NEWS ITEMS ON CAG/ AUDIT REPORTS (29.06.2022)

1. At least 45 Elephants, 150 Wild Animals Killed on Railway Tracks Between 2019 and 2021: Data *(news18.com)* Jun 29, 2022

At least 45 elephants have been killed on railway tracks between 2019 and 2021, while more than 150 other wild animals have died the same way during the said period, government data analysed by CNN-News18 shows.

Further, elephant deaths on tracks have nearly doubled from 10 to 19 between 2019 and 2021, as per the data from the Ministry of Railways presented in the Lok Sabha. The deaths of other wild animals have increased 1.5 times – from 44 in 2019 to 69 in 2021.

Among all the zones, the Northeast Frontier, with headquarters in Guwahati, is accountable for the highest number of elephant deaths – 15. Of these, four took place in 2019, six in 2020 and five in 2021.

On the other hand, the East Central zone, headquartered in Hajipur, has reported the highest deaths of wild animals in the three-year period. Of the 82 deaths, 19 were reported in 2019, while 25 in 2020.

At least 38 wild animal deaths were reported in 2021.

The Ministry said that a number of steps were taken to prevent animal deaths on the tracks.

In a report presented in December 2021, the Comptroller and Auditor General of India (CAG) said that between 2016 and 2019, train accidents were the second most common cause for unnatural deaths of elephants. It said that at least 61 elephants died after being hit by trains during the period.

According to the last count in 2017, there were 29,964 elephants in India. The total number of captive elephants owned by private individuals and religious institutions was 1,774.

In a written reply to the Rajya Sabha, the Railway Ministry said that in cases of killing of elephants/wild animals on railway tracks, the Zonal Railways investigate the incidents and conduct inquiry wherever necessary.

Based on the findings in investigation/enquiry, a number of preventive measures are taken by Zonal Railways in coordination with the Ministry of Environment and Forest," the Ministry said.

The steps include, imposition of speed restrictions in identified locations, provision of signage boards to warn loco pilots about identified elephant corridors, sensitisation of train crew and station masters on a regular basis, need-based clearance of vegetation on the sides of the track within railway land and construction of underpasses and ramps for movement of elephants at identified locations.

The Ministry also ensures a provision of fencing at isolated locations and installation of innovative honey bee sound systems at locations that are prone to crossing of elephants.

In May this year, an adult elephant was killed after being rammed down by a train in Assam's Bokajan. In February, at least three elephants were killed in Uttarakhand.

In November last year, three elephants, including a pregnant female elephant, died after being hit by a train while crossing the tracks near Navakkarai in Coimbatore in Tamil Nadu. https://www.news18.com/news/india/at-least-45-elephants-150-wild-animals-killed-on-railway-tracks-between-2019-and-2021-data-5459863.html

2. Senior officials deployed to inspect stinking toilets on trains *(theprint.in)* Jun 28, 2022

Stung by complaints of overflowing and stinking toilets, the Railways has now deployed its senior officials to personally inspect trains across the country and find its "root cause", officials said Tuesday.

The second phase will likely involve deploying Railway Board level officials to travel in 3AC coaches of trains for 24 hours to experience the problems faced by passengers, they said.

Over the last three days, 544 inspections have already been completed by senior officials, who are usually the signing authority for such inspections which are carried out by their juniors.

Social media is full of such complaints from passengers travelling by trains where the complaints range from lack of water in toilets to cleanliness issues and leakage.

One such complaint which really created a stink for the Railways occurred in April this year when a passenger travelling on the New Delhi-Bilaspur Rajdhani Express had human waste all over him when he flushed the bio-toilet after use. The passenger complained to the Northern Railway which led to several rounds of meetings of senior officials where components of the toilet was reviewed. The Railways, which plans to cover as many trains as possible over the next few days, has, in a first, mobilised senior officials in the zones like divisional railway managers, additional divisional railway managers, principal chief mechanical engineers and others.

"The idea of assigning senior officials is to ensure that even they get to see what is happening at the ground level. It is important that they see for themselves what kind of problems the passengers are facing while they are thinking of better solutions for them. It is imperative to find the "root cause" of the problems.

"The second phase will likely involve Railway Board level officials who will take on 24-hour journeys in 3AC coaches to see what kind of problems are faced by passengers," a senior official said.

Indian Railways' much-flaunted bio-toilet programme, aimed at providing a clean and hygienic environment in rail premises, has come unstuck as passenger complaints of choked and stinking toilets on trains are rising.

In an evaluation of 25,000 toilets for the period under review (2016-17), the Comptroller and Auditor General of India (CAG) detected 1,99,689 defects and deficiencies. It has found an increased number of choking of toilets as compared to the previous year. Before CAG, the Indian Institute of Technology (IIT) Madras and IIT Kanpur in a report said the bio-toilets were no better than "septic tanks" and the water they let out no better than "raw sewage".

Responding to the CAG findings, the railway ministry said its criticism was "not correct" and that "some problems of choking were occurring on account of misuse of toilets by passengers and these issues are being dealt with promptly". The national transporter did not agree with the IIT reports either. https://theprint.in/india/senior-officials-deployed-to-inspect-stinking-toilets-on-trains/1016202/

3. Home ministry's grants-in-aid to states took a sharp hit during COVID-19, reveals RTI reply *(cnbctv18.com)* Jun 28, 2022

The grants-in-aid allocated by the Ministry of Home Affairs (MHA) to states took a drastic hit during the COVID-19 pandemic, an RTI reply has revealed.

The answers to an RTI query filed by Robin Zaccheus, a social activist, reveal that the grants-in-aid released by MHA to states declined by 69 percent to Rs 1,874 crore in the financial year 2020-21 as compared to Rs 6,121.48 crore in 2019-20.

Grants-in-aid are funds given for assistance, donations or contributions by the central government to states, Union territories, Panchayati raj institutions and some agencies and bodies.

In the financial year 2021-22, the funds allocated by MHA to states increased slightly to Rs 2,355 crore, however, they were still 61 percent down compared to FY20, the pre-COVID period.

It is to be noted that grants-in-aid by the home ministry to states had seen a steady increase in five years from FY15 to FY20 with the funds up 48 percent during the period.

Meanwhile, the funds provided to Union territories (UTs) by the MHA have seen a sharp increase in the last three financial years.

The grants-in-aid to UTs rose 566 percent in FY20 to Rs 15,494 crore from Rs 2,326 crore, while they saw a jump of 122 percent in FY21 to Rs 34,428 crore. This number further increased to Rs 39,323 crore in FY22.

Grants-in-aid released by MHA to states/UTs from FY15 to FY22

Over a period of time, grants-in-aid, with the exception of debt repayment, emerged as the single largest item of expenditure for the Union Government, according to a CAG report.

The effectiveness and utilisation of the grants-in-aid released by the government are monitored through utilisation certificates. A large number of outstanding utilisation certificates means a lack of monitoring and follow-ups in the concerned ministries and departments.

While the latest data on the utilisation certificates is not available, a CAG analysis shows 37,569 utilisation certificates involving Rs 51,527 crore were outstanding in 26 ministries and departments, as of March 31, 2015. https://www.cnbctv18.com/economy/mha-grants-in-aid-allocated-to-states-took-a-drastic-hit-during-the-covid-19-pandemic-13959382.htm

STATES NEWS ITEMS

4. Devolution of powers to local bodies insufficient: CAG *(thehindubusinessline.com)* Jun 28, 2022

THIRUVANANTHAPURAM: The Comptroller and Auditor General (CAG) has pulled up the State government for delaying the transfer of water supply and sewerage services and the assets and manpower required for these functions to local bodies.

This, the CAG observes, amounts to deviations from the principles of devolution enacted by the Constitution (Seventy-Fourth Amendment) Act.

In its report on 'Efficacy of implementation of the 74th Constitution Amendment Act' tabled in the Assembly on Tuesday, the CAG notes that the Kerala Municipality Act requires the government to transfer all assets, water supply and sewerage service, conduct of water supply, and fixing of water tariff and its collection to the municipalities.

However, such a notification has not been issued by the government and the assets and liabilities with regard to water supply and sewerage services continue to be vested with the Kerala Water Authority (KWA).

''Unless the government, by notification, transfers the assets, liabilities and all duties related to water supply to urban local bodies (ULB), the State cannot claim to have initiated the devolution of even basic core functions to local government, in compliance with the provisions of the Kerala Municipality Act," the report says.

While the KM Act empowers ULBs to collect water charges, it is still being collected by the KWA. Water supply pipelines laid with local body funds thereafter become KWA assets, and the operation and maintenance of water supply schemes remain the responsibility of the KWA, it notes.

''Audit observed that despite the test-checked ULBs paying ₹37.76 crore to the KWA during the audit period (2015-20) for undertaking these deposit works, the capital assets created with funds from ULBs were not seen transferred to ULBs."

To a query, the government replied that the local bodies lacked human resources to undertake these responsibilities and argued for the need of a "centralised management" by a State-level agency. However, the CAG noted that "persistence of control" over local governments by State-level agencies diluted the spirit of devolution, raising "concerns about the extent of meaningful devolution that has taken place in the State."

Waste disposal

The CAG report observes that in the case of waste management too, functions appear not to have been fully devolved to local bodies. All municipalities are not fully equipped to handle waste management. A joint verification in four local bodies revealed that solid waste was "piled up in public places causing environmental issues."

Of 21 test-checked urban local bodies, 15 had executed an agreement with Clean Kerala Company Ltd (CKCL) for collection of plastic waste. The remaining six lacked effective mechanisms. The CAG observes that 'parastatals' like the CKCL should be assigned supportive roles, while the prime responsibility is vested with the local governments.

Although solid waste management is categorised as a function to be devolved to ULBs, "Devolution of function to ULBs has not been effective in the true sense, going by the extent of expenditure incurred and capacity for disposal of wastes," the report says. https://www.thehindu.com/news/national/kerala/cag-flags-insufficient-devolution-of-powers-to-local-bodies/article65576345.ece

5. Anganwadi kids made to consume unsafe food, reveals CAG report *(newindianexpress.com)* Jun 29, 2022

THIRUVANANTHAPURAM: Over three tonnes of unsafe nutritional supplement and 444kg of Bengal gram were supplied through certain anganwadis in Kerala because of the lapses of the food safety department, according to the CAG's compliance audit report for the year ended March 2021. The children would not have consumed unsafe food had the department acted in time.

According to the report, the FSSAI had directed all states to collect three to five surveillance samples per day from anganwadis from September 9 to 15, 2020. In Kerala, samples were collected only in seven of the 13 circles. Of these, food samples collected from four circles were unsafe. They included unsafe samples of Amrutham Nutrimix collected from anganwadis in Thiruvananthapurm, Kasaragod and Vaikom and Bengal gram from Kazhakoottam.

The audit report observed that food safety officers in six circles, which were test-checked, did not even comply with the direction of the FSSAI to collect three-five samples per day. "In three circles where the surveillance samples were found unsafe, there was a delay of four to eight months in taking enforcement samples from manufacturing units and one circle did not even take enforcement samples. Due to the delay in timely action by the food safety officers, the entire batch of unsafe food was distributed among the children," the report said.

Not initiating secondary action such as seizure, recall etc after finding Nutrimix as non-conforming to food safety standards resulted in the distribution or consumption of unsafe food by children in the age group of six months to three years. The report says the unsafe food distributed included 3,556.50kg of Amrutham Nutrimix and 444kg of

Bengal gram. An officer of the food safety department told TNIE the reported supply of unsafe food was due to delay in obtaining lab test results. https://www.newindianexpress.com/states/kerala/2022/jun/29/anganwadi-kids-made-to-consume-unsafe-food-reveals-cag-report-2470827.html

6. Unsafe 'Amrutham Nutrimix' distributed through Anganwadis in state, reveals CAG report *(english.mathrubhumi.com)* Jun 28, 2022

Thiruvananthapuram: A CAG audit report presented in the assembly session on Tuesday pointed out that unsafe and inferior quality 'Amrutham Nutrimix' was distributed through Anganwadis in the state.

The product was distributed to Anganwadis by the Kerala Social Justice Department under the THRS project. Amrutham Nutrimix, produced by Kudumbshree, aims to provide a health supplement for kids and pregnant ladies to fulfil their nutritional status.

However, an inspection revealed that 3,556.50 kilogram of Amrutham Nutrimix distributed in the state was of inferior quality. The report alleged that the state failed to recall these products despite finding them dangerous. Further, there was a delay in collecting samples from manufacturing units.

Apart from Amrutham Nutrimix, 444 kilograms of Bengal beans were also found to be of inferior quantity.

The laboratories notified by the Food Safety Authority of India in the state are not fully equipped to test the components for food safety. Further, many of these laboratories are yet to receive the National Accreditation Board for Testing and Calibration Laboratories (NABL) accreditation. https://english.mathrubhumi.com/news/kerala/unsafe-amrutham-nutrimix-distributed-through-anganwadis-in-state-reveals-cag-report-1.7644623

7. CAG questions food safety department's nod for offerings at Sabarimala *(english.mathrubhumi.com)* Jun 29, 2022

Thiruvananthapuram: The report prepared by the Comptroller and Auditor General (CAG) of India alleged flaws in the inspections conducted by Food Safety Department. The laboratory that conducts the inspection of food items given at the Sabarimala temple as offerings and the raw materials needed for their preparation deemed them satisfactory without inspecting all listed factors. The report says that due to this, the safety of the food items cannot be ensured.

When a sample from a bunch that was marked satisfactory as per the lab report was tested during auditing, the presence of pesticide was found in it. Out of the 685 specimens marked satisfactory by the lab in Pathanamthitta, 30 were tested again.

The factors enlisted by the Food Safety and Standards Authority of India (FSSAI) to review the safety of food items including jaggery, rice, raisins, cardamom, dried ginger, sugar, cumin and dal were not considered during the inspection, it said.

The District Food Testing Lab was set up in Pathanamthitta as per the instructions issued by the High Court to inspect the safety of food items used as offerings at Sabarimala temple. The report also says that the lab that was started in 1998 has not yet received accreditation by the National Accreditation Board for Testing and Calibration Laboratories (NABL) https://english.mathrubhumi.com/news/kerala/cag-questions-food-safety-department-s-nod-for-offerings-at-sabarimala-district-food-testing-lab-1.7647339

8. Equip labs to properly test Sabarimala offerings, CAG tells Kerala government *(thehindu.com)* Jun 28, 2022

THIRUVANANTHAPURAM: The Comptroller and Auditor General (CAG) has urged the Kerala government to adequately equip laboratories testing surveillance samples and offerings at Sabarimala.

In a Compliance Audit Report for the year ended March 2021 tabled in the State Assembly on Tuesday, the CAG asked the government to ensure that the laboratory at Pathanamthitta is adequately equipped so that it can be notified under the Food Safety and Standards Act.

The CAG noted that a District Food Testing Lab was established at Pathanamthitta in 1998 for testing Vazhipad articles and two labs at Pamba and sannidhanam for checking samples of raw materials and offerings at the temple.

The report noted that the food items were being tested only for some of the parameters specified by the Food Safety and Standards Authority of India (FSSAI). The Commissioner of Food Safety has not made any proposal for upgrading the lab at Pamba for testing all the required parameters.

Proper labelling

The CAG report also observed that the label on the Aravana prasadam container lacked full information on the ingredients and the expiry date. The label contains only the name, batch number, name and address of the manufacturer and the date of packing.

‘’All other details, especially ‘use by date’ as required under the Food Safety and Standards (Packaging and Labelling) Regulations are not being included in the label,” the report noted.

However, the CAG also noted that the government (in December 2021) had brought the matter to the notice of the Devaswom Commissioner seeking compliance. https://www.thehindu.com/news/national/kerala/equip-labs-to-properly-test-sabarimala-offerings-cag-tells-kerala-government/article65576503.ece

9. No assurance prasadam, food sold at Sabarimala are safe: CAG *(newindianexpress.com)* Jun 29, 2022

THIRUVANANTHAPURAM: The food safety laboratories for testing prasadam and the raw materials used at Sabarimala temple declared the samples satisfactory without testing all required parameters, says the CAG's compliance audit report for the year ended March 2021. There is no assurance that the food items consumed by devotees every year meet the prescribed food standards, it said.

The food samples collected from Sabarimala are tested at the district food testing laboratory in Pathanamthitta and a laboratory each at Pampa and Sannidhanam. Though the Pathanamthitta laboratory started functioning in 1998, it was neither notified by FSSAI nor accredited by the NABL, the report said. During Sabairmala festival season, samples of food items collected from various shops at Sannidhanam, Pampa and Nilakkal were tested as surveillance samples at Pathanamthitta laboratory. During 2016-21, 807 samples of food items were tested.

Of them, 685 were declared satisfactory and 122 non-satisfactory. Of the 685 samples declared satisfactory, the audit team conducted a test check of 30 sample results with reference to FSS (Food Products Standards and Food Additives) Regulations, 2011 and FSS (Contaminants, Toxin and Residues) Regulations, 2011. The two regulations specify the standards for various food items and the permissible limits for metals, insecticide residue and pesticide residue. The test revealed that 25 samples (83.33%) were declared satisfactory by the laboratory after checking only some of the parameters specified by the FSSAI, the report said. https://www.newindianexpress.com/states/kerala/2022/jun/29/no-assurance-prasadam-food-sold-at-sabarimala-are-safecag-2470826.html

10. Kerala pension firm borrowed Rs 32,000 crore in four years *(newindianexpress.com)* Jun 29, 2022

THIRUVANANTHAPURAM: The cumulative debt burden of Kerala Social Security Pension Limited (KSSPL) since its inception in June 2018 to May 2022 is estimated to cross Rs 32,000 crore. After factoring in the interest to be paid to creditors, the liability will increase to at least Rs 35,000 crore, said sources in the accountant-general's office.

With the state government withdrawing financial support to KSSPL, a special purpose vehicle created in June 2018 for ensuring prompt distribution of welfare pension to over 52 lakh beneficiaries in the state, uncertainty has gripped the firm's future.

The government's move, following an instruction from the Union finance ministry to account KSSPL's debt as that of the government, will create a peculiar situation forcing creditors not to sanction more loans to the company as there is no repayment guarantee. This may lead to a situation disrupting welfare pension distribution.

"It's only a technical order. There is no question of the government withdrawing support to KSSPL. What has now happened is dropping the legal mandate in this regard, which will give more flexibility to the company," said a senior government official who preferred anonymity.

"Also, total debt doesn't mean that the company has that much liability. Periodic repayments had been made from the budgetary assistance and from central allocation under the national social allocation programme," said the official.

Economist V Nagarajan Naidu, who has done extensive research about Kerala's public debt, said the revised GO relieving the state of the responsibility of repaying KSSPL's loan wouldn't stand legal scrutiny as the firm was an arm of the government.

Pension firm's debt shocking, says ex-AG

"There are only government officials and ministers as directors of the company. The government can never orphan this company," he said. KSSPL is headed by Finance Minister K N Balagopal and its registered office is Room No. 400 of finance department, government secretariat.

As per the CAG reports on the state's finances tabled in the assembly, the total borrowings by KSSPL were Rs 6,843 crore in 2019-20 and Rs 8,604 crore in 2020-21. According to sources in the AG's office, the KSSPL's borrowings in the year of inception were Rs 6,700 crore. "The audit report for 2021-22 is yet to be tabled in the assembly. But, the borrowings for the year have overtaken the figure of the previous fiscal," said a source.

The company spent Rs 10,036 crore for distributing pension to 52.27 lakh beneficiaries at Rs 1,600 per month in 2021-22. At least 90% of this was mobilised through borrowings. In the first quarter of this fiscal, the company might have taken a loan of around Rs 2,500 crore," said the source.

Former accountant-general James K Joseph said the KSSPL's debt figures are shocking. "We all thought KIIFB would turn out to be the worst burden on the state. It is not. Unlike KIIFB, KSSPL doesn't have the support of a legislation to ensure annual income. Paltry allocation in the budget for social security pension won't match the huge spending. These are serious issues," James Joseph told TNIE.

The major creditors of KSSPL are a consortium of primary agriculture cooperative societies, KSFE, Bevco and Motor Workers' Welfare Fund Board. "While 50% of the loan was availed from the consortium, KSFE funded 30%. The remaining is shared mainly among Bevco and a few welfare fund boards," said James Joseph. According to Nagarajan Naidu, the guarantee provided by the government is a must for the company to raise further funds from institutions like KSFE.

"It will create trouble for the creditors as the anomaly of sanctioning loans without guarantee will be questioned by their internal auditors. The government needs to find an alternative plan like creating a pension fund for paying welfare pensions," said Nagarajan. As on date, there are no arrears on social security and welfare pension payment and the government has cleared payment till May.

An exclusive S.P.V. for borrowings

KSSPL was incorporated on June 26, 2018

Paid-up capital of Rs 100 crore sanctioned from state's plan fund in the 2018-19 budget

Objective: To act as special purpose vehicle (SPV) for payment of social security pension; to source fund on temporary basis from other sources; to act as umbrella body of various welfare fund boards to improve fund flow and utilisation. https://www.newindianexpress.com/states/kerala/2022/jun/29/kerala-pension-firm-borrowed-rs-32000-crore-in-four-years-2470823.html

11. A tale of Kochi's two IT parks *(newindianexpress.com)* Jun 29, 2022

KOCHI: This is the tale of Kochi's two software parks - lying close to each other. But the similarity ends there. Infopark, Kakkanad, run by the Kerala government 's IT Parks division, is fast-booming, attracting big and reputed companies to its sprawling 225-acre campus, generating jobs for hundreds of young engineers.

About 55,000 software engineers are employed at the bustling Infopark, where biggies, such as Tata Consultancy Services, Wipro Technologies, and Cognizant Technologies, have fairly large operations. When IBM recently decided to establish an Innovation Centre in Kerala, it chose Infopark. Meanwhile, the story at the 244-acre Smart City- Kochi (SCK), located just across the road from Infopark, is dismal.

To some extent, depressing. It's apparent that SCK, in which Dubai Holding owns 84 per cent stake and the Kerala government 16 per cent, is struggling. It has failed to live up to all the initial hype even 11 years after its launch. It has not only failed to attract big players but also got embroiled in a prolonged legal battle with some of its occupants, who slam the management for its lack of vision and commitment.

As per the ‘Framework Agreement’ signed in May 2007, SCK promised to create 90,000 jobs by developing 8.8 million sq ft space, of which 6.21 million sq ft specifically for IT and IT-enabled and allied services within 10 years. Though no official estimates are available, insiders say the current number of employees at SCK would not exceed 5,000.

“When conceptualised, the SmartCity-Kochi project was brilliantly showcased as a hub of ‘networking opportunities’, where the Dubai promoter offered the scope for companies in its other ‘smart cities’, such as the Dubai Internet City (DI C) and the one in Malta, to work from Kochi,” recalls a person, who was involved in the project as an SCK consultant in the initial stages.

“It gave hope to a large number of Keralites working in DIC or other parts of the globe, who would want to work from SCK for companies in Europe and West Asia. But nothing happened.” Several projects at SCK are running behind schedule. Sands Infinit - billed to be the tallest twin IT towers in south India at a height of 152m (three basements, ground + 29 floors) - was supposed to be completed by December 2020.

Promoted by Lulu Group International, the “architectural showpiece” was to create a workspace for 25,000 employees. There, however, is no update on its progress. Well, was there some scepticism within its management over the target of 90,000 jobs? A 2014 CAG report on ‘Smart City Project, Kochi’ noted differences in wordings in the memorandum of understanding (MoU) and the final Framework Agreement (FWA) on the job creation.

In the MoU, it was mentioned that DI C “undertakes” to create 33,000 jobs at SCK in phases. In the FWA, however, it said Tecom (now Dubai Holding) would “make best efforts” to create 90,000 jobs in 10 years. Notably, the penalty clause in MoU for failure to achieve job creation was removed in the FWA. In the MoU, SCK had agreed to pay a penalty of “Rs 6,000 per job as applied to the shortfall in targets at the end of five, seven, and 10 years”. It’s high time the government and Dubai Holding sat together and ironed out the issues to revive the SCK, says the consultant, who was quoted earlier. “When the project was designed, SCK was like a celeb. However, with age, one might have to make wa y for new stars. https://www.newindianexpress.com/cities/kochi/2022/jun/29/a-tale-ofkochis-two-it-parks-2470815.html

12. The curious case of under-spending by UP *(thehindubusinessline.com)* Jun 29, 2022

A CAG report reveals that the State’s spending across sectors has been below the budgeted amount in the last few years

On May 26, the government of Uttar Pradesh presented its Budget for financial year 2022-23. Projecting a total expenditure of ₹5,82,956 crore (excluding debt repayment), the size of the Budget was significantly larger (28 per cent) than the Revised Estimates for 2021-22.

A few days after the presentation of the Budget, the Comptroller and Auditor General (CAG) of India released its report on the finances of the State in 2020-21. This was the year when, owing to the national lockdown and Covid-19, Central and State governments saw a decline in revenue collections and the need for increased expenditure to support the economy.

The CAG observed that the State has been under-spending across sectors. This could be due to over-estimation of expenditure and receipts at the Budget stage over the last few years.

In 2020-21, expenditure by the State (excluding any loans and advances given by it and debt repayment) was ₹3,50,780 crore, which is 26 per cent lower than the Budget Estimate.

In sectors such as water supply and sanitation, the actual expenditure was 60 per cent lower than the amount budgeted, while in agriculture and allied activities only 53 per cent of the budgeted amount was spent.

The CAG highlighted that in 12 grants, at least 50 per cent of the expenditure was incurred in March 2021, the last month of the financial year. Further, in 251 schemes across 57 departments, the State government did not incur any expenditure.

These schemes had a budget provision of at least ₹1 crore, and had cumulative allocation of ₹50,617 crore. These included schemes such as Pipe Drinking Water Scheme in Bundelkhand/Vindhyas and apportionment of pension liabilities.

However, under-utilisation of funds has been a trend in the State, not limited to the years impacted by the pandemic. Between 2015-16 and 2019-20, the actual expenditure by the State was on average 11 per cent lower than the amount budgeted to be spent.

During the same time period, the expenditure on capital outlay fell short of Budget Estimates by an average of 13 per cent while this figure was 10 per cent in the case of revenue expenditure. This is due to the fact that salaries, pension, and interest payments form a significant part of revenue expenditure and cannot be cut in a financial year.

According to the Revised Estimates of 2021-22, Uttar Pradesh is expected to spend 11 per cent less than what was budgeted. However, the State has projected a more than 25 per cent increase in its expenditure for 2022-23.

Meeting the targets set out in the Budget would involve overturning the consistent pattern of underspending that the State has witnessed over the previous few years.

One of the reasons for lower actual expenditure could be over-estimation of receipts by the State. Uttar Pradesh's revenue receipts between 2015-16 and 2019-20 were 8 per cent lower than the budgeted figures. However, the components of the revenue receipts show some variation.

Revenue receipts

The State's own tax revenue was 8 per cent lower on average while own non-tax revenue collected by Uttar Pradesh was 48 per cent higher than the Budget Estimate stage. Between 2015-16 and 2019-20, grants from the Central government were 39 per cent lower than the budgeted figures. This could be due to over-estimation by the State, or the Central government not releasing the grants that were budgeted.

In 2020-21, Uttar Pradesh saw a revenue deficit of ₹2,367 crore or 0.12 per cent of its GSDP, after reporting revenue surplus for 14 successive years since 2006-07. The government attributed this to the unusual economic situation created by the Covid-19 pandemic. As a measure to mitigate the impact of Covid, an ordinance was promulgated in June 2020 to raise the fiscal deficit limit from 3 per cent of GSDP to 5 per cent of GSDP for the year 2020-21.

However, as a result of the under-spending by the State, it could contain its fiscal deficit in 2020-21 at 3.2 per cent of GSDP against the available limit of 5 per cent of GSDP. The CAG pegged the State's outstanding debt-GSDP ratio in 2020-21 at 32.8 per cent, which it said was higher than the target that Uttar Pradesh has set for itself at 32 per cent. According to the forecast provided by the State government in the 2022-23 Budget, its outstanding debt-GSDP is projected to remain above 32 per cent till 2024-25.

The CAG also analysed the functioning of 38 public sector undertakings (PSUs) in the State. Of these, 22 earned a profit of ₹700 crore, while 16 posted a loss of ₹7,411 crore in 2020-21. Note that both the number of PSUs incurring losses and the quantum of losses have decreased since 2018-19. In 2018-19, 20 PSUs had reported losses of ₹15,219 crore. https://www.thehindubusinessline.com/opinion/the-curious-case-of-under-spending-by-up/article65576898.ece

13. ₹800 crore go missing from AP government employees' accounts *(deccanchronicle.com)* Updated: Jun 29, 2022

VIJAYAWADA: State government employees got a rude shock on Tuesday when they realised that their GPF amounts have been withdrawn from their accounts without their knowledge.

Strangely, contrary to the earlier practice, employees did not even get the customary SMS alert about the withdrawal.

Agitated, AP Government Employees Association state president K.R. Suryanarayana has threatened to lodge a police complaint, underlining that it is an offense to withdraw money from employees' accounts without their consent.

Suryanarayana alleged that in all, ₹800 crore have been withdrawn from GPF accounts of total 90,000 employees in an unauthorised manner. "How can the accountant general (AG), who is the custodian of GPF funds, allow such illegal withdrawals," the employees' leader asked.

Inquiries reveal that the AG had uploaded the annual statements of GPF accounts on Monday night. When employees downloaded them on Tuesday, to their utter shock, they found that certain amounts had been withdrawn from their accounts by authorities concerned.

Suryanarayana confessed that ₹83,000 had been withdrawn from his own GPF account. Many employees have informed him about such withdrawals. He alleged that when they inquired, none of the agencies concerned, including finance department and CFMS, could explain how these withdrawals took place.

The employees' leader said they are going to lodge a police complaint in this regard. https://www.deccanchronicle.com/nation/politics/290622/800-crore-go-missing-from-ap-government-employees-accounts.html

14. Nalco mines-hit people boycott RPDAC meet *(dailypioneer.com)* June 29, 2022

With strong resentment, land-affected people of Chhendipada in Angul district deserted a Rehabilitation & Periphery Development Advisory Committee (RPDAC) meeting opposing non commitment of the National Aluminium Company (Nalco) authorities to provide them employment and adequate compensation.

The recent RPDAC meeting under the chairmanship of RDC Suresh Chanda Dalei discussed about the rehabilitation and employment issues arising out of the required land acquisition for the Utkal D and Utkal E coal blocks at Chhendipada. The affected people of villages like Raijharan, Nandichhod and Gopiballvapur demanded job opportunities to their family members.

But the non-commitments of the Nalco authorities to provide employment and adequate compensation to the villagers created discontentment among the people and they left the meeting. The RDC postponed the meeting after the villagers boycotted it.

Later, the affected people said they would not give their lands to the Nalco without employment opportunities and compensation. Activist and Congress leader Er Sasmita Behera said, “The profit-making PSU Nalco must take the employment responsibility of the affected people and then operate the coalmines.”

The Nalco has failed to develop the Utkal D and Utkal E coal blocks even after five long years of their allotment, seriously affecting its energy security. The Government of India allocated the two coal blocks to the Nalco in May 2016 for fuel supply to its captive power plant. The Nalco was supposed to develop the coal blocks within 44 months after their allotment.

Seven villages of Chhendipada block, namely, Nandighos, Raijharan, Kosala, Gopinathpur, Jungle, Kundajharinala and Similisahi, would be affected by coalmining. Around 700 extended families of these villages would be displaced.

“The allotted coal blocks may be developed at the earliest to ensure supply of coal to the captive power plant," the CAG had said in its report tabled in Parliament.

Previously in August 2004, the Government of India had allotted the Utkal-E coal block to the Nalco to meet the additional requirement of coal for its captive power plant (CPP) for its capacity expansion from 960 MW to 1,200 MW. However, the Nalco failed to implement the project in due time and subsequently faced cancellation of allocation of this coal block following a Supreme Court order to de-allocate 204 coal blocks across the country.

The same was again re-allotted along with another coal block (Utkal-D) to the company in 2016. However, both the captive coal blocks are yet to be developed.

The Nalco management many times stated that production of aluminium in its smelter plant was restricted keeping in view the availability of economical power from the CPP. The Mines Ministry also endorsed this view. In view of this, the CAG also previously asked the Nalco to develop the coal blocks at earliest to ensure fuel supply to its power plant. http://www.dailypioneer.com/2022/state-editions/nalco-mines-hit-people-boycott-rpdac-meet.html

15. घोटाले में फंसे MeECL का पुनर्गठन करेगी सरकार (jantaserishta.com) 28 Jun 2022

शिलांग: मेघालय एनर्जी कॉरपोरेशन लिमिटेड (एमईईसीएल) पर भ्रष्टाचार, कुप्रबंधन और केंद्रीय योजनाओं के दुरूपयोग के कई आरोप लगे हैं। इसकी सहायक कंपनियां।

मुख्यमंत्री कोनराड के संगमा ने कहा कि MeECL के अध्यक्ष और प्रबंध निदेशक के पदों को अलग किया जाएगा। सोमवार को कैबिनेट की बैठक में यह फैसला लिया गया।

MeECL में अब एक पूर्णकालिक प्रबंध निदेशक होगा जो IAS कैडर से हो सकता है, एक लेटरल एंट्रेंट या एक पारदर्शी प्रक्रिया के माध्यम से चयनित एक टेक्नोक्रेट हो सकता है।

MeECL के एमडी तीन सहायक कंपनियों - मेघालय पावर जनरेशन कॉर्पोरेशन लिमिटेड, मेघालय पावर डिस्ट्रीब्यूशन कॉर्पोरेशन लिमिटेड और मेघालय पावर ट्रांसमिशन कॉर्पोरेशन लिमिटेड के एमडी भी होंगे।

मुख्यमंत्री ने कहा कि बिजली मंत्री MeECL के गैर-कार्यकारी अध्यक्ष होंगे, जबकि तीन सहायक कंपनियों के अध्यक्ष मुख्य सचिव, अतिरिक्त मुख्य सचिव या प्रमुख सचिव होंगे।

उन्होंने कहा, "यह निर्णय लिया गया था क्योंकि एमईईसीएल को अब तक राज्य सरकार के अधिकारियों द्वारा अन्य जिम्मेदारियों के साथ प्रबंधित किया गया है और इसलिए आवश्यकतानुसार निगम चलाने पर ध्यान केंद्रित करने में सक्षम नहीं है।"

उन्होंने कहा कि सरकार एक अनुभवी टेक्नोक्रेट को पसंद कर सकती है जो एमईईसीएल के तकनीकी मामलों को समझ सके। "हम चाहते हैं कि MeECL के समग्र कामकाज में सुधार हो," उन्होंने कहा।

MeECL बड़े पैमाने पर भ्रष्टाचार और अवैधताओं के आरोपों को लेकर अब दो साल से अधिक समय से चर्चा में है, जिसके कारण तत्कालीन बिजली मंत्री जेम्स पीके संगमा को विभाग से हटा दिया गया था। उपमुख्यमंत्री प्रेस्टोन तिनसोंग के पास अब यह विभाग है।

तत्कालीन अध्यक्ष-सह-
प्रबंध निदेशक अरुण कुमार केंभवी को उनके पद से हटा दिया गया था और तत्कालीन अतिरिक्त मुख्य सचिव आरवी सुचियांग को उनके उत्तराधिकारी के रूप में नियुक्त किया गया था।

सुचियांग, जिन्हें मुख्य सचिव के रूप में नियुक्त किया गया था, को अतिरिक्त मुख्य सचिव डोनाल्ड पी वहलांग ने MeECL के सीएमडी के रूप में प्रतिस्थापित किया।

जहां बिजली की कटौती जारी है और बिजली पैदा करने वाली कंपनियां करोड़ों रुपये के बकाया भुगतान के लिए सरकार को नोटिस देती रही हैं, वहीं निगम के प्रबंधन पर घोर कुप्रबंधन का आरोप लगाया गया है।

MeECL कथित सौभाग्य घोटाले को लेकर भी जांच के घेरे में है। CAG की एक आंतरिक और प्रारंभिक रिपोर्ट में सौभाग्य के कार्यान्वयन में 149 करोड़ रुपये से अधिक की वित्तीय गड़बड़ी का पता चला था, जो केंद्र का एक प्रमुख कार्यक्रम है।

इस रिपोर्ट के पहली बार द शिलॉन्ग टाइम्स द्वारा प्रकाशित किए जाने के बाद, तत्कालीन स्वास्थ्य मंत्री एएल हेक ने कहा था कि "आग के बिना धुआं" नहीं हो सकता है।

स्मार्ट मीटर की पहल भी जांच के दायरे में है। गलत कामों के बढ़ते आरोपों के बीच, राज्य सरकार ने 29 जुलाई,
2021 को इलाहाबाद उच्च न्यायालय के न्यायमूर्ति (सेवानिवृत्त) आरएन मिश्रा को MeECL में कथित भ्रष्टाचार की जांच का नेतृत्व करने के लिए नियुक्त किया।

इस साल 29 मार्च को मुख्यमंत्री को जांच रिपोर्ट सौंपी गई थी, लेकिन रिपोर्ट अभी तक सार्वजनिक नहीं की गई है। https://jantaserishta.com/local/meghalaya/government-to-reconstitute-meecl-trapped-in-scam-1335832

16. आडिट टीम ने स्वास्थ्य सेवाओं की मरीजों से जानी हकीकत *(jagran.com)* 29 Jun 2022

उन्नाव: प्रयागराज से आयी सीएजी की चार सदस्य टीम ने मंगलवार को महिला जिला अस्पताल में लगभग तीन घंटे रहकर मरीजों से अस्पताल में मिलने वाली स्वास्थ्य सुविधाओं की हकीकत के संबंध में जानकारी ली।

प्रयागराज से आई टीम में शामिल गनेश प्रसाद, विवेक, अवनीश और सजल ने महिला अस्पताल ओपीडी में लगभग तीन घंटे रुक कर डाक्टर को दिखाने वाली महिलाओं से अलग-अलग सवाल स्वास्थ्य सुविधाओं और उनसे वह कितना संतुष्ट हैं इसकी जानकारी जुटाई। महिलाओं में कई ने

बाहर से भी अल्ट्रासाउंड आदि जांच कराने की जानकारी दी। आडिट टीम ने निश्चित प्रोफार्मा के अनुसार महिला मरीजों से सवाल किए और उनके जवाब को नोट किया । टीम का नेतृत्व कर रहे गनेश प्रसाद ने कहा कि रिपोर्ट सार्वजनिक करना संभव नहीं है। कार्यकारी सीएमएस डा. रानीबाला ने कहा कि टीम स्वयंमरीजों से अलग बात कर रही है। https://www.jagran.com/uttar-pradesh/unnao-audit-team-learned-the-reality-of-health-services-from-patients-22846301.html

SELECTED NEWS ITEMS/ARTICLES FOR READING

17. What next for GST? *(financialexpress.com)* June 29, 2022

The GST journey is now five years old. During this period, revenue growth has gone up and down, creating misgivings about the efficacy of the tax reform. A more detailed analysis shows that the buoyancy of revenue in the first year was 1.12, but tapered off later on due to the combination of factors like rate reduction, technical glitches in the GSTN system, and Covid-19's impact on the economy.

However, the latest revenue trends give room for optimism. The GST revenue as a proportion of the GSDP rose from 5.8% in FY21 to 6.4 % in FY22. This ratio would have been 7.4% if we had to factor in the 3-percentage-point reduction in the incidence of GST, which would translate into a 1-percentage-point drop in the GST-GSDP ratio, according to a recent article on the subject by Arvind Subramanian and Josh Felman.

The fact that we are seeing a surge in GST revenues despite a drop in the incidence of GST duties demonstrates the effectiveness of the compliance measures taken by the government, such as allowing input credit only on tax invoices uploaded to the system by the supplier, the introduction of the system of e-invoice for those with the annual turnover above `2 million, and introduction of e-waybill for the transporters.

Further, data sharing between the two tax departments—CBIC and CBDT—has contributed to better coordination in the enforcement efforts.

The next surge in revenues would critically depend on the rationalisation of GST rates so that the revenue neutral rate of 14.8 % prevalent pre-GST is restored. This would require a 3-percentage-point incidence increase from the present level of 11.8%.

The Bommai Committee report is therefore important in carrying out the rationalisation exercise, which must be done in a manner that minimises inflationary pressures. This would perhaps require bringing down the standard GST rate from the present level of 18% to 16%, but this drop has to be compensated by phasing away exemptions, raising the merit rate of 5% and merging the 12% rate with the standard rate.

The time has also come to look at widening the GST base, as suggested by the Kelkar committee. As far as inclusion of petroleum is concerned, with oil prices ruling high, this may not be the appropriate time to bring petrol and diesel under the GST net. In the first round, we could bring natural gas and aviation turbine fuel (ATF) into the GST base. The natural gas is mainly an intermediate input while bringing ATF and levying the standard rate will help the aviation industry, which is still reeling under the impact of the Covid crisis.

Land and real estate could be brought into the GST without abolishing stamp duty as state revenues would be affected. This could be done without any amendment of the Constitution by treating the right to use land and supply of real estate for commercial/residential use as Deemed Service. This may not yield additional GST revenue because the output revenue would be offset by input credit on cement and steel. However, the measure will bring greater transparency in the land market and perhaps generate some revenues on the direct tax side. This could be one more arrow in the government's armoury to battle the black money menace. Finally, bringing in electricity into the GST will confer many benefits, including evaluating the true level of tax subsidies on various forms of input energies used in the generation of electricity-coal, gas and other renewables.

In carrying the GST reform forward, it is important that states are consulted and a broad consensus is generated. Refreshingly in the past, all decisions except one were taken unanimously in the GST Council. In order to generate greater confidence in the Council, the states must be administratively empowered.

As suggested by Subramanian in the recent article, the GST Council sessions may be chaired by the Union finance minister and one of the state finance ministers selected by rotation. The GST secretariat would administratively service both Union and state finance ministers chairing the session. Further, federal institutions like the inter-state council need to be revived and must meet more often to discuss national issues.

In conclusion, the GST reforms must be successfully completed; cooperative federalism will need to prevail, and both the Centre and the states will have to play their part. https://www.financialexpress.com/opinion/what-next-for-gst/2575850/

18. Why states must prepare for life without GST compensation *(moneycontrol.com)* 29 June 2022

As India's goods and services tax (GST) completes five years, several states have demanded continuation of GST compensation beyond June 30.

At the time of introduction of GST in 2017, the constitutional amendment provided for compensation to states for five years for revenue lost. The GST Compensation to States Act provided for release of compensation based on 14% year-on-year growth.

While Rs 3 lakh crore compensation was released to the states in the first three years of GST implementation, the collections dropped sharply over the last couple of years as government finances came under extreme stress due to the coronavirus pandemic and the ensuing economic disruption.

Recently, geopolitical turmoil and rising inflation have also made macroeconomic conditions tougher.

To make up for the shortfall in GST compensation cess revenues, the Centre borrowed Rs 1.1 lakh crore in 2020-21 and Rs 1.59 lakh crore in 2021-22 and passed this on to states.

The GST compensation cess, levied on sin and luxury goods like tobacco, coal and cars, has been extended until March 2026 to repay GST related borrowings.

Why states need the funds and the Centre cannot pay

Several states are likely to find their finances in dire straits as the GST compensation ends. It stands to reason they would want the compensation to continue. After all, it was the promise of the compensation — 14 percent year on year growth — that had brought them on board with the GST regime in the first place.

The stressed balance sheets of several states have worsened since the pandemic hit, leaving them reliant on the GST compensation funds.

At an aggregate level, states stand to face a shortfall of over Rs 1 lakh crore in revenue per year after the compensation ends.

Meanwhile, New Delhi's fiscal position is also stressed — it has to pay burgeoning food and fertiliser subsidies and also take a revenue hit from the cut in fuel taxes.

To be sure, the Centre is not obligated to foot the GST compensation bill. The GST compensation cess was supposed to pay for the compensation to states, not the Centre. While the cess levy has been extended until March 2026, the proceeds will only go towards repayments on GST borrowings.

No resolution in sight

While compensation is the biggest issue that the GST Council's meeting will tackle on June 29, there is little hope of a consensus.

GST cess rates, which are already at very high levels, cannot be raised. Cess can also not be levied on more items given the current inflationary pressures.

The only other option for the council is to extend the imposition of the cess beyond 2026, further complicating the structure of the indirect tax regime.

For now, it seems that the notional loss that states incur from July 1 can only be met by better compliance and tweaking the tax rates. States must get ready to take a hit. https://www.moneycontrol.com/news/business/economy/why-states-must-prepare-for-life-without-gst-compensation-8753721.html

19. Disingenuous Narratives on Defence Pensions – by Govt and Analysts – Need to Be Tackled *(thewire.in)* 29 June 2022

Irrespective of the government's motivations behind the Agnipath scheme, the linkage between the rising pension expenditure and somewhat moderate outlays for operations and force modernisation is undeniable.

One of many debates triggered by Agnipath, the Union government's "ill-conceived" scheme to recruit soldiers, or Agniveers, for a four-year Tour of Duty in the armed forces, concerns its 'sobering' effect on the soaring defence pensions budget.

There are few takers for the official line that the induction plan is centred on imparting a youthful profile to the armed forces and concomitantly enhancing the employability of the demobilised youth thereafter in the Central Para Military Forces and the public and private sectors. The vehement official protestations that the Agnipath scheme was in no way motivated by financial considerations is, in a sense, nothing but smoke and mirrors.

However, whatever the motivation for the government taking this contentious step, the linkage between the rising expenditure on pensions, and somewhat moderate outlays for operations and force modernisation, each of which is separately budgeted, is undeniable.

Of these three major defence budget components, pensions are the first to catch the eye because of their spiral increase, some 16-fold, from a modest Rs 7,348.65 crore in the Financial Year (FY) 1999-2000 to Rs 1,19,696 crore in the current fiscal. This is likely to increase even more rapidly due to the pension enhancement of all retirees every five years under the one-rank-one-pension (OROP) scheme initiated by the BJP-led government that assumed power in 2014.

In the corresponding period, the capital budget, which caters for the acquisition of military equipment and platforms and all round capability upgrades, increased 12.5-

fold from Rs 12,229.68 crore to Rs 1,52,369.61 crore. However, unlike the pension budget which has been steadily escalating to keep pace with the increasing pension pay outs, the capital outlay invariably falls short of the requirement. For the current fiscal it is Rs 63,328.38 crore less than what the services had demanded to enhance their operational capacities.

The gap between the money demanded by the services for their overall revenue and capital expenditure and the eventual budgetary allocation has persisted for long, increasing from Rs 23,104.43 crore in FY 2010-11 to Rs 1,01,678.19 crore this year. According to the 15th Finance Commission report of November 2020, the overall gap in capital outlay over the next three financial years could be a formidable Rs 9,87,470 crore.

The crisis surrounding the revenue budget, spent on salaries, maintenance of equipment and expanding overall infrastructure, and assorted procurements ranging from rations and clothing to ammunition and diverse ordnance, too is equally dire.

The revenue allocation for the current year, for instance, is Rs 37,438.88 crore less than the requirement projected by the services; its cumulative shortfall over the next three years is expected to be around Rs 4,59,979 crore, a situation which portends serious consequences as the Indian military's responsibilities multiply along its western and norther borders where it is locked in a standoff with the Chinese since May 2020.

In the face of such overwhelming hurdles caused by the successive governments' inability in meeting the services' fiscal requirements, it is somewhat disingenuous for the armed forces to maintain that money is of little or no consideration to them. In fact, Lieutenant General Anil Puri, officiating head of the Department of Military Affairs (DMA) had recently declared in a television interview with NDTV that it was the government's – and not the armed forces' – responsibility to provide money for national security, forgetting that the DMA is now a part of the government. Hence, he stated that Agnipath had nothing whatsoever to do with any potential savings on pensions, which Lt General Puri's late boss, Chief of Defence Staff General Bipin Rawat, had iterated could be diverted to meet the forces' capital and revenue needs.

'Bypass' arguments disingenuous too

It is also equally disingenuous for senior retired veterans and defence analysts to argue that these financial challenges can be overcome or bypassed by simply shifting pensions out of the defence budget to the civilian pensions budget managed by the Ministry of Finance (MoF).

They self-servingly assume that the amount allocated for defence pensions will continue to accrue to the armed forces to buttress their procurement and revenue budgets while their pension liability will be borne by the MoF from a separate kitty.

To cut the clutter, the expectation is that if such a course is pursued, the armed forces' allocation will go up by 20-22% which presently averages the pension budget in the overall outlay of the Ministry of Defence (MoD). The officers advocating this line of action disregard the fact that whether the defence pensions are costed as part of the defence budget or the civilian budget, the money emanates from a common source: the Consolidated Fund of India (CFI) or more prosaically, the national kitty.

The CFI is the principal account into which flow all receipts from taxes, borrowing and disinvestment, amongst others, and from which all governmental expenditure is met. Therefore, it is obvious that unless taxes and other incomings increase, the government remains helpless in allocating additional funds, not just for defence, but for multiple other sectors too, like health, education, infrastructure development, employment generation, and agriculture and several others, which are critical factors in the overall national defence.

The age-old problem of supply and demand is the fundamental crux of the problems.

And though it is true that the armed forces, like all the other organs of the state, are not responsible for solving India's economic conundrum, it is futile for veterans and armchair warriors to offer inane solutions via television news channels and newspaper columns to a complex problem. Fundamentally, only overall economic development and increased revenue can boost the government's ability to allocate larger sums to the MoD.

The financial crunch faced by the armed forces is not only due to their pension liability; expenditure on salaries of servicemen and defence civilians too merits attention as it accounts for a large proportion of the revenue outflow, accounting for around 66.94% in the FY 2022-23. Going by some veterans' logic of de-linking pensions from the defence budget, servicemen salaries too should be similarly hived off to a separate account.

In recent years, dispassionate discourse over the MoD's outlays has given way to acrimonious and outlandish accusations that civilians garner a major share not only of salaries but also of pensions. It will indeed come as a surprise that in FY 2022-23 all defence civilians working in shipyards, base workshops, repair depots and the like, who receive their remunerations from the armed forces' budget account for no more than 9% of the total salary bill.

As for pensions, it is difficult to explain how 6-odd lakh defence civilian pensioners accounted for a larger share of the pension's budget than 27-odd lakh military pensioners. This sensational parable that has gained currency across social, electronic and print media needs dispelling and rectification.

Be that as it may, the talk about excluding pensions from the ambit of defence expenditure flies in the face of a globally accepted practice. According to the Stockholm International Peace Research Institute (SIPRI) military expenditures in most countries for which it compiles the data every year includes pension liabilities. In fact, in its computations, SIPRI also includes expenditure on 'defence ministries and other government agencies engaged in defence projects' and 'paramilitary forces, when judged to be trained and equipped for military operations'.

Paradoxically, while Indian military veterans castigated the government for allocating merely 1.45% of the Gross Domestic Product (GDP) to the armed forces in the FY 20-21 budget, SIPRI placed New Delhi's defence outlay for the corresponding year (2020) at 2.9% of the GDP. This made it just 0.1% shy of the desired 3% mark these veterans considered ideal for spending, and exactly double of local estimates. https://thewire.in/government/agnipath-defence-pensions-narrative-tackle

20. Armed Forces Start Fresh Process to Buy Over 4,800 Sniper Rifles with 78 lakh Rounds of Ammunition *(news18.com)* JUNE 28, 2022

The Indian Armed Forces have initiated a fresh process to buy over 4,800 sniper rifles at a cost of more than Rs 450 crore after the defence procurement board last month accorded the Acceptance of Necessity (AoN) for the procurement.

In a Request for Information (RFI) published on Tuesday, the Army said that around 4,800 .338 sniper rifles with telescopic sight will be procured under the "Buy Indian" category along with 78 lakh rounds of ammunition.

As per defence sources, around 4,500 sniper rifles will go to the Army, over 200 to the Indian Air Force and the rest to the Navy.

As per the RFI, the new sniper rifles will use the .338 Lapua Magnum ammunition and will have a range of 1,200 metres or more.

They should have a service life of minimum 10 years or 5,000 rounds and the ammunition should also have a shelf life of 10 years

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The RFI states that the Request for Proposal (RFP) for the procurement would be tentatively issued by September this year.

LATEST ATTEMPT

The recent RFI marks the latest attempt of the defence forces to buy the long-range weapon.

Amid increased threats of sniper attacks, particularly at the Line of Control, and to gain a tactical advantage over the enemy from a distance, the Army has been trying to get new advanced sniper rifles for the past five years to replace the ageing Soviet-era 1963 vintage Dragunov sniper rifle, which is in use with the Army since the 1990s.

In 2018, the Defence Acquisition Council headed by defence minister Rajnath Singh had cleared the purchase of 5,700 high-precision sniper rifles at an estimated cost of Rs 982 crore under the “Buy Global” categorisation. The defence ministry had then said their ammunition will be subsequently manufactured in India.

A RFP for the purchase of 5,700 sniper rifles floated subsequently was scrapped in June 2019 due to lack of enough responses from firms, who could manufacture their ammunition as well, and after the technical evaluation committee declared the vendors as non-compliant.

WHY REQUIREMENT WAS REVISED

Fuelled by increasing threats of sniper attacks at the Line of Control (LoC), the Northern Command in 2019 — using the Commander’s special financial powers — procured two new sniper rifles in limited quantities.

This included the Barrett M95 .50 BMG from the United States and Beretta Victrix Scorpio TGT from Italy, with .338 Lapua Magnum cartridges.

Subsequently, the Army also made an emergency procurement of limited quantity of the Finnish Sako .338 TRG-42 sniper rifles last year. The rifles have already been inducted by the snipers at the LoC.

While the latest RFI seems like a cutting down of the initial requirement of 5,700 sniper rifles to 4,800, defence sources said that a revision of the requirement was carried out after specific quantities of various advanced sniper rifles were bought under emergency routes and by way of using special powers.

“The requirements were revised after some other advanced sniper rifles were inducted in the interim period. As the troops have been using .338 Sako sniper rifles, the latest RFI decided to go with the same requirement,” a source said.

The source added that the range of the Dragunov sniper rifles, which uses a 7.62×54 mm rimmed cartridge, is 600-800 metres. “The new sniper rifles will have a range over a kilometre,” the source added.

Sources said the requirement of the sniper rifle also stemmed from an increased requirement of high-precision long range weapons, especially for counter-insurgency and counter-terror operations.

“The weapons can deliver a lethal blow on the enemy by surprising him, while letting the sniper remain anonymous and also without escalating tensions,” the source quoted above said. https://www.news18.com/news/india/indian-armed-forces-initiate-fresh-process-to-buy-over-4800-sniper-rifles-with-78-lakh-rounds-of-ammunition-5456311.html

21. Indian coal ministry seeks help from World Bank to re-purpose abandoned mines *(moneycontrol.com)* JUNE 29, 2022

India's coal ministry said on Wednesday it sought assistance from the World Bank and other global institutions for re-purposing its abandoned coal mines to make them environmentally stable and suitable for commercial purpose.

Indian officials are rushing to make more coal available for utilities as shortages in the July-September quarter are forecast to be wider than initially estimated due to expectations of high power demand. https://www.moneycontrol.com/news/business/economy/indian-coal-ministry-seeks-help-from-world-bank-to-re-purpose-abandoned-mines-8755461.html

22. RBI Paper Misinterpreting Reality, Kerala’s Public Spending Actually Fuelling Development, Say Experts *(newsclick.in)* 28 Jun 2022

A study paper titled, ‘State Finances: A risk analysis' published in the Reserve Bank of India's (RBI) monthly newsletter has rung alarm bells over the financial status of a few states. The study was made at the outset of the crisis in Sri Lanka and has focussed on the financial status of the state governments and not of the country.

The report has identified five states to be highly stressed, namely Bihar, Kerala, Punjab, Rajasthan and West Bengal. The authors present the analysis based on fiscal vulnerability, debt sustainability and risk identification.

The finance minister of Kerala has rejected the observations made in the report as baseless while pointing out the lack of study on ground realities.

A major observation made in the analysis on the growth rate of the gross state domestic product (GSDP) being higher than the real rate of interest of the debt seems to be neglected while listing the state as highly stressed.

In the case, except Bihar, which is ruled by an ally of the Bharatiya Janata Party (BJP), the other four states are ruled by non-BJP parties demanding reconsideration of revenue share between states and centre.

The interpretation of revenue expenditure being high has been rejected since the state has a record of efficient spending. The notion of putting pensions, welfare measures and loan waivers as undesirable freebies based on the neo-liberal viewpoints has also attracted criticism.

REJECTING REALITIES

The state of Kerala has faced two devastating floods in 2018 and 2019, leading to massive destruction of infrastructure, not faced by any other states under study in the paper, which needed a massive infusion of funds by the state government. This was followed by the COVID-19 pandemic leading to a slowdown in the economy.

"Kerala has faced multiple strains during the recent years(2017-18 to 2021-22), including the floods and the pandemic. The implementation of the goods and sales tax (GST) and the seventh pay commission has also increased spending, while income has shrunk, which has not been considered by the authors," said Siddik Rabiyath, faculty of Economics at the University of Kerala.

The finance minister KN Balagopal was referring to these factors while rejecting the claims made in the report on the finances of the state. The factors leading to the reduction in income are not purely internal, including the implementation of the demonetisation, which choked the rural economy to a large extent.

The own tax revenue of the state increased until 2017-18, although marginally, but started to fall due to the implementation of GST and other spending needs.

"The central funds' transfer amounts to only 35%, while the state spends more from its own tax revenue. Only because of the intervention of the state government in crucial sectors like health and education, it excels in several human development indices (HDI)," Siddik said.

INCREASE IN DEVELOPMENTAL EXPENDITURE

The paper has pointed out that the revenue expenditure is high at 90.8% of the total expenditure, with the committed expenditure as a ratio of revenue expenditure being estimated at 38.8%. The authors have concluded that the share of developmental expenditure is considerably low.

Subin Dennis, a researcher with the Tricontinental Institute of Social Research, rejected the notion of categorising pensions as a non-development expenditure.

“Spending towards salaries for public education, public health and economic services are considered development expenditure, while the pensions are categorised as non-development expenditure,” he said.

The development expenditure of Kerala has increased and is high compared with the pre-COVID-19 period.

“The government of Kerala has created around 15,000 to 17,000 jobs in the health sector, along with the increase in allocation for higher education facilities. The state has made rapid strides on these sectors, which are not being considered by the authors,” said Siddik.

While pointing to the increasing spending on infrastructural development and other key areas, Siddik said, “You cannot disjoint development and expenditure. The state is developing on multiple fronts only because of the increase in spending. It's quite natural for the committed expenditure to go up.”

Branding extending welfare measures, including cash transfers, farm loan waivers and interest-free loans, as undesirable freebies have invited wrath.

“This is a deeply flawed and neo-liberal view. Many political parties have been demanding more cash transfers and interest-free loans to overcome the impact of the pandemic, which is absolutely necessary,” Subin said.

Referring to the subsidies and freebies, Siddik noted that the steps taken by the Left and Democratic Front (LDF) government in Kerala excelled in keeping its population hunger-free throughout the pandemic.

"Every single household was a beneficiary of the food kites distributed, which saved the population from starving. The government has done its duty to save its people, for which you need to spend money. Categorising this as freebies or subsidies cannot be accepted," he said.

IMBALANCE BETWEEN CENTRE AND STATE SPENDING

The imbalance of income and expenditure between the states and union government has neither been considered in the paper before drawing conclusions on debts and deficits.

“As per the 15th finance commission report, 62.7% of the total receipt goes to the union government, while 62.4% of the expenditure commitments are borne by the state governments. This has been exacerbated by the implementation of the GST, leaving the states with limited powers to set tax,” Subin said.

The authors have listed Kerala, Rajasthan and West Bengal as surpassing the 15th finance commission's targets for debt and fiscal deficit in 2022-23.

"Had Kerala not suffered from the impacts of the floods and pandemic, the revenues would have been higher. The contractionary policies followed by the Union government also affected the growth prospects of the states. Much greater devolution of funds to the states is essential to redress the financial stress," said Subin.

Despite all the limitations, the state of Kerala is moving ahead with developmental activities which are highly appreciated and recognised by the government of India.

“The question of sustainability and vulnerability hyped in the paper is not a concern as Kerala is marching ahead and is not staying behind. Several indices of the state are on par with developed countries only due to public spending, which the state must continue to do,” Siddik said.

He also took exception to the decision of the RBI to publish the paper in its newsletter, on which many depend for firsthand information.

"The paper tries to vindicate the state for the economic stress instead of focussing on the policies pursued by the union government. The further actual data being misinterpreted based on the neo-liberal policies warranting states to stay away from spending is illogical. You cannot stop spending on essentials from reducing the debt', said Siddik. https://www.newsclick.in/RBI-Paper-Misinterpreting-Reality-Kerala-Public-Spending-Actually-Fuelling-Development-Experts