NEWS ITEMS ON CAG/ AUDIT REPORTS (02.12.2022)

1. No quota in IDBI after govt's stake sale *(bizzbuzz.news)* Dec 01, 2022

The central government has made it clear that even though it would continue to own (directly and indirectly) 33.3 per cent equity in IDBI Bank after strategic disinvestment, the requirements applicable to a public-sector undertaking (PSU) like reservation will not be applicable to the bank after sale.

The government began the process of IDBI privatization on October 7, having decided to sell 30.48 per cent of its stake. Life Insurance Corporation of India (LIC), which is a PSU, will also offload its 30.24 per cent equity in the bank. So, the new buyer will get 60.72 per cent of IDBI's share capital, which will obviously give them management control.

However, post-privatization the government will still hold around 15 per cent stake and LIC 19 per cent in IDBI, giving the government (directly and indirectly, as it owns LIC) about 33.3 per cent stake in the lender. This worried the prospective investors if the government would use its stake to implement its policies like that of reservation.

The Department of Investment and Public Asset Management or Dipam has allayed their fears in this regard, official sources told Bizz Buzz.

The prospective bidders also wanted to know if after strategic disinvestment, because of the government holding in the lender, the statutory auditor will not be required to be appointed by the Comptroller and Auditor General (CAG).

DIPAM has informed the bidders that even at present the IDBI Bank is not subjected to audit by the CAG, sources said. Also, neither the government nor LIC will be liable to infuse capital after privatization, they said.

The bidders were also anxious to know if after privatization, the new owners will be subjected to any restrictions or limitations in terms of running the business operations of IDBI. For instance, public sector banks are often forced to get into activities that don't bring any profits, even incur costs.

DIPAM has assured them that the new owners will not be burdened with any such responsibilities. Like other private banks, they too will be subject to only the extant RBI regulations and applicable laws. https://www.bizzbuzz.news/industry/banks/digital-rupee-set-to-hit-street-on-dec-1-1182598?infinitescroll=1

2. DMK Govt Faces another Setback, Madras High Court Says TN Police Dances to the Tunes of Party in Power *(thecommunemag.com)* December 1, 2022

SP Velumani, a former minister for municipal administration and senior AIADMK leader, received a huge reprieve on Wednesday (30 November 2022) when the Madras High Court quashed an FIR filed against him by the Directorate of Vigilance and Anti-Corruption (DVAC) of Tamil Nadu over alleged irregularities in awarding tenders in the municipal corporations of Chennai and Coimbatore. However, the court denied relief in a disproportionate assets (DA) case brought against him.

The case was heard by a division bench of Madras High Court headed by Justices PN Prakash and RMT Teekaa Raman. While quashing the FIR registered against Velumani by the DVAC, Justices said, “The criminal law cannot be used to fuel a witch hunt. Be it a politician or any other citizen, the court cannot remain a mute spectator when the police power of the state is sought to be used for oblique purposes.”

“We are not, for a moment, saying that the allegations in the FIR do not make out a prima facie case for investigation,” the judge said, noting that the DVAC failed to find the link between the contractors and Velumani to justify arraying him as A1.

The court stated that it considers the filing of an FIR against Velumani to be a questionable use of police authority and an abuse of the legal process because only the concerned officials are primarily responsible for awarding contracts. The bench did, however, add that it is abundantly clear that the investigating officer is free to continue the investigation and that if he finds any new evidence to accuse Velumani, the ex-minister may be charged as an accused in the final report.

The bench noted that the CAG report’s findings on awarding contracts in municipal corporations—which were largely relied upon by the DVAC for registering the new FIR—found fault with corporation officials for recklessly accepting absurdly low rates and nothing else.

It stated that assuming Velumani is corrupt because there is a perception that all politicians are corrupt is a far-fetched thesis that simply does not appeal. We are concerned that an FIR against a politician, or any citizen, cannot be registered based on perceptions, the judges said.

The bench said, “Politicians and political parties are required for democracy to function. We may have reservations about them, but it was this clan that was responsible for defending democracy in the country and fighting the Emergency.”

The court observed that the police had danced to the tunes of the ruling party, as the then-SP of DVAC Ponni issued a report exonerating Velumani while another SP, Gangadhar, issued a report implicating him. The court, on the other hand, stated that it was not implying that he is an angel. https://thecommunemag.com/dmk-govt-faces-another-setback-madras-high-court-says-tn-police-dances-to-the-tunes-of-party-in-power/

SELECTED NEWS ITEMS/ARTICLES FOR READING

3. Fiscal deficit fixing, go faster, stronger *(economictimes.indiatimes.com)* Dec 01, 2022

The Centre is running up the fiscal deficit quicker than in the previous year. Yet, the unavoidable overshoot is likely to be absorbed by tax buoyancy and the conservative budget assumption of nominal GDP. On current indications, a full-year fiscal slippage of ₹1 lakh crore will not breach the 6.4% target significantly given an expected nominal GDP overshoot of around ₹20 lakh crore. The fiscal slide is principally on account of the fertiliser subsidy, bumped up revenue expenditure, a spike in capital expenditure and a dip in non-tax revenue. The central government has some headroom with food subsidy and farmer income support, which are running well behind budgeted allocations. There is also scope to pull back on revenue

expenditure in the later part of the year. The markets may be too volatile to push the pedal on disinvestment. Spectrum auctions have been encouraging, but the payments are deferred.

A slowing economy will require the government to persist with its capital expenditure commitments till the private investment cycle recovers. This will coincide with keeping some buffer against elevated energy prices. These considerations will determine the extent of fiscal correction attempted in the upcoming budget. The glide path to the target 4.5% fiscal deficit by 2025-26 will be calibrated by the pace of economic recovery in an adverse global scenario. Front-loading the 2-percentage-point reduction could jeopardise hard-earned gains in protecting the vulnerable against exogenous supply shocks.

Tax revenue buoyancy controls the speed of restoration of the fiscal balance. Some of this year's performance has to do with the underestimated nominal GDP. The assumptions were rendered unrealistic in part by the disruption in the energy markets. With greater clarity on the evolving global trade scenario, the Centre's budget-making exercise should be able to focus on increasing tax revenue. Plugging exemptions and an improved tax administration have improved revenue buoyancy. The Centre and states should maintain the momentum. https://economictimes.indiatimes.com/opinion/et-editorial/fiscal-deficit-fixing-go-faster-stronger/articleshow/95920645.cms

4. Mixed bag: On the latest official GDP estimates *(thehindu.com)* December 2, 2022

The latest official GDP estimates show the economy's expansion decelerated in the July-September period, dragged down by year-on-year and sequential contractions in manufacturing and mining and a broad slowdown in private consumption expenditure and government spending. Gross domestic product is projected to have grown by 6.3% from the year-earlier period, a sharp deceleration from the 13.5% expansion posted in the first quarter and July-September 2021's 8.4% pace. On the Gross Value Added (GVA) side, only three of the eight sectors — agriculture; the omnibus contact-intensive services sector of trade, hotels, transport and communications; and financial, realty and professional services — posted year-on-year accelerations in growth. And five sectors, including agriculture; electricity, gas, water supply and other utility services; and construction posted sequential contractions reflecting the heightened uncertainty that the global slowdown, the war in Ukraine and the persistently high domestic inflation have together engendered. On the expenditure front, growth in both the bulwark private consumption spending and government expenditure slowed appreciably, with the former logging a 9.7% year-on-year expansion, compared with the first-quarter growth of 25.9%, and the latter shrinking by 4.4% after expanding 1.3% in the April-June period. However, sequentially, private consumption signalled some festival-led rebound as it registered a tentative 1% growth, and a 3.4% quarter-on-quarter growth in gross fixed capital formation pointed to a growing willingness to invest on the part of private businesses.

Chief Economic Adviser V. Anantha Nageswaran was emphatic that the economy's recovery from the disruption caused by the COVID-19 pandemic was well underway and, notwithstanding the global headwinds, put the country on track to achieve 6.8% to 7% growth this fiscal. Still, the challenge posed by data variability and revisions, which a top RBI policymaker recently flagged, is a crucial element that cannot be ignored and is best underscored by the fact that the 'Discrepancies' entry in the latest GDP estimates hit a nine-quarter high of 2.9%. Also, the official core sector data for October, showing combined output across the eight key industries that include cement, coal, fertilizers, electricity and refinery

products, struggled to inch its way up. Policymakers can ill-afford to drop their guard as they battle to rein in growth-sapping inflation and must ensure that credit conditions remain supportive of the real economy. https://www.thehindu.com/opinion/editorial/mixed-bag-editorial-on-the-latest-official-gdp-estimates/article66211056.ece

5. How the RBI's digital currency can help economy *(livemint.com)* December 2, 2022

Readers of a certain age group might remember Ramon Bonus Stamps. It was a hugely successful loyalty programme in the late 1960s. You got some stamps on every purchase from participating retailers, and could redeem them for a gift after accumulating a certain quantity. Some people sneakily exchanged them for real cash too. At its peak, it is said that more of these bonus stamps were printed than by the postal department. Its success spawned enterprising businesses that started printing these stamps for circulation, which then threatened to become a parallel currency. A deluge of fakes soon led to the scheme shutting down. Of course, subsequent technologies like holograms and later QR-code-based authentication could deter counterfeiters. Not surprisingly, loyalty programmes have not only survived, but flourished. You can earn and accumulate points on purchases of almost everything, and then redeem these points for more merchandise or donate them to designated charities. The loyalty of the customer is now earned not only on brands or products, but even on baskets of goods or aggregate purchases by the reward of points. These points are sometimes transferable, even exchangeable between big retailers. Typically, you store these loyalty points in digital wallets and can also top up your balance with 'real money'. Everyone from Amazon and Airtel to Ola and Uber offers a wallet. But what is in this wallet cannot become a parallel currency, like the Ramon Bonus Stamps of yore. This is because it would be deemed illegal, as it has no official state authorization (or fiat). Even otherwise, its acceptability is going to be limited.

Imagine different currencies competing for dominance in usage without any sovereign backing. Such a free market for competing currencies exists only in technical papers and in Utopia. Recently, even the megacorp Meta (owner of Facebook) gave up its project to privately issue a currency called Diem. So far in the modern world, only sovereign-backed fiat currencies have universal acceptability. Such a currency can be debased by irresponsible monetary or fiscal policy and inflation, or abruptly shut off by actions like demonetization. The emergence of distributed ledger technology (called blockchain) led to the creation of Bitcoin, which aims to be a currency that is not controlled by a central authority, with no risk of being debased. Can it become an alternate currency, if not replace fiat money?

The function of money as a medium of exchange is based on its general acceptance by all, sort of like a positive feedback loop. As in language, more people speak English because more people speak English. But mostly, the universal usage and acceptance of a national currency is imposed by fiat, and by making alternatives illegal. Will Bitcoin become so popular that everyone will switch over to it? Will it face a backlash from sovereign powers? Bitcoin rebels hope to establish a medium of exchange, become popular, and get the better of currencies issued by sovereigns. That is a pipe dream. Because sovereigns, if threatened, will go to any length to suppress cryptography-based currencies. In the meantime, blockchain-based tokens (or assets) have had a field day as candidates for speculation. This asset class also led to the proliferation of crypto exchanges, which assured traders protection from counterparty risk. That protection turned out to be fragile and the FTX meltdown has served as a cautionary tale. However, the underlying promise of the technology of distributed ledger-based authentication

remains alive and kicking. Bitcoin as a concept is still something that central banks have to reckon with.

That is the background to why many central banks are wading into cyberspace to issue blockchain-based tokens, also called central bank digital currencies (CBDCs). The Bank for International Settlements reports that more than 50 central banks are planning to issue CBDCs worldwide, and in three years, nearly 20% of all currency could be digital cash. This is different from payments interfaces like India's UPI, which are just mechanisms that instantly move money among bank accounts. This is digital cash that will reside directly in an account with the central bank. India is among the early starters, having started pilot trials of digital cash for wholesale and retail usage in limited geographies.

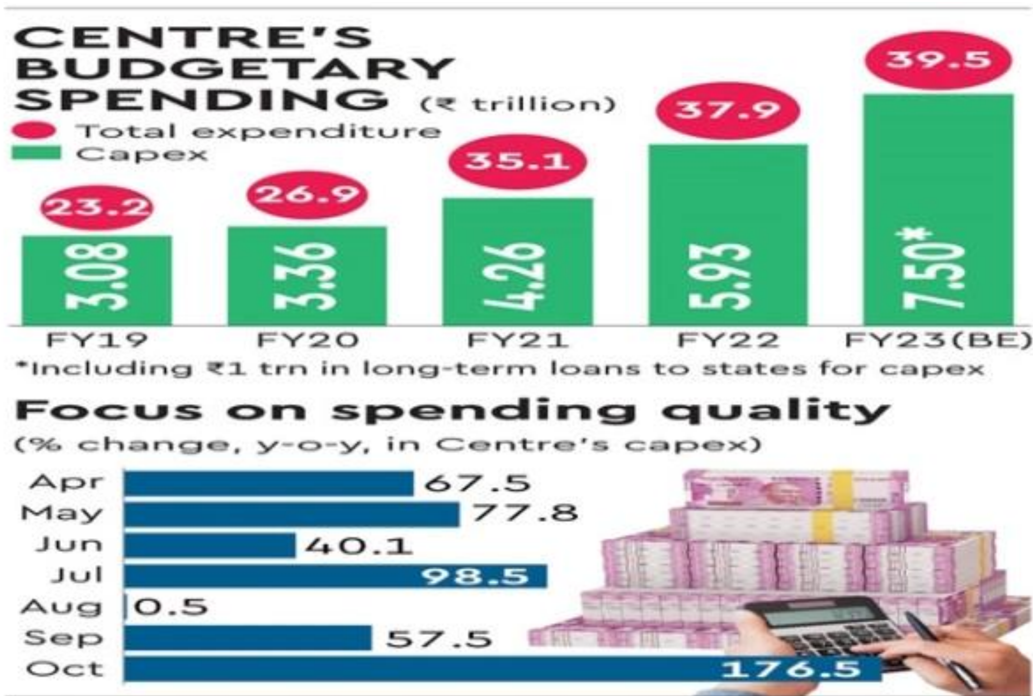
Unlike Bitcoin, the CBDC ledger is centralized, so it offers no anonymity, although for small-value transactions the Reserve Bank of India says that no central records will be maintained. RBI's digital tokens can be exchanged using smartphones and QR-code scans. Centralized ledgers will keep track of transfers and maintain a digital trail. Like paper cash, these tokens represent a liability of the central bank, but cannot be used namelessly. If a CBDC becomes a significant proportion of all money, it can make monetary policy more effective with better transmission and the use of zero or negative interest rates. A CBDC also allows governments to target their spending and put purchasing power in selected wallets, making fiscal policy more effective. Tax collection also improves, since all transactions are 'visible' in real time. Trade payments are faster and international transaction costs are lower. And, of course, much paper is saved. But not only is anonymity lost, closer alignment of the central bank and government can erode monetary policy autonomy. Into this brave new world, India takes a baby step. https://www.livemint.com/opinion/columns/indias-era-of-a-central-bank-digital-currency-has-begun-11669916187724.html

6. Rs 9 trillion budgetary capex outlay likely for next fiscal; more interest-free loans for states *(financialexpress.com)* December 2, 2022

The Central government will likely raise its budgetary capital expenditure to about Rs 9 trillion in the next fiscal from the Rs 7.5-trillion allocation for FY23, official sources indicated to FE.

It aims to enhance capex meaningfully for the fourth straight year in the upcoming Budget for FY24, as it believes a sustained push to productive spending will spur economic growth, more so when a favourable base effect wanes.

However, the pace of rise in the Budgetary capex in FY24 could be lower than the 27% rise budgeted for FY23, thanks to a high base and limited capacity of departments and other relevant agencies to spend higher amounts year after year. However, the pace of the rise in capex in FY24 will still beat the growth in revenue spending by a wide margin, as the Centre bets big on the former's higher multiplier effect.



Just like this fiscal, the enhanced capex outlay will include the long-term interest-free loans to states for asset creation (the FY23 allocation stood at Rs 1 trillion). Finance minister Nirmala Sitharaman on Wednesday spelt out the government's intent to use capital spending to sustain strong economic growth, at the Reuters NEXT conference. She forecast a "very good" economy ahead of 2024 general polls.

An official source said, "The government is very clear on boosting capex. The rate of rise in core (excluding grants-in-aid), however, will depend on factors, including the capacity to spend."

"Remember, if you factor in the grants-in-aid for capital asset creation extended by the Centre (Rs 3.18 trillion) along with the core capex outlay for FY23 (Rs 7.5 trillion), it's already close to Rs 11 trillion, which is a substantial chunk of the overall expenditure (Rs 39.45 trillion)," he added.

So, the ability to utilise the entire capex allocation will be a key determining factor for the FY24 outlay for capex, he further said . In the aftermath of the pandemic, the Centre raised its budgetary capex by as much as 27% on year in FY21, 39% in FY22 (albeit including equity infusion into Air India Assets Holding) and 27% (budgeted) in FY23 — way above the increase in overall Budget size of the relevant years.

Its budgetary capex jumped 61% until October this fiscal from a year ago to Rs 4.1 trillion. The jump was way above the full-year target of 27%, as the Centre wanted to frontload such spending to push economic growth. The growth in revenue spending, meanwhile, stood at 10% during this period.

At the same time, the Centre will continue to nudge states and central public-sector enterprises to raise their capital spending to improve the momentum of overall public capex.

Between April and September of this fiscal, the combined capex of 19 states whose finances were reviewed by FE was up only 2% on year at Rs 1.67 trillion. The growth was 80% in the year-ago period albeit on a favourable base. These states had budgeted a capex of Rs 6.58 trillion for FY23, an increase of 40% over the FY22 level.

Of course, states typically tend to spend most of their capex budgets towards the end of the year. For instance, between FY12 and FY20, states had on an average, spent only about 31% of budgeted amounts in the first half, according to an earlier Crisil report. This means states may improve their capex substantially in the remaining months of this fiscal if their revenue flow remains robust.

The spending by CPSEs and other departmental undertakings with capex outlay of Rs 100 crore or more was better. They spent 53% of their FY23 capex target of `6.62 trillion in the first seven months of this fiscal.

Given the strong external headwinds, several independent agencies have, in recent months, trimmed their growth forecasts for India for FY23. The International Monetary Fund recently slashed its FY23 growth projection for India by 60 basis points from its July forecast to 6.8%, but it retained its FY24 forecast for the country, although at a lower rate of 6.1%.

Of course, India's growth rates for this fiscal and the next would still be way above the agency's projected global economic expansion rates of 3.2% and 2.7% for 2022 and 2023 respectively. https://www.financialexpress.com/economy/more-interest-free-loans-for-states-rs-9-trillion-capex-outlay-likely-for-next-fiscal/2898290/

7. GST collection jumped 11% to ₹1.46 lakh crore *(hindustantimes.com)* Dec 02, 2022

Goods and Services Tax (GST) collection in November saw an 11% year-on-year growth to ₹1.46 lakh crore, exceeding the ₹1.40 lakh crore mark for the ninth consecutive month, although the number was lower than the second highest collection ever of ₹1.52 lakh crore in the month of October.

Experts said monthly collection of GST, a weathervane of economic health, is robust and that ₹1.40 lakh crore is the new normal. A minor sequential decline could be on account of weakening of festival demand and the cascading effect of global headwinds, they added. The collection in November pertain to transactions and economic activity in October.

Saurabh Agarwal, tax partner, EY India said: " GST revenue above 1.4 lakh crores for a consecutive period of 9 months indicates that there is no effect of recession on the Indian economy so far." GDP data for the second quarter of the year, ending September 30, released on Wednesday, showed that the Indian economy expanded by 6.3%. Chief economic advisor V Anantha Nageswaran said while discussing the GDP data that India's economy is expected to expand by 6.8-7% in 2022-23.

That will make India one of the fastest growing major economies in the world.

Experts are confident about strong collections in months ahead. MS Mani, partner at Deloitte India said, "With the continuing stability in GST collections since the beginning of this financial year, the GST collection targets set for the year are likely to be exceeded."

They, however, expressed surprise over a fall in GST revenue in Gujarat, which is one of the key manufacturing states. According to data released by Union finance ministry on Thursday, GST collection in Gujarat fell by 2% from ₹9,569 crore in November 2021 to ₹9,333 crore in November 2022.

"It seems some technical glitch or some error in tax deposit by one or two major industries. In absence of sectoral data it is immediately difficult to ascertain the fact. Yes, global headwinds might have some impact on Indian manufacturing sector," one of them said, requesting anonymity.

Technical error or some industries missing tax payment cannot be ruled out as other manufacturing states have shown healthy year-on-year double-digit growth,this person added. Maharashtra saw a 16% growth in GST revenue to ₹21,611 crore in November . Karnataka reported 13% growth to ₹10,238 crore, Haryana 13% (₹6,769 crore), Andhra Pradesh 14% (₹3,134 crore) and Tamil Nadu 10% (₹8,551 crore).

Major states to register a decline in November are, Himachal Pradesh 12% (₹672 crore), Punjab 10% (₹1,669 crore), Rajasthan -2% (₹3,618 crore), Kerala 2% (₹2,094 crore), and Goa 14% (₹447 crore), according to the official data.

The gross GST revenue collected in the month of November is ₹1,45,867 crore of which central GST (CGST) is ₹25,681 crore, state GST (SGST) is ₹32,651 crore, integrated GST (IGST) is ₹77,103 crore (including ₹38,635 crore collected on import of goods) and cess is ₹10,433 crore (including ₹817 crore collected on import of goods), the Union finance ministry said in a statement on Thursday.

"The government has settled ₹33,997 crore to CGST and ₹28,538 crore to SGST from IGST as regular settlement. The total revenue of Centre and the States after regular settlements in the month of November is ₹59678 crore for CGST and ₹61189 crore for e SGST. In addition, Centre had also released ₹17,000 crore as GST compensation to States/UTs in November 2022," it added in the statement.

In November, revenue from import of goods was 20% higher and the revenue from domestic transactions (including import of services) 8% higher than in the corresponding period a year ago, the ministry said. https://www.hindustantimes.com/india-news/gst-collection-jumped-11-to-1-46-lakh-crore-101669920356875.html

8. State elections and the troubling return of the old pension scheme *(livemint.com)* December 2, 2022

The current spate of states reverting to it poses a fiscal threat with serious portents for the financial stability of the country

There is a tug of war currently underway, one side restraining inflation, the other side pulling not to restrain gross domestic product (GDP), in India as elsewhere. In these circumstances, it is important to head off developments which could endanger financial stability in the medium term.

Prominent among them are the poll promises in ongoing state elections. The Congress manifesto for the Himachal Pradesh election promises that if voted to power, it will revert at

the very first sitting of the cabinet to the old pension scheme (OPS) for state government employees. Polling in Himachal Pradesh state is over, but the results are yet to be declared. The Gujarat state election is on this month, and nine state elections will follow in calendar 2023.

The OPS was a defined-benefit scheme with an entitlement defined (by the fifth pay commission) at 50% of the last salary drawn. The OPS became uniquely burdensome on the fisc because, in addition to (entirely reasonable) inflation indexation through dearness allowance adjustments, it was wage indexed to pay-scale revisions prescribed by successive pay commissions.

State governments shifted along with the central government out of the OPS to the new pension scheme (NPS) without any coercion, because they saw the sense of it. This shift happened in all states barring one (West Bengal) at various points during the year 2004. The NPS, like pension systems elsewhere in the world, is based on the amounts contributed by the employee and employer over the working life of the employee, and the market yield obtained on the consolidated pension fund. The NPS is regulated by the Pension Fund Regulatory and Development Authority (PFRDA). Pensions for defence personnel, paid by the central government, were the sole exemption from this shift, and continue to be paid on the defined-benefit system.

The OPS, by virtue of benefits definitionally unrelated to past contributions of pensioners during their working lives, needs financial support from contributions of current working employees. Like all such pay-as-you-go schemes, as the number of pensioners and benefits due to them grow, relative to the numbers paying in, it could reach a point where the alternatives are defaulting on pensions due or unsustainable borrowing.

Before the Himachal manifesto, three state governments had already notified the PFRDA of their switch to the OPS: Chhattisgarh and Rajasthan (with effect from 1 April 2022), and Jharkhand (1 October 2022). Chhattisgarh and Rajasthan both have Congress governments, and Jharkhand has a coalition led by the Jharkhand Mukti Morcha (JMM), which includes the Congress party. For the JMM, it was a poll promise, but the Congress party in the other two states did not promise the OPS in their manifestos for the previous 2018 state elections.

The stampede towards an exit from the NPS is thus a new phenomenon. It was probably triggered by the victory in March 2022 of the Aam Aadmi Party (AAP) in the Punjab state election, which, wholly erroneously, was attributed to AAP’s promised return to the OPS. Elections are not a one-issue referendum. The AAP manifesto for Punjab promised many things, but of those in the pension sphere, only the fivefold increase in old age, handicapped and widow pensions would have carried traction with the ordinary (aam) Punjab voter. Other poll promises with similarly broad appeal would have been abolition of mafias and the drug trade, free medical facilities, and freeing farmers from debt.

Reverting to the OPS cannot possibly carry widespread voter appeal. For the median voter, the OPS should on the contrary be a red flag since it squeezes the exchequer from which welfare benefits flow to the common person. The OPS benefits only retirees, and should not even enthuse current employees, because the state government is likely to become insolvent by the time their defined benefits become due.

In the event, when the new AAP government assumed power and saw the sorry state of Punjab finances, which made even the payment of current employee salaries a challenge, an exit from the NPS was not immediately notified. It was finally announced in October 2022, perhaps to lend credence to the AAP poll promises for Himachal Pradesh and Gujarat.

There have been suggestions that the Election Commission should require any party manifesto promise with financial implications to quantify its impact on state finances. The Commission cannot sit in judgement over those numbers, or penalize non-compliance, but a requirement of that nature can be a powerful disciplining force. Even if a party fails to quantify its promises, a rival party can do the calculations and mount a more effective electoral challenge. The electoral debate will become more meaningful than it presently is.

A return to the OPS is not the only damaging promise. The AAP manifesto for Punjab promises to abolish property tax, the only significant source of own revenue leviable by municipalities. Municipalities and panchayats in India are subject to legislation passed at the state level. Unless third-tier governments receive compensating transfers from the state exchequer, roads and sanitation, municipal school teacher salaries and public health services are all in danger of cutbacks.

The Election Commission alone can ensure that fiscal responsibility becomes an election issue. https://www.livemint.com/opinion/online-views/state-elections-and-the-troubling-return-of-the-old-pension-scheme-11669907865216.html

9. MGNREGA works of 25 states on Centre's radar *(economictimes.indiatimes.com)* December 2, 2022

Central audit teams are visiting 1,360 gram panchayats to examine whether the works undertaken were as per MGNREGA guidelines laid down by the Centre, assets created followed set standards and whether there was any connivance at the panchayat level to siphon off central funds.

New Delhi: Works undertaken in 341 blocks across 25 states under the Mahatma Gandhi National Rural Employment Guarantee Act have come under the Centre's scanner.

The Centre has deputed audit teams to scrutinise whether works in these blocks were undertaken as per the guidelines. Officials said high expenditure under MGNREGA in the 341 blocks raised red flags.

Central audit teams are visiting 1,360 gram panchayats to examine whether the works undertaken were as per MGNREGA guidelines laid down by the Centre, assets created followed set standards and whether there was any connivance at the panchayat level to siphon off central funds.

"There are national level monitors. The blocks were red-flagged because these showed very high expenditure. This is why audit teams were sent to examine at the ground level if the expenditure incurred has led to proper asset creation," a senior rural development ministry official told ET on condition of anonymity.

The ministry has formed teams drawing from other states to ensure better and improved audit in the high expenditure blocks.

MGNREGA works have come under the scanner of the Centre as the Modi government has been trying to rationalise the expenditure under the demand-driven scheme. Since the MGNREGA bill has been going up over the years, especially during the Covid-19 pandemic when people migrated back to the villages. So far, about ₹59,000 crore has been spent under the flagship rural jobs scheme this year and the ministry has sought an additional ₹25,000 crore under revised estimates.

In 2021-22, the MGNREGA bill was ₹98,000 crore. The Centre emphasised in the recent mid-term review conducted by the ministry with states that states should allow the scheme to remain demand-driven and not set any targets for district-level officials to achieve.

"State governments are administratively pushing it. This is increasing the expenditure," said the official cited earlier. The government is also worried about the quality of assets being created. The emphasis of the government is Amrit Sarovar scheme, which involves digging ponds. The ministry feels in certain areas gram panchayats are using machines but showing that manual labour had been employed to dig ponds. "These malpractices only increase illegal connivance at the lower level. This needs to be checked," said the official. https://economictimes.indiatimes.com/news/economy/policy/mgnrega-works-of-25-states-on-centres-radar/articleshow/95921116.cms

10. Revamped crop insurance scheme from kharif 2023, key ministries working on PMFBY's contours (*financialexpress.com*) December 2, 2022

The government is restructuring the Pradhan Mantri Fasal Bima Yojana (PMFBY) through measures including use of artificial intelligence (AI)-based technologies for timely assessment of crop yield data for prompt claims settlement and introduction of competitive bidding for premium quotes from insurers.

Sources told FE that while the contours of changes in the PMFBY are still being worked out by the agriculture and finance ministries prior to the preparation of a Cabinet note, it is likely that the revised scheme would be launched from the kharif season 2023.

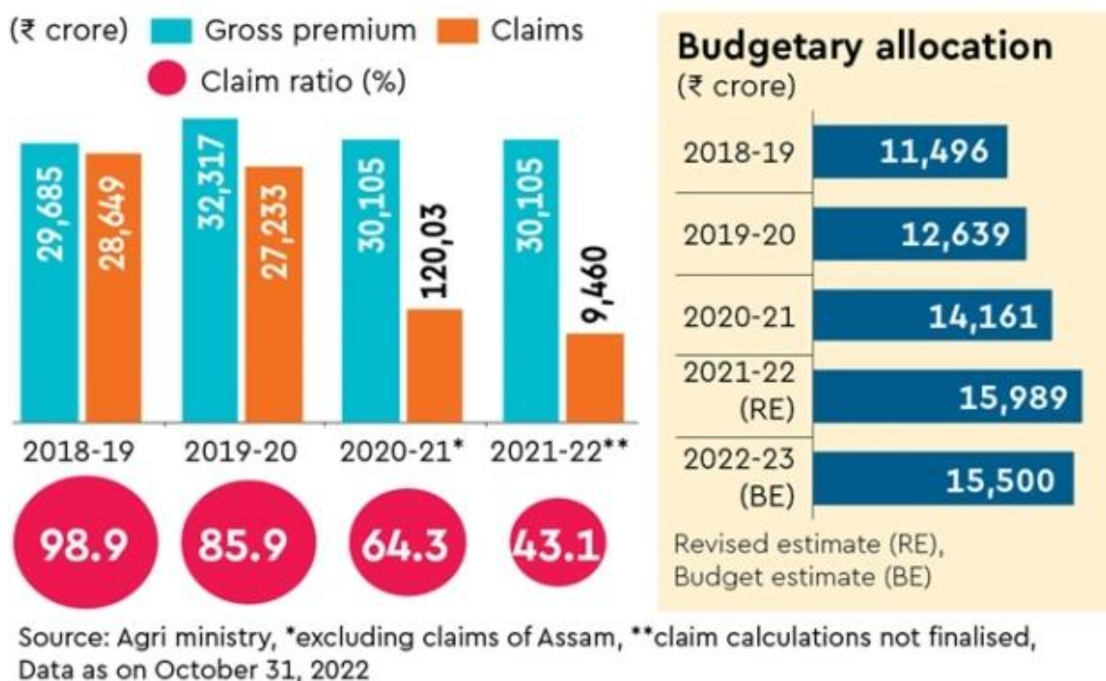
Since 2016, PMFBY premium has increased by more than six-fold, which has led to an increase in subsidy liability of the government. "Because of the lack of competitive bidding, some of the existing insurers are charging higher premiums," an official said.

Sources said that out of 18 general insurance companies, including 13 private firms, shortlisted through a tendering process to implement the crop insurance scheme during 2019-20 -2022-23 period, only 10 currently remain in the fray. Key insurers including state-run Agriculture Insurance Company, Cholamandalam MS General Insurance Company, HDFC ERGO General Insurance Co and Tata AIG General Insurance Company, are currently implementing the crop insurance scheme.

The claim-premium ratio, which was 98.9% in 2018-19, has declined to 43.1% in 2021-22, although claims for the last fiscal are still being settled. The gross premium collected has been around Rs 30,000 crore since 2018-19. The government is aiming to increase annual gross premium to around Rs 40,000 crore.

Under the new model, the insurance companies would have to pay the claims between 60%-130% of the gross premium. If the claims are below 60% of gross premium, the companies

would refund the premium amount to the government and claims exceeding 130% of premium the government would compensate the companies.



The official said by adoption of AI-based technologies for crop yield assessment, delay in settlement of payment of claims would be reduced, which is expected to attract more players into the scheme's implementation.

Some of the technologies that are being introduced to assess crop yield data include weather information and network data systems (winds), yield-estimation systems based on technology and collection of real-time observations (Yes-tech) and photographs of crops (Cropic) for reducing delay in claim settlement. The standard operating procedure for introduction of these technologies would be issued soon.

In a major change in the policy in early 2020, the crop insurance scheme was made optional for the farmers, while earlier farmers who used to avail loans compulsorily had to take crop insurance.

Meanwhile, Punjab, which has not adopted the scheme launched in 2016, is in discussion with the agriculture ministry to launch the scheme from kharif 2023 in the state.

Telangana, Bihar, Jharkhand and Gujarat, which had dropped out of the crop insurance scheme citing the high cost of premium, have initiated discussion with the Centre to roll out the PMFBY by next year. According to an agriculture ministry official, many states opted out of the scheme because of fiscal constraints.

In July, the Andhra Pradesh government announced its decision to re-join the PMFBY, effective kharif 2022.

The premium to be paid by farmers under the crop insurance scheme is fixed at just 1.5% of the sum insured for rabi crops and 2% for kharif crops, while it is 5% for cash crops. The balance premium is equally shared among the Centre and states, which implies they bear most of the premium under the scheme. In the case of the northeastern states, the premium is split between the Centre and states in a 9:1 ratio.

Currently 19 states and Union territories are implementing the crop insurance scheme. In the last six years, Rs 25,186 crore have been paid by farmers as the premium, wherein Rs 1.26 trillion have been paid to the farmers against their claims as on October 31, 2022, according to an agriculture ministry statement on Thursday. https://www.financialexpress.com/economy/revamped-crop-insurance-scheme-from-kharif-2023/2898206/

11. Coming clean on coal *(indianexpress.com)* December 2, 2022

In an Idea Exchange with this paper last week, Union Minister of Power and New and Renewable Energy, RK Singh, underlined the importance of coal-fired plants in meeting developmental requirements. He clarified that India's climate commitment to "phase down" coal use will not come in the way of expanding its coal power capacity. The share of this fossil fuel in the energy mix will come down in percentage terms, but not in absolute measure. About 50 per cent of the electricity generated in the country currently comes from coal-fired plants. This is expected to come down to 30 per cent in the next 10 years. But India is planning to ramp up its electricity generation capacity to 865 GW from 407 GW. About 40 GW of this additional power will come from plants that burn coal.

At the UNFCCC's Conference of Parties (COP) in Glasgow last year, countries agreed to "phase down" their coal-based electricity generation. According to several experts, the meet's final declaration watered down the language of an earlier draft, and India and China were accused of playing tough to "soften" the Glasgow COP's anti-coal stance. The declaration of the just-concluded COP at Sharm El-Sheikh persists with the language of its predecessor. However, much has changed in one year. The Russia-Ukraine conflict has led to reconfigurations in the energy sector. In recent years, several EU countries had begun to substitute coal with relatively clean natural gas from Russia. But after February 24, several decommissioned coal plants in the EU have been re-evaluated. According to the International Energy Agency, the EU's coal consumption rose by more than 10 per cent in the first six months of 2022, and it's likely to increase in the coming weeks and months as winter intensifies. EU governments maintain that the fossil fuel's comeback will be temporary. That may well be correct but the past nine months have shown the fragility of the world's resolve on eliminating coal. If geopolitical considerations can force developed countries to bring back coal, can India be faulted for continuing to use this fossil fuel for its developmental needs?

In the past 10 years, India has made rapid strides in expanding renewable energy. However, given its unstable nature, the grid will continue to fall back on coal-generated electricity. Also, new coal plants are more efficient — they emit less GHG. That said, India must begin work on plans for an energy scenario which has a negligible role for coal. The commitment to becoming a net zero GHG emitter by 2070 will require that the country prepares for it. https://indianexpress.com/article/opinion/editorials/coming-clean-on-coal-8301289/

12. Why tracking migration is important for nutrition schemes *(indianexpress.com)* Updated: December 2, 2022

It seemed like a data anomaly when we looked at the temporal pattern of malnourishment in the tribal sub-division of Dharni in Maharashtra's Amravati district. An April peak in the number of children with Severe Acute Malnutrition (SAM) and Moderate Acute Malnutrition (MAM) surprised us. The common sense of nutrition discourse dictates that the peak should be in monsoon when diarrhoea takes over, or in winter when hypothermia is the devil for children. We re-checked our data and went back to previous years — this only seemed to confirm our findings. Every year, for at least the past three years, numbers had peaked in April. And, this was no small peak. The numbers went up more than five times suddenly, with two tribal blocks having more SAM and MAM children than the rest of the 12 blocks combined. The numbers kept reducing steadily all year round before peaking again in April.

What was happening? After some discussions, we realised that several families were returning to Dharni from migrated places in March for Holi (the biggest festival here), then going back to fulfil contracts, only to come back "permanently" in the kharif season when cropping begins (there was a smaller peak at June). Our later pursuits revealed a more direct correlation in Nandurbar, a tribal district in Maharashtra, where a 2018 UNICEF study had followed the same cohort of children, before and after migration. SAM numbers increased fourfold, MAM too doubled — at least half of the migrated children. Given the geographical complications of migration as well as a lack of data, such studies have been few.

Migration became the buzzword during the Covid pandemic in cities. However, rural migration has continued for years. In tribal areas especially — owing to lack of industry, issues with forest rights, or its implementation, and lack of irrigation facilities — migration extends to six to eight months a year.

The first question that I asked myself was that if people are staying somewhere else for over half a year, wasn't that place as much their home? Multiple government schemes — for strengthening education, health, connectivity, water supply, electricity — work on the assumption that people are going to stay in villages to reap the fruits of what this capital and operation will sow. This assumption falls flat in high migration areas and the understanding of an inter-relationship between long-term nutrition, migration and livelihood (including, most of all, MGNREGS) goes askew.

We decided to work on our findings last year and asked a few questions: Where were people migrating from the most? How many? Which were the highest-density in-migration places? We did get some answers, but they seemed vague. It stood out that in our nutrition surveys, the lack of migration data inflated the denominator (number of children being measured), especially because new births kept adding to it, leading to data that did not accurately reflect the situation. Since we were in the middle of migration season, we decided to meet these migrated families.

Three things that changed everything I have ever understood about migration came from field visits. The most distinct memory I have is of an interaction with a brick kiln owner who shook his head when I asked him "Kitne bacche honge idhar (how many kids are here?)". He said "Ham bacche nahi ginte kyunki voh idhar kaam nahi karte (we don't count children because they don't work here)." No wonder, then, that there was an invisible set of people — especially pregnant/lactating women and children — who were not of any "use" here. We met many

families. Coming face to face with our own prejudices was also important. We believe migration to be a bad thing, but here were multiple families being provided guaranteed wages — the word "guaranteed" being especially important because many people told us they would be happy to not work here if they got assured MGNREGS work back home.

The second learning happened when we met a nine-month-old who was due for MMR vaccination but wasn't given the dose because he wasn't due for it back home, and by the time he would go back, he would have missed it. Our assumption is that this time period of six to eight months must be leaving many children and pregnant women unvaccinated. This is not due to the lack of health or nutrition infrastructure or indifference — it is because of a lack of knowledge of these beneficiaries being here. Most of these brick kilns are around 1-2 km outside the villages and until there is intimation of some government contact, it is difficult for both giver and receiver to get in touch.

Portability as a concept is not new. But my third learning was that we have to start thinking about a system that does not rest completely on demand. Our questions — do you take ration from shops? Do you take your kids to anganwadis? — were answered in the negative. It did not surprise me. A Korku tribal population distress-migrating in a predominantly Marathi belt: Think of the bargaining power, especially of women and children. It doesn't take much to join the dots.

Our learnings led us to start working on a migration tracking system as well as strengthening MGNREGS. But these inter-relationships need a deeper dive, especially in tribal areas, which constitute a higher density of malnutrition. SAM and MAM are the tip of the iceberg when we talk about nutrition. A long-term reduction in stunting and underweight and improving health will need us to understand the interplay of nutrition, livelihood and poverty. A plan that focuses on targeting and triaging the most vulnerable — a strategy that keeps them at the centre without silos — might just be what we need to move one step forward in improving the wellbeing of people. https://indianexpress.com/article/opinion/columns/migration-nutrition-schemes-8301246/

13. Work demand under MGNREGS at 4-month high, FY23 funds almost exhausted *(business-standard.com)* Updated: December 2, 2022

Demand for work under India's biggest anti-poverty scheme increased to a four-month high in November, government data showed as budgetary support for it is almost exhausted this financial year.

More than 22.5 million people applied for work under the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) in November, the highest since August. As many as 25.2 million people applied in July and 19.1 million in August, according to the Rural Development Ministry.

Household demand for the scheme—members of a family seeking work—rose to 18.5 million in November, the highest since August, when the number was 15.9 million. It was 20.4 million in July. The demand for work fell sharply between June and July from 43.2 million to 25.2 million. It has stayed below 22 million ever since.

The budgetary allocation for MGNREGS has already been exhausted, if pending liabilities for the financial year are included.

"The budget estimates this year were low especially given the increased demand for MGNREGS during the pandemic. If you see the data as of today, with more than a quarter of the fiscal year left we have already spent Rs 74,724 crore (including the pending liabilities due)—i.e. more than the original estimates," said Avani Kapur, senior fellow at the Centre for Policy Research (CPR), an independent group.

In Budget 2022, the Centre allocated Rs 73,000 for the scheme. This was 25.5 per cent lower than the revised budget estimates of Rs 98,000 crore in FY22.

As of December 2, the total expenditure of the scheme, including payments due, stood at Rs 72,724 crore. Even without considering the dues, the total expenditure stood at Rs 67,726 crore, over 93 per cent of the budgetary allocation.

"The [upcoming] Budget (next year) should take into account the pending liabilities, demand pattern as well as the fact that notified wages will rise in April and provide adequate funds," Kapur said.

Business Standard reported on November 25 that Centre has formed a panel headed by a former bureaucrat to undertake a comprehensive review MGNREGS's expenditure pattern, governance, and administrative issues to plug the loopholes and leakages.

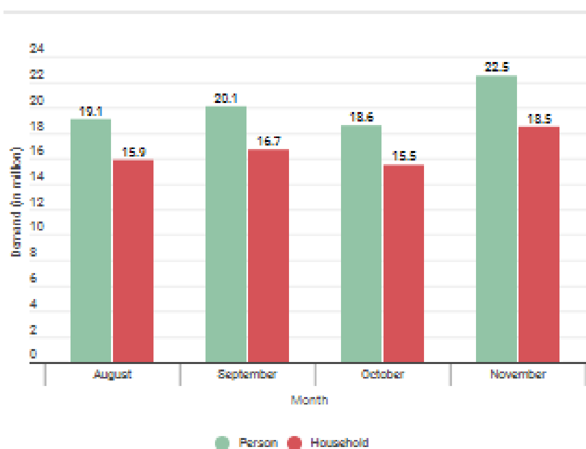
A separate report by PTI said the rural development ministry has sought additional funds of about Rs 25,000 crore for the scheme for FY23.

Kunal Sood, partner at Grant Thornton Bharat, recommended a focus on producing productive assets under the scheme and empowering women through it.

"We recommend a greater focus on the creation of productive assets and ownership of these assets by the community, especially women SHGs/POs," he said.

"[Focus on] Assets that add a secondary income source like pack houses, storage, vermicompost, fish ponds, poultry farms, pig farms, etc and Convergence with SHGs/FPOs should definitely be a priority," Sood said.

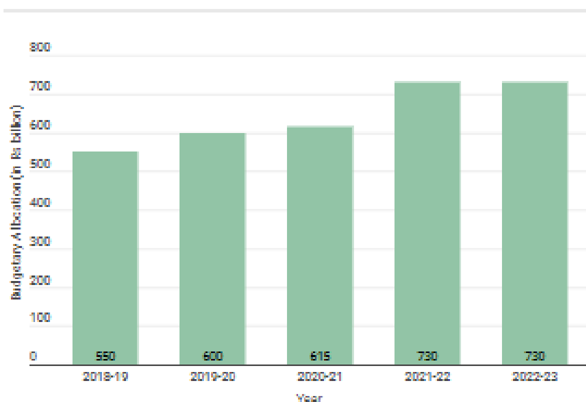
Work demand under MGNREGS



Source: Ministry of rural development

Share

Budgetary allocation for MGNREGS



Source: Ministry of rural development

https://www.business-standard.com/article/economy-policy/work-demand-under-mgnregs-at-4-month-high-fy23-funds-almost-exhausted-122120200416_1.html

14. What Delhi's power subsidy reveals about India's revdi culture (*indianexpress.com*) Updated: December 1, 2022

A few months ago, the national capital witnessed the launch of a campaign with the intention of persuading well-off households to voluntarily give up the benefits provided under the Delhi government's electricity subsidy scheme. As consumers now have to opt-in for availing of the power subsidy, an element of self-selection has been introduced in the scheme that has been derisively dubbed by many as a "revdi". Be that as it may, this recent campaign sheds light on the intractable problem of subsidies in India.

Under the AAP government's electricity subsidy scheme, households are classified into two categories — those consuming up to 200 units per month are provided electricity free of cost, while those using between 200-400 units are provided with a subsidy of up to Rs 800 per month.

Now, Delhi has around 57 lakh domestic electricity consumers. In 2021-22, a staggering 46.8 lakh of them had availed of the scheme. Of these users, roughly 30 lakh (or a little more than half of the households with electricity) consume between 0-200 units per month and thus get zero bills. Another 16-17 lakh (roughly 30 per cent of households) utilise between 200-400 units per month and get a subsidy of up to Rs 800 per month. Thus, in total, more than 80 per cent of households with electricity in Delhi used to receive the subsidy.

In September, the AAP government launched an application process for households to opt-in for the power subsidy. By November 15, the last date for applying, 37.3 lakh had opted for the subsidy. This implies that even now, almost two-thirds of all households (66 per cent) will continue to receive the subsidy. Perhaps there is some solace to be found in that it is down from 80 per cent.

Ironically, Delhi is one of the richest states in the country. As per the Delhi government's own economic survey, its per capita income was roughly Rs 4 lakh in 2021-22. Assuming a family of four, this implies that, on average, the annual household income should be around Rs 16 lakh. Now, one could argue that the household income distribution is extremely skewed. That the average per capita income is heavily influenced by the incomes at the very top end of the distribution. And that the households at the 51st percentile actually have much lower incomes. But that doesn't take away from the fact that Delhi's per capita income is almost three times the national average. It is also home to 43 lakh income taxpayers (5.1 per cent of total taxpayers) who account for around 15 per cent of all direct tax collections in the country.

In such a state, what is a marker of poverty? Of household deprivation? Of determining who should be subsidised by the government?

If electricity consumption can be loosely considered as a proxy for income, then perhaps those consuming between 0-200 units (roughly half of the households) can be thought of as the least well-off. Though not even all of them can be seriously considered to be either poor or deprived. Some will be affluent when compared to the rest of the country.

Contrast these numbers with those who receive subsidised food under the National Food Security Act (NFSA) — a programme that perhaps aims to cover only the most deprived in society. The NFSA covers 72.78 lakh individuals in Delhi across 17.78 lakh ration cards (ration cards are given at the household level). In 2021-22, around 16 lakh ration cards were used every month to avail of the entitlement. Thus, if the provision of subsidised food under the NFSA is a marker of deprivation, by that metric, only 16 lakh households or much less than a third of the households can be considered poor.

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But even this estimate is a multiple of the "actual poor" in Delhi — only 9.91 per cent of the population, or 16.96 lakh persons to be precise, were below the poverty line in 2011-12 (the last year for which data is available). A decade later, the numbers would be considerably lower. Yet, those who receive subsidies are many times greater.

Unfortunately, this is just one example of the subsidy architecture that exists across the country that is neither a function of household income nor of the state's finances. Nor is it temporary or targeted at the most deserving.

Take the case of Punjab. In August 2021, only 3.73 lakh households in the state received free power. But, in August 2022, after the AAP government implemented its poll promise of providing free power, this number rose to 23.08 lakh as per data accessed by The Indian Express. By October, the number of households had risen to 28 lakh — seven times higher than before. The state has 55 lakh households and a debt-to-GDP ratio that exceeds 50 per cent.

That state governments subsidise such large sections of the populace, that so many affluent households are unwilling to give up subsidies, indicates the appeal and acceptance of a culture of doles at both the demand and supply ends of the equation, though perhaps for different reasons. It also suggests that the notion that at higher levels of income, demands of the electorate would shift away from seeking the provision of basic necessities, which would in turn change the incentives of the political class, perhaps doesn't hold.

But, even as rich states like Delhi, which don't support a large agricultural population, are beginning to find out the fiscal limits of providing free power, it would be naive to expect a complete rollback of free electricity to farmers in the poorer states, no matter the fiscal burden. The political arithmetic simply does not allow for that. And as power-sharing arrangements at the Centre no longer exist and states become the sites of political contestation, such electorally rewarding, but fiscally misguided policies are increasingly gaining traction — from moving back to the old pension scheme to urban employment guarantee programmes to free power. This shift away from fiscally prudent policy choices is a matter of concern. https://indianexpress.com/article/opinion/columns/what-delhis-power-subsidy-reveals-about-indias-revdi-culture-8299141/

15. Bengal government scrambles to get 'embezzled' job funds *(telegraphindia.com)* Dec 2, 2022

The Bengal government is leaving no stone unturned to recover funds misappropriated under 100 days' job scheme as asked by the Centre as the state badly requires funds from Delhi for it.

lease of funds under MGNREGA or the 100 days' job scheme was suspended by the Centre, citing misappropriation of funds, since April this year. As rural polls are scheduled for early next year, the state government is desperate to get the job scheme rolling for villagers Scraand central funds are key to it.

Sources in the state administration said that wherever central teams found cash irregularities, they gave clear instructions to recover misappropriated funds.

For example, Rs 6.12 lakh has to be recovered in South Dinajpur's Sukhdevpur gram panchayat for two land development projects in which the central teams found funds were "misappropriated".

Similarly, Rs 6.81 lakh have to be recovered in South Dinajpur's Gangarampur gram panchayat for three land development projects.

"Not only in South Dinajpur, similar instructions have been sent to all the districts where misappropriation of funds have been reported by the central teams," said a bureaucrat.

Sources also said the initiative to recover misappropriated funds has gained momentum since the Centre released funds for housing (PMAY) and rural roads (PMGSY), which were also suspended since April this year as names of the schemes had been changed in Bengal.

“The state government feels that funds under the 100 days’ job scheme can also come if the alleged misappropriated sums were somehow recovered. If the state can recover at least Rs 5 to Rs 10 crore, the Centre can release funds under the 100 days’ job scheme like it did under the PMAY and PMGSY,” said a source.

The state government is eager to get funds under the 100 days’ job scheme ahead of next year’s panchayat polls because ruling party Trinamul is being asked why villagers are not getting jobs.

“As the panchayats are the nodal agency for the scheme, and most rural bodies are run by the Trinamul, panchayat functionaries are facing questions. It is tough to make all villagers believe that Delhi is depriving them,” said a source.

The state government is so eager to get funds that gram panchayat officials have been given a target to recover money misappropriated under the scheme.

“In some districts, nirman sahayaks of gram panchayats, where misappropriation has been reported, were asked to recover more than Rs 1 lakh each. Some nirman sahayaks alleged they warned that if they fail, their salaries will be put on hold,” said a source.

Panchayat department sources said a bank account to deposit recovered money was also identified.

“The districts had been asked to submit recovered cash by November 30. The department will assess how much cash was recovered and decide on the next course of action,” said an official. https://www.telegraphindia.com/west-bengal/west-bengal-government-scrambles-to-get-embezzled-job-funds/cid/1901449