisons (Prison Buildings and Sanitary Arrangements) Rules, 1964.

The lack of sleeping space per inmate was highlighted in the audit report of the Comptroller and Auditor General (CAG) of India in the general and social sector for the year ended March 2018. The audit is conducted every five years. The rules dictate strict directions to be followed by the state home department regarding minimum ground space, which is mandatory, required to be provided to the prisoners for sleeping in barracks.

The CAG report specifies that the Yerawada Central Prison and Correction Centre has 60 authorised barracks. The actual number of occupants per barrack is 190 and there are 130 extra occupants, making the available ground space per occupant to 1.19 square metre.

In the biannual examination of prisoners' report (July-December 2017, updated figures yet to be released) published by the prisons department and submitted to the Inspector General of Pune police, it was reported that 2,193 prisoners were suffering from skin diseases. Although no specific reason has been stated by the authorities, lack of space can be attributed to rise in skin infections, stated the CAG report.

The report points out that the Supreme Court had taken suo-motu cognisance regarding inhuman conditions in prisons of all states and Union territories and given directions regarding improvement of these conditions. Accordingly, the prison department of Maharashtra had submitted the compliance to the directions of the court on August 5, 2017.

The Supreme Court in March 2018 critically viewed the issue of over occupancy and observed that prisoners cannot be kept like animals and directed the state governments to submit plans of action to deal with the issue of overcrowding. Though the department was aware of the issue, no effective action in this regard was taken. The ACS (Appeals and Security), home department, stated during the exit conference that the space constraint was again attributed to the number of undertrials kept in prison.

The then home minister Anil Deshmukh in 2020 had stated that there was a proposal before the state home department to construct multiple new jails with modern amenities to ease the existing overcrowding of inmates.

Deshmukh had said, "Currently prisons in Maharashtra occupy much higher numbers of inmates than the actual capacity. Wwe submitted two proposals before the chief Minister and the deputy chief minister. One of the proposals is for constructing new houses for the police force. The other one is for increasing the capacity of prisons. We have proposed to construct new prisons with modern amenities at multiple locations in the state. Some of them will be multi-storied. Our jails have available spaces with them, which will also be used for this."

Sunil Ramanand, additional director general of police (ADGP), Prisons, Maharashtra, could not be reached for comments. https://www.hindustantimes.com/cities/pune-news/state-prisons-have-166-more-inmates-than-capacity-101656271357288.html

### 4. Regulatory Commission asks KSEB to adopt costcutting measures (*english.mathrubhumi.com*) June 27, 2022

Thiruvananthapuram: The State Electricity Regulatory Commission (SERC) said that KSEB had earned an operating profit of Rs 70 crore in the FY 2020-21. However, SERC chairman Preman Dinraj asked KSEB to consider implementing cost-cutting measures to improve profit.

According to the CAG audit, KSEB is still in loss. However, the board implemented cost-cutting measures during recent years. The results are visible, said ERC Chairman.

Although KSEB is allowed to buy electricity from outside upto Rs 4 per unit, it has been able to buy for Rs 1.50 and Rs 2. Some of the agreements are entered for a period of 15 to 25 years and the board has to pay more to purchase electricity. The Commission has recommended that these long-term contracts should not be renewed when they expire. https://english.mathrubhumi.com/news/kerala/regulatory-commission-asks-kseb-to-cut-costs-says-it-is-essential-for-survival-1.7638630

### 5. KSEB to get Rs 1k crore more through hike in tariff, no increase for BPL families (*newindianexpress.com*) June 26, 2022

THIRUVANANTHAPURAM: An overall power tariff hike of 6.6% came into effect in the state from Saturday midnight for all domestic, high tension and extra high tension consumers. For the 1.03 crore domestic consumers, there will be an increase of 25 paise per unit of power, according to Kerala State Electricity Regulatory Commission chairman Preman Dinaraj, who announced the tariff revision for 2022-23.

Contrary to the norm of announcing the multi-year tariff (for five years), the regulatory commission has decided to come up with the tariff revision only for this fiscal as Kerala State Electricity Board Limited had shown a turnaround of Rs 20 crore regulatory operational profit in 2020-21. The tariff revision will help KSEBL earn over Rs 1,000 crore more in revenue.

The demand put forth by KSEBL before the regulatory commission was for a 70 paise hike per unit. Rallying behind the domestic consumers' welfare following two years of pandemic, however, the commission has gone for only 25 paise hike for a single unit. The BPL families with connected load up to 1,000 watts and having monthly consumption up to 40 units don't have tariff revision.

About 25 lakh domestic consumers who have monthly consumption up to 50 units also don't face tariff revision. Orphanages, anganwadis and old age homes will also get hike exemption and this will benefit 35,200 consumers. The other sections who will benefit include 4.76 lakh agriculture consumers, endosulfan victims in Kasaragod, cancer patients, disabled persons, polio-stricken people and accident victims who consume up to 150 units power per month.

"The revised tariff rate has come into effect from Saturday following the gazette notification. If KSEBL performs well, it will benefit the consumers. For the first time, it has shown a regulatory operational profit of Rs 20 crore during 2020-21, though the CAG, in its auditing,

had shown the board facing a loss of Rs 10,000 crore. By next year, if KSEBL earns profit, the regulatory commission can revise the tariff rate accordingly, which explains why we have announced the tariff only for this fiscal year," said Jinaraj.

Compared to 29.5% and 8% hike implemented by KSERC in 2012 and 2013, respectively, the overall hike of 6.6% this time has come as a huge relief to the consumers, he said. The authorities have claimed that compared to the other states, Kerala has a lower power tariff rate. The KSERC has put forth a slew of recommendations before KSEBL on how to reduce its expenditure, including bringing down the price in the power purchase agreement by market intervention, bringing in austerity measures and not renewing the various contracts following their expiry.

**EV CHARGING STATIONS CAN BILL F8 PER UNIT**

T'Puram: The electricity regulatory commission on Saturday put a tariff ceiling of Rs 8 per unit for electric vehicle charging stations in the state. Currently, there is no uniform tariff and there are complaints that charging stations charge consumers as per their will. The tariff revision approved by the commission for EV charging stations suggests an increase of Rs 15 in fixed charge from Rs 75 to Rs 90. The energy charge levied by the KSEB for EV charging will go up from Rs 5 to Rs 5.50. https://www.newindianexpress.com/states/kerala/2022/jun/26/kseb-to-get-rs-1kcrore-more-through-hike-in-tariff-no-increase-for-bpl-families-2469745.html

## 6. Who will hold ADCs accountable? (*theshillongtimes.com*) June 25, 2022

Much has been said about the profligacy of the autonomous district councils (ADCs) which have, over the years failed to get their accounts duly audited. Normally all public funds have to be audited by the Comptroller and Auditor General (CAG) so that public institutions which use such funds are held accountable for every rupee spent. But such is not the case with the three ADCs of Meghalaya which have all been defaulters. They are also not held accountable for collecting funds from illegal check gates, markets and forests. It is appalling that action has not been taken against corrupt officials in the ADCs but instead they have been shown leniency. Is it because there is a nexus between these officials and the MDCs?

The State Government as the main financier of the ADCs and which should have played a regulatory role has always winked at these misdemeanours. The ADCs receive funds from the Finance Commission on the basis of the schemes they prepare. It is expected that all such funds are to be accounted for, else they are treated as largesse by the Members of the Autonomous Councils (MDCs). Often the funds meant for different schemes are diverted to payment of salaries. The 125th Constitutional Amendment passed in February 2019 seeks to increase the financial and executive powers of the 10 Autonomous Councils in the Sixth Schedule areas of the North Eastern region but with a rider that the ADCs will have to devolve power and funds to elected village municipal councils which would be empowered to prepare plans for economic development and social justice including those related to agriculture, land improvement, implementation of land reforms, minor irrigation, water management, animal husbandry, rural electrification, small scale industries and social forestry. The Finance Commission will be mandated to recommend devolution of financial resources to them.

In the case of Meghalaya where the State Government comprises a tribal majority and where the above-mentioned subjects are already being administered by the State Government, there is a possibility of overlap of jurisdiction. In fact, the role of the District Councils as per the

Sixth Schedule was primarily to conserve the tribal customary practices and tradition since the Khasi & Jaintia and Garo Hills were then part of the Assam Government. Needless to say, upon Meghalaya becoming a full-fledged state the role of the autonomous councils has become infructuous as the District Council Affairs Department of the State Government was well able to take care of tribal affairs. But that did not happen for political reasons. The 125th Amendment seeks to empower and fund elected grassroots institutions for rapid economic development. This has not yet happened in Meghalaya. Why? Without that clause being fulfilled the ADCs would not be able to avail direct funding from the Finance Commission. That's a double whammy! https://theshillongtimes.com/2022/06/25/who-will-hold-adcs-accountable/

## 7. Transport dept withdraws tax relief for Siolim trust's Merc in Panaji *(timesofindia.indiatimes.com)* June 26, 2022

Panaji: Eight years after the state government granted tax exemption on a Mercedes Benz B 180 CDI to Domnic and Joan Ministries, and six years after the CAG pulled up the government for causing loss to the tune of more than Rs 3 lakh, the directorate of transport has withdrawn the tax exemption with retrospective effect.

The director of transport has observed that the "luxury car (at a cost of around Rs 30 lakh and an additional amount of Rs 30,000 paid towards choice number) appears to have been purchased by the trust only for the use of its members for conveyance and not for larger charitable purpose".

The CAG had observed that the director of transport had been issuing notifications on a case to case basis by granting exemption to various charitable institutions.

The CAG had stated that the director of transport granted exemption to the trusts/societies "which could afford to purchase luxury vehicles and pay for choice registration numbers" and pointed out that it "defeated the intention of the (Motor Vehicles Tax) ) Rules".

The government hasn't issued any notification under Rules 22 (1) (xii) of the Motor Vehicles Tax Rules, listing eligible charitable institutions that are allowed such an exemption and has also not specified categories of vehicles that can be exempted, the CAG had stated.

"In the absence of such notification, the director of transport has been issuing notifications on case-to-case basis by granting exemption to various charitable institutions," the report stated.

The law department had stated that the exemption is granted on a case-to-case basis solely on the ground that it is not in consonance to Rule 22 of the said rules where any trust involved in charity activities is concerned.

The directorate of transport issued a showcause notice on June 2, 2022 for revocation of the exemption, and counsel representing Domnic and Joan Ministries submitted that Rule 22 (1) (xii) doesn't lay any specific qualification such as luxury or otherwise and added that the rules don't provide for recovery of taxes where exemption has been granted.

"No doubt, the provision has no restriction. At the same time, such institutions are not imagined as the ones who will use this provision for exemption of MV tax to provide high-end vehicles for use of its office bearers. It is taxpayers' money and one of the important sources of revenue. It is within the competence of the government to make correct interpretation of provision to

prevent abuse and revert the decision if required," Satardekar stated, adding that during the hearing, the party was silent and hasn't clarified for what charitable purpose such an expensive car is needed.

The director of transport has observed that the "luxury car (at a cost of around Rs 30 lakh and an additional amount of Rs 30,000 paid towards choice number) appears to be purchased by the trust only for the use of its members for conveyance and not for larger charitable purpose". https://timesofindia.indiatimes.com/city/goa/transport-dept-withdraws-tax-relief-for-siolim-trusts-merc/articleshow/92462859.cms

## 8. Uttarakhand

**Budget: कैग ने विभागों के अधिक बजट खर्चपर लगाए थे प्रश्नचिह्न, विशेषज्ञों ने कहा - बजट के सदुपदुयोग से पूरा होगा सुशासन का संकल्प** *(jagran.com)* 26 June 2022

कैग ने भी वित्तीय वर्ष के आखिरी महीने मार्च में विभागों के अधिक बजट खर्च पर प्रश्नचिह्न लगाए हैं। वित्त विशेषज्ञ खर्च को लेकर वित्तीय अनुशासन पर बल दे रहे हैं। वित्त विशेषज्ञों का मानना है कि बजट के उप योग और वित्तीय प्रबंधन का सीधा संबंध सुशासन से है। सुशासन सरकार का संकल्प भी है। जन कल्याण कार्यों , निर्माण और विकास मदों की धनराशि के खर्च को लेकर विभागों का प्रभावी अनुश्रवण एवं मूल्यांकन होना चाहिए।

आय के साधन बढ़ाकर प्राथमिकता वाले क्षेत्रों पर अधिक धनखर्च किया जाए। साथ में अनावश्यक खर्चों में कटौती को प्रोत्साहन मिलना चाहिए। कैग ने भी वित्तीय वर्ष के आखिरी महीने मार्च में विभागो के अधिक ब जट खर्च पर प्रश्नचिह्न लगाए है। वित्त विशेषज्ञ खर्च को लेकर वित्तीय अनुशासन पर बल दे रहे हैं।

**भौतिक प्रगति से जुड़े वित्तीय प्रगति**

उत्तराखंड की वित्तीय स्थिति में सुधार आवश्यक हो चला है। वार्षिक बजट में वित्तीय प्रगति को भौतिक प्रग ति से जोड़कर लक्ष्य पाने की दिशा में बढना होगा । यही कारण है कि आउटकम बजटिंग पर अब बल दि या जा रहा है। शिक्षा, स्वास्थ्य, पेयजल, बिजली, सड़क समेत तमाम क्षेत्रों में खर्च होने वाली बजट की गुणवत्ता का पैमाना धरातल पर दिखाई देने वाली प्रगति है।

बड़ी संख्या में सड़कें बनती हैं, लेकिन उनकी गुणवत्ता खराब रहती है तो यह चिंताजनक स्थिति है। इसी त रह बड़ी संख्या में विद्यालय, आइटीआइ, पालीटेक्निक खोले गए, लेकिन वहां पढने वाले छात्र ही नहीं हैं तो ब जट का उपयोग निरर्थक सिद्ध हो जाएगा । बजट में मानी टरिंग मैकेनिज्म सुनिश्चित होनी चाहिए। समय ख राब किए बगैर इस दिशा में तेजी से बढने पर ध्यान दिया जाए। उत्तराखंड पर ऋण भार बढ़ रहा है। ऋण लेना तब ही सार्थक है, जब उससे लागत पर लाभ मिले। ऋण से ऐसी परि संपत्ति यां बनाई जा ए, ताकि रिटर्न प्राप्त हो । ऋण लेकर मूल अथवा ब्याज लौटने की स्थिति अच्छी नहीं है। केंद्र सरकार की ओर से निर्धारित की गई ऋण सीमा के पीछे भी उद्देश्य यही है इसका सदुपदुयोग किया जाए और आर्थिकी को म जबूती देने में सहायता मिले। -इंदु कुमार पांडेय, पूर्व मुख्यसचि व एवं वित्त विशेषज्ञ, उत्तराखंड

अनावश्यक खर्चों को हतोत्साहित किया जाए बजट का निर्माण और उपयोग अत्यंत सावधानी पूर्वक होना चा हिए। आय और व्यय में तालमेल आवश्यक है। ऐसा नहीं होने पर बजट संतुलित नहीं रह सकेगा और कई तरह की विसंगतियां उत्पन्न हो जाएंगी । अनावश्यक खर्चों को हतोत्साहित किया जाना चाहिए। बजट नि र्माण

के दौरान ही अनावश्यक खर्चों कोप्रोत्सा हन देने से बचा जाना चाहिए। यही कारण है कि प्रत्येक वि भाग में अनुपयोगी खर्च में कटौती की संभावना होती है। शिक्षकों की युक्तिसंगत तैना ती नहीं हो रही है। स्वा स्थ्यमें भी बजट का सदुपदुयोग आवश्यक है। आय के संसाधनों को बढ़ाने पर ध्यान देना होगा । कर की चोरी रोकने के गंभीरता से प्रयास होने चाहिए। गैर करेत्तरेर राजस्व बढ़ाने के उपाय करने होंगे। प्रदेश के वित्तीय प्रबंधन को सुव्यवस्थित करने के लिए बजट राशि का समय पर सदुपदुयोग हर विभाग की सर्वोच्च प्रा थमिकता होनी चाहिए। बजट राशि लंबे समय तक विभागों के पास पड़ी रहती है। इसका उपयोग नहीं हो ने से विकास कार्य तो प्रभावित होते ही हैं, जनता पर भी प्रभाव पड़ता है। वित्तीय व्यवस्था में समग्रता में सुधार से राज्य की आर्थिकी को मजबूत बनाने में सहायता मिलेगी । -

शत्रुघ्न सिंह, पूर्व मुख्यसचि व उत्तराखंड https://www.jagran.com/uttarakhand/dehradun-city-uttarakhand-budget-good-governance-resolution-will-be-fulfilled-with-good-use-of-budget-22837752.html

## 9. एलिवेटड निर्माण में इंजीनियरिंग और फाइनेंस विभाग की होगी जांच:कंपनी को बिना वेरिएशन और अनुमति के दिए 17.21 करोड़ दिए *(bhaskar.com)* June 27, 2022

Gautambudh Nagar: एलिवेटड निर्माण में कंपनी को अतिरिक्त करोड़ों रुपए देकर फंसे प्राधिकरण के वरिष्ठ परियोजना अभियंता एससी मिश्रा को हटाने के बाद एसीईओ, सीएलए और एफसी ने मामले की जांच शुरू कर दी है। जांच के दायरे में इंजीनियरिंग और फाइनेंस विभाग के तत्कालीन अधिकारी भी आ चुके हैं। इनकी रिपोर्ट तैयार की जा रही है। इसे शासन को भेजा जाएगा। अनियमितता का पता चलते ही सीईओ ने ये एक्शन लिया था।

### बिना वेरिएशन और अनुमित के दिए पैसे

निर्माण कंपनी को 415.47 करोड़ में विश्व भारती से सेक्टर-61 तक एलिवेटेड का निर्माण करना था। उसने यह निर्माण 468.90 करोड़ में किया। कैग ने इस परियोजना का वित्तीय ऑडिट की। यह तथ्य भी सामने आया कि सर्किल अधिकारियों के द्वारा 7 जनवरी 2019 को टेक्निकल ऑडिट सेल (टीएसी) में फाइनल बिल की रिपोर्ट जमा करने से पहले ही निर्माण कंपनी को 17.21 करोड़ रुपए दिए जा चुके थे।

### बिना अनुमति के ही कंपनी को पेमेंट कर दिया

10 करोड़ के ऊपर के वेरिएशन आने पर कंपनी को पेमेंट करने से पहले सर्किल अधिकारी को टेक्निकल ऑडिट सेल से वेरिएशन की जांच और पेमेंट करने के लिए मुख्य कार्यपालक अधिकारी की अनुमति की जरूरत होती है। नियमों का उल्लंघन करते हुए बिना किसी की अनुमति लिए ही सर्किल की ओर से कंपनी का पेमेंट कर दिया गया।

### ऐसे बढ़ेगा जांच का दायरा

जांच का दायर और बड़ा हो सकता है क्योंकि, हाल ही में, इस एलिवेटड के निर्माण गुणवत्ता पर भी सवाल खड़े हो गए थे। जिसकी जांच पहले टीएसी विभाग ने की और अब आईआईटी दिल्ली एलिवेटड के पूरे स्ट्रक्चर की जांच करेगा।

### कैग ने इनके निर्माण पर भी उठाए थे सवाल

एलिवेटड में वित्तीय अनियमितता मिलने पर कैग ने सेक्टर-
54 में बने 33 एमएलडी क्षमता का एसटीपी प्लांट , सेक्टर-18 में बने मल्टीलेवल कार पार्किंग, सेक्टर-
118 और 122 में समाजवादी योजना के तहत बने 240 ईडब्यूएस और 312 एलआईजी फ्लैट , नोएडा प्राधि
करण की नई इमारत सेक्टर-
96 के दस्तावेजों की डिमांड की थी। बता दे इसमे से अधिकांश प्रोजेक्ट जिसमे सेक्टर-
18 में मल्टीलेवल कार पार्किंग का निर्माण भी सर्किल-
2 के तत्कालीन परियोजना अभियंता एससी मिश्रा ने कराया था।

**ये है पूरा मामला**

प्राधिकरण ने नोएडा में विश्व भारती से शाप्रिक्स मॉल तक एलिवेटड रोड का निर्माण किया था। 2018 में औद्योगिक विकास मंत्री ने खुद इसे हरी झंडी दिखाई थी। नोएडा प्राधिकरण ने फाइनल बिल अप्रूवल के बाद निर्माण कंपनी को 17.21 करोड़ रुपए अतिरिक्त दे दिए। जबकि कैग की आपत्ति और प्राधिकरण की टेक्निकल ऑडिट सेल (टीएसी) की रिपोर्ट के आधार पर उल्टा कंपनी से 21.63 करोड़ रुपए की रिकवरी यानी कुल कंपनी से 38.84 करोड़ रुपए वसूल किए जाने हैं। अब पैसा वसूली के लिए नोटिस जारी किए जा रहे है। https://www.bhaskar.com/local/uttar-pradesh/gautambudh-nagar/news/1721-crores-to-the-company-without-variation-and-permission-now-under-investigation-129987129.html

## SELECTED NEWS ITEMS/ARTICLES FOR READING

### 10. Indirect tax reforms: A job half done; GST underperforms for its faulty design, rate hike agenda regressive (*financialexpress.com*) June 27, 2022

**Taxes continue to get paid on taxes. Economic travails have since forced the policymakers' hands and deprived them of any headroom for course correction.**

As India's goods and services tax (GST) completes five years on June 30, it has, at best, just begun to exhibit flashes of innate brilliance. Revenues have been very buoyant in recent months, so the Centre now expects receipts from this main indirect tax in the current financial year to be a fifth higher than the Budget Estimate (BE) announced in February. In the last financial year, the collections grew a robust 30.5%, albeit on a contracted base (-7%).

GST, however, produced sub-optimal outcome over the half-decade, primarily because of its serious design flaws and policy ad-hocism. The period nevertheless bore testimony to the fact that even an imperfect GST can be decidedly superior to the system of assorted indirect taxes with wider cascade effect it replaced.

As a destination-based consumption tax, GST was to bring about additional revenue productivity and significant "output effect" as taxing gets confined to only the value added at each stage and B2B transactions assume a virtual pass-through status. These gains were hard to detect, at least until lately (GST revenue to GDP ratio was around 6.3% in both FY19 and FY22).

There is no cogent evidence either of a big reduction in the tax incidence on capital investments and production inputs giving a leg up to the economy, though this, too, was one of the promises.

Meanwhile, since the pandemic distorted the economic landscape, opposing views on GST's efficacy have remained just that: views.

To be fair, it was an arduous task for the then finance minister Arun Jaitley to strike a deal on GST's structure with state governments after driving a grand bargain. Implicit in that agreement and the laws that soon ensued were major changes in the way administrative powers and revenues are shared between the Centre and the states and states inter se.

What was best possible was done, and it was epochal in itself. All major elements of indirect taxes levied by the Centre and states, except the basic customs duty (import tariff), collapsed into the new tax. But large chunks of economic transactions were kept outside its purview, most notably of auto fuels, natural gas, land, real estate (construction for factory and civil work), alcohol and electricity. As a result, sections of industry including steel, cement and transportation are unable to get full credit of input taxes paid while meeting their output tax liabilities.

Taxes continue to get paid on taxes. Economic travails have since forced the policymakers' hands and deprived them of any headroom for course correction.

So, as the GST Council holds its 47th meeting in Chandigarh tomorrow, its main agenda will include a review of the GST rates structure, with an intent to align the rates with the so-called revenue-neutral rate (RNR) of about 15% estimated prior to the tax's launch. There is no immediate plan to extend the tax to the vast areas left out, as both the Centre and states would want to preserve their discretion on the high-revenue-yielding auto fuel taxes and avoid any uncertainties on this front. A series of rate cuts – mainly from the highest slab of 28% – and expansion of the exemption list has admittedly increased the differential between RNR and the weighted average GST rate (11.8% now) by three percentage points.

The council is, however, likely to defer a major overhaul of the GST rates, which may include more rate hikes than cuts and a reduction in the number of slabs to 2 from broadly 4 now, to a future date, because the current high-inflation situation doesn't allow big tax increases. State governments are demanding that the cushy revenue protection given to them for the last five years be extended. Though only Opposition-ruled states make the demand publicly, other states, restrained for political reasons, would also like an extended compensation period, for sure. Some of the states are also vocal against the tax itself and feel they would have been better off outside it, though facts don't support this stance.

If the GST had yielded the desired outcomes, the council's agenda would not have been rate hikes and extended revenue protection for states, but to give more tax reliefs to consumers from a position of revenue strength. As such, high tax rates are antithetical to the concept of a pure value added tax with a large, near-comprehensive base, which the GST is supposed to be.

Countries, which have implemented GST/VAT systems successfully, proved broad tax bases and benign rates result in higher buoyancy. The key to boosting revenue is not higher rates and loading more taxes onto a narrow universe of products and services (transactions), but a broadening of the base which will reduce cascading to the bare minimum.

GST systems similar to India's in Japan, Austria, Canada, South Africa and New Zealand are marked for much lower rates. These countries saw sudden surges in tax collections post the

introduction of GST/VAT, enabling them to slash rates progressively. Some like New Zealand brought the rates down to even below the RNR computed initially. In India, a reasonable growth in revenue was witnessed immediately after GST's July 2017 launch. Receipts in FY19 were up 9% over FY18 base while state VAT revenues excluding fuel taxes grew just 8.4% in FY17, on a very favourable base.

In the first place, the guaranteed revenue offered to the states (14% annual growth over FY16 level) far exceeded historical trend. GST receipts grew at average annual rate of 9.2% in F19-FY22. As compared to this, states' VAT receipts, excluding fuel taxes, had grown at just 0.7% in FY14-FY17. A total sum of Rs 61.87 trillion was collected as GST receipts (including compensation cess) in the last five years, but states were still given Rs 8.2 trillion as compensation, including the transfers of Rs 2.7 trillion raised by the Centre as loan.

The five-year revenue protection for states was meant to counter-balance loss of their autonomous revenue space (VAT). States, to be sure, had agreed to an equal split in the GST revenue appropriation rights with the Centre, even though many fiscal policy experts had recommended a higher share for them. The Vijay Kelkar-led task force under the 13th Finance Commission, for instance, had said that 58% of GST revenue must go to states.

The current revenue buoyancy is attributable to compliance improvement and policies that cataylsed "formalisation" of the economy like GST itself. Efficient curbs on fake invoices, a system that allows disbursal of credits only after technology-enabled invoices matching and stronger audit trails have boosted revenues. Yet, if the states are looking for revenue growth similar to the last five years when certain high growth was guaranteed, they would be in for a shock. A shortfall of at least Rs 1 trillion on a combined basis is what they could expect in FY23 itself. Revenue protection has dented tax effort by states to an extent.

In a recent ruling, the Supreme Court reiterated that the Centre and states have simultaneous powers to legislate on GST under a cooperative federal structure. This has inflated the threat of revenue-hungry states tending to digress from the path of consensus largely followed by the GST Council. Any such fissiparous tendencies would further undermine the country's indirect tax system.

GST 2.0 reforms must include bringing auto fuels, land and real estate under the tax's purview, besides correcting other structural issues hampering seamless flow of input tax credits. This will help reduce overall tax rate and help unleash the factor market reforms necessary to bolster the economy's productive capacity. The current global economic slump and concerns over macro stability may be constraints, but the new set of indirect tax reforms can't wait for too long. https://www.financialexpress.com/economy/indirect-tax-reforms-a-job-half-done-gst-underperforms-for-its-faulty-design-rate-hike-agenda-regressive/2573552/

## 11. On GST, the problem is trust deficit *(indianexpress.com)* June 27, 2022

India's goods and services tax (GST) will be five years old on July 1. The GST Council, comprising minister representatives from all states and union territories, will be meeting over the next few days. There will likely be celebrations, commiserations and contestations.

Three significant issues — the breakdown of trust and cooperative federalism between states and the Union government, the expiry of the revenue guarantee that protected states' revenues and the recent Supreme Court's judgment highlighting that the GST Council's recommendations are not binding on the states — form the backdrop to this Council meeting.

Maharashtra, the highest contributor to GST revenues (20 per cent) may not be represented in today's meeting because its government is on the verge of collapse, aided in part by the BJP governments of the Union, Gujarat and Assam. Surely, these egregious political developments in Maharashtra will play in the minds of the non-BJP representatives in the GST Council meeting from Bengal, Tamil Nadu, Kerala, Delhi, Telangana, Andhra Pradesh, Chhattisgarh, Punjab, Jharkhand and Orissa, that together contribute 36 per cent of overall GST revenues.

Cooperation between states and the Union cannot just be an economic compact, but a broader political ethic. It is foolhardy to expect states to indulge in a harmonious spirit of economic cooperative federalism inside the GST Council when their governments, leaders and institutions are being politically attacked and destroyed outside.

The SC recently observed that it is in the national interest to have both cooperative and competitive federalism, and hence, the GST Council's decisions are not binding on the states. This means that states had and continue to have the right to either comply fully with the Council's recommendations or modify them as they deem necessary. This has opened the window for states to override the fundamental GST premise of a "one nation one tax". If pushed to a corner, states may now use the SC ruling as a shield.

The other fulcrum of GST was the tangible mechanism of guaranteed revenues for states. When GST was mooted amid lofty promises in 2017, sceptical state governments extracted a five-year insurance from the Centre of a minimum revenue guarantee, without which GST may not have been possible. It turned out to be prescient as GST failed to live up to its economic promises and states' revenues were protected through this guarantee, despite Finance Minister Nirmala Sitharaman's attempt to wriggle out of this commitment during the pandemic under the alibi of an "act of God". The Union government's proclivity to levy and appropriate cess revenues for itself without sharing them with the states has lent credence to the wisdom of guaranteed compensation for states. This guarantee is now set to expire.

GST is too precariously perched to yank away the compensation guarantee for states. The ideal solution to salvage and fix GST is to extend the compensation guarantee. The tenure of extension and the guaranteed rate of revenue growth can be mutually agreed upon by states and the Union.

However, the Union government is not desirous of extending the compensation guarantee. Its apprehension and reluctance are understandable, given its deteriorating fiscal situation, foisted by high global crude oil prices, rising fertiliser imports and expanding welfare expenditure. But in the larger and longer term interest of GST, it is prudent to extend the compensation guarantee, which will assuage states' concerns and buy time to revive GST. It is no secret that nearly all states, irrespective of their political affiliations, want an extension of the compensation guarantee. At this juncture of the GST regime, it is perhaps wiser to extend the compensation guarantee and hope to obviate its need through buoyant GST revenues than to further erode states' confidence. Sacrificing a percentage point or half of the fiscal deficit next year by extending the compensation guarantee is worth the potential benefits of a well-functioning GST.

At the root of the current GST, imbroglio is a deficit of trust and revenues. Technical fixes such as rationalisation of rates and ease of GST compliance are necessary but not sufficient to bridge the revenue deficit since GST revenues are a function of the performance of the larger

economy, which in turn depends on various other factors. The trust deficit can be bridged only through acts of good faith. The Union government should commit to the states that it will not resort to cesses and surcharges that are outside the shareable pool of revenues. It must resolve to honour the revenue guarantee commitment to the states. It must respect and uphold the true spirit of not just fiscal federalism but political and constitutional federalism too.

Democratically elected state governments in India do not have sole powers for both direct and indirect taxation, which is unheard of in any other federal democracy. GST centralised India's indirect taxation. It is time to start a national discussion on reversing the course, moving towards decentralisation by giving states powers for direct taxation. A commitment to initiate such discussions by the Union government will be a healthy signal for states' confidence and fiscal freedom.

After five years, it is now well established that GST has failed to deliver on its economic promises. Contrary to the technocratic rhetoric, it is not just the flawed implementation that is responsible for GST's economic failure. GST was always an economic square peg in India's federal round hole. Regardless, we are now far down the GST path and must strive to make it work, to avoid a "GSTexit", a la Brexit. https://indianexpress.com/article/opinion/columns/on-gst-the-problem-is-trust-deficit-7991746/

## 12. Centre extends GST cess till March 2026: Rs 8.22 trillion released to states so far *(financialexpress.com)* June 26, 2022

Ahead of the end of the five-year goods and services tax (GST) shortfall compensation to states on June 30, the Centre has extended the 'compensation cess' till March 31, 2026.

The extension, which was earlier approved by the GST Council, is necessary to repay the principal and service the interest cost of the loans taken in FY21 and FY22 to compensate states for the shortfall in guaranteed GST revenues.

The GST Compensation to States Act provides for the release of compensation against 14% year-on-year growth over revenues in 2015-16 from taxes subsumed in GST. This compensation cess is credited to the compensation fund and as per the Act, all compensation is paid out of the fund. Currently, the cess is levied on demerit items like pan masala, tobacco, coal and expensive cars.

The Centre has argued against extension of compensation to states beyond June 30, 2022, saying the cess proceeds between July 2022 and March 2026 will just suffice to service the loans. Many states are demanding extension of the compensation period by 2-3 years in view of the pandemic in the last two years, which have weakened their fiscal position. The matter will likely be discussed in the upcoming GST Council meeting on June 28-29 at Chandigarh.

The Centre has so far released a total of Rs 8.22 trillion to the states as GST compensation till May 31 2022, including Rs 1.6 trillion in FY22, even as the collections of cesses for this purpose fell way short of the target.

The Centre arranged back-to-back loans totalling Rs 2.6 trillion to bridge the shortfall in the cess pool in FY21 and FY22 under a special low-cost facility offered by the RBI.

"The extension of the levy of Compensation Cess, although expected, will continue to impose a burden on the relevant businesses, especially sectors like automobiles, which actually need to be encouraged as these have a multiplier effect on GDP and employment," said MS Mani, Partner at Deloitte India.

Given the robust trends for April-May 2022, and the anticipation of sustained healthy momentum of activity, analysts expect CGST inflows in FY23 to overshoot the budget estimate by Rs 1.15 trillion. That would also mean about Rs 1.3 trillion in extra SGST receipts in aggregate to states, which will cease to receive GST compensation from July 2022. The Centre is expecting monthly gross GST (CGST and SGST) collections to average Rs 1.4-1.5 trillion in FY23 compared with Rs 1.2 trillion factored in the Budget.

Saurabh Agarwal, Tax Partner, EY India, said: "The current extension of GST cess cannot be said to be settling the issue of GST compensation between the Centre and states. If states resort to levy of special cess to augment their revenues it would distort the objective of GST, ie one nation one tax." https://www.financialexpress.com/economy/centre-extends-gst-cess-till-march-2026-rs-8-22-trillion-released-to-states-so-far/2572803/

## 13. Agnipath: Indian Army aims to reduce strength to under 11 lakh in a decade *(indiatoday.in)* June 25, 2022

One of the biggest reforms in the Indian military envisaged to achieve a lean and mean force, the Agnipath recruitment scheme, has become a law-and-order issue, triggering civil unrest across the country.

The Narendra Modi government has been trying to douse the fire, with first the military brass, followed by the National Security Advisor, having made appearances on national television in what looks like a desperate attempt at firefighting.

Videos and pictures of those who claim to have been defence aspirants destroying public property and indulging in arson and rioting have come as a shock to the Centre.

Meanwhile, the government has been in damage control mode with widespread violence as protesting youth have been part of riotous mobs in several parts of the country.

Reduction in pension bills the real reason?
While Agnipath has been hailed as a step in the right direction, there is no official word on the real intent, which is to cut down on pensions and salaries from the defence budget to give the much-needed impetus to capital procurement for the defence forces.

India Today has learnt that the long-term plan is to cut down the army's strength to under 11 lakh from the current 13 lakh plus.

"This will be done in a phased manner over the next decade. It is felt if the Army has to move towards being a modern force driven by technology, it cannot be manpower intensive," said a senior government official.

It is estimated that after 10-15 years, the strength of the Indian Army will be somewhere between 10-10.5 lakh, and that figure could be maintained for years to come as the military looks to be a technology-driven force, cutting down on manpower.

With 75 per cent of recruits having to leave after four years, the burden of salaries and pensions in the long run will also be reduced.

Out of the total defence allocation of Rs 5,25,166.15 crore for 2022-23, the capital expenditure meant for new equipment and infrastructure development is pegged at only Rs 1,52,369.61. Year after year, a chunk of the defence budget goes into paying salaries and pensions, affecting the modernisation of the Indian Armed Forces. Effectively, only 30 per cent of the defence budget can be used for capital procurement.

In fact, the budget for pensions of defence personnel alone is more than that of the revenue expenditure of critical ministries like health. The number of personnel eligible for defence pensions has increased rapidly over the last few years.

The overall defence budget, which includes revenue expenses such as salaries and pensions as well as capital outlay, has increased by 9.8 percent for fiscal year 2022-23.

The allocation under capital expenditure is meant to procure big-ticket weapons such as fighter jets, submarines, helicopters, and other modern military systems.

**Age profile**

Other than bringing down the strength to make the armed forces more efficient by shedding the flab, this will also bring down the age profile of soldiers.

"The Agnipath short-term recruitment scheme has been in the making for the last two years and aims to reduce the age profile of the armed forces from 30 to 25 years," Air Chief Marshal VR Chaudhari told India Today.

The need to lower the age profile has been felt since the Kargil conflict of 1999. The Kargil Review Committee had flagged reducing the age of soldiers and making units younger.

While the average age of a soldier in India is around 32, in the UK it is 25, and in the US it is 28.

Explaining how the new scheme aims at larger reforms to make the military more efficient, Air Chief Marshal Chaudhari, while speaking to India Today, said, "We are well aware of the new domains of warfare and for that we need a new breed of air warriors. Force optimisation, both quantitative and qualitative, is also taking place at the same time. This scheme will give us an opportunity to redefine our HR policies and training schemes."

There is a view that while the eligibility to get into the armed forces remains the same, it presents an opportunity to pick up candidates for specialised jobs.

"We can observe an individual for 2-3 years, assess his calibre and aptitude, and see what kind of job the person is best suited for. When he re-enrolls after four years, we can take on specialised training for the person," Air Chief Marshal Chaudhari said.

The scheme is limited to soldiers, or what the military refers to as "other ranks." According to the new recruitment policy, soldiers in the armed forces will be recruited initially for a period of four years, and only 25 per cent of those will be retained after that. The eligibility criteria to

apply is Class 12 pass for general duty and Class 12 pass for technical, while the age criteria is between 17.5 and 21 years.

However, for the first year of recruitment, the age limit has been enhanced to 23 years to accommodate those aspirants who missed out as recruitment was on hold during the Covid-19 pandemic.

This has created 1.06 lakh vacancies in the armed forces. With the new scheme, these vacancies will only increase, but sources say that's not a problem as the long-term plan is to bring down the numbers anyway.

**No rollback, but tinkering possible**
The government has made it clear that the scheme will not be rolled back, but it could tweak certain aspects to douse the fire.

As part of reaching out to the youth and giving sops, Defence Minister Rajnath Singh has approved a proposal to reserve 10 per cent of the job vacancies in the ministry of defence for Agniveers meeting requisite eligibility criteria. The 10 per cent reservation will be implemented in the Indian Coast Guard, defence civilian posts and all the 16 Defence Public Sector Undertakings. The ministry of defence has said this reservation would be in addition to existing reservations for ex-servicemen.

The controversial subject has seen several veterans voice their concerns. While initially it was said the recruitment would be done on an all-India, all-class basis, there has been a change of stand on the existence of a regimental system. Several regiments of the Indian Army raised during the British Raj have a history of several hundred years. With the new system, recruitment for infantry regiments of the Indian Army, which is based on regions, could change. However, the army has now stated that there will be no changes.

"Signals emanating are a little confusing. This needs more clarity. Ownership should be taken up by the government of India and not the armed forces. The scheme could have been a pilot project for some, but after lessons were learnt, it seems it's been rolled out in a hurry," said Lt Vinod Bhatia (retd), a former Director General of Military Operations.

At the latest press conference attended by senior officers in uniform, Lt Gen Anil Puri, additional secretary, department of military affairs, said the recruitment process will remain unchanged and the traditional regimentation system in the military will continue.

In the middle of all the chaos, three Public Interest Litigations (PILs) have reached the Supreme Court challenging the scheme. With the matter reaching court, the government has taken a stand that it be heard on legalities before any action or directions are passed.

The fate of the scheme hangs in the balance, but the real test for the government would be the number of applicants who turn up to be recruited as Agniveers as the registration is all set to begin. https://www.indiatoday.in/india/story/agnipath-indian-army-aims-reduce-strength-under-11-lakh-in-decade-1966451-2022-06-24

## 14. Agnipath: Is India Moving Towards 'Informalisation' of Military? *(thequint.com)* June 27, 2022

The Agnipath scheme should remind us of the National Commission for Informal Labour. The Commission reported that only 0.4 per cent of casual sector workers receive social security benefits, such as the provident fund and others. The commission used the term 'informalisation' to refer to the phenomenon of labourers being forced to work without adequate social security and shifting from permanent jobs to contract systems. The UPA government had problems with the commission's poverty estimation, and there was no criticism of the committee's assessment of the informalisation of the Indian labour market.

Whether we like it or not, neo-liberalism made labour a flexible capital. But this is a theory for only industrial capitalism. Nobody expected that there would be a time when the army would take to informalisation like any other capitalist industry. The difference between the state and private corporates is disappearing in this context.

When Military Functions Like a Private Firm

Economists seldom applied the theory of profit to military expenditure. Most countries, high-income or low-income, are spending a lot on the defence sector. It does not deny the economics behind the defence sector in arms production, distribution, and the role of war and conflict in ensuring a public market for arms. Another economic importance of the military establishment is its job security.

Market economists defined the reason for informalisation as cost-cutting and profit. However, this logic is never applicable to security establishments. Private firms can use market and price mechanisms as a reason to justify informalisation. The fundamental question is, how to compare a private market-oriented firm with military establishments? It is a known fact that the current Union government is more open to privatisation than the Congress and other opposition parties.

However, the decision of applying market logic to military establishments is a bit confusing. It is a state endorsement of the market as a transparent and effective method to control expenditures. If we treat government capital and revenue expenditure as profit-seeking investments, the Agnipath is a good management strategy to reduce the burden of fiscal expenses. Every government justifies its high defence expenditure by pointing out national security and external threat. Citizens have accepted the government's reason for the high defence establishment. Agnipath, in fact, challenges all those state narratives of defence and national security. The government may be trying to build a parity between defence expenditure and market-driven firms.

Military Service Is also Job Security for Many

Unlike the UPA, the BJP government categorically uses all possible military narratives; 'military nationalism' is a term used in everyday politics now.

The BJP could bring the army to ordinary households. But such popularisation of the military does not justify informalisation. Being a soldier is not an everyday task; it needs commitment and the will to take risks. But even so, it is a job, too.

Many young people in the country consider military service a secure job. And unlike other organised sector employment, a healthy person with basic minimum educational qualifications gets an opportunity in military services. For the unemployed, national security is essential, of course, but income security is also important.

The present agitations against Agnipath come from a deep sense of income insecurity, exacerbated by the effects of the COVID-19 pandemic. A study conducted by this author in four metro cities to study the impact of the pandemic-induced lockdowns on informal sector income loss proved that the informal sector's income gap has widened in the last two years.

The proposed Agnipath resembles the notorious Special Police Officers of Chhattisgarh. Many independent media reports and fact-finding reports highlighted the amount of human rights violations done by SPOs.

The government can very well offer reservations to Agnipath soldiers in other sectors after four years of their contract service. But the fundamental concern remains the weakening of the institution of the military. It enables the birth of contract soldiers with limited expertise, who may not be suitable for strategic areas, and who may eventually be relegated to domestic, political and social conflicts. And both the government and contract soldiers will then be answerable for their acts. https://www.thequint.com/voices/opinion/agnipath-is-india-moving-towards-informalisation-of-military#read-more

**15. 423 infrastructure projects show cost overruns of Rs 4.95 lakh crore** *(financialexpress.com)* June 26, 2022

As many as 423 infrastructure projects, each entailing an investment of Rs 150 crore or more, have been hit by cost overruns of more than Rs 4.95 lakh crore, as per a report.

According to Ministry of Statistics and Programme Implementation, which monitors infrastructure projects of Rs 150 crore and above, out of 1,568 projects, 423 reported cost overruns and as many as 721 projects were delayed.

"Total original cost of implementation of the 1,568 projects was Rs 21,59,802.67 crore and their anticipated completion cost is …Rs 26,54,818.05 crore, which reflects overall cost overruns of Rs 4,95,015.38 crore (22.92 per cent of original cost)," the ministry's latest report for May 2022 said.

According to the report, the expenditure incurred on these projects till May 2022 is Rs 13,42,535.22 crore, which is 50.57 per cent of the anticipated cost of the projects.

However, the number of delayed projects decreases to 563 if delay is calculated on the basis of the latest schedule of completion.

Further, it showed that for 569 projects, neither the year of commissioning nor the tentative gestation period has been reported.

Out of the 721 delayed projects, 113 have overall delays in the range of 1-12 months, 121 have been delayed for 13-24 months, 350 projects for 25-60 months and 137 projects have been delayed for 61 months and above.

The average time overrun in these 721 delayed projects is 43.34 months.

Reasons for time overruns as reported by various project implementing agencies include delay in land acquisition, delay in obtaining forest and environment clearances, and lack of infrastructure support and linkages.

Delay in tie-up for project financing, delay in finalisation of detailed engineering, change in scope, delay in tendering, ordering and equipment supply, and law and order problems are among the other reasons.

The report also cited state-wise lockdowns due to COVID-19 as a reason for the delay in implementation of these projects.

It has also been observed that project agencies are not reporting revised cost estimates and commissioning schedules for many projects, which suggests that time/cost overrun figures are under-reported, it stated. https://www.financialexpress.com/infrastructure/423-infrastructure-projects-show-cost-overruns-of-rs-4-95-lakh-crore/2573026/

## 16. Discom bailout- here we go again! *(moneycontrol.com)* June 24, 2022

Almost two decades ago, India introduced the landmark legislation that governs the power sector – the Electricity Act, 2003. In these two decades, India has achieved a lot in terms of meeting the electricity needs of its citizens and businesses. From a meagre 90 gigawatts (GW), the current capacity stands close to 400 GW with a sizable share contributed by renewable energy resources. All-India system peak demand has crossed 210 GW and government statistics show that all villages been electrified.

But despite these staggering numbers and achievements, all is not well with the power sector. The country faces a recurring power crisis and players across the value chain will tell you that a lot of the sector's woes can be traced to the power distribution sector. It is an area that has been under constant stress and cause of worry for governments as well as investors. Power distribution companies (discoms), primarily run by state governments, have a long history of non-payment of dues and financial stress that cripples the sector. On May 25, the Ministry of Power notified that it is working on a scheme to liquidate the past dues of discoms to provide relief to the entire value chain in the power sector which has been reeling under the pressure of non-payments. But power sector players are skeptical. This is not the first time the government has announced such a scheme; in fact, this is the second such scheme in two years.

This story, a part of Moneycontrol's special series the Power Shock, we will look at the history of the efforts by the government to turn around distribution companies. We also look at the impact of these efforts and what more needs to be done.

**Montek Bonds to UDAY Loans**

The discoms seem to have been in the red since ad infinitum. Consider this, for instance. Way back in 1999, the erstwhile State Electricity Boards (integrated utilities with functional departments for generation, transmission, distribution) had a total book loss amounting to Rs 250 billion and a payment outstanding to power generators of Rs 400 billion.

That is when the now famously known Montek Bonds were introduced.

Under the chairmanship of Dr. Montek Singh Ahluwali, an Expert Group in 2001 recommended haircuts and a bailout as the only solution to save the power sector. A one-time settlement of state electricity board dues was agreed. This involved Central Public Sector Undertakings (CPSUs) agreeing on a 50 percent surcharge waiver for an amount adding up to Rs 78 billion. Plus, the balance dues liability to be taken over by the state governments. This amounted to Rs 350 billion to be funded as tax-free bonds issued by state governments at an interest rate of 8.5 percent for a tenure of 15 years. Further there was an agreement on

performance-based reforms that would lead to operational and financial turnaround of the sector.

An additional layer of central financial assistance was declared under the original Accelerated Power Development Reforms Programme (APDRP) in 2002. The idea was to support system strengthening of discoms so that losses – technical as well as commercial – can be controlled.

Later in 2008, a revamped version of it was introduced under the name R-APDRP. The focus of this new scheme was on a select 30,000 towns and cities. Emphasis was placed on use of technology and information technology (IT)-enabled solutions to bring the Aggregate Technical & Commercial (AT&C) loss levels down to 15%.

Yet, discom finances deteriorated in the years since. A decade later, in 2012, the book losses reached an all-time high of Rs 726 billion. According to a World Bank study, accumulated losses grew at a compound annual growth rate of 9 percent in 2002-2012.

A national level grid failure in August 2012 led to one more bailout being offered, of course with linkages to performance-based incentives.

Based on recommendations of an expert group lead by B K Chaturvedi of the Planning Commission, a Financial Restructuring Package (FRP) was offered. Under the package, it was decided that 50% of the discoms liabilities will be taken over by respective state governments.

The result? Instead of a financial turnaround, the outstanding debt of discoms almost doubled between FY12 and FY15, that is in just a three-year time frame!

And the cycle has continued. Yet another brand-new bailout scheme was introduced in the form of UDAY (Ujwal Discom Assurance Yojana) in November 2015. This scheme envisaged state governments taking over 75% of discoms debt, and interest rate reduction for the balance 25% of debt by way of state government-backed bonds.

Much has already been said about the hits and misses of UDAY. Although it is quite evident that we are still far away from the illusionary end point of discoms being financially stable.

Old wine in a new bottle

One may conclude that every few years the narrative of state-discoms financial unviability and therefore inability to pay generators, thereby risking the whole power sector, is presented as a context to introduce a 'new settlement scheme' – which in other words is nothing but a bailout.

According to Vinayak Chatterjee, Chairman of the Confederation of Indian Industry's (CII) National Task Force on Infrastructure Projects, "From the Montek Bonds in 2002, to FRP in 2011, to UDAY in 2015, a lot has been spent with limited success on ground. Financial re-engineering alone will not lead us anywhere."

The 2001 Expert Group had rightly predicted that unless the existing systemic problems are addressed overdues would mount again. That is precisely what happened.

Over the years discom losses and dues have routinely gone up and are brought in control temporarily by way of other central government-sponsored grants. Which formally routes

national taxpayers money for rescue purposes in varied proportions for state ratepayers' benefit.

In July 2021 the Ministry of Power unveiled yet another plan named the Revamped Distribution Sector Scheme (RDSS). It is a "reforms-based and results-linked" scheme with ambitious goals of bringing downAT&C loss at the pan-India level to 12-15 percent and a zero gap between average cost of supply and tariff.

Thinking beyond bailouts

One thing that is clear from the experience of the last two decades is that there are a variety of reasons plaguing the sector. And these reasons go beyond inefficiencies on the distribution side. In addition to tariff being lower than cost of supply, high AT&C losses including theft, poor procurement planning by discoms, there exists other causes for stress.

There are inefficiencies on the supply-side too, primarily in domestic coal exploration and transportation, overinvestment and under-utilized capacity, especially in transmission, which increases the wholesale cost that gets passed on to the discoms.

Some measures such as coal-linkage rationalization and coal swapping from inefficient to efficient plants have been introduced. But experts demand full blown supply-side reforms to cut down on the wholesale cost of power, an important parameter for discom revnue instability.

According to Dr. R Srikanth, Professor and Dean, National Institute of Advanced Studies, Bangalore: "The Central PSUs enjoy an exorbitant return on equity of 15.5% and enjoy the luxury of passing on the costs of their project delays via their tariffs. NTPC which has coal mines with an approved annual capacity of 56 Mt has produced only 14 Mt of coal in FY 2021-22 and MoP is passing mandates to enable NTPC to raise tariffs by importing coal at high rates to compensate for their failure in coal mining."

"Further power purchase costs that account for about 75-80% of discoms' annual expenditure are controlled by the central government through policies/directives of various ministries including that of power, coal, railways and finance," he said.

Another measure that can bring much-needed efficiency gains is private participation in distribution. It is evident from the wide difference in AT&C loss levels of privately owned discoms versus state owned discoms. But opposition from state discom unions have largely meant that there is nil to limited political interest in backing a full-fledged privatization exercise.

All fall down

Years of unchecked losses and inefficiencies coupled with band-aid solutions have resulted in heavy borrowing as a means of financing losses run up by various stakeholders. Companies in the generation and transmission sub-verticals too have been relying on short- and long-term loans to meet their operating expenses.

Total debt of the power sector currently stands at Rs 6.1 trillion, which is about 2.5% of the country's gross domestic product. Power sector loans add up to 6.5% of the total gross non-performing assets of banks.

There are real concerns of the sector jeopardizing India's banks and thus, in turn, citizens' savings. In December last year, the Power Ministry warned lenders to follow prudential checks before sanctioning any new loans to state discoms.

Discoms continue to post significant losses, even after decades of policy-level progress and bailouts. Given tariff hikes are politically contested, one may expect that the recent stress on imported coal shall further increase the divide between cost of production and revenue recovery. This will add up to the losses of discoms, making them further reliant on grants and bailouts.

"Hard and politically unpopular decisions are required to clear the discom conundrum. That could range from full privatization to a national power distribution company." said Chatterjee.

A mistake repeated more than once, is a choice. Policymakers will have to decide whether they can keep repeating the past or is it time to choose big bold reforms to save the power sector and taxpayers' money. https://www.moneycontrol.com/news/business/powershock-discom-bailout-here-we-go-again-8733711.html

## 17. Congress regime spent recklessly, left behind ₹24,351 crore unpaid liability: Mann govt's white paper *(hindustantimes.com)* Jun 26, 2022

Two days ahead of its first budget, the Aam Aadmi Party (AAP) government in Punjab, while painting a grim picture of the state finances, on Saturday tore into the previous Congress government for "reckless spending" and saddling it with "unpaid liability" of ₹24,351 crore besides a colossal debt.

In a white paper tabled by finance minister Harpal Singh Cheema in the Punjab Vidhan Sabha, it said that the immediate and medium-term pending liabilities left by the previous government, just like their predecessors, while demitting office is on account of pay commission arrears, power subsidy arrears, atta-dal scheme and crop loan waiver.

Out of the total ₹24,351 crore, ₹13,759 crore, or say 57%, is the pending liability of sixth pay commission, which, though one of the big promises of the then Congress government, was implemented in July 2021 with quite a delay and in haste with only six months to go for the state elections, the document said, questioning the manner in which the implementation was handled.

Another ₹7,117.86 crore is unpaid power subsidy claimed by Punjab State Power Corporation Limited (PSPCL) for supply to agriculture, domestic and industry consumers last year. Additionally, ₹2,274 crore for atta-dal scheme and ₹1,200 crore for crop loan waiver have also not been paid. The new government has to discharge these (liabilities) in the coming years, it said.

The 73-page document, as per which the state finances are in a "free fall", has been brought out at a time when all eyes are on the state budget and the course the AAP government takes to fulfill its two major poll promises – free electricity for all domestic consumers from July 1 and ₹1,000 per month to every woman, despite severe fiscal constraints. If implemented as per the announcement made during the poll campaign, the two promises are estimated to entail an additional burden of more than ₹15,000 crore annually on the exchequer. The state cabinet had, on Friday, announced to table the white paper to apprise the people of the fiscal problems it has inherited.

**Reckless spending in tough times**

Censuring the previous Congress government for its fiscal management practices, the white paper said that in an attempt to salvage its political fortunes, the previous government resorted to reckless spending during the end of its tenure. “Change at the helm of affairs of the state in previous regime came at a huge cost to state exchequer, courtesy various one-time measures and other decisions that has impacted the future resources of the state,” it said on the change of guard effected by the Congress in September 2021.

The document said that since September 20, 2021, a total of ₹9,047 crore worth of schemes, one-time settlements and waivers were announced by the government in a desperate attempt to consolidate the voters in the state and has put enormous burden on the already fiscally strained state treasury. “The schemes/waivers so announced not only resulted in decreased revenue receipts and increased revenue expenditure on a one-time basis but it would also impact receipts/expenditure on a recurring basis,” it said, listing reduction in power and water charges, cut in petrol and diesel prices and VAT settlements.

According to the document, the discretionary grants of ministers, which were ₹50 crore and ₹5 crore for the chief minister and cabinet ministers for 2021-22, saw release of additional funds to the tune of ₹150 crore for the CM and ₹17.50 crore for seven new cabinet ministers. “This reckless spending in these tough financial times when the state is recovering from the after-effects of Covid-19 speaks volumes on the expenditure priorities and fiscal management capabilities of the outgoing government,” it stated.

**Impact of cessation of GST compensation**

On the end of the goods and services tax (GST) compensation regime on June 30, the state government said that it would be staring down a big hole left in its finances to the tune of ₹15,000 crore in the 2002-23 financial year itself and ₹21,000 crore per annum thereafter.

“This is a fall off the cliff scenario for the state,” it said, pointing out that there were no attempts or incentive to increase the revenue of the state by the previous government. “The lack of planning and efforts to consolidate the revenue in preparation for end of GST compensation regime has put the state in a compromising situation.”

**Caught in ‘a classical debt trap’**

Detailing its fiscal concerns, the state government said the current debt indicators of Punjab are probably the worst in the country, pushing it deeper into a debt trap. “The state is in a classical debt trap as a significant portion of the annual gross debt/borrowings contracted by the government is being applied towards repayment of the old debt and interest payments and not for the future development and prosperity of the state,” the white paper stated, putting the outstanding liabilities at ₹2.63 lakh crore as on March 31 as per revised estimates with debt-GSDP ratio of 45.88%.

**Roadmap for revival suggested**

Calling the last 10 years as the “lost decade”, the document, while outlining the roadmap for future, said the state has to cautiously take debt and invest heavily in high-quality capital expenditure creation and revenue enhancement measures. “Debt consolidation is possible only with rapid growth, high quality capital expenditure and resource mobilisation,” it stated. Blaming political priorities of successive governments that overlooked financial logic for the economic morass, it said that a serious look into expenditure commitments coupled with direct revenue enhancement measures needs to be

done. https://www.hindustantimes.com/cities/chandigarh-news/congress-regime-spent-recklessly-left-behind-24-351-crore-unpaid-liability-mann-govt-s-white-paper-101656188791983.html