## NEWS ITEMS ON CAG/ AUDIT REPORTS (03.01.2023)

**1. Rajasthan train derailment linked to rail fracture; CAG recently flagged track maintenance issue** *(theprint.in, ptinews.com, republicworld.com, latestly.com)* 2 January, 2023

The derailment of 13 coaches of the Bandra-Jodhpur Suryanagri Express in Rajasthan on Monday which left 26 injured has been prima facie linked to a rail fracture, officials said.

Incidentally, the derailment occurred days after a Comptroller and Auditor General report raised concerns over the maintenance of tracks over the railway network.

The derailment of the coaches of Bandra Terminus-Jodhpur Suryanagri Express (12480) on the Rajkiyawas-Bamodara route at 3.27 am led to the cancellation or route diversion of around two dozen trains, a North Western Railway (NWR) spokesperson said.

“Prima facie, it is a case of rail fracture. However, only a detailed investigation can find the exact cause,” a railway official said.

The report of the Comptroller and Auditor General tabled in Parliament on December 21 has said that the zonal railways are ignoring track repair and monitoring rules set by the Railway Board.

The CAG said that according to the rules of the Railway Board, the track should be inspected once in two months on major railway routes with ultrasonic machines.

It flagged shortfalls in ultrasonic flaw detection (USFD) testing in rails and welds during the four-year period between 2017 and 2021.

An ultrasonic detection machine detects rail fractures which are not visible to the naked eye during trackman inspection.

The shortfall was 50 per cent in Northern Railway in respect of USFD testing in rails, the report found.

In North Western Railway, where the incident occurred on Monday, the shortfall was 11 per cent and in South Western Railway, it ranged between 4-41 per cent.

In South Eastern Railway (SER), the shortfall in USFD testing on welds ranged between 4 and 42 per cent. In Western Railway, the shortfall ranged between 10-37 per cent. In the North Frontier Railway, the shortfall ranged from 4-23 per cent and in the East Coast Railway, the shortfall was up to 100 per cent.

The CAG has clearly stated in the said report that due to the gross negligence in track repair, more than 1,229 derailment accidents have occurred in the four-year period between 2017 to 2021.

“The Railways may develop a strong monitoring mechanism to ensure timely implementation of maintenance activities by adopting fully mechanized methods of track maintenance and improved technologies,” the report stated.

It also stated that the USFD testing was to be carried out at the prescribed frequency.

"There was a shortfall in USFD testing. Timely testing by USFD may help in early detection of vulnerable points and initiating necessary remedial measures to reduce the probability of accidents," it said. https://theprint.in/india/rajasthan-train-derailment-linked-to-rail-fracture-cag-recently-flagged-track-maintenance-issue/1294680/

2. **Laxity of zonal railways blamed** *(b2bchief.com)* UPDATED: Jan 2, 2023

In the wake of derailment of the Bandra-Jodhpur Suryanagari Express in the Rajasthan's Pali district in the early hours of Monday that left 26 passengers injured, it's being argued in the railway circles that zonal railways are allegedly ignoring the rules set by the Railway Board for track repair and monitoring.

The modern ultrasonic detection test machine is procured to closely inspect the health of the track. But in the last four years, a 50 per cent shortfall was found in the said inspection by the zonal railways.

The Railways are prima facie considering rail fracture as the cause of the train accident. The ultrasonic detection machine detects rail fractures that are not visible to the naked eye during trackman inspection. But surprisingly the work of 50 per cent track inspection by machine was not done by the zonal railways.

In this direction the Comptroller and Auditor General of India (CAG) has pointed to the Railway Board in its report presented in the winter session of Parliament. The CAG has clearly stated in the said report regarding the derailment of trains in the Indian Railways that due to gross negligence of railways in track repair, more than 1,100 derailments have happened in the last four years (2017 to 2021).

The CAG said according to the rules of the Railway Board, the track should be inspected once in two months on major railway routes with ultrasonic machines. While there is a provision for the second railway route once in three months, the CAG found in the investigation that there was a shortfall of 23 to 50 per cent in the inspection by ultrasonic machines on major routes. Whereas in many zonal railways, 100 per cent i.e. track inspection was not done even once.

The CAG has noted in the report that from December 2013, the Railway Board implemented a policy of employing outsourced staff in addition to permanent employees (trackmen) for track repair work. It found in its investigation that the outsourced staff was 9 to 36 per cent less than the capacity in the civil engineering department of various zonal railways.

The CAG observed that due to the inefficiency of the outsourced staff, they are not a helper but a burden to the Railways. This compromises the railway track repair work. Apart from this, there was negligence on the part of the Railways in training the personnel involved in the track repair work. Senior section engineers, track maintainers, welders, junior engineers, supervisors, and a total of 794 safety personnel were not trained. https://b2bchief.com/laxity-of-zonal-railways-blamed/

**3. Suryanagri Ex derailment: Laxity of zonal railways blamed** *(thestatesman.com)* UPDATED: Jan 2, 2023

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**4. Why TDP says Jagan Reddy pushing Andhra Pradesh to bankruptcy** *(indiatoday.in)* UPDATED: Jan 2, 2023

In a Christmas Day challenge, former Andhra Pradesh finance minister Yanamala Ramakrishnudu has dared chief minister Jagan Mohan Reddy to a public debate on the distressing condition of the state's finances, accusing him of lying about the economy that he said was "in the doldrums". The challenge is with a caveat. Ramakrishnudu wants the debate in the presence of Comptroller and Auditor General (CAG) officials.

Ramakrishnudu alleges that the state was not divulging details on the huge loans it has mobilised. He says the YSR Congress government has not revealed complete facts to constitutional and statutory institutions such as the CAG, and that the CAG has stated that the Andhra government has not been submitting accounts and reports. Further, he alleges that the chief minister was trying to mislead people with claims that his government had borrowed less than its predecessor.

“The borrowings of the Andhra Pradesh government have exceeded its revenue receipts, and this is leading to an extraordinary financial crisis, which may lead it fast to bankruptcy,” says Ramakrishnudu. “It has already crossed all debt barriers. The government has deviated from the cardinal economic principle of using borrowings from set creation. Instead, it is diverting all borrowings for unproductive purposes.”

The former finance minister is known to seldom fall back on rhetoric and usually speaks after a study on the subject at hand, be it the state’s economy or legislative matters. “The total borrowings made by the governments at the Centre, from 1956 to 2019, were Rs 2.53 lakh crore, while the YSR Congress government in Andhra mobilised loans worth Rs 6.38 lakh crore in its three-and-a-half-year rule. The figure might well be over Rs 10 lakh crore by the time the Jagan Reddy government demits office,” says Ramakrishnudu.

Further, he says the previous Telugu Desam Party (TDP) government had allocated a major chunk of the borrowings to capital expenditure, while in the present dispensation the loans were allotted under revenue expenditure. Alleging lack of transparency, he says the state government, as pointed out by the CAG, had not mentioned in its budgets about the Off Budget Borrowings (OBB) in three successive budgets of 2019-20, 2020-21 and 2021-22. “The state has also not made public how much loans it has availed through the various corporations and other institutions,” he says, demanding that the balance-sheets of the corporations be put in public domain and the chief minister explain the real situation of the finances.

According to Ramakrishnudu, the YSR Congress government has, in the first half of the current financial year, borrowed about Rs 58,000 crore under the Open Market Borrowings (OMB) against the budgeted allocation for Rs 48,000 crore. And by the end of the financial year, these borrowings would cross the Rs 1 lakh crore mark, which was double the budgeted allocation, he adds. Besides, the government had availed OBB of Rs 4.4 lakh crore. Together, with the OMB, the total borrowings in the last three-and-a-half years was about Rs 8.52 lakh crore. “As far as the OBB is concerned, the government has gone against the financial norm to increase the borrowing limit from 90 per cent to 180 per cent,” he claims.

Ramakrishnudu contends that whichever government comes to power next will have to repay at least Rs 1 lakh crore a year—this when the total budget of the state is around Rs 3 lakh crore. “When we (TDP) handed over power to the YSR Congress in 2019, the growth rate was around 10.22 per cent. Now, it is minus 1.8 per cent, which clearly shows the chief minister is either ignorant of the facts or distorting it to his convenience,” he says.

Besides, Ramakrishnudu claims that in the Direct Benefit Transfer (DBT) schemes, Andhra was in the ninth position in the country. “If DBT is a success story as is being claimed by the chief minister, why is poverty around 21 per cent and inequality around 43 per cent? This clearly indicates large-scale corruption and the poor becoming poorer under YSR Congress rule,” he says.

Ramakrishnudu demands the government release a White Paper on the Rs 85,000 crore "that has gone missing from the accounts". He alleges that there is no response from the state government to this even after the CAG asked for a detailed clarification.

Ridiculing Ramakrishnudu, and without commenting on the challenge to a debate, Andhra finance minister Buggana Rajendranath has termed the Opposition as experts in manipulating figures. He says the TDP government made borrowings of not less than 4 per cent every year during 2014-19 even as the 14th Finance Commission put the fiscal responsibility and budget management (FRBM) limit for the state at 3 per cent. Rajendranath says the Jagan Reddy government had made 2.1 per cent debts only in 2021-22 (during the Covid pandemic) against the 15th Finance Commission's FRBM limit of 4.5 per cent.

Stating that a staggering Rs 1.85 lakh crore in aid was extended to people after the formation of the YSR Congress government, he emphasises that Rs 1.35 lakh crore was directly credited into the bank accounts of SCs, STs, backwards and minorities under various welfare schemes. A total benefit of Rs 1.45 lakh crore was provided to people under the non-DBT schemes. "This reflects our government's commitment to the welfare of the poor and downtrodden," asserts Rajendranath. But in the absence of a debate to impress voters, it is only their endorsement at the polling booths in the 2024 assembly election that will determine whether profligacy is paying in the long term. https://www.indiatoday.in/india-today-insight/story/why-tdp-says-jagan-reddy-pushing-andhra-pradesh-to-bankruptcy-2316428-2023-01-02

**5. Seven years on, Assam's crime tracking system's objectives 'unachieved'** *(hindustantimes.com)* Jan 03, 2023

The Comptroller and Auditor General (CAG) of India tabled its report last week in the Assam assembly after reviewing the implementation of 'Crime and Criminal Tracking Network System (CCTNS)' in Assam and noted, "Due to incomplete data capture, the very objective of providing information repository to help the police officials in analysing crimes and detection of criminals and track remained unachieved."

Assam's CCTNS project, an advanced project aimed at improving tools of investigation for police in analysing crime patterns, and detecting and tracking criminals, still remains unaddressed even after seven years of its implementation, the CAG report mentioned.

"The manual system (of recording crimes and information on criminals) still remains present, with only certain mandatory fields being recorded in the system, leading to the discrepancy of data between CCTNS and manual records," the report stated.

The report stated that only a few of the citizen-centric services were operational and their "utilization was not optimum".

CCTNS is a 'mission mode project' under the national e-Governance plan of govt of India aimed at creating a comprehensive and integrated system for enhancing the efficiency and effectiveness of policing. It has a core application system, which is common for all states and union territories but can be customized at the state level.

According to guidelines issued to all states by the union home ministry, nine important services related to police functioning, including solutions for law and order, crime prevention and traffic were to be covered under CCTNS. But CAG detected that as of February 2021, only four of these services were in function in the state. They included solutions to registration, investigation, prosecution and reporting.

In Assam, CCTNS was implemented first as a pilot project in two districts namely Kamrup (metropolitan) and Kamrup (rural) in January 2013 and subsequently covered all districts in one year.

CAG noted that despite signing agreements with service providers and allocation of funds ( ₹67 crore), 28 of the total 502 locations (348 police stations, 154 higher offices) remained unconnected.

The audit report revealed discrepancies and errors in using several key features of CCTNS, including registration of first information reports (FIRs), maintenance of case diaries, final reports and charge sheets as well as uploading of photographs of missing persons and unidentified dead bodies.

The report also mentioned inaccurate entries in the database which defeated the very purpose of implementing CCTNS. “It also made online monitoring of FIRs difficult.”

The CAG found that while Assam police proposed to train 23,659 personnel for implementation of CCTNS, till February 2021, only 10,595 were imparted training. And while 4,461 investigation officers were selected, only 1,291 got the required training to work using CCTNS.

There was “poor implementation” of citizen services as well by the police, the report noted, adding “...Of the 1,753 complaints received between January 2014 and March 2021, only 468 were entertained.”

There was also a shortfall of human resources for the delivery of citizen services and police data digitization.

The CAG recommended steps to do away with the parallel system of maintaining both manual forms and CAS forms in a phased manner and suggested doing away with a manual system of creating and maintaining records.

Recommendations were also made to review the quality of data entered in CCTNS, timely processing of citizen services and adequate and required training to all staff of Assam Police for proper implementation of CCTNS.

“While CCTNS is working well in some areas there are some points which need to be addressed better. There are multiple factors for the same ranging from the inadequate deployment of human resources, lack of training and delay in approval at government level for the requirement of manpower,” said a senior police official on condition of anonymity.

“Efforts are already underway to ensure proper implementation of CCTNS in the state,” he added.

At present, the home department, under which Assam police functions, is under the control of chief minister Himanta Biswa Sarma. While a lot of focus has gone into recruitment, modernization of the force as well as repair and construction of existing infrastructure, the CAG report shows that a lot of work needs to be done on CCTNS. https://www.hindustantimes.com/cities/others/seven-years-on-assam-s-crime-tracking-system-s-objectives-unachieved-101672735660899.html

## SELECTED NEWS ITEMS/ARTICLES FOR READING

**6. Look beyond Roads, Rail in Capex** *(fortuneindia.com)* Jan 2, 2023

IN LAST FIVE YEARS, the Union government has spent ₹19.26 lakh crore on capital assets to keep growth ticking when almost all other engines of the economy were running in slow motion. With global recession looming, the coming Union Budget is again expected to announce huge capital spending to prevent the economy from stalling.

This is not incidental. Since FY19, Central government has made a strategic shift in infrastructure spending. Instead of treating capital expenditure as just an accounting entry under expenditure budget, it decided to use it to fire up the economy. The result: Total revised allocation of ₹17,07,404 crore between FY19 and FY22 exceeded the total Budget estimate of ₹16,05,331 crore during the period. While this has helped India wade through many challenges in last four years, namely uncertainties of U.S.-China trade war, economic slowdown of 2019 and the mother of all crises, Covid 19, experts say there is a need to refine the strategy. The reason: Most of this expenditure has gone into building road and railway assets at the cost of segments such as health and urban infrastructure that are equally important for country's holistic development (See ...But Highways, Railways Get Special Treatment).

**Capex Focus**

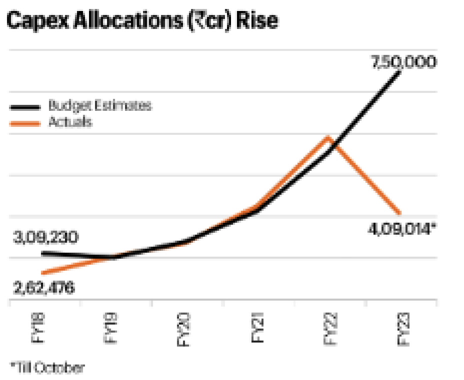
Until FY17, Union governments used to reduce capital expenditure whenever their accounts were under pressure to maintain fiscal balance. Union Budget FY19 was a turning point. Since then, capital expenditure has never been reduced to bring down fiscal deficit in the hope that infrastructure-led growth will eventually attract private investment.

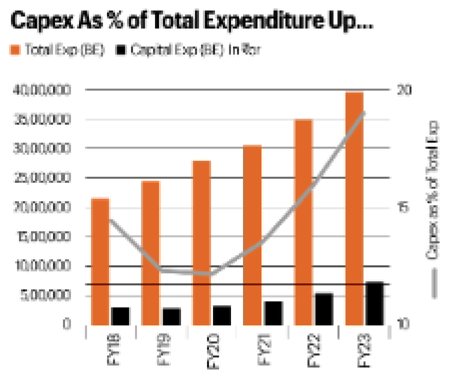
With private investment still tepid and exports likely to be under pressure due to global slowdown and likely recession next year, there is no doubt that Union Budget FY24 will again bet big on capital expenditure. Finance minister Nirmala Sitharaman said during a pre-Budget consultation in November that capital expenditure can "guarantee" growth. "We would continue to push capital expenditure. We are well on course to meeting this year's target. States have shown extraordinary absorption capacity for taking the money and spending on capital assets. The government sees the capital expenditure route as one which can guarantee good growth," she said. Out of ₹7.5 lakh crore allocated for capital spending in FY23 Budget, 55%, or ₹4.09 lakh crore, had been utilised till October 31 compared with 46% in corresponding period of previous fiscal.

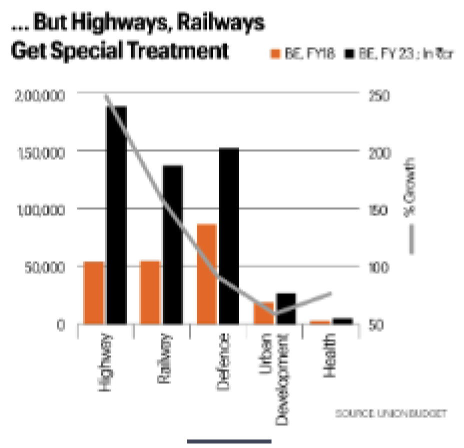
**Need for Diversification**

Experts welcome the attention being paid to building assets but say there is too much focus on highways and railways. They say other infrastructure segments also need more attention. Allocation for highways and railways as percentage of capital expenditure has risen from 35% in FY18 to 43% in FY23 (₹3,24,844 crore out of ₹7,50,000 crore capital expenditure). The percentage of allocation to other significant sectors such as defence, urban development and health has been coming down over the years. For example, allocation to defence as percentage of capital expenditure has come down from 28% in FY18 to 20.31% in FY23. The share of health has dipped from 1.13% to 0.75%, while that of urban infrastructure has fallen from 6.25% to 3.64%.

An analysis by Fortune India shows ₹26,63,362 crore outlay for capital expenditure in past five years (against ₹11,49,179 crore in previous five years). Of this, highway ministry (₹5,63,622 crore) and railway ministry (₹4,88,097 crore) accounted for ₹10,51,719 crore. Sectors such as health, urban development and telecom lag with ₹17,184 crore, ₹1,29,540 crore and ₹1,19,141 crore, respectively.




Experts say government needs to give more attention to urban infrastructure. "Government focus has been on roads and railways. Logistics parks are new areas. They will have a multiplier effect. Industrial corridors will not succeed unless accompanied by supporting urban infrastructure," says Arindam Guha, partner, Deloitte India. He says health, education and urban infrastructure segments are largely under state governments or municipal authorities with limited role for Central government, while a number of important infrastructure segments such as energy are part of National Infrastructure Pipeline and being dealt by the private sector. Abhishek Gupta, sector head and vice president, ICRA, says while higher focus on railways and highways is a good strategy due to their high multiplier effect, other segments, too, have potential. "Drinking water and sewage treatment infrastructure need increased focus given the importance of public health for citizen well-being. Rural infrastructure like access to clean water and sanitation services is one area where we see substantial investment potential," he adds.

But allocations are not evenly spread out even within roads and railways.

**Flagship Projects**

Expenditure trends for highway and railway ministries show large funding for single flagship projects rather than projects for different geographies. Highway ministry did not respond to request seeking details of projects undertaken from Central capital expenditure but a recent statement by transport minister Nitin Gadkari gives a sense of the ministry’s spending patterns. "The expressway between Delhi and Mumbai would be almost complete in December. It will be 1,382 kms long. It is worth ₹lakh crore. With this, the distance between the two cities can be covered in 12 hours," he says. The ₹1 lakh crore capital cost is around 20% the spending of ₹5,40,469 crore over last five years. This means a big part of the outlay has been used for one project.

Railway ministry also did not reply to mail seeking details of key projects built from Central funds over last five years. But Railway Minister Ashwini Vaishnaw has indicated in the past that railways' infrastructure requirements are huge and at the same time paramount considering high logistics costs in the country. "India should be investing significantly more into railways. We have to invest ₹3 lakh crore consistently to meet aspirations of the people and lower logistics costs. Competing economies have been investing around ₹9 lakh crore for last 30 years," Vaishnaw said at a recent event in New Delhi.

**Funding Issues**

With over ₹10 lakh crore spent on railways and highways over last five years, it is now paramount for both the sectors to find new funding models to reduce dependence on Budget allocations. Central government has limited space for continued support with fiscal deficit crossing the red line and segments such as urban infrastructure, health and education requiring more hand-holding. Railways need to come up with a tariff policy for dedicated freight corridors, revive reforms such as introduction of private trains and rejig its freight tariff policy. Highway ministry should speed up its road monetisation programme and revive the build operate and transfer model of public private partnership without depending only on Central funding.

**Monitor Spending**

Apart from finding new models to bankroll projects that have received good funding in the past, central government also needs to monitor utilisation of funds as actual capital expenditure over past five years has lagged revised estimates. The revised estimate between FY18 and FY22 comes to ₹19,80,849 crore. The amount spent was ₹55,158 crore less at 19,25,691 crore. Spending by states has also been lacklustre. For example, they had utilised only ₹34,034 crore (30%) out of their ₹1,11,899 crore capital outlay till October-end. "Overall higher spending by

Centre is offset by weak state spending. Considering buoyant receipts, such low spending growth (especially capital expenditure by states) is puzzling. However, we note that 60% of annual spending by states occurs in the second half, and thus, one could hope for a pick-up in 2H FY23," says Motilal Oswal's research report, EcoScope–The Economy Observer, released in November.

## Change Over The Years

| FY | Highways | Railways | Urban Development | Health |
|---|---|---|---|---|
| 2017-18 | 54,176 | 55,000 | 19,332 | 3,508 |
| 2018-19 | 59,440 | 53,060 | 16,415 | 2,720 |
| 2019-20 | 72,058 | 65,837 | 19,544 | 1,750 |
| 2020-21 | 81,974 | 70,000 | 21,149 | 1,065 |
| 2021-22 | 1,08,230 | 1,07,100 | 25,759 | 2,508 |
| 2022-23 | 1,87,744 | 1,37,100 | 27,341 | 5,633 |

Budget allocations in ₹cr; Source: Union Budget

**Budget Agenda**
Key issues that the Union Budget can address are narrow spending focus, lower fund utilisation, making railway and highway segments self-sufficient through new funding models and encouraging both states and the private sector to participate in the infrastructure story in a big way. "Bulk of the infrastructure funding is still coming from banks, leading to asset-liability mismatch. Securitisation has worked in other countries and could be adopted in India, too," says Guha. According to him, under this model, government could set up institutions to take infrastructure loans from banks. Different types of loans can be pooled and converted into securities. "These bonds will be backed by cash flows from these loans and rated by agencies. This can create liquidity and attract non-government financial institutions," says Guha.

The Budget could also encourage setting up of an institutional mechanism at state level to implement big projects. "There is no nodal agency for infrastructure in states. Centre needs to create a framework with an infrastructure body to which states can transfer all surplus assets," says Guha.

Kotak Mutual Fund's market outlook for 2023 says India is at the "cusp of a multi-year capex cycle." For that to happen, headline allocation numbers will not be enough. If not pruning infrastructure allocations from FY18 was a strategic shift, time has come for more effective monitoring, increasing fund flow to sectors like health and education and finding innovative models to encourage private sector to take part in infrastructure-led revival of the Indian economy. https://www.fortuneindia.com/long-reads/look-beyond-roads-rail-in-capex/110964

**7. Indian economy poised for further growth in 2023 despite global headwinds** *(financialexpress.com)* January 2, 2023

The Indian economy recovered from the COVID-induced downturn during 2022 and is poised for further improvement in the coming quarters though downside risks emanating from geopolitical tensions, strengthening dollar and elevated inflation will continue.

The positive trajectory in the growth trend and improved fundamentals will help the nation in neutralising the impact of global headwinds which are expected to have a bearing on the country's exports in the months to come.

The challenges before the government and the Reserve Bank in the new year would be to arrest inflation, check declining value of rupee against US dollar and promote private investment and growth, with a view to ensure that the country remains one the fastest growing major economies of the world.

India recorded a growth of 9.7 per cent in the first half of 2022-23 (April-September), as against 5.6 per cent in Indonesia, 3.4 per cent in the UK, 3.3 per cent in Mexico, 3.2 per cent in the Euro area, 2.5 per cent in France, 2.2 per cent in China, 1.8 per cent in the USA and 1.7 per cent in Japan.

"From the viewpoint of India, in terms of headwinds originating abroad, the worst is probably behind us … Overall, I still expect us to end the current fiscal year with a growth rate exceeding 7 per cent.

"Next year, the 7 per cent growth rate should sustain assuming the forthcoming Budget does not have any negative surprises," opined former vice-chairman of the Niti Aayog and noted economist Arvind Panagariya.

The biggest problem the economy faced was persistent high inflation which remained above the Reserve Bank's comfort level for the most of the year. Infact, the RBI had to file a report to the central government on why it failed to check inflation.

The depreciating rupee against the US dollar too remained a challenge for policy makers making imports costlier and in turn impacting the country's current account deficit. The rupee, according to analysts, will continue to remain under pressure in the coming months.

Exports too faced global headwinds and the things may not be rosy either in 2023, because of recession in key western markets and geo-political crisis due to the Russia-Ukraine war.

Later months of 2022 witnessed lots of job cuts in the technology segment amid global economic turmoil, though a mixed bag of opportunities is likely to greet job aspirants in the New Year as telecom and services-oriented sectors are anticipated to accelerate hiring.

Andrew Wood, Director, Sovereign & International Public Finance Ratings, S&P Global Ratings said that India is benefiting from a period of rapid nominal GDP growth and buoyant revenues.

“These dynamics are helping to stabilize key debt metrics including the debt to GDP ratio, and the government’s interest burden, albeit at still-elevated levels. While this tailwind will fade heading into FY24, we still expect India to achieve solid growth next year,” Wood added.

India also bears some risks associated with the expected global slowdown, as well as higher interest rates and inflation, especially as tighter monetary policy continues to work its way through the system, he added.

The Reserve Bank front-loaded interest rate hikes to check inflation as well as rupee depreciation triggered by repeated hike in interest rate by the US Federal Reserve, thus making loans dearer.

However, a surge in post-pandemic pent-up demand helped India’s property market, one of the largest employers in the country, overcome risks from rising interest rates this year but the dream run might face hurdles from global headwinds in 2023.

The government too is hopeful to meet the fiscal deficit target of 6.4 per of the GDP on back buoyancy in revenue collection.

Former Reserve Bank Governor Raghuram Rajan has opined that the next year will be difficult for the Indian economy as also for the rest of the world and the country failed to “generate reforms” needed for growth.

He said policies should be formulated keeping in mind the lower middle class which suffered the most due to the coronavirus pandemic. Rajan also pitched for creating a conducive environment for small and medium-scale industries and giving a push to a green revolution in the field of sustainable energy. https://www.financialexpress.com/economy/indian-economy-poised-for-further-growth-in-2023-despite-global-headwinds/2934234/

**8. The Demo impact** *(financialexpress.com)* January 3, 2023

The Supreme Court’s 4:1 judgment on the Centre’s 2016 demonetisation decision settles the question of legality of a controversial move that has had major ramifications. The apex court said that “there has to be a great deal of restraint before interfering in matters of economic significance” and that it “cannot supplant such views with the judicial one.” The majority judgment held that the decision did not violate the RBI Act provisions. It also said that the decision was in keeping with the doctrine of proportionality—“no administrative action should be more drastic than is required to obtain the desired outcomes”—and that the period of 52 days for exchanging old notes was reasonable. However, Justice BV Nagarathna, who was part of the five-judge bench, has dissented, saying that the Centre wasn’t empowered by the RBI Act to take the demonetisation decision in the manner it did, and that if demonetisation is to be initiated by the Centre, “such power is derived from Entry 36 of List I of the Seventh Schedule to the Constitution which speaks of currency, coinage and legal tender, and foreign exchange” and is to be undertaken after the enactment of the relevant law by Parliament.

But much beyond legality, the real questions surrounding the demonetisation decision relate to the pain it inflicted on people when it was enforced and what ultimately was achieved. Even as the stated goal initially was to extinguish black money held in cash, from the larger pool of currency with the public at the time, very little cash actually met such a fate—over 99% of the demonetised notes got exchanged. There could have been some gain in terms of intelligence gathering for authorities policing the black economy, but whether the demonetisation exercise was the best method for this, remains an open debate. The overnight decision and the way it was communicated triggered panic, and the masses went through considerable pain in the 52-day period that the SC has deemed reasonable. Demonetisation, many economists contend, also broke the back of the informal economy, along with a host of other measures taken later. The government told the SC that the move was part of a policy push for formalisation of the nation's economy. But many micro, small and medium enterprises failing to recover from it has meant even more complex, long-term challenges for the economy, in terms of employment, prices, etc.

The goal-post was continually shifted by the government—from extinguishing black money to ending terror financing to pushing a 'less cash' economy to furthering penetration and adoption of digital transactions. Demonetisation, no doubt, was possibly the biggest impetus given to adoption of digital transactions in India. Another success that its proponents cite is the sharp increase in the number of taxpayers—from 61 million in 2015-16 to 85 million in the next two years. On the flip side, the currency with the public has risen from Rs 17.8 trillion on the eve of demonetisation to Rs 32.42 trillion now. Now that the legality of the move is beyond question, the least the government can do is to bring out a report on what the exercise had hoped to achieve, how it was implemented, and what the outcomes were—a truth and reconciliation move. This is necessary as there are doubts in many quarters whether the elaborate exercise to unearth black money—the stated and primary goal of demonetisation—was worth it. https://www.financialexpress.com/opinion/the-demo-impact/2934548/

**9. A step in the right direction** *(financialexpress.com)* January 3, 2023

The stated purpose of the Digital Personal Data Protection Bill, 2022 (the Bill) is to provide for the processing of digital personal data in a manner that recognises both the right of individuals to protect their personal data and the need to process personal data for lawful purposes. It establishes primacy of the right of the individual to protect her personal data and privacy, a fundamental right. This primacy sets the tone, and many provisions flow from this thought and reflect a sense of fairness to the data principal (the person whose data is being processed). The Bill is a simple yet comprehensive piece of legislation, fairly well-drafted, and in sync with the digital economy that we are fast becoming. India has close to 700 million Internet users, and this number is likely to cross the 900 million mark by 2025. It is the largest connected democracy in the world and will, in the near future, become one of the leading per capita data-producing and consuming economies. With the government's ambitious $1 trillion digital economy goal, this Bill could not have come at a better time and, more importantly, a better shape and form than it is in. The Bill has referred to the individual (data principal) as "she"/"her" irrespective of gender. This is for the first time in the legislative history of our country that "his" stands replaced by "her". It might look symbolic, but it is a giant step forward to establishing equity, diversity, and inclusion in our policy and rule-making. Hopefully, this Bill is the start, and other legislations will follow suit. The Bill is also refreshing in using illustrations to bring home certain concepts; this is important in our country because of the low awareness of personal data processing and rights associated therewith.

Data is a mutually beneficial asset, and accountability should be the currency. When it comes to personal data, it has to be processed responsibly and sensitively in an ecosystem that is increasingly becoming digital—which the Bill ensures. Keeping the purpose in mind, the Bill adequately safeguards the interest of data principals. It simplifies the subject at this nascent stage by defining only "personal data" and not segregating the same into sensitive personal data and critical personal data. The Bill's scope is only to cover digital processing and offline personal data that is digitised.

This brings about simplicity. Personal data can be processed only for lawful purposes and with consent or "deemed" consent of the data principal. The concept of deemed consent is a new introduction and helps in removing consent fatigue. The data fiduciary (person who controls the processing of such data) may transfer personal data outside India to those countries that the government may notify. Obviously, this would be based on the adequate protection of such data, equity, simplicity, and reciprocity between countries, all features that any modern law should have.

The right to be forgotten contained in the Bill reinforces the primacy of the data principal's right to privacy. The enforcement is through the Data Protection Board, and appeals would lie with the High Court. This would be a relatively simpler process to enforce rights. The inclusion of mediation as a means to resolve disputes and voluntary undertakings are welcome steps.

No law or regulation is drafted 'first time right' from the perspective of all stakeholders. This Bill comes close to the ideal. A few areas can be considered for inclusion in the proposed law.

First, data privacy and personal data are matters that require a change in behaviour. There should be a transitory period of 24 months for the industry, governments, Data Protection Board, etc, to ensure infrastructure, process, and compliance readiness, as well as, most importantly, awareness, to build a robust privacy culture in the country.

Second, the performance of contracts and legitimate interest should be included as additional grounds for processing, as in other jurisdictions like the EU, Singapore, etc.

Third, the liability for non-compliance by data processor should not be fastened on data fiduciaries where the data processor has acted outside of or contrary to the instructions of the data fiduciary or has acted negligently. If the data fiduciary has taken adequate steps towards diligence, it would only be correct not to hold the data fiduciary responsible for the acts of the data processor. Holding data processors responsible will bring about shared responsibility towards a stronger data protection regime. The data fiduciary and processor also have a relationship based on mutual trust.

Fourth, in addition to the notified countries for the transfer of data, the law should provide for transfer overseas basis contracts, intra-group schemes, as transfer mechanisms to third parties, affiliates, and subsidiaries in non-notified countries, to enable ease of global operations for Indian organisations. The Data Protection Board should act as a sector "facilitator" in addition to being a regulator, given that the adoption and compliance with this law requires a behaviour change journey.

The Bill has rightfully left several aspects of guidance to be prescribed by way of rules, which will have to be made with the same consultative spirit as this Bill to give India its first modern and contemporary Digital Personal Data law, which will help achieve the purpose with which it is enshrined. https://www.financialexpress.com/opinion/a-step-in-the-right-direction/2934521/

**10. It's time to consider a wealth tax that may lessen Indian inequality** *(livemint.com)* Updated: 03 Jan 2023

The discourse on efficient, effective and equitable public spending often takes us into the realm of limited resources facing competing demands. India definitely needs to widen its revenue collection as well as base. In this context, it is important to discuss the need for levying a wealth tax, and levying it now.

The most compelling reason stems from evidence that there has been massive accumulation of wealth in a few hands. A small section of people has access to a large share of economic assets and resources that remain almost completely untaxed and thus unavailable for public allocation. Wealth, much less than even income, has little to do with one's education, merit or efforts; it is largely dependent on inheritance and opportunities that come with the advantages associated with belonging to one of India's privileged classes and castes. India's top 10% population owns 65% of the country's wealth, while the bottom 10% owns only 6%, according to the World Inequality Database, 2022. An Oxfam report has highlighted how India's richest doubled their wealthduring the pandemic. This happened for a variety of reasons, including profits made on vaccines and commodity and asset price movements. But the fact remains that India, despite facing grave financial and economic challenges, has no means to convert any of this growing wealth into productive resources that can generate employment opportunities and push up the incomes of multitudes, which in turn can drive demand for goods—something that is needed to counter an economic drag-down.

One may argue—and it is common to hear this—that wealth is better left to the wealthy, as they know best how to invest. This has not been in sufficient evidence, at least in India. The government lowered the corporate tax rate significantly from 30% to 22% in 2019-20, which has continued despite the economic crises caused by the pandemic. However, this did not elicit much private investment. Obviously, there is something else at work, and one cannot assume that accumulated wealth in private hands will necessarily be invested in the domestic economy.

In addition, it is not only investment that is important, but also where that investment is going and whether it is creating employment opportunities for the youth. Data from diverse sources show high unemployment rates during May-July 2022 for the youth: 28.3% in the 15-24 age group (bit.ly/3IheGYl) and an even higher 43.3% for the 20-24 age-group (bit.ly/3GbjdJi). The likelihood of a global recession and the related layoffs being announced by corporate giants will make the situation worse. The recent economic growth experienced in India, especially in the post-covid recovery phase, has largely been jobless growth and can further deepen both income and wealth inequalities.

No economy can afford to have such youth unemployment rates for long without adversely affecting economic growth and social cohesion. India needs a shift in its fiscal policy, as being argued by a number of economists, to adopt measures that create employment opportunities and in turn drive demand for products made by small and medium level producers. This would also push up growth while not necessarily widening inequalities. Such a shift will call for public investment on two counts. First, measures to revive trust and boost capabilities of small actors across sectors—agriculture, manufacturing and services. Two, essential public services that ensure the enhancement of capabilities among youth, while also creating employment opportunities that can create demand for goods and services from small actors across sectors (i.e., investment in education and health services). One high potential source of revenue to fund such investments is a wealth tax.

Wealth tax, which is a direct tax unlike the goods and services tax or value-added tax, can take several forms, such as property tax, inheritance or gift tax and capital gains tax. Capital Gains tax exists in India, but applies only to transactions and hence is limited in its base. India scrapped its estate duty in 1985 and has no inheritance tax. Although the receipt of gifts is subject to income tax in the beneficiary's hands, it has various exemptions; it is almost entirely exempt if received from within the family, including the extended family of self and spouse. These exemptions shrink the base significantly, as most accumulated wealth is acquired through family, and that remains outside the gift tax's ambit. Given the cultural context of wealth inheritance, some exemptions make sense, but upper thresholds can be easily added to make it more effective.

India presently does not have any wealth tax—i.e., a tax levied on one's entire property in all forms. It did not impose a one-time 'solidarity tax' on wealth in post-covid budgets that could have generated resources for essential public investment. A number of Latin American countries, including Argentina, Peru and Bolivia, have either introduced or are introducing a progressive annual wealth tax levied on the wealth gains of each year or a one-time covid 'solidarity' tax. There is no reason why India cannot do so too. This is the right time to introduce a progressive wealth tax along with other fiscal steps that can directly reverse the trend of growing inequalities in the country. https://www.livemint.com/opinion/columns/its-time-to-consider-a-wealth-tax-that-may-lessen-indian-inequality-11672679510626.html

**11. Budget to double discom reform outlay to ₹15,000 crore** *(livemint.com)* Updated: 03 Jan 2023

The Centre is likely to double the allocation for the revamped distribution sector scheme (RDSS) to around ₹15,000 crore in the union budget for 2023-24 from ₹7,565.59 crore in the current fiscal year, as it seeks to streamline and modernize the power distribution sector, two officials aware of the matter said.

The increase in budgetary allocation is aimed at reducing aggregate technical and commercial (AT&C) losses, and the gap between average cost of supply per unit of power and the average revenue realized per unit by increasing the efficiency of the distribution sector.

"There are major plans for revamping the distribution sector and we need to significantly lower our AT&C losses. These would require major fund flow and allocation for RDSS may nearly be doubled," said one of the officials, seeking anonymity.

In FY22, AT&C losses of power discoms was at 17%. The government aims to bring it down to 12-15% by 2024-25. AT&C losses have come down to 17% in 2021-22 from 21% in FY21, and the gap between the average cost of supply and the average realizable revenue fell from ₹0.69 per kilowatthour (kWh) in FY21 to ₹0.22 a kWh in FY22. Under RDSS, the Centre aims to bring it down to zero by FY25.

Queries emailed to the ministries of power and finance did not elicit any response till press time.

The scheme is aimed at helping discoms improve operational efficiencies and financial sustainability by providing result-linked funding to discoms and strengthen supply infrastructure on meeting certain pre-qualifying criteria and achieving minimum benchmarks.

The five-year scheme has an outlay of ₹3.03 trillion, from FY22 to 2025-26, including an estimated government budgetary support of ₹97,631 crore. State-run power sector lenders, Power Finance Corp. Ltd, and its subsidiary Rural Electrification Corp, are nodal agencies for implementing the scheme.

In an interview to Mint in November, Alok Kumar, secretary, Union ministry of power, had said that there was a need to increase the outlay for the scheme, considering that the projected cost of modernization and upgradation plans submitted by the states is far higher. He said several detailed project reports (DPR) have been sanctioned under the scheme and states have been tendering projects. However, he said work on the projects will be starting this year, but the major financial requirements will be in FY24. The revamped distribution sector scheme says funding under the scheme will be available only if a discom commits to an agreed trajectory for reducing its losses.

The renewed focus on strengthening the power distribution sector comes amid increasing losses along with dues of power bills from state government departments and agencies, and eventual increase in dues owed by discoms to power generation companies (gencos). The effort to install 250 million smart metres under RDSS by FY25 is aimed at avoiding dues in bill payments by consumers. So far, 173.43 prepaid smart metres have been installed under the scheme.

In a year-end review released on 27 December, the union power ministry said capital investment is budgeted for loss reduction work, system strengthening to cater to increasing load and modernization to make smart distribution system under the RDSS.

The loss reduction projects includes installing aerial bunched (AB) cables, high-voltage distribution systems and feeder bifurcation. System strengthening includes setting up of new substations, feeders and upgrading transformation capacity and cables among others.

Modernization plans will include Enterprise resource planning Supervisory Control And Data Acquisition, and Geographic Information Systems to ensure smarter distributions systems.

So far, loss reduction works of ₹1.05 trillion have been sanctioned for 23 states and union territories and ₹2,663.97 crore was released as the government’s budgetary support under RDSS, the ministry said. https://www.livemint.com/companies/news/budget-to-double-discom-reform-outlay-to-15-000-cr-11672676601443.html

**12. Rural unemployment in central India: Why Adivasi communities are worst-hit** *(downtoearth.org.in)* 03 January 2023

The year 2022 ended with 8.3 per cent of the job seekers in India being unemployed. The rate of unemployment in the urban area was 10 per cent and the rural unemployment rate was 7.7 per cent on December 31, 2022.

The data was released by the Centre for Monitoring Indian Economy (CMIE) that calculates and publishes the country’s unemployment rate on a daily basis. The unemployment rate is a ratio of the total estimated unemployed persons to the total estimated labour force for a month.

The rate of urban unemployment generally remains higher than rural. But the latter is considered more severe mainly because the causes of rural unemployment are more deep-rooted and hence, are more difficult to address, compared to urban unemployment.

Factors such as decreasing land holding size, lack of infrastructure — especially irrigation infrastructure, lack of other job opportunities and continuous depletion of forest resources are considered the main reasons for rural unemployment. These are either irreversible or difficult to change overnight.

The central Indian belt is characterised by undulating terrain, absence of perennial streams, people's dependency on the forest for daily life and lack of irrigation infrastructure, which make it the worst-affected region in terms of rural employment generation. This area is also the heartland of the Adivasi people.

**Low holding size**

Agriculture Census 2015-16 by the department of agriculture & farmers welfare, Government of India showed that the average size of operational holdings decreased to 1.08 hectares in 2015-16 from 2.28 hectares in 1970-71. The marginal (less than 1 hectare land) farmers constitute more than 68.5 per cent of the total cultivators and their average holding size is 0.38 ha.

This situation is even worse in the central plateau area. The percentage of marginal farmers is more within Adivasi communities — around 77 per cent in Jharkhand and 76 per cent in Odisha are marginal farmers, a recent report on the Status of Adivasi Livelihoods (SAL 2021) in the two states by PRADAN, a national-level non-profit, showed.

This minuscule amount of land can't employ all the labour forces in the households beyond the Kharif (monsoon) season unless there are irrigation facilities for a second crop. Even in the Kharif season, the entire labour force of the household is not fully deployed. As a result, most marginal farmers look for wage employment as agricultural labour during the Kharif season as well.

**Lack of irrigation facilities**

Around 49 per cent of the net sown area in India is irrigated, the agriculture census report showed. For marginal farmers' land, it is around 54 per cent.

In the central plateau, however, the situation looks critical. Around 19 per cent of Adivasi lands in Jharkhand and only 7 per cent of Adivasi lands in Odisha have all-season irrigation facilities, SAL 21 showed.

The usual irrigation models such as large dam or river lift irrigation schemes are either not feasible or not beneficial to marginal farmers. In-situ water harvesting, soil moisture conservation, small diversion structures, among others are some of the alternative solutions.

There is, however, a need for developing context-specific irrigation prototypes for different areas within the central plateau.

**Lack of other work opportunities**

There has been a 48 per cent increase in the total production of food grains in the last 20 years, according to data shared by the Press Information Bureau, Union Ministry of Agriculture & Farmers Welfare March 3, 2020. Increased food production, no doubt, has created jobs in the agriculture sector in rural areas.

However, that increase in production has not at all been sufficient to absorb the entire rural workforce. Mechanisation and increase of rural population by 17 per cent during the same period have created more unemployment in the rural areas.

The lack of employment opportunities forces villagers to migrate to cities in search of menial jobs. The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was enacted to give employment opportunities to rural employment seekers. But gradually, the focus of MGNREGA shifted to asset creation and as a result, it became more supply-driven rather than catering to the employment demand of job seekers in the rural area.

The low wage rate of MGNREGA was another issue. In many states, the MGNREGA wage rate was lower than the state’s minimum wage rate.

**Depleting forest resource**

Forests have been a major source of employment for villages in central India. Apart from working for the forest department as labourers, villagers collect and sell various non-timber forest products from the forest.

Since the colonial era, the forest department’s exclusive focus on timber species has negatively affected the non-timber tree species in the forests. The availability of non-timber forest products is declining, the SAL 21 report showed.

**Need for long-term planning, sustained action**

Because of the above factors, rural unemployment in India is chronic, especially in central India. Changing this situation, therefore, needs careful planning and sustained action on a long-term basis.

A key strategy may be to create irrigation infrastructure and bring more areas of small and marginal farmers under a second crop. However, this needs long and intensive engagement to develop context-specific prototypes for water harvesting and irrigation in the central plateau region.

Many civil society organisations such as PRADAN, SPS, FES and WOTR have been working on this for many years and have developed prototypes and models that can be replicated widely.

Nevertheless, more work is needed on this front.

The focus of MGNREGA has to be re-shifted to employment generation. Asset creation can be a by-product and not the main aim. There have been demands from many corners to increase the days of work to 200 days from the current 100 days and increase the wage rate.

At the same time, the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006 has to be implemented in its right spirit. The Adivasis and other forest-dwelling communities should get the right to protect, regenerate, conserve or manage any community forest resource for sustainable use. https://www.downtoearth.org.in/blog/economy/rural-unemployment-in-central-india-why-adivasi-communities-are-worst-hit-86903

**13. Seven years on, proposed Vikramshila Central University project in limbo, awaits Centre's nod on land** *(indianexpress.com)* January 3, 2023

The construction of the proposed central university at Vikramshila in Bihar, announced as part of the ₹1,25,000-crore special package for Bihar by Prime Minister Narendra Modi in 2015, has not begun seven years on, with the state government awaiting the Centre's decision on land where the university would be set up.

Leading up to the 2015 Bihar state assembly elections, Modi announced a special package for Bihar, which included funding for the establishment of a central university at the historical seat of Vikramshila in the Bhagalpur district of the state.

During the winter session of the Rajya Sabha in December last year, the former deputy chief minister of Bihar, Sushil Kumar Modi, raised a question about the Centre's take on the land report sent by the state government.

On December 21 last year, Subhas Sarkar, Minister of State of the Education Ministry, said the site was not suitable for the project. "The Government of Bihar was requested to provide about 500 acres of land free from all encumbrances for the proposed University. However, on the request of the State Government the requirement of land was reduced to about 200 acres to begin with and the remaining to be furnished for future expansion. The State Govt offered the land measuring about 200 acres at three sites. The Site Selection Committee of this Ministry visited the sites in February 2022 and did not find the sites suitable. The Committee has requested for another location closer to ancient monument for holistic future growth perspective of the area," he said.

Bihar has four central universities, in addition to the Indian Institute of Technology (IIT) and National Institute of Technology, as well as an off-campus center of the Aligarh Muslim University (AMU) in Kishanganj.

The land acquisition process for central universities in Bihar has also been an issue previously. About 224 acres of land, along with funds, to build its own campus are still in the pipeline for AMU's Kishanganj center, forcing it to operate from a rented building. The Mahatma Gandhi Central University in Motihari is also operating on a temporary campus. https://indianexpress.com/article/education/seven-years-proposed-vikramshila-central-university-project-in-limbo-awaits-centres-nod-land-8357802/

**14. Only 43.17 % of total project outlay spent so far by Kerala govt in FY 22/23** *(english.mathrubhumi.com)* 03 Jan 2023

Thiruvananthapuram: Kerala Government is struggling to make ends meet as the total plan fund expenditure of various projects for the current financial year stood at 43.17 per cent. In fact, the deepening financial crisis in the state has hampered various projects announced earlier this year.

It is worth noting that by December 2021, when the impact of the Covid-19 pandemic was at its peak, the government spent 47 per cent of the total outlay announced for the financial year. Despite the pandemic recession long gone, the state government continues to refrain from spending the money.

According to Plan Space, a web-based integrated information system to monitor and evaluate the progress of schemes, the total project allocation or aggregate plan outlay, including local self-government schemes and central aid schemes, is Rs 39,640.19 crores. Of this, 43.17 per cent has been spent so far in the financial year.

Further, the fund allocated for projects, excluding local self-government bodies, stood at Rs 22,322 crores. Only 39.95 per cent of the total outlay is used. Meanwhile, only 51.42 per cent of the Rs 8048 crore allocated for local bodies is so far utilized.

With only three months remaining for the financial year 2022/23 to end, it is still unclear whether the government will utilise the total outlay allocated for various projects. However, for the past few years, the government has dropped the practice of cutting down project expenditures if the state treasury faces financial woes. Instead, the government opted to continue spending as much as possible and include the unused amount in the electronic ledger for the next FY. It is predicted that the government will follow this practice again by the end of FY 2022/23. https://english.mathrubhumi.com/news/kerala/only-43-17-of-total-project-outlay-spent-so-far-by-kerala-govt-in-fy-22-23-1.8187762