NEWS ITEMS ON CAG/ AUDIT REPORTS (20.09.2022)

1. CAG expresses concern over budgetary process, calls for 'realistic' budget estimates *(cnbctv18.com)* Updated: Sep 19, 2022

The Comptroller and Auditor General (CAG) has expressed concerns over the budgetary process followed by the Department of Economic Affairs (DEA). CAG has called for "realistic" estimates after the DEA allocated more than Rs 60,000 crore for financial year 2021 but utilised only about Rs 27,000 crore.

CAG has also flagged several examples sighting lapses in budgeting by DEA in the past years too, highlighting the difference between the grants and the spending.

The Parliamentary Standing Committee (PSC) too has similar views. Earlier in March PSC stressed upon the need for "realistic preparations" of budget estimates, revised estimates and full utilisation of allocated funds. https://www.cnbctv18.com/videos/economy/cag-expresses-concern-over-budgetary-process-calls-for-realistic-budget-estimates-14758111.htm

2. 'Amphan' damage: CAG faults Bengal's estimates *(thehindubusinessline.com)* Updated: Sep 20, 2022

Dubs State's calculation of ₹1.02-lakh cr as 'exaggerated, unrealistically high'

The Comptroller and Auditor General (CAG) of India has indicted the West Bengal government for exaggerated assessment of damages due to super cyclonic storm Amphan that hit the State in May 2020.

The State had calculated that the damages were worth ₹1.02-lakh crore and to meet that, it sought ₹35,018 crore Central assistance, an amount that the auditor has dubbed as "exaggerated and unrealistically high and not supported by proper evidence of damage".

The Calcutta High Court, hearing several PILs alleging irregularities and corruption in distribution of relief and diversion of funds, had directed the CAG to carry out performance and financial audits of West Bengal's response to Amphan, that caused large scale damages to 16 of the 23 districts and claimed 99 lives.

What the team found

In its final report, CAG has said an inter-ministerial central team (IMCT), comprising representatives from States and the Centre, had found that the physical quantum of damages were much lower than the State's assessment. The Centre had approved only ₹2,707.77 crore under the National Disaster Response Fund norms.

The CAG noted that records and documents relating to assessment of damages to the extent of ₹1.02-lakh crore were not produced during the audit and that the figure appeared to have been made on "considerably higher side".

About 93 per cent of the assistance provided was distributed in the South and North 24 Parganas, Purba and Paschim Mednipur, Nadia and Hooghly districts. The CAG had detected that in numerous cases, funds were released either to ineligible beneficiaries or double or multiple benefits were given to same households due to lack of adequate institutional mechanisms and processes for relief and rehabilitation. The report is littered with series of irregularities and doubtful payments in different segments identified to assess damages which has prompted the CAG to recommend investigation.

In one such instance, the CAG flagged that ₹251 crore undue financial assistance was given for building damages. https://www.thehindubusinessline.com/news/cag-detects-cyclonic-irregularities-in-wbs-assessment-of-damage-caused-by-amphan/article65910346.ece

STATES NEWS ITEMS

3. Assam 2020-21 budget unrealistic, overestimated: CAG *(theprint.in, ptinews.com)* 19 September, 2022

CAG has said budgetary assumptions of the Assam government remained "unrealistic and overestimated" in 2020-21 and recommended the government to formulate "realistic assumptions" to avoid inflated budget without actual resources.

The State Finances Audit Report for the year ended March 31, 2021 by CAG, which was tabled in the state Assembly on Monday said budgetary assumptions of the Assam government was unrealistic and overestimated during 2020-21 as it incurred an expenditure of Rs 82,888.63 crore, against 81 grants and appropriations of Rs 1,22,341.66 crore.

It resulted in overall savings of Rs 39,453.03 crore during the year as against the savings of Rs 35,552.08 crore during the previous year.

These savings stood at 32 per cent of total grants and appropriations made for the year and was 2.1 times the size of supplementary budget during the year, the CAG report said.

"These savings may be seen in context to over estimation of receipts of Rs 1,07,314.47 crore by the state government and the estimation on the expenditure side being Rs 1,22,341.66 crore during the year 2020-21," it said.

The actual receipts were Rs 82,844.93 crore only which restricted the total expenditure during the year to Rs 82,888.63 crore, it said.

"This implied that the savings were notional as the funds were not actually available for expenditure," the report said.

It also said savings during the year accounted for about a third of the budget, but the controlling officers neither surrendered the funds nor provided any explanations for variations in expenditure vis-à-vis allocations.

The CAG report said that approval of supplementary grants of Rs 18,580.03 crore was indicative of "over-estimation and poor financial management" as the gross expenditure was less than even the original provision.

It also found that a number of departments incurred excess expenditure over and above the authorisation for 2020-21, while excess expenditure was also incurred in few subheads without budget provision.

CAG in its recommendation asked the state government to formulate a "realistic" budget based on reliable assumptions of likely resource mobilisation, the needs of the departments and their capacity to utilise the allocated resources so as to avoid inflated budget without actual resources.
It also recommended instituting appropriate control mechanism to enforce proper implementation and monitoring of budget so that large savings are controlled and anticipated savings are identified and surrendered with the specified timeframe.

CAG also said the finance department may "critically review" departments having persistent savings and controlling officers should be made to explain variation in expenditure from the allocation. https://theprint.in/india/assam-2020-21-budget-unrealistic-overestimated-cag/1134884/

4. Formulate a realistic budget: Comptroller and Auditor General of India to Assam Government *(sentinelassam.com)* SEPTEMBER 20, 2022

GUWAHATI: The Comptroller and Auditor General of India (CAG) suggested to the Assam Government that the latter might formulate a realistic budget based on reliable assumptions of likely resource mobilization, needs of departments, and their capacity to utilize the allocated resources to avoid inflated budgets without actual resources.

The CAG report for the year ended on March 31, 2021, tabled in the Assembly on Monday said, "The State Government may take concrete efforts to augment own resources of revenue, especially non-taxable, to reduce its fiscal deficit. The fiscal deficit of the state was also understated by Rs 1,614 crore during 2020-21. If this is taken into account, the actual fiscal deficit would have been Rs 13,716 crore instead of Rs 12,102 crore. Further, a ratio of fiscal deficit to GSDP would have been 3.94 per cent instead of 3.47 per cent. The government may take necessary steps to reduce the fiscal deficit and to exceed the target under the AFRBM Act, 2011."

The CAG also recommended, "The State Government may institute a rigorous monitoring mechanism to ensure that the departments comply with the prescribed rules and procedures concerning the submission of utilization certificates (UCs) and the DCC bills and accounts of the audit. UCs in respect of grants aggregating Rs 13,629 crore given to 55 departments from 2001-02 to 2019-20 had not been submitted. In absence of UCs, it could not be ascertained whether the recipients have utilized the grants for the purposes for which those were given, and the assets have been created." https://www.sentinelassam.com/topheadlines/formulate-a-realistic-budget-comptroller-and-auditor-general-of-india-to-assam-government-613754

5. CAG finds irregularities worth Rs 113.80 crore *(theshillongtimes.com)* UPDATED: SEPTEMBER 20, 2022

SHILLONG, Sep 19: The Comptroller and Auditor General (CAG) test check of records of one unit relating to the Mining and Geology department during 2019-20 has revealed non-realisation/short realisation of revenue and other irregularities involving Rs 113.80 crore in six cases.

According to the report, there was a case of non/short realisation of revenue worth Rs 102.73 crore, two cases of short payment of revenue worth Rs 8.64 crore, one case of loss of revenue worth Rs 38 lakh and two cases of other irregularities worth Rs 2.05 crore.

The department did not furnish any reply to the audit observation and no recovery was intimated in any of the cases during 2019-20.

The report said there were cases having impact of Rs 10.90 crore in terms of short/non-realisation of revenue and loss of revenue.

It said the Divisional Mining Officer (DMO), Jowai failed to realise interest amount of Rs 34.10 lakh from three cement companies – Meghalaya Cements Limited, Dalmia Bharat Cement Limited (including Adhunik Cements) and Star Cements – for belated payment of District Mineral Foundation Fund.

The Meghalaya District Mineral Foundation Rules, 2017, notified on December 8, 2017, provides for the establishment of District Mineral Foundation (DMF) in all mineral-bearing districts of the state.

The objective/purpose for the creation of the DMF is for the interest and benefit of persons and areas affected by mining related operations. Subsequently, the Directorate of Mineral Resources (DMR) issued a circular wherein it was stated that for major minerals other than coal and lignite, the contribution to the DMF from September 17, 2015 would be 30% of royalty for mining leases granted before January 12, 2015 and 10% of royalty for mining leases granted thereafter.

In addition, it also stated that interest of 15% per annum would be charged from January 1, 2018 if the outstanding dues are not cleared by December 31, 2017.

The scrutiny of records of the DMO, Jowai revealed that during the period from September 17, 2015 to December 31, 2017, three cement companies extracted a total quantity of 50,36,099 MT of limestone for which royalty of Rs 40.29 crore (50,36,099 MT x Rs 80) was paid.

The contribution to the DMF, payable for the limestone extracted during the said period, amounted to Rs 11.32 crore. The cement companies paid the amount belatedly between March 13 and April 11, 2018.

However, the DMO, Jowai did not recover the interest for delayed payments amounting to Rs 34.10 lakh.

The audit further noted that the DMO, Jowai did not even issue a demand notice to the cement companies for payment of interest. Thus, Rs 34.10 lakh remained un-realised from the three companies till date (September 2021), adding the reason for non-realisation of Rs 34.10 lakh from the companies being interest amount for delayed payments of contribution to DMF was not stated by the DMO, Jowai.

The matter was reported to the department (July 2021) and the state government (September 2021). The reply is awaited (March 2022).

Another case was the non-realisation of mineral cess where the DMO, Jowai failed to collect mineral cess amounting to Rs 10.56 crore from cement companies.

According to the report, the test check of records (November 2019) of the DMO, Jowai relating to collection of cess revealed that during the course of excavation for civil foundation work and development of plant site by two cement companies – Green Valley Industries Limited (GVIL) and Goldstone Cements Limited (GCL) – limestone to the tune of 25,93,174 MT was extracted.

The report said the Mining and Geology department allowed GVIL (July 2017) and GCL (May 2018) to utilise the extracted limestone as raw material for the manufacturing of clinker and cement.

The report said the DMO, Jowai had collected Rs 3.68 crore against leviable cess of Rs 15.55 crore from the two cement companies but failed to collect the remaining amount of Rs 11.87 crore from them (GVIL Rs 3.36 crore and GCL Rs 8.51 crore).

When this was pointed out (December 2019), the DMO, Jowai had stated (February 2020/October 2020) that demand notices were issued (February 2020/August 2020) to the companies to clear the dues.

The DMO, Jowai further informed (February 14, 2022) the audit that GVIL cleared the outstanding dues of mineral cess of Rs 3.36 crore (between February and March, 2021).

In respect of GCL, the DMO, Jowai admitted that the amount of Rs 8.51 crore is still pending (February 2022). https://theshillongtimes.com/2022/09/20/cag-finds-irregularities-worth-rs-113-80-crore/

6. Govt fails to submit 215 UCs amounting to Rs 1765 crore *(syllad.com)* SEPTEMBER 19, 2022

Meghalaya: Over 215 utilization certificates (UCs) amounting to Rs 1765.86 crore have not been submitted by the concerned departments of the state government.

"It was seen that at the close of March 2021, 215 UCs amounting to Rs 1765.86 crore remained outstanding in the books of the Accountant General (Accounts & Entitlement), Meghalaya," the CAG in its report said.

It said that major defaulting departments which have not submitted UCs and their percentage out of total outstanding amount under Grants-in-Aid are Secretariat Economic Services (Rs 609.91 crore, 34.54 %), Rural Employment (Rs 502.21 crore, 28.44%), Rural Development (Rs 423.11 crore, 23.96%) and Welfare of SCs/STs and other Backward classes (Rs 115.30, 6.53%).

Non submission of UCs means that the authorities have not explained how funds were spent over the years.

There is also no assurance that the intended objectives of providing these funds have been achieved. This assumes greater importance if such UCs are pending against Grants-in-Aid meant for capital expenditure.

The CAG said in the absence of UCs, it could not be ascertained whether the recipients had utilized the grants for the purposes for which these were disbursed. Further, it is likely that the funds received were not spent and were being held in the bank accounts of the respective departments.

For example, it has been observed that the public works department had a savings of Rs 479.12 crore (25.35%) during 2020-21, out of which Rs 515.79 crore received was on account of grants-in-aid for CSS (Pradhan Mantri Gram Sadak Yojna).

In the absence of UCs being submitted by the department it is impossible to gauge the implementation status of the scheme for which funds have been received.

"Since huge pendency in submission of UCs is fraught with the risk of fraud and misappropriation of funds, it is imperative that the state government should monitor this aspect closely and not only hold the concerned persons accountable for submission of UCs in a timely manner but review disbursement of further Grants to defaulting departments," the CAG said. https://www.syllad.com/govt-fails-to-submit-215-ucs-amounting-to-rs-1765-crore/

7. Govt loses Rs 1.15 Cr in 72 cases of theft, misappropriation *(syllad.com)* SEPTEMBER 19, 2022

Meghalaya: The state government had reported 72 cases of theft, misappropriation and loss involving government money amounting to Rs 1.15 crore up to March 2021 on which final action was pending.

Out of Rs 1.15 crore, the highest amount of misappropriation of Rs 0.44 crore pertained to the Meghalaya Legislative Assembly involving two cases, the CAG said in its report.

The others include Rs .18 crore in public works, 0.21 crore in horticulture, 0.03 crore C&RD, 0.02 crore land record and survey, 0.17 crore mining & geology, 0.02 crore finance, 0.01 crore health and 0.07 crore public health engineering, it stated. https://www.syllad.com/govt-loses-rs-1-15-cr-in-72-cases-of-theft-misappropriation/

8. BBMP to form panel for implementing recommendations in CAG report on storm-water drains *(thehindu.com)* UPDATED: SEPTEMBER 19, 2022

Karnataka High Court said that no parallel authority can hold any inquiry or pass order on SWD issue

The High Court of Karnataka on Monday directed that no authority will either conduct a parallel inquiry and pass any order on the issues related to encroachment of storm-water drains (SWDs) that are being dealt with by the court in PIL petitions, and the orders passed by the court shall be binding on all the authorities.

A Division Bench, comprising acting Chief Justice Alok Aradhe and Justice S. Vishwajith Shetty, issued the direction after the BBMP counsel clarified that a "parallel authority" had not issued stay order against encroachment but had only asked the BBMP officials to adhere to the law while removing encroachments of SWDs.

Modalities to implement

Meanwhile, the Bench asked the BBMP to form a panel of three officers to examine the modalities to implement the recommendations made in the Comptroller and Auditor General of India's (CAG) 2021 report on the "performance audit of management of SWDs in Bengaluru Urban area."

The Bench said that the panel should submit its report to the court along with the suggestions to implement the measures suggested in the CAG report.

The Bench found it necessary to form a panel for implementing CAG report's outcome after the BBMP could not tell the court about any substantial steps taken to implement the measures suggested in the CAG report even though the BBMP had received the report way back in September 2021.

The Bench orally pointed to the BBMP counsel certain observations made in the CAG, like "the veracity of BBMP's claim of having removed the encroachments was doubtful as audit observed during joint inspection that one of the encroachment stated to have been removed continued to exist."

Meanwhile, the BBMP said that a process is under way to clear the remaining 602 encroachments of the total 2,626 identified.

Following this, the Bench directed the BBMP to submit a status report on removal of SWDs encroachments fortnightly to the court.

Roads and potholes

Also, the BBMP has assured the court that the remaining 221 potholes of the total 2,010 identified on major roads would be filled in 10 days, the 427 km of arterial roads requiring major repair and relying would be done by January 31, 2023, and resurfacing of around 2,500 km of others roads would be completed by March 31, 2023.

Following these assurance, the Bench directed the BBMP to submit a compliance report on progress made in pothole filling and removal of encroachment by September 30, the next date of hearing. https://www.thehindu.com/news/cities/bangalore/bbmp-to-form-panel-for-implementing-recommendations-in-cag-report-on-storm-water-drains/article65910663.ece

9. BBMP's claims on removal of encroachments doubtful: CAG *(newindianexpress.com)* 20 September 2022

BENGALURU: The report of the Comptroller and Auditor General of India on 'Performance Audit of Management of Storm Water in Bengaluru Urban Area' submitted in September 2021 revealed that the veracity of BBMP's claim about the number of encroachments identified and number of encroachments removed was doubtful.

During joint inspection of about 70 drains, an audit observed 23 cases of significant encroachments. Of these, 16 cases were not on the list provided by BBMP. Thus, the completeness and reliability of data on encroachments was doubtful.

Giving an illustration in support of the findings, the CAG report stated that a primary SWD under Rajarajeshwari Nagar zone was encroached upon by constructing Padmavathi and Meenakshi Kalyana Mantapas. As per information furnished for audit by BBMP, the encroachment was removed on August 18, 2016.

However, a joint physical inspection showed that the kalyana mantapas were existing on either side of the drain and were connected with a concrete platform linking the two buildings. The impact of the encroachment was rainwater entering the dining area of the kalyana mantapas. https://www.newindianexpress.com/cities/bengaluru/2022/sep/20/bbmps-claims-on-removal-of-encroachments-doubtful-cag-2499979.html

10. Karnataka HC forms panel to inquire into implementation of CAG report *(newindianexpress.com)* 20 September 2022

BENGALURU: Directing that no authority should either conduct a parallel inquiry or pass orders on managing storm water drains, the Karnataka High Court constituted a three-member committee and asked it to submit a report on the measures taken by the BBMP on implementation of the recommendations of 'Report of the Comptroller and Auditor General of India on Performance Audit of Management of Storm Water in Bengaluru Urban Area'.

A division bench of acting Chief Justice Alok Aradhe and Justice S Vishwajith Shetty passed the order on Monday after hearing a PIL.

"It was brought to our notice that a performance audit has been conducted on maintenance of SWDs and a report has been submitted by the CAG. Admittedly, the BBMP received the report in September 2021. BBMP's counsel was unable to explain what substantial steps have been taken for the implementation of the recommendations," the HC said.

Fix infra issues, BBMP told

The court also directed the BBMP to remove the remaining 626 encroachments on SWDs and submit reports to it every fortnight. Granting 10 days time to fill the remaining 221 potholes using hot mix on major roads of the city, the court said that a PIL was filed in 2015 seeking directions to fill the potholes on major roads and arterial roads and also for removal of encroachments on SWDs/drainage system.

"From time to time, several directions have been issued by the court. Undoubtedly, the BBMP, a statutory body, has an obligation to repair and maintain roads. It also cannot be disputed that the citizens have the right to have roads without potholes for which corresponding responsibility vests on authorities", the court said. https://www.newindianexpress.com/cities/bengaluru/2022/sep/20/karnataka-hc-forms-panel-to-inquire-into-implementation-of-cag-report-2499984.html

11. Net worth of 11 PSUs in minus Rs 3,148.02 cr; liabilities exceed value of total assets: CAG *(thekashmirimages.com)* September 20, 2022

Srinagar: The net worth of 11 Public Sector Undertakings (PSUs) in J&K has been completely eroded by accumulated losses, a report by the Comptroller and Auditor General (CAG) of India has said.

The liabilities of these state-owned enterprises have far exceeded the value of their total assets. They have gone into red despite budgetary support worth crores of rupees.

The national auditor of India further revealed that on March 31, 2021, the state turned union territory had 42 PSUs. The accumulated losses of 18 of its PSUs have touched Rs 3,655.92 crore.

The J&K government by the end of previous fiscal made Investments in its 42 PSUs in the form of equity and long-term loans worth Rs 18,332.90 crores. It has consistently been providing financial support to these PSUs in various forms through the annual budget as equity, loans, grants, subsidies, writing off their loans and even converting their loans into equity.

The CAG disclosed “the net worth of 11 out of 18 PSUs had been completely eroded by accumulated loss and their net worth was negative. The net worth of these 11 PSUs was in minus at Rs 3,148.02 crore”.

These PSUs had an equity investment and capital worth hundreds of crores of rupees.

Jammu and Kashmir Road Transport Corporation (JKRTC) according to the report tops the list of corporations with a negative net worth of minus Rs 1,426.98 crores. It is followed by Jammu and Kashmir Industries Limited with a net worth of minus Rs-737.19 crores.

The Jammu and Kashmir Minerals Limited has slipped to the third position in erosion of its net worth at a negative worth of minus Rs 217.01 crores. This is followed by the J&K Handicrafts (Sales and Export) Development Corporation at minus Rs 161.54 crores and State Industrial Development Corporation at minus Rs 129.34 crores.

PSU’s were established in the post-1947 era to carry out commercial activities for the welfare of the people and contribute to the State Domestic Product of the erstwhile state.

Mismanagement and corruption are attributed as primary reasons for these state-owned utilities going in to red.

The CAG said there are six inactive PSUs in J&K (including four under liquidation) having investment of Rs 57.57 crore towards capital and long-term loans of Rs 0.83 crore This is a critical area as the investments in inactive PSUs do not contribute to the economic growth of the J&K.

The report revealed that the ratio of turnover of the PSUs to the Gross State Domestic Product (GSDP) has steadily been decreasing over the years. Proportion of proceeds to GSDP in 2018-19 was 6.34 percent but it went down to 6.01 in the preceding fiscal.

Details of Investment made in 42 PSUs in the form of equity and long term loans up to 31st of March 2021 revealed that the state government pumped in Rs 18,332.90 crore.

However, the Union Territory has still 12 PSUs that reported a profit of Rs 480 in their financial statements finalized during 2020-21. J&K Bank was the lead net profit maker with Rs 428.45 crores, followed by J&K Horticulture Produce Marketing and Processing Corporation Limited with a profit of Rs 31.47 crores, and Power Development Corporation at Rs 20.42 crore. https://thekashmirimages.com/2022/09/20/net-worth-of-11-psus-in-minus-rs-3148-02-cr-liabilities-exceed-value-of-total-assets-cag/

12. When AAP, Congress promise freebies, BJP's Gujarat sits on Rs 3.08 lakh cr public debt *(freepressjournal.in)* September 19, 2022

Ahmedabad: Notwithstanding the freebies promised by the Aam Aadmi Party (AAP), the Congress and the ruling BJP succumbing to demands from various state employees on agitational path, few want to look at the legacy of an astronomical public debt of Rs 3,08,000 crore that the State Government has created.

The Comptroller and Auditor-General of India (CAG)'s latest report, which was released on March 31, 2022, stated that the public debt of the Gujarat Government stood at Rs 3,08,000 crore as on March 31, 2021, and this is much more than that the State's annual budget of Rs 2,40,000 crore for 2022-23.

And this isn't the entire story, but the beginning. The CAG's "State Finances Audit Report" as on March 31, 2021, warns that Gujarat is walking into a veritable debt trap for the State Government would have to repay as much as Rs 1,67,000 crore or 61% of this huge public debt by the next 7 years.

More alarming, Gujarat's public debt has been projected to touch Rs 4,50,000 crore by the end of 2024-25 – less than three years from now.

Even more startling, the CAG report avers that while Gujarat's Gross Domestic Product (GDP) rose at a Compounded Annual Growth Rate (CAGR) of 9.19% between 2016 and 2021, the outstanding public debt shot up at a CAGR of 11.49%.

The Gujarat Government has been patting its back for being the only "revenue plus" State in the country, but CAG has this to say: "The state achieved 'zero' revenue deficit targets in 2011-'12 and reported a revenue surplus thereafter till 2019-'20. The state turned revenue deficit for the first time in 2020-'21, with a deficit of Rs 22,548 crore, against the target of revenue surplus of Rs 789 crore proposed in the Medium-term Fiscal Policy Statement."

In an ideal fiscal situation, a government goes in for public borrowings to invest in creation of long-term and permanent capital assets – equivalent to an individual taking loans to buy a house or a motor vehicle – but not for its revenue expenditure or running the day-to-day government. These expenses are usually met from tax collections.

In reference to financial year 2021, the CAG stated, "Since Gujarat turned revenue deficit for the first time since 2011-'12, this year borrowed funds were used for revenue expenditure, as well as capital expenditure and repayment of debt." Simply stated, it took loans to repay loans, meet the day-to-day expenses and also capital expenditure.

In this case, the CAG also found that in FY2021 the Gujarat Government underreported its revenue deficit by as much as Rs 10,997 crore while it was much more.

“The state’s actual revenue deficit would stand at Rs 33,525 crore during 2020-’21, if the items of shortfall in the State Government’s contribution to consolidated sinking fund, non-discharge of interest liabilities and incorrect classification are factored in,” the audit watchdog pointed out.

The CAG thus indicated some smart fudging by the government, stating that the government passed off a part of the revenue expenditure as capital and some off-budget works.

For perspective, when the BJP came to power for the first time in Gujarat in 1995, the State Government’s public debt stood at Rs 10,000 crore. It had shot up to Rs 45,301 crore in 2001-2002 when Narendra Modi took charge as the Chief Minister. In 2014, when Anandiben Patel came in as the CM after Modi became the prime minister, Gujarat’s public debt was Rs 2,21,000 crore. https://www.freepressjournal.in/india/when-aap-congress-promise-freebies-bjps-gujarat-sits-on-rs-308-lakh-cr-public-debt

13. कैग की रिपोर्ट ने खोली परियोजनाओं की लेटलतीफी की पोल *(mpcoverage.in)* 19 Sep, 2022

भोपाल । आर्थिक तंगी के इस दौर में सरकार के लिए परियोजनाएं भी घाटे का सौदा बनती जा रही है। लेटलतीफी के कारण कई परियोजनाएं ऐसी हैं जिनकी लागत कई गुना बढ़ गई हैं। विधानसभा में पेश की गई कैग की रिपोर्ट में परियोजनाओं की लेटलतीफी की पोल खोली गई है। रिपोर्ट के अनुसार अनावश्यक विलंब से परियोजनाओं की लागत अरबों रूपए बढ़ गई हैं।

कैग ने भोपाल नगर निगम द्वारा चलाई जा रही हाउसिंग फॉर ऑल स्कीम पर सवाल उठाए हैं। बीएमसी 364.97 करोड़ रुपए की लागत से सबको घर देने की तीन परियोजनाओं पर काम कर रहा था। लेकिन ये समय पर पूरी न हो सकीं। इसलिए बीएमसी को करोड़ों रुपए का नुकसान उठाना पड़ा। कैग ने कहा है कि इन परियोजनाओं के लिए पहले ही कर्ज जुटा लिया गया था। लेकिन काम में अनावश्यक विलंब होता रहा। बीएमसी के साथ पीएचई और नर्मदा घाटी प्राधिकरण में भी इस तरह की लेटलतीफी देखने को मिली। इससे 5,870 करोड़ रुपए की परियोजना की लागत बढ़कर 14,863 करोड़ हो गई। यानी समय पर काम पूरा न होने से इन परियोजनाओं की लागत 153 फीसदी या 8,993 करोड़ रुपए बढ़ी। केंद्र सरकार ने वर्ष 20-21 में सरकार को 12,257 करोड़ रुपए की जगह केवल 5,293 करोड़ की ही जीएमटी क्षतिपूर्ति दी। इससे सरकार का राजस्व 6,964 करोड़ रुपए घट गया।

कैग ने सरकार के पूंजीगत व्यय बढ़ाने पर भी आपत्ति लेते हुए कहा है कि एक घाटे में चल रही राज्य सरकार पूंजीगत व्यय बढ़ाने के साथ-साथ उन सरकारी कंपनियों पर निवेश क्यों कर रही है जिनका मूल्यांकन शून्य हो चुका है। कैग रिपोर्ट में सरकार के वित्तीय प्रबंधन पर गंभीर सवाल उठाते हुए कहा गया है कि सरकार लगातार उधारी बढ़ा रही है। 20-21 में अपनी राजस्व प्राप्तियों का 9.56 फीसदी हिस्सा केवल कर्ज का ब्याज चुकाने में देना पड़ रहा है। यह 2016-17 में केवल 6.43 फीसदी था।

कोविड के कारण मप्र के जीएसडीपी में 19,850 करोड़ रुपए (2.10 फीसदी) की कमी आई। सरकार पूंजीगत व्यय बढ़ा रही है। लेकिन वह घाटे में है। उसे शून्य मूल्यांकन वाली सरकारी कंपनियों में निवेश बंद करना चाहिए। सरकार को राष्ट्रीय पेंशन स्कीम से जुड़े कर्मचारियों का अंशदान 4,217.97 करोड़ रहा, जबकि सरकार ने इसमें 4,849.91 करोड़ मिलाया। दोनों का योग 9,067.88 करोड़ था। लेकिन मप्र सरकार ने केवल 8,790.67 करोड़ रुपए ही जमा कराए। सरकार को बाजार से लिए कर्जों पर 6.12 फीसदी की दर से ब्याज का भुगतान करना पड़ा। लेकिन शासन द्वारा दिए कर्ज और एडवांस पर उसे महज 0.20 फीसदी ही ब्याज मिला। कर्ज 2020-21 में 28.98 फीसदी बढ़ा है। http://mpcoverage.in/news.php?id=cag-report-exposed-the-delay-in-projects-382523

SELECTED NEWS ITEMS/ARTICLES FOR READING

14. India's robust growth momentum may create macro stability challenges for economy *(financialexpress.com)* September 20, 2022

In order to mitigate the impact of the Russia-Ukraine war on the Indian economy, policymakers have deployed significant fiscal and monetary resources. The measures taken by RBI have helped India's economic performance, which has arguably been better than its peers, as the growth recovery has been robust while inflation has risen by much less than in other economies. However, according to analysts at Barclays, this resilience in the economy has come at the cost of material fiscal support in the form of price stabilisers, as well as through the loss of foreign reserves to keep the rupee relatively stable.

India's macro stability is delicately balanced even after commodity prices eased, as strong growth and falling inflation are offset by large current account deficit and fiscal deficit. With the global economy set to slow, India's robust growth momentum may end up creating macro stability challenges, noted Barclays.

Despite the slowdown and recession threat looming over the world, Barclays believes that India's economy stands out as an outlier, benefiting from enhanced food security, deleveraged private sector balance sheets, and more room to use fiscal tools to offset the relative price shocks faced in terms of weaker exchange rates, high inflation, and rising interest rates. "We are comfortable with our baseline view of India's growth slowing from 7.0% in FY 22-23 to 6.5% in FY 23-24, given strong consumption and continued fiscal support," Barclays said in its report adding that India's domestic dynamics are strong enough to drive growth of at least 6% for the next two years.

Faster growth path amid deteriorating global backdrop to bring risks of a wider CAD, stickier fiscal deficit profile, high inflation

Analysts at Barclays, however, believe that a potentially faster growth path amid a deteriorating global backdrop, elevated interest rates and still high commodity prices, would bring the risks of a wider current account deficit, a stickier fiscal deficit profile, and inflation running higher than average over the cycle. "Alongside, policy buffers in the form of fiscal room and foreign reserves are much smaller than they were at the beginning of the Russia-Ukraine conflict, thus reducing policy space to continue with the same level of policy of intervention," they said.

Questions about India’s macro stability set to increase

According to the report, India’s economy looks to be in a countercyclical sweet spot going into Q4 22, with growth seemingly on a more stable footing than other major economies, while its inflation rates are not as elevated as in the West. The relative economic strengths across India’s economy means that, barring any unprecedented global or domestic events, annual growth of at least 6.0-6.5% year-on-year can be generated over the next two years. Underlying demand appears strong, as households and corporates are benefiting from countercyclical fiscal tools, such as tax cuts and subsidies.

Domestic tailwinds: The main factors supporting the momentum across various domestic sectors come from fiscal support (unlikely to decline), inflation trajectory (that appears to have peaked), and healthier, cleaner balance sheets of both financial institutions and households.

Deeper insulation from external headwinds: The domestic orientation of India’s economy should help provide a buffer against negative impacts from the weakening external environment, the research firm noted.

“Strong growth — set against the backdrop of elevated inflation, large current account deficits and a stretched fiscal position — could weaken some indicators of macro stability. Lingering concerns remain around India’s large current account and budget deficits, given still elevated commodity prices and the level of fiscal support provided to contain inflation. These risks to macro stability may increase if growth accelerates too sharply,” Barclays said. Analysts forecast GDP growth at 7.0% in FY23, with the underlying trend robust and an absence of domestic factors that could derail the growth recovery. https://www.financialexpress.com/economy/indias-robust-growth-momentum-may-create-macro-stability-challenges-for-economy/2677473/

15. Financing deficit *(financialexpress.com)* September 20, 2022

On March 26, 1997, the government of India and RBI signed an agreement that ended a ‘more than four-decade old’ system of deficit financing. Deficit financing means the government borrows directly from the central banks for meeting its deficits. The year 2022 marks the 25th anniversary of this landmark agreement. Before reflecting on the anniversary and its future, we need to understand the history.

One of the major functions of RBI is to act as the banker to the government. Post Independence, India lacked both high savings and financial markets. Hence, the government opted to use deficit financing as a source for financing the five-year plans. However, deficit financing was soon used to finance not just long term plans but also short-term cash mismatches.

In 1955, there was an agreement between the government and RBI. The agreement said that if the government cash balances fell below `50 crore, the government will issue ad hoc Treasury bills (T-bills) to the central bank and use the proceeds to fill the minimum balances. This agreement soon became permanent, and the government resorted to borrowing funds from RBI for both long-term plans and short-term cash balances. The ad hoc T-bills became attractive sources of financing as they were available on tap and at low fixed interest rates. Over 1952-1997, which comprised eight five-year plans, deficit financing contributed an average of 13.5% of the total government funds. Such a long period of deficit financing led to higher money supply and inflation. The monetary policy also remained subservient to fiscal policy.

The 1991 balance of payments crisis was a fiscal crisis too. The fiscal deficit averaged of 6.6% in the 1980s, twice what was seen in the 1970s. The share of deficit financing had risen to 17% in the 7th plan (1985-90). The Centre knew that ending deficit financing was crucial, but given political economy considerations, decided to unwind it in a phased manner.

The reforms started in 1991, but then-finance minister Manmohan Singh first proposed phasing out deficit finance in the 1994-95 Budget speech. He said that the government should not finance its deficits "through unlimited recourse to the Reserve Bank, by issue of ad hoc Treasury Bills." He announced that the government will phase out ad hoc T-bills over a period of three years, and the historic step will "give the Reserve Bank greater scope for effective monetary management."

In his 1997-98 Budget speech, then-finance minister P Chidambaram announced that ad hocs will be phased as per schedule, from April 1997 onward. RBI would also introduce the Ways and Means Advances (WMA) scheme to accommodate temporary mismatches. The government and the central bank followed up on the finance minister's announcement, and signed the agreement on March 26, 1997, putting an end to the four-decade old system of deficit financing.

How has India fared in the last 25 years since the landmark agreement? First, the government is no longer resorting to deficit financing, but has found new ways to fund the deficit, such as issuing off-balance-sheet bonds, demanding larger dividends from central bank/PSUs, spectrum auctions, disinvestments, etc. The WMA, which was supposed to be used temporarily, was used very actively for financing deficits in 2019-20. The government had also passed legislation to reduce fiscal and revenue deficits, but has not made much progress.

Second, the autonomy and performance of RBI has improved compared to pre-1991 era. RBI may not be funding deficits, but is often pressurised to pay higher dividends, leading to friction between the government and the bank. The central bank is also criticised for indirectly supporting the government's borrowing programme. The appointments at the central bank have also been wanting, as argued in my earlier article. RBI has adopted inflation targeting, making the monetary policy more rules-based.

Third, the biggest gain has been in terms of financial markets. Finance minister Singh, in his 1994 speech, had announced that the government "will have to meet its entire requirements through borrowing from the market." In order to enable market borrowing, RBI took several measures. The measures ranged from developing institutions such as Primary Dealership, Clearing Corporation, etc, to developing markets such as yield curve, repo markets, etc.

What lessons can we draw from the 25th anniversary going forward? The 1997 agreement was based on global experiences, which suggested that fiscal and monetary policies should be conservative and have their own instruments. The 2008 crisis and the pandemic turned these lessons upside down as we saw both fiscal and monetary policy acting aggressively to boost growth and employment. The government deficit and debt levels rose significantly, but inflation was absent.

Post the Ukraine war, inflation has risen significantly, leading central banks to once again focus on inflation. The Indian economy's indicators have deteriorated as well, but are much better compared to rest of the world.

Should India change its policy stance? Not really. Most policymakers do wish to take their economies and policies to the pre-crisis period. The principles of the1997 agreement of running policies conservatively have served us well and we need to keep working on them. https://www.financialexpress.com/opinion/financing-deficit/2676577/

16. Power games: Plans to shift to a centralised market in power sector must take into account concerns of all stakeholders *(indianexpress.com)* Updated: September 20, 2022

The power sector in India is increasingly becoming a site of contestation between the Centre and the states. Much of the recent confrontation between the two can be traced to the distribution segment — the weakest link in the power chain. Over the years, the central government has formulated various schemes to turn around the financial and operational position of state power distribution companies (discoms). But despite these multiple attempts, the financial position of discoms continues to be precarious. Their mounting losses have increased the fiscal risks at the general government level (Centre and states). As per a recent study by the RBI, a bailout of discoms in 18 large states is likely to impose a burden equivalent to around 2.3 per cent of the GSDP of these states. Considering that their weakening finances pose a threat to the entire power chain, the government has, of late, been increasingly adopting a tough stance. Earlier, the Power System Operation Corporation, the national grid operator, had asked power exchanges to restrict buying and selling by discoms from 12 states and Jammu and Kashmir on account of their dues to power generating companies. Now, another site of confrontation has opened up.

The Union government plans to shift to a market-based economic dispatch (MBED) mechanism. This shift to a centralised framework marks a radical departure from the current decentralised, voluntary pool-based electricity market. The arguments in favour of the move are straightforward. Under the MBED framework, the cheapest power from across the country will be dispatched to meet the system wide demand. The architecture would also lead to a "uniform clearing price". Sellers and buyers will place their bids for the day ahead market, and an outcome of this will be the discovery of the market clearing price. This process is expected to generate significant savings for consumers.

However, as reported in this newspaper, the shift to this new framework is creating apprehensions that it could "strip states of their freedom". Some analysts have also argued that as "inefficient plants" are likely to be adversely impacted by this move, it may impact state generators disproportionately. Moreover, as an official said, the market trends "necessitate greater decentralisation of markets and voluntary pools for efficient grid management and operations". Considering the system-wide ramifications of this move, the changes to the operations, systems and infrastructure of the players involved, and that this framework is under scrutiny around the world, there is need to tread cautiously. All stakeholders — from state governments to load dispatch centres to power exchanges and others — need to be consulted at each step in this process. Their comments/suggestions must not only be sought, but the desirability of the policy itself needs to be discussed threadbare. https://indianexpress.com/article/opinion/editorials/power-games-plans-to-shift-to-a-centralised-market-in-power-sector-must-take-into-account-concerns-of-all-stakeholders-8160793/

17. Food for future *(millenniumpost.in)* 20 Sept 2022

While the pandemic-triggered near collapse of the world economy has fuelled food inflation, the ongoing Russia-Ukraine war — which affected global patterns of food grains trade, production and consumption — has intensified the fear of food insecurity across the world. More than 93 per cent of low- and middle-income countries and 89 per cent of upper middle-income countries have experienced above five per cent food inflation in April-June this year. The World Bank states that in August 2022, 23 countries have banned food exports while at least seven countries have implemented export-limiting measures. According to the World Food Programme (WFP), 345 million people in 82 countries have been subjected to acute food insecurity, and it could worsen in 20 countries by September 2022.

Neglect of the farm sector, increase in urbanisation and growing population are the chief factors behind the crisis while climate change played the last straw. Developing countries like India may have to bear the brunt of it the most. According to FAO, about 189 million people in India are undernourished — the largest number in any single country. Though the country made remarkable progress in food production and distribution, its dependency on imports for 60 per cent of edible oil and 35 per cent of pulses refutes the claims of self-sufficiency. Likewise, without surplus production, the glory of being a 'net exporter' (more exports than imports) is but a placebo.

Issues in the Indian agriculture sector tend to outnumber their solutions. The increasing cost of cultivation (CoC) and indebtedness has made farming a viable venture, especially for small and marginal farmers. Poor infrastructure, low use of farm technologies, and decrease in soil fertility result in low productivity, low income and low investment which, again, lead to low productivity — thus creating a vicious cycle. It is reported that between 1991 and 2011, around 14 million farmers had quit farming due to financial stress, and the increasing number of migrant labourers vouched for agrarian distress. As per Census 2011 data, 56 per cent of the net rural-to-urban migration was purely for employment reasons.

According to the Situation Assessment Survey (SAS) 2021, composition of average monthly income of agricultural households has drastically undergone a change since 2014. Net receipt from crop production declined from 48 per cent in 2014 to 37 per cent in 2021 while an increase of eight per cent in income from wages and an increase of four per cent in income from animal farming was observed. Similarly, net income from farm business fell by two per cent while a new source of income — lease of land —with one per cent share surfaced. This shows a crisis in India's primary sector as farmers are under duress, and are preferring wage labour over earnings from the farm. A gradual decline in the number of cultivators and a rise in that of agriculture workers and migrant labourers is a wakeup call in the context of imminent threat to food security for a nation which may have to feed two billion odd population in the next two decades.

India has the largest arable land (1.56 million sq. km) — second only to the US (1.57 million sq. km). Yet, Indian farming being solely dependent on resource 'access' is an issue. MSP alone cannot ensure growth in productivity. With 70 per cent of the population depending on agriculture and 82 per cent of farmers belonging to the small and medium category, reducing CoC is necessary. Water, farm machinery, subsidised seeds, subsidised power and credit are basic resources farmers need access to. Secondly, crop diversification needs a push, for it not only helps augment the production but also rejuvenates the fertility of soil. Thirdly, expansion in rabi area — which is presently not even one-fourth of kharif area — is important in order to increase the production of crops like wheat, mustard, and Bengal gram. Fourthly, allied activities — fisheries, poultry, piggeries, goat rearing etc. — need enhanced financing and marketing support since they not only double the incomes of farmers but are also repositories of protein-rich food. Fifthly, forward linkages through cold storage, quick marketing forums, and transport in the production chain need to be guaranteed so that farmers do not have to dump their produce in despair, as it happens in many states. Last but not the least is to increase spending in R&D which is crucial for improving the productivity of crops and augmenting allied sectors. No doubt, the government has rolled out dozens of schemes but the question is: is the public spending adequate to fructify them and achieve desired results?

Studies reveal that public spending on agriculture has plummeted from 11 per cent in 2010-11 to 9.5 per cent in 2019-20 in India; it is just 15 per cent in India vis-à-vis about 33 per cent in the US and 43 per cent in Italy. Besides, a shift in spending was seen towards 'income support and credit-based assistance' from 'support for direct production' which means that government spending on investment in agricultural infrastructure — a crucial element for productivity (as happened during the green revolution) — is on the decline. The agriculture budget for the current financial year hardly saw any increase over that of the last year. However, it's heartening to note that allocation to allied sectors — fisheries and animal husbandry and dairy — has increased by 73 per cent and 26 per cent, respectively, over 2021-22. But spending on R&D is only between 0.3 per cent to 0.4 per cent, which is much lower than Brazil (1.8 per cent), Mexico (1.05 per cent), Malaysia (0.99 per cent) and China (0.62 per cent). Similarly, allocation for sustainable agriculture remains persistently low.

A word of caution is necessary here since unlocking the full potential of agriculture means adding to greenhouse effects. Sustainable development through 'mitigation' measures or 'adaptation' techniques is the key. States may do well by developing their own models of sustainable agriculture. A thing or two can be learned from Chhattisgarh's experiment called 'Narwa, Garuva, Ghurva, and Baadi' — meaning a village centric approach for concerted action to ensure water conservation, livestock development, use of compost and development of kitchen gardens. It is an integrated approach to the primary sector, making sustainable use of native resources.

It will be a disservice not to voice concern, at this juncture, about the colossal waste of food at production and consumption levels, which further adds to the food crisis. The Food Waste Index Report, 2021 says that around 931 million tonnes of food is wasted globally — 61 per cent comes from household, 26 per cent from food services and 13 per cent from retail; this holds largely true for India, too, since around 17 per cent of produced food is wasted at storage and transit level while the household food waste estimate is 50 kg per capita per year (or 6,87,60,163 tonnes a year). As they say, 'energy saved is energy produced'. Similarly, food saved is food produced. It's time a national awareness campaign is launched.

The Food Security Act is meant for distribution whereas production is of utmost concern. It's a mission requiring higher public spending on agriculture and allied sectors. Food security is not just about feeding people; it encompasses all aspects of economy and society. Growth and development become elusive without providing for the survival of the future population. Spending on agriculture is largely borne by states. In view of the poor finances of several states, it is high time that the Centre takes the lead to ensure a balanced growth across the country. Protecting the rights of all farmers and helping the small and marginal farmers are equally important measures for increasing productivity. Issues of growth in all other sectors must be addressed while keeping future food security at the focal point, so that we do not end up with millions of hungry people amid exponential growth in the economy. http://www.millenniumpost.in/opinion/food-for-future-493499?infinitescroll=1

18. Rewiring India's healthcare ecosystem for wellness *(timesofindia.indiatimes.com)* September 20, 2022

In most modern societies, we have primarily approached health from a curative lens, seeking help only when symptoms visibly impede our functioning, as opposed to putting in consistent effort to ensure our wellbeing. A recent report by ASSOCHAM indicates that the incidence of Non-Communicable Diseases (NCDs) in India is highest amongst those in the 26-59 age bracket, who are also the most active contributors and thereof, the backbone of India.

Additionally, the occurrence of mass communicable diseases further overwhelms an already pressurized healthcare system, as we have witnessed with COVID, rendering it unable to cope and manage a population as large as ours. The only sustainable way is to transition from an 'illness' to a 'wellness'-oriented approach to health, which strives to improve people's overall quality of life by safeguarding them from ill health and helping them manage diseases better.

Rise of the health-conscious consumer
We must acknowledge the shift we are seeing in people's attitudes towards their health in India. The pandemic has made us more conscious of our lifestyle choices in pursuit of optimizing our health. This sentiment is quantified by a Mintel survey which states that roughly 50% of Indians took to consuming healthier food and exercising during the pandemic than prior.

This evolving consumer interest has been complemented by heightened activity in the health and wellness industry through the introduction of sophisticated fitness trackers, the launch of several immunity-boosting and nourishment-oriented products by small businesses and FMCG giants alike, and so on. The rise of gamification in healthcare has empowered us to have better control of our health outcomes by guiding us towards our fitness goals, providing us with real-time and simplified information on our health, enabling easy access to qualified practitioners and prompting us to adhere to their recommendations. Today, most organizations are also actively promoting wellness among their employees by introducing wellness policies like access to counsellors for mental health and nutrition, virtual yoga classes and more. As a community, we are increasingly gravitating towards concepts like holistic wellness, sound bathing, wellness retreats, etc. to nourish our bodies and minds.

Auroville in India is a good example of a township that is rooted in wellness through its focus on sustainable living and the cultural, environmental, social, and spiritual needs of people. However, while it is evident that there has been a definite shift, this has been limited to a niche audience. So how can we cascade the concept of good health and wellness across India?

Amplify awareness from the grassroots
First, we need to share the know-how on health management with communities through awareness programs and provide them with access to resources in order for them to adopt healthy lifestyles through periodic checkups, healthy ingredients and fitness related activities. For instance, the uptick we are seeing in specialized nutrition products must be made more accessible and affordable to people across the country.

Partnerships with key stakeholders

The Government's progressive health programs like Ayushman Bharat, and the Fit India movement are exemplary initiatives propelling the wellness drive. It would be imperative for industry players to scout for opportunities that allow them to join forces with the Government for implementation of ambitious and large-scale programs. Their pool of innovative minds and solutions as well as their collective reach to end consumers can add meaningful heft to such efforts. The effective execution of Ayushman Bharat will cover nearly 40% of the most indigent and vulnerable population, giving them better access to treatments, improving health and productivity, and enhancing the overall quality of life.

Beyond this, it is crucial that we address the external root causes of chronic illnesses. Air pollution, for example, is a large contributor to respiratory illnesses like chronic obstructive pulmonary disease (COPD)and asthma. Climate positive action needs to be the responsibility of all stakeholders, right from large corporations to individuals must collaborate to reduce pollution.

Augment the ecosystem thinking

Lastly, it is crucial to nurture our nation's thinkers and innovators to come up with ingenious solutions and models of scaling up preventative care and early diagnosis. Favourable policies, incentives and launchpads will help bring their ideas to fruition and considerably contribute to upping the wellness thrust, which we are in fact already seeing through the boom in health tech startups.

I believe India is at a stage where there is both readiness and the wherewithal to rewire our healthcare ecosystem on the principles of wellness. The collective momentum to see this through will be a key driver in bringing about this revolution. Afterall, a state of wellbeing is not just the ability to survive, but the power to thrive – as individuals, as a community and a nation. https://timesofindia.indiatimes.com/blogs/voices/rewiring-indias-healthcare-ecosystem-for-wellness/

19. Over Rs 3 lakh crore worth of public procurement done on GeM *(theprint.in)* 19 September, 2022

Over Rs 3 lakh crore worth of public procurement has been done on Government e-Marketplace (GeM) so far, the Ministry of Commerce & Industry said on Monday.

Government e-Marketplace (GeM), the National Public Procurement Portal of the country is an end-to-end online Marketplace for the procurement of goods and services. It was launched on August 9, 2016, as part of the vision of Prime Minister Narendra Modi for redefining public procurement.

GeM has been able to bring about radical changes in the way procurement was done by Government buyers and public sector undertakings. GeM is contactless, paperless, and cashless and stands on three pillars: efficiency, transparency, and inclusivity, the ministry said in a statement.

GeM Seller Samvad was held in Mumbai on Monday. A number of Government e-Marketplace vendors shared their experiences in GeM Seller Samvad. This gave an opportunity to the GeM sellers to learn about the new GeM features and functionalities that further makes it conducive for them to operate on the portal.

GeM's Business Facilitator for Maharashtra and Daman and Diu Nikhil Patil informed that the GeM portal is not only limited to Central Government offices. It provides a one-stop online procurement portal for all Government Buyers including Central/State Ministries, Departments, Bodies & PSUs. All states (except Sikkim) have entered into an MoU with GeM, thereby facilitating businesses from all around the country to do business with Government departments located all over India, even in remote corners. Maharashtra state entered into an agreement with GeM in March 2018, informed Nikhil Patil.

In his presentation, Patil highlighted the advantages for SMEs for doing business in the GeM portal. MSEs, especially sole proprietors on GeM can now get a loan at the point of acceptance of an order on the GeM platform. Approximately 2,000 minor and 460+ major functionalities have been introduced on GeM, in the last 24 months for increasing ease of doing business.

The Seller Samvad was also attended by Nishant Deengawal, Director – States and Union Territories (GeM) and Nodal Officer of GeM in Maharashtra. Deputy Director of Press Information Bureau, Mumbai Regional Office, Dheep Joy Mampilly was also present on the occasion.

It is noteworthy that GeM has surpassed the milestone of Rs 1 Lakh Crore of procurement value, in a single fiscal year in FY 21-22. Since its inception, GeM has facilitated over 1 crore transactions valued at over Rs 3.02 lakh crore. This has only been possible with the support of all stakeholders including buyers and sellers across the country. https://theprint.in/economy/over-rs-3-lakh-crore-worth-of-public-procurement-done-on-gem/1134942/

20. Fiscal federalism and hullabaloo around freebies *(newindianexpress.com)* 20 September 2022

How can the Centre justify its tax concessions to the rich while running a continuous revenue deficit?

The Union government has opened yet another battlefront with the state governments. The states are supposed to be steeped in "revdi culture" and distributing too many freebies risking financial stability. The Supreme Court of India has taken cognisance of the issue and is setting up a commission. A roaring debate is going on in the media. But, to my surprise, everyone seems to have ignored that the existing FRBM Act already sets stringent fiscal limits on the freebies that a government can distribute.

Freebies, however, one may define them, are a part of the revenue expenditure. A key provision of the FRBM Act is that the revenue deficit must be eliminated, which means no borrowed money can be used for revenue expenditure, including freebies. On average, expenditure on salaries, pensions, and interest constitutes 50–55% of the total revenue expenditure of the states. After other committed expenditures on social and economic development, the residual available for freebies would be very limited unless governments flout the condition of zero revenue deficit.

The key question is this: who has been performing in a fiscally responsible manner—the states or the Union? In 2000–01, the combined revenue deficit of the Union and states had reached a dangerous level of 6.45% of GDP, the Union's deficit being 3.91% and the states' being 2.54%. After the FRBM acts, the deficit ratio tended to come down, and in 2010–11, the combined deficit was 3.20%, which was entirely the Union government's contribution. In 2010–11, the Union government's revenue deficit was 3.24%, while the state governments had a revenue surplus of -0.4%.

Since then, the average revenue deficit of the states has been negligible until Covid-19 at 0.05%, while that of the Union government hovered around 3.15%. The lesson that can be drawn from these simple figures is that the states, on the whole, have been fiscally responsible while the Union government has behaved imprudently. This asymmetry between the Union and the states is even sharper for the fiscal deficit. Therefore, the prime minister should do more introspection on his government's performance rather than exhorting the states about the danger of excessive freebies.

How can the Union government justify its corporate and other tax concessions to the rich while running a continuous revenue deficit? Every year, the direct taxes totalling more than a lakh rupees are forgone as disclosed in the annexures to the annual budget. Besides, in 2019, the Union government reduced the corporate tax from 30% to 22% on the eve of the prime minister's visit to the US, just to create a hurrah in the stock market and, perhaps, under the impression that such a gesture would please the tax-cut philosophy of Trump and Co.

The current GST rates on consumer durables are 30–50% lower than the burden of taxes subsumed under GST. Such instances of freebies by the Union government to the rich can be multiplied. Interestingly, the Tamil Nadu government's submission to the Supreme Court, among other points, had raised the issue of loan waivers to corporates. They pointed out that in the first three years of the Modi government, `75,000 crores of non-performing debts of the Adani group had been written off. Since the NDA government assumed office, more than `10 lakh crores of total non-performing assets of banks, mostly of the corporates, have been written off. The asset restructuring companies have so far been able to recover less than `2 lakh crores of bad debts. Is this not a corporate freebie, or do only loan waivers of farmers qualify to be freebies? And what about the Production Linked Incentive Scheme (PLI) for large-scale electronics manufacturing, which is under consideration to be extended to other manufacturing sectors?

The high revenue deficit implies that a significant portion of the borrowed funds is being used by the Union government to finance revenue expenditure that does not create any assets. Therefore, it is the Union government that is burdening the future generations, the very sin that the Union finance minister warned the states. While the states have complied with the FRBM norm of 3% fiscal deficit, the Central government tended to have a ratio ranging between 4–5%, despite heavy window dressing.

India is one of the countries with the worst inequality in the distribution of income and wealth. The share of the richest 1% in national wealth has increased from 16.1% in 1990 to 42.5% in 2020. In contrast, the share of the poorest 50% declined from 8.8% to 2.8% during the same period. In terms of income distribution, too, inequality has been widening. While the share of the richest 1% increased from 10.4% in 1990 to 21.7% in 2020, the share of the bottom 50% declined from 22% to 14.7%.

In the background of acceleration of inequality, the obsession that the prime minister is exhibiting with freebies is perverse. The discourse of some pundits on appropriate and efficient support systems for the poor—also in the context of the freebie debate—would qualify to be in the same perversity brand.

Even the Supreme Court, sympathetic to restricting freebies, while hearing a petition by BJP leader and advocate Ashwini Upadhyay seeking to prevent political parties from promising freebies to the electorate before elections, was forced to ask:

"Can universal healthcare, access to drinking water, and access to consumer electronics be treated as freebies?" The BJP leader had also characterised MGNREGA to be a freebie. All of these point to the inherent difficulties in arriving at an operational definition of a freebie. It is a political choice that cannot be bound by rule-based governance.

What provoked the prime minister's 'revdi culture' speech seems to be the Aam Aadmi Party upstaging the BJP in poll promises in the forthcoming Gujarat elections. It is no more a secret how the BJP massively used Mudra Loans and Centrally Sponsored Schemes to canvas votes in UP. If the BJP feels that the AAP's freebies are going to thwart development, take it to the people and make it a poll issue. And the Supreme Court should not abrogate to itself the functions of the legislature or the political choice of the electorate.

More important and vital issues corrupting the election process in India—like the electoral bonds—require more urgent attention than freebies. The entire episode is bizarre. https://www.newindianexpress.com/opinions/2022/sep/20/fiscal-federalism-and-hullabaloo-around-freebies-2499924.html