NEWS ITEMS ON CAG/ AUDIT REPORTS (02.02.2023)

1. Delegation from South Africa's parliamentary panel calls on CAG Murmu *(theprint.in)* 2 February, 2023

A 14-member delegation, comprising members of the Standing Committee on Public Accounts (SCOPA) of the South African Parliament called on Girish Chandra Murmu, the Comptroller and Auditor General of India, according to an official release.

The delegation was headed by Mkhuleko Hlengwa, a member of South Africa's National Assembly from the Inkatha Freedom Party.

The delegation arrived in India on a study tour during which it will exchange ideas and experience on the procedures of the Public Accounts Committee and interact with other departments.

Welcoming the delegation, CAG Murmu informed them that the Supreme Audit Institution of India (SAI India) is a 160-year-old constitutional authority responsible for enforcing legislative accountability of government departments.

"It has full financial and operational independence from the Executive and Legislature and prepares and submits audit reports to the Parliament and the State Legislature," he said.

According to the release, the CAG apprised the delegation about SAI India's international recognition, gained by serving as external auditor for the UN and international organisations, including the World Health Organisation, Food and Agriculture Organisation, and the International Atomic Energy Agency.

He informed that SAI India is also a leader in the international public audit arena, playing a pivotal role and holding leadership positions in multilateral bodies like INTOSAI and ASOSAI.

The CAG further informed the delegation about how India's legislative control over finances is exercised and how the legislature determines the Budget and oversees its implementation through committees, such as the Estimates Committee, Public Accounts Committee, and Committee on Public Undertakings, the release stated.

The CAG also dwelt at length on the Committee on Public Accounts, its establishment in 1921, being India's oldest parliamentary committee which examines government accounts and revenue receipts, looks into financial irregularities, and makes recommendations to prevent revenue leakage. The committee consists of 22 members, with 15 from the Lok Sabha and 7 from the Rajya Sabha.

The CAG informed the delegates that SAI India plays a key role in the accountability process by providing the Committee on Public Accounts audit findings and assisting in the examination of government representatives and action taken notes. https://theprint.in/india/delegation-from-south-africas-parliamentary-panel-calls-on-cag-murmu/1348914/

2. Budget 2023: GIFT IFSC gets policy boost with regulatory simplifications, tax benefits *(thehindubusinessline.com)* Feb 01, 2023

To increase business activity at the Gujarat International Finance Tec-City (GIFT) IFSC at Gandhinagar, Finance Minister Nirmala Sitharaman has announced a number of facilitating measures and sops in Budget including a proposal to delegate powers under the SEZ Act to the International Financial Services Centres Authority (IFSCA) to avoid dual regulation.

Regulations for SEZ units, however, have been tightened with the Budget proposing to provide a time limit for an SEZ unit to bring the proceeds from exports of goods or services into India and making the filing of income-tax return mandatory for claiming deduction on export income.

In August 2022, the Comptroller & Auditor General of India had asked the Central Board of Direct Taxes to consider specifying a time limit for remittance of export proceeds by SEZ units to claim deduction under Section 10A of the Income Tax Act. It observed that in the absence of time limit, deductions were being allowed even in cases where major part of export proceeds was pending realisation.

The bouquet of benefits for GIFT IFSC, which aspires to become India's gateway for inbound and outbound requirements of the international financial services, includes decision to establish a subsidiary of EXIM Bank for trade re-financing at GIFT, recognising offshore derivative instruments as valid contracts and permitting acquisition financing by IFSC Banking Units of foreign banks.

Measures were also announced for improving ease of doing business at GIFT IFSC such as setting up a single window IT system for registration and approval from IFSCA, SEZ authorities, GSTN, RBI, SEBI and IRDAI, and amending IFSCA Act for statutory provisions for arbitration, ancillary services, and avoiding dual regulation under SEZ Act, the FM pointed out.

Tax benefits

The FM also proposed an extension of the period of tax benefits to funds relocating to IFSC, GIFT City till March 31 2025 from the existing March 31 2023.

"For countries looking for digital continuity solutions, we will facilitate setting up of their Data Embassies in GIFT IFSC," Sitharaman said.

The policy support laid out by the government will act as a catalyst in expediting the growth of GIFT City thus making it a vibrant global financial hub for domestic and international entities, said Tapan Ray, MD & Group CEO, GIFT City, Desh Gujarat. "The establishment of an EXIM Bank subsidiary would encourage emerging sectors such as aircraft & ship financing activities in GIFT City. The setting up of data embassies at GIFT City would facilitate digital continuity solutions for countries," said Ray.

The government operationalised the International Financial Services Centre (IFSC) at GIFT Multi Services SEZ in April 2015, with Budget 2016 providing a competitive tax regime for the Centre. https://www.thehindubusinessline.com/economy/budget/gift-ifsc-gets-policy-boost-with-regulatory-simplifications-tax-benefits/article66459036.ece

3. Budget 2023: FM Sitharaman does well to hold back on revdis – but there is little for farmers to celebrate *(indianexpress.com)* Written by Ashok Gulati | Updated: February 2, 2023

The budget has done well to rationalise subsidies, shore up fiscal space. On agri-food, however, it is business-as-usual

What are the main highlights of the budget in the agri-food space? If I had to sum it up in just two words, I would say "revdi restrained". Let's look at some of the key figures. The food subsidy in the FY24 budget is estimated (BE) at roughly 1.97 lakh crore against the revised estimates (RE) of FY23 at Rs 2.87 lakh crore. This means a net saving of roughly Rs 90,000 crore. This has been done by discontinuing the earlier PM-GKAY (Garib Kalyan Anna Yojana), which was started during the Covid-19 period by giving an extra 5 kg of grain free to more than 81 crore people. This has been stopped from January 1. Instead, PDS supplies under the National Food Security Act (NFSA), for which rice and wheat were being charged Rs 3 and Rs 2 per kg, are now made free — this has been renamed as PM-GKAY.

Now, let's look at the other, second-biggest subsidy – for fertilisers. In the BE of FY24, it is provisioned at roughly Rs 1.75 lakh crore as against the RE of FY23 at Rs 2.25 lakh crore — a saving of about Rs 50,000 crore. This has been made possible primarily by the lower costs of imported fertilisers and gas, as the global economy has absorbed the shock of the Russia-Ukraine conflict. Hope this does not go out of hand in FY24.

On top of these two major subsidies, the BE under PM-KISAN for FY24 has been kept at Rs 60,000 crore, the same as the RE of FY23. Recall that this scheme was announced in the run-up to the 2019 parliamentary elections. Rs 6,000 was to be given in three tranches of Rs 2,000 each to more than 11 crore farming households. Since then, the nominal amount has remained constant. With inflation over the last four years, this has actually eroded in real terms by about 20 per cent, if not more. Farmers have been pressing for raising the amount to at least Rs 8,000 per family, but the Finance Minister (FM) has shown restraint. However, one never knows what will happen by the end of the year — the compulsions of electoral politics could force the Modi government to raise the amount to Rs 8,000, perhaps even more.

In any case, right now, savings from these subsidy schemes will help the FM to rein in the fiscal deficit to 5.9 per cent, as budgeted for FY24. It is commendable that the RE of the fiscal deficit in FY23 has remained at 6.4 per cent of the GDP, as was provisioned in the budget. Reducing the fiscal deficit further — to 4.5 per cent by 2025 as the FM says — would be a great achievement, especially when she has increased the overall capex in the economy by more than 30 per cent. That only shows a sense of rationality in restraining revdis and focusing on growth. If India can remain on this path for a few more years, it can outshine many of its peers in the G20.

A few other steps that can help agriculture move towards higher efficiency and inclusiveness are building the digital infrastructure for farmers, setting up the Agriculture Accelerator Fund, focusing on horticulture value chains, giving a big thrust to millets mission, setting up storage facilities for farmers at the cooperative level, and targeting overall credit disbursement of Rs 20 lakh crore. The FM also talked of developing alternatives to chemical fertilisers and giving a boost to natural and organic farming. However, most of these initiatives are at a nascent stage and will only make a marginal difference. There is no earth-shaking policy for agriculture in this budget that can quickly double farmers' income.

Readers may recall that in 2016, Prime Minister Narendra Modi shared his dream of doubling farmers' incomes by 2022-23. During the last nine years of the Modi government, Indian agriculture has grown, on average, by 3.5 per cent per annum — the same as what was achieved during the 10 years of the UPA government, which targeted a 4 per cent agri-GDP growth rate. The current regime set far more ambitious targets. However, the performance of agriculture has been the same under both regimes.

The data of the three Socioeconomic Surveys conducted over the last two decades reveals that the real incomes of farmers closely follow the growth rates in agri-GDP. Given this backdrop, it seems that it will be business as usual or farmers. That's not very encouraging because agriculture employs the largest share of our workforce (46.5 per cent).

A factor that can transform agriculture and also tame food inflation is how much the nation spends on agri-R&D. The budget for the Department of Agriculture Research and Education (DARE) has been provisioned at Rs 9,504 crore, up by about 9.7 per cent over the RE of Rs 8,659 crore in FY23. This is too meagre a change and cannot make our agriculture resilient to climate change, which is already knocking on our doors. If we want to ensure long-term food and nutritional security for the largest population on this planet, we need to raise our expenditure on agricultural research, education, and innovation to at least 1 per cent of the agri-GDP. But the data released by the Comptroller and Auditor General (CAG) reveals that the Centre and states combined spent less than half of this benchmark on agri-R&D in the pre-Covid year, FY20. If we have to be self-reliant in food, and not suffer the wheat crisis Pakistan is suffering or undergo something similar to Sri Lanka's food crisis, we have to almost double our expenditure on agri-R&D to make our agriculture resilient to climate change. I wish the FM had taken this bold step. https://indianexpress.com/article/opinion/columns/budget-2023-sitharaman-does-well-to-hold-back-on-revdis-but-little-for-farmers-8418219/

SELECTED NEWS ITEMS/ARTICLES FOR READING

4. Returning to the fiscal glide path *(financialexpress.com)* February 2, 2023

The fourth and final full Budget of the incumbent National Democratic Alliance (NDA) government before the general election next year chose fiscal rectitude over pre-election largesse. It was framed against the challenging backdrop of a looming global recession and continuing geopolitical uncertainty.

While the task before the Budget was cut out — to protect the economy from domestic and global headwinds in what looks like a year of many unknowns — there does not appear to be much fiscal room to do that. So, this Budget has resisted the temptation to fire demand by spending more in a pre-poll year.

That said, fiscal authorities will need to keep their options open, in the event the global economy throws a few curveballs. Moreover, supporting growth through fiscal policy in times of high inflation is always tricky. Notwithstanding huge deviations from the Budget estimates in both expenditure and revenue, the fiscal deficit for FY23, at 6.4% of GDP, was on target due to upside on tax collections.

This was important for three reasons. One, India has the highest debt to GDP ratio among similarly rated sovereigns, which makes it vulnerable on that count. Two, the Covid pandemic had pushed the fiscal deficit beyond comfort levels and it needed to be returned to the envisaged glide path.

A focus on fiscal consolidation during a pre-election year also enhances policy credibility of the government among market participants. Three, this move works to complement the policy action taken by the RBI to restrain inflation, particularly the sticky core, which is sensitive to demand conditions.

The Budget assumes nominal GDP to grow 10.5% in fiscal 2024, slower than 15.4% this fiscal. This is realistic as both real GDP growth and inflation will print lower . A lower nominal growth would imply lower tax collections. But even within the revenue-constrained scenario, the Budget has accelerated the momentum on public capital expenditure allocation by cutting revenue expenditure.

Last year, too, a similar strategy was followed. But the budgetary assumptions were belied by the Russia-Ukraine war, leading to spikes in commodity and crude prices and bloating the domestic subsidy bill.

Government borrowings have been budgeted to go up in nominal terms but at Rs 15.4 trillion they remain below market expectations. Overall, the markets have received well the signal on the commitment to fiscal consolidation, which will have a salutary effect on government bond yields. This, together with lower inflation as the RBI's rate hikes peak out and the lower crude prices, will see 10-year government bond yields cool to 7% from the current levels of 7.4%. It will also help in lowering the current account deficit, which we expect to fall to 2.4% in fiscal 2024. https://www.financialexpress.com/budget/returning-to-the-fiscal-glide-path-2968636/

5. India to face challenges in meeting fiscal deficit target: Report *(hindustantimes.com)* Feb 01, 2023

India could find it challenging to meet the fiscal deficit target of 4.5% of GDP in 2025-26, an analyst at Fitch Ratings said on Wednesday, adding that the country's sovereign rating continues to remain stable.

Fitch has a BBB- rating on India with a 'Stable' outlook.

"Essentially, it (the fiscal glidepath) implies further consolidation of about 0.7% of GDP for each of the following two fiscal years," Jeremy Zook, director for Asia Sovereign Ratings at the global rating agency, told Reuters.

"If we look at the recent deficit reduction trend, it seems like it would be a bit more difficult and absurd to achieve that level of deficit reduction."

The government's budget gap, which hit a high of 9.5% of GDP in 2020/21 as the spread of Covid infections brought the economy to a halt, has narrowed since but remains well above the medium-term goal of 4.5% of GDP by 2025/26.

The government is targeting a budget deficit of 5.9% of GDP for 2023/24, while the deficit was 6.4% in 2022/23, according to revised estimates.

Earlier in the day, an official at Moody's Investors Service had also said that the government's fiscal deficit target for 2025/26 could see some risks.

Global economic headwinds, geopolitical risks, and high commodity prices could potentially pose risks to the government's fiscal math, Fitch's Zook said.

"If you were to see commodity prices rise significantly, that could lead to some renewed pressure to maintain subsidies that are at a higher level in an election year," Zook said.

"That could lead to some fiscal slippage and potentially higher and higher borrowing costs for the government."

The ruling Bhartiya Janata Party faces elections in key states this year and a national vote in 2024.

India continues to have gaps in terms of its infrastructure and reducing those gaps should be positive for medium-term growth, thereby helping the country sustain higher growth rates over the medium term, Zook said, pegging India's GDP growth at 6.2% for 2023-24. https://www.hindustantimes.com/business/india-to-face-challenges-in-meeting-fiscal-deficit-target-report-101675253585492.html

6. Union Budget: Defence modernisation to stay a slow march *(timesofindia.indiatimes.com)* Feb 02, 2023

The defence budget has only seen a modest hike, despite the continuing 33-month-long troop confrontation along the frontier with China. The allocation for military modernisation, meanwhile, was just over onefourth of the outlay due to hefty revenue expenditure and pension bill. In effect, military modernisation will proceed slowly like before.

The defence budget has been pegged at Rs 5. 93 lakh crore, which marks a meagre 1. 5% hike over the last fiscal's revised estimates and 13% more than budgetary estimates. It works out to just 1. 97% of the projected GDP for 2023-24 if the huge pension allocation of Rs 1. 38 lakh crore for around 35 lakh exservicemen and defence civilians is considered. It drops to amere 1. 5% if the pension bill is excluded.

Experts have been calling for an allocation of more than 2. 5% of the GDP to defence expenditure to build deterrence against thethreat from China and Pakistan. The capital outlay for new weapons systems, platforms and sensors stood at Rs 1. 63 lakh crore in thenew defence budget, a 6. 7% hike from budgetary estimates of 2022-2023. It was dwarfed by the Rs 2. 7 lakh crore revenue expenditure for day-to-day budget running costs and salaries for the armed forces (14 lakh personnel).

The defence ministry said 'non-salary revenue outlay' has been enhanced by 44% to touch Rs 90,000 crore to maintain a high level of operational preparedness. "This will cater to sustenance of weapons systems, warships and aircraft, and their logistics as well as emergency procurement of critical ammunition and spares," an official said.

To strengthen border infrastructure along LAC, the capital budget of the Border Roads Organisation has been increased by 43% to Rs 5,000 crore. https://timesofindia.indiatimes.com/business/budget/defence-modernisation-to-stay-a-slow-march/articleshow/97539211.cms

7. Going beyond the GDP *(thehindubusinessline.com)* February 1, 2023

The Union Budget was presented against the backdrop of geopolitical risks and macroeconomic uncertainties of mounting global inflation. The fiscal arithmetic however is grounded on the path towards fiscal consolidation, pegging a fiscal deficit to 5.9 per cent in FY 23 and to 4.5 per cent by FY 25. Relatively high fiscal deficit is substantiated with high capex and human development–related public spending including food security measures to poor. This emphasis on "Beyond GDP" paradigm in Budget is indeed welcome.

The capital investment outlay is increased by 33 per cent to ₹10-lakh crore in Union Budget 2023, at 3.3 per cent of GDP. Given the assumption that real GDP will grow at 7 per cent in FY 2022-23, we have to wait and see whether India will be able to "grow out" of high deficits and debt. "Growing out" of debt can happen if real rate of interest (r) (cost of borrowings) remain sustainably lower than the growth (g) of the economy, encapsulates in $r<g$ axiom.

Now comes the question, where is the money coming from? If the fiscal glide path is through tax buoyancy path rather than public expenditure compression, the fiscal consolidation can be less painful. Recognition for keeping fiscal policy "accommodative" for growth recovery is emphasised in the Budget.

However the efficacy of "fiscal rules" at the State level — by adhering to numeric threshold ratios of fiscal deficit to GDP at 3.5 per cent — needs a recalibration in the times of macroeconomic uncertainties. This is because the extra-borrowing powers for the State (0.5 per cent) is linked to power sector reforms, and there are wide inter-State differentials in the attainments of financial and operational parameters of power sector efficiency. Moreover, the volatility in the intergovernmental fiscal transfers is also affecting the State level fiscal space.

Deficit pressures

The revenue deficit GDP ratio is 2.9 per cent in 2023-24 BE, as against 4.1 per cent in 2022-23 RE. However, the "golden rule" of Fiscal Responsibility and Budget Management (FRBM) — to phase out the revenue deficit — is detrimental for economic growth recovery at this juncture.

Making revenue deficit to zero therefore is not feasible, as further compression in revenue expenditure can affect economic recovery. The revenue deficit to fiscal deficit ratio is 48.68 per cent in 2023-24 BE, which is less than this ratio at 59.61 per cent in 2022-23 BE. This ratio was further up at 79.72 per cent in 2021-22 Actuals.

The discretionary fiscal space available for designing public expenditure is crucial. Discretionary fiscal space can be captured through deducting the debt servicing liability of the present government. The primary deficit, which is difference between fiscal deficit and interest payments, provides the current fiscal policy stance devoid of past interest payments liabilities, which is pegged at 2.3 per cent in 2023-24 BE.

The primary deficit to GDP has reduced from 3.3 per cent in 2021-22 (actuals) to 2.8 per cent in 2022-23 (RE). It is interesting to recall the dissent note by Arvind Subramanian in the FRBM Committee Report arguing to use primary deficit instead of fiscal deficit as the operational parameter of the government as it highlights the current discretionary fiscal stance. However, this Budget has not given any clues relate to a new FRBM Act.

To finance the fiscal deficit in 2023-24, the net market borrowings from dated securities are estimated at ₹11.8- lakh crore. In addition to this, fiscal deficit is also financed from small savings and other sources. The gross market borrowings are estimated at ₹15.4-lakh crore this FY (Budget Speech, 2023, page 28). We have not found a consistent figure on market borrowings in the Budget documents. This is puzzling.

Inflation pain

Now, what is not there in the Budget? Inflation hurts poor. Given the supply side elements of inflation, RBI alone cannot control inflation within the new monetary policy framework of inflation targeting. The "earlier than expected" hikes in interest rates alone could not arrest the inflation in a sustainable manner. However, the Budget has not announced significant social security measures to support poor from the mounting inflation.

The tax side policies per se cannot tackle economic inequalities. The rebate limit in the new tax regime has been increased to ₹7 lakh. The tax structure in the new personal tax regime has been changed by reducing number of slabs to five and increasing the tax exemption limit to ₹3 lakh. Though this will provide major relief to all tax payers in the new regime, we need to know that tax payers constitute only an insignificant segment of Indian population, approximately around 4 per cent.

There is no further announcements relate to climate bonds announced last year.

However there is a conspicuous absence of climate responsive budgeting Statement in the Budget The Budget is equally silent on the regulatory frameworks of crypto assets, where a 30 per cent was announced last year. https://www.thehindubusinessline.com/opinion/budget-going-beyond-the-gdp/article66460091.ece

8. A strong foundation for Green India *(financialexpress.com)* February 2, 2023

Green growth continues to be a central pillar of India's overall development trajectory. The FY24 Budget speech outlined several new priorities, but paving a truly green economy path needs consistent effort.

The formalisation of the National Green Hydrogen Mission is the biggest single-sector push on the green growth agenda. The Rs 19,744 crore allocated to green hydrogen can be used in part as viability gap funding (VGF) to create demand for green hydrogen via the SIGHT (Strategic Interventions for Green Hydrogen Transition) fund. To promote the manufacturing of electrolysers, allocations under the PLI scheme should focus on the indigenisation of higher-value components.

With the growing deployment of renewable energy, grid stability is important for energy system resilience, which is why the Budget has focused significantly on energy storage and grid infrastructure.

The Rs 20,700 crore allocation to evacuate and integrate 13GW of renewables from Ladakh would spur investments in a region that has had high RE potential but historically low investment. Moreover, the Budget promises VGF for battery energy storage systems for 4,000

MWh. Detailed framework for pumped-hydro storage is awaited but signals clear attention to a dominant source of energy storage.

A simultaneous fillip to mobile storage manufacturing and the transition to electric vehicles has been provided too. Exemption of customs duty for capital goods to produce lithium-ion batteries will reduce the final prices of batteries and make EVs more affordable. The encouragement for scrapping old government vehicles will create demand for EVs and encourage domestic manufacturing, if incentives are designed correctly. Given that the 50-year interest-free loan to states to be spent within 2023-24 can include scrapping old vehicles, this might be a good opportunity to get electric buses for public transport.

However, the Budget could have done more in directly channelling investment towards RE infrastructure. Eight years ago, the target for renewables was raised to 175 GW by 2022 and it is within the next eight that non-fossil electricity capacity must reach 500 GW. Institutional investors could have been nudged towards the sector by imposing RE investment obligations. The domestic bond market could have been deepened through a subsidised credit enhancement scheme. This would have limited fiscal implications but brought funds to clean energy infrastructure.

The Budget has promoted two more areas worth noting. First, promotion of a circular economy is now a budgetary priority—200 compressed biogas plants will be developed with Rs 10,000 crore under the GOBARdhan scheme. The support for the collection and distribution of biomass would encourage a circular economy in the agricultural waste and transport sectors. More can be done to promote recycling plastics and for critical minerals.

The other push has been towards sustainable agriculture, particularly with the ambition to make 10 million farmers adopt natural farming and setting up 10,000 bio-resource centres to provide for regenerative agriculture. Additionally, the PM Pranam scheme could push agriculture towards alternative fertilisers and the more judicious use of chemical ones. While the Budget promises to create a global hub for millets in India, more efforts are needed for value addition and increased consumer uptake of millet-based products globally.

The promises in the FY24 Budget will drive investments in new sectors. A truly green Budget, however, would outline how India's transformative targets for a green economy could be achieved timely and strategically. https://www.financialexpress.com/budget/a-strong-foundation-for-green-india-2968668/

9. India to spend over Rs 1,000 crore just on scrapping and replacing Central govt vehicles older than 15 years *(cnbctv18.com)* Feb 1, 2023

The central government has factored in an expenditure of Rs 5,172 crore under the Faster Adoption and Manufacturing of Electric Vehicles (FAME) scheme, in Budget 2023. Budgetary estimates for promoting electric vehicles was Rs 2,908 crore.

Part II of the FAME scheme was launched in 2019 with a total outlay of Rs 10,000 crore and is set to expire on March 31, 2024. While the industry was hoping for an announcement on the extension of the FAME scheme, sources said that the government is yet to take a call on extending the scheme further.

Union Finance Minister Nirmala Sitharaman stated that the government would be spending an adequate amount on scrapping and replacing government vehicles and will also support states in doing so.

"All central government vehicles beyond 15 years will be scrapped and will be replaced. Expenditure will be allocated under different department but the amount is likely to exceed 1000 crores. We will also be extending support to states under the state investment policy, but that will on meeting certain conditions under the national scrapping policy"', said Finance Secretary TV Somanathan in response to a CNBC TV18 query.

Sohinder Gill, Director General of the Society of Manufacturers of Electric Vehicles (SMEV), said, "After passing through a challenging phase of scarcity of good quality 'Made in India' EV components for the last two years, the local supply chains are beginning to take shape. Therefore, the hike in customs duty on SKD/CBU is opportune as it will further incentivize the local suppliers because of the relative pricing advantage. Additionally, the continuation of the existing import sops for machinery used to produce lithium-ion batteries will help support current battery pricing. There are still a lot of EV component/parts that need to be imported, including lithium batteries, permanent magnets for electric motors, semiconductors, etc. We anticipated that the customs duty on these necessary imports would be rationalised in order to help keep EV prices in check."

Sumit Issar, Managing Director at Mahindra Accelo, said, "Cero (Mahindra MSTC Recycling) warmly welcomes the Central government's decision to allocate funds to assist state governments in this endeavour under the vehicle scrappage policy. This move will give the vehicle scrappage policy announced by MoRTH the much-needed push and acceptance and we expect this financial help to be utilized by States in replacing old vehicles as well as waiving off dues on old vehicles intended for scrapping."

Automobile Industry has welcomed the tax changes in the budget which will put more disposable income in the hands of consumers. https://www.cnbctv18.com/auto/budget-2023-govt-to-spend-over-rs-5000-crore-on-evs-rs-1000-crore-on-scrapping-15831011.htm

10. Defence budget falls below 2% of GDP, emphasis on border infrastructure *(business-standard.com)* February 2, 2023

For the first time in decades, India's defence allocations have dropped below two per cent of the nominal gross domestic product (GDP).

Of the Union Budget's total outlay of Rs 45,03,097 crore for financial year 2023-24, the Ministry of Defence has been allocated Rs 593,373 crore. This amounts to 1.97 per cent of GDP, or 13.2 per cent of government spending.

The defence budget includes an allocation of Rs 138,205 crore for defence pensions, which have fallen significantly for the first time this decade. Last year's pension allocations were Rs 153,414 crore.

The defence allocations for 2023-24 represent an enhancement of Rs 68,371 crore, or 13 per cent, over the budget allocations of 2022-23. However, if this year's allocations are compared with the revised allocations of 2022-23, the rise is a miniscule 1.5 per cent.

The defence capital outlay for equipment modernisation and infrastructure development has increased to Rs 171,375 crore. The government has portrayed this as a 57 per cent rise since 2019-20. However, compared to last year's Budget allocations, the capex has been raised by just 7 per cent.

To be able to support small, high-technology industries and start-ups, the Innovations for Defence Excellence (iDEX) scheme has been given Rs 116 crore.

Defence Minister Rajnath Singh termed the Union Budget of 2023-24 growth-oriented, and said it will help in turning India into a $5-trillion economy within a few years.

ADDING TEETH

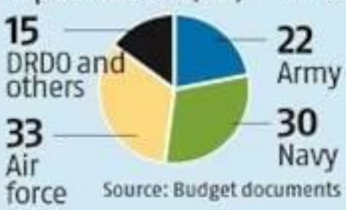
Defence allocations for 2023-24, in ₹cr

	2021-22 (Actual)	2022-23 (BE)	2022-23 (RE)	2023-24 (BE)
Salaries and allowances	157,214	172,874	175,535	184,906
Non-manpower revenue expenditure	75,824	64,869	89,618	90,508
Ministry of Defence	6,058	7,306	8,244	8,544
Capital expenditure	144,785	160,420	157,979	171,375
Pensions	116,800	119,697	153,414	138,205
TOTAL DEFENCE BUDGET	**500,681**	**525,166**	**584,790**	**593,538**
Central government spending	3,793,801	3,944,909	4,187,232	4,503,097
Percentage of govt spending	13.2%	13.25%	14%	13.2%
Total GDP			27,307,751	30,175,065
Percentage of GDP			2.14%	1.97%

DISTRIBUTION OF CAPEX AMONG SERVICES

Capex amount, in ₹cr

Army	37,242
Navy	52,805
Air force	57,137
DRDO and others	24,191
Total	**171,375**



Source: Budget documents

In order to keep the armed forces battle-ready, the non-salary portion of the revenue outlay has been enhanced by 44 per cent from Rs 64,869 crore in the Budget estimates for 2022-23 to just over Rs 90,000 crore in the coming year.

"This expenditure is expected to close critical gaps in the combat capabilities and equip the forces in terms of ammunition, sustenance of weapons and assets, military reserves, etc.," the defence ministry said.

While the 1.3 million-strong army has been allocated a lion's share of the revenue and pension budgets, the Indian Air Force has got the biggest share of the capital allocation: Rs 57,137 crore. The navy has been allocated Rs 52,805 crore, while the army will make do with the smallest capital budget: Rs 37,242 crore.

The defence ministry said a key thrust of the Budget was towards infrastructure strengthening, particularly along the Sino-Indian border. For this, the capital allocation to the Border Roads Organisation (BRO) has been increased by 43 per cent, from Rs 3,500 crore in FY23 to Rs 5,000 crore in FY24. The ministry said the BRO's allocation had doubled in the two years since FY22.

"This will boost border infrastructure, thereby creating strategically important assets like Sela Tunnel, Nechiphu Tunnel and the Sela-Chabrela Tunnel," said the ministry in a press release. https://www.business-standard.com/budget/article/defence-budget-falls-below-2-of-gdp-emphasis-on-border-infrastructure-123020101776_1.html

11. Power Minister R K Singh says 39 hydro projects under implementation; 9 stalled *(moneycontrol.com)* FEBRUARY 02, 2023

As many as 39 hydro projects totalling 14,623.5 MW capacity are under implementation in the country while nine out of these are stalled, Parliament was informed on Thursday.

In a written reply to the Lok Sabha, Power Minister R K Singh said steps are being taken by developers/government for revival of the stalled projects.

"39 Hydro Electric Projects (above 25 MW) aggregating to 14,623.5 MW are under implementation in the country. Out of these, 30 projects aggregating to 13,387.5 MW are under active construction and likely to be commissioned by 2026-27 and 9 projects aggregating to 1,236 MW are presently stalled (as on December 31, 2022)," Singh said.

In order to fast-track the development of HEPs in northeastern region, a basin-wise indication of projects has been undertaken by CPSUs, he said.

As on December 31, 2022, total 211 HEPs aggregating to an installed capacity of 46,850.15 MW were in operation in the country, he added.

In another reply to the House, Singh said that at present, there are 30 large HEPs with aggregate installed capacity of 11,137.50 MW which are being developed in the Himalayan belt across different states in the country.

Out of these, 23 projects totalling 10,381.5 MW are under active construction and seven HEPs totalling 756 MW are held up, Singh said adding that besides, there are 87 operational HEPs with an aggregate installed capacity of 22,982 MW in the Himalayan belt across different states.

He told the House that the land subsidence in Joshimath is a very old issue. It was observed way back in 1976, when M C Mishra committee appointed by the UP government submitted its report examining reasons for the instability of the land.

Out of 30 under-construction projects, only two, namely Phata Byung (76MW) and Tapovan Vishnugad (520 MW) located in Uttarakhand were impacted due to natural events such as floods/avalanche in the last 10 years, Singh stated.

No large hydro power project lies in the close proximity of Joshimath town, he informed the House adding that the nearest power project, Tapovan Vishnugad HEP is also far away from the site where subsidence took place in recent past.

Tapovan Vishnugad HEP remains unaffected from the subsidence in Joshimath. However, the district administration issued an order on January 5, 2023 to stop the construction activities at the project site until further orders, he stated. https://www.moneycontrol.com/news/business/economy/power-minister-r-k-singh-says-39-hydro-projects-under-implementation-9-stalled-9989821.html

12. Budget 2023 cuts MGNREGS funds: The debate around the rural employment scheme *(indianexpress.com)* Updated: February 2, 2023

In the Union Budget presented on Wednesday, the Centre has cut the allocation for the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) by 21.66 per cent for 2023-24, attracting criticism from some quarters.

What is the MGNREGS allocation in the Budget 2022-23?
Finance Minister Nirmala Sitharaman has allocated Rs 60,000 crore for the scheme, lower than the budgetary estimate of Rs 73,000 crore for 2022-23. The reduction is sharper when compared with the revised estimate of Rs 89,400 crore for the current financial year.

In 2021-22, an actual expenditure of Rs 98,468 crore was incurred on the MGNREGS.

While presenting the budget, Sitharaman mentioned the MGNREGS only once, in the context of work for mangrove conservation.

The debate on MGNREGS

In the past, government sources have pointed out that expenditure on MGNREGS is need-based, and can always be increased if such a requirement is felt. The Budget allocation, thus, does not mean no more money can be spent on the rural employment scheme.

However, activists and worker unions claim that by cutting down Budget allocation, the government sends out a notice that it wants to spend less on MGNREGS, and hence fewer initiatives are undertaken under the scheme.

What did the Economic Survey say about MGNREGS?

The Economic Survey 2022-23, presented on January 31, said there has been a Year-on-Year (YoY) decline in monthly demand for MGNREGS, as the rural economy is normalising due to strong agricultural growth and a swift bounce-back from Covid-19.

“The number of persons demanding work under MGNREGS was seen to be trending around pre-pandemic levels from July to November 2022. This could be attributed to the normalisation of the rural economy due to strong agricultural growth and a swift recovery from Covid induced slowdown, culminating in better employment opportunities,” the survey said.

“In FY23, as on 24 January 2023, 6.49 crore households demanded employment under MGNREGS, and 6.48 crore households were offered employment out of which 5.7 crore availed employment,” it noted.

How have political parties reacted?

The Congress asked if the MGNREGS funds were being diverted for the Centre’s capital expenditure, for which the Budget makes a solid push. “For me, something does not add up in the budget. Because they (the BJP) have said they will spend a lot of money on government capital expenditure. It is both good and bad. Good because it is good, quality expenditure. Bad because… where is the money for this coming from? It is coming from MGNREGA cuts,” Praveen Chakravarty, the head of the Congress's data analytics department, told The Indian Express.

The cut in the MGNREGS, he said, was "problematic". "By cutting the Budget allocation, they are either saying the MGNREGS demand will suddenly and dramatically come down or that people will ask and they will not be provided work. This is illegal because, by law, you have to provide work." he said.

Jairam Ramesh, head of the Congress communication department, said the government spent less than what was budgeted last year. "Last year's Budget drew applause for allocation towards agriculture, health, education, MGNREGS and welfare of SCs. Today the reality is evident. Actual expenditure is substantially lower than budgeted. This is Modi's OPUD strategy of headline management — Over Promise, Under Deliver," he tweeted.

CPM leader and Kerala Finance Minister KN Balagopal also criticised the Budget for "cutting down MGNREGS funds and food subsidies were cut down drastically".

BJD leader Amar Patnaik said issues "concerning rural development, education, and health should have been addressed more aggressively."

"States are getting interest-free loans for capital expenditure but a lot of capital expenditure was already happening. It will help in doing more but the point here is for rural people of Odisha, increase in tele-density and new mobile towers are to be made. Rural roads need to be completed. Increase in MGNREGS expenditure… These have not been addressed," he said. https://indianexpress.com/article/explained/explained-economics/budget-cuts-mgnregs-funds-debate-around-scheme-8418503/

13. India on cusp of returning to high-growth trajectory: Arvind Panagariya *(business-standard.com)* Updated: Feb 2, 2023

Eminent economist Arvind Panagariya has said India is on the cusp of returning to a high growth trajectory and voiced confidence that the country will become the world's third-largest economy by 2027-28.

Currently, India is the fifth largest economy so it's another five years. We are already in (the year) 2023. So 2027-28, India should be the third-largest economy, Panagariya, Columbia University Professor and former Vice Chairman of NITI Aayog, told PTI in an interview here.

A day before Finance Minister Nirmala Sitharaman presented the Union Budget on Wednesday, the Economic Survey tabled in Parliament pegged India's GDP growth at 6.5 per cent in 2023-24.

The International Monetary Fund's World Economic Outlook update Tuesday said growth in India is set to "decline from 6.8 per cent in 2022 to 6.1 per cent in 2023 before picking up to 6.8 per cent in 2024, with resilient domestic demand despite external headwinds.

Last week, the UN said in its flagship World Economic Situation and Prospects 2023 report that India is projected to grow at 6.7 per cent in 2024, the fastest-growing major economy in the world.

Panagariya said his reading of the Economic Survey is that the narrative that comes across tells the story of a much stronger economy than the one that is growing at 6.5 per cent.

My sense is that given where India stands currently, it should get back to 7% plus kind of growth rate, he said.

He added India is currently in a spot that it was in 2003 when the growth rate picked up to close to about 8 per cent and the country sustained that kind of rate for a few years.

Outlining his reasons for high growth ahead, he said several reforms have been implemented and weaknesses in the economy have been cleaned up during the COVID pandemic such as non-performing assets of banks and weak balance sheets of many of the big corporates.

Noting that balance sheets of banks and corporates are now pretty sound, he said this is reflected in the investment proposals and investment commitments that are being made by many of the large corporates.

We're seeing this surge in both public and private investments, the fact that policy reforms have happened, lots of infrastructure has been built up. And the fact that there is an effective government in place, very credible (government)," Panagariya said.

"A government which realises its strengths and which is I think the reason you don't see a whole lot of populism in the budget, even though this is the last full budget before parliamentary elections, tells you and makes me feel that India is on the cusp of returning to a high growth trajectory, he said.

India heads into general elections in 2024.

Panagariya added that India will certainly remain the fastest-growing major economy for several years to come. He projected that India would maintain about a 7 per cent growth rate over these years and if the country takes measures to open up the economy further, particularly on the trade front with liberalisation requiring a good bit of knocking down of the customs duties, then we could get to easily 8 per cent.

He said the "rest of the strengths for achieving this growth are present in the system. Some of the reforms that are ongoing need to be implemented, for instance, the labour law reform.

"If we can do that, I absolutely have no doubt that we would sustain 7% and could in principle, I think, touch 8 per cent.

Referring to the announcements in the budget, he said his expectations were fully met".

On fiscal consolidation, the debt to GDP ratio had escalated to about 84 per cent as it stands currently after COVID because expenditures had to be raised at the time and revenues took a hit, which led to very large fiscal deficits, leading to the accumulation of debt, he said. So we needed to get back to consolidation and the Finance Minister has made a good effort in that direction.

The revised estimate for 2022-23 for the fiscal deficit is at 6.4 per cent and the estimate for 2023-24 is now placed at 5.9%.

It's a modest reduction in the fiscal deficit. But given the other features of the budget, I personally think that even that modest reduction in the deficit carries a good signal, Panagariya said.

He added that the Modi government has been very successful at implementing infrastructure projects on scale and at speed.

The government has raised capital expenditure to 3.3 per cent of GDP, as against 2.9 per cent of GDP this past year.

This is really a major increase, he said.

Sitharaman announced hiking the capital expenditure by 33 per cent to Rs 10 lakh crore for infrastructure development for 2023-24 and will be at 3.3 per cent of the GDP.

Panagariya said he had been suggesting that it was time to get the reform of personal income taxation because the country had made reasonably good progress on corporate profit tax reform, bringing the tax rates down to over 25 per cent.

So this (personal income tax) was a long-awaited reform and a big one so I am very pleased with that, he said.

Finance Minister Sitharaman said the government has made the new income tax regime more attractive for taxpayers and has thus brought about substantial changes in its structure for the benefit of the middle class.

The Budget 2023-24 has proposed changes in the optional tax regime, which was introduced in 2020-21.

As per the changes proposed in the Budget, no tax would be levied on people with an annual income of up to Rs 7 lakh under the new tax regime but it made no changes for those who continue in the old regime that provides for tax exemptions and deductions on investments and expenses such as HRA. https://www.business-standard.com/article/economy-policy/india-on-cusp-of-returning-to-high-growth-trajectory-arvind-panagariya-123020200364_1.html

14. NHAI land acquisition scam: Madras HC censures CBCID for poor probe *(timesofindia.indiatimes.com)* Updated: Feb 2, 2023

CHENNAI: Rapping the CBCID for its snail-paced probe into the ₹200-crore Chennai-Bengaluru national highway land acquisition scam, the Madras high court has said it would entrust the case to the CBI if no progress is reported in a week.

"If this kind of snail's pace investigation is made by the CBCID this court will lose its confidence in them and will not hesitate to even transfer the matter to CBI," Justice R said. Suresh Kumar Said.

When the plea came up for hearing on January 30, M Velmurugan, DSP of the Kancheepuram CBCID, filed a status report. Perusing the report, the judge censured the CBCID for its lethargic and cavalier attitude.

"For instance, in the report, the DSP has stated that the then Kancheepuram DRO K Narmatha was also one of the important persons to be inquired and according to them, they could not find her whereabouts and that they could not inquire her. But Narmatha had appeared at least three times before this court in connection with a contempt petition during the last couple of weeks," Justice Suresh Kumar said.

"I have gone through the 23-page report. A majority of the report has already been stated before this court. The content has been reproduced from the earlier report once again. Between the last hearing and today it seems that no notable progress has been shown by CBCID in its investigation," the judge said.

The high court then adjourned the hearing to February 13. https://timesofindia.indiatimes.com/city/chennai/nhai-land-acquisition-scam-madras-hc-censures-cbcid-for-poor-probe/articleshow/97537618.cms