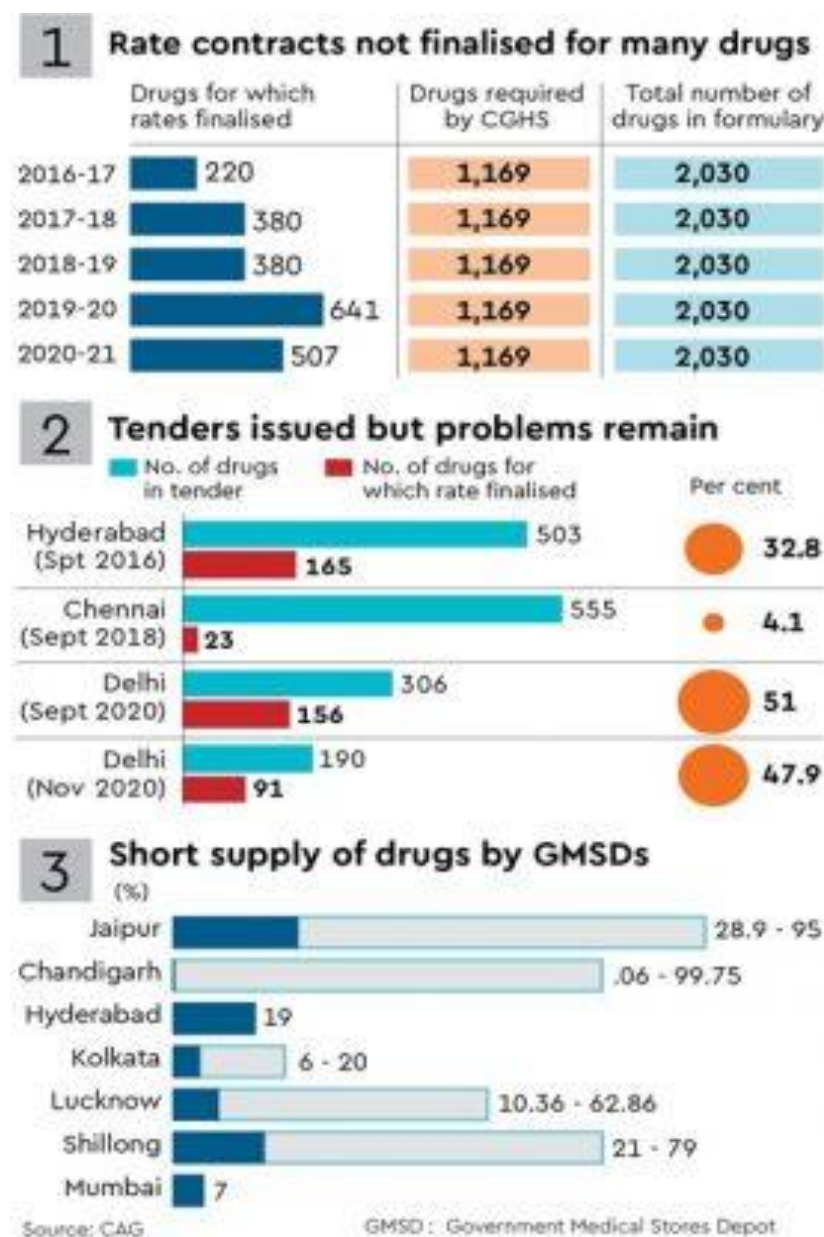


# NEWS ITEMS ON CAG/ AUDIT REPORTS (17.08.2022)

## 1. **Wracked by deficiencies** ([financialexpress.com](https://www.financialexpress.com)) August 17, 2022

The Central Government Health Scheme (CGHS) suffers from many ailments, the Comptroller and Auditor General (CAG) of India has pointed out. The CGHS drug formulary hasn't been updated to include new drugs prescribed by doctors, and thus the procurement of these under the scheme didnot happen between 2016 and 2022. Wellness Centres therefore had to purchase them from local chemists at higher rates. Of the 2,030 drugs listed in formulary, the Medical Store Organisation (MSO) finalised rate contracts for just 220-641 during 2016-17 to 2020-21.



The finalisation of rates was very low in the tender enquiries issued for rate contracts by MSO. <https://www.financialexpress.com/opinion/wracked-by-deficiencies/2632519/>

## **STATES NEWS ITEMS**

**2. CAG unearths land scam in Haryana worth ₹182.56 crore; prime forest area sold to private developer ([thehindubusinessline.com](http://thehindubusinessline.com)) Aug 16, 2022**

**CAG recommends action against Godavari Shilpkala Private Ltd and state officials**

The Comptroller and Auditor General (CAG) of India has unearthed a major land scam in Faridabad (Haryana) adjoining Delhi where illegal construction of a multi-storied building was allowed on a protected and notified prime forest land for selling office spaces valued at ₹182.56 crore.

In its latest report tabled in Haryana assembly, the CAG said the Municipal Corporation of Faridabad allotted land notified under Punjab Land Preservation Act (PLPA), 1900, which is preserved and protected with prohibitions of non-forestry activities, to private real estate company Godavari Shilpkala Private Ltd.

The 9.43 acres of land was bought by the company in two attempts of 5.5 acre and 3.93 acre, respectively. It was developed under the name “Pinnacle Business Tower”.

“Audit observed a trail of illegalities starting from the land allotment to the developer by the MCF (Municipal Corporation of Faridabad) in the PLPA notified area; abetted through sanction of building plans for commercial office space in contravention to the CLU agreement; facilitating through issuing of forest NOC on the PLPA notified area by an officer not authorised to do so and culminating into illegal execution of conveyance deeds at the officer of the sub-registrars, Faridabad and Badkal,” the CAG summed up on the gross irregularities committed to benefit a private firm.

Considering the seriousness of the attempt to usurp forest land, the CAG recommended the Haryana government to take action against the developer and public servants. It also suggested the auditors recover the compensation amount from the developer and officials pay the investors.

Last month, the Supreme Court had rejected Haryana government to amend the PLPA since the legal framework protected the Aravalli range, which is key to environmental protection in the Delhi’s satellite town of Gurugram and nearby areas.

### **Tracing the roots**

The real estate developer got a no-objection certificate for change in land use by director of Town and Country Planning, Faridabad on March 12, 1992. This was for the 5.5 acres or 44 kanals of land stretch situated in Lakkarpur village, Surajkund of Faridabad. Subsequent to change, it was to be used for “recreational, cultural and hotel complex,” but the land was categorised originally in revenue records as “non-cultivable hills, said the CAG.

Two years later, in November of 1994, Godavari Shilpkala requested for allotment of additional 3.93 acre parcel of land, which was stretched in three pieces adjoining the 5.5 acres, for the purpose of “parking, landscaping and expansion of 5 star hotel”.

In May 1995, after approval from the state government, the MCF allotted the land at ₹20 lakh per acre along with additional external development charges, despite documents not being given to auditors.

“Though the change in land use clearly stipulated the site shall not be sub-divided under any circumstances, the building plans were sanctioned by the MCF and also granted Occupation certificate in contravention of the terms of allotment,” the CAG noted indicting the then Haryana administration.

The allotment and CLU for 3.93 acre did not permit construction but the developer’s mutli-storied building plan was illegally sanctioned by the MCF on November 6, 2007 for a period of two years. The occupation and completion certificate for a 16-storey tower having nine floors for commercial offices, three for halls and two for car parking above the ground, apart from basement, was given by the MCF on April 7.

The auditors computed the value to ₹ 182.46 crore, after putting together rates per square feet for commercial spaces notified by the authorities.

The conveyance deed was executed on August 28, 1995, despite it being illegal, insisted the auditors. The zoning plan of the complete CLU 9.43 acre was issued on November 19, 2006 by the MCF commissioner- allegedly ignoring the laid down laws.

### **Unravelling the scam**

The CAG report points out another attempt by the MCF to hoodwink the law process. On complaints of illegal conveyance deeds in December of 2020, a district municipal commissioner issued show cause notice to the developer on March 25, 2021. In the absence of any reply, the commissioner ordered the sealing of the Pinnacle Business Tower due to contraventions in the use of land, subdivision of land, and illegal sale of building.

To the surprise of the CAG, when the audit party carried out a joint physical verification of site along with MCF officials on December 2021, they found that Pinnacle Business Tower was not sealed, according to the report.

After examining 40 conveyance deeds and other records of sub-registrar offices at Badkhal and Faridabad, the auditors realised that three of them were not even signed. Similarly, there was no reference to subdivison of land, which was another shortcoming allowed to pass off by the officials.

“The enforcement wings at the MCF as well as the department of town and country planning had not taken any action against the illegal construction carried out for a period more than nine years,” said the auditors.

Top Haryana government officials, such as principal secretaries of urban local body departments, the forest department, and the financial commissioner of the revenue department defended previous

decisions. <https://www.thehindubusinessline.com/news/real-estate/cag-unearts-land-scam-in-haryana-worth-18256-crore-prime-forest-area-sold-to-private-developer/article65774355.ece>

### **3. Rs 7,500-crore Vizhinjam seaport: Wary of losing livelihood, dwelling area, fishermen begin sit-in at Adani project site ([indianexpress.com](https://www.indianexpress.com)) Updated: August 17, 2022**

Fishermen opposing Adani Group's Rs 7,500-crore under-construction Vizhinjam international seaport firmed up their stand on Tuesday as hundreds of them laid a siege to the main entrance of the project site.

Fishermen, under the leadership of Catholic archdiocese of Thiruvananthapuram, have been opposing the project, alleging that it has triggered massive sea erosion, leading to loss of livelihood and dwelling area. The Church has stepped in to lead the agitation as fishermen belong to the Latin Catholic community.

Starting from Tuesday, the fishermen under the archdiocese have decided to go for a round-the-clock sit-in at the main gate of the Adani Ports and SEZ Pvt Ltd till August 31.

Archdiocese Vicar-General Fr Eugene H Pereira said the project will spell doom for the fishermen community in the coastal belt of Southern Kerala. "Over the years, fishermen had been deprived of the coast in the guise of development. Fishermen are called Kerala's own army. Now, these people are fighting for their survival. Both ruling and opposition fronts have shady dealings with the Adani group. The government should hear our voice and address this matter of livelihood and survival," he said.

The priest said 300 fishermen families lodged in shelters don't have basic facilities. "Since the construction of the port began in 2015, about 50 acres of seashore have been reclaimed. The rehabilitation has remained on paper. The port construction should be suspended and a scientific study should be held to know the fallout of the project," he said.

Kerala Ports Minister Ahamed Devarkovil said the government is ready for talks with the protesters. "External elements are behind the agitation, not the people of Vizhinjam. The sea erosion is not only due to the construction of the port; changing climatic conditions are also contributing to the crisis. However, we are ready for talks with the agitators," he said.

In 2015, the then Congress government had inked the Vizhinjam project deal with the Adani Group. The company had promised to complete the project within 1,000 days. The deadline was later extended to September 2023. Last month, the government told the Assembly that acute shortage of boulders for the construction of breakwater had hit the project. The developer could source only 40.23-lakh tonnes of granite so far, which is 46 per cent of the total requirement, the government had said.

A CAG report tabled in the Assembly in 2017 said the concession agreement conditions were not favourable to the state government. "Out of a total project cost of

Rs 7,525 crore, the Adani Group needs to invest only Rs 2,454 crore. The rest of the cost would be borne by the state and the central governments,” it had pointed out.

The CAG said while the standard concession period for public-private partnership projects is 30 years, in the Vizhinjam project, the concessionaire was given another 10 years, which will help Adani Group in reaping an additional revenue of Rs 29,127 crore. <https://indianexpress.com/article/cities/thiruvananthapuram/crore-vizhinjam-seaport-losing-livelihood-dwelling-area-fishermen-adani-project-8094153/>

#### **4. When Liability Admitted, Arbitration Clause Is Not a Bar to Entertain Writ Petition: Patna High Court ([livelaw.in](https://www.livelaw.in)) Aug 16, 2022**

The High Court of Patna has held that arbitration clause is not a bar to the maintainability of a writ petition when the liability to pay is not disputed by the respondent.

The Division Bench of Justice Chakradhari Sharan Singh and Justice Madhresh Prasad held that once the liability to pay is admitted by the respondent, there remains no dispute that can be referred to arbitration, therefore, the arbitration clause would no longer be a bar to the writ petition.

The Court further held that in contractual matters, the payment to a party cannot be denied merely because the CAG has made adverse observations regarding the necessity of the work.

#### **Facts**

The parties entered into an agreement dated 18.03.2008 whereby the petitioner agreed to carry out certain anti-erosion works. The work was completed and the petitioner was given a Completion Certificate. A dispute arose between the parties when a part of the total consideration was withheld by the respondent. The petitioner was directed to place its claim before the Liability Committee of the respondent. The committee, after examining the claim of the petitioner, sanctioned the payment of withheld balance.

Thereafter, the CAG in its annual report stated that the expenditure incurred on the project work is futile. Consequently, the remaining payment to the petitioner was not made due to the comments made by the CAG and the State Government prepared a report justifying the execution of the work. The matter has also been placed before the Public Accounts Committee of the Legislative Assembly to delete the observations of the CAG

Aggrieved by the non-payment, the petitioner filed the Civil Writ petition praying for a direction to the respondent to pay the balance amount to it. The respondent also filed its counter-affidavit, it raised certain objections, however, it did not dispute its liability to pay.

#### **The Objections Raised By The Respondent**

The respondent objected to the maintainability of the writ petition on the following grounds:

- The petitioner has filed the present petition after a delay of 13 years after the payment became due, therefore, the petition is time barred.
- There is an arbitration clause in the agreement between the parties, therefore, any dispute or grievance of the petitioner shall only be submitted to the arbitration.
- The CAG report is pending before the PAC of the Legislative Assembly, therefore, in view of Article 212 of the Constitution of India, the same subject matter cannot be decided in the High Court.

#### Analysis By The Court

The Court rejected the objection of the respondent regarding the delay in the filing of the petition on the ground that in its counter-affidavit it has stated that any decision on the payment to the petitioner would be taken after the PAC takes a decision on the CAG observations regarding the project work, therefore, the respondent itself has held the issue to be an alive matter.

The Court also rejected the argument of the respondent that writ is not maintainable since there is an arbitration clause in the agreement. The Court held that the Liability Committee as well as the respondent in its counter-affidavit have admitted the amount as due, therefore, once the amount is held to be due no dispute remains that can be referred to arbitration.

The Court further rejected the objection regarding the bar under Article 212. The Court held that it is not questioning any proceeding of the Legislative Assembly. It further held that the respondent itself requested the PAC to delete the CAG's observation regarding the subject work, therefore, it cannot be allowed to deny the payment on this ground as the respondent cannot be allowed to blow hot and cold at the same time.

The Court further held that the liability of the respondent to pay the petitioner is independent of the observations made by the CAG regarding the project work. The Court held that it was respondent's decision to invite tenders for the said work and once the petitioner has executed the work, it cannot be denied payment merely because the CAG has made some adverse observation regarding the necessity of the work done.

Accordingly, the Court allowed the petition and directed the respondent to pay the balance amount to the petitioner within 3 months. <https://www.livelaw.in/news-updates/patna-high-court-arbitration-clause-writ-petition-206662>

### **5. Experts see a method in RJD leaving finance for JD(U), swapping for education ([hindustantimes.com](https://www.hindustantimes.com)) Aug 16, 2022**

In the first cabinet expansion of Nitish Kumar-led Grand Alliance (GA) government on Tuesday, two significant things have happened, and they directly point to the challenges before the new dispensation, which will have the pressure of keeping its promises, especially on the job front.

First, Kumar's JD-U has parted with the education department for the first time. It is one portfolio that always remained with the party since it came to power 2005 and despite criticism over rapid slide in education — be it in the schools or the troubled state varsities — it continued with it. This time, education has gone to RJD leader Chandrashekhar.

Second, for the first time, JD-U gets the key finance portfolio to handle, which always remained with the allies — mostly with BJP or RJD for some time after 2015 when Abdul Bari Siddiqui was the department minister. Now, former education minister Vijay Kumar Choudhary from JD-U has got the finance portfolio.

This assumes importance, as the financial condition of the state is far from satisfactory at this point of time due to growing burden of loan, with outstanding debt almost the size of the state budget, fall in GST collection despite growth in other states, poor revenue generation, likely impact of poor monsoon on agriculture and apprehension about less than friendly Central approach.

Sudhanshu Kumar, economist & associate professor, Centre for Economic Policy and Public Finance (CEPPF), Patna, said with the political realignment, there is a buzz about providing large-scale government jobs in Bihar, while managing the finances in an underdeveloped state where revenue from its own sources remains extremely limited is the most challenging task for any government.

“In addition, the issue of equal pay for a similar amount of work in the government departments has been a critical political agenda of the new alliance partner in the government, the RJD. The issue of providing 10 lakh government jobs was raised frequently during the election, and it is said that RJD benefitted from keeping this issue alive during the assembly elections of 2020. But now being in power, everything will depend on the finance department, which JD-U always left with its alliance partner in the past. But RJD apparently knows the challenges of finance, which cannot be tackled in a short period in a state like Bihar, and hence left it to the experienced partner to handle,” he said.

As per the finance department figures, the state government could generate only around 25% of the total revenue from its own sources in the last five years. The state's revenue from its own sources was ₹36,543 crore in 2020-21. Compared to this, the grants-in-Aid from the central government was ₹31,764 crore, which is significant. The total revenue receipts of the state government was ₹1,28,168 crore in 2020-21. Add to this, the GST compensation for the states with lower revenue growth has ended. In addition, the revenue from the state GST declined in Bihar in May 2022 when it registered an increase in many of the states in India.

“The expected fall in revenue highlights the difficulties in maintaining a high level of expenditure and makes it difficult to open new avenues of government expenditure. With this composition of revenue receipt, any additional financial burden will be difficult to fulfil. The difficulties in managing fiscal resources are also reflected in the delayed payment of salaries for the various government employees, both regular and on contract. Although vacancies remain in various state government departments for a long time, the limited financial capacity has always been considered a constraint. For



additional job opportunities, increased private investments is the best option,” said another economist, who did not want to be quoted.

As per the report of the Controller and Auditor General (CAG) of India on Government of Bihar for the financial year ended March 2021, which was tabled in the Vidhan Sabha on June 30 this year, 82.94% of the borrowed funds were used for discharging existing liabilities in the state during 2020-21 and could not be used for capital formation/development activities of the state.

This could have direct bearing on the education department budget, as is already visible in terms of delay in salary disbursement to schoolteachers appointed in February itself. The challenge will grow further and needs finances to cater to the government announcements for jobs, as education is the only sector with main potential for job creation.

Social analyst and president of the Bihar Economic Association, Prof NK Choudhary, said leaving finance was not an ordinary move on part of the RJD, as it reflected its long-term planning and vision. “It is tactical move, knowing the true financial condition of the state, which will not give enough room to the state government to do what it will like to prepare ground for the 2024 parliamentary election. RJD has promised a lot, but everything will require money. So, they have cleverly washed their hands of the portfolio to put all the blame on the JD-U for not being able to do what it wants. Else, why should one leave finance portfolio, which is key to all departments and education cannot be a compensation for this. This does not augur well for the alliance, as it may develop the same symptoms that the NDA suffered from over a period of time with blame game,” he said.

Former director of AN Sinha Institute of Social Studies, DM Diwakar, said there was clearly a strategy on part of the RJD to stay clear of finance department.

“The precarious financial condition of the state means it will have to be managed in face of growing adversities, which includes a possibly less friendly Centre. Even in GST, the state is witnessing negative growth. Internal resources are poor. There is not much the state can do in a short period to augment finances, except managing by cutting expenditure in one direction to pay in the other. So, RJD being in dictating position this time has wisely left it for the JD-U to do the management part, while it could focus on increasing its mass base through education and health, where prospects of job creation are the maximum,” he said. <https://www.hindustantimes.com/cities/patna-news/experts-see-a-method-in-rjd-leaving-finance-for-jd-u-swapping-for-education-101660665353723.html>

## **6. CAG lists violations in construction of premium apartment in Kochi ([thehindu.com](https://www.thehindu.com)) UPDATED: AUGUST 16, 2022**

**‘Construction began much before obtaining environment clearance, and was carried out within 200 metres of High Tide Line’**

The Cochin Residential Development Project by TRIF Kochi Projects Private Limited, Ernakulam, at Marine Drive came up in violation of the provisions of the Environment



Protection Act and the Coastal Regulation Zone rules, according to the Comptroller and Auditor General (CAG) of India.

The entire construction of the premium apartment complex was carried out within 200 metres of High Tide Line, in violation of the conditions of Environment Clearance (EC) granted to the project. Yet, the Ministry of Environment, Forest and Climate Change and the Kerala Coastal Zone Management Authority (KCZMA) did not act, said the CAG in the report on conservation of coastal ecosystems.

The construction of the project began much before obtaining EC. The Environment Protection Act 1986 specifies that legal action shall be initiated against the project proponent if the construction is taken up without obtaining EC. It was in 2012 that the Chief Town Planner, Thiruvananthapuram, approved the layout of buildings and usage of the plot subject to the condition that EC should be obtained for the project, and the Kochi Municipal Corporation should ensure that construction was carried out in accordance with the CRZ notification. However, the Corporation issued building permit for the project in March 2011 and July 2012, though it got EC only in February 2016. The Ministry and the KCZMA did not take any punitive action against the violations, the CAG pointed out.

Though the clearance of the National Board for Wildlife is required for all projects within 10 km of the eco-sensitive zone of a wildlife sanctuary, no such clearance was obtained for the project, which came up within a distance of 400 metres from the Mangalavanam Bird Sanctuary, pointed out the national auditor.

The project proponents also failed to submit the periodic environmental statement on the project. Though the law mandates that half-yearly compliance report has to be filed by the project proponent, it had filed only three compliance reports, in place of eight reports, to the Kerala State Pollution Control Board, the audit report noted.

East Venice Hotels and Resorts Private Limited, which constructed a star hotel in Alappuzha West Village, also failed to submit the half-yearly compliance report. The project proponents constructed the basement of the building without obtaining the mandatory clearance from the State Ground Water Department, it was reported. <https://www.thehindu.com/news/cities/Kochi/cag-lists-violations-in-construction-of-premium-apartment-in-kochi/article65772114.ece>

## 7. सिर्फ बुराइयों पर पड़े जांच की आंच ([livehindustan.com](http://livehindustan.com)) 16 Aug 2022

जब राष्ट्र अपनी आजादी की 75वीं वर्षगांठ मनाता है, तब यही उम्मीद की जाती है कि वह भू-राजनीतिक रूप से मजबूत, समृद्ध और न्यायप्रिय देश होगा। इसके लिए जरूरी है कि मुल्क में कानून का राज हो और इस तरह से हुकूमत की जाए कि नागरिकों को उचित आजादी नसीब हो। आम नागरिकों का दैनिक जीवन में पुलिस से वास्ता पड़ता है, जो उनके जान-माल की सुरक्षा करती है। दफ्तर के बाबुओं से जुड़े अपराध और जटिल आर्थिक भ्रष्टाचार के लिए सरकार जांच एजेंसियां नियुक्त करती है, जिनकी सफलता या विफलता उनकी कुशलता पर निर्भर करती है।

हाल ही में केंद्रीय जांच ब्यूरो और प्रवर्तन निदेशालय जैसी एजेंसियों की कार्यप्रणाली पर सवाल उठे। विपक्ष इन एजेंसियों की कथित चूक को लेकर मुखर रहा है। इन पर सरकार के हाथों में खेलने का आरोप लग रहा है। विडंबना है कि न सिर्फ राजनेता, बल्कि अब आम लोग भी इससे प्रभावित हो रहे हैं। आर माधवन की हालिया फिल्म रॉकेटरी : द नंबी इफेक्ट इस मुद्दे को बखूबी उजागर कर रही है। यह फिल्म इसरो के वैज्ञानिक डॉ नंबी नारायण के जीवन पर आधारित है। इसमें जांच एजेंसियों की विफलता उजागर की गई है। दरअसल, सामान्य गति से चल रहा नंबी का जीवन केवल एक संदेह के कारण बदल गया। जांच एजेंसियां उनके पीछे लग गईं। यहां तक कि पुलिस और सीबीआई ने भी उनके साथ दुर्व्यवहार किया।

यह पूरा प्रकरण आम नागरिकों के जीवन पर सुरक्षा एजेंसियों के अधिकार की ओर इशारा करता है। एजेंसियां पूर्णाधिकार की हिमायती दिखती हैं। हालांकि, इससे भी बुरी बात मध्यम वर्ग का व्यवहार है। शोचनीय है कि इस वर्ग का एक बड़ा हिस्सा, वह भी केरल जैसे राज्य में, जिसे सबसे अधिक शिक्षित सूबा माना जाता है, सबसे भयावह तरीके से व्यवहार करता है। ऐसे लोग वैज्ञानिक को अपने पूर्वाग्रहों व वैचारिक आस्था के चश्मे से देखते हैं। जांच एजेंसियों की संदिग्ध कार्रवाइयों से खुश होने वाले नागरिक यह नहीं सोचते कि एक दिन वे भी इसका शिकार बन सकते हैं।

निस्संदेह, किसी बुरे कर्म का बचाव नहीं किया जा सकता। जिसने भी कानून का उल्लंघन किया है, उसके साथ सख्ती से निपटा जाना चाहिए। कानून के राज पर लोगों के विश्वास को मजबूत करने के लिए यह कि या जाना महत्वपूर्ण है। मगर यहां मुद्दा यह है कि सुरक्षा एजेंसियां किस तरह से किसी संदिग्ध के साथ व्यवहार करती हैं। जांच के दौरान थर्ड डिग्री का इस्तेमाल किया जाता है। साफ-सुथरा सामाजिक जीवन जीने वाले व समाज में योगदान देने के लिए चर्चित लोगों को भी नहीं बख्शा जाता। साफ है, आपराधिक न्याय प्रणाली में सुधार जरूरी है। यह प्रकरण यही बताता है।

एक अन्य मसला, जो अभी सुर्खियां बटोर रहा है, वह है- मसाला बांड। यह चुनिंदा भारतीय कंपनियों द्वारा विदेशी निवेशकों को जारी किया जाने वाला बांड है। विश्व बैंक और अंतरराष्ट्रीय मुद्रा कोष की सहयोगी संस्था अंतरराष्ट्रीय वित्त निगम ने इसे यह नाम दिया है। केरल सरकार मसाला बांड को लेकर कठघरे में है। प्रवर्तन निदेशालय ने पूर्व वित्त मंत्री थॉमस इसाक को इस बाबत समन जारी करके गवाह के तौर पर पेश होने को कहा। ईडी उनकी और उनके करीबी रिश्तेदारों की चल-अचल संपत्ति को खंगालना चाहता है। थॉमस ने ईडी के इस कदम को हाईकोर्ट में चुनौती दी। अदालत ने यह कहते हुए थॉमस को राहत दी है कि वह अपनी निजता के हकदार हैं। इस पूरे प्रकरण ने ईडी के आचरण पर सवालिया निशान खड़ा कर दिया है।

आखिर मसाला बांड है क्या? डॉलर मूल्यवर्ग के बांड के विपरीत मसाला बांड में एक्सचेंज का जोखिम नहीं होता है। सबसे पहले नवंबर,

2014 में आईएफसी द्वारा भारत में बुनियादी ढांचे के विकास के लिए 1,000 करोड़ रुपये के मसाला बांड जारी किए गए थे। बाद में, अगस्त,

2015 में आईएफसी ने पहली बार ग्रीन मसाला बांड जारी किया और 315 करोड़ रुपये जुटाए। यह रकम भारत में जलवायु परिवर्तन से जुड़ी योजनाओं में निवेश की जानी थी। हालांकि, इस तरह से धन उगाहने के आलोचक भी रहे हैं। केरल के मामले में राज्य सरकार की संस्था केरल इंफ्रास्ट्रक्चर इन्वेस्टमेंट फंड बोर्ड (केआईआईएफबी) ने यह बांड जारी किया है। आलोचकों का कहना है कि भारत की तरफ से सूचीबद्ध होने वाले अन्य मसाला बांड की तुलना में केरल सरकार ने इस बांड के लिए अधिक का भुगतान किया है।

दूसरा पक्ष मानता है कि फंड जुटाने का मतलब महज मूल्य निर्धारण नहीं होता। उनके मुताबिक, केआईआ ईएफबी जैसी संस्था का अंतरराष्ट्रीय बाजार में प्रवेश दीर्घावधि में बहुत सारे अवसर पैदा कर सकता है।

कैग ने मसाला बांड से सरकारी खजाने को नुकसान का अंदेशा जताया है। हालांकि, आलोचक कैग द्वारा किए गए गणना के तरीके पर सवाल उठा रहे हैं, जो उसी तरह का है, जिस तरह से 2जी मामले में नुकसान का आकलन किया गया था। कैग ने पूछा है कि क्या कोई राज्य सरकार बाहर से वाणिज्यिक उधार ले सकती है? संविधान का अनुच्छेद 293

(1) कहता है कि राज्य सरकार भारत के भौगोलिक क्षेत्र के भीतर ही उधार ले सकती है, जबकि इसी अनुच्छेद में यह भी कहा गया है कि केंद्र सरकार की सहमति के बिना कोई राज्य उधार नहीं ले सकता। हालांकि, केआईआईएफबी केरल सरकार द्वारा कंपनी अधिनियम के तहत दर्ज एक कंपनी है। जब राज्य में बुनियादी ढांचे से जुड़ी परियोजनाओं के लिए पूंजी जुटाने की बात आती है, तो यह एक मध्यस्थ की भूमिका निभाती है। रिजर्व बैंक के दिशा-

निर्देशों के मुताबिक, कोई भी संस्था जो प्रत्यक्ष विदेशी निवेश पाने के योग्य है, विदेश से उधार ले सकती है।

बहरहाल, थॉमस इसाक ने कहा है कि ईडी का राजनीतिक इस्तेमाल किया जा रहा है। इससे पहले मई, 2021 में भी अभिनेता शाहरुख खान के बेटे आर्यन खान के खिलाफ ड्रग चार्ज हटाए गए थे। उनको नारकोटिक्स कंट्रोल ब्यूरो (एनसीबी) ने गैर-

कानूनी पदार्थ रखने, सेवन करने और बेचने से संबंधित कानूनों के तहत आरोपित किया था। वह तीन सप्ताह तक हिरासत में भी रहे। स्पष्ट है, राजनेताओं, मशहूर हस्तियों और आम नागरिकों से जुड़े ऐसे मामले वक्त-

वक्त पर सामने आते रहे हैं। आजादी के सौवें वर्ष की ओर बढ़ रहे भारत में क्या इस स्थिति में बदलाव की उम्मीद की जा सकती है? [https://www.livehindustan.com/blog/story-hindustan-opinion-column-16-august-2022-6941830.html?utm\\_source=ForYouPerpetual-Editorial](https://www.livehindustan.com/blog/story-hindustan-opinion-column-16-august-2022-6941830.html?utm_source=ForYouPerpetual-Editorial)

## **SELECTED NEWS ITEMS/ARTICLES FOR READING**

### **8. Fixing these design flaws can help states collect more GST ([livemint.com](https://www.livemint.com)) Updated: 17 Aug 2022**

**The Centre's GST shortfall compensation regime for states ended on June 30. But due to Covid impact and long-term structural constraints, the states want it to be extended.**

At a meeting with the state chief ministers, Prime Minister Narendra Modi has asked the state governments to work to improve their collections of the Goods and Services Tax (GST).

The GST became a reality five years ago, after years of discussions, when states came on board to pool their fiscal powers over indirect taxes with those of the Centre. The guarantee that gave them the confidence to finally accept GST as a replacement for a plethora of taxes was that they won't have to suffer any loss of revenue, and if GST collections fell short of the target of 14 per cent annual increases agreed to by consensus, the Centre will make good the shortfall. The Centre's commitment at the time of rolling out the GST in July 2017 was that it will pay them this compensation for

five years. That compensation regime ended on June 30, and the states, reeling under a revenue crunch due to the weakness in the economy after Covid and long-term structural constraints preceding the pandemic, want the compensation system to be extended.

The prime minister is right to encourage them instead to focus on improving the collections from GST. Although before getting to why Mr. Modi is right, it is important to recognise that the Centre also must note that a key reason for the states' financial squeeze is the fact that the states' share in non-GST taxes collected by the Union government has (at 29% to 32%) since 2020 been a whopping 10 percentage points less than the recommendations of the fourteenth and fifteenth finance commissions. The reason for this is the Centre's increasing and excessive reliance on a variety of cesses and surcharges, the revenues collected which do not have to be shared with the states.

In 2014, these kinds of levies accounted for 6 per cent of the total tax collections raised. Now they make up almost a quarter. Naturally, the states feel shortchanged, even when the Centre tries to reason that it foots the bill for defence and national security. These non-GST issues must be addressed by the Centre and the states for better trust and fiscal relations. Ensuring states have funds to spend is crucial for the GDP recovery, as their expenditures tend to lift economic growth more than those of the Centre.

On the GST collections, it is important to let the guaranteed compensation end so that the states know that they cannot depend on the Centre, and have to improve collections, giving them what chairman of the Thirteenth Finance Commission Vijay Kelkar, as also former Chief Economic Adviser Arvind Subramanian, called "skin in the game". The guarantee was necessary to remove states' anxiety in a new and untried system but created moral hazard. Any guarantee's comfort takes pressure off the states for improving collections, and plugging leakages and evasion. If the original design had included a tapering compensation mechanism, in which the quantum reduced year after year, and the target revenue growth had been pegged to the GDP growth rather than the over-optimistic 14%, regardless of the state of the economy, the states' incentives would not have become distorted.

The convention of taking decisions by consensus in the GST Council—headed by the Union finance minister with finance ministers of the states as members—should be discontinued. Unlike the Union finance minister, the state finance ministers primarily oversee indirect taxes, and therefore, stand to lose the meatiest portion of their work allocation if the GST were to become smooth and predictable. A simple GST will not require anyone to lobby them, withering their clout. Populist rate cuts, especially in the run-up to elections, and exemptions and exclusions from the GST, such as for real estate and fuels, let politicians retain controls. Their incentives are aligned in making the GST Council keep the GST rates structures complex and ever-changing rather than stable. <https://www.livemint.com/opinion/online-views/fixing-these-design-flaws-can-help-states-get-more-gst-11660727399855.html>

## **9. House panel red flags slow highway construction, seeks report from transport ministry ([fortuneindia.com](https://fortuneindia.com)) AUGUST 17, 2022**

Taking note of the delays dogging highway construction in the country, the Parliamentary Committee on Estimates has sought a detailed report about the slow progress of projects and corrective steps from the ministry of road transport and highways in the next three months.

In the sixteenth report on the functioning of the national highway projects tabled in the Lok Sabha on August 8, the committee maintained that the road transport ministry missed the annual target every year between 2014 and 2018 after which it followed a practice of lower targets.

Directing the ministry, the panel said in the report, "The committee seeks a detailed study about the delay, slow progress of the projects and corrective steps initiated, if any, within three months of the presentation of this report."

"The committee is constrained to note that the targets for the development of national highways/roads fixed during the year 2014-15 to 2017-18 could not be achieved, whereas, for the year 2018-19, the target itself has been reduced in comparison with the previous three years," the committee said.

In its observations, the committee pointed out that in FY15, the government constructed 4410 kms against a target of 6300 kms while in FY16, against a target of 10,950 kms, only 6061 kms could be constructed. In FY17, and FY18, the total construction was 8,231 kms and 9,829 kms, against a target of 15,000 kms.

"As regards 2018-19, the target was 10,000 kms, which has been considerably reduced as compared with the previous years and the achievement has been 10,855 km," the committee said in the report," while adding that the analysis reveals that 30% of the targets during these five years have not been achieved.

The ministry quoted issues like local, project level factors attributable to the authority or contractor, or force majeure reasons behind the delays. "Delays in land acquisition, pre-construction activities, law and order issues, contractors'/concessionaires' cash flow problems are common reasons for project delays and time overrun," said the ministry in its reply to the panel.

Bahujan Samaj Party MP Kunwar Danish Ali, who is a member of the estimates committee, called for a wider consultation even before the detailed project report is made. "No consultation is made with the public representative at the time of DPR preparation. There are times when the alignment needs to be altered. In case of the Hapur-Moradabad stretch on the NH-9, we had to get approval for five underpasses after the construction began. Public and the local representatives must be consulted at the survey stage," Danish Ali said.

In its reply however, the ministry maintained that it has achieved a record construction of 37km per day in the year 2020-21 despite the fact that the world was brought to a standstill by the Covid pandemic.

It may be noted though that the pace of highway construction has declined at a fast pace since then, data from the ministry of road transport and highways reveals. The average highway construction per day has dipped to 20.43 km per day in the four-month period between April – July, FY23.

According to the data, the government constructed 2,493 kms (20.43 km/day) of national highways till July in the current financial year. <https://www.fortuneindia.com/macro/house-panel-red-flags-slow-highway-construction-seeks-report-from-transport-ministry/109323>

## 10. **A route to reform** ([millenniumpost.in](https://www.millenniumpost.in)) Alok Ranjan | 16 Aug 2022

### **Electricity (Amendment) Bill, 2022 — through delicensing of the distribution business and incorporation of private players — can address the woes of the power sector**

I was Secretary to the Chief Minister of UP in the late 1990s when there was a great sense of euphoria as the first major step had been taken towards power sector reforms. The UP-state electricity board was a huge organisation and had complete control on electricity generation, transmission and distribution. It was running at huge losses and the government had to periodically support it through budgetary allocations. The reforms focused on unbundling of the power sector into three companies, each looking after the three main functions of generation, transmission and distribution. The reforms were vociferously opposed by the electricity department unions having great blackmailing power. Fortunately, the Chief Minister at that time was an astute administrator and could take a stand. The government overcame the strike threat by the unions, and the reforms were implemented. I was handling this sector in the CMO and can recall how we all were excited that this will lead to a new era which will completely revive the power sector. Many other states also implemented these reforms. The electricity act of 2003 was a further step in this direction, which is now being sought to be amended by the new electricity bill. However, it was a false dawn. More than two decades have passed and the DISCOMS are facing huge losses, and not making payments to generation companies on time — leading to poor maintenance of the power plants and low-capacity utilisation.

None other than the Prime Minister of India has pointed out that neither are DISCOMS making payment on time to generation companies nor are the state governments paying subsidy amounts to the DISCOMS regularly. There is a huge backlog in these payments. It is surprising to note that even states like Tamil Nadu, which have controlled their line losses at 15 per cent against the Indian average of 21.6 per cent, have DISCOMS defaulting hugely on paying their dues. Tamil Nadu, Maharashtra and Telangana contribute to 57 per cent of the total dues owed to the power generation companies, followed by Uttar Pradesh, Jammu & Kashmir and Madhya Pradesh that account for another 26 per cent. The total dues stand at a staggering Rs 1,14,222 crores. Government data till March 31, 2022, show that states owe DISCOMS Rs 62,931 crore for services and another Rs 76,337 crores as cost of freebies announced by them. Amongst the states that have defaulted on payment to the DISCOMS, Telangana leads the way with the cumulative standing of Rs 11,915 crore, followed by Maharashtra at Rs 9,131 crores. The government departments are willfully delaying payments to the DISCOMS despite provisions in the budget. Uttar Pradesh is a leader



as far as not making payments to DISCOMS for subsidies is concerned at Rs 18,946 crores followed by Madhya Pradesh at Rs 16,240 crores. It is clear that this kind of a situation is not sustainable; it is not only having an adverse impact on the power sector but also threatens to derail the entire growth path of the nation. It is interesting to note that not only the relatively backward states but also advanced states like Maharashtra and Tamil Nadu are facing these problems. Gujarat is perhaps the only exception. This clearly gives a call for urgent action at both the Center and state levels.

The new electricity amendment bill is making a bold effort to resolve these issues even as some of the measures may not be popular. This is particularly so in the light of populist steps being taken by various state governments, like providing free electricity to farmers and other consumers. Debate is going on whether the promises are in the nature of freebies which are best avoided if the fiscal health of the DISCOMS and the state governments has to be maintained. One of the main amendments proposed relates to delicensing of the distribution business and bringing in the private sector apart from allowing portability and reducing entry barriers. This is important as the earlier reforms, which I have mentioned, have not succeeded because one monopoly replaced another. Except for a few states or some cities, the private sector has not been able to enter into the power distribution sector. The government companies continue to enjoy the benefits of monopoly, and the lack of competition leads to gross inefficiencies which are manifested in large technical and commercial losses. The consumer also does not get the benefit of low tariff or better service. It was visualised that if the state governments want to give subsidies to any segment of the consumers, then they should compensate the DISCOMS from the state budget but as we have seen from the data quoted above most of the states are not honoring this commitment. This bill is being opposed by the states on the ground that power is in the concurrent list and amendments are encroaching on the principle of federalism. The reality is that the problem has become endemic and the states on their own are not able to resolve it. The Government of India cannot be a bystander and there is a rationale for it to intervene.

Once again, the power sector employees and engineers are also agitating as they see it as a step in the direction of privatisation. It is pointed out that private sector companies will take advantage of the DISCOM network created by the public sector. This is an age-old debate on the role of the private sector vis-à-vis the public sector. However, we cannot turn away from the reality that the DISCOMS functioning as a monopoly public sector have not been able to deliver the goods, and economic logic clearly states that if competition is allowed then power distribution will become much more efficient, ensuring better public service delivery. My experience in Uttar Pradesh points to the fact that there are some genuine issues regarding the entry of the private sector into distribution. They are willing to do cherry-picking — they want to take up distribution in urban areas but avoid the rural sector where billing and collection of dues is a difficult task. I guess the only way out of this is to have packages comprising both the urban and rural segments and offer them to the private sector also. If we want to have real competition then we cannot leave the DISCOMS straddled with poor revenue-generating areas.

Moreover, unless all electricity connections are covered by smart metering, and a system is evolved where subsidies are paid directly to the targeted consumer, things are not going to improve. The power sector in the states is highly politicised. By just



improving the governance and linking performance to postings and promotions, thereby holding the officers of the department accountable, a huge difference to the position of the utilities can be made. However, this is easier said than done as there are a lot of vested interests involved. It is also true that state electricity regulatory commissions have not been able to fully play their role as envisaged, and most of them still function almost like state departments.

There is no denying that serious reforms are required in the sector otherwise no intervention will succeed. I recall that as Chief Secretary of UP in 2015, we implemented the UDAY scheme where we cleansed the balance sheet of DISCOMS by taking over 50,000 crores of their dues but within a few years things have gone back to ground zero as the reform measures had not been properly implemented. It is good that the bill has been referred to the standing committee for detailed examination from all angles. It is hoped that the Center and states will work together to reform this sector which is otherwise moving towards disaster. <http://www.millenniumpost.in/opinion/a-route-to-reform-489732?infinite-scroll=1>

## **11. Stepping back from an ecological abyss ([thehindu.com](http://thehindu.com)) AUGUST 17, 2022**

### **There is a need to balance India's developmental needs with the sustenance of its ecological foundations**

Chipko. Silent Valley. Narmada. Koel-Karo. Growing up in the 1970s and the early 1980s, many of us who were passionate about environmental issues were inspired by these and other movements. As the government too responded with a series of forest, wildlife, environment-related laws and policies, there was hope that India would be able to balance its development needs with the sustenance of its ecological foundations. As India celebrates 75 years of Independence, has that hope been sustained?

### **An earth under stress**

The prospects today seem far gloomier than they did in the 1980s. Four hundred and eighty million Indians face the world's most extreme air pollution levels. According to NITI Aayog, "600 million people in India face high to extreme water stress... with nearly 70% of water being contaminated; India is placed at 120th amongst 122 countries in the water quality index". Land degradation and desertification are taking place over 30% of our land, according to the Indian Space Research Organisation. Average levels of land productivity are one-fourth or one-fifth of what they could be; pumping in artificial fertilizers restores a bit, but at the cost of pushing the soil further towards death. Food items in most cities have pesticide residues well above human safety levels. The World Bank — itself partly responsible for pushing India into unsustainable pathways — reported in 2013 that India was losing 5.7% of GDP due to environmental damage. The latest global environmental ranking by Yale and Columbia Universities puts India at the bottom among 180 countries; while flawed in many respects, including how it lets rich countries off the hook, it is nevertheless reflective of what is happening on the ground.

### **Favouring corporate access**

All this evidence has still not penetrated the minds of politicians and economists setting development priorities. The obsession with economic growth — despite growing evidence of GDP being a very poor indicator of human well-being — treats the natural environment (and related livelihoods) as fodder for exploitation. Despite public posturing about the Sustainable Development Goals, the natural elements without which we would all be dead — land, water, biodiversity, air — continue to be ignored or mauled.

In fact, the Government is dismantling environmental and social security policies to favour corporate access to land and natural resources, such as the latest proposals to amend forest and environment laws, and the Environment Impact Assessment notification. Its priority programmes include building massive physical infrastructure that only disrupts the natural infrastructure we desperately need to protect. For instance, the 2022-23 Budget has an allocation for highways that alone is 40 times greater than the Budget of the Ministry for Environment, Forests and Climate Change. Of what use is faster and faster mobility, if at the end of the journey we still have air and water and food that are killing us?

Given the hopeful signs of the 1970s and the 1980s, how did we come to this pass? In our book *Churning the Earth*, Aseem Shrivastava and I analysed in detail a significant turning point — the economic ‘reforms’ beginning in 1991. With greater integration into the global economy, the entry of multinational (and big Indian) corporations into every sector, and increasing exports of natural materials and imports of toxic waste, the issue of environmental sustainability was relegated to the background. Mining projects crept into previously safe areas including wildlife protected areas and Adivasi territories, the oceans became a target for major commercial extraction (and will be even more so with the new Deep Ocean Mission), and big infrastructure became a holy mantra.

While wildlife and biodiversity have been major sufferers, there are also severe socio-cultural costs. Over 60 million people have been physically displaced by ‘development’ projects in the last few decades with very poor (if any) rehabilitation, and according to the former Planning Commission, a disproportionately high percentage of these are Adivasis and Dalits. Ironically, a component of Prime Minister Narendra Modi’s vision of Aatmanirbhar Bharat (self-reliant India) is new coal mining in central India, displacing already self-reliant Adivasi communities and rendering them dependent on government and corporations.

### **Extreme events**

The climate crisis severely compounds all this. This year’s super-hot summer should be a warning, even if we have not yet learnt from earlier events of extreme temperatures, erratic rainfall, cloudbursts and cyclones. In recent trips to Ladakh, I learnt that many villages (e.g. in Zaskar) are being abandoned due to water shortages caused by receding glaciers. A *Lancet Planetary Health* journal article says that extreme temperatures in India are responsible for 7,40,000 excess deaths annually. The majority of these are likely to be labourers, farmers, and other vulnerable sections who have to work, live, and commute in these temperatures without access to air-conditioning, appropriate clothing, etc. And we are not at all prepared, with

abysmally low budgets for adaptation measures. The Climate Action Plan got a meagre ₹30 crore in the 2022-23 Budget.

### **Enabling sustainability**

So, India's biggest challenge: can ecological sustainability be ensured while generating livelihood security and dignity for more than a billion people? Answers do exist, in thousands of initiatives across the country, as documented in the Vikalp Sangam process. Five thousand Dalit women farmers of the Deccan Development Society have demonstrated how organic, rainfed farming with traditional seed diversity can provide full food security and sovereignty.

Several hundred handloom weavers in Kachchh (Gujarat) have shown how dignified, creative livelihoods can be revived based on organic Kala cotton and a mix of traditional and new skills. Indeed, India's crafts have sustained several hundred million people in the past, and can do so again if the incredible traditional and new skills in textiles, footwear, cleaning agents, vessels, pottery, furniture, architecture and construction, water-related technologies, and a range of household items are given priority. Community-led ecotourism, such as homestays in Uttarakhand and Ladakh and Sikkim, has combined increased earnings with ecologically sensitive visitation. Community conserved areas have shown a democratic approach to wildlife protection very different from the top-down 'protected area' model. As advocated by the United Nations Environment Programme, public transportation, organic farming, land and water regeneration, renewable energy, community health, eco-friendly construction, ecotourism, and small-scale manufacturing can significantly enhance job creation. Linking programmes such as the Mahatma Gandhi National Rural Employment Guarantee Act with such activities, as happening in some States, also has huge potential.

### **Needed, a mobilisation**

Such an orientation entails fundamental restructuring of economy and governance. It will mean a shift away from large infrastructure and industrialisation, replacing mega-corporations with producer cooperatives, ensuring community rights over the 'commons' (land, water, forest, coasts, knowledge), and direct decision-making powers to gram sabhas and urban area sabhas while tackling gender and caste inequities. It will entail respect for both human rights and the rights of nature. But since this will inevitably (and desirably) cut into the profits and consumerism of India's ultra-rich, and reduce the centralised power of the state, it will not happen through government action alone. It needs the collective mobilisation of industrial workers, farmers, fishers, craftspersons, pastoralists, urban and rural youth, women in all sectors, the 'disabled' and LGBTQ, and those speaking on behalf of wildlife, all of whom are marginalised by dominant elites. Then only will India finish its century of Independence as a nation that has achieved genuine well-being — a real 'amrit kaal' and not the seductive but poisoned chimera promised by Finance Minister Nirmala Sitharaman in the Budget 2022-23 address. <https://www.thehindu.com/opinion/lead/stepping-back-from-an-ecological-abyss/article65775800.ece>

## 12. Central Pool foodgrain stocks at lowest in 5 years ([thehindubusinessline.com](https://www.thehindubusinessline.com)) Updated: August 17, 2022

Wheat stocks already low due to low production, concerns mounting about dip in paddy sowing

Rice and wheat stock in the Central Pool, managed by the Food Corporation of India (FCI), is at a five-year low, mainly due to lower procurement of wheat. Rice stock, though above 2020 level, may deplete fast in case there is a drop in production during current kharif season as paddy transplanting has dropped 12 per cent until last week.

According to latest data, the rice and wheat stock as on August 1 was 545.97 lakh tonnes (lt), whereas the previous low was 499.77 lt in 2017. In case of rice, the stock was 279.52 lt and the previous low was 253.40 lt in 2020. The current stock of rice is 11.5 lt lower than year-ago. The wheat stock as on August 1 was 266.45 lt while the previous low was 243.80 lt in 2008.

The unmilled paddy stock was at 194.57 lt and in 2020 it was at 145.63 lt, as on August 1, data shows.

“Wheat stock is low that is known as procurement dropped. But the government has already reallocated rice in place of certain quantity of wheat to some states from the Central Pool which has increased the normal demand of rice from last year,” said an expert requesting anonymity. In case of a lower crop of paddy, there will be pressure on government to meet the procurement target as private traders will be active as seen in case of wheat in April-May, he said.

### Panel closely watching

An inter-ministerial group is believed to have took stock of the situation on rice and it has been decided to wait for some more time before taking any extreme step of prohibiting export of non-basmati rice, sources said. The panel is closely monitoring the rice prices, government sources said.

Until August 12, the progressive transplanting of paddy was at 309.79 lakh hectares (lh), down by 12.4 per cent from 353.620 lh year-ago. A little over half of the targeted area of 42 lh has been covered in West Bengal, the largest rice producer while in Jharkhand only one-fifth of the targeted 18 lh got sown this time due to lack of rainfall.

“Bihar and Uttar Pradesh may end up a little lower from last year’s acreage, but the overall crop output in these two States will fall below last Kharif due to deficient rainfall and delayed transplanting,” an official said.

The government has procured 59.13 million tonnes (mt) of rice as of August 15 during the procurement season (October-September) due to record production of 129.66 mt in 2021-22 crop year (July-June) – 111.04 mt in kharif and 18.62 mt in rabi. In 2020-21, rice procurement was 60.25 mt. <https://www.thehindubusinessline.com/economy/agri-business/foodgrains-stock-in-central-pool-lowest-in-5-years/article65775933.ece>

### 13. Should India regulate freebies? ([business-standard.com](https://www.business-standard.com)) August 17, 2022

What exactly are freebies? In simple terms, it refers to a public welfare measure – any good or service – that is offered free of cost by the government to its citizens. But our existing legal or policy framework does not provide a precise definition for the term.

In the current context, it is often used as a political term by the Centre to express disapproval of certain state-level schemes. Therefore, it seems the meaning changes depending on whose perspective you hear.

Free colour TVs, grinders, food grains, laptops, cycles, gold, washing machine, cows, sheep, cash transfers to farmers, health insurance and fertiliser subsidies – Indian voters have been beneficiaries of all this and more. But which of these are vote-catching freebies and which are legitimate welfare measures?

Making that distinction is a near impossible exercise.

Let us take a famous example from Tamil Nadu, home to the two big Dravidian parties notable for freebies, the DMK and the AIADMK.

In 1982, when the then Chief Minister, MG Ramachandran or MGR, expanded the mid-day meal scheme for schoolchildren that was pioneered by K Kamaraj in the late 1950s, he faced opposition from all quarters. The scheme drastically improved enrolment, attendance and absenteeism. About a decade later in 1995, it was rolled out nationwide by the Centre. Similarly, today, the Centre's PM KISAN scheme is modelled on the lines of Telangana's Rythu Bandhu scheme.

These are just two of the many examples where state-level welfare schemes once derided as freebies served as a template for the central government to emulate.

Given the ambiguity, 15th Finance Commission Chairman NK Singh in a recent column said there was a need to distinguish freebies from merit goods, expenditure on which brings economic benefits, such as the public distribution system, employment guarantee schemes and states' support for education and health.

On the other hand, a June RBI paper said that the provision of free electricity, free water, free public transportation, waiver of pending utility bills and farm loan waivers are often regarded as freebies, which potentially undermine credit culture, distort prices through cross-subsidisation. This erodes incentives for private investment and disincentivise work at the current wage rate leading to a drop in labour force participation.

#### **But this exercise is also fraught with risk.**

Because in the long run, the social and economic benefits of certain freebies can far outweigh the fiscal costs they impose, even if they seem cumbersome in the short term. States see it as an investment in human capital. This makes labelling expenditure as merit or non-merit at the time of rollout difficult.

Alok Prasanna, Co-founder, Vidhi Centre for Legal Policy says, there is no way to define a 'freebie', it's a pejorative term. Politicians responding to people's wishes is part of political process. Can't make blanket fiscal prudence argument as states' finances vary, he says.

If the Supreme Court is not the right institution to regulate freebies, can the Parliament legislate on it?

Alok Prasanna, Co-founder, Vidhi Centre for Legal Policy says, it is not the Parliament's business to regulate freebies. States are free under the Constitution to make laws on such topics.

Prasanna says income tax deductions or exemptions and corporate tax reductions could be classified as freebies but they are also conscious political decisions.

Does something stop being a freebie because it has the approval of the Centre?

Experts broadly agree that states should be free to decide on freebies if it has the money. The problem arises when states dole out freebies, merit or non-merit, beyond their fiscal capabilities.

As a percentage of GSDP, revenue receipts and own tax revenue, Punjab's freebies in Budget FY23 is among the highest in India

Consider the financially weak state of Punjab. It is among the most indebted states and its own tax revenue has been declining over time. Punjab spends over 13% of its revenue expenditure on subsidies, one of the highest.

Yet, the ruling Aam Aadmi Party recently fulfilled its poll promise of providing free electricity to every household up to 300 units.

In the backdrop of the poor fiscal health of some states, is there a way to set guard rails in place to ensure that the freebies don't become excessive?

NR Bhanumurthy, Vice-Chancellor, Dr B R Ambedkar School of Economics University says, many states' policies are creating long-term debt sustainability issues. Need organisations like inter-state fiscal council to monitor spending. There needs to be more discussion around public debt to GDP ratio. States and Centre can bring out a debt paper every six months, he says.

The debate on freebies also needs to be looked at from the perspective of income of states.

As the Centre imposed more cesses, the share of tax revenue that the Centre gives them has dropped.

The end of Centre's GST compensation payout has further reduced the headroom available with states for social sector expenditure.

As such, freebies should continue to remain a conversation between the states, political parties and the voters with prudent measures in place to check the largesse

in case of fiscally stressed states. [https://www.business-standard.com/podcast/economy-policy/should-india-regulate-freebies-122081700040\\_1.html](https://www.business-standard.com/podcast/economy-policy/should-india-regulate-freebies-122081700040_1.html)

#### **14. Our problem is fiscal mismanagement and not freebies ([livemint.com](https://www.livemint.com)) AUGUST 16, 2022**

Recent weeks have seen increasing apprehensions raised by India's political leadership as well as the judiciary on the increasing tendency of governments and political parties to promise 'freebies' to citizens. On 15 July, speaking at a function in Uttar Pradesh, Prime Minister Narendra Modi expressed concerns about the 'revdi' (a sweet of jaggery and sesame seeds) culture of political parties promising freebies to garner votes. The matter also received attention from the Supreme Court, which has advised the government to appoint an expert committee to examine the issue after the Election Commission expressed its helplessness in regulating it.

While there are genuine reasons for such apprehensions, there is no clarity on what constitutes a 'freebie'. Governments provide a variety of goods and services free of cost to citizens. That includes free textbooks, uniforms, food and so on. In many cases, even services such as free health and education. The way the debate is currently framed, freebies appear to be any goods and services given free of cost by the government to citizens. But many of these may be essential and necessary for improving the lives of people and the overall well-being of society.

Free uniforms, textbooks and items of classroom stationery have been essential in increasing the school enrolment ratio in the country, so that an educated and skilled workforce can contribute meaningfully to economic growth. So too is the case of subsidized foodgrains under the National Food Security Act (NFSA) as part of the country's public distribution system, mid-day meal scheme and Anganwadi services. Their contribution in improving the nutritional status of children and adults is widely recognized. Moreover, it was the NFSA that came to the rescue during the covid pandemic, when the free foodgrains distributed to beneficiaries proved to be an essential lifeline for a large number of households.

While many would like to make a distinction that considers essentials like nutrition, health and education both necessary and part of the constitutional obligations of the state, there have been objections to various other goods provided by state and central governments. Bicycles have been provided free to girl students in many states. Cooking gas stoves and gas cylinders have been provided free as part of the Ujjawala scheme. Some state governments have also provided laptops and smartphones.

None of these are wasteful expenditures by any stretch of the imagination. Free distribution of cooking gas has certainly helped women from the drudgery of cooking, but also helped curb environmental pollution and prevented diseases. Likewise, smartphones and laptops have offered relief to many students who otherwise would have lost out on basic education during the last two years of online classes. Similarly, free vaccines provided by the state in the usual course of life and particularly during the pandemic have prevented millions of deaths.



But even where cash is provided in place of goods and services, such as cash transfers to farmers or social pensions to vulnerable parts of the population, these provide relief to the disadvantaged and affected groups. These are all counted as essential functions of the redistributive policies of the state.

Clearly, there is a thin line between what can be termed as a 'freebie' and what can be treated as an essential constitutional obligation of the state. The problem lies in how this debate is framed, often done in a way that seeks to club everything provided by the state to citizens as freebies. Each of these need to be evaluated in the context of the function they play in improving the lives of citizens and their impact on the economy. Some of these are essential social safety nets, while many others are necessary incentives for better social and economic outcomes.

However, this debate completely ignores the fiscal consequences of the large bailouts given to the corporate sector. India's tax reduction for corporations in 2019 did not contribute to any rise in investment, but helped contribute to rising private-sector profits. The write-off of large corporate debts at the cost of the public exchequer is justified on financial grounds, but is hardly treated as a freebie.

The real issue is not the distribution of these goods and services to Indian citizens, but whether these are fiscally sustainable. It is true that in many cases, these have contributed to fiscal stress in states. However, blaming such expenditure on the provision of essential services is unlikely to solve the fiscal problem. Part of the blame must also lie on the government's inability to mobilize adequate resources to enable these. Tax exemptions, bailouts, loan waivers and instances of crony capitalism, where public resources have been given to the private corporate sector, are equally responsible for deterioration in the fiscal situation of the states and Centre.

It is important that we take a fair and balanced view of freebies. The real debate should be about the performance of the state and central governments on fiscal management. The current debate on freebies is only an excuse to divert our attention from the serious issue of fiscal mis-management by states as well as successive central governments. This would require not just looking at the issue of government expenditure priorities, but also at the challenge of resource mobilization, something which hardly gets any attention, unfortunately, let alone a public debate on it. <https://www.livemint.com/opinion/columns/our-problem-is-fiscal-mismanagement-and-not-freebies-11660581347618.html>

## **15. Indian Army issues RFP for procurement of Quantum Key Distribution technology ([indianexpress.com](https://www.indianexpress.com)) Updated: August 17, 2022**

The Ministry of Defence said the Indian Army has started the process of procurement of Quantum Key Distribution (QKD) technology developed by a Bengaluru-based cybersecurity company by issuing a commercial Request for Proposal (RFP).

QKD is primarily a mechanism to undertake secure communication with a cryptographic protocol involving various components of quantum mechanics. The technology enables two sides to come up with random secret keys shared by both and known exclusively to them, so only they can use it to encrypt and decrypt messages, thus achieving a very highly-secure communication. QKD helps create a non-hackable

quantum channel for creating unhackable encryption keys that are used to encrypt critical data or voice or video across the end points.

The MoD said Sunday that under the umbrella of its initiative 'Innovation for Defence Excellence' (iDEX) under Defence Innovation Organisation (DIO), the QNu Labs, a Bengaluru-based cybersecurity start-up has broken distance barriers by innovating advanced secured communication through QKD systems. "The project was curated by iDEX-DIO with the Indian Army. After the successful trials, the Indian Army has now initiated the process of procurement of QKD systems developed by QNu Labs by issuing commercial Request For Proposal (RFP) and its deployment," the MoD said in a press statement.

The ministry said that in the case of the system developed by the QNu, the quantum communication link was established over 150 kilometres in terrestrial optical fiber infrastructure.

"When the country is celebrating 'Azadi Ka Amrit Mahotsav', India is all set to join the league of global leaders with indigenous and more advanced quantum communication technology in order to equip its Armed Forces with high end defence," the release added.

The Defence Secretary Dr Ajay Kumar termed the development of indigenously QKD technology as a milestone achievement in 'Azadi Ka Amrit Kaal' and a befitting success story of 'Aatmanirbhar Bharat', the press statement said. The Defence Secretary also applauded the efforts of the Department of Defence Production, Ministry of Defence, iDEX-DIO, Army Design Bureau and the Indian Army Signals Directorate, which have contributed in development of high end quantum technology in the country for the first time.

QNu Labs' co-founder and CEO Sunil Gupta was quoted in the release as saying, "The vision of putting India on the forefront of deep technologies in the field of data security through the use of quantum technology has finally borne fruit. Winning the Open Challenge-2 of iDEX has provided a launching pad to QNu Labs to achieve this stellar success."

Earlier in February, a joint team of experts from Defence Research and Development Organisation (DRDO) and Indian Institute of Technology (IIT) Delhi had demonstrated QKD link for over 100 kilometres. A similar demonstration was held over a shorter distance in the first week of December 2020, when the technology was tested for communication between two DRDO facilities in Hyderabad — Defence Research and Development Laboratory (DRDL) and Research Centre Imarat (RCI) — over a distance of 12 kilometres. <https://indianexpress.com/article/india/indian-army-quantum-key-distribution-technology-8094089/>

## **16. Freshwater shortage triggered by climate change threatens North India by 2060 ([livemint.com](https://www.livemint.com)) Updated: 16 Aug 2022**

North India, the most populated belt of the nation is going to face grievous irreversible fresh water scarcity by 2060 since the availability of the vital resource will decline on account of climate change.

Roof of the world, Tibetan Plateau, also known as the "water tower" of Asia, supplies freshwater for nearly 2 billion people who live downstream. As noted by a team of international researchers.

A study, published in the journal 'Nature Climate Change' titled 'Climate change threatens terrestrial water storage over the Tibetan Plateau' on Monday, projects that climate change clubbed with weak climate policy, will cause irreversible declines in freshwater storage in the region.

The study predicts a total collapse of the water supply for central Asia and Afghanistan and a near-total collapse for Northern India and Pakistan by the middle of the century.

Michael Mann, distinguished professor of atmospheric science at Penn State in US said, "The prognosis is not good... In a 'business as usual' scenario, where we fail to meaningfully curtail fossil fuel burning in the decades ahead, we can expect a near collapse - that is, nearly 100 per cent loss - of water availability to downstream regions of the Tibetan Plateau."

Researchers stated, the impacts of climate change on past and future terrestrial water storage (TWS) in the Tibetan Plateau have largely been under explored even though they are extremely significant.

"The Tibetan Plateau supplies a substantial portion of the water demand for almost 2 billion people," said Di Long, associate professor of hydrologic engineering, Tsinghua University, China.

Long added, "Terrestrial water storage across this region is crucial in determining water availability, and it is highly sensitive to climate change."

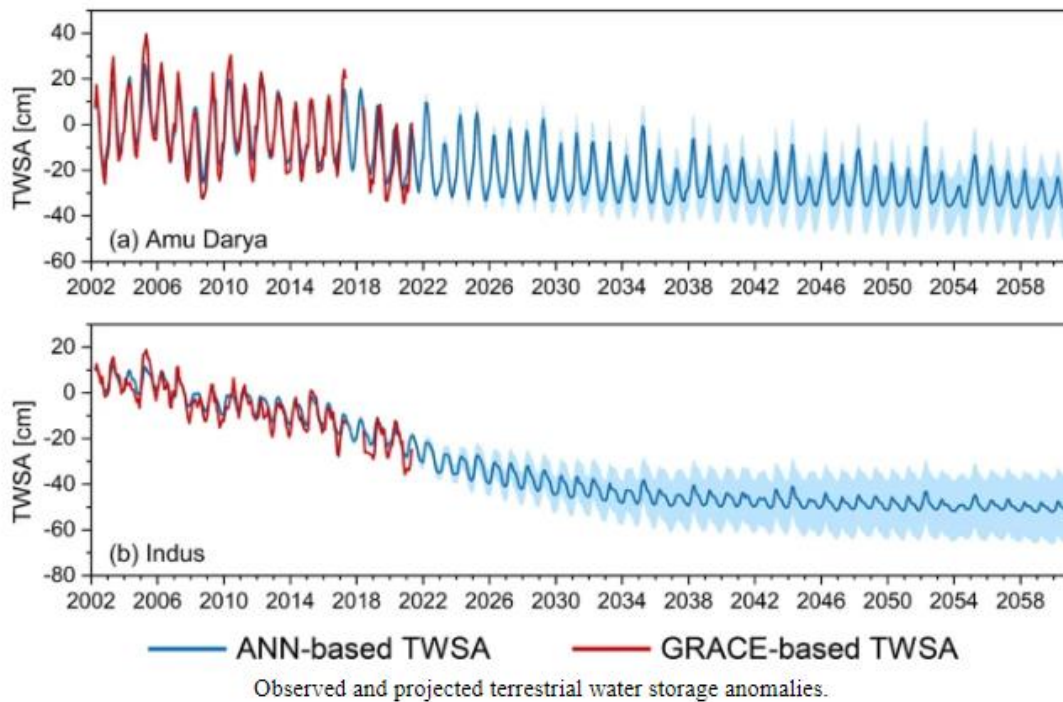
Professor Mann said, the absence of reliable future projections of TWS limits any guidance on policy-making, despite the fact that the Tibetan Plateau has long been considered a climate change hotspot.

Technique used to predict

The researchers used 2 methods to measure the water reserves, "top-down" - or satellite-based - and "bottom-up" or ground-based to measure the water mass in glaciers, lakes and below-ground sources.

They combined the data with machine learning techniques to provide a benchmark of observed TWS changes over the past two decades (2002–2020) and projections over the next four decades (2021–2060).

The researchers combined plethora of factors together and used a novel neural net-based machine learning technique to relate these observed changes in total water storage to key climate variables, including air temperature, precipitation, humidity, cloud cover and incoming sunlight.



The researchers found that climate change in recent decades has led to severe depletion in TWS (15.8 gigatons/year) in certain areas of the Tibetan Plateau and substantial increases in TWS (5.6 gigatons/year) in others, likely due to the competing effects of glacier retreat, degradation of seasonally frozen ground, and lake expansion.

The entire Tibetan Plateau could experience a net loss of about 230 gigatons by the mid-21st century (2031–2060) relative to an early 21st century (2002–2030) baseline, as suggested in the team's projection given that the carbon emissions remain at moderate levels.

Excess water loss projections suggest that the Amu Darya basin - which supplies water to central Asia and Afghanistan - and the Indus basin, which supplies water to Northern India, and Pakistan, will witness decline of 119 per cent and 79 per cent in water-supply capacity, respectively. <https://www.livemint.com/news/india/freshwater-shortage-triggered-by-climate-change-threatens-north-india-by-2060-11660648274917.html>