

## **NEWS ITEMS ON CAG/ AUDIT REPORTS (11.10.2022)**

### **1. Citizens main beneficiaries of audit governance, says CAG Murmu ([thehindubusinessline.com](http://thehindubusinessline.com)) Updated: 11 Oct 2022**

#### **Addresses CAGs of BRICS nations**

Citizens have been the main beneficiaries of audit governance and transparency worldwide, Girish Chandra Murmu, CAG of India, has said.

Inaugurating the 3rd Conference of Supreme Audit Leaders (SAI) of BRICS countries on the theme of “Citizen Engagement in public sector audit”, Murmu said that while each nation has its own unique setting to deliver its accountability mandate, the SAIs need to increasingly engage external stakeholders to build greater trust and credibility.

However, SAIs need to test the information provided by citizens and civil society organisations, with other sources as well as the audit team’s understanding of auditee’s operating environments for objectivity and quality. Also, in the interest of transparency, SAIs must disclose the level of involvement by civil society in an audit, he added.

The CAG said that the SAIs, the world over, are expected to play a multifaceted role in the achievement of SDGs, ranging from assessing the preparedness and planning to monitoring and recommending corrective actions and that SAIs should play a fundamental role towards the achievement of the SDGs as well as monitoring and giving feedback for course corrections in the achievements of these goals.

The meeting was attended by the delegation heads and their accompanying delegates from Brazil, Russia, China and South Africa. They exchanged their best practices and experiences on the theme “Citizen Engagement in public sector audit,” during the meeting, showcasing the work done by their SAIs on the Citizen engagement in audit and the steps and initiatives envisaged by them in creating a better outreach and understanding with the citizens for value-added audit outcomes.

The meeting concluded with the adoption of the New Delhi Declaration by the SAIs of Brazil, Russia, India, China and South Africa.

While concluding, the BRICS SAIs agreed to (i) reinvigorate their cooperation to reflect today’s priorities and to address contemporary challenges; (ii) work together and engage citizens in public audit to enhance accountability and transparency in areas like environment, education, health and socioeconomic development as these have become priority sectors for all the BRICS member countries; (iii) strengthen Citizen Engagement in audit by organizing seminars, meetings and workshops periodically to engage with various professional groups, academic institutes, students, think-tanks, policymakers and analysts on important issues of concern and (iv) share the outcome of their efforts in greater engagement with citizens in the Fourth BRICS SAI Leaders meeting. <https://www.thehindubusinessline.com/economy/citizens-main-beneficiaries-of-audit-governance-says-cag-murmu/article65995662.ece>

## **2. Citizens key beneficiaries of audit governance: CAG** ([millenniumpost.in](http://millenniumpost.in)) Updated: 10 Oct 2022

Comptroller and Auditor General (CAG) Girish Chandra Murmu has on Monday said that citizens have been the main beneficiaries of audit governance and transparency in governments across the world. In his inaugural speech at 3rd Conference of Supreme Audit Leaders (SAI) of BRICS countries, Murmu said that SAIs need to increasingly engage external stakeholders to build greater trust and credibility.

However, SAIs need to test the information provided by citizens and civil society organisations with other information sources as well as the audit team's understanding of auditee's operating environments for objectivity and quality, he said.

Also, in the interest of transparency, SAIs must disclose the level of involvement by civil society in an audit, the CAG added.

"SAIs across the world have acknowledged citizens as key beneficiaries of their work and have engaged with them at various levels, depending on their unique country contexts, in delivering their accountability mandate," Murmu said.

He further stressed that citizen engagement in public sector audits could guide SAIs in identifying high-risk areas of possible mismanagement and inefficiencies in governance, thereby improving focus and effectiveness of our audit effort. <http://www.millenniumpost.in/nation/details-of-criminal-cases-pending-for-over-5-yrs-against-lawmakers-sought-495503?infinitescroll=1>

## **3. Citizens Main Beneficiaries of Audit Governance: CAG Murmu** ([devdiscourse.com](http://devdiscourse.com), [latestly.com](http://latestly.com)) PTI | Updated: 10 Oct 2022

Citizens have been the main beneficiaries of audit governance and transparency in governments across the world, Comptroller and Auditor General of India Girish Chandra Murmu said on Monday.

He was speaking after inaugurating the 3rd Conference of Supreme Audit Leaders (SAI) of BRICS countries here on the theme of 'Citizen Engagement in public sector audit'.

Murmu said while each nation has its own unique setting to deliver its accountability mandate, SAIs need to increasingly engage external stakeholders to build greater trust and credibility, as per an official statement.

However, SAIs need to test the information provided by citizens and civil society organisations with other information sources as well as audit team's understanding of auditee's operating environments for objectivity and quality, he said.

Also, in the interest of transparency, SAIs must disclose the level of involvement by civil society in an audit, the CAG added.

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The meeting concluded with the adoption of the New Delhi Declaration by the SAIs of Brazil, Russia, India, China and South Africa.

As part of the New Delhi Declaration and work plan for 2023-2024, BRICS SAIs would organise seminars/webinars on diverse topics such as real-time audit, audit of large infrastructure projects, audit of cyber security and data protection challenges. <https://www.devdiscourse.com/article/science-environment/2208710-citizens-main-beneficiaries-of-audit-governance-cag-murmu>

#### **4. Citizens benefit the most from audit system: CAG Murmu ([newsdayexpress.com](https://www.newsexpress.com)) Updated: 10 Oct 2022**

Comptroller and Auditor General (CAG) Girish Chudra Murmu on Monday said that citizens have been the main beneficiaries of the governance system of audit and transparency in the governments of various countries of the world.

He said this after inaugurating the third conference of the Supreme Audit Institutions (SAIs) of the BRICS countries. The theme of the conference was 'Citizens' Participation in Public Sector Audits'.

According to the official statement, Murmu said that the responsibility of accountability, it has its own system to fulfill it. Apex audit institutions need to involve external stakeholders to build trust and credibility.

However, SAI needs to examine the information provided by citizens and civil society organizations along with other information sources, he added. There is also a need to test the understanding of the operating environment of the audit team with regard to fairness and quality.

At the same time, in the interest of transparency, the SAI also needs to disclose the level of participation of civil society in the audit, the CAG said.

"The top audit institutions around the world have recognized that citizens benefit the most from their actions and have engaged them at various levels," Murmu said.

He added that citizens' engagement in public sector audits can guide institutions in identifying areas at high risk of potential mismanagement and inefficiencies at the operational level. This will improve the focus and impact of our audit effort.

In the meeting, the SAIs of Brazil, Russia, India, China and South Africa accepted the New Delhi Declaration.

As per the New Delhi Declaration and Action Plan for FY 2023-24, BRICS SAI will organize seminars/webinars on diverse topics like real time audits, audits of large infrastructure projects, cyber security and data security challenges. <https://www.newsexpress.com/business/citizens-benefit-the-most-from-audit-system-cag-murmu/>

## **5. Citizens main beneficiaries of audit governance: CAG Murmu ([psuwatch.com](https://psuwatch.com)) Oct 10, 2022**

Citizens have been the main beneficiaries of audit governance and transparency in governments across the world, CAG Girish Chandra Murmu said on Monday. He was speaking after inaugurating the 3rd Conference of Supreme Audit Leaders (SAI) of BRICS countries here on the theme of 'Citizen Engagement in public sector audit.' The Comptroller and Auditor General of India said that while each nation has its own unique setting to deliver its accountability mandate, SAIs need to increasingly engage external stakeholders to build greater trust and credibility, as per an official statement.

However, SAIs need to test the information provided by citizens and civil society organisations with other information sources as well as audit team's understanding of the auditee's operating environments for objectivity and quality, he said.

### **Citizen engagement in public sector audit required: CAG**

Also, in the interest of transparency, SAIs must disclose the level of involvement by civil society in an audit, the CAG added.

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## **6. लेखा परीक्षण व्यवस्था से नागरिकों को सबसे ज्यादा लाभ: कैग मुर्मू ([hin di.business-standard.com](https://hin.di.business-standard.com)) Updated: 10 Oct 2022**

नियंत्रक एवं महालेखा परीक्षक (कैग) गिरीश चंद्र मुर्मू ने सोमवार को कहा कि लेखा परीक्षा (ऑडिट) की संचालन व्यवस्था तथा दुनिया के विभिन्न देशों की सरकारों में पारदर्शिता से नागरिक मुख्य लाभार्थी रहे हैं।

उन्होंने ब्रिक्स देशों के सर्वोच्च ऑडिट संस्थानों (एसएआई) के तीसरे सम्मेलन के उद्घाटन के बाद यह बात कही। सम्मेलन का विषय 'सार्वजनिक क्षेत्र के ऑडिट में नागरिकों की भागीदारी' था।

आधिकारिक बयान के अनुसार, मुर्मू ने कहा कि जवाबदेही का जो जिम्मा होता है, उसे निभाने की अपनी व्यवस्था होती है। सर्वोच्च ऑडिट संस्थानों को भरोसा और विश्वनीयता बनाने के लिये बाहरी संबद्ध पक्षों को शामिल करने की आवश्यकता है।

उन्होंने कहा कि हालांकि, एसएआई को अन्य सूचना स्रोतों के साथ नागरिकों और नागरिक समाज के संगठनों की तरफ से प्रदान की गई जानकारी का परीक्षण करने की जरूरत है। साथ ही निष्पक्षता तथा गुणवत्ता को लेकर ऑडिट से जुड़े दल के संचालन वातावरण की समझ का भी परीक्षण करने की आवश्यकता है।

कैग ने कहा कि साथ ही पारदर्शिता के हित में एसएआई को ऑडिट में नागरिक समाज की भागीदारी के स्तर का भी खुलासा करने की जरूरत है।

मुर्मू ने कहा,

“दुनियाभर के सर्वोच्च ऑडिट संस्थानों ने यह माना है कि उनके कार्यों से नागरिकों को सबसे ज्यादा लाभ होता है और उन्हें विभिन्न स्तरों पर जोड़ा है।”

उन्होंने कहा कि सार्वजनिक क्षेत्र के ऑडिट में नागरिकों का जुड़ाव संस्थानों को संभावित कुप्रबंधन और संचालन के स्तर पर अक्षमताओं के उच्च जोखिम वाले क्षेत्रों की पहचान करने में मार्गदर्शन कर सकता है। इससे हमारे ऑडिट प्रयास पर ध्यान और प्रभाव में सुधार होगा।

बैठक में ब्राजील, रूस, भारत, चीन और दक्षिण अफ्रीका के एसएआई ने नयी दिल्ली घोषणा को स्वीकार किया।

नयी दिल्ली घोषणापत्र और वित्त वर्ष 2023-

24 के लिये तय कार्ययोजना के तहत, ब्रिक्स एसएआई वास्तविक समय पर ऑडिट, बड़ी बुनियादी ढांचा परि योजनाओं के ऑडिट, साइबर सुरक्षा और आंकड़ों की सुरक्षा चुनौतियां जैसे विविध विषयों पर सेमिनार / वेबिनार आयोजित करेंगे। [https://hindi.business-standard.com/storypage\\_hin.php?autono=2292287](https://hindi.business-standard.com/storypage_hin.php?autono=2292287)

## 7. लेखा परीक्षण व्यवस्था से नागरिकों को सबसे ज्यादा लाभ: कैग मुर्मू ([vbharattimes.indiatimes.com](http://vbharattimes.indiatimes.com)) Updated: 10 Oct 2022

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नयी दिल्ली घोषणापत्र और वित्त वर्ष 2023-

24 के लिये तय कार्ययोजना के तहत, ब्रिक्स एसएआई वास्तविक समय पर ऑडिट, बड़ी बुनियादी ढांचा परि योजनाओं के ऑडिट, साइबर सुरक्षा और आंकड़ों की सुरक्षा चुनौतियां जैसे विविध विषयों पर सेमिनार / वेबिनार आयोजित करेंगे। <https://hindi.theprint.in/india/economy/citizens-benefit-the-most-from-audit-system-cag-murmu/408281/>

**9. अब केंद्रीय सचिव रोक सकते हैं पेंशन ([dainiktribuneonline.com](http://dainiktribuneonline.com))** Oct 11, 2022

केंद्र सरकार ने केंद्र के सरकारी कर्मचारियों के लिए पेंशन नियमों में संशोधन किया है, जिसमें केंद्रीय सचिव और नियंत्रक महालेखा परीक्षक (कैग) को पेंशन रोकने या वापस लेने की अनुमति दी गई है। यहां तक कि उन्हें झूठी में लापरवाही बरतने पर किसी प्रशासनिक अधिकारी की पेंशन या ग्रेच्युटी से वसूली की अनुमति भी दी गई है। केंद्रीय सिविल सेवा (पेंशन) नियमों में नये बदलाव 7 अक्टूबर से प्रभावी हुए हैं। मूल और संशोधित नियम उन सरकारी कर्मचारियों (रेलवे, कांटेक्ट कर्मियों को छोड़कर) पर लागू होते हैं जो 31 दिसंबर,

2003 को या उससे पहले सेवा में शामिल हुए थे। <https://www.dainiktribuneonline.com/news/nation/now-the-central-secretary-can-stop-pension-122104>

**10. The Role of Life Cycle Cost in Defence Procurement ([orfonline.org](http://orfonline.org))** OCT 11 2022

In the current geopolitical scenario, the acquisition and or development of state-of-the-art weapons systems has become necessary to maintain or change power dynamics and deterrence in one's favour. These systems, though, are costly. They compel governments to deliberate on their purchase carefully before signing orders and

investing in new systems and technology only after thorough review and tests and within budgets that are finite and, at times, constrained.

Currently, the lowest vendor method, L1 is the most dominant way of defence procurement whereby the vendor, who offers the lowest cost for a particular equipment, is selected. While seemingly cost-effective, this method has flaws. For example, metrics like the average life cycle of the system, differences in capabilities and wartime attrition, and operating and maintenance costs do not figure in the L1 equation. Yet, these characteristics are vital in assessing the cost-effectiveness of a weapons system and can provide a far better analysis of the system's efficiency.

Consequently, there has been a debate around the L1 concept, and policymakers are developing new parameters for evaluating bids for procurement. In August 2021, then Indian Army Chief General M.M. Naravane called for a rethink of L1 altogether. Beyond defence procurement, the L1 vendor method has been replaced by other parameters. For instance, in November 2021, the guidelines on procurement and project management issued by the Ministry of Finance (MoF) noted that L1 would not be the only method to select winning bids for non-consultancy services or standard or routine works. Instead, proposals will also be evaluated on the Quality-cum-Cost Based Selection method.

In the defence sector, an alternative to L1 is the concept of Life Cycle Cost (LCC), which is the total cost incurred to develop, induct, operate, maintain, and dispose of a weapons system.[3] This enables the defence planners to consider the long-term resources needed for effectively using a system over its lifetime and consider current and future defence expenditure. So far, however, India's experience in integrating LCC analysis into its acquisition process has not been consistent. Although the concept was introduced into the Defence Procurement Procedure (DPP) of 2006, calculating these costs has proved difficult and complicated.

How best can the LCC be included in the Indian defence acquisition process? What components should defence planners consider while calculating the LCC? And what can be done to make sustainment more consistent and predictable for both user and the industry? This study examines the role of LCC in defence acquisition and understands the challenges in its implementation in the Indian context. The analysis builds on ideas shared during a series of workshops convened by the Observer Research Foundation (ORF) under the Chatham House Rule,[a] which brought together stakeholders from the Indian military, Ministry of Defence (MoD) bureaucracy, industry, and the think tank community. The participants deliberated on issues related to the upkeep of military platforms and the role of LCC in defence planning and procurement, and explored ways to ensure military readiness through optimised sustainment.

### **LCC in Military Acquisition: A Conceptual Overview**

A military system generally comprises a "system of systems", i.e., several sub-components that function together to support the particular defence equipment or system. This analogy of a military "system of systems" makes any procured product dependent on a series of processes that are part of the more extensive process called the "management of the life cycle support system".



In the United States (US) and the European members of the North Atlantic Treaty Organization (NATO), the concept has become intrinsic to every defence acquisition—whether the transaction is between industry and the government, or government-to-government. Being almost universal in scope, the LCC concept has come to be known by various names such as Whole Life Cost, Cost of Ownership, or Total Ownership Cost (TOC). Among these, LCC remains the most comprehensive term, which helps to explain the processes, phases, and other variables involved in the lifetime of a system.

The LCC can be defined as the “total cost to the government of a programme over its full life, including costs for research and development, testing, production, facilities, operations, maintenance, personnel, environmental compliance, and disposal.” In other words, it caters to the accounting of the cost of a system right from its conception in the form of modelling and designing to the operational phase, and up to the point where it is reduced to waste.

Using a life-cycle costing framework is essential to successfully implement and manage any defence programme and its acquisition. The primary objective of adopting the LCC method is to ensure coordinated support to the processes by which the best decisions out of available alternatives can be arrived at. The parameters and driving factors for availing any optimum option in the case of Life Cycle Costing (as per the methodology adopted by NATO) are based on an assessment of the expenditure which may go into the maintenance of a particular system, for comparison among the available alternative solutions, to manage the demands vis-a-vis existing budget, options for acquisition, and assessment of cost reduction opportunities.[5]

In terms of user-industry relations, life-cycle costing can help develop a model for affordability assessment and determining the cost drivers, which are evaluated in the light of the users’ requirements against the system’s performance.[6] NATO technical reports characterise LCC as a benchmark to measure the “value for money” both during the acquisition or production phase and when the system is in service.

### **Components of the LCC model**

The LCC comprises several components throughout conceptualisation and implementation.

Specifics of the programme by considering various options: It deals with the cost element of the system, which broadly decides the user base and profitability of the system from an industry-centric perspective.

Assumptions: This component includes assigning specific hypothetical scenarios to improve processes where no such concrete data is available.

Deployment, operationality, and user requirements: It considers the operational parameters, which include the deployment in varying situations, and plays a crucial role in assigning the function to the system. The maintenance cost is determined per the system’s operational deployment and use.

Risk issues: A feedback loop is added in the series of processes involved to avert or adjust any programme to the non-accounted exigencies or circumstances. This includes pointing out potential risk issues and an input/output mechanism to facilitate the process.

The LCC gives leverage to both user and the industry to decide among many options involved in the forecasting of the cost element, a comparison between the alternative solutions (in the form of alternative assets, design trade-off, and supply chain, among others) and to suit the often complex details of the tender evaluation process.

The LCC is meant to provide the industry and users with the data (though not precise), which helps policymakers in decision-making. It gives details of in-service costs that make calculating expenditure more convenient for the different stakeholders. Therefore, it helps in doing the following:

- analysing the differences between forecasting and actual costs;
- identifying potential areas of cost saving;
- feeding cost databases;
- determining cost drivers;
- implementing management control;
- planning to phase out the system and reduce stockholding.

Critics have argued, however, that LCC is not an exact science and cannot provide precise figures for the cost to be utilised in the process. In other words, it remains only an estimation or near probability of events or processes if led in an ideal way under the ideal circumstances. In terms of circumstances, it does not account for other intervening variables like time delay in acquisition due to political decision-making.

### **Performance-Based Logistics**

Performance-Based Logistics (PBL) is one model for executing LCC Support. A PBL is an outcome-centric approach: describing the desired result rather than how the work is to be performed. It is the performance measure where the verifiability of the quality is ensured through measures like achieving a specific target level (system, subsystem, or component) of availability.

Most prominently in the aviation sector, the industry has been using PBL-based strategies to deliver “power by the hour,” in which the customer pays only for the specified target level in terms of operational flying hours and the payment is made accordingly.

The PBL-based Life Cycle Support framework is one of the most cost-efficient ways to implement the LCC. It also provides adequate commercial protections catering to buyers’ needs and drives the correct behaviour in the industry delivering their services to the military. As a result, PBL contracting allows the user side to increase weapon system performance while simultaneously reducing cost compared to traditional product support strategies. The Indian Air Force (IAF) C-130 fleet’s maintenance is a good example of implementing PBL-based life cycle support management.

## The Indian Context

LCC was introduced in India under the DPP 2006. It mentioned that the Original Equipment Manufacturer (OEM) “shall provide all the details like Operating cost, Maintenance cost, Overhaul cost, training cost etc. per squadron of aircraft, required to estimate the Life cycle cost of the aircraft.” In addition, it stated that factors such as operational hours/year, Mean Time Between Failure (MTBF), the requirement of maintenance spares, and mandatory replacements during preventive maintenance schedules, may be considered for arriving at LCC.

LCC was initially used to procure 75 trainer aircraft in 2011 for the IAF. The Request for Proposal (RFP) instructed the interested equipment manufacturers to specify the costs of buying, maintaining and flying their respective aircraft over a 30-year service life. The vendor with the lowest LCC was expected to be declared the L1 vendor. Eventually, based on the proposals received, Swiss aerospace manufacturer Pilatus was declared the L1 vendor with a declared LCC of INR 4,160 crores (approximately US\$ 523 million).

However, MoD’s subsequent cost estimation of the Pilatus deal revealed that 88 percent of the acquisition cost over 30 years would be incurred in less than a decade because of “inbuilt flaws” in the bid submitted by Pilatus. Reportedly, nine components that were part of the IAF proposal to pay Pilatus under the maintenance head had not been calculated as part of the LCC during the RFP stage. The Pilatus later demanded an additional INR 507 crores (approximately US\$ 73 million) for a “Follow on Support (FOS) Contract” to cover repair and maintenance over five years after the initial two-year warranty period—a demand accepted by the IAF. This figure was reportedly three times the cost of repairs and maintenance estimated during the L1 evaluation. The Pilatus attributed this cost increase to factors such as supply chain administration and publication updates, which had not been considered during the RFP stage. The subsequent Comptroller and Auditor General’s report in 2019 also pointed out that the company had failed to commit to the transfer of technology for maintenance and offer spare parts on a timely basis.

This first chequered experience naturally raised scepticism within the Indian defence establishment on the LCC concept.

India’s subsequent bumpy LCC experience was with the purchase of 126 medium multi-role combat aircraft (MMRCA). In 2012, Indian policymakers, with the intent of choosing an affordable fighter aircraft to buy, fly, maintain and overhaul over a 30- to 40-year service life and not just the lowest price, selected Dassault Aviation as the lowest bidder for its Rafale jet. Three years later, however, it emerged that Dassault had submitted “a sketchy commercial bid” based on which the Rafale aircraft was wrongly adjudged to be cheaper than it was. Moreover, the chief negotiation committee’s cost calculations showed that the actual costs for Rafale were significantly higher than the original calculations at the time of bidding. Subsequently, the MMRCA tender was withdrawn in 2018. The government then negotiated an inter-governmental agreement with France to buy 36 Rafale aircraft in fly-away conditions.

These bitter experiences notwithstanding, Indian policymakers understand the benefit of the LCC analysis as they continue to incorporate its various elements in subsequent

acquisitions. For instance, when the IAF was considering the purchase of a multi-role tanker transport (MRTT) aircraft, Airbus' A330 MRTT was twice chosen over the Russian IL-78, as the former's life cycle costs were lower, even as the latter's acquisition cost was lower. The purchase, however, was eventually cancelled over costing issues and amidst a debate on whether direct acquisition costs or LCC should be calculated to select the most economical option. This highlighted that the concept of LCC is yet to get enough traction within the defence establishment.

Now the Defence Acquisition Procedure (DAP) of 2020 has recommended FOS for capital acquisitions alongside the main L1 procurement, which is a path to eventually including the PBL and the FOS into the RFP stage. Service headquarters have been directed to ensure that product support requirements for at least three to five years beyond the warranty period are procured along with the main equipment to sustain and support the platform/equipment through its operational life cycle. These Life Cycle Support Contracts will hopefully not only improve a system's long-term performance but also provide realistic estimates of its future support costs that can be considered before finalising an acquisition. It should be noted, though, that due to anticipated strong performance of a young aircraft fleet, a three- to five-year window may still be insufficient to drive realistic estimates. A longer time horizon of five to 10 years for initial PBL cost estimates will likely drive more reliable inputs.

Indeed, both Air Force and the Navy have included LCC considerations in their procurement processes, but never in a manner that materially impacts procurement decisions.

### **Challenges in Implementing LCC**

The series of roundtables convened by the ORF on the theme of the LCC in the Indian context brought forth diverse perspectives from the key stakeholders. The following paragraphs highlight the key takeaways from the discussions.

There was near-consensus on the lack of balance between the efforts put into procuring defence equipment, and those for sustaining such equipment. The issue is exacerbated by how current budgeting procedures place sustainment costs under revenue, and procurement under capital spending. Moreover, between FYs 2011-12 and 2021-22, the share of capital outlay for defence in total government capital expenditure decreased from 41 percent to 23 percent. Some of the stakeholders noted, however, that when it comes to sustainment, the issue was often procedural and not necessarily the lack of funds. Therefore, there was a need to streamline the processes or shift to better and more efficient means. Other participants highlighted the weakness resulting from having divergent sources of supply. For example, the three services have PBL in place for certain platforms but lack it for others. And in all cases and across services, there are differently structured arrangements.

The discussions further noted a disconnect between the source of finance (MoF), the user (MoD), and the supplier regarding the sustainment issue. The acquisition and sustainment stages are not contractually linked, which is the primary reason for the disconnect. It was also revealed during the discussions that the MoF has concerns about holding bidders accountable for proposed sustainment plans. The Air Force and

the Navy have raised similar concerns about the inability to enforce accountability with vendors.

Moreover, experience with defence contracting suggests that the Indian system enforces contractual provisions through penalties rather than incentives. Incentives, however, are a harder sell in general. Formalising incentives means introducing cost variation in the upward direction, whereas penalties are viewed as a recovery of funds by the Indian government.

Some of the specific obstacles mentioned during the workshops include the following: too many variables to be narrowly defined under typical RFPs; mismatches between user and vendor models; opportunity cost (in either direction); and concerns about variable operational tempo and peacetime vs conflict sustainment efforts. On the mismatch between user and vendor models, several stakeholders flagged MoD's assessment model of the LCC costs, which also includes upgrades in the LCC costs, creating an unrealistic assessment of LCC.

For the IAF, the most troublesome part is working out granular operation or sustainment costs at per-hour or per-sortie levels, out to 30-year horizons and beyond, accounting for parts and support availability or feasibility of upgrades on similar time scales.

Many stakeholders also pointed out that LCC is essentially a Western concept, where it is designed for budgetary planning, programme implementation, and a confirmatory check (i.e., a decision support factor) which contrasts with the Indian model. Moreover, as opposed to the concept of the United States or the NATO countries, which utilise LCC as a decision-making tool for inputs sourced from their domestic industry, India is looking at LCC as a tool for foreign equipment procurement. By getting into a long-term agreement with a foreign vendor (a long-term PBL), India may be locking itself in an obligation with the foreign OEMs.

Moreover, adopting global LCC models and updating, improving or replacing domestic models will not change the fact that all LCC calculations serve up notional costs. But the Indian government acquisition processes are "not mature enough" to deal with notional figures.

Many stakeholders underlined that, as seen earlier, vendor-supplied LCC information that is shared in bad faith can skew procurement with the absence of accountability. On paper, contractual PBL solves this, but in practice, there is nothing that prevents vendors from accepting that penalties will be paid and thus recovering these costs elsewhere in the programme. This particularly applies to Russian-origin aircraft where platform costs are usually significantly lower than Western counterparts, allowing for significant headroom to recover the costs of PBL-related penalties.

Yet most agreed that LCC is a desirable concept and that some form of LCC or TOC must be a deciding factor in procurement. User services, however, highlighted that despite existing approved models for calculation, there are too many variables to include LCC or TOC at the Qualitative Requirements or RFP stage.

## The Way Ahead

There was broad consensus in the ORF roundtables about the desirability of LCC and PBL-based contracting. An advantage of PBLs highlighted by user services is the fast turnaround of parts and consequent higher availability, as against ad-hoc legacy methods with slow turnaround both due to contracting processes and vendors' own lead times.

From the Air Force's perspective, the LCC represents an evolution from the existing model, as it considers the cost that is likely to be incurred by the user over the lifetime of the equipment. This is relevant to equipment with long life and recurring cost of operation and maintenance, which could be considerably higher than the original base per cost of the equipment. In such cases, the LLC model results in considerable savings. The IAF is therefore trying to pursue five- to seven-year PBLs for all upcoming contracts as a balance between flexibility and cost and as a means of gathering reliable data to inform future sustainment decisions. One of the key issues here is thus of identification and verifiability of costs.

From the workshop discussions, it was clear that a "one size fits all" formula cannot be used for LCC. For every acquisition programme, an LCC model has to be developed, deciding which elements to be taken into account and which others to omit. A key consideration will be the MTBF, which should be defined beforehand to the vendors. The second factor is verifying the costs. Since the costs presented may differ across vendors, it is ideal that a cost accountability team that will specialise in defence procurement be established to formulate the LCC model. The next challenge will be to make all the vendors agree to one LCC model for a particular acquisition that has been worked out. Accordingly, industry participation is necessary to avoid objections from vendors.

Arriving at these costs may extend the already delayed acquisition process. Therefore, it is advisable to focus on simpler acquisitions that are more amenable to the LCC model than complex acquisition, which is challenging to implement. Another possible approach could be to implement LCC for proven equipment with an established record of the OEM in supporting the equipment after acquisition. This will give confidence to not just the services but also the ministries to support the LCC model.

Another way to make the LCC palatable is to look at shorter periods holding the OEM accountable for a reasonable time that can be manageable and calculable within the vision of what is doable and what is not. A possible practice could be enforcing LCC only for major servicing as it will give insights on the costs: of acquisition, maintaining the aircraft, and overhauling. The PBL can be from the period beginning when the warranty is no longer valid till a major servicing. In a case where one competitor has no pre-scheduled major servicing indicated, the previously noted longer time horizon of five to 10 years could be used to standardise inputs. By doing so, the OEM is locked in at a certain price level.

The foreign OEMs have posited that long-term PBLs benefit both user and vendor, providing enough visibility to the latter to offer competitive prices to the former. A binding PBL element at the RFP level would perhaps allow both user and vendor to hold each other accountable. Taking examples from the United States and NATO, a

legal framework and agreement must be incorporated for the contractors in LCC for procurement.

Finally, India will have to evolve a model considering two persistent trends: procurement from foreign vendors for advanced systems, and procurement from the rapidly developing domestic defence industry. It is the right time for India to understand the concept and make the industry aware and adapt to it by looking at the next one and a half decades.

## **Conclusion**

Considering the likely growth rate of the Indian economy and the vagaries that could impact it, the imperative is to include the financial implications of a sustenance package for a germane period in considering the L1 while acquiring any military platform. At present, acquisition tends to take precedence over sustainment in defence procurement. Since sustainment costs represent two-thirds of the entire weapon system LCC, this mindset needs to change. LCC and PBL-based contracting are one way to ensure this change happens and that the services, the MoD, and industry have visibility beyond the acquisition. They offer a well-established solution to these key stakeholders. <https://www.orfonline.org/research/the-role-of-life-cycle-cost-in-defence-procurement/>

## **11. Massive reforms needed for police to become professional and accountable ([nationalheraldindia.com](http://nationalheraldindia.com)) Oct 10, 2022**

**The police departments in most states are too busy in protecting political parties in power and their private interests to take note of the common man's complaints**

Last month, the alleged murder of a 19-year-old girl receptionist, Ankita Bhandari, in a resort located in Bharatiya Janata Party-ruled Uttarakhand's Pauri district, had sparked a massive outrage across the country.

The girl went missing on September 18 following which a missing complaint was lodged by her parents, to any avail. The girl was allegedly pushed from a cliff into the river Ganga by the owner and two of his employees for "refusing to indulge in prostitution with hotel guests".

Only after her body was found was the police forced to act under massive public protests. Three people, including a BJP leader's son, Pulkit Arya, were arrested for her alleged murder. The Uttarakhand DGP admitted that the girl was forced to commit 'wrongful activities'.

Also last month, the people in West Bengal were highly agitated about the police failure to trace two teenaged Kolkata school students who went missing. The police had allegedly refused to register an FIR and asked the complaining parents to make general diary entries instead, saying the boys might be out for 'fun'. Days later, the bodies of the two boys were found in a canal. They had been strangled and killed. Under fire for not being proactive in investigating the shocking crime, the Kolkata

police was reprimanded by West Bengal Chief Minister Mamata Banerjee, and the case was handed over to the state Criminal Investigation Department (CID) for a probe.

Unfortunately, police forces across the country are known to act in such fashion.

In the first case, the police might have been fully aware of the sex racket being run by the Uttarakhand resort owner, a BJP leader's son. In the other case, the police might have decided to go easy as the parents of the "missing" boys were ordinary citizens without any major ruling party link. The two unfortunate crime incidents may be different, but they seem to have a common thread — the political connection or the absence of it.

The police in most states is too busy in protecting political parties in power and their private interests to take note of the common man's complaints. This could explain the reason behind the growing crime rates in the country — recorded or unrecorded. Police are rarely pulled up for the rising crime rates. A state subject, the police portfolio generally comes directly under the chief minister.

A recent report of the National Crime Records Bureau (NCRB) showed an alarming increase in crime against women and incidences of rape, kidnapping, killing and child trafficking. The reliability of the NCRB report depends on the nature of data supplied by the state governments which are known to often under-report crimes.

The crime against women in India increased by 15.3 percent in 2021 over the previous year. Last year, 4,28,278 cases of 'crime against women' were registered as against 3,71,503 cases in 2020. The number of registered rape cases increased from 28,046 in 2020 to 31,677 last year. Kidnapping cases increased from 84,805 in 2020 to 1,01,707 in 2021.

Last year, the rate of violent crimes was the highest in BJP-ruled Assam,(76.6 crimes per one lakh population). It was followed by Aam Aadmi Party-led Delhi (57) and Trinamool Congressgoverned West Bengal (48.7).

The multi-dimensional political pressure on police in the states has been constantly rising. The perennially understaffed and under-equipped forces are often in a dilemma over what needs to be tackled first — public peace or protection of political masters' private interests.

The police is one of the society's most ubiquitous organisations and policemen happen to be a government's most visible representatives. At times of crisis, danger and difficulty, when an aggrieved citizen does not know what to do and whom to approach, the nearest police station and a policeman happen to be the most appropriate and approachable unit and person for him. Police are expected to be accessible, interactive and dynamic.

The Broadly, the police is expected to play a twin role in a society — maintain law and protect order. However, the ramifications of these two duties are numerous, which result in making a large inventory of duties, functions, powers, roles and responsibilities of the police organisations.



The inventories of police jobs are also quite complex. They relate to investigations, crime prevention and detection, maintenance of order and security, enforcement of social legislation, collection of intelligence, natural calamities and disaster management and democratic election-related duties among others.

The police is required to collect intelligence about political activities, labour activities including strikes, student agitations, exploitations, communal tensions, criminal activities or those potentially destructive to peace.

To ensure that the police power is used for legitimate purposes, various countries have adopted safeguards making police accountable and creating independent oversight authorities. In India, the political executive has the power of superintendence and control over police forces to ensure accountability.

However, the Second Administrative Reforms Commission had noted that this power is often manipulated and ministers have misused police forces for personal and political reasons. Experts had recommended that the scope of the political executive's power must be limited under law.

The higher judiciary is losing faith in politically-controlled state police forces to conduct investigations on highly sensitive issues and assigning central agencies such as CBI and ED with the task of inquiry into critical cases seemingly involving state authorities.

Despite the police being directly under state chief ministers, forces ironically remain highly understaffed and under-equipped. Published reports show state police forces are understaffed to the extent of 24 percent against sanctioned vacancies.

The constabulary comprises about 86 percent of the state police. Constables are typically promoted once during their service, and normally retire as head constables. This weakens their incentive to perform well.

In India, crime per lakh population increased by 28 percent over the last decade (2005-2015). However, convictions remain alarmingly low. In 2015, convictions were secured only in 47 percent of the cases registered under the Indian Penal Code of 1860.

The Law Commission observed that one of the reasons behind this is the poor quality of investigations.

CAG audits have found shortages in weaponry with state police forces. For example, Rajasthan and West Bengal had shortages of 75 percent and 71 percent respectively in required weaponry with the state police. The Bureau of Police Research and Development also noted a 30.5 percent deficiency in stock of required vehicles with the state forces.

Generally, the police is also known to be extremely corrupt. This may also be impacting on crime detection and apprehension rates.

In a large and populous country like India, police forces need to be well-equipped, in terms of personnel, weaponry, forensic, communication and transport support, to perform their role well.

Most importantly, police need to have full operational freedom to carry out their responsibilities professionally under satisfactory working conditions (e.g., regulated working hours and promotion opportunities), while being held accountable for poor performance or misuse of power under financial and political influence.

Unfortunately, political influence is making the police increasingly corrupt and little concerned about the common man. <https://www.nationalheraldindia.com/opinion/massive-reforms-needed-for-police-to-become-professional-and-accountable>

## **STATES NEWS ITEMS**

### **12. आरएसएसबी पर 8 करोड़ का चढ़ा किराया, फिर भी नहीं बना सका बि ल्टिंग ([jantaserishta.com](http://jantaserishta.com)) 10 Oct 2022**

राजस्थान।

राज्य में सरकारी नौकरियों के लिए परीक्षा आयोजित करने वाला राजस्थान कर्मचारी चयन बोर्ड अपने लिए भवन निर्माण की परीक्षा में फेल हो गया है। वह भी उन परिस्थितियों में जहां सरकार द्वारा 7.50 करोड़ का अग्रिम भुगतान संबंधित निर्माण एजेंसी आरएसआरडीसीसी के खाते में हस्तांतरित किया गया।

सीएजी ने अपनी रिपोर्ट में इसे स्पष्ट करते हुए कहा है कि हालांकि सरकार को स्पष्टीकरण देना चाहिए, लेकिन बोर्ड की ढिलाई और सरकारी विभागों आरएसआरडीसीसी और जेडीए के बीच समन्वय की कमी के कारण निर्माण कार्य शुरू नहीं हो सका। सरकार ने 5 साल में बजट की घोषणा की थी, लेकिन बोर्ड का कार्यालय भवन में चलता है, जहां किराया 3.83 करोड़ रुपये बढ़कर 8.66 करोड़ रुपये हो गया है।

कागजों पर 5 साल से खराब हो रही है इमारत

2016 में बजट की घोषणा: राज्य कृषि प्रबंधन संस्थान, जयपुर में नवंबर 2014 से आरएसएसबी रु. 14.20 लाख के साथ। मासिक किराया। कार्यालय भवन के निर्माण की घोषणा 2016-17 के बजट में की गई थी और कार्य आरएसआरडीसीसी को सौंप दिया गया था।

सरकार ने दिए 7.50 करोड़: अगस्त 2017 में प्लिंथ एरिया 4223 वर्ग मीटर और प्रस्तावित लागत 15.94 करोड़ तय की गई थी। कार्मिक विभाग ने 15 करोड़ रुपये आवंटित किए हैं। स्वीकृति जारी। 7 करोड़ 50 लाख रु. RSRDCC खाते में स्थानांतरित कर दिया गया।

लागत में 36 फीसदी की बढ़ोतरी : जालाना में जेडीए 2684.19 वर्ग मीटर. भूमि आवंटन निरस्त कर अन्य स्थान दिया गया। 2021 में RSRDCC ने 21.73 करोड़ रुपये की कमाई की है। 5511 वर्ग मीटर प्लिंथ क्षेत्र का संशोधित अनुमान प्रस्तुत किया, जिसमें पहले की तुलना में 36.72 प्रतिशत की वृद्धि हुई जो लंबित है।

अगर जमीन पहले आवंटित की जाती तो 3.83 करोड़ रुपये बचाए जा सकते थे।

कैग ऑडिट में पाया गया कि बोर्ड के पास रु. 14.20 लाख रु. मासिक आधार पर 8.66 करोड़ किराया बढ़ा। विभाग ने सभी बाधाओं से मुक्त साइट का आवंटन सुनिश्चित किया होगा और भवन निर्माण 15 से 1

8 महीनों में और मई, 2019 से जुलाई, 2021 तक रुपये की लागत से पूरा किया जाएगा। 3.83 करोड़ किराए से बचा जा सकता था। भवन निर्माण नहीं होने के कारण रू. 7.50 करोड़ को तीन साल आठ महीने से अधिक समय के लिए ब्लॉक कर दिया गया था।

सरकार का फिर वही जवाब.. इसमें कोई बुराई नहीं थी

राज्य सरकार ने कहा कि कोई नुकसान नहीं हुआ है। आरएसआरडीसीसी के ब्याज मुक्त पीडी खाते में साढ़े सात करोड़ रुपये ट्रांसफर किए गए जो कि राज्य सरकार का एक उपक्रम है और यह राशि वसूल नहीं की जा सकती क्योंकि भवन का मुद्दा अभी भी प्रक्रिया में है। <https://jantaserishta.com/local/rajasthan/rajasthan-news-the-rent-on-rssb-increased-by-8-crores-yet-the-building-could-not-be-built-1645194>

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

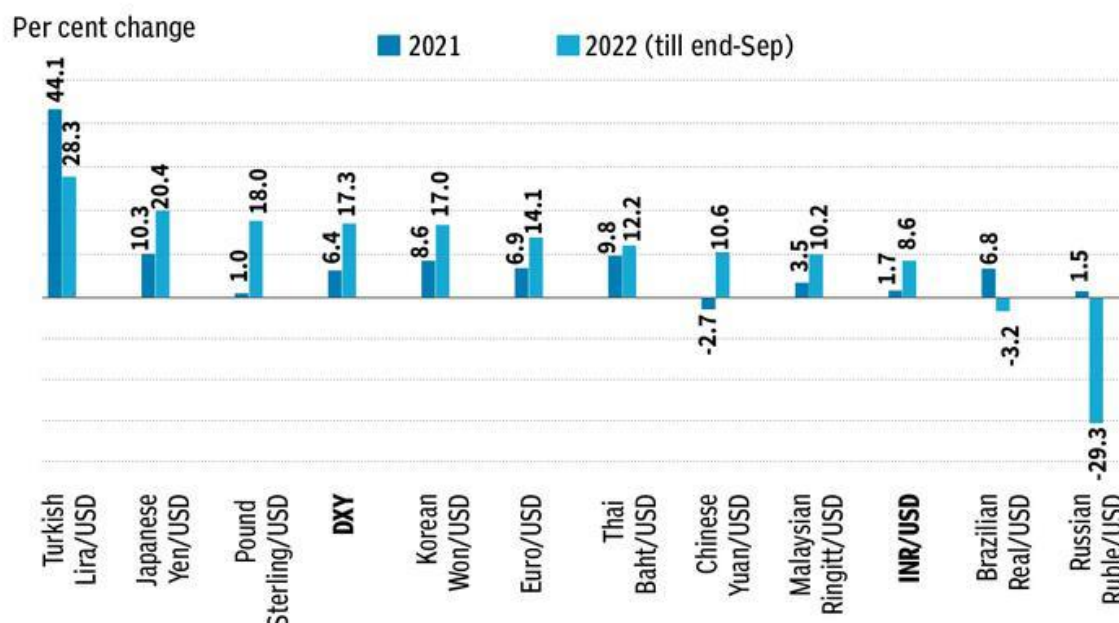
**13. Fiscal prudence, key to stability** ([thehindubusinessline.com](http://thehindubusinessline.com)) October 10, 2022

A common economic sophism is that fiscal policy can prop up growth even when monetary policy is assigned to bringing inflation under control. In the short run, lifting demand amid supply constraints will only fuel inflation and the twin deficits, with a wider fiscal gap feeding into a wider current account deficit (CAD).

The pandemic has already made debt dynamics unsustainable in several economies. IMF research shows that a one percentage point unanticipated contraction fiscal balance reduces the CAD, on average, by 0.8 percentage point of GDP.

With the four large central banks expanding their balance sheets by about 8x since 2007, demand and inflation have returned with a vengeance. Private wealth and inequities have increased on the back of fiscal support and large central bank liquidity. This has accentuated CAD to unsustainable levels in some countries. Careful countervailing policy action is required. Open economy considerations will rule monetary and fiscal policies, going forward.

## Strong dollar: Currencies' depreciation (+) against US dollar (%) / Dollar index (DXY) appreciation (+) in %



### Fiscal consolidation

Fiscal policy, and not monetary policy, will determine long-term interest rates in the Indian economy. More of fiscal restraint will be needed to avert interest rate shock.

It is time to move back to the 15th Finance Commission's fiscal consolidation path envisaged under its baseline macroeconomic assessment. It envisages GFD/GDP ratio at 4 per cent by 2025-26. Union Budget 2021-22 had announced the government's intention to reduce the GFD (gross fiscal deficit) below 4.5 per cent by 2025-26. In this year's Budget, the government reiterated the resolve to meet this target. However, this target is consistent with the 15th Finance Commissions' worse-case scenario of slower than assessed recovery path from the pandemic.

Macroeconomic conditions are evolving better than anticipated. The key metric of nominal GDP growth was 19.5 per cent in 2021-22 against the base case projection of 13.5 per cent by the Finance Commission. This year too it will easily exceed the 9.5 per cent growth assumed by the Commission.

The government, however, will not be able to meet even the slow post-pandemic recovery scenario targets unless it packages next year's Budget with a clear strategy to downsize government. This seems an uphill task given that not even two state-owned banks have been privatised this year. Opposition should support the needed reforms, but if political consensus is elusive, the government that has a clear mandate, must push reforms that are never painless.

Next year's Budget will set the course for the economy. Given the impending slowdown, the 15th Finance Commission's base case GFD/GDP ratio of 5 per cent for 2023-24 looks difficult but the government must make sincere efforts to bring the ratio

down to 5.5 per cent. Those who think this is big adjustment, may be reminded of how successfully the Euro area did the same. The region ran a general government deficit (net borrowing) of 6 per cent of GDP for two years after the global financial crisis but even with some improvement in growth, it went on massive fiscal consolidation and ran primary surpluses for five years from 2015 onward. This enabled them to expand the fiscal deficit by 6.4 percentage points in 2020 after the pandemic struck. Such is the power of counter-cyclical fiscal consolidation.

### **Avoid trilemma**

The impossible trinity will increasingly haunt macroeconomic policies in the near future. It is just not possible to maintain independent monetary policy, fixed exchange rate and an open capital account. The trilemma needs to be handled with less than corner solutions. Exchange rate can be managed but not pegged to a level. Markets can enter very choppy waters once financial conditions tighten and target Fed Funds rate peaks at about 5 per cent next year. Fed had last month hiked by 80 basis points (bps) its guidance on its terminal rate. Dot plots could rise further by another 50 bps if inflation remains intransigent.

Investor risk-aversion can magnify financial and business cycles. Recent work from Chicago University (Pflueger and Rinaldi's, September 2022) shows that investor habit preferences explain the large response to Federal Funds rate surprises. A surprise increase in the short-term interest rate lowers output and consumption relative to habit, thereby raising risk aversion and amplifying the fall in stocks.

We have witnessed substantial global equity and bond market corrections in the first half this year, but the tightening cycle is far from over and very much likely to continue into next year. This could result in substantial tightening of global financial conditions into the next year. House price bubbles may burst in parts of the world soon with correction already underway in the US, China, the UK, Australia, Korea and many other parts of the world. The end of free money can do a lot to deepen fissures in the world of finance. The rising pressures on Credit Suisse are just tips of the iceberg.

We are already witnessing a clustering of volatility in the exchange rate market. While a section of the market has taken the call that the dollar has peaked, from the rate cycle perspective that looks rather hasty. The JPY-USD rate, which had dipped to as low as 131 in the first half of August on expectations of looser Fed policy, fell to almost 145 on Powell's Jackson Hole speech later that month and is holding there. Japan intervened in the foreign exchange markets for the first time since 1998 but could not do much. Dollar strength can remain the bugbear for EM (emerging market) currencies till the middle of next calendar year and we must bulwark against such outcomes.

Our buffers have come very handy, but we have used a fair chunk of our ammunition early on, whereas exchange rate should best be treated as an automatic stabiliser while leaning against strong volatile movements. The RBI's early July capital flow measures have done little to stem the tide.

In this milieu, the RBI will do well to encourage corporates to maintain a good hedge ratio. If the going gets worse, one cannot rule out radical measures, like quasi fiscal

dollar borrowing (such as Resurgent India Bonds issued by SBI) or taking the oil companies' demand out of the market.

Meanwhile, the open economy considerations call for continuing with rate hikes for the rest of the fiscal year and then holding them till the expected severe global slowdown starts biting Indian growth. It is best to stay focused on maintaining macro-financial stability and not overly worry about growth at this stage. Such is the nature of policy trade-offs. <https://www.thehindubusinessline.com/opinion/fiscal-prudence-key-to-stability/article65994056.ece>

#### **14. Infra spend in focus for FY24 ([financialexpress.com](https://www.financialexpress.com)) Updated: 11 Oct 2022**

The finance ministry on Monday kick-started the budget exercise for FY24 by holding consultations with six ministries to firm up revised budget estimates (RE) for FY23 and budget estimate (BE) for FY24 as the government is keen to rationalise revenue spending while stepping up capex.

The ministries whose FY23RE and FY24BE expenditure was discussed are environment, forests and climate change; labour and employment; skill development and entrepreneurship; information and broadcasting; statistics and programme implementation; and youth affairs and sports.

Of these ministries, the ministry of skill development has spent only 6% of its FY23BE in the first five months of FY23 compared to 18% of the relevant target a year ago, whereas the ministry of statistics used 23% compared with 57% a year ago.

On Tuesday, the finance ministry would review the FY23 spending and discuss FY24BE of the ministry of social justice and empowerment; ministry of minority affairs; Election Commission and Union Public Service Commission. The consultations with all ministries would be done in phases under the supervision of finance secretary TV Somanathan till November 10.

Even as the government has kept a lid on revenue spending, it doesn't plan to hold back such expenditure for key departments in the second half of this fiscal.

Capex remains the focus of the government due to its high multiplier effect, but even revenue expenditure in the infrastructure departments that facilitate asset creation and help spur economic growth won't be curbed. The government will step up focus on the prudent use of funds by departments to ensure that an anticipated growth slowdown in the second half of this fiscal is not hampered further by undue fiscal stinginess.

Sources said some infrastructure ministries/departments that have not spent much so far this fiscal are being nudged to improve their expenditure level.

The Centre's revenue expenditure contracted in each of the three months through August showed the latest official data. After decent spending in the first two months, revenue expenditure shrank 0.3% in June from a year before, 12.4% in July and 4% in August. In the first five months of this fiscal, revenue spending dropped 3%, despite decent spending in April and May. In contrast, capex jumped almost 47% in the first

five months, partly aided by a conducive base, although such spending in August rose just 0.5%. <https://www.financialexpress.com/economy/infra-spend-in-focus-for-fy24/2706426/>

## **15. A delayed economic census exposes a federal faultline** ([livemint.com](https://www.livemint.com)) Updated: 10 Oct 2022

In the summer of 2019, a 'technical report' on a failed survey created an intense data storm in the country, exposing gaps in one of the key databases used in calculating India's gross domestic product (GDP): the MCA-21 database of the ministry of corporate affairs. National Sample Survey (NSS) enumerators found that several firms listed in the database could not be traced, or were "mis-classified" (i.e. engaged in activities other than that reported in the database).

While the holes in the MCA-21 database received most attention, the report also exposed gaps in two other databases used by the surveyors: the 6th economic census (conducted in 2013-14) and state business registers (for 11 states that had been able to build one). Among the three databases, the share of casualties (firms that were not surveyed either because they could not be found or because they did not respond) was lowest for firms drawn from the economic census list. Nonetheless, the share of casualties even in the census list was quite significant ([bit.ly/3CMiCgo](https://bit.ly/3CMiCgo)). In response to these findings, the ministry of statistics and programme implementation (Mospi) promised remedial measures, including a revamped economic census. The 7th economic census was being rolled out at that stage, and Mospi claimed this would be an authentic geo-tagged database of all firms in the country. Mospi said it would create a 'national statistical business register' based on this database.

A reliable and dynamic business register is of utmost importance in fixing several large holes in India's statistical system, as the previous Truth, Lies and Statistics column had pointed out. An economic census does not fulfil all requirements of a dynamic register, which requires regular updates. Still, a reliable census can provide vital inputs for such a register.

Unfortunately, the 7th economic census may not be able to meet such expectations. A senior statistician from a state that was banking on the census results to update its business register said that the data quality is too poor to be of any use. His state has not approved the provisional results of the census so far.

Other states have had a similar experience. Officials from the directorate of economics and statistics (DES) of three other states, governed by different dispensations, confirmed that the economic census results have not been published because of quality concerns.

Beyond data quality issues, a turf battle might be brewing. Till the 6th economic census, each state's DES had a major role in the selection, training and supervision of enumerators. For the latest census, Mospi signed a memorandum of understanding with the information technology ministry to employ staff from Common Service Centres (CSC) spread across the country, reducing the role of state-level DES officials. Some state officials had objected, arguing that CSC staff lacked exposure to basic statistics. They feel vindicated now.

There are other reasons why state DES officials are piqued. In recent years, Mospi has left out state DES from major surveys such as the Periodic Labour Force Survey (PLFS) and the ongoing consumer expenditure survey. In past surveys, state directorates would collect data based on a matching sample.

There were two key motivations behind a dual-track sampling strategy. One was to cross-validate the central sample results. The other was to pool data from the dual surveys, creating a larger sample from which district-level estimates could be generated for each state. However, since most states failed to process the data in time, the state samples were hardly used either by the Centre or by states.

Mospi officials also had doubts about the rigour with which states conducted such surveys. Similar concerns—about timeliness and accuracy—led Mospi to outsource the work for the economic census. The ministry wanted to avoid a repeat of the experience during the previous economic census when several states failed to start the field-work in time, a person involved in planning the latest census said.

The complaints about state DES aren't without basis. Statistical capacity constraints are far more severe in states than at the Centre. Most state governments haven't invested much in building statistical capacity. Mospi has tried, albeit in a half-hearted way. For several years now, it has run a scheme to raise statistical capacity across states. The impact is yet to be felt. If the scheme had been effective, Mospi officials would not have felt the need to bypass state directorates in major statistical activities.

Compared to most other governance systems, India's statistical system has always been better integrated vertically. The onus lies on Mospi officials to ensure that it remains that way. We don't need another state-Centre battle-front in this country. Mospi needs to ensure that the concerns of state DES officials are heard in Delhi.

If the results of the 7th economic census are indeed unpalatable, Mospi should publish a report outlining reasons for the failed census, and identify remedial steps that it would take in the future.

The inordinate delay in releasing the results of the economic census has already raised eyebrows in the parliamentary standing committee on finance (which has oversight over Mospi). When this issue is raised again, Mospi officials should provide a detailed account of what went wrong.

India's citizens and their elected representatives need to know the whole truth. <https://www.livemint.com/opinion/columns/a-delayed-economic-census-exposes-a-federal-faultline-11665419883549.html>

## **16. Government weighs cancelling reverse auction for renewable power offers ([business-standard.com](https://www.business-standard.com)) October 11, 2022**

The Central government is contemplating ending the reverse auction method of project bidding for wind and solar energy projects, reported Livemint. According to Raj Kumar Singh, the union minister for new and renewable energy, the wind energy industry has asked the government to return to closed bidding since reverse auctions hurt businesses because of the low prices revealed through the process.



In the reverse auction procedure, once the bids are opened and the lowest price is determined, there is a further auction for even lower bids. The mechanism of reverse auctions has been heavily utilised in the renewable energy sector to determine the lowest tariff. The planned change in bidding procedures comes on the back of the government's target to achieve 500 GW (gigawatt) of renewable energy by 2030.

The new and renewable energy minister stated that even though reverse bids lead to lower prices, the need of the hour is to enhance installed capacities. He further stated that the auction process should not affect the capacity building process of the renewable energy sector. According to the data from the ministry of power, India has installed wind and solar capacities of 41.205 GW and 59.303 GW, respectively. As of September 29, the total installed renewable energy capacity was around 163 GW.

Although there are eight windy states in India, the renewable industry believes that since the tariffs determined through open bids and reverse auctions are low, most businesses are moving to Gujarat, the windiest state, according to the minister.

He added that the administration is currently considering pooling the tariffs for wind energy across states. He said, "The speed of wind will be different in Madhya Pradesh, Andhra Pradesh, Karnataka, Gujarat, so the rates of electricity will also be different. They will depend on the wind speed. So, how does SECI (Solar Energy Corporation of India) sell it to the discoms (distribution companies)? So, we have decided to come out with a rule for pooling, bundling. All tariffs will be bundled together and then offered. It will be a rolling sort of thing. It will be for every five years. If we start this today, we will continue for five years. So, all the bids which will be done by SECI; it will be a rolling sort of an average."

Under the pooling system, for example, a tender of 3,600 MW (megawatt), would include six bids of 600 MW each from six separate states. The union minister of new and renewable energy, who also holds the power portfolio, informed that the sort of bidding process—closed, open, or reverse auction—is under discussion. He claimed that the wind energy sector prefers the closed-bid process and does not want reverse auctions. [https://www.business-standard.com/article/economy-policy/government-weighs-cancelling-reverse-auction-for-renewable-power-offers-122101100287\\_1.html](https://www.business-standard.com/article/economy-policy/government-weighs-cancelling-reverse-auction-for-renewable-power-offers-122101100287_1.html)

## **17. Why the Centre's claim of distributing 9.49 crore LPG connections is only half the story ([scroll.in](#)) Oct 10, 2022**

**LPG was not used consistently by most beneficiary households due to the high cost of a cylinder refill. Experts have also faulted the calculation method.**

The Bharatiya Janata Party, the largest party of India's central coalition government, last week claimed that 9.49 crore LPG, or liquefied petroleum gas, connections had been distributed countrywide so far under the Pradhan Mantri Ujjwala Yojana, launched in May 2016. "PM Ujjwala Yojana is providing freedom from smoke to poor women," the BJP's tweet read in Hindi.

The Pradhan Mantri Ujjwala Yojana aims to combat the adverse health impacts of cooking with traditional solid fuels like cow dung cakes, by helping poorer households

transition to gas, which is a cleaner energy source for cooking, while increasing energy security for these households.

Almost 9.5 crore gas connections have indeed been released under the Pradhan Mantri Ujjwala Yojana scheme as of September 1, data from the scheme's official website shows. However, though gas cylinder adoption has surged since the scheme was launched, LPG was not being used consistently by a majority of beneficiary households due to the high cost of cylinder refills, studies have shown.

Experts say a faultily structured LPG subsidy system, under which the full cylinder price must be paid upfront and the subsidy is transferred later, is to blame. They also questioned the government's methodology of calculating LPG connection coverage, given the use of outdated Census data. The government's own health surveys show that more than half of rural India continues to rely on polluting solid fuels.

Even as adequate cylinder refills remained beyond the reach of most Pradhan Mantri Ujjwala Yojana beneficiary households, the central government's fund allocation to and expenditure incurred on LPG subsidies has declined significantly, our analysis shows.

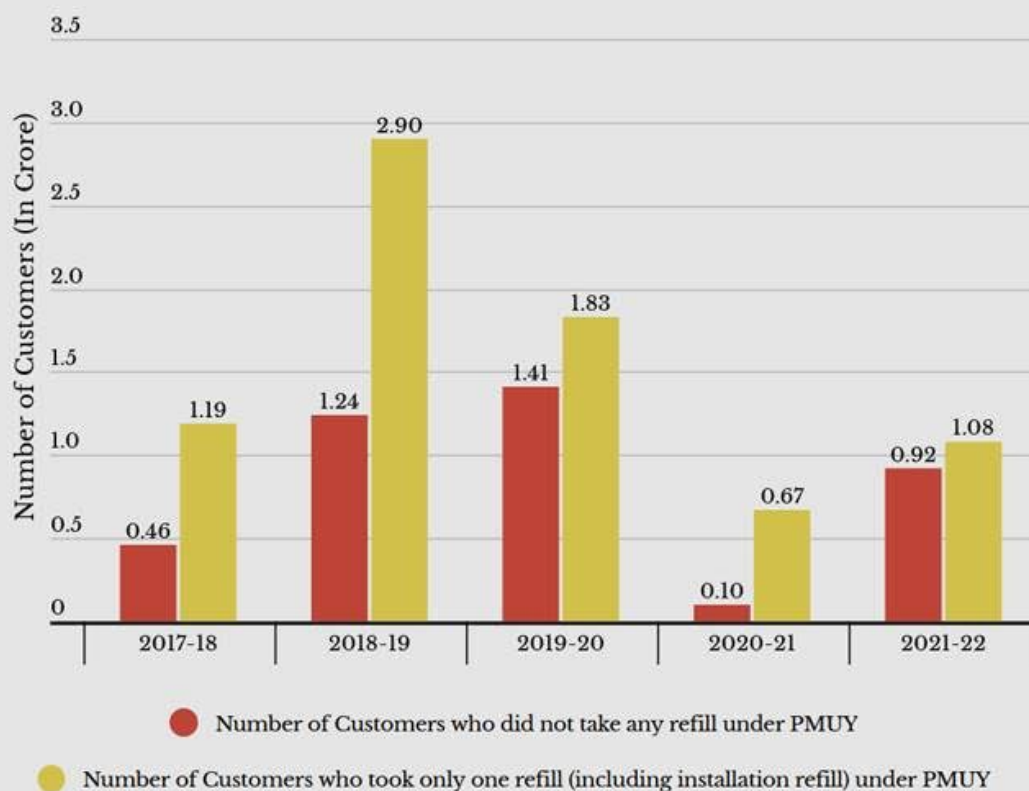
### **High price of gas cylinders**

Of the 9.3 crore LPG connections provided under Pradhan Mantri Ujjwala Yojana by the end of financial year 2021-'22, 5.4 crore customers (60%) had taken four or fewer cylinder refills in the entire year, according to FactChecker's analysis of responses given in the Lok Sabha by the Ministry of Petroleum and Natural Gas.

Around 1.08 crore (12%) took only one refill (including the installation refill provided by the government), and 0.92 crore (10%) did not take any refill at all, per a response by the Ministry of Petroleum and Natural Gas on August 1. The average number of 14.2 kg cylinder refills a year for Pradhan Mantri Ujjwala Yojana households was three in 2018-'19, and remained below four in 2021-'22.

A typical household using only LPG for cooking, whether in urban or rural India, would need at least seven cylinders a year to meet all its cooking energy needs, a 2020 study by the Council on Energy, Environment, and Water, a Delhi-based policy research non-profit, had found.

## Number of PMUY Beneficiaries who took no LPG Cylinder Refill was Highest in 2019-20



Source: Rajya Sabha

In its August 1 response, the Ministry of Petroleum and Natural Gas stated that “consumption of domestic LPG by households depends on several factors like food habits, household size, cooking habits, price, availability of alternate fuels etc”. But the high cost of gas cylinder refills is the biggest reason for low refills, experts told FactChecker.

When the Pradhan Mantri Ujjwala Yojana was launched in May 2016, the price of a standard non-subsidised 14.2 kg LPG cylinder in Delhi was Rs 527.5. This had doubled to Rs 1,053 by July 2022.

“Direct benefit transfer [DBT] rules require people to first refill their cylinders before receiving a subsidy. It is difficult for poor families to get the cylinder refilled from their own pocket and to wait for the subsidy amount in the future,” said Binit Das, Deputy Programme Manager for renewable energy at the Centre for Science and Environment, a New Delhi-based research and advocacy think tank. “It is better that the government spend the subsidy in advance than place the economic burden of clean fuel on the poor,” he added.

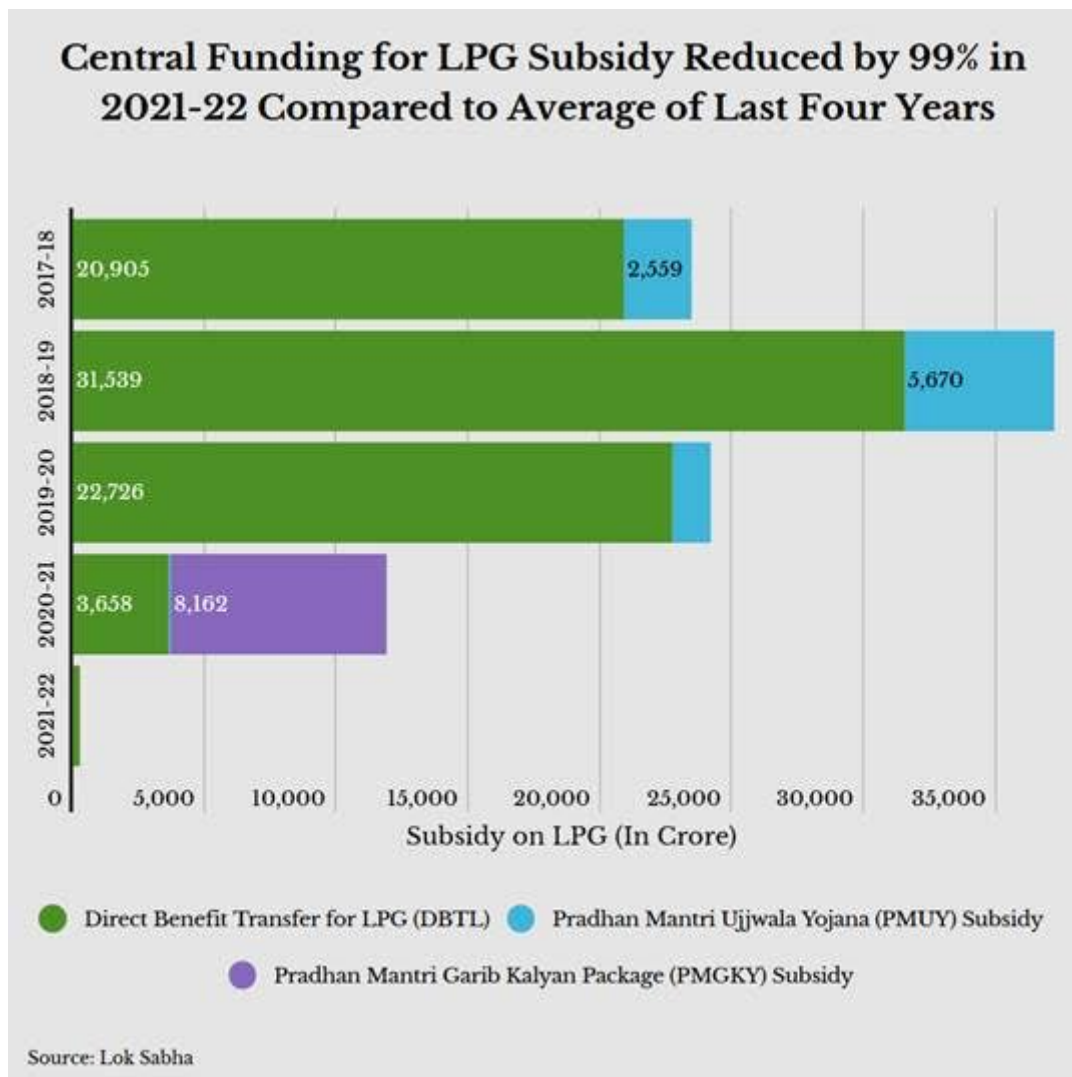
Declining subsidy expense

Even as the cost of cylinder refills remain beyond the reach of many Pradhan Mantri Ujjwala Yojana beneficiaries, there has been a significant reduction in the Union government's LPG subsidy bill, beginning in the financial year 2020-'21.

While the government spent an average Rs 28,281 crore a year on LPG subsidies from the financial years 2017-'18 to 2019-'20, it had spent Rs 11,896 crore in the financial year 2020-'21, a 58% reduction, according to the data provided by the Ministry of Petroleum and Natural Gas.

Even the Rs 11,896 crore expenditure, however, was due to a limited provision of three free LPG cylinder refills to Pradhan Mantri Ujjwala Yojana beneficiaries as part of the Pradhan Mantri Garib Kalyan Yojana Covid-19 pandemic relief package, which cost the government Rs 8,162 crore.

The one-off nature of the Pradhan Mantri Garib Kalyan Yojana expenditure in the financial year 2020-'21 is highlighted in the government's subsequent spending on overall LPG subsidy in the financial year 2021-'22, which decreased to Rs 242 crore, a 99% reduction compared to the average of the previous four years.



No subsidy has been paid on cooking gas since June 2020, Ministry of Petroleum and Natural Gas Secretary Pankaj Jain reportedly said in June 2022.

In the financial year 2023, the government will provide a targeted subsidy of Rs 200 per 14.2 kg cylinder for upto 12 refills a year, only to Pradhan Mantri Ujjwala Yojana beneficiaries, Finance Minister Nirmala Sitharaman announced in May 2022.

A provision of Rs 800 crore has been made towards Pradhan Mantri Ujjwala Yojana in the Union Budget 2022-'23, which is almost half the revised estimate of Rs 1,618 crore in the previous Budget 2021-22.

### **The full picture**

Official estimates claim domestic LPG coverage has reached almost 100%, but Das told FactChecker that the calculation misses out certain key aspects.

“The estimate was calculated by dividing the total number of packaged LPG connections equally by the number of households in the country, but neither is the assumption that LPG connections are distributed equally among households accurate – because a large number of households use multiple LPG connections and many of them divert the gas to commercial use, and nor is the estimated number of households accurate,” said Das.

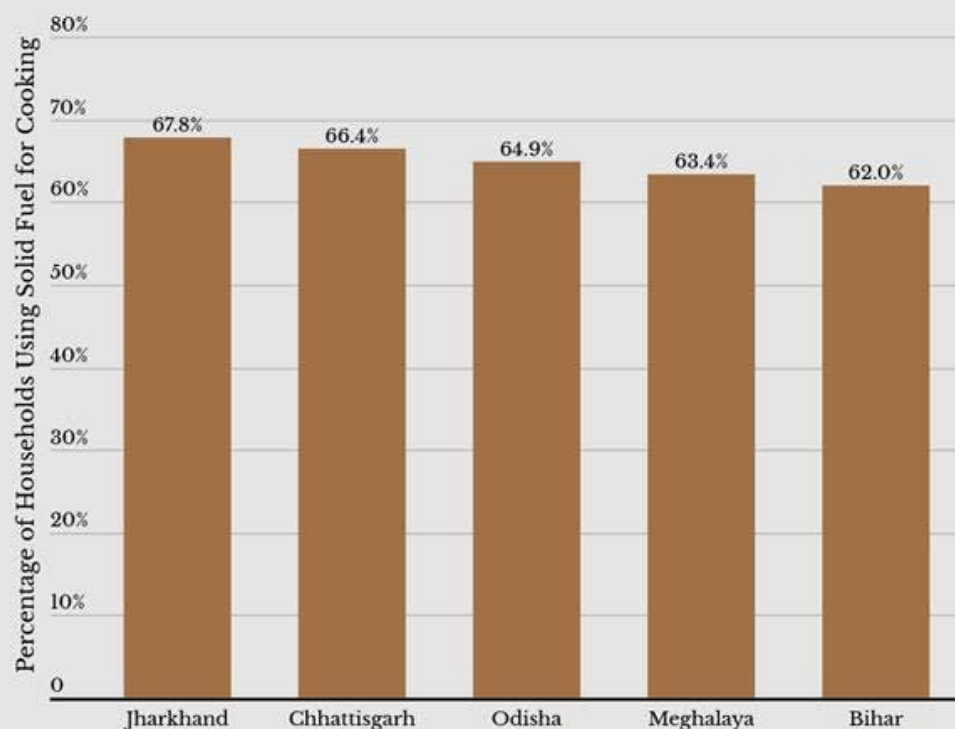
The number of households was extrapolated from India’s Census 2011 data, which experts have in the past told FactChecker are outdated and ineffective for assessing benefits-targeting policies. The Census 2021, delayed by the Covid-19 pandemic, is unlikely to be completed in 2022 either, IndiaSpend reported in June 2022.

### **Rural households**

Almost three-fifths of India’s population – 58.6% – uses clean fuel including LPG/natural gas, biogas or electric sources for cooking, per data from the latest National Health and Family Survey-5, 2019–’21. This is a 15 percentage point increase from National Health and Family Survey-4 (2015–’16), but the disparity in clean fuel usage between urban and rural areas is stark. Nine out of every 10 urban households use clean fuel; but only four out of 10 rural households do so.

Thus, around 41% of all Indian households and 56% in rural areas still use some form of solid fuel such as wood, coal or dung cakes, for cooking. The central states of Jharkhand (67.8%) and Chhattisgarh (66.4%) have the most number of households still using solid fuel.

## Jharkhand has the Largest Number of Households Using Solid Fuel for Cooking



Source: National Family Health Survey 5

While Pradhan Mantri Ujjwala Yojana's implementation has seen a surge in LPG adoption, consistent use of gas cylinders has been tepid, according to an 18-month study of 58 poorer rural households in South India by Boston College researchers, published in February 2022.

None of the surveyed households used LPG for more than 55% of their cooking time, the study found. A two-year Presidency University, Bengaluru-led study of cooking fuels used by 479 poorer households in three tribal-dominated Odisha districts, highlighted that less than half (43%) used LPG and only 26% used it as a primary cooking fuel.

An Indian household using only solid fuels for cooking has an average 24-hour concentration of fine particulate matter of 2.5 microns (PM<sub>2.5</sub>) – which cause cardiovascular and respiratory diseases, and cancers – of 450 micrograms per cubic metre air ( $\mu\text{g}/\text{m}^3$ ) in the kitchen and 113  $\mu\text{g}/\text{m}^3$  in the living areas, a multi-national study had estimated in 2013. To put these numbers into perspective, the World Health Organization's recommended safe limit for PM<sub>2.5</sub> particulate exposure during a 24-hour period is 15  $\mu\text{g}/\text{m}^3$ .

FactChecker asked Pankaj Jain, Secretary Ministry of Petroleum and Natural Gas, and Rasaal Dwivedi, Principal Secretary to the Union Ministry of Petroleum and Natural Gas minister, via email and telephone for clarifications and comment on

barriers, including cost, to consistent use of LPG cylinders by Pradhan Mantri Ujjwala Yojana beneficiaries in light of reduced subsidy allocations.

We also asked them about the contrast between government data claiming increased LPG connections and government surveys showing widespread use of solid fuel in rural India. At the time of publishing, we had not yet received a response from them. We will update the story when we receive a response. <https://scroll.in/article/1034532/why-the-centres-claim-of-distributing-9-49-crore-lpg-connections-is-only-half-the-story>

## **18. Climate finance: Donors give less than they claim; and not for mitigation to needy countries ([downtoearth.org.in](http://downtoearth.org.in)) 11 October 2022**

### **Mitigation finance primarily went to middle-income countries such as Brazil, India, Mexico and Indonesia**

Donor countries overstated their contributions to climate change mitigation by roughly 40 per cent, a new study estimated.

This finding points to challenges in achieving the promises made at the Paris Agreement to mitigate climate change, the study published in Nature Climate Change underscored.

In 2009, developed nations pledged to provide climate finance of \$100 billion annually by 2020 to less wealthy countries to mitigate and adapt to climate change. But the donor countries are yet to achieve the target.

Climate finance refers to local, national or transnational financing — drawn from public, private and alternative sources of financing — that seeks to support mitigation and adaptation actions.

The contributions were \$83.3 billion in 2020, up from \$80.4 billion in 2019, according to Organisation for Economic Co-operation and Development estimates.

Countries self-report their expenditure. There isn't any mechanism in place to independently verify the flow of finance, Florian Elgi, from the Energy and Technology Policy Group, told Down to Earth.

"We wanted to look at whether the responsibilities were being honoured in the finance flows," he added.

Elgi and his colleagues used a machine learning algorithm to scan 2.7 million official development assistance (ODA) projects between 2000 and 2019.

ODA is financial aid aiming to promote economic development and welfare in developing countries. Donors tag their ODA projects based on whether it targets biodiversity, climate change mitigation and adaptation or desertification.

Elgi and his team focused on bilateral finance between donor and recipient parties, as this represents the most significant chunk of the financial flow.

Funds can also be made available through regional and multilateral channels, according to the United Nations Framework Convention on Climate Change (UNFCCC).

In bilateral flow, donor countries have much control over the flow. “Developed nations will always be able to decide on what they spend their money on,” Elgi explained.

The algorithm is trained to decide whether it is climate finance or not.

For example, a donor spends \$100 on a sanitation project in Angola and tags the fundamental objective as climate mitigation or adaptation, explained Elgi. And the algorithm not classifying the project under climate finance is an example of over-reporting, he added.

In some cases, contributors don’t tag a project like solar plants with climate benefits as climate finance. This is under-reporting, the researcher explained.

“The quality of the reporting is quite poor and there is much more over-reporting than under-reporting,” Elgi pointed out.

### **Donors prioritise mitigation**

The algorithm identified the financial flows from 32 donor countries to 141 countries across continents, the study stated.

The researchers identified 32,370 projects, representing \$30.3 billion in bilateral climate finance after the Paris Agreement (2016– 2019). The \$100 billion target came to the centre stage of the international climate discussions during this time, according to the study.

Germany, France, Norway, the United Kingdom, the United States and Japan were the top contributors. India, Morocco, Mexico, Vietnam and Indonesia were the top recipients, noted the study.

The United States, the United Kingdom, Canada, Sweden and Switzerland prioritise adaptation finance. The researchers calculated that about 82 per cent of the finance was categorised as grants.

But France, Germany and Japan invested more in mitigation. About 54 per cent of the funding was categorised as loans, they added.

Mitigation finance primarily went to middle-income countries such as Brazil, India, Mexico and Indonesia. Egypt and Morocco, with high potential for renewable energy, also attracted significant mitigation finance.

Countries most vulnerable to climate change received relatively more adaptation finance, the study noted.



“Public organisations should step up the game because private finance will work for the mitigation projects in middle-income countries, but probably not for low-income countries,” Elgi explained.

Elgi called for independent and transparent mechanisms to track climate finance.

Climate finance needs to be scaled up. “Estimated total climate finance flows remain well below the estimated need to invest in low-emission, climate-resilient development,” UNFCCC stated in its Biennial Assessment and Overview of Climate Finance Flows report. <https://www.downtoearth.org.in/news/climate-change/climate-finance-donors-give-less-than-they-claim-and-not-for-mitigation-to-needy-countries-85395>