NEWS ITEMS ON CAG/ AUDIT REPORTS (30.08.2022)

1. Challenges of sub-national fiscal correction *(thehindu.com)* AUGUST 30, 2022

The Centre and States need to prioritise expenditure and adhere to fiscal discipline

Recent concerns over excessive doling out of freebies by States are often interpreted as intrusion into the federal powers of the States. States push back on this issue on the grounds of welfare provisioning and protection of the vulnerable sections of the population. The Central government's alarm has been on the mounting debt burden and the deteriorating fiscal situation in some States. As both the Union government and States are expected to work closely in a co-operative federal structure, frictions arising out of these exchanges might have repercussions on both resource sharing and expenditure prioritisation. Hence, it is important that the Centre and States are on the same page on these issues.

In recent times, three issues have emerged as major discussion points in India's fiscal federalism, leading to back-and-forth exchanges between the Centre and States. First are a set of issues related to Goods and Services Tax (GST) such as the rate structure, inclusion and exclusion of commodities, revenue sharing from GST and associated compensation. Second, State-level expenditure patterns especially related to the welfare schemes of States. Third, the conception and the implementation of central schemes.

Issues related to GST have a forum for discussions as they are usually the agenda for GST council meetings. However, other two matters are generally flagged by the Finance Ministry based upon reports and studies done by the Reserve Bank of India (RBI) and the Comptroller and Auditor General of India. As States engage in clarifications on these reports and studies, it often ends up as exchanges of shifting the blame, especially when the Centre and the concerned State have different political parties in power.

Discretionary expenditure

A key issue of recent debates between the States and the Centre is the quantity and quality of public expenditure by the States. In this context, it is important to distinguish between two kinds of public expenditure. Mandatory spending is expenditure that is governed by formulas or criteria set forth, rather than by periodic appropriations and as such, unless explicitly changed, the previous year's spending bill applies to the current year for these items of expenditure. By contrast, discretionary spending is expenditure that is governed by annual or other periodic appropriations. While States demand more fiscal space for increasing discretionary spending, the Centre is pushing for more fiscal discipline by reducing the scope for discretionary spending and limiting States to focus on mandatory expenditures.

Generally, the aim of enhanced discretionary public expenditure is to stimulate the economy during periods of excess slack, as government spending multipliers would be high and work primarily through consumption channel. Discretionary expenditure is, at the same time, more volatile than mandatory expenditure. Cross country empirical evidence also shows that discretionary expenditure is not contemporaneously correlated with output growth and the correlation is low for the next immediate time period. Further, once started, some of the discretionary expenditure, used to increase demand in the economy, continues for longer periods leading to fiscal stress. This is because of the fact that it is hard to decrease government spending, especially on expenditure heads that raise private consumption, as it requires some counter balancing measures to deal with the resistance from the public.

The current debate around freebies needs to be viewed in this larger context of sub-national fiscal consolidation. In a federal system, States' fiscal stress gets spilled over to the Centre, leading to a situation of overall magnified fiscal slippages. As the economy is recovering from crisis, there exists a need to adhere to the path of fiscal correction both by the Centre and by the States, as a crisis demands more discretionary spending than normal times. Such additional expenditures need not be and cannot be sustained over longer periods. However, in the Indian context, many States indulge in higher levels of expenditures towards maintaining what they call as their 'models of welfare provisioning'. While these models claim to have their own merits, the effects of such expenditures on growth of the economy and well-being of the beneficiaries are ambiguous as there is a lacuna of credible evidence.

Fiscal consolidation

Sustained increase in welfare expenditure by the States leads to fiscal expansion, which necessitates additional resource mobilisation. When efforts towards additional resource mobilisation yield limited success, as in the case of many States in India, the States resort to borrowings. Fiscal expansion financed through debt and the resultant debt accumulation have important impacts on the economy both in the short run as well as in the long run. While debt per se might not be bad, the utilisation of funds raised through borrowings is important, that is, if it is used for capital formation, it could contribute to the real income of future generations and add to repayment capacity of the government as well. On the contrary, if use of borrowings is to finance only the current expenditure, it poses the risk of debt rising to unsustainable levels.

Data published by the RBI show that in recent years, States' outstanding debt has registered an upward movement. This could be partly attributed to the implementation of the Ujwal DISCOM Assurance Yojana (UDAY), farm loan waivers, sustained increase in populist welfare measures and growth slowdown especially in 2019-20. A combination of increased expenditure and non-commensurate revenue mobilisation efforts has resulted in increased debt-GSDP ratio (gross state domestic product) between 2013 and 2022. The debt-GSDP ratio of States increased from 22.6 in 2013 to 25.1 in 2018, and further to 31.2 in 2022 (budget estimates).

Given the prevailing macroeconomic environment, the debt-GSDP ratio is expected to increase further. This rising trend in debt-GSDP ratio needs to be seen in the context of revenue mobilisation efforts of the States. Overall, there is a decline in revenue receipts due to a fall in the States' own tax revenue. With dwindling revenue receipts, many States had to opt for expenditure compression to adhere to the fiscal responsibility legislation target.

This scenario underscores the importance of fiscal correction at the State level. While there exists a need for raising additional resources at the sub-national levels, expenditure prioritisation has to be carried out diligently. Discussions on freebies need to be understood in this context of squeezing of development expenditure and capital expenditure on some important social and economic services. The Centre, too, on its part needs to demonstrate commitment to fiscal discipline by sticking to announced fiscal glide path to ensure the sustainability of a frictionless co-operative federal structure. https://www.thehindu.com/opinion/op-ed/challenges-of-sub-national-fiscal-correction/article65825966.ece

2. मुफ्त उपहार देने की राजनीति देश की अर्थव्यवस्था और शासन व्यवस्था दोनों के लिए ही अहितकर *(jagran.com)* Aug 29, 2022

स्वतंत्रता प्राप्ति के बाद की सरकारों द्वारा विकास, गरीबी निवारण, बेहतर सामाजिक सेवाओं, पेयजल, सड़क निर्माण आदि पर जोर रहा। लेकिन अब कुछ राजनीतिक दल मुफ्त बिजली, पानी, यातायात सुविधा आदि देने के वादे करने लगे हैं। सरकार की खराब आर्थिक स्थिति और बढ़ते कर्ज के बावजूद उन वादों को कार्यान्वित करने के दुष्परिणाम भी सामने आने लगे हैं।

उल्लेखनीय है कि दिल्ली प्रति व्यक्ति आय की दृष्टि से, गोवा के बाद देश दूसरा सबसे समृद्ध प्रांत है। दिल्ली का राजस्व भी काफी अधिक होता है। यहां बड़ी संख्या में प्रवासी भी रहते हैं, जो रोजगार की तलाश में अन्य राज्यों से आकर बसे हैं। उनकी आर्थिक स्थिति बेहतर नहीं है, जिसका अंदाजा इस बात से लगाया जा सकता है कि महामारी के कारण 2020 में लाकडाउन लगते ही बड़ी संख्या में वे अपने घरों की ओर रवाना हो गए थे।

दरअसल दिल्ली में बड़ी संख्या में प्रवासी मजदूर हैं या छोटा-मोटा व्यवसाय करते हैं। दिल्ली में ऐसे प्रवासी मजदूरों की संख्या लगभग 20 लाख है। इनमें से अधिकांश यहां दयनीय अवस्था हैं। उनके स्वजनों के लिए स्कूल, कालेज एवं अन्य शिक्षण संस्थानों की जरूरत है। साथ ही बेहतर जलापूर्ति और सीवेज व्यवस्था के साथ बड़ी संख्या में अच्छी स्वास्थ्य सुविधाओं की भी दरकार है। उनकी आवाजाही के लिए सड़कों, पुलों आदि की भी आवश्यकता है। लेकिन इन सब कार्यों के लिए भारी खर्चे की जरूरत होती है। देखा जा रहा है कि दिल्ली सरकार विकास और रखरखाव के लिए भी धन जुटा नहीं पा रही है। ऐसा नहीं है कि दिल्ली का राजस्व कम है। वास्तव में दिल्ली में प्रति व्यक्ति राजस्व शेष भारत से काफी अधिक है और यह लगातार बढ़ता ही जा रहा है। लेकिन उस राजस्व को मुफ्त उपहार के रूप में खर्च कर देने के कारण आवश्यक नागरिक सुविधाओं के लिए धनाभाव होता जा रहा है।

कितना राजस्व, कितनी मुफ्तखोरी: वर्ष 2021-22 के लिए दिल्ली का कुल राजस्व 53070 करोड़ रुपये अनुमानित है। जो सभी राज्यों के राजस्व का तीन प्रतिशत है। वर्ष 2019-20 में यह 47136 करोड़ रुपये था और 2015-16 में यह मात्र 34996 करोड़ रुपये ही था। लेकिन इस बढ़ते राजस्व के साथ-साथ दिल्ली सरकार का बिजली, पानी और यातायात पर खर्च भी बढ़ता गया। संबंधित आंकड़े बताते हैं कि दिल्ली सरकार द्वारा बिजली मुफ्त करने के नाम पर बजट पर बोझ बढ़ता जा रहा है और 2015-16 से लगभग दोगुना होता हुआ यह 3200 करोड़ रुपये तक पहुंच चुका है। पानी के बिलों को शून्य करने की कवायद में दिल्ली जल बोर्ड का घाटा और कर्ज दोनों बढ़ रहे हैं। 'कैग' की एक रिपोर्ट के अनुसार वर्ष 1998-99 में 26620 करोड़ रुपये दिल्ली जल बोर्ड को उधार दिए गए थे, जिनमें से अभी तक मात्र 351 करोड़ रुपये ही लौटाए गए थे। इस बीच दिल्ली सरकार ने पिछले पांच वर्षों में दिल्ली जल बोर्ड को 41 हजार करोड़ रुपये ऋण के रूप में दिए हैं। माना जाता है कि दिल्ली जल बोर्ड के दिल्ली सरकार के अधीन होने और पानी मुफ्त करने की कवायद में दिल्ली जल बोर्ड की वित्तीय हालत बहुत खराब हो चुकी है।

स्वाभाविक है कि संसाधनों के सीमित रूप में उपलब्ध होने के कारण मुफ्तखोरी की नीति के चलते सरकारी राजस्व पर दबाव बढ़ता है और कई आवश्यक खर्चों को टालना पड़ जाता है। दिल्ली की सत्ता में आज

जो राजनीतिक दल है उसने 20 नए कालेज आरंभ करने, फ्री वाइ-फाइ उपलब्ध कराने, महिला सुरक्षा बल गठित करने, स्वास्थ्य सुविधाओं के विस्तार, आठ लाख नौकरियों के सृजन, दिल्ली कौशल मिशन द्वारा हर साल एक लाख युवकों को कौशल प्रशिक्षण समेत ऐसे अनेक वादे किए थे, जो या तो केवल वादे रह गए या जिनमें प्रगति धीमी रही। समझा जा सकता है कि इन वादों को पूरा न कर पाने के पीछे मुख्य कारण धनाभाव है।

गौरतलब है कि आप सरकार से पहले वर्ष 1999-2000 और 2014-15 के बीच 15 वर्षों में पूंजीगत व्यय 510.5 करोड़ रुपये से बढ़कर 7430 करोड़ रुपये हो गया (यानी प्रति वर्ष वृद्धि 19.6 प्रतिशत रही), जो कि आप सरकार के पहले पांच साल में 7430 करोड़ रुपये से बढ़कर मुश्किल से 11549 करोड़ रुपये ही पहुंची (यानी वार्षिक वृद्धि मात्र 9.2 प्रतिशत रह गई)। यदि कहा जाए कि सरकारी खजाने से पैसा देकर बिजली को 'गरीबों' के लिए मुफ्त अथवा कम कीमत पर उपलब्ध कराया जा रहा है तो यह सही नहीं होगा। वर्ष 2021-22 में दिल्ली में जहां चालू कीमतों पर प्रति व्यक्ति आय 4,01,982 रुपये प्रति वर्ष है, वहां 54.5 लाख बिजली उपभोक्ताओं में से 43.2 लाख लोगों को या तो मुफ्त अथवा आधी कीमतों पर बिजली उपलब्ध कराई जा रही है, जिसके कारण नागरिक सुविधाएं बुरी तरह से प्रभावित हो रही हैं और सरकार पर कर्ज बढ़ रहा है, तो उसे औचित्यपूर्ण नहीं ठहराया जा सकता। सर्वोच्च न्यायालय ने भी कई राज्य सरकारों द्वारा मुफ्त उपहार के वितरण पर प्रतिक्रिया देते हुए कहा है कि इससे देश की अर्थव्यवस्था दुष्प्रभावित होने की प्रबल आशंका है। ऐसे में समझना होगा कि मुफ्तखोरी की राजनीति देश की अर्थव्यवस्था और शासन व्यवस्था दोनों के लिए अहितकर है। https://www.jagran.com/news/national-the-politics-of-giving-free-gifts-is-injurious-to-both-the-economy-and-the-governance-system-of-the-country-jagran-special-23023447.html

3. Why Are Power Sector Reforms Unable To Reform The Sector? *(swarajyamag.com)* Aug 29, 2022

The financial mess in India's state government-run power distribution (DISCOM) sector has been a thorn in the flesh of every government in the Centre since liberalisation.

At the root of it is the tendency of state-level politics, of all hues, to offer free lunches to voters.

This tendency is only rising with marked progress in rural electrification over the last few years.

Arvind Kejriwal's Aam Aadmi Party (AAP) made it a rule to promise a cut in the electricity bill for the residential sector too, even though economic logic demands residential tariffs be revised sharply upwards.

'Rewari Culture'

Prime Minister Narendra Modi is right in calling this out as 'Rewari culture' and making a renewed attempt to bell the cat.

However, the job seems to be easier said than done. The Ujjwal DISCOM Assurance Yojana (UDAY), rolled out in 2015, failed to change the very same culture.

In the second round, Prime Minister Modi is now back with a range of arsenal as is visible in the parallel rollout of Revamped Distribution Sector Scheme (RDSS), strengthening of the

Electricity (Late Payment Surcharge and Related Matters) Rules, 2022 and introduction of the Electricity (Amendment) Bill 2022.

The electricity bill is now under the consideration of the standing committee. It primarily wants to open the retail market of power by opening the network to multiple operators, enhancing the legal status of the state-level regulator and bringing him out of the clutches of local politics.

The last one is highly needed.

The Rs 300,000 crore RDSS is not a financial restructuring scheme. It is aiming for a technical upgrade — like prepaid smart metering at the customer end, system metering etc — to help distribution utilities plug leakages and improve realisation.

The change in late payment surcharge (LPS) rules was an executive decision. The rules were invoked in restricting nearly a dozen states in participating in spot trade in electricity exchanges, till they clear the dues to power generation companies (GENCOS).

The decision sent shockwaves through the political circles. If the pressure is sustained, this rule might prove effective in disciplining DISCOMs who are at the centre of a $ 75 billion or Rs 600,000 crore hole in the national economy.

Approximately Rs 110,000 crore is unpaid to GENCOs. The rest are receivables to the DISCOMs in the form of unpaid subsidies and 'regulatory assets'.

The latter is an innovation by states, in collusion with the state-level regulators, to delay due revision in tariffs.

DISCOMS either turn to banks and/or delay payments to GENCOs, to mitigate the cash shortfall. The state-run GENCOs use the political handle to pass the burden to coal companies. Private GENCOs suffer cash crunch. In the end, the nation's banking sector pays for the 'Rewari'.

Separate Tariff From Subsidy

Independent India avoided the temptation of building an artificially low auto-fuel-based economy as was prevalent (then) in the US and was copied by Pakistan to their peril.

However, it designed electricity tariffs in socialistic lines on the 'rich-subsidises-poor' formula. Large industrial customers are considered rich. On top of everything, states were granted near complete rights in electricity distribution.

Together they created a political economy that has proven itself to be extremely detrimental to national interests. The Electricity Act 2003, tried to correct part of it by setting a regulatory goal to eliminate cross-subsidy. But the 2007 amendment to the act deleted that provision.

The damage is manifold. The first casualty is transparent tariff discovery. DISCOMs don't need to invest in extensive downstream infrastructure to serve a large industrial customer. On the contrary, the smaller the customer, higher the technical and commercial costs.

This is exactly why residential customers pay higher tariffs than the industry in the West. India has a way larger population to serve and the number of small customers has gone up dramatically in the last decade. But the tariff is kept artificially low.

Officially, the gap is mitigated by up to 20 per cent cross-subsidy. In reality, the gap is significantly wider than the allowed subsidy band.

Moreover, several studies indicate that the Indian industry is losing export competitiveness due to relatively high electricity tariffs.

It means there is little room for any further cross-subsidy and the ruling politicians in states — particularly those aspiring to attract investment — know that.

As a shortcut solution, they are abusing the subsidy provision and the political control over the state regulator.

The state regulator deprives just tariff to the DISCOM both in terms of announcing the advance or projected tariff for a year and, by delaying or denying the truing-up of costs, which is done after the year.

Creating regulatory assets is another trick. To complete the cycle, the state subsidies announced with much fanfare rarely come in time. As if that's not all, despite such rampant financial engineering, the average realisation in India is Rs 0.39 a unit short of the average cost.

The need of the hour is the removal of cross-subsidy and move to a market-determined tariff regime. State governments should be eligible to give subsidies but only as direct benefit transfer (DBT), to bring an end to the nexus. The new bill largely bypassed these issues.

Discipline Habitual Offenders

It is also to be considered if the nation should take exception to habitual offenders. A closer look at the numbers will reveal that the majority of the total outstanding to GENCOs is contributed by select states like Tamil Nadu, Maharashtra, Andhra Pradesh, Telangana, Rajasthan, etc.

These states have always featured on the list, irrespective of whichever party is in power. Ask coal companies, and they will tell you that they have always had a hard time recovering dues from Rajasthan. Private power producers were traditionally wary of payment delays by Tamil Nadu.

And it is not that these states are any 'paupers'. Tamil Nadu and Maharashtra are India's top industrialised states with their own-tax revenue clocking over 70 per cent of the total receipts. But when it comes to unpaid bills to GENCOs, these two states contribute nearly half of the total.

The reasons are not hard to find.

Over the last two decades, there were eight changes in the position of chief minister of Tamil Nadu. It is questionable if the electricity tariff was revised even half the number of times.

The state utility approached the regulator for tariff revision in 2010, after a gap of seven years. In July 2022, the Tamil Nadu Generation and Distribution Corporation (Tangedco) hiked tariffs after eight years. Not to mention that such hikes were not adequate.

Essentially, therefore, a few states made it a practice to enjoy free lunch. Every bailout gave them the opportunity to pile up fresh outstanding dues. The Comptroller and Auditor-General recently pulled up the DISCOM in Tamil Nadu for failing to turn around despite availing UDAY. The buck must stop here. https://swarajyamag.com/ideas/why-are-power-sector-reforms-unable-to-reform-the-sector

4. Supreme Court declines to hear fresh plea for probe into Rafale deal *(deccanherald.com)* 29 August, 2022

The Supreme Court on Monday rejected a fresh plea for a probe into the 2016 Rafale fighters jet deal on the basis of "new revelations" by a French portal that manufacturers Dassault Aviation paid approximately one million Euro to middlemen here.

A bench of Chief Justice U U Lalit and Justice S Ravindra Bhat said in view of the previous judgement by a three-judge bench rejecting a similar plea, the instant matter can't be entertained.

Sharma, for his part, repeatedly pleaded that there were reports on payment of bribes and that the CBI and the ED may be asked to examine it.

"When I filed this plea in 2021, it was found that Dassault had paid a sum to secure the contract. Rule of law applies for cancellation of the contract. This plea is to issue letters for rogatory and so the documents can be brought in," he submitted

He further claimed if the french agency said 1 billion euros was paid as a bribe, then we need to see those papers and thus letters of rogatory needed.

"I don't have any personal agenda," he said.

The court, however, remained unbudged and declined to entertain the petition, saying "you can't keep filing such petitions".

In his petition, Sharma made Prime Minister, Narendra Modi, Sushen Mohan Gupta of Defsys Solutions Pvt Ltd, and Dassault Reliance Aerospace Limited (DRAL) parties in the matter.

The top court had earlier on December 14, 2018, dismissed a batch of petitions, including by Sharma, seeking a probe into the deal, and also rejected the review petitions against the judgement on November 14, 2019.

In his plea, Sharma sought a direction of the court for registration of an FIR against the accused persons under Sections 420 (Cheating), 120-B (Criminal Conspiracy) of the Indian Penal Code (IPC), along with for offences with Prevention of Corruption Act.

He alleged that certain accused persons had illegally engaged themselves to secure secret papers from the defence ministry to secure the Rafale deal on September 23, 2016.

He said the cause of action arose on April 5, 2021, as an investigation report by the AFA (France CAG) declared that Dassault gave 1 million euros to middlemen in India as bribe.

Agence Française Anticorruption (AFA) functioned in a capacity similar to India's Comptroller and Auditor General (CAG), with the aim of checking whether large companies implemented anticorruption procedures. However, unlike the CAG, the AFA also audited private firms. In its report, the AFA did disclose corruption in the Rafale deal, he claimed.

He sought an independent probe into the case under the supervision of the top court for prosecution of the accused.

The petitioner sought a direction for cancelling the 2016 agreement for purchase of 36 Rafale fighters jets from Dassault France, having been hit by "fraud, corruption and the offence under the Official Secret Act".

He also contended that a direction must be issued by the court to recover the entire advanced money with penalty and to blacklist Dassault Aviation in future defence deals. https://www.deccanherald.com/national/supreme-court-declines-to-hear-fresh-plea-for-probe-into-rafale-deal-1140353.html

STATES NEWS ITEMS

5. CAG faults Puducherry Electricity Department *(theprint.in, economictimes.indiatimes.com, latestly.com, devdiscourse.com)* 29 August, 2022

A report of the Comptroller and Auditor General (CAG) of India for the year ended March 2020 tabled on the floor of the House on Monday by Puducherry Chief Minister N Rangasamy stated that the Electricity Department of the Union Territory has not maintained good balance of interest between power utilities and consumers.

The report in its overview of compliance audit on power tariff, meter-reading, billing and collection system in the Puducherry Electricity Department pointed out that the Electricity Act, 2003 directs to maintain a healthy balance of interest between power utilities and the consumers. However, the audit of tariff, billing and collection efficiency of the department revealed that such a balance was not maintained as the gap between revenue and cost of power supplied to consumers had increased from Rs 97.57 crore to Rs 375.89 crore within three years ending 2019-2020.

The report pointed out that such an abnormal increase was on account of excessive transmission and distribution loss, disallowance of cost by the Joint Electricity Regulatory Commission (JERC), continuance with defective meters and non-claim/recovery of eligible subsidy and the revenue from the government and the consumers by the Electricity Department.

Besides, instances of short claim and non-claim of applicable tariff resulting in loss of revenue were also noticed, the report said.

Stating that the existing billing system was not efficient as there were several weaknesses in the software being used and nine per cent of the total of 4.78 lakh meters available were defective since many years which were not replaced within three months as prescribed.

The report said the non-replacement of the defective meters was even up to 25 years which vitiated the JERC regulations. In addition, Electricity Department was yet to replace 45,627 electro-mechanical meters with static meters as required.

It said the recovery under Revenue Recovery Act was not effective as only Rs 4.88 lakh was collected during the last three years ending March 2020 against the pendency of Rs 25.01 crore.

During 2017-2018 to 2019-2020, the collection efficiency slipped from 60.36 per cent to 54.90 per cent in respect of I.T bills. This resulted in accumulation of arrears of revenue to the extent of Rs 709.60 crore, it stated.

The poor performance of anti-power theft squad (APTS) was evident from its coverage of only up to 0.05 per cent of the total consumers during 2017-2020. Moreover, Electricity Department had not taken follow-up action on 82 per cent of the cases reported by the APTS which defeated the basic objective of inspection by the APTS. https://theprint.in/india/cag-faults-puducherry-electricity-department/1106804/

6. CAG finds deficiencies in the functioning of Electricity Department *(thehindu.com)* 29 August, 2022

As per the norms prescribed by the Joint Electricity Regulatory Commission (JERC), the department is bound to replace the defective meters within 15 working days.

The Comptroller and Auditor General has found glaring deficiencies in the functioning of the Electricity Department, including in the levy of current consumption charges due to non-replacement of defective meters and problems in the billing system.

The audit revealed that of a total of 4,77,660 meters fixed for Low Tension (LT) consumers, 42,309 were defective in the Union Territory. As per the norms prescribed by the Joint Electricity Regulatory Commission (JERC), the department was bound to replace the defective meters within 15 working days.

“In case of defective/stuck/stopped/burnt meters, the consumer should be billed on the basis of higher of monthly consumption of the corresponding month of the previous year and average monthly consumption of the immediately preceding three months. These charges should be levied for a maximum period of three months, within which time frame the defective meters have to be replaced. However, the department levied [charges] on the basis of average consumption for some meters for more than 20 to 25 years,” said the report, which was tabled by the government in the Assembly on Monday.

The levy of charges on the defective meters violated JERC norms and encouraged the consumption of a higher quantum of power by the consumers beyond the average consumption, and consequential loss of revenue. The non-replacement of defective meters led to improper levy of current consumption charges, the report said.

While assessing the effectiveness of the billing software, the CAG found that the names and addresses of certain consumers were incomplete, leading to difficulties in revenue recovery at the time of default in payment.

There was no provision to accept part-payment of arrears. However, the department accepted part-payment of arrears from consumers by manually modifying the amount due. This reflected the vulnerability of the system, the CAG said.

The billing system also did not have a provision to accept reconnection charges for disconnected LT services. Due to the limitation, it was not possible to generate MIS reports for the cases where reconnection was made without collecting reconnecting charges, the report said.

The Electricity Act, 2003, warranted the maintenance of a healthy balance of interest between consumers and power utilities. However, the audit of tariff, metering, billing and collection by the department revealed that such a balance was not maintained as the gap between revenue and cost of power supplied to consumers had increased from ₹97.57 crore to ₹375 crore during the three years ending 2019-20. The value of transmission and distribution losses was ₹69.51 crore during 2017-20, the report pointed out.

It highlighted the need for a proper inspection by the Anti Power Theft Squad to avoid distribution loss, curbing of theft and proper accounting of energy. The squad has inspected only 553 consumers out of a total of 4.50 lakh consumers.

Prison scanner not working
The CAG, in its audit of the Jail Department, pointed out that the X-ray scanner machine installed at the Central prison at Kalapet was dysfunctional. Since the machine was not in use, security measures for controlling the entry of mobile phones and contraband like firearms, drugs and narcotics into the prison could not be ruled out.

"It is pertinent to mention that during the period of audit, 224 cell phones were seized from the prisoners," the report said. The Inspector General of Prisons had promised to repair the machine at the earliest, it added.

The audit also pointed to deficiencies like shortage of staff in the prison hospital, filling of posts with persons from non-correctional services and shortage of trained staff in the jail. https://www.thehindu.com/news/cities/puducherry/cag-finds-deficiencies-in-the-functioning-of-electricity-department/article65826409.ece

7. Ice plant and storage for Rs 3.09 crores remain unutilised for over five years *(newindianexpress.com)* August 30, 2022

PUDUCHERRY: The Ice plant and storage plant created for the preservation of fish at a cost of Rs 3.09 crore in December 2015 has not commenced commercial operation even after more than five years of completion due to defective implementation of the project.

The Project Implementation Agency (PIA) under the control of the Department of Revenue and Disaster Management, UT of Puducherry (Department) in order to meet the present requirement of 53 metric tonnes (MT) of ice for the preservation of fish, set up of an ice plant along with storage. The production capacity of the plant is 50 MT of ice per day.

After completion of work, the Ice plant and storage plant was handed over to the Fisheries Department in August 2015 and December 2015 respectively.

Audit observed in January 2021 that the facilities created for preservation of fish could not be operationalised or put to commercial use till date due to frequent technical snags/faults i.e., smoke in chill plant, leakage of ammonia gas and low load-in suction plant.

The audit also observed that due to frequent snags, the Ice plant was temporarily closed in September 2017. The department also incurred an expenditure of 3.31 lakh on its repair/maintenance in December 2018.

The Ice plant was constructed by a contractor who had no experience relating to the establishment of Ice plant, observed the CAG. The Ice plant could not achieve the rated capacity of 50 MT per day against the projected normal time of 24 hours mainly due to inadequate provision of a cooling coil by the contractor.

Against the cooling coil requirement of 3,200 running feet, as envisaged in the agreement, the actual measurement of the coil installed by the contractor was only 1,600 running feet (50 per cent of the agreement requirement). This resulted in a longer cooling time for formation of ice. It was also seen that plant is actually producing 35 MT ice against the envisaged requirement of 50 MT ice per day.

The Department handed over the Ice plant/Storage plant to the Puducherry Fisheries Harbour Management Society for early operationalisation of the ice plant. The society in response proposed leasing out the chill plant for 12 months at a cost o 730.89 lakh. However, despite a lapse of two years, this proposal was yet to materialise for want of approval from the competent authority. https://www.newindianexpress.com/states/tamil-nadu/2022/aug/30/ice-plant-and-storage-for-rs-309-crores-remain-unutilised-for-over-five-years-2493046.html

8. 28 crore government money caught in fraud and misappropriation of money! CAG report aroused enthusiasm *(irshivideos.com)* August 30, 2022

In various government departments of Puducherry state, According to the report released by the Audit Department of India, Rs. 28.05 crore government money and misappropriation have been done.

While the BJP-NR Congress coalition government is running in the state of Puducherry, the report of the chairman of the Indian Accounts and Audit Department for the financial year 2020-21 was presented in the assembly. Importantly, the revenue of the Union Territory of Puducherry is Rs. 891 crore, and 321 jobs in various government departments by Rs. 28.05 crore government money has been misused, lost, stolen and embezzled.

There are 255 jobs in the electrical industry. Also due to poor efficiency of electricity duty collection in March 2020 Rs. 709.6 crore was mentioned as uncollectible balance. Similarly, Rs 8.7 crore collected by the transport department as service charges for driving licences, registration certificates, taxation and permits were also kept in a separate account outside the government account.

While the BJP-NR Congress coalition government is running in the state of Puducherry, a report released by the Audit Department of India states that about Rs 28 crore of government money has been stolen, causing a stir in Puducherry politics. https://irshivideos.com/28-crore-government-money-caught-in-fraud-and-misappropriation-of-money-cag-report-aroused-enthusiasm-iv-news/

9. District Councils must 'upgrade, upscale' accounting practices *(highlandpost.com)* August 30, 2022

The three autonomous district councils of Meghalaya must upgrade and upscale their accounting practices to make them more in line with modern financial reporting standards and improve their accounting and auditing framework.

This was stated by District Council Affairs Minister Lahkmen Rymbui at a one day state conference on 'Strengthening the Finances and Financial Accountability of Autonomous District Councils in Meghalaya' here today, organised by the Meghalaya Institute of Governance in collaboration with the Department of Economics at NEHU.

This was a first of its kind initiative to bring together representatives of autonomous district councils and state government along with resource persons to deliberate on the challenges of local government financing.

In June, the Comptroller and Auditor General (CAG) pointed out that 10 accounts – two of the KHADC, three of the JHADC and five of the GHADC – are still pending for submission as on December 31, 2021. The GHADC has not submitted accounts from 2016-17 to 2020-21, the JHADC from 2018-19 to 2020-21 and the KHADC from 2019-20 to 2020-21.

Following the CAG's observations, the KHADC decided to appoint an experienced chartered accountant who will also function as inquiry officer and guide the accounting staff and heads of department on how to properly maintain their accounts, receipts, cash books, etc and report to the KHADC executive committee on his/her findings.

Rymbui attended today's event as chief guest, with KHADC Chief Executive Member Titosstarwell Chyne the guest of honour.

Speaking on the occasion, Rymbui highlighted the importance of accounting in this new age and stated that it is vital for all the autonomous district councils in the state to be highly dynamic in accounting without missing the proper mechanism with the changing policies and financial rules of the government. In this era of technology, new methods of accounting are being streamlined into the system in which the accounting wing of the respective ADC needs to update and upscale themselves to improve the accounting and auditing framework of the councils, he added.

The objectives of today's programme were to orient the representatives of the three ADCs, state government officials and representatives of local bodies of the state on measures undertaken by rural bodies in the country to strengthen their finances as well as reforms in the accounting and auditing process and to also discuss the financial health and challenges of the ADCs and measures which are needed to improve the financial transparency and accountability of the councils. https://highlandpost.com/district-councils-must-upgrade-upscale-accounting-practices/

10. Aadhaar-Voter ID linking in full swing in Kerala even as ECI calls it voluntary *(thenewsminute.com)* August 29, 2022

It was a slow afternoon at the election office in Kerala's Ernakulam district Civil Station in Kakkanad, when TNM visited the recently inaugurated help desk for linking Aadhaar with Electors Photo Identification Card (EPIC) on Friday, August 26. There was just one person getting his Aadhaar linked at the help desk, which had been inaugurated by the District Collector Dr Renu Raj only on the previous day. Similar help desks had been set up in civil stations and taluk offices across the state to encourage the public to link their Aadhaar number with their voter ID, as part of the Election Commission of India's Aadhaar-linking drive that started on August 1.

The drive is the outcome of the 2021 amendment to the Representation of People Act that requires all entries on the electoral roll to be Aadhaar authenticated, except in cases where sufficient cause for exemption is presented. The amendment was introduced and hastily passed without adequate discussion on a single day in the last winter session of Parliament, as has been the custom of late. A similar haste is evident in the implementation of the provisions of the law.

The Election Commission of India had assured in a tweet on August 22 that linking of Aadhaar with EPIC was voluntary and that no entry in the electoral roll would be deleted on non-submission of Aadhaar. Instructions to this effect were sent to all state Chief Election Officers (CEO) by the ECI. Yet, on-ground activities give a different impression.

Deputy Collector Anilkumar B, said that the election office was functioning on the presumption that Aadhaar linking would be made mandatory in the near future. Daily meetings are conducted by the CEO to monitor the progress and explore ways to reach more people.

Sanjay Kaul, Chief Electoral Officer (Kerala), in a statement said Booth Level Officers will visit homes of voters to help them link Aadhaar with Voter's ID. Though voters can link the two IDs without the assistance of BLOs by filling the form 6B available on www.nsvp.in or the Voter Helpline App.

According to a Times of India report, Kerala is currently the most sluggish in linking the IDs with only 8015 out of 2,72,54,487 voters (0.47%) submitting form 6B.

"Currently, the help desk in the Civil Station is focussed on the employees here. Several initiatives aimed at the general public including door-to-door visits of booth level officers (BLO), special campaigns in connection with Onam festivities and help desks at public places like railway stations, are being planned. Targeted campaigns for marginalised sections, such as tribal colonies will be undertaken jointly by BLOs and revenue officials," he informed.

Targeted campaigns

Kanayannur taluk Deputy Tahsildar (Election) Biju Jose said that even though Aadhaar linking is not mandatory, several new counters will be set up in village, corporation and panchayat offices in the coming days to ensure increased participation. This is in addition to the door-to-door campaigns that BLOs will undertake. On August 30, Ernakulam District Collector Dr Renu Raj is set to inaugurate a counter at the popular Lulu Mall to facilitate linking of Voter ID and Aadhaar.

VK Narayanan, a BLO in the Ernakulam constituency, and six other BLOs had attended an online meeting with the CEO office on August 26 morning. When TNM contacted him in the evening, he had just got home after visiting a few houses for Aadhaar linking. Narayanan and his family have already linked their Aadhaar numbers with voter IDs. In the meeting with the CEO office, the BLOs were instructed to complete Aadhaar linking between September 4 and October 25. "Rewards have been announced for the top two performers at the district level," he said. He added that BLOs are also responsible for convincing any member of the public reluctant to link their Aadhaar with voter ID. "A time will come when Aadhaar will become essential for verifying the identity of the voter and in casting votes. Foreseeing such a circumstance, people should complete the linking now itself," he reasoned. While the ECI repeatedly puts out communications terming Aadhaar-voter ID linking voluntary, election offices across the country, including in Kerala, are evidently employing all means possible to ensure complete public participation.

Advocate Prasanth Sugathan, legal director of the Software Freedom Law Centre, said that the linking attempts in various states including Kerala are conducted as though it is mandatory. "This is the same procedure that was initially used to link Aadhaar with phone numbers. The only way to resist is if citizens raise a clear objection," he said.

Interestingly, in a letter written to the Election Commission of India in the first week of August, Sitaram Yechury, General Secretary of the CPI(M) had expressed concerns of security, privacy and voter deletion over the linking of Aadhaar Voter ID linking. "With the lack of a data protection law, we oppose any potential sharing of all Voter-IDs linked with Aadhaar to be shared with the Ministry of Home Affairs for either for the purpose of building the NATGRID database, the National Population Registry, the National Registry of Citizens and any new and upcoming databases of birth and death registries. We oppose usage of this data collected only for electoral purposes to be used for other purposes and demand a purpose limitation for this data," the letter said.

According to researcher and activist Srinivas Kodali, "Voluntary has always meant mandatory in the case of Aadhaar." He pointed out how the government used loopholes like good governance rules to make Aadhaar mandatory, despite the Supreme Court limiting its usage to only subsidies. Srinivas cautioned that the ECI's promises must be viewed sceptically. "The claim that Aadhaar is being linked to purify the electoral roll is a lie. The reason Aadhaar and voter ID need to be linked is for Aadhaar-based e-voting, possibly to further use it in One Nation One Election that is being pushed by the BJP," he reasoned.

The official claim is that the linking will help eliminate duplicate entries in the electoral roll. Srinivas refutes this, citing the case of mass voter disenfranchisement in Telangana as proof that Aadhaar cannot fix electoral rolls. The Telangana Election Commission's attempt at removing duplicates from the electoral rolls in 2018 using Aadhaar-based software had resulted in lakhs of legitimate voters, including badminton player Jwala Gutta, losing their vote. A similar incident in Karnataka had resulted in the elimination of more than 60 lakh legitimate voters in 2015. Both these were part of the National Electoral Roll Purification and Authentication Programme (NERPAP).

The officers at the Kakkanad help desk say that duplication has never been a major concern in Kerala. "The current system is foolproof to a large extent. At the same time, it is possible that Aadhaar authentication will bring to light duplicates that had gone unnoticed till now," one officer said. Narayanan agreed with this. According to him, the annual surveys of BLOs to add new voters and remove deceased persons and those who have shifted residences from the electoral roll have ensured that duplication does not occur. “With the use of apps like Voter Helpline and Garuda, the chances of duplication have been further reduced. In my opinion, joint efforts of BLOs and taluk officials are sufficient to weed out duplicates,” he said.

No information regarding the methodology that the ECI will employ to remove duplicates using Aadhaar has been made public. The ECI has revealed neither the software source code nor the procedures to be followed, leaving little clarity on how it will use Aadhaar or any kind of software in the preparation of electoral rolls, Srinivas said.

Concerns over linking Aadhaar with Voter ID

The Internet Freedom Foundation (IFF) warns that mass linkage of Aadhaar with voter ID will lead to targeted disenfranchisement, exclusion of minorities, voter profiling and abuse of voter data. A 2021 report by the Comptroller and Auditor General has revealed that around 4.75 lakh cases of duplication in Aadhaar numbers had been found as of November 2019. The report said that any data connected with Aadhaar are to be stored mandatorily in a separate Aadhaar data vault. But, the report further states, “Unique Identification Authority of India (UIDAI) could not provide reasonable assurance that the entities involved adhered to the procedures.” This has paved the way for increased incidents of data, identity and monetary theft. Aadhaar-voter ID linking can cause the problems of the former to seep into the latter. The better choice would be to keep the two isolated, Srinivas said.

An allegation that emerged from Puducherry during the 2021 election was that the BJP misused Aadhaar data to send targeted campaign messages to Aadhaar-linked phone numbers. In the absence of any data protection law or framework, what awaits India in the coming years will be much worse.

When asked about the possibility of legitimate voters being removed from the electoral roll due to mistakes in the process, an officer at the help desk pointed to the annual renewal of the electoral roll. “The electoral roll is renewed on January 1 every year. If a voter is deleted from the list due to a fault in the system, they can re-enrol the next year,” he said. This is far from sufficient, as the examples of Telangana and Karnataka make evident. In addition to this, biometric authentication through Aadhaar is error-prone, especially for the elderly and for those engaging in manual labour. “If Aadhaar-voter ID linking leads to smartphone-based e-voting, the marginalised groups without phones and their politics will be more affected,” Srinivas added.

Assessing the government's push for surveillance, advocate Prasanth said discussions on it are sparse in the absence of an effective political opposition. Even litigations on the matter are dragging on forever. Both Prasanth and Srinivas are of the opinion that a delayed pushback from the public will result in this being normalised, just like how the feeble opposition to Aadhaar made it a fait accompli in a few years. Srinivas emphasised that the issue is between the citizens and the ECI and can only be dealt with by collective resistance. Whether the linking will withstand legal scrutiny is unpredictable. “While political parties can play a role, it is the people who need to react and protect their rights of representation,” he said. https://www.thenewsminute.com/article/aadhaar-voter-id-linking-full-swing-kerala-even-eci-calls-it-voluntary-167330

SELECTED NEWS ITEMS/ARTICLES FOR READING

11. As GST enters sixth year, a time for evaluation and reassessment *(cnbctv18.com)* August 29, 2022

On GST's fifth anniversary, collections have touched ₹ 1 lakh crore for the twelfth month in succession; June collections crossed ₹ 1.44 lakh crore, coming in second only to ₹ 1.67 lakh crore in April 2022, reflecting an all-time increase in tax compliance.

Call it the six-year itch. On July 1, the Goods and Services Tax (GST) entered the sixth year of its existence, being rolled out at the stroke of midnight on July 1, 2017, furthering 'Ease of Doing Business' and fulfilling the grand vision of 'One Nation, One Tax'.

According to government figures, on GST's fifth anniversary, collections have touched Rs 1 lakh crore for the twelfth month in succession. June collections crossed Rs 1.44 lakh crore, coming in second only to ₹ 1.67 lakh crore in April 2022.

It was a significant enough milestone for PwC India and CNBC-TV18 to bring together the country's leading policymakers and industry honchos for an in-depth analysis of India's most major tax reforms, which has altered the revenue compliance structure like never before, ushering in cooperative federalism with the participation of states, in its truest sense.

WHO's who of GST ecosystem
Those interviewed by experts from the PwC and the CNBC-TV18 network headed by star anchor Shereen Bhan, included TS Singh Deo, Chhattisgarh's Health Minister, KN Balagopal, Kerala's Finance Minister, Manish Sisodia, Delhi's Deputy Chief Minister and Mauvin Godinho, Minister from Goa, all of whom are part of the GST Council.

Adding heft to a summit of this standing were the Union Revenue Secretary, Tarun Bajaj, who offered profound insights into the working and implementation of the GST and Vivek Johri, Chairman of the Central Board of Indirect Taxes (CBIC), government's tax policy expert at the highest level.

No understanding of working of the GST mechanism can be considered complete without those who man the wheels and the corporate chiefs, who have to ultimately ensure that money continues to go into the government's rather vast coffers.

To that end, the list of speakers was sparkling: from Manish Sinha, CEO and EVP – Services at GSTN and DP Nagendra Kumar, Member of CBIC to Ajay Agarwal, Global Head, Tax at Vedanta; Pramod Jain, Head Enterprise Risk Management at Flipkart and Pratik Jain, Partner at Pricewaterhouse & Co LLP.

PwC sets the context
Sanjeev Krishan, Chairman, PwC in India, set the ball rolling when he said that GST had impacted price points and supply chains in a way that was unthinkable before. ``More than a billion dollars came into the warehousing and logistics industry, post the GST," he pointed out. In an invigorating panel discussion entitled Rates, Rules and Future Challenges, Pratik Jain, Partner at Pricewaterhouse & Co LLP, began by asking DP Nagendra Kumar, to crystal gaze into the future about the `big ideas for GST'.

In Kumar's words, the way ahead idea was to simplify tax procedures, streamline mechanisms whereby everyone paid up as a self-assessee, improving compliance and clarify those grey areas where little bottlenecks persist. He also added that the GST is no longer only a central project and GST Council, which represents the states, has a very important role to play.

Artificial intelligence and technology

Manish Sinha, CEO and EVP – Services at GSTN, reflected on the use of artificial intelligence (AI) to streamline data for making tax collection more effective.

Ajay Agarwal, Global Head, Tax at Vedanta, pitched for including oil and gas into the GST ambit.

Pramod Jain, Head Enterprise Risk Management at Flipkart, spoke for small sellers aligned to them, who appeared reluctant to sign up with the GST, but agreed that the GST Council, which has held 47 meetings to date, was sensitive to their evolving needs. He also made a fervent plea for transferring inter-state credits so that capital is not blocked.

To be sure, there are several unfinished agendas, with respect to rate rationalisation and compensation to states, among other issues.

States' perspectives

TS Singh Deo of Chhattisgarh said that GST will have to be rationalized further and brought down to two or three slabs. ``We cannot continue with 7-8 slabs," he told CNBC-TV18.

Minister Balagopal from Kerala said that compensation to state governments needs to be extended, as 64% of GST collections, as per the 15th Finance Commission, are going to the Centre. States are struggling and asking for more central assistance, he said. Goa's Godinho was, however, hopeful that despite the initial hiccups, GST was on track.

Responding to what state government representatives said, CBIC chief Vivek Johri, believes that the use of technology will allow the government to plug leakages and push up GST collections. ``There are no fundamental design issues with the GST, but rate structures are a concern, inverted duty structures are a concern, nut just from the revenue point of view but also from economic logic," he said in the interview, accepting that robust grievance redressal mechanisms have to be in place to further streamline the system.

Increased revenue and compliances

Union Revenue Secretary, Tarun Bajaj, said that GST went up by 30% in the last year and indirect taxes grew 20% last year, making revenues very robust. According to him, expenditure will increase because subsidies on good and fertilizers are going up, but eventually, the increased revenues and increased expenditure will balance themselves out.

In his estimate, since the revenue intake was ₹ 1.51 lakh crore in the first quarter of this financial year and if we can sustain it in the coming quarters and reach a figure of ₹ 1.55 lakh crore on an average, ``I would say that the CAGR on GST will be 12% or thereabout, our target being 14% or so. With more revenues coming in, even the states will be satisfied, leading to a much lesser number of slabs," he said.

Look out for surprises

Having said that, the Revenue Secretary also had a word of caution: there are new surprises that keep coming up, as was evident in the last two years, so due care needs to be taken.

``The last couple of years, there were no revenues coming, expenditures were going up and we didn't know where the economy would go, shrunk as it was by almost 7% in the first year. But we have overcome that. Last year has been far better and we are optimistic about the economy," Bajaj added.

On GST and rate rationalization, he said that ideally there should be two GST slabs, but the situation is far more complex, and more assistance is needed by those who specialize in tax structures to arrive at a mean, which is acceptable to most people. https://www.cnbctv18.com/business/as-gst-enters-sixth-year-a-time-for-evaluation-and-reassessment-14608931.htm

12. Govt-owned general insurers looking at asset monetisation *(moneylife.in)* August 30, 2022

Asset monetisation is one of the parts of organisational overhaul that the four government-owned general insurance companies are expected to do, said a senior industry official.

The four insurers are: The Oriental Insurance Company Limited, National Insurance Company Limited, The New India Assurance Company Limited and United India Insurance Company Limited.

The four companies have hired Ernst & Young (EY) as the consultant for the assignment called "Organisational Efficiencies and Performance Management in Public Sector General Insurance Companies."

According to industry officials, the assignment is for 10 months and EY seems to have started delivering.

"The four insurers own some prime real estate, many of which came to them when the private insurers were nationalised in 1972," a senior industry official told IANS preferring anonymity.

According to another senior industry official, the real estate assets that are under utilised can be monetised.

The companies also own residential apartments some of which are in a dilapidated condition or where the repair expenses far exceed their intrinsic value.

Unlike the Life Insurance Corporation of India (LIC) the four non-life insurers are not major real estate owners but do have properties in some major cities.

These properties are used by the insurers and are also let out on rent.

In their balance sheet, the real estate is shown at their historical value minus depreciation and any impairment loss.

Revaluation of real estate is not allowed in the case of the general insurance sector.

"The organisational restructuring will result in merger of offices which may free up properties for sale. Further the merger of offices will also save the companies huge sums in terms of rental outgo," an industry official told IANS.

The four companies have about 44,750 employees operating out of about 6,760 offices.

According to the officials, there has been no major recruitment drive by the four companies while retirements are happening.

The branch and divisional offices will be merged -already this has started happening- and staff redeployed resulting in reduction in the need of office space, said an official.

"The four companies will now have to make an assessment of its real estate properties," the official added.

As per the EY recommendations, the claims processing will be taken out of branch/divisional offices and transferred to claims hub.

This will enable the operating offices-branch/division- to focus on marketing.

There will be four types of claims hubs: health, vehicle damage, vehicle third party and general.

According to officials, there are plans to create an underwriting hub to streamline the work and also issue the policies faster.

Further, taking out the claims processing from operating offices can result in outgo of lease rentals as they are functioning from rented premises.

It will also release staff from the operating offices for efficient redeployment.

The insurers also have subsidiaries and associate companies.

The four companies have floated a health insurance claims processing company -third party administrator- Health Insurance TPA of India Limited. https://www.moneylife.in/article/govt-owned-general-insurers-looking-at-asset-monetisation/68211.html

13. Centre to fast-track divestment of Bharat Earth Movers and Shipping Corp: Report *(moneycontrol.com)* August 30, 2022

The central government is likely to invite expressions of interest (EoIs) for strategic disinvestment of Bharat Earth Movers Limited (BEML) and Shipping Corporation of India (SCI) over the next few months, as it looks to speed up the privatisation of non-strategic state-run companies, reported Economic Times.

"The demerger of land and non-core assets of both companies, which has held up the stake-sale plans, is expected to be completed by October this year," the report said.

The report also said that the government is looking to fast-track secondary market offers of others, including National Fertilizers Ltd(NFL) and Rashtriya Chemicals & Fertilizers Ltd (RCF).

"It is not only strategic divestment, the government is also looking to unlock value through stake sale in the secondary market," cited ET quoting an official aware of the details.

The government on August 29 announced that it is likely to start inviting financial bids for the privatisation of BEML in the December quarter.

Earlier this month, the corporate affairs ministry approved the demerger of land and non-core assets of BEML to BEML Land Assets Ltd.

The official said that every shareholder of BEML will get shares in BEML Land Assets and the process of demerger would be completed by the end of September or early October.

The government is also evaluating all prospective candidates and a decision will be taken based on market conditions, the official said, adding that EoIs for the IDBI Bank disinvestment will also be invited soon.

The Centre expects to complete BEML's demerger next month, the report added. The company's board has fixed September 9 as the record date for determining the eligible shareholders for a 1:1 issue of shares of BEML Land Assets Ltd.

"Once the process is completed, we will come up with the EoI by November," the official told ET.

BEML's net sales were Rs 669.18 crore in June 2022 - up 48.38 percent from Rs. 451.00 crore in June 2021. SCI's net sales were Rs 1,464.94 crore in June 2022 - up 42.53 percent from Rs. 1,027.83 crore in June 2021.

In the Union Budget 2021-2022, presented by Finance Minister Nirmala Sitharaman, the divestment programme included privatisation of SCI. https://www.moneycontrol.com/news/business/centre-to-fast-track-divestment-of-bharat-earth-movers-and-shipping-corp-report-9105511.html

14. Uneven recovery *(financialexpress.com)* August 30, 2022

The latest per capita income estimates for FY22 put out by the National Statistical Office for 21 states and Union territories—which do not include Maharashtra and Gujarat—indicate the continuing deterioration in average living standards in several states relative to the pre-pandemic year of FY 20. In line with the 2.9% decline in real per capita income observed nationally relative to FY 20, real per capita incomes in Uttar Pradesh, Kerala, Meghalaya, Uttarakhand, Jharkhand, Punjab and the Union territory of Puducherry saw further declines in FY 22. This reflects transitory pandemic-related income shocks as also more deep-seated sources of retrogression. The income stress in the vanguard agrarian state of Punjab suggests all is not well with farmer livelihoods, which have been squeezed by rising input costs and debt. In Kerala, it is perhaps related to the decline in tourism and remittances, which account for a fifth of net state domestic product, due to the end of the Gulf boom. In Uttar Pradesh, average income levels have deteriorated as migrant workers who returned to their villages from cities due to the nationwide lockdown in FY21 have still not found gainful employment. However, in as many as 14 states, real per capita incomes exceeded pre-pandemic levels.

Over the longer period of a decade as well—from FY 13 to FY 22—many of these laggard states trail the national average real income growth of 3.8% per annum. Average annual per capita income growth in Uttar Pradesh was 2.5%, Meghalaya (0.2%), Jharkhand (3.2%), Punjab (3.3%) and Puducherry (2.5%) while, in Uttarakhand and Kerala, it was not different from the national average. Average living standards also have fallen behind the national average in the poorest state of the country, Bihar, despite relatively higher growth in state domestic product. This belies claims of the state government before the Supreme Court that it imposed prohibition as its residents were drinking more due to higher incomes. The ranks of these lagging states also include Rajasthan and Delhi that is the richest among the 21 states and Union territories. In 12 states, however, real per capita income growth increased faster than the national average.

The big question naturally is whether there is a pattern to these inter-state disparities. Are the states in which per capita income increased faster than the national average concentrated in one part of India as the stereotypes suggest, of a go-go south versus the overpopulated and impoverished BIMARU states of Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh? In its survey of mid-90s India, The Economist argued that one had to draw a line from Kanpur in Uttar Pradesh to the tip of the sub-continent: "On the western side are bits of India that work; on the east, the bits that don't." This south-north or west-east divide does not hold for decadal trends in per capita income growth. It is no doubt true that real incomes in Karnataka, Andhra, Telangana and Tamil Nadu have outpaced the national average but Kerala has lost steam. Madhya Pradesh has broken out from the ranks of the BIMARU, with a stellar income growth of 5.8% per annum. The dynamism of Tripura, Sikkim and Odisha point to newer geographies of prosperity in the eastern region—all of which suggest that income growth is observed in more than one part of the country. https://www.financialexpress.com/opinion/uneven-recovery/2648622/

15. 'Public sector adds 20% to national income, accounts for 40% wages' *(millenniumpost.in)* Aug 30, 2022

The public sector contributes only 20 per cent to the national income, but accounts for nearly 40 per cent of the total wages, a report by a domestic ratings agency said on Monday.

The average share of the public sector in gross value addition for the ten years ending FY21 is 19.2 per cent but the share in wages is 39.2 per cent, India Ratings and Research said in an analysis based on gross value added (GVA) data released by the National Statistical Office.

The share of the private sector in GVA and wages is "more evenly balanced", the agency said, pointing out that it accounts for 35.2 per cent of the wages while its contribution to GVA is 36.3 per cent for the same period.

It can be noted that those pressing for a lesser role of the state in the economy, often point out to the lack of efficiency in the public sector. The agency's report said nominal wages grew at a compounded annual growth rate (CAGR) of 10.4 per cent, while return on capital grew at a CAGR of 8.8 per cent during FY12-FY21.

However, the data at the institutional classification level, presents a somewhat mixed picture, it said, pointing that wages grew fastest at a CAGR of 13.2 per cent in the private sector, followed by the public sector at 10 per cent and the household sector recorded the slowest wage growth at a CAGR of 7.2 per cent.

From a returns on capital growth perspective, the household sector was the fastest at 9.1 per cent during the same period, followed by the private sector at 8.9 per cent, while the public sector was lowest at 6.2 per cent, the report said.

If one were to break up the decade into two, the data shows that growth both in wages and return on capital declined markedly in FY17-FY21, compared to FY12-FY16 period, the report said.

It can be noted that ever since the demonetisation in 2016, growth had been steadily declining till the last quarter of FY20, when COVID-19 hit everybody and pushed it into contraction for a few quarters.

The report said the nominal wage growth slowed down to 6.1 per cent during FY17-FY21 from 11.9 per cent during FY12-FY16, impacting consumption demand. http://www.millenniumpost.in/business/public-sector-adds-20-to-national-income-accounts-for-40-wages-491258

16. NPA problem: Is the worst over for PSBs? *(moneycontrol.com)* Aug 29, 2022

The results of the quarter ended June 2022 show that both private banks (PVBs) and public sector banks (PSBs) have been able to address the issue of non-performing assets (NPAs). As evident from their results, most of these entities, especially PSBs, have been able to bring down their NPAs considerably.

“With PSBs now focusing on recoveries through the Insolvency and Bankruptcy Code (IBC), one-time settlement (OTS), sale to asset reconstruction companies (ARCs) and other strategies, recoveries are happening. Further, within the overall reduction in GNPA percentage, write-offs also tend to play a role, which for PSBs tend to be higher than at private banks,” said Karan Gupta, Director, India Ratings and Research.

What’s the NPA situation in the banking sector?

Historically, PSBs have had higher NPA levels compared to PVBs. So, when NPAs are coming down on a systemic basis, it is natural to expect that the NPA level at PSBs will come down to a greater extent than PVBs in numerical terms, as per analysts. As of March 2018, GNPA of the overall banking system was around 11.2 per cent, while for PSBs it was around 15 percent and for PVBs, around 5 percent.

Are private banks faring better than PSBs?
According to a recent research report by Bank of Baroda, most PVBs have GNPAs in the range of 0-5 percent, while for PSBs, the range is 5-10 percent, and above. But the improvement in GNPA ratio is better in PSBs compared to PVBs.

The GNPA ratio has declined to 5.7 percent in the June quarter of 2022 from 7.5 percent in the same period of 2021. PSBs (including IDBI) registered a larger decline of 221 bps to 7.2 percent in June 2022 compared to PVBs which witnessed a reduction of 110 bps to 3.1 percent in June 2022, show data from the Economic Review released by the Finance Ministry.

According to analysts, PSBs always had a higher share of loans. So, with more loans being repaid faster in the last quarter, the fall in GNPA too, has been greater at PSBs.

"Private banks have lower GNPAs, they have a higher share of performing assets, and thus their interest income is higher from these performing/standard loans. Also, as GNPAs are lower, the requirement for provisions tends to be lower, which together leads to higher profitability," said Gupta.

Which segment was more painful for banks?

While the overall banking sector witnessed significant rise in net profit in the last quarter, factors like investment book loss and new incremental slippages to NPAs led to low net profits in PSBs. Since interest rates have gone up, the investment books have suffered mark-to-market losses at many banks, point out analysts.

According to analysts, there has been a considerable fall in new incremental slippages to NPAs. With the economy getting back on its feet, the number of new slippages to NPAs has been far less in the last quarter as compared to the number in the last two years. In the last two years, slippages to NPAs spiked after the outbreak of COVID-19, leading to a spike in NPAs during that time.

What do analysts say?

The trend of better recovery in NPAs in PSBs was witnessed even before the COVID-19 outbreak, say the analysts. As of March 2018, NPAs of the overall banking system stood at around 11.2 per cent, while it was around 15-16 per cent for PSBs, and for the private sector banks, around 6-7 per cent.

Credit growth has also picked up at PSBs, as it has for the banking system in recent quarters leading to the fall in NPAs. However, in FY22, the first quarter was subdued due to the second wave of the pandemic. Thus, in Q1 FY23, credit growth has benefited from the base effect of the corresponding quarter of last fiscal.

"Rising credit growth also contributed to GNPA percentages reducing due to the denominator effect. That said, incremental slippages to fresh NPAs is also comparatively lower this fiscal in the corporate loan book, which is the most significant portion of the overall portfolio for PSBs and more than that for most PVBs," said Sitaraman.

Will there be a stricter disbursal policy?

Analysts say that to keep a check on NPAs in the coming quarters, it is likely the banks, especially PSBs, may further tighten their underwriting processes as compared to the past. https://www.moneycontrol.com/news/business/banks/npa-problem-is-the-worst-over-for-psbs-5-key-questions-answered-9103461.html

17. Do joint audits deliver? *(thehindubusinessline.com)* Aug 29, 2022

Experience shows they seldom help improve audit quality

The first stanza of Verse 47 of Chapter 2 of the Bhagavad Gita translates to: "You have a right to perform your prescribed duties, but you are not entitled to the fruits of your actions."

On many an occasion, regulators in India seem to follow this diktat in letter and spirit while making regulations. The Ministry of Corporate Affairs (MCA) is proposing amendments to the Companies Act that focuses on the work done by auditors — as always, this is on the basis of a committee report. One of the proposals being thought of is to mandate joint audits for a certain class of companies — a concept that has not proved to be effective in improving audit quality anywhere in the world.

Another proposal is to tighten the audit framework by disallowing statutory auditors from performing non-audit services to their audit clients which are public interest entities such as listed companies, large companies and insurance/banking companies. There could be some relaxation in the case of non-public interest entities.

The proposals also include auditors' mandatory disclosure in the audit report of previous relationship with the audit client, compulsory joint audits in certain classes of companies and compulsory impact analysis of any adverse remark or qualification in the audit report.

Many stipulations

The proposed Bill is also expected to stipulate a cooling-off period of a year for auditors before they take up senior positions in the company they audited or in any of its associates. Also, auditors will have to explain in detail the circumstances of quitting an audit assignment such as non-cooperation from the company, fraud or severe non-compliance.

Reports state that these proposals are being made with an intention to prevent IL&FS-type accounting and auditing accidents. If this is true, there is an issue with the intention itself. When Satyam and Sahara happened, we thought they were one-off events. When IL&FS happened, we thought it was an outlier (in a negative way).

The fact is that accounting and auditing mishaps will happen once in a few years — this is one of the occupational hazards of unbridled capitalism. Instead of reacting to the incidents, regulators need to respond to them. Invariably, the response should be to penalise the errant and let go of the compliant.

The ostensible reason given for mandating joint audits is that two pairs of eyes are better than one. India has had experience with joint audits for banks and some public sector companies. It would not be wrong if one concludes that audit quality in these sectors has not improved just because of joint audits.

A parallel to the concept of joint audits would be the proposal to segregate the duties of the chairman and the managing director for companies. Here again, there has been no perceptible improvement in corporate governance. Compliance with this proposal has been so poor that the Securities and Exchange Board of India (SEBI) has shelved it for the time being.

There is also an inherent issue in the way joint audits are done. The joint auditors are assigned different areas of the audit but issue a joint audit report — a tacit acceptance that they take responsibility for the audit jointly. In some joint audits, one firm calls all the shots while the other only participates in the audit — audit quality remains status-quo-ante.

It is possible that such template-based regulations are being made to make auditors be a bit more careful and state things as they are in their report. Even without these regulations, there are enough paras in the Auditors' report for auditors to red-flag high-risk matters.

One of the reports that auditors need to give is on internal control over financial reporting being robust. In some instances, auditors have reported some internal control improvements as a Key Audit Matter but the IFC report is clean. Almost all accounting accidents can be traced to a weakness in internal control. Auditors can rely on the work done by internal auditors and review the standard operating procedures of the entity to give a clean chit to the existence of internal controls — auditing standards would need to be made watertight to minimise this.

While regulation is needed, over-regulations could prove counter-productive. https://www.thehindubusinessline.com/opinion/do-joint-audits-deliver/article65827395.ece

18. BrahMos, INS Vikrant have immense capability but also expose India's short-sightedness *(theprint.in)* LT GENERAL PRAKASH MENON| Aug 30, 2022

The accidental firing of an unarmed BrahMos missile into Pakistan has resulted in the sacking of three Air Force officers. In all probability, the speed and mode of delivering justice, within five months of the incident, must have been guided by the imperatives of secrecy.

While the accident could not have occurred without the failure of safety systems at multiple levels, human error must have been the prime culprit. Moreover, it was not a combat situation where the psychological impact of danger and uncertainty could have fuelled the error, which was the case in the accidental shooting down of an Mi-17 helicopter in Kashmir, a day after the Balakot air strike, that resulted in the death of six IAF personnel and one civilian. Two IAF officers were punished.

The impact in the recent BrahMos case, however, was more in terms of national embarrassment. Fortuitously, the absence of damage to life and property stymied Pakistan's reaction and rationality demonstrated by its authorities prevented crisis escalation.

Taking BrahMos beyond uni-Service perspective

BrahMos missile, which carries a conventional warhead, is the outcome of a successful India-Russia joint venture that commenced in the late 1990s. The supersonic cruise missile is now operational with all three armed forces, with the IAF having incorporated it as a weapons system in the Su-30. The missile gives Indian military a definite advantage because it is a good mix of the range of the aircraft with the range of the missile.

Recent reports indicate that the range of the missile has been increased from 290 km to 350-400 kms and in addition, there is an anti-ship version that can boost India's strategic reach in the Indian Ocean, a reach that is aided by India's island territories like Andaman and Nicobar. But it cannot substitute for seaborne naval aviation in the form of an aircraft carrier. The aircraft carrier not only provide air cover to the surface fleet but also facilitate anti-submarine capabilities through carriage of airborne platforms by way of fixed-wing aircraft and helicopters.

The operational potential of the BrahMos missile lies in its ability to damage or destroy critical infrastructure of the adversary. The land-based mobile platform and the air-based Su-30 can provide a deadly combination to interdict the adversary's lines of communication and critical infrastructure, especially through the destruction of bridges, air bases, ammunition depots, etc.

Ideally, the bulk of India's BrahMos assets should be deployed against China as the mountainous terrain provides scope for interdicting the crucial and challenging operational logistics needed by offensive forces. However, due to legacy reasons and our reluctance to rebalance from the western to the northern front, BrahMos units like the one involved in the accidental firing continue to be deployed on the west. The case for thickening up land and air-based BrahMos assets on the northern border is strong, especially when these assets are mobile and can be redeployed with adequate prior preparatory measures.

So, why do the Army and the Air Force operate the same land-based BrahMos missile? The answer lies in the notion that there are Service-specific target sets that are best engaged by assets under their direct control. A similar logic animated the debate when the Army and the Air Force sparred over the control of attack helicopters, a debate that has been managed more than settled. The result is that deficiencies in optimum synergy relating to training, operational effectiveness and logistics remain.

Missile targets are sensitive in escalatory terms because of the tactical value and the strategic effects they produce. Engagement of such targets will be subject to varying degrees of control depending on the stage and level of the conflict. The entire spectrum of target sets has to be centrally evaluated and allocated for engagement based on operational imperatives. Therefore, aircraft-based BrahMos would be allocated targets at longer ranges while land-based ones would engage targets outside the range of artillery and rockets.

Of course, other considerations like warhead effectiveness on the specific target would also come into play. The point to note is that assets like BrahMos should not be viewed for utilisation through the narrow Service-specific perspective. Therefore, the arguments of the IAF and the Army regarding the control of armed helicopters aren't applicable. All land-based surface-to-surface firepower could remain with the Army. The accidental firing of the BrahMos should prompt the authorities to make the change.

Chance to learn missed lesson

One of the greatest strengths of the BrahMos is that it is produced in India and promotes the vision of atmanirbharta (self-reliance). The numbers on order by the Army are, however, still low, primarily because of competing necessities that have to be balanced because of budget constraints. This is a pity considering the potential of the BrahMos. It also illustrates the fact that even after development, weapons systems do not easily flow into the kitty of the armed forces. It is a problem that only the political leadership can rectify.

If there can be a positive outcome of the BrahMos accidental firing, let it be that our political leadership, which is besieged by the competing demands of development and security, makes a paradigm shift, favouring additional financial support to the demands of India's external security imperatives. Worse, the existing inadequacy is even holding back the realisation of capabilities that we possess.

As Prime Minister Narendra Modi commissions the Cochin Shipyard-built aircraft carrier INS Vikrant on 2 September, the capability developed must lead to building the next carrier. It is a decision that has been intolerably delayed, which has frittered away some of the advantages India could have had, considering it is among the few nations which have been operating aircraft carriers for more than six decades. It's an asset that China does not have, an asset whose paramount importance cannot be measured. The failure to capitalise on the experience of manufacturing the country's first indigenous HF-24 Marut fighter aircraft cost us dearly, which reflects now in the Indian Navy rejecting the light combat aircraft (LCA) for INS Vikrant.

Both BrahMos and INS Vikrant can provide insights into India's short sightedness in refusing to be guided by a long term strategic vision shaped by geopolitical realities. The least we can do is leverage existing capabilities even as we aspire to develop additional ones. https://theprint.in/opinion/brahmos-ins-vikrant-have-immense-capability-but-also-expose-indias-short-sightedness/1106880/

19. Decoding caveats in carbon trading policy *(thehindubusinessline.com)* Aug 29, 2022

A new carbon trading system must be accompanied by proper pricing of credits for it to act as a check on hardcore polluters

With the Energy Conservation (Amendment) Bill 2022 having been passed in the Lok Sabha on August 8, the much-awaited carbon trading market is expected to take shape.

While this is welcome, there is a caveat that it will be initially limited to 'hard to abate sectors' (HtAS). The term 'hard to abate'(HtA) raises several questions on the scope and efficacy of the policy. Besides, the existing Perform, Achieve and Trade (PAT) scheme also purportedly incentivises carbon emission (CE) reduction leading to an obvious question — why have two policies with similar objectives? Why has the carbon market been restricted to HtAS?

The term HtAS pertains to a sector where the transition to net zero emission (NZE) status is difficult because of lack of technology and/or prohibitive cost. CE occur during the burning of carbonaceous fossil fired fuels, or in industrial manufacturing processes of cement, steel, chemicals etc. CE can be eliminated by substituting energy source/fuel- renewable solar/wind energy for thermal power; electric vehicles for petrol/diesel vehicles; and domestic electric appliances instead of kerosene/gas. However, industrial processes where the nature of chemical reaction is such that carbon dioxide is an inescapable output, such as in the production of cement clinker or iron in blast furnaces or chemicals and petrochemicals, CE can at best be reduced with better process efficiency.

For example, India's cement industry is perhaps the most efficient in the world with the emission intensity reduced to 576 kg of CO_2 per tonne of cement against the global average of 634 kg but has limited potential for further process efficiency and continues to be a HtAS.

Limitations of the PAT scheme: The underlying logic of the PAT scheme was to curb energy demand in 13 energy intensive areas — thermal power plants (TPP), cement, aluminium, iron and steel, pulp and paper, fertiliser, chlor-alkali, petroleum refineries, petrochemicals, distribution companies, railways, textile and commercial buildings — by improving their energy efficiencies.

By reducing energy consumption below a threshold limit that begets tradeable energy certificates (each certificate is for reduction of 1 MWH over a set target), an entity indirectly reduces CE and concurrently earns revenue. However, the PAT scheme does not incentivise efforts for the major direct CE reduction in HtAS emanating from industrial chemical processes. Over and above improvement of energy efficiency, HtAS would entail R&D-led alternative technologies/processes, or substitution of raw materials, the technical feasibility and commercial viability of which are yet to be established.

Hence, as such, there is no potential for additional benefit from the PAT scheme for most cement plants in India. Further, an integrated steel plant switching from the conventional blast furnace route to scrap based electric furnace steelmaking, may increase its electricity consumption but substantially reduce CE (by elimination of coke required for blast furnaces), would not qualify for energy certificate in the PAT scheme. The scope of the PAT scheme being limited, only 70 million tonnes CE reduction (2.5 per cent total CE) was possible at the end of PAT-II cycle in 2019-20.

Carbon Capture and Storage (CCS) is often portrayed as a pathbreaking solution for decarbonisation. However, CCS does not curb the CE in HtAS but merely captures the unavoidable CE and transports over long distances to store underground at depths of +2 km. It is an extremely expensive proposition (the operating cost placed by the International Energy Agency typically at $50/tonne) and calls for investment subsidy for most entities barring very large companies. If HtAS do invest on CCS the carbon trading market becomes an incentive.

Volume of HtA emissions: India's annual CE (expressed in terms of CO2 equivalent) is 2,838 billion tonnes accompanying Table, of which abatable CE is about 1,561 billion tonnes including: (a) 1,122 billion tonnes (40 per cent) through substitution of thermal power by renewable solar and wind energy; (b) 439 billion tonnes (15 per cent) by switching over to electric road vehicles; and electric appliances in residential and commercial establishments. The balance 1,277 billion (45 per cent) tonnes from process industries, animal husbandry and agriculture are 'hard to abate'.

In the future, the CE of the energy sector will reduce substantially with gradual phase down/phase out of thermal power plants (by 2045). However, the needs of India's rapidly growing economy will lead to quantum increase in demand for cement and steel-by 2050, the cement capacity is expected to increase from 330 million tonnes to 1,000 million tonnes and steel from 125 million tonnes to 440 million tonnes.

In this business-as-usual scenario, the aggregate CE are expected to increase to 6,033 billion tonnes and the HtA emissions could increase from 45 per cent to 76 per cent. This threatens to derail the achievement of NZE by 2070 and hence, the introduction of the carbon trading market for HtAS is a step in the right direction.

Efficacy of carbon trading

The carbon trading market revolves around the presence of: (a) permissible threshold limits of CE for each industry, (b) market players' success at decarbonisation, reducing CE to below threshold levels, and/or attained lower net CE by investing in carbon sequestration or afforestation, (c) polluting/inefficient market players whose CE exceeds the permissible threshold levels, and (d) pricing mechanism that acts as an incentive for sale of credits by efficient market players and purchase of credits by inefficient market players.

In Europe, which has the largest carbon market operating for over 16 years, industry has been lukewarm, barring the power sector wherein carbon credits have helped expedite a switch from coal to gas-fired electricity. Steel companies offset their CE by buying cheap credits from China, East Europe and other emerging economies and continue to pollute the environment. It is generally accepted that carbon prices should be double of current levels to trigger a behavioural change and be attractive for renewable technologies like 'green hydrogen'.

According to the Paris agreement, the UN Panel on Climate change has indicated a price range of \$40-80 per tonne of carbon dioxide if global warming is to be pegged within 2 degrees by 2050. However, the prices till the last quarter of 2021 were way below, in the range of \$2 to \$12 per tonne CO2. In December 2021, the price crossed €50 per tonne and touched €56.35 (\$68/tonne) which is encouraging.

While many analysts believe that the carbon credit price would touch \$80/tonne level only by 2030, some are predicting a price of €110 (\$136/tonne) in the near future.

The idea of a carbon market presupposes that market dynamics will enable optimum price discovery that is a deterrent for polluters and incentive for entities who invest on protecting the environment. This objective does not appear to have been realised so far.

Although, these are early days, if the proposed carbon market in India does not become vibrant and robust quickly, there is a danger that HtAS will buy carbon credits at low prices and continue to increase their CE defeating the very purpose of a market linked mechanism that determines a deterrent cost for pollution. Hence, it is to be hoped that the carbon trading policy including the permissible threshold limits in each industry are carefully crafted to meet the twin objectives of growth and quality of life. https://www.thehindubusinessline.com/opinion/decoding-caveats-in-carbon-trading-policy/article65827388.ece

20. Towards a future that is freebie-free *(newindianexpress.com)* 30 August 2022

Prime Minister Narendra Modi Ji has set the cat among the pigeons once again. In his typical and very "in-the-eye" manner of raising an issue, he has raised the decibel of debate on the "Revdi culture". This innocuous little sesame-coated Indian sweet seems to have a "culture" of its own today. A culture where giving things away for free by political parties, and subsequently by popularly elected governments seems the norm. It is essentially a pop-culture (if you may call it that) at the center of today's debate.

The basics then. The start point of this exploration is really the question: What's a freebie? The issue is really in the definition. No two parties (political or otherwise) seem to agree. For one, a freebie is really what the poor, hapless and deprived citizen needs. And for the other, it is a bleed on the exchequer without real meaning or sustainable and meaningful contribution.

If I were to really peel the entire debate to its simplest bit, I would say that a freebie is a boon till you are elected, and a bane once you are. Those yet to sit in the ruling benches will therefore depend on doling out the freebie (and more its promise), and when you actually sit on those hot benches as a ruling party, you will want it dispensed with. The debate shall therefore continue endlessly.

The very meaning of the word free is “that which is given or available without a charge”. To an extent, the air we breathe, the water we drink and the food we eat to keep our bodies living are items that are free. Or at least meant to be. In a simplistic manner of speaking, all else is possibly meant to be on charge. Clothing and shelter must be bought for sure. And all items of consumptive excess are meant to be bought as per individual means and ability as well. And this “means” is possibly what gives meaning to motivation, the will to work, the will to contribute and the will to participate in economy and society building. All items “on charge” are therefore meant to be items that contribute to bring in animal instinct, power and the will to grow for an economy, a country and its people. All items that are “free” are really meant to be the basics. Basics that sustain life. Items that are free are therefore to an extent meant to be disincentives or politely put, zero-incentives to hard work, effort, personal growth and enrichment as well.

What then of higher-end needs? I am now talking of items that live in the relatively higher-end buckets of health and education, possibly in that order of importance. Must the government of the day offer this for free as well?

What then of items such as jobs? Must governments offer it for free? Must schemes such as the MGNREGA continue endlessly then? Is the right to livelihood not a basic as well? And what about electricity? Is that not a basic right as well? And must it not come free? What about aids that get a whole generation out of its impoverishment and inequality? Bicycles to ride to school? Laptops that can enrich the way you educate yourself? And what about covering expenses for the marriage of a girl who comes from an impoverished family?

Let’s keep stretching the freebie elastic more and more then, till it breaks. What about bus rides in a city for women? And for children? For the differently-abled?

If you give a man food, you don’t give him motivation to grow that food. If, however, you teach him how to grow his food, that would lead to a constructive economic activity that would be self-sustainable for a long time to come. And yet, this is not as simple as stated. What of an entire generation of people who just don’t know how to grow their food? Would you not help them with a freebie or two while they learnt how to grow their food? Would you not be patient?

The pioneering school midday meal scheme of Tamil Nadu’s popular Chief Minister M G Ramachandran, which was then taken to further highs or lows (depending on which side of the debate fence you belong) by Selvi J Jayalalithaa, is a clear case in point. Education was given a miss by a lot of children and their families. The provision of nutritious food in the school at government’s cost was an incentive to send children to school.

The key point to remember is that all freebies, whether the basic ones, the middle-end ones such as health and education freebies, or completely high-end ones such as laptops, toilets, houses, loan waivers and marriage allowances all come from money the governments (State or Central) have collected from and for the people and the economy at large. Everything comes from all the direct taxes (which a relatively few pay) and indirect taxes which all of us pay.

And this is where the need for discipline lies. Political personas of every kind need to think as if they are already out there in governance and government. One needs to talk in one tongue. Not two. Not in one tongue before the election and in another quick-replacement substitute tongue thereafter.

For an economy that is all about taking care of its myriad peoples, there are no free lunches to dole out. If you get a free lunch, you are the lunch really. If you don't mind being the lunch, why cry? Subsidy-living is temporary for the receiver, but a perennial outflow for the giving government. And governments cannot give freebies forever.

The Debt to GSDP ratio of as many as five Indian states has crossed the precarious 30% level. And as many as eight others sit on the precipice of debt. And at the level of the Centre, fiscal deficit target discipline has indeed gone haywire, hitting a near double-digit number as opposed to an ideal target of 2% or a more realistic level of 3% as committed in budget after budget.

As State after State falls into the freebie trap due to the compulsions of the electorate and its management strategies as listed by the political party that wants its share of votes, government money leaks and goes more to pay off debts on loans (at times taking a loan to pay off a loan as well), instead of finding its way into more hard investments that are enduring enough to create more value for the nation and its people. I think governments of the day, both at the States and at the Centre, need to have an active and dynamic plan to work towards a freebie-free future. We need a Net Zero Freebie Goal by 2027. If not earlier. https://www.newindianexpress.com/opinions/2022/aug/30/towards-a-future-that-is-freebie-free-2492814.html