NEWS ITEMS ON CAG/ AUDIT REPORTS (27.05.2022)

1. Parliamentary Panels since 2008 have demanded more teeth for ASI for better protection of heritage *(economictimes.indiatimes.com)* May 27, 2022

Prominent protected monuments such as the Taj Mahal and Qutub Minar have come under focus with some groups seeking to start worship and offer prayers in their premises. That begs the question: is the Archaeological Survey on India (ASI), responsible for the upkeep of heritage monuments in the country, adequately equipped to handle violations such as unauthorised worship? Perhaps it's not.

Almost every parliamentary standing committee on culture – at least since 2008 – has flagged that ASI is not equipped enough to protect ancient and historical monuments from all violations, citing legal constraints and shortage of resources.

In March this year, a parliamentary standing committee report on the creation of a regulatory framework for protection of historical sites and monuments cited lack of ownership of monuments with ASI, inadequate penal provisions in the Ancient Monuments and Archaeological Sites and Remains Act (AMASR Act), and crunch in manpower as challenges for the heritage conservation body.

It said the current regulatory framework, which was amended in 2010, does not provide adequate protection to sites and monuments. ASI's lack of manpower and legal teeth to prevent initial encroachment and to punish adequately and swiftly those who encroach add to the problem.

The report also pointed out that the only provision in the AMASR Act that provides punishment to persons who are encroaching on protected monuments and sites is set out in Section 30 of the AMASR Act. "However, the wording of the same leaves a lot to be desired, and there are loopholes which require rectification," it said. "Amendments are required in order to ensure that such encroachments are removed as fast as possible, in fast track courts, or by making the proceedings summary in nature."

ASI's legal advisor had then called for legislative intervention to ensure that monuments and sites are once again the focus of the AMASR Act.

Noted archaeologist B R Mani said it is important to equip ASI with legal powers to be able to stop encroachments or any form of unauthorised worship by any group, and ensure that the body recruited a right mix of field archaeologists and those specialised in various fields of the domain.

"The legislation should be like the Forest Act where at least ASI can have the power to enforce some action to stop a violation, instead of just depending on law enforcement agencies," said Mani, who has worked as an additional director general at ASI. "Like, right now, ASI can only write to police who can often wait for a while to take action. Also, the areas occupied by many monuments are huge, so the staff crunch in ASI definitely needs to be addressed. Otherwise, even for the body to know what is happening in one of its own monuments, it might take hours."

Of the 3,691 centrally-protected monuments and archaeological sites maintained by ASI, 820 have places of worship and the rest are considered non-living monuments where no new religious rituals can be started.

According to a CAG report of 2013, out of 1,655 monuments where the auditor scrutinised records and conducted a joint physical inspection, 545 were found to be encroached. “This, incidentally, was more than double the figure given by the ASI to the CAG team,” final report of a select committee that looked into the AMASR Act in 2019 had said, citing the CAG report.

From 2008 to 2021, almost every panel on culture noted that there was a huge gap between the sanctioned strength and assessed strength of ASI almost in all categories of staff and officers.

In 2009, CPM leader Sitaram Yechury-led standing committee on culture had said ASI was “greatly handicapped on account of manpower, resources and necessary legal powers, and there was a distinct lack of required effort at different levels in regard to identification, notification and preservation/protection of our heritage”.

A year before that, the committee had said it was “greatly concerned about the failure of ASI to get back the land from encroachments” and recommended that the number of monument attendants should be suitably increased by recruiting more personnel on urgent basis.

Interestingly, 20 years ago, in 2002, a parliamentary committee under late CPM MP Dipankar Mukherjee had explored the possibilities of raising a separate team of professionals dedicated exclusively for the protection of top protected monuments such as the Taj Mahal and the Qutub Minar.

Last year, the parliamentary panel for culture headed by BJP MP TG Venkatesh asked the culture ministry to ensure that it was working in coordination with state governments to preserve national monuments and historical places, adding that the panel was specifically concerned about the 35% vacancies in ASI as its proper functioning “is critical for the development and maintenance” of archaeological monuments and sites across the country.

In 2011, parliamentary panel on culture had said ASI had “spread itself thin and a severe shortage of technical personnel has hamstrung the conservation efforts”.

The panel, quoting the recommendations of R N Mirdha committee, had said a minimum of 9,000 monument attendants was needed to provide security to the existing structures.

“The Government of India needs to rethink its ‘fence and forget’ approach towards the monuments. The monuments need to be protected just like any other assets of the nation,” it had said, and suggested activating a third level of institutional and legal arrangement to help ASI to protect monuments better.

In 2012, the committee went a step further and recommended that the government consider ASI as a scientific department and make available the benefits which are available to other scientific and technical bodies in the government. https://economictimes.indiatimes.com/news/india/parliamentary-panels-since-2008-have-demanded-more-teeth-for-asi-for-better-protection-of-heritage/articleshow/91820871.cms

2. Pay family pension to trans offspring: Orissa HC *(timesofindia.indiatimes.com)* May 27, 2022

CUTTACK: The Orissa high court has issued an order for immediate payment of family pension to one Kantaro Kondagari, a transgender person, as per provisions meant for unmarried daughters of deceased employees.

Kontaro's father, Balaji Kondagari, was a government employee in the rural development department in Rayagada district. After Balaji's death, the family pension was sanctioned and disbursed to his wife Binjama. On July 17, 2020, Binjama died of age-related ailments. Thereafter, Kantaro, who is unmarried, applied for the family pension.

Though it was sanctioned by the competent authority in Kantaro's favour on June 29 last year, the principal accountant general (A&E), Odisha, did not take any step for disbursal of the family pension in her favour.

Kantaro filed a petition seeking the HC's intervention for sanction of the family pension within a stipulated time.

While allowing it, the single-judge bench of Justice AK Mohapatra said the petitioner, as a transgender, has every right to choose her gender and accordingly, she had submitted her application for grant of family pension under Section 56(1) of the Odisha Civil Services (Pension) Rules, 1992. "Such right has been recognised and legalised by the Supreme Court," Justice Mohapatra observed in his May 20 order.

Kantaro is a transgender person as per the certificate issued by the district magistrate under the Transgender Persons (Protection of Rights) Rules, 2020. https://timesofindia.indiatimes.com/india/pay-family-pension-to-trans-offspring-orissa-hc/articleshow/91823012.cms

SELECTED NEWS ITEMS/ARTICLES FOR READING

3. Making sense of the GST bonanza *(indianexpress.com)* Updated: May 27, 2022

Revenue collections have been rising. The challenge for Centre and states is to ensure that this continues

There has been a remarkable upswing in GST collections in recent months. In fact, collections touched a record high of Rs 1.67 lakh crore in April. But the critical question is: Will GST revenues stabilise at a higher level or will the surge peter out? Equally pressing, what additional steps need to be taken to ensure that the indirect tax regime delivers upon its earlier promise of enhancing government revenues — a source of stress between the Centre and the states.

There are several possible explanations for this jump in collections. First, the sharp rise in inflation has played a significant role. After all, as output turnover increases, taxes paid per filing will automatically increase. And notwithstanding concerns over the unevenness of the economic recovery, in nominal terms, the economy grew by 19.4 per cent in 2021-22 as per the second advance estimates.

Thus there is a price effect. To tease it out there is a need to deflate GST collections. Doing so suggests that a large part of the recent increase in collections is driven by rising prices. However, even after stripping away the price effect, collections have grown at a pace faster than GDP, indicating an increase in buoyancy.

Second, part of the overall increase in collections can be traced to higher imports. But even if one is to exclude the revenue accruing from imports, the rise in GST collections has outstripped GDP growth, indicating higher buoyancy.

To what degree these drivers moderate over time is not clear. However, to the extent that these factors — high domestic and global inflation, and an increase in demand for high-end imported products — persist at current levels, their impact will continue to be visible in GST collections.

Third, in order to improve compliance levels, the GST Council has been tweaking the rules to tighten the system. This can be observed at multiple levels.

Earlier, filers could get away without submitting returns for a few months. But the screws have now been tightened. As a consequence, returns filed have gone up, while the number of non-filers and those who delay filing have fallen. Alongside, the administration has also taken steps to tackle the menace of fake invoices by placing restrictions on the quantum of input tax credit that can be used to pay of tax obligations. But going by recent reports on the continuing detection of fake input credit scams involving huge sums of money, there remains considerable scope for improvement.

The introduction of e-invoicing has also played a role. Until recently, this was being implemented for firms with a turnover of more than Rs 50 crore. There are around 91,500 such firms (or 1.1 per cent of GST registered firms) which account for around 38 per cent of all B2B invoices reported in GSTR1, 66 per cent of B2B supplies, and 72 per cent of the tax paid. From April, this process has been extended to firms above Rs 20 crore.

While extending e-invoicing to the remaining firms will tighten the system, the incremental gains from bringing smaller firms into its ambit, while consequential, are unlikely to be of the same order. After all, firms with an annual turnover of Rs 25-50 crore account for just around 6 per cent of B2B transactions and invoices, while those with a turnover of Rs 10-25 crore account for roughly 10.1 per cent of B2B invoices and 7.1 per cent of B2B supplies. The real challenge lies in improving compliance levels across the entire spectrum of industries where inputs/raw materials are sourced largely from the informal sector.

Fourth, some part of the revenue gains are likely to have accrued due to the changing structure of the economy. The formalisation of firms, the growing concentration of economic power in the hands of a few, imply that for the same level of output, the tax paid will be higher. This explanation also sits well with data that shows a rise in GST registrations, filings and tax paid per registration. However, to the extent that the informal sector claws back its share, this effect may moderate.

Thus, considering that some of these drivers are unlikely to sustain at current levels, tax rates will need to be raised to fulfil expectations of higher collections. But this requires careful consideration.

Around two-fifths of the taxable value (or turnover) falls under the 18 per cent slab as per research by some analysts. In comparison, the share of the taxable value under the 12 per cent slab is considerably lower. This implies that simply merging the 12 per cent and the 18 per cent slab as some have been suggesting would lead to a revenue loss. If the Council does indeed merge these two tax slabs it will have to raise the other tax slabs just to protect the current level of revenues.

But, before opting for such adjustments, the GST Council must first ascertain the potential revenue (net of cess and refunds) at varying levels of compliance, tax rates and exemptions afforded. After all, these have a bearing — lower compliance levels and greater exemptions will obviously require higher rates to garner the same level of revenues.

Now, as per some estimates presented to the 15th Finance Commission, with existing exemptions in place, the current tax regime should ideally yield revenues equivalent to 8.23 per cent of GDP. If, however, only exemptions for food are kept in place, then collections should rise to 8.57 per cent of GDP. In another scenario, even if existing exemptions are kept in place, and if a single rate of 14 per cent is levied, then collections should rise to 8.93 per cent. At a 16 per cent rate, they would rise further to 10.20 per cent. Understandably, these calculations are based on certain assumptions which are debatable. However, crucially, all these scenarios assume full compliance. In reality, though, the compliance level was estimated to only 70 per cent.

Considering the current economic situation, now may not be an opportune moment to raise taxes. But there is no getting around it. Both the Centre and the states need to work towards this. https://indianexpress.com/article/opinion/columns/gst-goods-and-services-tax-collection-revenue-inflation-indian-economy-7938480/

4. BPCL's strategic disinvestment called off *(thehindubusinessline.com)* May 26, 2022

Third strategic disinvestment proposal to be called off in the current fiscal

The Government has called off the strategic disinvestment of oil marketing company, Bharat Petroleum (BPCL) citing lack of bidders' interest. This is third strategic disinvestment which has been called off or put on hold in the current fiscal.

Government owns 52.98 per cent in the company and wanted to sell entire stake along with management control.

In an update, Department of Investment and Public Asset Management (DIPAM) said: "Based on the decisions of the Alternative Mechanism (empowered group of ministers), Government of India has decided to call off the present EoI (expression of interest) process for strategic disinvestment of BPCL, and the EoIs received from QIP (qualified interested arties) shall stand cancelled." Further, it said that decision on the re-initiation of the process will be taken in due course based on review of situations.

The Government on November 20, 2019, gave in-principle approval for strategic disinvestment of Government's shareholding in BPCL excluding BPCL's shareholding in Numaligarh Refinery (NRL). Further, as per the above approval, BPCL's shareholding in NRL has to be divested to a Central Public Sector. Following which a global invitation was issued on March 07, 2020 for EoI.

Covid, geo-political conditions

DIPAM says multiple EoIs received and they also initiated due diligence of the company. However," the multiple Covid-19 waves and geo-political conditions affected multiple industries globally, particularly oil and gas industry. Owing to prevailing conditions in the global energy market, most of the QIPs have expressed their inability to continue in the current process of disinvestment of BPCL," DIPAM explained for reasons to call off. There are unconfirmed reports that just one QIP left in the fray and the government did not want to take any chance, so it preferred to call off.

BPCL has already sold entire Investment in Equity Shares of Numaligarh Refinery have been sold to a consortium of Oil India and Engineers India ; and to Government of Assam during FY 2020-21 at a total consideration of ₹9,875.96 crores.

Earlier, Government officials had said that the strategic buyer will bring funds/technology/new management etc. for optimum development of business potential of the BPCL. The growth of the BPCL, post-disinvestment, would be able to generate higher economic activity including growth of the ancillary industries and creation of new job opportunities. The resources unlocked by the strategic disinvestment of BPCL would be used to finance the social sector/developmental programmes of the Government benefiting the public, they had claimed.

CE, Hindustan Zinc

Only in this month, strategic disinvestment of helicopter service provider Pawan Hans was put on hold as the government wants to legally examine an order against key consortium member of successful bidder. Prior to that, transaction for Central Electronics (CE) was deferred because of the legal matter.

Now, the government is planning to sell residual stake in Hindustan Zinc for which Cabinet Committee on Economic Affairs (CCEA) gave its in-principle approval on Wednesday. Since, it is ceased to be a Central Public Sector Undertakings, government officials do not see any problem in this transaction.

In the FY23 Budget, the government has announced that ₹65,000 crore will be realised through disinvestment and out of that, over ₹23,500 crore has been obtained through offer for sale (OFS) through stock exchanges, employee OFS and IPO (initial public offer). https://www.thehindubusinessline.com/companies/finding-no-takers-government-calls-off-bpcl-disinvestment/article65463934.ece

5. How close is the govt to its divestment target for FY23? *(business-standard.com)* May 26, 2022

The Cabinet Committee on Economic Affairs has approved the sale of the government's entire remaining stake in Hindustan Zinc Ltd, or HZL. According to the closing price of the company's shares on Thursday, the sale of the entire 29.5 per cent stake would fetch around Rs 37,400 crore.

As reported by Business Standard, an official has said that the government might sell its HZL stake in tranches through an offer for sale, or OFS.

So far, in the current financial year, the Centre has collected 23,575 crore rupees in divestment proceeds through the Life Insurance Corporation of India IPO and the offer for sale of Oil and Natural Gas Corporation.

If the Centre successfully carries out the divestment of HZL, it will find itself in striking distance of its Rs 65,000-crore divestment target for financial year 2022-23.

This is good news. Especially given the uncertainty surrounding the government's plans due to Russia's invasion of Ukraine. But we need to dive a little deeper.

After setting ambitious divestment targets in the last three years, the Centre, in Budget 2022, pegged the FY23 target at a conservative Rs 65,000 crore.

The pandemic and the Ukraine war have hampered the Centre’s divestment and privatisation plans in recent months. In April, the Centre missed its revised divestment target for the second time in three years even after slashing it by 55 per cent to Rs 78,000 crore in the Union Budget.

Compared to the target, the FY22 divestment mop-up was Rs 13,530 crore, which included the Rs 2,700 crore received by the Centre from Air India's privatisation.

So, what does the relatively better performance this year mean for the government?

Madan Sabnavis, Chief Economist, Bank of Baroda expects govt might exceed target, and more divestment is in the pipeline.

This will help with fiscal math, he says, adding that it will help govt in light of projected revenue slippages. However, the government has had a bumpy ride as far as privatisation is concerned.

In the case of Central Electronics and Pawan Hans, the nearly-completed privatisation transactions have hit a roadblock because of the winning bidders having pending legal cases against them.

Then there is the big-ticket privatisation of Bharat Petroleum Corporation Ltd, which has fallen through with just one bidder remaining in the fray. At present, the government is working on a new strategy for selling its stake in the oil PSU.

And, according to news agency PTI, the government is on course with the privatisation of two public sector banks (PSBs) -- Central Bank of India and Indian Overseas Bank.

It is also planning to sell indirectly held stakes in ITC and Axis Bank. And it is also trying to complete the sale of Shipping Corporation of India. Strategic disinvestment of Container Corporation of India is also lined up.

Madan Sabnavis says the govt will go slow on privatisation. No clear cut case like Air India at present. So, it looks like the government has decided to follow Infosys' philosophy of 'under-promise, over-deliver'? https://www.business-standard.com/podcast/economy-policy/how-close-is-the-govt-to-its-divestment-target-for-fy23-122052700066_1.html

6. Sustaining asset quality in PSBs *(thehindubusinessline.com)* Updated on: May 26, 2022

A continuous tweaking of the credit risk management systems to the evolving macro environment holds the key

It is noteworthy that public sector banks (PSBs) have posted improved performance during FY22. Out of 12, 11 have declared results and most of them reflect overall improvement in terms of capital adequacy ratio (CAR), asset quality and profitability and in many other parameters.

Many of them have increased provision coverage ratio (PCR). The gross non-performing assets (GNPAs) of SBI stands at 3.97 per cent, Bank of Baroda at 6.61 per cent, Canara Bank at 7.51 per cent with their corresponding PCR at 90.2 per cent, 88.71 per cent and 84.17 per cent, respectively, in March 2022 reflecting a distinct uptick in asset quality. Amid improving asset quality, higher PCR empowers banks to withstand losses in case they turn irrecoverable.

Though some delinquent loans on account of Covid-19 must have escaped classification under RBI restructuring schemes, they have not undermined the asset quality improvement. Bringing down GNPAs from as high as 14.6 per cent in March 2018 to 7.5 per cent by March 2021, which may further go down in March 2022, is indeed impressive. But upside risks cannot be ruled out due to ongoing macroeconomic volatility and lingering geopolitical risks.

The next challenge for PSBs would be sustaining this tempo of improving asset quality, which will call for consistent efforts to tone up credit risk management (CRM). Better application of technology in CRM, systemic improvements in sourcing credit, monitoring and debt resolution will be the significant milestones.

Technology intensive innovations in credit management techniques and progressively tightened regulations have strengthened the asset quality ecosystem.

As components of CRM, the quality of credit origination, rigour in the follow up of credit, timely use of hand-holding processes (restructuring facilities) to bail out temporary disruptions of borrowers depends upon the internal systemic efficiencies and tools of surveillance of loan portfolio built over a period of time. It also depends upon how the three lines of defence in CRM is strengthened.

The galvanisation of technology, data analytic support, market intelligence in originating credit, the rigour in proactive monitoring, systemic controls, maintaining quality of credit and compliance standards will depend upon the related policies and people efficiencies.

Maintaining quality of credit

Given the legacy limitations, diversity in the borrower profile and geographical outreach of PSBs, the CRM systems are evolving to improve asset quality. But how it can be sustained in the long term while balancing the near-term challenges is a moot point.

With data on special mention account (SMA) and information on Central Repository of Information on Large Credits (CRILC) for loan accounts of over ₹50 million made available to the bank branches, the scope of monitoring of credit has vastly improved.

The debt resolution and efficiencies of DRTs and NCLTs are work in progress, aligned to the dynamics of business environment of banks and borrowers.

The two important parts of CRM — (i) monitoring of quality of credit and (ii) debt resolution after loans become non-performing assets (NPAs) — are post sanction activities. Rigorous follow up and ensuring NPA recovery are the only options.

But the most important part of CRM — the methods of sourcing of fresh credit — is always contentious, subject to improvement and its nuances are always under debate. It continuously evolves with the markets. The quality of credit origination depends on three distinct sources of information — external information from rating agencies and industry sources, information provided by borrower and, finally, the market intelligence used in credit appraisal by banks.

CRM governance has to be eventually in sync with loan policies, regulations and exposure norms leading to credit decision.

Ensuring creditworthiness of new loan accounts is critical to keep the asset quality intact. That is why it is important to calibrate risk appraisal norms to filter poor assets and acquire creditworthy portfolio.

The norms and standards of credit appraisal and resultant credit decision will have to be fine-tuned to organisational strengths so that its monitoring and recovery during the life of the loan asset can be enforced.

Reforms in CRM

PSBs in the early 2000s lent aggressively to corporates for building infrastructure, particularly to power generation, steel and telecom.

This led to steep rise in restructured assets, which led to a stock pile of NPAs after RBI dispensed with forbearance on restructuring of loans and came up with asset quality review (AQR). PSBs must learn from this experience and and set their own sectoral risk appetite.

Instead of being totally industry demand driven, the CRM should be well-aligned to internal strengths setting micro prudential norms capable of weeding out potential delinquent assets.

The efficiency of CRM of PSBs would lie in differentiated approach in taking sectoral exposure for fresh loans instead of adopting a uniform asset acquisition in line with peers.

A classic example in the current context could be the increasing exposure to retail loans and using risk-sharing opportunities with non-banks. They are good business opportunities but increased exposure to them may not suit every PSB. At the same time, as a larger part of CRM, building people competencies, procedural reforms of credit appraisal, and use of technology in assessment need to be upgraded.

Customising credit portfolio mix

Compliance with regulatory norms should not limit the ability of PSBs to frame their own risk appetite. Sustainability of asset quality will depend on not only faster debt resolution of existing stock of GNPAs but also barring the entry of high risk group of assets into the portfolio.

Before the new chunk of credit is absorbed, PSBs will have to examine the future implications of cost and capability to follow up such loans, consider state of digital literacy of borrowers to respond to banks' use of technology in monitoring credit.

Asset quality is a result of the work of a combination of stakeholders, but the vision and foresight of lenders assume great significance in sustaining competitiveness in the markets.

An introspection into the credit portfolio mix and timely policy intervention can lead the way for long-term asset quality management. https://www.thehindubusinessline.com/opinion/sustaining-asset-quality-in-psbs/article65464510.ece

7. RBI annual report: FY22 saw more bank frauds but value decreased by half *(business-standard.com)* May 27, 2022

Frauds reported by banks and other financial institutions in value terms more than halved in 2021-22, despite the number of instances of fraud increasing, the Reserve Bank of India's (RBI) annual report released on Friday showed.

In 2021-22, frauds to the tune of Rs 60,414 crore were reported, down 56.28 per cent from Rs 1.38 trillion in 2020-21. In terms of number of frauds, these entities reported 23.69 per cent higher frauds at 9,103 in 2021-22 as against 7,359 frauds in 2020-21. The RBI data considers frauds of Rs 1 lakh and above only.

"An assessment of bank group-wise fraud cases over the last three years indicates that while private sector banks reported maximum number of frauds, public sector banks contributed maximum to the fraud amount", the RBI annual report showed.

"While the number of frauds reported by private sector banks were mainly on account of small value card/internet frauds, the fraud amount reported by public sector banks was mainly in loan portfolio", the report added.

Also, frauds have occurred in the loan portfolio, both in terms of number and value. In the number of frauds, advances constituted 42.2 per cent and in value terms it was almost 97 per cent at Rs 58,328 crore. Cards/internet constituted 39.5 per cent of the number of frauds but in value terms it was just 0.2 per cent.

An analysis of the vintage of frauds reported during 2020-21 and 2021-22 shows a significant time-lag between the date of occurrence of a fraud and its detection. Around 93.73 per cent of the frauds in 2021-22 by value occurred in previous fiscal years as against 91.71 per cent recorded in 2020-21, the RBI said. https://www.business-standard.com/article/finance/rbi-annual-report-fy22-saw-more-bank-frauds-but-value-decreased-by-half-122052700468_1.html

8. Structural reforms essential for sustained, balanced, inclusive growth: RBI *(millenniumpost.in)* 27 May 2022

Mumbai: Making a strong case for structural reforms, the Reserve Bank on Friday said they are essential for sustained, balanced and inclusive growth, and also to deal with the after-effects of the pandemic.

In its annual report, the Reserve Bank of India also stressed that the future path of growth would be conditioned by addressing supply-side bottlenecks, calibrating monetary policy to bring down inflation and boosting capital spending.

"Undertaking structural reforms to improve India's medium-term growth potential holds the key to secure sustained, balanced and inclusive growth, especially by helping workers adapt to the after-effects of the pandemic by reskilling and enabling them to adopt new technologies for raising productivity," it said in the chapter on 'Assessment and Prospects'.

The escalation of geopolitical tensions into war from late February 2022 has delivered a brutal blow to the world economy, battered as it has been through 2021 by multiple waves of the pandemic, supply chain and logistics disruptions, elevated inflation and bouts of financial market turbulence, triggered by diverging paths of monetary policy normalisation, it added.

"... the immediate impact of geopolitical aftershocks is on inflation, with close to three-fourths of the consumer price index at risk. The elevation in international prices of crude, metals and fertilisers has translated into a term of trade shock that has widened trade and current account deficits," the report said.

High-frequency indicators already point to some loss of momentum in the recovery that has been gaining traction from the second quarter of 2021-22, with 86.8 per cent of the adult population fully vaccinated and 3.5 per cent having received booster doses.

"The inflation trajectory going forward is subject to considerable uncertainty and would primarily depend on the evolving geopolitical situation," the report said.

The RBI further said supply-side policy interventions such as removing customs duty on import of raw cotton, prohibiting wheat exports, reducing road and infrastructure cess (RIC) on petrol by Rs 8 per litre and diesel by Rs 6 per litre, increasing exports duty on certain steel products, reducing imports duty on certain raw materials for steel and plastic manufacturing, restricting sugar exports, removing customs duty and agriculture infrastructure and development cess (AIDC) on import of 20 lakh tonnes of crude sunflower oil and crude soybean oil and other measures as may be taken could, however, provide some offset.

"A faster resolution of the geopolitical conflict and no further severe COVID-19 waves could subdue and even reverse these pressures and help contain core inflation," it added.

In recognition of the knock-on effects from geopolitical spillovers, the RBI's Monetary Policy Committee had revised downwards real GDP growth for 2022-23 to 7.2 per cent in its April resolution - a decline of 60 basis points from its pre-war projection, mainly due to higher oil prices weighing on private consumption and higher imports reducing net exports.

Inflation was projected 120 basis points higher at 5.7 per cent in April 2022. http://www.millenniumpost.in/business/structural-reforms-essential-for-sustained-balanced-inclusive-growth-rbi-479852?infinitescroll=1

9. RBI annual report: Economic recovery is underway despite headwinds *(business-standard.com)* May 27, 2022

RBI Annual Report: The Reserve Bank of India will follow a nuanced approach in the wake of inflation risks emanating from high commodity prices while ensuring adequate liquidity in the banking system to support the need of the productive sectors of the economy, the central bank's annual report for 2021-22, which was released on Friday, said.

"…the year gone by brought many challenges, but a recovery is underway in spite of headwinds. The future path of growth will be conditioned by addressing supply-side bottlenecks, calibrating monetary policy to bring inflation within the target while supporting growth and targeted fiscal policy support to aggregate demand, especially by boosting capital spending," the report said.

The report highlighted that the immediate impact of geopolitical aftershocks is on inflation, with close to three-fourths of the consumer price index at risk.

"The elevation in international prices of crude, metals, and fertilisers has translated into a terms of trade shock that has widened trade and current account deficits," it said.

Following the worsening of the geopolitical situation after Russian invasion of Ukraine, the central bank decided to change its focus to control inflation. Over the last two years, since the onset of the Covid-19 pandemic, RBI's main objective was to support growth. Earlier this month, the six-member monetary policy committee of the central bank increased the repo rate – for the first time in 4 years – by 40 bps to 4.4%.

"Overall, headline inflation averaged 5.5 per cent in 2021-22 as against 6.2 per cent a year ago. Headline inflation breached the upper tolerance band in Q4:2021-22 and rendered the conduct of monetary policy challenging," RBI said in the annual report.

During the year, an amount of Rs 2.2 trillion was withdrawn from the system through restoration of cash reserve ratio (CRR) to pre-pandemic levels, repayment of targeted long term repo operations (TLTRO) and open market operations (OMO) sales, it said.

"The Reserve Bank will continue to follow a nuanced and nimble footed approach to liquidity management while maintaining adequate liquidity in the system to meet the credit needs of the productive sectors of the economy," the report said.

The report observed that early indicators point to revival of economic activity across other sectors that need to be assiduously nurtured to boost consumer and business confidence and private investment.

"Capacity utilisation in several industries is moving closer to normal levels, although rising input costs and persisting supply bottlenecks, for instance in semiconductors for the automobile sector, may impede or delay a fuller recovery," it said.

Commenting on the banking sector, the report observed that the sector was cushioned against the disruptions caused by the pandemic by adequate liquidity support and various regulatory dispensations provided by the Reserve Bank.

Banks bolstered their capital to augment risk absorbing capacity, aided by recapitalisation by the government in the case of public sector banks (PSBs) along with capital raising from the market and retention of profits by both PSBs and private sector banks.

“The gross non-performing assets (GNPA) ratio of all scheduled commercial banks (SCBs) moderated to its lowest level in six years, aided by due efforts towards recoveries and technical write-offs. Bank credit growth has begun to pick up to track nominal GDP growth and banks are regaining bottom lines,” it said. https://www.business-standard.com/article/finance/economic-recovery-is-underway-despite-headwinds-rbi-annual-report-122052700426_1.html

10. Finance Ministry allows govt departments to carry over quarterly spending *(business-standard.com)* May 27, 2022

In a bid to streamline expenditure amidst pressure on the Centre's fiscal math, the Finance Ministry has allowed government departments to carry over their unspent amounts to subsequent quarters.

“Ministries and departments are permitted to utilise the unspent balances from quarter one to quarter two for cash management purposes. Unspent balances from quarters two and three may be used in quarters three and four respectively after the approval of the Expenditure Secretary has been obtained,” the Department of Economic Affairs said in an office memorandum dated May 25.

The memorandum stated that bulk expenses of more than Rs 2,000 crore should be aimed for the last month or a quarter to time them with direct tax receipt inflows in June, September, December, and March. It reiterated the existing practice that no more than 33 per cent and 15 per cent of the budgeted expenditure shall be permitted in the last quarter and month of the fiscal year, respectively.

This missive to various departments comes at a time when the Centre's fiscal balance for FY23 is under immense pressure.

The impact of recent excise duty cuts on petrol and diesel will be around Rs 85,000 crore for FY23, and all of it will be borne by the Centre.

Apart from the excise duty cuts, the government will bear an additional Rs 1.10 trillion in fertiliser subsidy burden as commodity prices have spiked due to Russia’s invasion of Ukraine.

Additionally, the decision to provide a subsidy of Rs 200 per gas cylinder (up to 12 cylinders) to over 90 million beneficiaries of Pradhan Mantri Ujjwala Yojana (PMUY), will lead to revenue foregone of Rs 6,100 crore a year for the exchequer.

Add to this, the Modi government’s decision to extend the PM Garib Kalyan Anna Yojana (PMGKAY) till September, which will increase the food subsidy outlay for FY23 to Rs 2.87 trillion from budget estimate of Rs 2.07 trillion.

Provided all other assumptions remain the same, all these hits on revenue and expenditure may widen the fiscal deficit budget estimate for the year to Rs 19.42 trillion from a budgeted Rs 16.6 trillion. As a percentage of nominal gross domestic product, this would be 7.5 per cent of GDP compared with the budgeted 6.4 per cent.

On the expenditure front, the Centre has been categorical that there will be no compromise on the Rs 7.5 trillion capital expenditure plan, as public investment in infrastructure remains the plank on which the Modi government is betting India's economic revival. There are unlikely to be major cuttings of expenditure on flagship welfare schemes as well.

A top official made it clear this week that if required, money will be pulled out of the Consolidated Fund of India to pay for capex and added that there was no change in the Centre's Rs 14.32 trillion gross borrowing plans for now.

As reported earlier, the Finance Ministry has asked the various line ministries and entities responsible for implementing subsidy and welfare schemes to cut wasteful expenditure on an expedited basis.

On food subsidy front, Food Corporation of India and the Food and Public Distribution department have been asked to weed out efficiencies up and down the value chain.

Similarly, in flagship schemes like MGNREGA and PM Kisan, the relevant ministries have been told to speed up identifying ghost beneficiaries, fake accounts etc. Of particular concern to central policymakers is the fact that the number of MGNREGA beneficiaries was around 50 million before the Covid-19 pandemic, rose to around seventy million as the economy slumped, but has not come down to pre-pandemic levels. https://www.business-standard.com/article/economy-policy/finance-ministry-allows-govt-departments-to-carry-over-quarterly-spending-122052700350_1.html

11. Centre proposes mandating use of cost saving techniques to build highways *(economictimes.indiatimes.com)* Updated: May 26, 2022

The Road transport ministry has proposed mandating highway builders to opt for cost saving value engineering techniques.

"It has been established that the savings realized by undertaking value engineering exercises can be in the order of 10-15 per cent of the cost of the originally designed project," a notice from the transport ministry said while citing a World Bank report on the Indian Road Construction Industry.

It is being proposed that value engineering shall be assigned as one of the task in the Terms of Reference (ToR) for Feasibility Study and Detailed Engineering Projects. In Inception Report itself there shall be a Chapter regarding Value Engineering, in which Consultant shall include the potential and project specific value engineering aspects identified by the respective domain experts based on site reconnaissance surveys.

The transport ministry noted that a need is increasingly being felt to adopt value engineering practices in design, construction and maintenance with regards to use of materials and technology. This is being considered as a vital step to meet the sustainable development of the National Highway (NH) network in a cost effective manner. It will also lead to improved durability and safety, higher quality and a reduction in maintenance.

According to the notice, the existing models under which highway development projects are bid out have the potential that the Contractor or the Concessionaire to adopt designs and construction methodologies to suit the requirements of the project and also bring down the cost.

But despite the facilitative provision for value engineering, contractors or concessionaires, out of an apprehension that the authorities would take adverse views about any alternative technologies, avoid any deviations from the specifications/technologies sought for in the bid documents.

Further, presently there are no prevailing contractual facilitation for value engineering in NH contracts which would compel the contractor to adopt value engineering. https://economictimes.indiatimes.com/news/economy/infrastructure/centre-proposes-mandating-use-of-cost-saving-techniques-to-build-highways/articleshow/91815359.cms

12. A recent UNCCD report says 75% of world population will be affected by droughts by 2050 *(factly.in)* MAY 27, 2022

Globally, the impact of climate change is being felt by every country. The IPCC report published in 2021 found that climate change is intensifying the water cycle, it brings in more intense rainfall and is also associated with flooding and more intense drought in many regions. Besides, it is affecting rainfall patterns, increasing sea levels, amplifying the melting of glaciers and ice sheets, and causing extreme weather events more frequently. It also noted that the frequency of droughts in parts of Asia has increased over the years.

Recently, the United Nations Convention to Combat Desertification (UNCCD) released the Drought in Numbers, 2022 report, on the Drought Day at UNCCD's 15th Conference of Parties held in Côte d'Ivoire. The report emphasizes on the need to make a global commitment to drought preparedness and resilience in all global regions a top priority. Droughts have significant impacts on societies, ecosystems, and economies.

Droughts account for 60% of deaths due to extreme events

According to the report, more than a crore people lost their lives due to major drought events since 1900 causing several hundred billion USD in economic losses worldwide. Since 2000, the number and duration of droughts have risen by 29%. Though droughts accounted only for 15% of the disasters in the period from 1970 to 2019, droughts caused approximately 6.5 lakh deaths globally. Mortality related to droughts is around 60% of the total deaths caused by extreme weather events. Furthermore, it has been estimated that over 1.4 billion people were affected by drought in the period from 2000 to 2019. Between 2020 and 2022, a total of 23 countries have faced drought emergencies including India's neighbouring countries such as Afghanistan, and Pakistan. Other countries include Angola, Brazil, Burkina Faso, Chile, Ethiopia, Iraq, Iran, Kazakhstan, Kenya, Lesotho, Mali, Mauritania, Madagascar, Malawi, Mozambique, Niger, Somalia, South Sudan, Syria, US, and Zambia.

The report also noted that Africa is the most affected continent by severe droughts, with more than 300 events recorded in the past 100 years, constituting 44% of the global total. The intensity and frequency of climate disasters have increased in sub-Saharan Africa in recent years. However, Asia accounted for the highest total number of humans affected by drought since 1900.

Droughts have social, economic, and ecological consequences

Increased indebtedness, migration, lower quality of life, and unemployment are some of the consequences of droughts. The impact on women and children is disproportionately higher. Women in particular have to deal with the burden of water collection for which they end up spending about 40% of their calorific intake on carrying water, leading to anaemia and other health issues.

In addition to the impact on human lives, droughts come with heavy economic costs. Droughts are estimated to have caused global economic losses of roughly USD 124 billion from 1998 to 2017. In Europe alone, more than USD 27.8 billion in economic losses were recorded in the past century whereas, in the US, crop failures and other economic losses due to drought have totalled several hundred billion USD over the last century. Since 1980, the loss reported was USD 249 billion. In India, severe droughts have been estimated to have reduced India's GDP by 2 to 5%.

With respect to agriculture productivity, droughts cause low yields posing challenges to food security. The total agricultural productivity fell by 18% in the period from 2002 to 2010 following the Australian Millennium Drought. In Europe, an annual average of 15% of the land area and 17% of the population within the European Union is affected by drought. A 2021 report by FAO on "The impact of disasters and crises on agriculture and food security" noted that 82% of all damage and loss caused by drought was absorbed by agriculture in low- and lower-middle-income countries between 2008 and 2018.

Significant impact on ecosystems has also been highlighted in the recent UNCCD report. About 12 million hectares of land are lost to drought and desertification. 14% of wetlands which are critical for migratory species, as listed by Ramsar, are in drought-prone regions. The Australian megadrought contributed to 'megafires' in 2019-2020 in which 3 billion animals were killed or displaced. This has been considered the most dramatic loss in post-colonial history. Droughts are also causing wildfires. 84% of terrestrial ecosystems are threatened by changing and intensifying wildfires. Decreasing biodiversity, both in the number of individuals and plant species has been observed in Indonesia due to peatlands fires. In Amazon, drought events are becoming increasingly common, and if this is left to continue, 16% of the region's remaining forests will likely burn by 2050.

India is among countries that are highly vulnerable to droughts

The UNCCD report has mapped the vulnerability of all areas across regions. The report observes that India's vulnerability is higher compared to most parts of the world. Parts of South India- Kerala and Tamil Nadu, and the Hindu-Kush Himalayan region are more vulnerable compared to the rest of the country.

75% of the world population will be affected by droughts by 2050

In the coming years, it is only expected that climate change will further increase the risk of droughts in many vulnerable regions of the world, especially those parts which have rapid population growth. The report noted that within the next few decades, 129 countries will experience an increase in drought exposure. Without proper action, the annual loss in Europe alone is projected to rise to more than EUR 65 billion. By 2050, it is estimated that droughts may affect over three-fourths of the world's population.

The report has called for a paradigm shift from a 'reactive' approach to a 'proactive' and 'risk-based' drought management approach. It has also highlighted success stories from different parts of the world to recommend measures such as sustainable land management and ecosystem restoration policies, initiatives like natural forest regeneration, rotation forestry, regenerative agriculture, energy farming, etc. Information Technology and Indigenous Knowledge with Intelligence (ITIKI), a drought early warning system that integrates Indigenous knowledge and drought forecasting to help small-scale farmers make more informed decisions in Mozambique and Kenya is highlighted in the report.

Ministry of Agriculture monitors droughts in India

In India, the Ministry of Agriculture is the nodal Ministry for monitoring and managing drought conditions. Droughts are classified into three.

-Meteorological droughts which are based on rainfall deficiency.

-Hydrological droughts are defined as deficiencies in surface and sub-surface water supplies leading to a lack of water for normal and specific needs.

-Agricultural drought is identified by 4 consecutive weeks of meteorological drought.
Factly had earlier written in detail about how drought is declared in India.

Between 1877 & 2009, the India Meteorological Department (IMD) declared 27 years as drought years. Since 2009, IMD discontinued the declaration of drought years. In these 27 years, the percentage of areas affected by droughts ranged from 21% to 69%. The following table has detailed information.

An average of 109 districts were affected by droughts annually

An average of 109 districts were affected by droughts between 2005 and 2017, according to Envistats 2022 data, compiled from the Ministry of Agriculture. Most districts were affected in 2009 (338) followed by 2015 (270). In 10 out the 13 years, districts from Andhra Pradesh were affected by drought. This is the highest among all states. Districts in Rajasthan and Karnataka were affected in 9 years and 8 years respectively.

Proactive and reactive measures for drought management

For drought management, India has rolled out various measures over the years. Drought Prone Area Development Programme and Desert Development Programme are aimed at addressing the issues specific to the drought-prone areas in the country. 971 blocks of 183 districts across 16 states have been declared as drought-prone under Drought Prone Area Programme (DPAP), whereas 234 blocks of 40 districts in 7 States are identified under Desert Development Programme (DDP), as per a parliament response in 2021.

Under MGNREGA, an additional fifty days of wage employment is also provided over and above the 100 days in notified drought-affected areas. The National Disaster Response Fund (NDRF) and State Disaster Response Fund (SDRF) constituted under the 2005 Disaster Management Act also provide financial relief to the affected people. In the years 2018-19, 2019-20, and 2020-21, the centre approved Rs. 9,211 crores, Rs. 265.6 crores and Rs. 117.3 crores for drought relief (predominantly in Kharif season) under NDRF.

Additionally, National Agricultural Insurance Scheme (NAIS) and Weather Based Crop Insurance Scheme also support farmers affected by droughts. https://factly.in/review-a-recent-unccd-report-says-75-of-world-population-will-be-affected-by-droughts-by-2050/

13. India's power sector must brace for trouble as climate worsens. Govt can't sit back *(theprint.in)* 27 May, 2022

The heatwave in late April and early May resulted in power shortages and soaring demand for electricity in many Indian states. Not only do these power outages make the heat unbearable, particularly for the poor, but there are also concerns about the detrimental impact on industrial production and the revival of the economy. While the heatwave has receded in the last few days, concerns about further power shortages in the coming summer months remain.

The impact of the heatwave was exacerbated by the extremely high prices of imported coal due to the war in Ukraine. It led to a decrease in electricity generation in power plants using imported coal and an increased reliance on domestic coal in plants that blend domestic and imported coal. Together, these events resulted in a sharp increase in the demand for domestic coal, which, in turn, strained the capacity of the railways to transport it from the mines to the power plants.

The Union government has taken several steps to resolve the current crisis, and these are welcome. However, it is important to recognise that the challenges arising from extreme weather conditions will keep growing and long-term systemic changes in planning in the energy sector will be necessary.

Extreme weather events will become more intense

India is particularly vulnerable to climate change. We are already experiencing its impact through many extreme weather conditions, and, as a 2021 Intergovernmental Panel on Climate Change (IPCC) report warned, they will become more frequent and intense. What was unthinkable earlier is now becoming the new normal, and therefore, we can no longer label extreme climate events as 'unforeseeable' but must prepare for them.

First, there must be a recognition of the increasing level of uncertainty we will see in the power sector in the coming decades. Its main source will be climate change and extreme weather events as the recent heatwave has demonstrated. It will be amplified by the increasing contribution from renewable energy (RE), whereby weather will affect not just the demand for energy but also its supply. In addition, many new technologies—energy storage devices like batteries, small modular (nuclear) reactors (SMRs), hydrogen use, and behind-the-meter technologies to make demand flexible—are undergoing rapid development. The performance and costs of these new technologies are not completely known, and that can add to the uncertainty.

Second, because of a higher level of uncertainty and the need to manage the associated risks, deterministic planning will have to be replaced by probabilistic approaches. Currently, most plans are developed on the basis of cost minimisation for a presumed set of future circumstances. There needs to be a shift to developing alternate plans and using probabilistic modelling to see how they perform under uncertain conditions. The preferred plan can then be selected on the basis of the best combination of low expected cost along with low variation in cost. Another criterion could be the lowest cost under worst-case conditions, more commonly known as 'least regret'.

Third, planning will have to become adaptive. With greater unpredictability, plans will need to be monitored closely so that the course can be corrected to respond to both new knowledge and any unforeseen problems in implementation that may occur. Such monitoring and course correction can be facilitated by having, within the plan, signposts and decision points to respond to changes in the sectoral environment. Planning can be more adaptive if, instead of chunky generation capacity additions, additions are modular to minimise the risk of stranded assets. Fortunately, RE technologies allow such modularity and rapid installation of new generating capacity. SMRs, as and when they become commercially viable, would also be well-suited to such modularity.

Fourth, in the future, we will need much greater collaboration between electricity planners and climatologists. Probably the first of such a collaboration for a large study was used by Réseau de Transport d'Électricité (RTE), the French transmission system operator for Energy Futures 2050, whose results were released in February 2022. RTE obtained from Météo-France, the French meteorological service, many sets of detailed simulations of the possible weather in 2050. It used those simulations to stress-test RTE's proposed power system for 2050. By using very granular data sets, RTE was able to maintain the spatial and temporal relationships between demand and RE generation, which are particularly important in assessing the adequacy of RE-rich power systems. It may not be easy to immediately replicate RTE's work for India, but it should serve as a guide for the required changes to planning processes.

The recent power outages triggered by the early onset of summer should serve as a wake-up call to make the necessary changes to planning in the energy sector, so that we are prepared for the challenging future that lies ahead. https://theprint.in/opinion/indias-power-sector-must-brace-for-trouble-as-climate-worsens-govt-cant-sit-back/972189/

14. How critical are MSMEs in fulfilling Make-in-India goal of the Indian Air Force *(financialexpress.com)* May 26, 2022

Micro, small and medium enterprises (MSMEs) have a prominent role to play in the indigenisation and self-reliance goal of the Indian Air Force (IAF), as much as for the navy and army, right from design to the final output of equipment in order to reduce costs significantly, according to experts. So far, particularly with respect to spares, MSMEs have already been playing a major role. There are more than 60,000 lines of spares with the IAF, of which over 40,000 lines of spares have been indigenised by sourcing from MSMEs, Air Vice Marshall PS Sarin had said at a recent event organised by PHD Chamber of Commerce and Industry. There are close to 700 MSMEs registered directly with the IAF out of around 12,000 MSMEs operating in the defence sector.

Over the years, MSMEs have, however, evolved from simply making spares to being part of high-technology weapon systems including light combat aircraft Tejas, surface-to-air missile system Akash, Integrated Air Command and Control System (IACCS), Su-30 MK1 fighter jet, Cheetah helicopter, advanced light helicopter, and more.

The government had also introduced a couple of initiatives to enable MSMEs' growth in defence overall. For instance, to promote MSMEs' contribution to IAF and defence overall, the government had reserved procurement orders up to Rs 100 crore per year for MSMEs in the Defence Acquisition Procedure 2020. The Ministry of Defence had also earmarked 25 per cent of the defence procurement budget amounting to Rs 21,149.47 crore for MSMEs and startups in the financial year 2022-23.

"Number of MSMEs in defence in comparison to total MSMEs in India is very small. There has to be an action plan to increase it," said Chandraker Bharti, Joint Secretary (Aerospace), Department of Defence Production, Ministry of Defence at the PHD event on Indigenisation Requirements of Indian Air Force: Opportunities for MSMEs organised earlier this month.

The minister noted initiatives such as the Srijan portal launched in August 2020 to provide information on items that can be taken up for indigenisation by the private sector. As of April 1, 2022, according to the Defence Ministry, 19,509 defence items, which were earlier imported, were uploaded on the portal for indigenisation. Out of them, domestic businesses had shown interest in the indigenisation of 4,006 defence items.

Particularly with respect to IAF, 469 items worth nearly Rs 770 crore were imported in FY21 which got reduced to 84 items worth Rs 474 crore in FY22. That's the testimony to get inspired and solve this (import) challenge, said Col. KV Kuber, Director (Aerospace & Defence), Ernst & Young LLP at the event. "We are targetting not only established defence players but also the relatively unexplored potential of MSMEs," he added.

Kuber shared another perspective with respect to cost-cutting in IAF: There are about 1,300 aircraft and 900 rotary aircraft. In terms of engines, there are about 1,383 aero engines (aircraft engines) with IAF, 193 engines with the navy and about 181 engines with the army. The Maintenace, Repair and Overhaul (MRO) cost incurred on them is anywhere 3x-4x of procurement cost. So how IAF can reduce this cost and keep this money within the country? he added.

MSMEs could likely be the solution here. There are two methods by which small businesses might help. The first is indirectly where MSMEs can work as tier one, two, and three vendors to large businesses and defence public sector units (DPSUs). The second is directly by participating in various Make in India schemes. These are called Make projects segregated into three categories to facilitate indigenous design and development of defence equipment with government or industry funding.

Make I aims at addressing projects involving the design and development of major equipment and systems with development periods not less than a year. These projects involve government funding of 70 per cent. Make II includes industry-funded prototype development or upgrades primarily for import substitution or innovative solutions by the private sector for which no government funding is provided. Lastly Make III encompasses subsystems, sub-assembly, assemblies, components, materials, ammunition, etc., which although not designed or developed indigenously, are being manufactured in India as import substitution for product support of weapon systems. As of February this year, according to a Defence Ministry statement, 63 MAKE projects are being co-developed with the Indian defence industry, including MSMEs and startups.

At IAF, there are 20 MAKE projects, of which 15 have received approval in principle (AIP) by the government. These included Lightning Detection System, Aerial bomb of 1,000 kg, wearable robotic equipment, communication system with Indian security protocols, 80mm and 70 mm rockets etc. "So how can MSMEs contribute? There is no one company in the country that can develop these…There would be multiple companies who would have the expertise to bring on board," said Group Captain Mukesh Sharma, Director (Acquisition and Make in India), Air Headquarters.

MSMEs support could also be vital to IAF's ground-based systems instead of only airborne systems in aircraft, helicopters, missiles etc. Ground systems could even be "a trolly or power supply vehicle and their lifecycle cost outrun procurement cost. It is this cost that we need to reduce…Indigenisation is a multifaceted approach that needs to be adopted," said Air Marshal Vibhas Pande, Air Officer-in-Charge Maintenance (AOM), IAF.

"This approach starts from repairs to refurbishments to reclamation of systems to granting life extension depending on the performance of equipment. Ground-based systems could also be subjected to this multifaceted approach of indigenisation," Air Marshal Pande added suggesting MSMEs to come forward for such systems.

However large OEMs such as Lockheed Martin, which have been working with the Indian defence sector for decades, have urged the government to fast-track processes where the latter's approval is required. Lockheed's Commercial Lead in India Partha Roy Chowdhury, speaking at the event, explained the challenge in government procedures: If Lockheed has to give an order for a wire harness to a company, can it do that independently? No. It has to go to Defence Ministry for their approval. They will take their own time – three, six or even eight weeks but Lockheed will not wait that long for the government to take the decision on the approval of the order. Lockheed would give the order (to a company) in Mexico, Canada, or Poland but the one missing out here would be the Indian industry.

He added, "We have lost more than $15 million orders just for waiting for approvals. I feel bad for those Indian companies. So can we find a way to keep a data of Indian companies who have done this earlier so that we just place the order and don't have to go through all this process of stamping, approval, etc? There is flexibility required." Lockheed currently supports around 530 Indian suppliers, of which 143 are MSMEs and 17 are in its global value chains. https://www.financialexpress.com/industry/sme/msme-eodb-explained-how-critical-are-msmes-in-fulfilling-make-in-india-goal-of-the-indian-air-force/2538791/

15. Power ministry working on easy instalment scheme to mitigate discoms' financial woes *(indianexpress.com)* MAY 27, 2022

Considering that the discoms' inability to pay dues adversely affects the entire value chain of the sector, the Ministry of Power is working on a scheme to mitigate the financial woes of the power distribution companies.

States such as Maharashtra and Tamil Nadu will be able to save Rs 4500 crore each under the new scheme. The delay in payments by a discom affects a power-generating company as the latter needs to make provisions for input supplies such as coal and for keeping adequate working capital for the day-to-day operation of its power plant.

As per per data available on the ministry's Payment Ratification and Analysis in Power Procurement for Bringing Transparency n Invoicing of Generators app, the discoms' dues (excluding disputed amounts and the late-payment surcharge) were Rs 1,00,018 crore and the LPSC dues were Rs 6,839 crore on May 18.

The proposed scheme enables the payment of financial dues in easy instalments. A one-time relaxation is being considered for all discoms wherein the amount outstanding (includes the principal and the LPSC) on the date of the notification of the scheme will be frozen without further imposition of the LPSC. The discoms will be given flexibility to pay the outstanding amount in up to 48 instalments.

The liquidation of outstanding dues in a deferred manner without the imposition of the LPSC will give discoms time to shore up their finances. At the same time, the generating company will benefit from assured monthly payments, which otherwise were not forthcoming to them. However, in the event of a delay in the payment of an instalment by a discom, the LPSC shall be payable on the entire outstanding dues, which otherwise was exempted.

As a result of the proposed scheme, the discoms will save Rs 19,833 crore on the LPSC in the next 12-48 months. States such as Tamil Nadu and Maharashtra, which have large outstanding dues, will save over Rs 4,500 crore each as a result of this measure. Uttar Pradesh will save around Rs 2,500 crore while Andhra Pradesh, Jammu and Kashmir, Rajasthan and Telangana will save in the Rs 1,100-1,700 crore range. The savings by discoms will ultimately benefit the electricity consumer by reducing the burden of the LPSC in the retail tariff.

The measure is expected to provide timely liquidation of arrears, which is more important to the power-generating companies than the amount foregone on the LPSC. At the same time, suitable measures are being put in place to ensure that discoms pay their dues on a regular basis, otherwise supply will be reduced.

The LPSC is levied at the base rate, pegged to SBI's marginal cost of lending rate. The LPSC is applicable for the period of default at the base rate for the first month of the default and is increased by 0.5 per cent for every successive month of delay, subject to a maximum of three per cent over the base rate at any time. https://indianexpress.com/article/india/india-news-india/power-ministry-working-on-easy-instalment-scheme-to-mitigate-discoms-financial-woes-7938114/

16. Why Assam gets flooded every year *(businessinsider.in)* MAY 27, 2022

The pre-monsoon season hasn't started on a pleasant note for Assam. Every year, the rainy season brings destruction to the most-populated northeastern state. It brings chaos, displacing thousands of people and animals, and damaging crops and properties worth billions.

However, this time, the monsoons are yet to arrive and according to the Assam State Disaster Management Authority (ASDMA), at least 5.75 lakh people have been affected and 30 people have lost their lives so far due to the floods which have ravaged the state as of May 27, 2022.

Out of 5.75 people affected, 1,25,471 are children, who reside in 1,709 villages based in 22 of the state's 34 districts. Close to 82,503 hectares of crop areas in flood-hit areas also remain affected.

Why are floods an annual occurrence in the state of Assam?
Assam is one of the most flood-prone states in India and it has almost become an annual calamity. In terms of impact on human lives, the floods of 1988, 1998 and 2004 were the worst – the 2004 floods alone affected 12.4 million people and claimed 251 lives.

According to the Assam government, the flood-prone area of the state is 31.05 lakh hectares, against a total area of 78.523 lakh hectares – this means nearly 40% of the state's area is flood-prone.
Overall, Assam accounts for nearly 10% of the total flood-prone area of the country.

The average annual loss due to floods in Assam is to the tune of ₹200 crore and particularly in 1998, the loss suffered was about ₹500 crore and during the year 2004 it was about ₹771.00 crore.

Apart from the natural topography and annual excessive rainfall in Assam, there are various reasons – both man-made and natural – behind the destructive floods that hit Assam every year. Assam is home to a vast network of rivers, including the Brahmaputra and Barak River, and more than 50 tributaries feeding them. Assam also receives river water from neighboring states like Arunachal Pradesh and Meghalaya.

In 2004 and 2014, the south bank tributaries of the Brahmaputra in lower Assam experienced flash floods of high magnitude due to cloud bursts in the catchment areas in Meghalaya. A similar incident occurred in Arunachal Pradesh in 2011, further aggravating floods in Assam.

Bank erosion caused by the river Brahmaputra is one of the major reasons why Assam gets flooded every year. It means the removal of soil, sediment, or rock fragments along the banks, which results from high water flow.

Due to erosion, the width of the river increases and it changes its course. According to the Assam government, more than 4.27 lakh hectares of land, which is 7.40 % area of the state, has been eroded by the river Brahmaputra and its tributaries since 1950.

The width of the river Brahmaputra has increased up to 15 kilometres at some places due to bank erosion, making it the widest river in India. It is estimated that annually nearly 8,000 hectares land is lost to erosion

The surveys carried out at different periods reflect an alarming picture regarding the widening of river Brahmaputra which is as follows:

Floods are also caused by human intervention – like encroachment of river banks and wetlands, lack of drainage, unplanned urban growth, hill cutting and deforestation. The dams that are being built are further aggravating these disasters.

Government measures to control floods in Assam

In 1982, the Brahmaputra Board suggested that dams and reservoirs be built to mitigate floods in Assam. While dams are meant to regulate the flow of water, they can also be beyond the capacity of the channels downstream, proving to be a double-edged sword.

The Water Resources Department of Assam has constructed embankments and flood walls across the state. River training, bank protection, anti-erosion and town protection are also in the works. Here's how their plan has progressed thus far:

https://www.businessinsider.in/science/environment/news/why-assam-gets-flooded-every-year/articleshow/91828506.cms