NEWS ITEMS ON CAG/ AUDIT REPORTS (01.12.2022)

1. Punjab's financial health still 'fragile'; earnings reduce further, reveals AG report *(ptcnews.tv)* Dec 01, 2022

In contrary to claims being made by the Punjab Government, the state's financial health is yet to recover. The state's earnings have reduced further, forcing the Punjab Government, led by Bhagwant Mann, to avail loans. The revelation has come to the fore in AG's data till October 2022.

It has come to light that the Punjab Government does not seem to be meeting the revenue target as expected. The government has been claiming that Punjab has drafted the best liquor policy this time, but the ground reality paints a different picture.

The AG data shows that from April 2022 to October 2022, the income from liquor has decreased compared to the previous year. It has decreased by 0.30 per cent. As of August 2022, 0.2 per cent of the government's revenue came from liquor, but now it has come down. This time, the Punjab Government has set a target of Rs 9,647.87 crore from liquor, but till the month of October, the government earned only Rs 4719.12 crore.

The Bhagwant Mann-led Punjab Government witnessed a decline of 16.62 per cent in its income from petrol. In 2021, the government earned Rs 4,275 crore from petrol till October, while it could generate an income of Rs 3,345 crore only till October this year. As compared to the previous year, the government's income has decreased by Rs 900 crore.

The Punjab Government's income from stamp duty has also decreased. Compared to the previous year, the government witnessed a decline of 3.28 per cent in income from stamp duty. The government had set a target of Rs 3,600 crore from stamp duty, but it could earned Rs 2,160 crore till October. Land revenue has also decreased by 20 per cent. The government has received an income of Rs 51.09 crore.

The AG data further reveals that the Punjab Government has seen a slight decrease of 0.60 per cent in the income from GST compared to the last year.

The government has taken a loan of Rs 13,940.15 crore in the last 7 months (April 2022 to October 2022), of which Rs 8,795.96 crore has gone towards the repayment of interest.

On the other hand, the government has taken more debt than the previous year and has also paid more interest than the previous year. It took a loan of Rs 11,128.40 crore till October 21 last year while this year it has taken a loan of Rs 13,940.15 crore till October 22.

The only relief is that Punjab Government has received an income of Rs 25,52.95 crore from non-tax revenue, which is 12.68 per cent more than the previous year.

The revenue deficit of the Punjab Government has increased by 11.10 per cent while the fiscal deficit has increased by 12.68 per cent.

The primary deficit has increased from 71.40 per cent to 138.55 per cent, clearly indicating that the income of the government is not increasing.

As per information, the Punjab Government has set an income target of Rs 1,19,913.41 crore this year, while so far only, 50 per cent of the target has been achieved. The government has received an income of Rs 60,744.89 crores in seven months, and this includes a debt of Rs 13,940.15 crore. There has been an increase of 10.57 per cent in the expenditure of Punjab Government as compared to the last year.

On the other, when contacted, Punjab Finance Minister Harpal Cheema has categorically negated the claims in AG report and has claimed that Punjab's financial health is improving. https://www.ptcnews.tv/punjab-2/punjab-financial-health-still-fragile-earnings-reduce-further-reveals-cag-data-713607

2. A historical lens on Bengaluru's drains *(bengaluru.citizenmatters.in)* Dec 01, 2022

If you could time travel to the 1800s, how would Bengaluru's lakes and water channels look? This passage from the 'Deccan Traverses' by Dilip da Cunha and Anuradha Mathur gives us an idea.

'The sugarcane and rice crops looked most flourishing in the low wet land under the great tanks, which have all the appearance of natural lakes. Many of these have been most skilfully constructed, giving proof that the natives knew something of engineering, long before English rule and public works were thought of.'

The passage, referring to Bellandur Bund, is from a letter written in 1868 by Mrs L Bowring, the wife of the then Chief Commissioner of Mysore. The city of Bengaluru has often been referred to as Kalyananagara, or City of Lakes, owing to the numerous lakes that once existed. The British described the city as a 'land of thousand lakes'.

Bengaluru's lakes or keres, as referred to in Kannada, are human-made tanks, built to serve as irrigation tanks, over centuries. Located at an altitude of 920 metres above mean sea level (MSL), Bengaluru does not have a river source, though it sits on two river basins, the Cauvery and the Dakshina Pinakini. These tanks were interlined through a cascading system with kaluves (canals) and rajakaluves(larger canals) connecting them.

Janaki Nair in her book 'The Promise of the Metropolis: Bangalore's Twentieth Century' notes the role of tanks in the city's development: "For a site that was not close to water source and was situated on an elevated ridge, a reliable supply of water for agricultural or domestic purposes was imperative… The provision of water through a system of tanks became a crucial element of a city building throughout the twentieth century."

Smriti Srinivas in the 'Landscapes of Urban Memory: The Sacred and the Civic in India's High Tech City', observes how the kere, along with the kote (fort) and pete (market), was central to Bengaluru's spatial order from the mid-16th century till around 1800.

Esha Shah, author of the book 'Social Designs: Tank Irrigation Technology and Agrarian Transformation in Karnataka, South India', makes an important observation, "although tanks are spatially dispersed they actually are hydrologically linked' – a "hierarchical system of flood control and water use" as Dilip da Cunha and Anuradha Mathur note.

The 2018 Environmental Management and Policy Research Institute report describes the three parts of drain-fed tank system: a) Catchment area through which the rainfall flows along the ground into the tank b) Tank bed, where water is arrested and stored, and c) Command area, where the overflowing water from the tank irrigates the crop. The other structures include sluice gate/valve, also called toobu, which is used to let water out of the lake into the canal system and waste weir or kodi, which is part of the bund, acting as a safety tool to let off excess water from the kere or lake.

Different kinds of water bodies in Bengaluru

Within the lake system, there are numerous, smaller water bodies, and other watersheds that were part of the wetland ecosystem. The Karnataka Lake Conservation and Development Authority Act, 2014 (KLDCA) states: "A Lake is defined as an inland water-body irrespective of whether it contains water or not, in revenue records mentioned as Sarkari Kere, Kharab Kere, Kunte, Katte or by any other name. It includes the peripheral catchment areas (Raja Kaluve) main feeder inlet and other inlets, bunds, weirs, sluices, draft channels, outlets and the main channels of drainages to and fro".

The document also defines catchment area or watershed as an adjacent area draining into a single water body, consisting of streams, wetland, underlying groundwater, artificial channels, and stormwater drains.

What's in a name?

Francis Buchanan-Hamilton, the Scottish physician-turned traveller, geographer and botanist, defined katte as a small reservoir supplying water for cattle to drink; kere as a large reservoir used for watering lands; and kunte as a tank formed by digging a square cavity into the ground.

In her book 'Nature in the City', Harini Nagendra explains the categorisation of water bodies by the Hoysalas: samudra (large water bodies); kere or eri (medium water bodies) and katte or kuttai (small sized pools of water used for washing clothes or for cattle). Smriti Srinivas, in the book 'Landscapes of Urban Memory', adds among other water bodies kola, a natural pond for the provision of drinking water, bhavi or a well and a kalyani or an artificial reservoir near a temple."

The word sandra, means samudra, or sea and so places suffixed with 'sandra', had some reference to a lake or tank nearby. Localities with names ending with kere or gere were once lakes, some of them man-made, some' natural'. Other common names include Hiriyakere, Heggere, Piriyakere for big tanks, Chikkakere for small tanks, and Kannegere for a new tank.

Bengaluru's stormwater drain network was designed for its topology

"Given the (design of) interlinked waterway systems, stormwater drains (SWDs) are important lifelines and they (now) play a very important role in preventing floods, ensuring groundwater recharge", says Ram Prasad, co-founder, Friends of Lakes.

Bengaluru has four watersheds as precipitation flows, along the Koramangala – Challaghatta Valley (K & C Valley), Hebbal Valley, and Nagondanahalli Village (Ward 84- Hagadur, Bangalore East). In the eastern part, rainwater runoff flows into the Ponnaiyar river sub-basin through Bellandur and Varthur tanks (which are part of the Koramangala and Challaghatta valley) and Hebbal valley. In the western part, the runoff flows into the Cauvery river sub-basin through its two tributaries – the Vrishabhavati and Arkavathi rivers.

In addition, there are lesser-known five minor valleys – Marathahalli to the east, Arkavathy and Kethamaranahalli to the northwest and Kathriguppe and Tavarekere to the south. These lie outside the tributary area of the major valleys – Hebbal, Challaghatta, Koramangala, and Vrishabhavati, and they drain independently.

The nine valleys together form a unique and natural drainage system and both excess rain water and sewage flow down the city. The total length of storm water drains is about 840 kms. In the core areas, the length is 240 kms and outer areas it is 600 kms. The city has an average of 60 rainy days and receives over 900 mm of rain.

So what happened to the landscape of the city then?
As Harini Nagendra explains, the landscape in and around the city changed drastically over the centuries, even millennia. Harini says, "Fertile valleys in the gentle slopes of the maidan, where small streams could be dammed, and natural trenches deepened to store rainwater in lakes, became preferred locations for the establishment of settlements".

As Bengaluru developed and industrialised in the late 19th century and the early part of the 20th century, its growing population as well as a number of private and public sector industries needed a reliable water supply. Hesaraghatta tank was first used to serve the drinking water needs of Bengaluru city, and piped water supply started in 1896.

The biggest impact was brought by the provision of piped water supply that removed the dependency on local water sources. Ram Prasad says, "Bangalore's cascading drain system, a self-sustaining model, was disrupted in 1890 when piped water supply came to be (the norm)." In addition, there has been a lot said and written about the real estate lobbies and the pressure for land that led to the destruction of the tank systems.

Disappearing water bodies and its impacts
A 2018 inventory of water bodies in 590 villages of Bengaluru Metropolitan Area (BMA) report by EMPRI revealed that there were 1521 water bodies in 512 villages, and the remaining 78 villages had no water bodies. The report highlighted the 684 water bodies existing in Bengaluru Metropolitan region, comprising 395 lakes (above three acres), 85 gokatte (between one and three acres) and 204 kunte (below one acre). It pointed out that about 837 water bodies have lost their characteristics and are no longer in existence.

T.V. Ramachandra, Coordinator, Energy and Wetland Research Group and Convenor at the Environmental Information system, Indian Institute of Science (IISc), in his 2017 paper Frequent Floods in Bangalore: Causes and Remedial Measure, points out, "Frequent flooding (since 2000, even during normal rainfall) in Bangalore is a consequence of the increase in impervious area with the high-density urban development in the catchment and loss of wetlands and vegetation."

Current state of Bengaluru's drains
There has been renewed focus on storm water drains, every time it floods, and recent years have seen a higher budgetary allocation on storm water drains. The BBMP Budget allocated Rs 51.7 lakh for the development of SWDs, especially in outer areas; Rs 186.7 crore for development works under CM's Nava Nagarothana Yojane; Rs 50.8 crores for annual maintenance of SWDs; and Rs 50 lakh for desilting of drains. Yet little has changed on the ground.

The Performance Audit of Management of Stormwater in Bengaluru Urban area by the Comptroller and Auditor General (CAG), released in 2021, notes that the city 'is a victim of a paradoxical situation – urban flooding on one hand and depletion of ground water table levels, on the other'. The report also points out the mismanagement of drains and the BBMP's failure in protecting and maintaining drain infrastructure in the city.

It is time to redefine storm water drains as critical natural resources worthy of conservation. https://bengaluru.citizenmatters.in/a-historical-lens-on-bengaluru-drains-95856

3. Madras HC quashes corruption case against ex-Minister SP Velumani *(thenewsminute.com)* Nov 30, 2022

The Madras High Court, on Wednesday, November 30, quashed a First Information Report (FIR) against former Municipal Administration Minister of Tamil Nadu SP Velumani that was registered in 2021 levelling corruption charges. However, the court had refused to quash another FIR against him that was booked earlier this year on the allegations of disproportionate assets.

While passing the order, the court observed that no political party was willing to "insulate the police from political and executive interference" leading to the courts being made to do the work of the police. "The scarce judicial time of constitutional courts are spent on public interest litigations against political functionaries alleging inaction or biased action by the police, in which process, the courts are called upon to don the role of a station house officer, which we are constrained to do, in the larger public interest," the court said. It further observed that the reason for it was the unwillingness of the political parties to implement directions from the Supreme Court.

A division bench of Justices PN Prakash and RMT Teekaa Raman was hearing two separate pleas filed by Velumani seeking quashing the FIRs against him. The FIR was registered by the Directorate of Vigilance and Anti-Corruption (DVAC) in August 2021, alleging irregularities in the Municipal Corporation Department and was quashed by the HC.

The FIR was registered based on a complaint lodged by Arappor Iyakkam, Secretary of Dravida Munnetra Kazhagam (DMK) RS Bharathi, and a report filed by the Comptroller and Auditor General (CAG). The complaint stated that there were irregularities while awarding tenders in Chennai and Coimbatore municipal corporations when Velumani was a Municipal Administration Minister during the previous All India Anna Dravida Munnetra Kazhagam (AIADMK) rule.

The court while passing the order said that only the case against Velumani had been quashed and not against the other accused in the case. DVAC had named seven others as accused along with Velumani in its FIR. The court said that the FIR was registered after a preliminary inquiry by DVAC Superintendent of Police Ponni in 2019, in which no material was found to register a case against Velumani.

According to the DVAC FIR, it has been alleged that the firms run by Velumani's close associates were awarded contracts worth Rs 464.02 crore and Rs 346.81 crore by the Greater Chennai Corporation (GCC) and Coimbatore Corporation respectively, between 2014 and 2018. The FIR also noted that officials in the corporation also violated the sections of the Tamil

Nadu Transparency in Tenders Act, 1998, while awarding those tenders, allegedly under the influence of SP Velumani.

The Court did not quash the FIR that was registered by the Coimbatore unit of DVAC in March 2022 regarding the amassing assets disproportionate to his income. DVAC had alleged that Velumani and his associates plundered public money while awarding tenders to the contractors. It mentioned that he illegally acquired properties in his name and his family members' names between 2016 and 2021 worth Rs 58.94 crore. https://www.thenewsminute.com/article/madras-hc-quashes-corruption-case-against-ex-minister-sp-velumani-170455

4. पोषण आहार सप्लाई में बड़ा बदलाव:अब प्लांट से लेकर हितग्राहियों तक THR वितरण होगा ऑनलाइन, रियल टाइम एंट्री *(bhaskar.com)* Dec 01, 2022

मप्र के आंगनवाड़ी केन्द्रों के जरिए सप्लाई होने वाले पोषण आहार की व्यवस्था अब पूरी तरह से ऑनलाइन होगी। टेक होम राशन (THR) बनाने वाले प्लांट से लेकर हितग्राहियों तक का पूरा ट्रेकिंग सिस्टम ऑनलाइन किया जा रहा है। महिला एवं बाल विकास विभाग ने संपर्क एप के जरिए टीएचआर का सिस्टम ऑनलाइन किया है। इससे टेक होम राशन में गड़बड़ी को रोकने में मदद मिलेगी।

मप्र में 97 हजार 137 आंगनवाड़ी केन्द्र हैं। इन आंगनवाड़ी केन्द्रों में दर्ज छह महीने से तीन साल तक के बच्चों, गर्भवती महिलाओं, धात्री माताओं (स्तनपान कराने वाली महिलाएं) और शाला त्यागी किशोरी बालिकाओं को पूरक पोषण आहार दिया जाता है। अभी टीएचआर वितरण व्यवस्था ऑफलाइन है यानि कागजी प्रपत्रों में पोषण आहार वितरण की जानकारी एकत्रित कर विभाग को भेजी जाती है। इस व्यवस्था में सिर्फ पोषण आहार पाने वाले हितग्राहियों की सिर्फ संख्यात्मक जानकारी विभाग को भेजी जाती है। इस व्यवस्था में अक्सर ग्रामीण यह शिकायत करते हैं कि उनके आंगनवाड़ी केन्द्र में पोषण आहार नहीं बांटा जा रहा है।

अब ऐसा होगा सिस्टम

पोषण आहार बनाने वाले संयंत्रों (THR प्लांट्स) में डिमांड ऑर्डर के मुताबिक जैसे ही सप्लाई के लिए टीएचआर डिस्पैच होगा। प्लांट के स्टाफ को तुरंत भेजे जा रहे टीएचआर की जानकारी को संपर्क एप में दर्ज करना होगा। प्लांट के स्टाफ को एप में जिस परियोजना में टीएचआर भेजा जा रहा है उसकी डिमांड ऑर्डर के मुताबिक डिस्पैच किए जा रहे पोषण आहार की डिटेल दर्ज करनी होगी। जैसे ही प्लांट से जारी टीएचआर परियोजना कार्यालय पर पहुंचेगा, वहां के परियोजना अधिकारी उसे रिसीव करने के साथ ही एप में ही उसके स्टॉक की एंट्री करेंगे।

परियोजना कार्यालय से आंगनवाड़ी केन्द्रों की डिमांड के मुताबिक पोषण आहार की डिलेवरी की जाएगी। परियाेजना कार्यालय से मिले पोषण आहार की आंगनवाड़ी केन्द्र पर कार्यकर्ता एप में एंट्री करेगी।

6 महीने से 3 साल तक के बच्चों को दी जाने वाला THR

खाद्यान्न का नाम	हितग्राही	प्रतिदिन की मात्रा	प्रोटीन (ग्राम)	कैलोरी
गेहूं सोया बर्फी (प्रिमिक्स)	गर्भवती/धात्री माताऐं	150 ग्राम	18	600.8
आटा बेसन लड्डू (प्रिमिक्स)	गर्भवती/धात्री माताऐं	150 ग्राम	18	600
हलुआ (प्रिमिक्स)	06 माह से 03 वर्ष तक के बच्चे	120 ग्राम	12	500
बाल आहार (प्रिमिक्स)	06 माह से 03 वर्ष तक के बच्चे	120 ग्राम	12	500
खिचड़ी	06 माह से 03 वर्ष तक के बच्चे	125 ग्राम	12	500
	गर्भवती/धात्री माताऐं	150 ग्राम	18	600

पोषण आहार के पात्र हर हितग्राही को टीएचआर वितरण के बाद आंगनवाड़ी कार्यकर्ता को संपर्क एप पर एंट्री करनी होगी। मौजूदा टीएचआर वितरण व्यवस्था में आंगनवाड़ी कार्यकर्ता मासिक प्रगति पत्रक (MPR) में सिर्फ संख्यात्मक आंकड़े भरकर जानकारी भेजतीं हैं लेकिन अब हर हितग्राही को टीएचआर बांटने के तुरंत बाद एंट्री करनी होगी।

नए सिस्टम से रुकेगा फर्जीवाड़ा

महिला एवं बाल विकास विभाग के अफसरों का दावा है कि जब हर हितग्राही को पोषण आहार देने के बाद उसके नाम सहित एंट्री की जाएगी तो गड़बड़ी और गलत रिपोर्टिंग पर रोक लगेगी। अभी मासिक प्रगति पत्रक में सिर्फ आंकड़े भरकर भेजे जाते हैं जबकि हकीकत में कई बार हितग्राहियों को टीएचआर मिलता नहीं। अब किस हितग्राही को कब-कब टीएचआर दिया गया ये हर बार जानकारी दर्ज की जाएगी।

ऑनलाइन एंट्री से ही जनरेट होगी टीएचआर की डिमांड

महिला एवं बाल विकास विभाग इस व्यवस्था को अगले दो महीने में पूरी तरह से लागू करने जा रहा है। जिसमें हितग्राहियों को वितरित किए जाने वाले टीएचआर की संपर्क एप पर की गई एंट्री से से गणना करके ही आंगनवाड़ी केन्द्र की खपत के मुताबिक टीएचआर की डिमांड जनरेट करेगा। एप पर एंट्री के मुताबिक ही टीएचआर की सप्लाई की जाएगी।

हर हितग्राही की एप में हो रही एंट्री

महिला एवं बाल विकास विभाग के निर्देश पर पूरे प्रदेश में आंगनवाड़ी केन्द्रों में दर्ज हितग्राहियों की संपर्क एप पर एंट्री की जा रही है। इसमें समग्र आईडी के आधार पर छह महीने से तीन साल तक के बच्चे, गर्भवती महिलाएं, धात्री माताएं और शाला त्यागी किशोरी बालिकाओं के नाम और पूरी जानकारी दर्ज की जा रही है। हितग्राहियों की एंट्री का काम पूरा होते ही इसे पूरी तरह से लागू कर दिया जाएगा।

रियल टाइम होगी मॉनिटरिंग

व्यवस्था को पूरी तरह पारदर्शी बनाने के साथ ही रियल टाइम मॉनिटरिंग सिस्टम बनाया जा रहा है। इसके लिए संपर्क एप पर टीएचआर की एंट्री की जाएगी। प्लांट से लेकर हितग्राही को टीएचआर वितरण हो

ने की जानकारी ऑनलाइन पोर्टल पर दर्ज की जाएगी। जल्द ही ये सिस्टम पूरी तरह से प्रदेश के सभी आंगनवाड़ी केन्द्रों में लागू हो जाएगा। ;अशोक शाह, अपर मुख्य सचिव, महिला एवं बाल विकास विभाग

MP में टेक होम राशन, मुफ्त भोजन योजना में घोटाला:कागजों में बांटा 110 करोड़ का राशन
बीते दिनों प्रदेश में टेक होम राशन और मुफ्त भोजन योजना में बड़ा घोटाला सामने आया था। सीएजी (नियंत्रक एवं महालेखा परीक्षक) की रिपोर्ट में यह खुलासा हुआ था। सीएजी ने 8 जिलों में सैंपल जांच में पाया था कि वर्ष 2018-21 के दौरान 8 जिलों की 48 आंगनबाड़ियों में रजिस्टर्ड बच्चों से ज्यादा को 110.83 करोड़ रुपए का राशन कागजों में बांट दिया गया। इतना ही नहीं, इन जिलों में करीब 97 हजार मीट्रिक टन पोषण आहार स्टॉक में बताया था, जबकि करीब 87 हजार मीट्रिक टन पोषण आहार बांटना बताया यानी करीब 10 हजार मीट्रिक टन आहार गायब था। इसकी कीमत करीब 62 करोड़ रुपए है।
https://www.bhaskar.com/local/mp/bhopal/news/now-thr-distribution-from-plant-to-beneficiaries-will-be-online-real-time-entry-130628423.html

SELECTED NEWS ITEMS/ARTICLES FOR READING

5. Re-design and deliver *(business-standard.com)* November 30, 2022

In a welcome initiative, the government has suo motu offered to make pro-farmer changes in its flagship crop-insurance scheme — the Pradhan Mantri Fasal Bima Yojana (PMFBY) — in view of the climate change-induced escalated hazards in farming. This move is deemed need-based as well, given that this scheme has failed to meet the expectations of the state governments and farmers despite the reforms carried out in 2018 and 2020. Unsurprisingly, therefore, the number of states implementing the PMFBY has declined from 22 in 2018 to 19 now, and the count of cultivators opting for the insurance cover has dropped from 21.6 million to 15.38 million. While most state governments, financially strapped as they are, find it hard to pay their share of subsidy involved in running this scheme, the farmers do not view it rewarding enough to go for it. The compensation paid by insurers is generally too little and comes too late to be of much help to them. Though the critics of the PMFBY, including farmers' unions, accuse the insurers of usurping the financial gains accruing from the scheme, the insurance companies discount the criticism, maintaining that farm insurance is an innately low-profit business because of the high risk involved in an outdoor activity like agriculture. Some of the companies have, consequently, stopped offering farm insurance cover.

The PMFBY, undoubtedly, is the best and the most comprehensive of all the crop insurance schemes tried since the early 1970s. It covers even the pre-sowing and post-harvest losses and does not have any cap on the sum insured. But it suffers from many structural flaws, which mar its efficacy. Though, on paper, it is a Central-sector scheme bearing the Prime Minister's label, half its cost is required to be shared by the states, and implementation is in the hands of public-sector and private companies. That allows the blame to be tossed from one to another. The solution, therefore, lies in making it either a wholly Central scheme, with all expenses borne by the Union government, or leaving it entirely to the states, given that agriculture is a state subject under the Constitution. The states can, in that case, either choose to pay compensation to farmers, as is mostly done in the aftermath of natural calamities, or offer situation-specific insurance models acceptable to the farmers. The states are, in any case, in a better position to gauge farm risks and the resultant crop damage, which varies in accordance with local agro-ecological conditions.

The issue of delayed settlement of claims and inadequate reimbursement of the losses also needs to be addressed. Though the time frame and the norms for staking claims by the farmers, as also for the disbursement of compensation by the insurance firms, have been spelt out clearly under the PMFBY, these are often disregarded. With the application of modern technology, such as digital apps for reporting crop damage, satellite imagery for verifying claims, and direct-benefit-transfer mode for paying compensation, this aspect can easily be taken care of. The need, therefore, is to carry out some judicious structural and procedural modifications to the PMFBY to make it viable for insurance firms and financially gainful for farmers. Otherwise, this well-intentioned scheme would remain an underperformer. https://www.business-standard.com/article/opinion/re-design-and-deliver-122113001319_1.html.

6. The Electricity (Amendment) Bill Will Radically Alter the Character of Power Supply Industry *(thewire.in)* November 30, 2022

The Bill's unidimensional concern is to preserve the interests of the private investor. It will lead to the privatisation of profits and socialisation of losses.

The Electricity (Amendment) Bill, 2022 may appear innocuous because it only seeks to amend an existing law. Yet, the amendments have such far-reaching consequences that essentially the very character of the power supply industry will be transformed radically if they are enforced. It is little wonder that electricity employees and farmers are opposing the Bill tooth and nail. Though the Bill needs to be examined in its entirety, this article will examine three critical issues.

Can power be denied to those who cannot pay?

One of the most significant changes that the amendments seek to make is giving the law the power to determine the tariff of electricity. This is unusual, particularly because the law provides for regulatory commissions that have this exact responsibility.

The Bill says:

14. In section 61 of the principal Act, for clause (g), the following clauses shall be substituted, namely:— "(g) the tariff recovers all prudent costs incurred for supply of electricity; (ga) the tariff reduces cross subsidies in the manner specified by the Appropriate Commission and

23. In section 86 of the principal Act, in sub-section (1),—
(a) "Provided that the tariff recovers all prudent costs incurred for supply of electricity and also provide reasonable returns on investment and take necessary steps to ensure financial stability of the licensees:

In a country where almost 77% of consumers are not able to pay the cost to serve, the only purpose behind enforcing prudent costs without subsidies is to ensure the financial stability of the licensees.

The Electricity (Supply) Act, 1948 as well as the Electricity Act, 2003, recognised the conflict of interest between the viability of the electrical power system and the lack of purchasing capacity on the part of the consumers.

Section 59 (1) of the Electricity (Supply) Act 1948 stipulated that the State Electricity Boards should adjust the tariffs in such a manner that the total revenues in any year of account shall, after meeting all expenses properly chargeable to revenues, shall not have a surplus of not less than 3% of the fixed assets of the Board in service at the beginning of the year, or a higher percentage if specified by the state government.

Without exception, all state governments have violated the Electricity Act, 1948. The erstwhile Planning Commission used to publish an annual report on State Electricity Boards, where the monetary value of the violation of the law was tabulated.

The Electricity Act 2003, sought to overcome this problem by prescribing that state governments pay in advance any subsidy to any consumer or class of consumers as may have been determined by the independent regulators.

Both these Acts placed the responsibility of ensuring the financial stability of the service provider on the state. The 2022 Bill, on the other hand, transfers the onus from the state to the individual consumer.

When the state itself was unable to abide by the law, how can an individual enforce the law, particularly when s/he has no financial means?

The Forum of Regulators (FOR) was constituted by the Union government and is responsible for the harmonisation, coordination and ensuring uniformity of approach amongst the Electricity Regulatory Commissions across the country to achieve greater regulatory certainty in the electricity sector. Analysing the 2022 Bill, it observed:

"Electricity lies in the concurrent list of the Constitution of India, thus making both the State and the Central Government responsible for the development of the sector. In view of this, the Electricity Act 2003 made a fine balance between the role and responsibilities of the State and the Central Governments. However, the proposed amendments to the Act, at several places, tend to shift this balance towards the Central Government.

Another objective of the Electricity Act 2003 was to distance the Government from process of determination of tariff. This was ensured through the establishment of Regulatory Commission at the Central and State levels, who were responsible for regulating the sector. However, through the proposed amendments, this basic premise of the Electricity Act is being diluted, as Central Government interventions have been suggested on various regulatory matters, which may create avoidable confusion in the sector. Such amendments should ideally be dropped in the interest of smooth functioning of the power sector."

In the All India Power Engineers Federation vs Sasan Power Ltd, the Supreme Court held:

"If there is any element of public interest involved, the court steps in to thwart any waiver which may be contrary to such public interest. On the facts of this case, it is clear that the moment electricity tariff gets affected, the consumer interest comes in and public interest gets affected. This is in fact statutorily recognised by the Electricity Act in Sections 61 to 63 thereof. Under Section 61, the appropriate commission, when it specifies terms and conditions for determination of tariff, is to be guided inter alia by the safeguarding of the consumer interest and the recovery of the cost of electricity in a reasonable manner. For this purpose, factors that encourage competition, efficiency and good performance are also to be heeded."

The 14th report of the Parliament Standing Committee on Energy recorded:

"Electricity amendment Bill 2005" stated, "Committee notes that due to imbalances in the regional economic development in the country and large number of consumers who have no payment capacity in a number of states. In order to provide them power at affordable tariffs minimum support through an initial subsidy in respect of power tariff is necessary. Most of the states are unable to provide a subsidy from their exchequer."

Obviously, the framers of the law do not care for such counsel. At the operational level, this obsession to realise the prudent costs plus a reasonable rate of return is to be enforced through pre-paid meters, which can abruptly stop supply. In October 2015, riots erupted in South Africa's Soweto over the government installing pre-paid meters without the consent of the community.

Earlier drafts of the Bill proposed setting up an Electricity Contract Enforcement Authority. Due to strong opposition, this proposal was dropped in the present Bill. The 2022 Bill requires the load dispatch centres, whose purpose is to regulate the flow of electricity in intervals of 15 minutes, to dispatch electricity only after verifying that the generators have been paid by the DISCOMS. A rather impractical idea that would ultimately affect the consumers with power cuts and blackouts.

The most affected sector on account of this Bill would the agriculture sector. Should the law not ensure the financial stability of the farmer and food security for the nation? Can the world's most populous nation not give the highest priority to this concern? Let us take the example of Haryana. In FY 2014-15, 72% of the groundwater was extracted by electrical pump sets and 46% of the total subsidies for agriculture were for electricity. What would be the consequence of a law that prescribes the abolition of subsidies?

To grow grains, water is required which is pumped through the use of electricity which is subsided. Therefore, grain has an embedded subsidy. In 15 years, between 2002-17 Punjab gave the central pool, 290 million tonnes of paddy and wheat, utilising over 450 trillion litres of irrigation water requiring agricultural power subsidy worth Rs 25,000 crore. In return, Punjab did not get any subsidy from the Union government. Should the government of India not pay subsidies for the grain it procures from Punjab for the public distribution system and other Central sector schemes?

In the matter of subsidies, it is important to learn from recent events. Due to the sanctions that followed the Ukraine war, the cost of electricity in European countries has skyrocketed. For example, in Italy the electricity tariff has increased by 350% in the one year before October this year. In the UK, there has been an increase of almost 250%. These governments are providing huge subsidies to support the consumers.

Why is the Modi government so unconcerned with consumer interest? It is determined to even deny electricity to a majority of the people in order to protect the interests of the investors. The government refuses to accept that the people's inability to pay for an essential commodity cannot be resolved through legislative and administrative measures. This ideological obsession is embedded in the slogan "One nation, One grid, One frequency, One price". This is to be enforced through a national market-based Economic Dispatch Centre – a mechanism that envisages centralised scheduling for dispatching the entire yearly consumption of electricity of around 1,400 billion units!

Can competition improve efficiency and reduce tariffs?

The obvious question is to ask if competition is possible within the electrical power supply industry. The Électricité de France SA, popularly known as the EDF and a French utility company, said in a debate with the World Bank:

“Modern economic theory tells us that competition is more difficult to introduce in network infrastructure than in other industries, and more difficult in electricity that in other networks. We also know that competition does not streamline regulation but makes it on the contrary more complex and burdensome. Introducing competition creates a ‘half-free, half slave’ sector…. Marginally, the idea beyond our discussion about privatisation and competition may be to open the power sector of developing countries to foreign operators, expertise and capital….”

On July 19, 2022, France announced its plans to fully nationalise EDF. France said the nationalisation of the EDF will increase the security of its energy reserves.

Is competition possible in India?

On the purchase side, in FY20 the cost of generation and transmission (that is outside the control of the DISCOMS) constitutes about 77% of the cost to serve the final consumer. It is much higher in some states. Even when no power is consumed, the Power Purchase Agreements (PPAs) require that fixed costs amounting to thousands of crores have to be paid. In other words, almost 80% of the cost to serve is outside the control of DISCOMS. How then can multiple licensees provide competition that would reduce costs when they control only 20% of the cost to serve?

On the sale side, while the average cost of supply was around Rs 7.45 per unit, the average tariff charged to agricultural consumers has decreased on average nationally from 0.79 in FY16 to 0.75 in FY20. Commercial consumers paid, on average 12% over the normal. But the quantum of sales was very low for any significant recovery of cross-subsidy. There is constant pressure on DISCOMS to retain consumers by reducing cross-subsidy in order to prevent them from moving towards open access and captive sources. Multiple licensees would only deepen the crisis.

The benefits of competition are touted through a comparison with the telecom sector. Besides the fact that mobile services are wireless and electricity is a wired system, every consumer of mobile services – rich or poor – pays the same rate per call, at a rate that is above the cost to serve. Even after wilfully and completely destroying the public sector competitor, the BSNL, the government’s reforms have only succeeded in essentially establishing an inefficient oligopoly.

On granting a licence to multiple licensees the Bill provides:

6. Provided further that if the Appropriate Commission fails to grant the licence or reject the application, as the case may be, within the time so provided, the applicant shall be deemed to have been granted the licence.

The Bill also provides the Central Electricity Regulatory Commission the powers to grant licences for distributing electricity in more than one state.

The grant of a licence is independent of the purview of the state government since any potential licensee can apply for entry into several states and get the licence from the Central regulator. Similarly, ensure delays in the grant of licence and get it by default. The grant of licence is almost automatic without any parameters.

The Standing Committee on Energy in the matter of multiple licences rightly observed:

"Some well-defined parameters should be laid down so as to allay the discretionary and arbitrary powers of the commission. This becomes all the more necessary given the nature of consumer mix in our country. The norms to be laid down should envision equal apportionment of consumers for the purpose of supply of electricity taking into consideration the status of consumers, direct and cross-subsidy being paid to them and also the losses of a technical and commercial nature. This will help in dispelling the apprehension about cherry-picking of consumers by supply licensees."

Experience with the privatisation of distribution has so far been a total failure. In almost all the cities where privatisation was attempted – Gaya, Samastipur and Bhagalpur in Bihar, Kanpur in Uttar Pradesh, Gwalior, Sagar and Ujjain in Madhya Pradesh, Aurangabad and Jalgaon in Maharashtra, Ranchi and Jamshedpur in Jharkhand – the regulatory commissions were compelled to cancel the franchise.

Having failed twice, the government of Odisha privatised the DISCOMS for the third time in 2020. The Odisha government must explain why the earlier attempts failed and on what basis is the privatisation being attempted a third time. What are the lessons of failure? What has been the experience of multiple licences in Mumbai, which is a high-density and high-revenue distribution area? What has been witnessed is multiple litigations and tariff increases in Mumbai.

Experience across the world

After examining 17 studies looking at total factor productivity and 10 studies looking at profitability, a 2009 World Bank review of privatisations in former communist (transition) countries in Central and Eastern Europe, the former Soviet Union, and also in China concluded, "The most important policy implication of our survey is that privatisation per se does not guarantee improved performance."

The belief that the private sector is always more efficient than the public sector is disproved by empirical evidence in a global study in 1995, which compared dozens of public and private electricity operators all over the world, and found no significant systematic difference between public and private service providers in terms of efficiency.

Experience in the United Kingdom
Detailed studies of the privatisation of electricity in the UK have also arrived at similar conclusions. It said privatisation "per se has no visible impact" and there is not sufficient statistical "macro or micro evidence that output, labour, capital and TFP productivity in the UK increased substantially as a consequence of ownership change and privatisation compared to the long-term trend".

This objective universal coverage was achieved in the UK long before privatisation at the end of the 1980s. In India, the government of India itself claims that every village has been electrified. The question is would the private suppliers maintain universal coverage? The experience of the UK has been that private suppliers have no incentive to support customers who find it hardest to pay. Although few are cut off by the companies, many are forced onto pre-paid meters so that customers often effectively cut themselves off if they are unable to feed the meter.

In the UK, the real price of electricity has increased by 67% since the year 2000, and the pre-tax price of electricity for residential consumers is the highest in the EU.

Finally, a report by Corporate Watch in 2015 calculated that the annual savings from bringing the energy, water and rail sectors into public ownership could be £6.5 billion (Rs 6,26,940 crores, at the current exchange rate) – equivalent to £248 (Rs 23,920) each year for every household in the UK. It is only a matter of time before these sectors are nationalised in the UK.

So where is the basis for the assertion made by the government of India that privatisation is being done to improve efficiency?

Profits without investment?

Section 42 of the 2022 Bill says that it shall be the duty of all distribution licensees to
(a) ensure an efficient, co-ordinated and economic distribution system in their area of supply:

Provided that a distribution licensee may use the distribution systems of other licensees in the area of supply for supplying power through the system of non-discriminatory open access;

(b) give non-discriminatory open access to other distribution licensees on payment of wheeling charges; and ….

Without making any investment, private licensees would be able to use the vast network built over the last 70 years by paying wheeling charges that would not even ensure recovery of interest on the investment. Would DISCOMS continue to carry the interest on the books, while enabling others to use their network on the basis of wheeling charges? The Bill provides that the regulators would set the maximum tariff. The maximum tariff would set the ceiling on the wheeling charges. Most networks have high technical losses due to a lack of investment in modernising the system. Whose responsibility would it be to ensure maintenance and modernisation of the existing network and provide for future development, as the load density increases?

What is also not clear is how the PPA be shared amongst the licensees. As explained earlier, DISCOMS, under the two-part tariffs, pay thousands of crores of rupees as fixed charges even when they do not draw a single unit.

Conclusion

Considering that private entities function necessarily with the objective of profit maximisation, they prefer to cherry-pick the more remunerative groups of consumers and ignore the interests of the disadvantaged sections that cannot afford to pay high tariffs. Also, private entities may not be inclined to extend electricity supply to remote areas, which is an essential obligation of the state – to promote all-around economic development. What will obviously happen is the privatisation of profits and socialisation of losses. Another major casualty would be comprehensive planning of investment – essential for a spatial and socially diverse society. This is particularly vital in the electricity sector since investment must precede demand as electricity can only be generated when consumed and vice versa.

The Electricity Amendment Bill, 2022 has a unidimensional concern, that of the private investor. Consequently, consumers like farmers and employees and engineers are opposing it. Even if enacted, resistance may prevent its enforcement like in the case of the three farm laws. That would strand the vital infrastructure. But are the Parliament and the government ready to listen? https://thewire.in/energy/electricity-amendment-bill-power-supply-industry-radical-changes

7. Govt plans pilots on new direct benefit transfer model for fertilisers *(business-standard.com)* November 30, 2022

In a significant step, the Centre is planning to conduct pilots in a few districts of the country on a modified version of the direct benefit transfer (DBT) in fertilisers that would establish some connect between land holding and the nutrient's consumption.

To conduct the pilots, a few rounds of discussions have been held with a few southern states and a response is awaited, a senior government official said. This version could help in monitoring consumption.

Currently, the version of DBT in fertilisers involves farmers purchasing their fertilisers through point of sale (PoS) devices after undergoing Aadhaar authentication. This ensures that the identity of the person who purchases the fertiliser bags is well established.

However, there is no restriction on the number of bags a farmer can purchase. This sometimes leads to excess usage and chances of misuse.

To curb this, officials said that a system is being thought of where farmers' details will be fed on the PoS machines, including the land he holds and area, among others. And, as soon as he enters the Aadhaar details, it would show up on the machines as to how many bags of urea, DAP or NKPS he is entitled to, based on details entered.

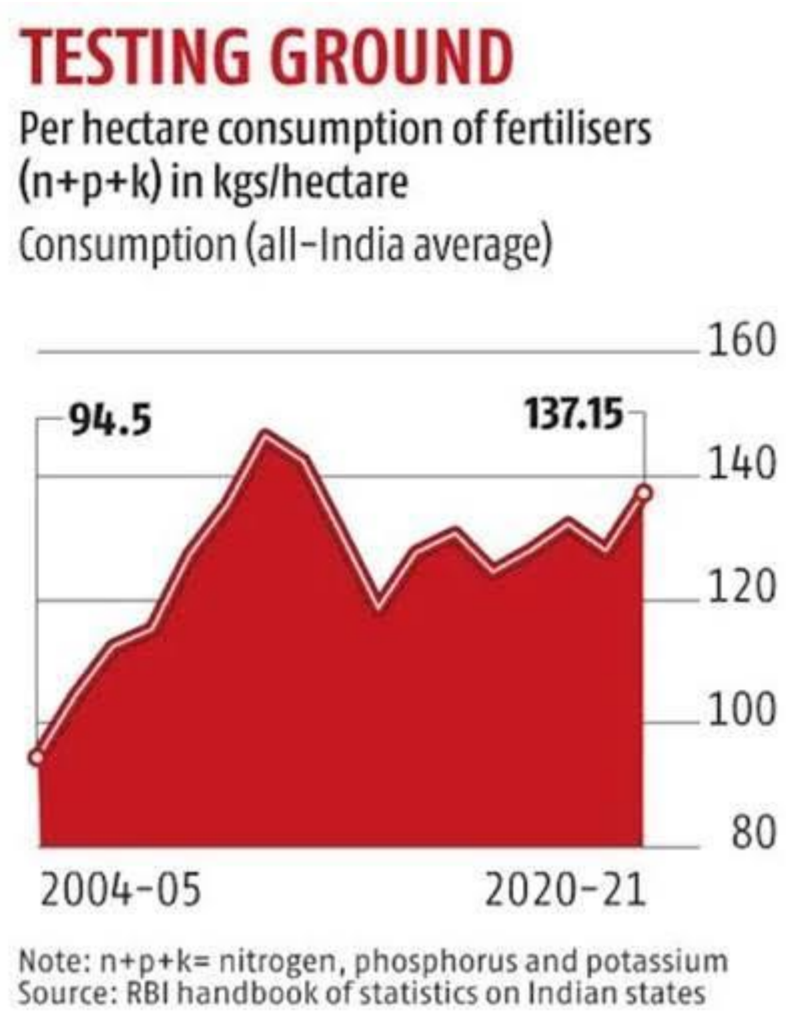
The state government will feed the farmer details on the PoS machines, which can then be used for this process.

"In the initial stage, we plan to keep the number of bags allowed quite liberal so that there is no discontent," the official added.

He said a classic DBT in fertilisers — like in case of kerosene or LPG —is not possible or desirable.

This is because the extent of pilferage and diversion towards non-agriculture purposes has come down to a large extent in the last few years. Also, there is the problem of tenant farmers.

"It would not be possible to go for a classical model of DBT in fertilisers as farmers won't make the high upfront payment and wait for the reimbursements to come. Therefore, something which builds on the existing framework and mechanism is being thought of," the official said.



Diversion and pilferage largely happen in urea due to the massive price differential between cost of production and sale price.

In India, an average 45-kilogram bag of urea is sold to the farmer at around Rs 245 while its cost of production is almost Rs 3,000. The remaining is subsidised by the Centre to keep prices affordable for the farmers.

Similarly, for non-urea fertilisers, the Centre gives some amount of subsidy to keep prices down, though on paper, non-urea fertilisers are decontrolled.

In the classical DBT model, urea farmers first have to pay the market price for a bag of urea while the subsidy will get credited into their bank accounts.

"We have, to a large extent, controlled the pilferage that used to happen due to price differential between India and neighbouring countries like Nepal and Bangladesh. This is also borne by the fact that Nepal is now seeking Indian urea through proper trade channels. The second route of pilferage that used to happen by way of diversion towards industrial grade has also come down considerably due to constant steps," the official said.

He said out of the 35 million tonnes of urea consumed in the country, around 1.5 million tonnes — if used for industrial needs — goes into making items like melamine. Of the 1.5 million tonnes of industrial urea consumption, roughly around 0.3-0.4 million tonnes is diverted. This is a very small proportion of the annual total consumption.

"Therefore, to say that the classical model of DBT will check diversion and excess subsidy allocation is wrong.

But some sort of linkage between land record and urea usage is desirable," the official further said. https://www.business-standard.com/article/economy-policy/centre-plans-pilots-on-a-new-direct-benefit-transfer-model-in-fertilisers-122113000888_1.html

8. H1 fiscal deficit at ₹7.58 tn amid sops, low tax collection *(livemint.com)* Updated: 01 Dec 2022

India's fiscal deficit widened to ₹7.58 trillion between April and October, accounting for 45.6% of the budget target for FY23, official data released on Wednesday showed. The government's estimate of the difference between expenditure and revenue for the entire FY23 is ₹16.61 trillion or 6.4% of the GDP.

Official data showed that the government spent about ₹2.39 trillion on major subsidies such as food, fertilizers and petroleum which was nearly 75% of the annual budget and more than 62% of the budget estimate spent in the same period last year.

"On the revenue side it has been noticed that the tax collections, though buoyant, were lower than the target compared with last year at 60.5% (68.1%). This can be attributed to the lower excise collections. There has been steady growth for GST, customs and compensation cess besides corporate and income tax collections largely owing to the lowering of excise duty on fuel products by the government during the course of the year," Madan Sabnavis, chief economist of Bank of Baroda said.

Sabnavis added that the capex has been higher which is positive news given that private investment has been slow to take off and has tended to be concentrated in a few industries rather than being broad-based.

"The leading sectors are railways and roads. The fertilizer allocation as per budget has almost been exhausted and hence the additional allocation will be used for the second part of the year. There is space left for food subsidy as only ₹1.35 trillion of ₹2.13 trillion has been spent so far. The expense on PM Kisan has also been slow as seen in the ministry of agriculture utilizing only half the budget that has been allotted," he added.

Notably, the fiscal deficit had widened to 9.3% in FY21 as the pandemic impacted revenue and forced the government to spend more on relief measures. finance minister Nirmala Sitharaman in February this year had set the fiscal deficit target at 6.4% of GDP for FY23 starting April, compared to 6.7% in the previous financial year. https://www.livemint.com/economy/h1-fiscal-deficit-at-7-58-tn-amid-sops-low-tax-collection-11669829544583.html

9. Has GST reduced inter-state disparities? *(livemint.com)* Dec 01, 2022

This financial year, the goods and services tax (GST), may be finally coming into its own. Two months in 2022-23—April and October—have seen the highest revenue mobilization under this 'one country, one tax' system since its introduction in July 2017.

This year also marks a crucial milestone for GST, with the compensation that the central government paid to states to smoothen their transition to the new tax regime coming to an end.

When GST was introduced, the big fear of states was that the new regime would lead to less revenue in their coffers than the pre-GST regime. This led the central government to effectively guarantee a growth of 14% per year in state tax revenue, and promise to make up for any shortfalls. This compensation (paid out of a cess imposed on GST on certain goods) was only for a five-year period, which ended this July. States are now on their own.

The five-year mark is also a good time to revisit one of the initial promises—that the new regime would reduce inter-state disparities in income and living standards. Has that happened? And are states better off in their tax collections than they were in the pre-GST era?

Two Virtuous Cycles

Speaking in 2018, just around the time GST had begun rolling out, then chief economic adviser Arvind Subramanian had said that the rollout of the new tax would lead to more "convergence" across states. That is economist speak for poorer states growing faster than richer states, thus eventually narrowing the economic gap between themselves and their richer counterparts.

"Under GST regime, no state can offer incentives to attract investments. GST will be placing some restriction on states in placing incentives to industries…so, GST would actually promote convergence and reduce divergence among states," Subramanian had said at the time. He was referring to the practice, widespread in the pre-GST era, of states offering tax breaks and tax incentives to lure investments. A level-playing field would ensure that investments were more widely dispersed.

The logic behind Subramanian's argument was that the imposition of a national standard tax on commodities, which replaced the myriad of local and state taxes, would effectively create a national market for any good, reducing transaction costs and local barriers to trade. In such a market, it would be much easier for a company to pick a more 'undeveloped' area to set up a plant, taking advantage of lower labour costs, and then move those goods to markets (perhaps based in a large metro), where it could be sold to final customers. In the pre-GST era, the argument went, the burden of local and state taxes could often be high enough to offset any advantages of lower labour costs that a poorer region might have.

'Convergence' was just one of the many arguments being touted for the advantages of a GST regime. Another argument was a related one—a single national tax on any given good would reduce compliance and administrative costs for firms. For governments across the state and at the national level, having to administer a single set of taxes would be far less costly, and less burdensome. Better enforcement and compliance meant tax revenues would rise, implying higher revenues for each given level of economic activity pre-GST, and thus higher tax revenues for all levels of government, enabling them to spend more on development.

Thus, a GST regime would create two virtuous circles. First, a national market for goods would reduce transaction costs, increasing the level and spread of economic activity and higher per capita incomes, even for poorer states. For governments, this in turn would lead to higher tax revenues. The second virtuous circle would reinforce the first one, with better compliance and lower administrative costs, again leading to higher tax revenues.

Has this happened in the five years of GST? The biggest caveat in undertaking any such judgement call, based on the data available, would be that of these five years, the last two have been affected by the covid-19 crisis. Lockdowns dramatically reduced the level of economic activity. In such circumstances, any tax regime, not just the GST one, would have produced lower tax revenues. Even if we assume that the covid period lasted from April 2020 to June 2021, a little over a year, its economic effects did last longer. This fact alone makes comparisons difficult.

Redistributing Investments?

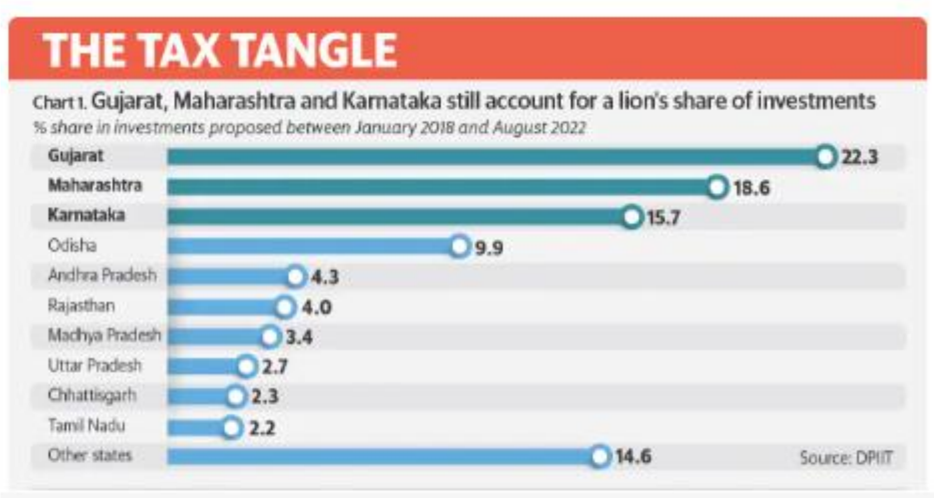
Did GST lead to poorer states drawing more investments? Since the introduction of the new tax system, over half of the proposed industrial investment—including capacity expansions—are still accounted for by just three, relatively industrialised states: Gujarat, Maharashtra, and Karnataka. Ten states account for over 85% of investment proposals made between 2018 and August 2022. This data is based on documents filed with the government by entrepreneurs who intend to set up a factory in a particular location. (See chart 1)

This status, of a few states garnering the lion's share of investment, is little changed from the period 2014 to 2017. The list of states with the largest volume of investment proposals—Karnataka, Gujarat, Maharashtra and Chhattisgarh—broadly remained the same. And while the top 10 states in both periods included some lower-income states, most notably Uttar Pradesh, the pattern remained the same. States that already had a big manufacturing or mining industry were more successful in attracting new investments.

If 'convergence' in income terms has to happen, this has to change, and this shift has not yet happened in any noticeable way. The caveat, as stated above, is that the GST regime has been buffeted by covid-19 lockdowns.

Government Revenues

Did GST result in higher tax revenues for states? The data in chart 2, based on a working paper by Sacchidananda Mukherjee at the National Institute for Public Finance and Policy (NIPFP), shows the shift in tax revenue pre- and post-GST. The chart compares revenues from GST in 2021-22 with the revenue to states (as a share of GDP) from a range of taxes subsequently subsumed under GST during 2015-16 and 2016-17. The 22 states studied here have been ordered by their rank in 2019-20 per capita income from the poorest (Bihar) to the richest (Goa). The data shows the change in tax revenues in the two periods.



This data shows a uniform decline across most states, rich or poor, in the tax to state GDP ratio. The exceptions are states like Maharashtra and Haryana (which are richer states) and Rajasthan (which is a middle-income state). This is perhaps why the guaranteed revenue promised by the central government to states to meet shortfalls following the transition to GST was so highly valued by states, and that many states are deeply concerned about the end of the compensation system.

During the covid years, in 2020-21 and 2021-22, the central government borrowed ₹2.69 trillion to pay GST compensation to states. While the compensation period to states ended in June 2022, the central government extended the period for which cess would be imposed on taxpayers to 2026 to raise revenues to service these loans and settle any outstanding GST dues.

On the face of it, while states can be compensated for a shortfall in GST, the central government has no such recourse. However, as Mukherjee points out in his paper, the central government has found other sources of income to cope with any shortfall—mainly through increasing revenues through Union excise duties (through non-shareable duties and cesses on commodities, which too are not shared with states).

Petroleum products such as petrol, diesel and aviation turbine fuel attract Union excise duties under the GST regime. "This shows that in a federal setup, taxation power to levy taxes helps the federal government to cope up with the revenue shortfall associated with big tax reform like GST," says Mukherjee. "However, provincial governments may not either enjoy the power of taxation like the federal government or may not exercise the power to levy new taxes or raise additional revenue, due to political reluctance."

What are the ways out of this? One way of doing this is enforcing better compliance—cracking down on tax evasion, investing in better technology to get people to pay their dues at a faster rate, and making the entire GST system easier to navigate for businesses. But in the longer-run, this is not enough.

GST is a consumption-based tax. Thus, as Mukherjee points out, states can expand GST revenues in the long term by doing two things: by reducing the transaction costs and other costs of doing business so that businesses do not move to other states (so-called 'base erosion'), and by increasing consumption within the state by expanding economic opportunity in other ways, and increasing incomes.

One of the expected outcomes in the GST regime was that richer, more industrialized states, would, in a sense 'lose out' to poorer states because goods would be transported out of them, to consumers in another state, and be taxed there. As it turns out, more industrialized states such as Maharashtra and Gujarat also have a high consumption base comprised of a relatively more affluent population, and are thus able to 'capture' the tax within their state borders.

The Contradiction

But expanding consumption runs up against one of the other adverse consequences of a GST regime. Expanding consumption presumes that employment rates and per capita incomes within a state are rising. But one of the sectors worst affected by GST has been the medium and small enterprises (MSME) sector. Across states, the MSME sector is a huge employer since it tends to be much more labour-intensive than large industry.

A study by the Reserve Bank of India in 2018 on the impact of demonetization and GST on the MSME industry points out that in India, the MSME sector comprised over 63 million units and employed over 111 million people. Since many MSMEs are in the informal sector, demonetization hit them severely. Further, the RBI study points out that exports by MSME units were hit by GST "due to delay in refund of upfront GST and input tax credit affecting cash-driven working capital requirements". More broadly, even as the latest survey on the labour force does show a dip in unemployment, as the country returns to normal business after the covid years, the economy has been affected by chronic unemployment and under-employment, which predates demonetization and the GST regime.

This is the big problem with state finances and the economic effects of GST—it is not really about GST but about the broader trajectory of the economy. Even if GST norms are tweaked to make compliance easier and lower the burden on small businesses, the bigger problem is the stagnation in overall investment and employment. The creation of a national market when the market itself is growing slowly, or not growing at all in many states, will in itself have little effect. https://www.livemint.com/economy/has-gst-reduced-inter-state-disparities-11669827832426.html

10. Growth challenges *(business-standard.com)* November 30, 2022

With the release of India's economic growth numbers for the July-September quarter of 2022 on Wednesday, the Centre's challenges in managing the economy have become a little more formidable. These numbers have also underlined the economic imperative of presenting an appropriate Budget next February and realistically assessing the growth prospects for 2023-24 in the light of the emerging economic headwinds. According to the National Statistical Office, India's gross domestic product (GDP) in the second quarter of 2022-23 grew 6.3 per cent in real terms, declining sequentially from 13.5 per cent in the previous quarter. It was low even compared to the growth of 8.4 per cent in the July-September quarter of 2021. Quite apart from deceleration in growth, which reflects the relative slowdown and the higher base effect, the July-September GDP number makes the task of achieving the target of notching up a 7 per cent growth rate for the full year a bit difficult, although not out of reach. The first half of 2022-23 has recorded a growth rate of 9.7 per cent and the Indian economy must grow at least 4.6 per cent in the second half, a task that would not be impossible but challenging, given the global headwinds on account of an economic slowdown in developed economies, elevated inflation, rising interest rates, and slowing exports.

A key worrying aspect of the latest national income numbers pertains to the performance of the manufacturing sector. The second quarter of 2022-23 saw manufacturing sector output decline by 4.3 per cent. Even the mining sector had a contraction of 2.8 per cent. The output decline in manufacturing and mining reflects weaknesses in India's industrial sector as also challenges it poses for creating jobs. Without a vibrant manufacturing sector, the tasks of creating more jobs would remain unfulfilled. The unfinished agenda on factor market reforms, particularly with regard to labour policy changes, must receive priority attention. The sharp deceleration in construction growth is also a reminder of the need for labour policy reforms, even though its performance in the second quarter can be explained by seasonal factors. The bright spots in the economy were agriculture, where growth was healthy at 4.6 per cent, and energy as well as utility services, where the double-digit growth rate of over 14 per cent was indicative of the return of the contact-intensive sectors with a gradual retreat of Covid-19. On the expenditure side, private consumption growth was healthy at 9.7 per cent, but government expenditure, which fell in the second quarter, was disappointing, which is largely because of the government's tight leash on its spending during the first half of the current fiscal year. Another positive indication was the investment climate in the economy, which was captured in the numbers for gross fixed capital formation. This has been doing well in recent times and its continued growth at 10.44 per cent in July-September 2022 augured well for economic growth prospects. But the challenge before the Indian economy arises more from external factors like global demand. Exports growth has already begun to decelerate and the policy on both the exchange rate and tariff fronts must be geared to supporting merchandise goods exports. More importantly, if the economy has to gain from a higher investment rate, it will be necessary to present a Budget that continues to spend more on infrastructure creation while rationalising exemptions and concessions in the taxation system to sustain tax revenue growth. https://www.business-standard.com/article/opinion/growth-challenges-122113001311_1.html

11. More than 16 crore Indians will face adverse effects of heatwaves from 2030, says World Bank *(scroll.in)* Dec 01, 2022

More than 16 crore Indians will face adverse effects of heatwaves from 2030 and approximately 3.4 crore persons will lose jobs due to heat-induced decline in productivity, a World Bank report said on Wednesday.

The heatwaves will shoot up the need for cooling, increasing the demand for air conditioners and other equipment. It will also prompt India to look for alternative and innovative cooling systems, the report said.

This need will open an investment opportunity of $1.6 trillion (over Rs 129 lakh crore) by 2040 besides reducing greenhouse gas emissions significantly and creating 37 lakh jobs, it said.

These observations were made in the World Bank's "Climate Investment Opportunities in India's Cooling Sector" report. It proposed a roadmap to support the India Cooling Action Plan 2019 through new investments in building construction, cold chains and refrigerants.

The report said that devising climate-responsive cooling techniques in private and government-funded constructions could ensure that underprivileged persons are not impacted by rising temperatures.

To reduce power consumption by 20%-30%, the bank has proposed a policy for district cooling technologies like generating chilled water in a central plant and distributing it to multiple buildings through underground insulated pipes. Such a system is cost-effective, it said.

The report also suggested framing guidelines to implement local and city-wide urban cooling measures such as cool roofs.

To reduce food and pharmaceutical wastage during transport due to higher temperatures, the report recommended fixing gaps in cold chain distribution networks. Investing in pre-cooling and refrigerated transport could help decrease food loss by about 76% and reduce carbon emissions by 16%, it said.

The improvements needed to bring cost-effective measures will also create 2 lakh jobs for trained technicians over the next two decades and reduce the demand for refrigerants by around 31%, the report added.

“India’s cooling strategy can help save lives and livelihoods, reduce carbon emissions and simultaneously position India as a global hub for green cooling manufacturing,” said Auguste Tano Kouamé, the World Bank’s Country Director in India. https://scroll.in/latest/1038765/more-than-16-crore-indians-will-face-adverse-effects-of-heatwaves-from-2030-says-world-bank

12. This global water audit should not gather dust *(livemint.com)* November 30, 2022

In expert estimation as well as the popular imagination, we must brace for a water crisis as the fumes we emit warm up the world. Adapting to climate change, thus, requires us to track global water resources. The release this week of a report on these by the Geneva-based World Meteorological Organization (WMO), the first audit of its kind, tells us how we are placed. Or, rather, how precariously so. The report offers an overview of river-flow volumes, apart from major floods and droughts, and also identifies ‘hotspots’ of change in freshwater storage, with our cryosphere of snow and ice in the spotlight for its vulnerability to melting in the global heat-trap created by our gas emissions. Since shrunken polar caps and rising sea levels have been familiar tropes, last year’s data might seem a bit out of place at first glance. In 2021, large parts of the planet were unusually dry, according to the report. Some of this can be pinned on La Niña, an oddity that pops up every few years to disrupt wind and rain patterns, but is largely an outcome of global warming, whose deprivations of water could get extremely severe as we go along. For countries like India, too little water could turn out to be a bigger worry than too much of it over the next few decades.

Indeed, in terms of the multitudes faced with water scarcity, this can be considered the great big threat. As of now, the WMO says 3.6 billion people have insufficient access to water for at least one month per year, a figure projected to exceed 5 billion by 2050. This means that more than three people would be short of water for every person at risk of floods by that point. Little wonder that CoP-27 held at Sharm el-Sheikh, Egypt, urged governments to place high-priority emphasis on tackling dry-ups as part of their climate adaptation plans. While the WMO admits possible gaps in its water mapping, given its patchy access to verified hydrological data to validate what it gleaned from remotely sensed and modelled readings, it has enough data-points to present a bleak picture. African rivers saw weaker stream-flow last year, with the Niger, Volta, Nile and Congo all affected, with a similar squeeze seen in parts of Russia, west Siberia and Central Asia, while above-usual discharge was observed in southern Africa’s Zambezi and Orange rivers, as also a clutch of American, Chinese and north Indian rivers, with basins of the latter two particularly prone to floods. Meanwhile, rainfall deficiency cast its gloom in Ethiopia, Kenya and Somalia last year. India did not suffer much dryness, but monsoon coverage going awry could yet prove painful in time to come.

The scarcity dashboard that we must watch closely is that of terrestrial water storage (i.e. on the land’s surface and just under it). Last year’s data clubs north India and Pakistan among the regions marked as ‘below normal’ in comparison with their 2002-2020 average, with a vast zone of severe groundwater depletion common to both. The Gangetic and Indus systems also feature on the WMO’s ‘hotspot’ list of rapid deterioration. Both originate in the Himalayas, but differ in their cryospheric outlook: the former system’s flow is fed mostly by rain and far less by ice-melt, which spells both less scope for warming-led river spates in the future and a lower likelihood of thinning out. Of course, we have our own water audits, but the WMO has given us a welcome wider view. Its new report should push us to rescue the subcontinent’s northern water table, even engage Islamabad in aqua talks to that end. https://www.livemint.com/opinion/online-views/this-global-water-audit-should-not-gather-dust-11669828775634.html

13. 'Make-in-India' sucess story: India's defence exports jump over 6.5 times since 2014 *(firstpost.com)* November 30, 2022

Despite almost constant conflict at the Line of Control (LoC) over the last seven decades and a host of insurgency movements across the nation, India is yet to develop a credible defence manufacturing industry.

While the DRDO has succeeded in producing an impressive arsenal of missiles capable of striking targets thousands of kilometres away, when it comes to weapons that directly affect the humble jawan, even manufacturing a decent rifle has proved to be a bridge too far.

However, with the Indian government led by Prime Minister Narendra Modi aggressively promoting 'Atmanirbhar Bharat' through the Make in India policy, that sorry record may change in the near future.

The increased involvement of the private sector in defence manufacturing has contributed towards a substantial growth in India's defence exports.

From a measly ₹1,940.64 crore in 2014-2015 to ₹12,814.54 core in the last fiscal, Indian defence export has witnessed a big leap. Defence exports are expected to cross ₹15000 crore in the current fiscal.

Srikar K. Reddy, Joint Secretary, Department of Commerce, Government of India has painted an even rosier picture of India's defence manufacturing industry.

Addressing the 2nd edition of India MSME Defence Week on Tuesday, he stated that India is likely export defence equipment worth an estimated Rs 17,000 crores during the 2022-23 financial year.

"Several factors like rising demand, greater innovation, more conducive policies and a maturing ecosystem in defence and aerospace manufacturing space are leading to the growth in the sector," he said in a statement.

"It is not only the government but now even the MSMEs have realized their role as an untapped force multiplier for the defence sector. To put that in perspective, the total MSME vendors scattered across the country supplying to the Defence Public Sector Units (DPSUs) were 7,591 in FY18, 8,643 in FY19, and 10,506 till Q2 FY20. By December 2021, the total MSME count had increased to 12,000," he added.

He also noted that the ban imposed by the Indian government on a host of weapons and defence systems has helped boost the domestic defence industry.

"India has imposed a phased import ban on 310 different weapons and systems during the last two years, which helped boost export," he said.

One of the showcase weapons imported by India is the formidable Brahmos missile, which has been purchased by Philippines, which like India, has a territorial dispute with China.

Another Indian defence product that may emerge as a big-ticket export item is the Tejas Light Combat Aircraft (LCA).

The US, Australia, Indonesia and the Philippines are among six countries, which have shown interest in India's Tejas aircraft while Malaysia has already shortlisted the jet under its acquisition programme, the government said on Friday.

The other two countries that have evinced interest in the aircraft are Argentina and Egypt, according to Minister of State for Defence Ajay Bhatt.

Tejas, manufactured by Hindustan Aeronautics Ltd (HAL), is a single-engine multi-role fighter aircraft capable of operating in high-threat air environments.

In February last year, the defence ministry sealed a Rs 48,000 crore deal with HAL for the procurement of 83 Tejas light combat aircraft for the Indian Air Force (IAF).

Other defence items exported by India include protective gear, naval patrol vessels, helicopters, SU avionics, radios and coastal surveillance systems, Kavach MoD II launchers, spares for radars, electronic systems and light engineering mechanical parts. https://www.firstpost.com/india/make-in-india-sucess-story-indias-defence-exports-jump-over-6-5-times-since-2014-11724431.html

14. Delhi lost ₹2,873 crore due to excise policy loopholes: ED to city court *(hindustantimes.com)* Dec 01, 2022

Loopholes in Delhi's now-scrapped excise policy that was put in place last year led to a loss of ₹2,873 crore, the Enforcement Directorate alleged in a city court on Wednesday, escalating the controversy between the central government and the Capital's elected administration under the Aam Aadmi Party (AAP).

The agency made the claims during a remand application for to seek the custody of businessman Amit Arora, who was arrested on Tuesday. In it, the agency cited purported losses on account of surrendered licenses and because vends did not open in certain wards that were classified as non-conforming areas (mostly consisting of unauthorised markets).

Representatives of AAP and the Delhi government did not respond to requests for a comment but the administration and party has denied the charges as lies and part of a ploy by the opposition Bharatiya Janata Party to destabilise the government.

In its remand application related to Arora, the agency made claims concerning AAP member and co-accused Vijay Nair.

"Vijay Nair is not an ordinary worker of the AAP but a close associate of Arvind Kejriwal, the CM of Delhi… Further, Nair, since 2020, has been residing in the government bungalow allotted to a cabinet minister of Delhi government…Nair, does not have any other residence in Delhi, the irony being that (city minister Kailash) Gahlot lives at another private residence in Najafgarh," the agency said.

The agency claimed Nair, in "conspiracy and collusion" with businessmen and co-accused Dinesh and Amit Arora, "arm twisted few wholesalers to surrender their L1 licenses and then coerced manufacturers to choose the wholesalers of his choice and to direct the profit margins to persons of their choice (who were agreeable to fulfilling the kickback demands)".

This is the first time allegations of such nature are being made and any probe agency has offered a figure for the alleged losses.

The agency has also said the policy went against the suggestion of an expert committee that sent its recommendations to a Group of Ministers (GoM) comprising ministers Manish Sisodia, Satyendar Jain and Gahlot, and that public opinion was not sought, which suggested there was "malafide intention and conspiracy".

To be sure, a government is not bound by the recommendations of an expert committee.

With respect to Amit Arora, who was sent to seven days police custody, the agency alleged he was one of the key people along with Dinesh Arora who actively assisted Nair.

Amit Arora's counsel Ajit Kumar Singh opposed the remand application saying that his client has co-operated in the investigation and has appeared before the agency 22 times for questioning.

The agency contended that the loss was illegally diverted into ostentatious profits to wholesalers, which was used to recoup the kickbacks paid in advance by an entity called the South group.

ED has referred to the 'South Group' as a set of individuals who paid kickbacks to Nair. It is, according to ED, "controlled by Sarath Reddy, K Kavitha and Magunta Srinivasulu Reddy.

The controversy relating to the excise scam came into view this July, when the lieutenant governor ordered an investigation by the Central Bureau of Investigation, citing a report from the chief secretary who at the time said there were prime facie irregularities.

The policy was meant to overhaul the city's liquor business, which included the government exiting the sector and allowing market forces to determine the trade in the hopes that it would make the experience better for customers and expecting competition to drive down prices. https://www.hindustantimes.com/india-news/delhi-lost-2-873-crore-due-to-excise-policy-loopholes-ed-to-city-court-101669833156567.html

15. In first 8 months, Punjab completes only 19% of works under NREGS ***(indianexpress.com)*** 1st December 2022

Despite generating 218 lakh persondays, which is the sum of the total number of persons and days worked by each person, in the first eight months of this financial year, Punjab could complete only 19% of the works under the yearly target of National Rural Employment Guarantee Scheme (NREGS).

In the same period, the state has utilised Rs 853.46 crore (56.9%) of the total annual target budget of Rs 1500 crore under the scheme.

Data sourced from the Punjab Rural Development and Panchayat department revealed that this financial year (2022-23), the state has taken up 1.52 lakh works, including new and spillover of the last financial year, of which only 28,559 works (or 18.78%) could be completed till November 30. This year, 11,000 less works were taken up compared to last fiscal.

Spillover of the last financial year, of which only 28,559 works (or 18.78%) could be completed till November 30. This year, 11,000 less works were taken up compared to last fiscal.

In the last financial year (2021-2022), Punjab had completed 50,703 (31.1%) of the total 1.63 lakh works, and in 2020-21, the state could complete 35,232 (24%) works of 1.45 lakh. Similarly, in 2019-20 and 2018-19, Punjab could complete 32,708 (41%) and 24,927 (37.36%) of the total 79,000 and 66,000 works, respectively.

This year so far, Punjab has generated 218.09 lakh persondays with 65.93% of women persondays, which is the highest in the past five years. This year, there were 71.74% of SC persondays.

In 2021-22, the state generated 331.5 lakh persondays. Punjab saw 277 lakh, 256, lakh, 231 lakh and 137 Lakh persondays in 2019-20, 2018-19, 2017-18, and 2016-17, respectively. In 2020-21, when Covid hit the world, the Centre assigned a Labour Budget (LB) target of 250 lakh persondays to the department of Rural Development and sanctioned Rs 800 crore under the scheme. But the state revised the target to Rs 1500 crore and accordingly approved a target of 360 lakh persondays. Eventually, the state generated 376 personsdays. The department worked consistently and achieved 62% additional expenditure and 60% additional persondays from the previous 2019-20 financial year. This was the highest ever expenditure and personsdays in the history of the state, even though the country was in lockdown in the initial two months of the fiscal.

Meanwhile, this year, 21.62 lakh job cards were issued of which 13.04 lakh are active job cards. The number of total workers is 33.44 lakh, including 17.13 lakh active workers. Nearly 7.36 lakh households worked of which 4,299 households completed 100 days of work.

There are 654 gram panchayats (GPs) of 13,326 GPs in the state where not a single penny was spent under the scheme this year so far.

Projects under MGNREGA have two components – labour and material – with a rider that labour must be at least 60% and material the rest. In the material component for some works listed under the scheme, the Punjab government also contributes a 25% share against the Centre's 75%.
This year so far, overall 71.34% of the amount has been spent on wages and 28.56% on material and the districts have their own ratio of wages and materials. Faridkot and Barnala spent 79% and 75% on wages, respectively, while Tarn Taran and Fazilka used 51% and 49% of funds on material, respectively.

A block development officer in the Doaba region said, "In some places, we need to create some infrastructure but then material is not available to us and our projects get delayed."

Incidentally, around 13 of the 23 districts in Punjab could not utilise the funds available to them. For instance, Malerkotla, Tarn Taran, Gurdaspur and Mohali could use only 55.3%, 61.2%, 62% and 64.08% of funds, respectively.

Several types of work are undertaken under NREGS, including water conservation, water harvesting, watershed management, tree plantation, irrigation works, dug-out farm ponds, renovation of traditional water bodies, land development flood control, and land development. In other categories, works such as improving the productivity of land, improving livelihood through horticulture, sericulture, farm forestry, unskilled wage components in the construction of houses, infrastructure promotion of livestock and fisheries are taken up. In the third category, common infrastructure like agriculture productivity and other works related to rural infrastructures such as rural connectivity rural sanitation, disaster preparedness and construction of buildings etc. are taken up.

When asked, Punjab Agriculture & Farmers welfare and Rural Development Minister Kuldeep Singh Dhaliwal said that in the beginning of this financial year they faced some hiccups because of the misuse of NREGS funds by the previous government. "The Centre had put a ban on the release of some of our funds and then I went to Delhi to get the pending Rs 250 crore released and then our work got delayed. Now, recently there was a problem of supply of raw material such as sand for about a month due to which some projects got delayed. But we are sure that we will complete majority of our works as we still have four more months," he said. https://indianexpress.com/article/cities/chandigarh/in-first-8-months-punjab-completes-only-19-of-works-under-nregs-8299366/

16. Eight years on, renovation work of Makkah Masjid at snail's pace *(siasat.com)* Updated: 1st December 2022

Hyderabad: The KCR government after coming to power had announced to develop Telangana as a tourist destination. The Yadgirigutta Temple in Yadadri was renovated and reconstructed spending thousands of crores. The archaeological marvel Makkah Masjid was also included in the renovation plan, however, it is moving at a snail's pace.

The renovation works of Makkah Masjid have not been completed in the last 8 years and these works are still going on. The state government has completed the reconstruction and development works of the Yadgirigutta Temple at a cost of Rs. 1800 crores and Chief Minister K Chandrasekhar Rao inaugurated this temple in March this year.

The state government assigned an IAS officer to oversee the construction of the Yadagirigutta temple on 14 acres of land, setting a record by completing the construction work of the temple by 2022, which was started in 2016.

However, the renovation and construction works of the historical Makkah Masjid in Hyderabad are still going on and it seems that the state government and the Minority Welfare Department are least bothered to complete it anytime soon.

Neither the government has any interest in the completion of the works nor the officials of the state minority welfare department. The Telangana government is not only neglecting the Muslims or the Muslim areas, but their places of worship are also being badly neglected. https://www.siasat.com/eight-years-on-renovation-work-of-makkah-masjid-at-snails-pace-2469286/