NEWS ITEMS ON CAG/ AUDIT REPORTS (18.01.2023)

1. RBI warns states against old pension scheme, calls it 'major risk' *(fortuneindia.com)* Jan 17, 2023

The development comes at a time when Congress-ruled states like Himachal Pradesh, Chhattisgarh and Rajasthan have opted to roll out the old pension scheme.

The Reserve Bank of India has warned states against returning to the old pension scheme, calling such a move to be "short-lived" that poses a "major risk" to the country's economy.

In its report titled, 'Capital Formation in India - The Role of States,' the central bank says, "A major risk looming large on the sub-national fiscal horizon is the likely reversion to the old pension scheme by some states. The annual saving in fiscal resources that this move entails is short-lived. By postponing the current expenses to the future, States risk the accumulation of unfunded pension liabilities in the coming years."

The development comes at a time when Congress-ruled states like Himachal Pradesh, Chhattisgarh and Rajasthan have opted to roll out the old pension scheme. Punjab, where the Aam Aadmi Party is in power, has also made a similar promise.

"Going forward, increased allocations of capital expenditure for sectors like health, education, infrastructure, and green energy transition can help expand productive capacities and create a broad-based developmental agenda for the states. Outlays on social services and physical infrastructure can enhance productivity; hence, States must mainstream capital planning rather than treating them as residuals and first stops for cutbacks in order to meet budgetary targets," the report says.

"In this context, it is worthwhile to consider creating a capex buffer fund during good times when revenue flows are strong so as to smoothen and maintain expenditure quality and flows through the economic cycle," it adds.

Pension expenditure alone accounts for 12.4% (average of 2017-18 to 2021-22) of total revenue expenditure of the 10 most indebted states, according to the RBI.

A report by the State Bank of India (SBI) had earlier estimated the present value of future liabilities at 13% of gross domestic product (GDP) if all states opt to roll out the old pension scheme.

The Compound Annual Growth Rate (CAGR) in pension liabilities for the 12-year period ended FY22 was at 34% for all the state governments, according to SBI. As of FY21, the pension outgo as a percent of revenue receipts is around 13.2% for all states combined, and 29.7% of own tax revenue. In fact 56% of expenditure of the states that is committed (interest payments, salary, and pension payments) is met out of state revenue receipts.

According to the Comptroller and Auditor General of India (CAG), the state governments' expenditure on subsidies grew at 12.9% and 11.2% during 2020-21 and 2021-22, respectively, after contracting in 2019-20. The share of subsidies in total revenue expenditure by states also surged from 7.8% in 2019-20 to 8.2% in 2021-22.

The old pension scheme also known as pay-as-you-go scheme was discontinued in 2004 and was replaced by the national pension scheme (NPS). Under the old pension scheme, the beneficiary was provided with a monthly pension till the last day of his/her employed life. The monthly pension was 50% of the beneficiary's last drawn salary.

While the old pension scheme provided no tax benefits, under NPS the beneficiary can claim tax deduction of ₹1.5 lakh under Sections 80C and 80CCD of income tax. Under the NPS, the beneficiary can withdraw 60% sum after retirement. https://www.fortuneindia.com/investing/rbi-warns-states-against-old-pension-scheme-calls-it-major-risk/111181

STATES NEWS ITEMS

2. Decline in Goa's GDP growth rate, says CAG report *(thegoan.net)* JANUARY 18, 2023

In worrying signs for the State, the Comptroller and Auditor General of India has revealed that Goa's Gross Domestic Product growth rate has declined from 14.39 per cent in 2016-17 to 1.31 per cent in 2020-21.

The CAG report was report presented in the State Legislative Assembly on Tuesday.

The State's current year's growth rate of 1.31 per cent was significantly lower than its growth rate of 9.95 per cent (2019-20). However, the State's growth rate during 2020-21 was higher than the national GDP, states the CAG report.

The CAG report further points out that industrial sector is the primary driver of the State's economy and its contribution to GSDP has increased by more than 4 per cent in the last 5 years.

On the other hand the contribution of agriculture and services sector showed a decline during the same period.

The report also reveals that the per capita income of Goa stands at Rs 5.23 lakh as opposed to average per capita national income of Rs 1.45 lakh.

On the population front, the report says Goa has seen a marginal increase of 6.66 per cent in the last decade, from 15 lakh in 2011 to 16 lakh in 2021. https://www.thegoan.net/goa-news/%EF%BB%BFdecline-in-goa%E2%80%99s-gdp-growth-rate-says-cag-report/94080.html

3. Pandemic wreaked havoc on Goa's economy, pushed State further into debt, reveals CAG report *(heraldgoa.in)* 18 Jan 2023

PANJIM: Goa's economy faced the brunt of the Covid-19 pandemic as the State's growth stood at a mere 1.31 per cent in 2020-21 as against 9.95 per cent in 2019-20. The State Gross Domestic Product (SGDP) growth rate was way below the 15th Finance Commission's estimate of 10.90 per cent.

The data released by Comptroller and Auditor General (CAG) reveals that the State moved from a revenue surplus from 2016 to 2019, into a revenue deficit of Rs 325 crore during 2019-

20, which increased to Rs 1,653 crore during 2020-21, due to the pandemic. Goa's agriculture and service sector showed a major decline.

Also, the total outstanding debt of the State Government at the end of March 2021 worked out to Rs 27,310 crore.

"It can be seen that the State's GDP growth rate declined from 14.39 per cent in 2016-17 to 1.31 per cent in 2020-21. The State's current year's growth rate of 1.31 per cent was significantly lower than its growth rate of 9.95 per cent (2019-20) and FC XV estimates of 10.90 per cent (2020-21), due to Covid-19 pandemic. However, the State's growth rate during 2020-21 was higher than the national GDP," the CAG said in its report ending March 31, 2021.

The data reveals that the industries sector was the primary driver of the State's economy during this period and its contribution to the GSDP has increased by more than four per cent in the last five years, from 47.82 per cent in 2016-17 to 52.43 per cent in 2020-21.

On the other hand, the contribution of the Agriculture and Services sector showed a decline during the same period by 2.38 per cent and 2.39 per cent respectively.

CAG pointed out that the transfers from the Centre increased from Rs 917 crore in 2011-12 to Rs 3,386 crore in 2020-21. At the same time, the State's share in Central taxes decreased by Rs 184 crore and grants from the Centre decreased by Rs 290 crore in 2020-21, over the previous year.

"During 2020-21, the overall debt increased by Rs 3,967 crore as compared to the previous year; mainly due to increase in market borrowings, that is Rs 3,054 crore. The overall debt-GSDP ratio sharply increased from 26.71 per cent in 2016-17 to 31.51 per cent in 2020-21," said the CAG. https://www.heraldgoa.in/Goa/Pandemic-wreaked-havoc-on-Goa%E2%80%99s-economy-pushed-State-further-into-debt-reveals-CAG-report/199694

4. State's revenue arrears mount to Rs 5,245 cr, a three-fold increase in four years *(heraldgoa.in)* 18 Jan 2023

PORVORIM: The cash-strapped Goa government has racked up revenue arrears to the tune of Rs 5,245.26 crore in 2020-21, of which 51 per cent has been pending for more than three years, revealed the Comptroller and Auditor General (CAG).

The auditing agency has recommended to the State government to ensure speedy recovery of arrears

of revenue, which is almost Rs 3,382.25 crore.

"This would not only help the Government to increase its revenue receipts but also facilitate achievement of revenue deficit targets to a large extent," the CAG said in its report. The CAG said that Rs 2,650.49 crore of revenue arrears has been outstanding for more than three years.

Further, Rs 1,863.01 crore out of the total outstanding was under legal adjudication, leaving arrears of Rs 3,382.25 crore, which are yet to be recovered.

The CAG also pointed out that the arrears of revenue increased threefold in the last four years, from Rs 1,628.27 crore in 2016-17 to Rs 5,245.26 crore in 2020-21. “This accounted for 74 per cent of the State’s own resources, that is Rs 7,054 crore during the year,” CAG said.

The Commercial Tax Department is the biggest defaulter on the recovery front. A sum of Rs 2,368.53 is pending to be recovered by the Department, of which Rs Rs 1839.10 crore has been pending for more than three years. The Department said that 749 cases are pending in the Revenue Recovery Court (RRC).

The second major defaulter is the WRD, which has failed to recover more than Rs 2,182.56 cr over the years. The amount due is in the form of water tax, water charges and rents, among others. Nearly 200 cases are pending for recovery in various courts.

The Electricity Department is due to recover Rs 517.86 crore from its consumers, another Rs 110.47 crore is due for recovery from the PWD.

The other defaulters include the Departments of Animal Husbandry, Tourism, Printing and Stationary, Police and Excise. https://www.heraldgoa.in/Goa/State%E2%80%99s-revenue-arrears-mount-to-Rs-5245-cr-a-threefold-increase-in-four-years/199693

5. Goa understated fiscal deficit, says CAG report *(navhindtimes.in)* Jan 18, 2023

Amid soaring debt, the Goa government understated its revenue and fiscal deficit for 2020-21 by Rs. 119.4 crore, the Comptroller and Auditor General of India (CAG) highlighted on Tuesday.

Pointing out shortcomings in the state’s fiscal operations, the CAG, in its State Finances Audit Report for the year ended March 31, 2021, tabled in the assembly, said that Goa’s achievement of containing the fiscal deficit at 4.5% of the Gross State Domestic Product (GSDP) in 2020-21 was by “deferring certain clear-cut liabilities”.

The deferred liabilities were non-deposit of Rs. 47.2 crore of cess or royalty to the Consolidated Fund, Rs. 52.8 crore short contribution of employees pension to the National Securities Depository Limited (NSDL) and non-payment of interest totalling Rs. 19.5 crore on balances lying in reserve funds.

The report observes carelessness on the part of the state government in managing its finances. It discloses that the state did not prepare the medium-term fiscal plan (MTFP) and set rolling targets in respect of the fiscal indicators from 2011-12 onwards under the Goa Fiscal Responsibility & Budget Management (GFRBM) Act, 2006 and Rules, 2007.

The provisions of section 5(d) of the GFRBM (First Amendment) Act, 2014, prescribe that total outstanding debt to GSDP be maintained below 25%. However, "during the last five years (2016-21), outstanding debt (excluding off-budget borrowings) of the state ranged from 26.71% to 31.51% of GSDP, breaching the ceiling of 25% of GSDP set by the GFRBM Act," notes the report.

Furthermore, the total outstanding debt of the state, estimated at Rs. 26,521 crore in 2020-21, has been understated by `788.5 crore due to off-budget borrowings by state enterprises such as the Goa State Infrastructure Development Corporation (GSIDC) and the Sewerage and Infrastructural Development Corporation of Goa Ltd.

If the undervaluation had not taken place, the state's debt as per cent of GSDP would actually be higher by 1% for 2020-21, says the report.

The CAG auditors have also flagged the state's poor quality of accounts and financial reporting practices.

"As on March 31, 2021, 10,835 utilisation certificates amounting to Rs. 1,759 crore was outstanding against grants disbursed up to 2019-20. There was pendency in submission of detailed contingent bills by various departments," the report has noted.

The audit report provides a snapshot of the state's finances. It draws attention to the government's malpractice of keeping revenue collection pending. "The arrears of revenue increased threefold in the last four years from Rs. 1,628.27 crore in 2016-17 to Rs. 5,245.26 crore in 2020-21. This accounted for 74% of the state's own resources (`7,054 crore during the year," the report states.

The report recommends that the state government must ensure speedy recovery of arrears of revenue. This would not only help the government to increase its revenue receipts but also facilitate achievement of revenue deficit target to a large extent, it states. https://www.navhindtimes.in/2023/01/18/goanews/goa-understated-fiscal-deficit-says-cag-report/

6. Chief Secy issues Memo to finance Dept to notify OPS *(uniindia.com)* Jan 18, 2023

Himachal Pradesh Chief Secretary Parbodh Saxena on Tuesday issued a office memorandum to finance department of Himachal Pradesh to notify Old Pension Scheme (OPS)or form Standard Operating Procedure (SOP) to implement council of ministers meeting. Chief secretary hold a detailed deliberation on the OPS. with state finance department and stated that all Government employees who are presently being covered under the defined Contributory Pension Scheme also referred to as National Pension System (NPS) will be given benefit of Old Pension Scheme (OPS). In a Office memo also released late evening said that finance Department is directed to notify instructions and Standard Operating Procedure (SOP) to implement the decision.

OM also stated that in pursuance to Cabinet decision above, the Finance Department would issue as and conditions and standing operating procedure in due course course of time. Chief minister Sukhvinder Singh Sukhu who hold first COM meeting on January 13 announced that it has decided to implement the OPS as per the ruling party Election menifesto or Vision Document. He said that Goverment has created additional resources for providing the OPS as VAT on Diesel was hiked to Rs three per litre however Goverment has ensured to keep the prices of diesel Rs three less than other border state

Chief minister stated that state exchequer is almost empty and after debacle in three Assembly and a Lok Sabha Election last BJP government has decided to slashed state VAT on Diesel by Rs six per litre which was hiked to fifty percent by new Goverment. State government which was being criticized by former planning Commission Chairman Montek Singh Ahluwalia and RBI for pushed the state in financial bankruptcy and keeping state finance under cash strain justified the decision stating that state and employees contribution Rs 800 Crore NOS was pending with PRDA but central government did not released this amount to state. He said that Government would lanch new schemes after making resources management for such decisions.

He said that previous government was in whooping borrowing and it lanched about 900 scheme and open Institutions putting the state exchequer under Rs 74000 Cr debt. Chief minister who also hold the portfolio of finance said that BJP government announced to implement 6 th pay commission to state Employees but it did not released Rs 14000 Cr. He said that Rs 1000 Crore arrears of Employees was unpaid on account of interim relief arrears (IRA) and DA installment. The Congress government also denotifed about 950 government Institutions opened by previous BJP government in the Election years.

Chief Minister said that Rs 5000 Cr and new creations of posts would be required for the making fully functional such Institutions. He said that the BJP government bleed the state coffers and net financial liabilities and debt tune to Rs 91000 Crore handed over to him with empty state coffer. Congress chief minister said that state did not got any additional financial assistance from centre despite rehotric double engine. CAG report for the financial year 2021-22 also found in the state financial audit that previous government spend Rs 623 Cr without budget provisions. Both the government had been amended the FRBM act to increase the caping of borrowing limit three time in last three years. Previous government blame Covid pandemic and declining revenue collections however present government was justifing to enhance borrowing limit blaming state empty state coffers. http://www.uniindia.com/chief-secy-issues-memo-to-finance-dept-to-notify-ops/north/news/2899463.html

7. 100 फीट चौड़ी होगी इंडो-
नेपाल सीमा सुरक्षा सड़क, बदलेगी बॉर्डर के इलाकों की सूरत *(bhaskar.com)* 18 Jan 2023

इंडो-
नेपाल बॉर्डर पर बन रही सीमा सुरक्षा सड़क से इनरवा का कायाकल्प तो होगा ही, उसका आकर्षक लुक भी दिखेगा। इनरवा में बन रही इंडो-
नेपाल सैनिक सड़क 100 फीट चौड़ी है। सड़क जब पूर्णरूपेण निर्माण हो जाएगी तो बॉर्डर इलाके में भी महानगर का लुक देखने को मिलेगा। व्यापार भी बढ़ेगा और सीमा की सुरक्षा भी होगी। वाजपेयी सरकार के तत्कालीन रक्षामंत्री जाॅर्ज फर्नांडीस ने भारत-
नेपाल सीमा सड़क परियोजना की परिकल्पना की थी। वाजपेयी सरकार में ही इस सड़क की भी योजना बनी थी।

प्रोजेक्ट इंजीनियर अंशुल मिश्रा ने बताया कि मैनाटांड़ ब्लाक में यह सड़क भंगहा से धुतहा तक बनाई जा रहा है, जो 100 फीट चौड़ी है। सड़क के दोनों साइड 10 फीट की नाली है। उसके बाद बची जगहों पर पेवर ब्लॉक लगाया जाएगा तथा पेवर ब्लॉक के बाद पौधरोपण कर इसको बड़े शहर की तरह आकर्षक लुक दिया जाएगा। यह सड़क वाल्मीकिनगर के मदनपुर से पश्चिम बंगाल के आसनसोल तक बनाई जा रही है। इस सड़क को भंगहा से धुतहा तक बनाने में कुल 123 करोड़ रुपए की लागत आएगी।

भूमि अधिग्रहण में विलंब से 868 करोड़ से बढ़कर 2244 करोड़ हो गई लागत

1751 किमी है नेपाल की खुली सीमा
भारत में नेपाल की खुली सीमा 1751 किलोमीटर है। जिसमें 729 किलोमीटर की सीमा केवल बिहार से लगी हुई है। इसमें 552 किलोमीटर सड़क परियोजना के तहत बननी है। इसमें बिहार के पश्चिम चंपारण, पूर्वी चंपारण, सीतामढ़ी, मधुबनी, सुपौल, अररिया, किशनगंज जिलों के भूभाग आते हैं। सड़क की धीमी गति निर्माण के पीछे भूमि अधिग्रहण का मामला आ रहा है। सीएजी की रिपोर्ट के अनुसार जमीन अधिग्रहण में विलंब से लागत राशि 868 करोड़ से बढ़कर अब 2244 करोड़ हो गई है।

सड़क निर्माण में आ रही अड़चन
सीमा सुरक्षा सड़क में जिले बगहा-
2, रामनगर, गौनाहा, मैनाटांड़ एवं सिकटा प्रखंड के क्षेत्र आ रहे है। सड़क के लिए जमीन अधिग्रहण में अधिकारियों को अड़चन आ रही है। कहीं धार्मिक स्थल तो कहीं जमीन संबंधी पेच फंस रहे हैं। ग्रामीणों ने बताया कि इनरवा की जमीन महंगी है। बॉर्डर होने के कारण अब भी ~16 लाख धुर जमीन की बिक्री होती है। जब यह सड़क बन जाएगी तो यह जमीन और

महंगी हो जाएगी। https://www.bhaskar.com/local/bihar/bettiah/mainatand/news/indo-nepal-border-security-road-will-be-100-feet-wide-will-change-the-face-of-border-areas-130812404.html

SELECTED NEWS ITEMS/ARTICLES FOR READING

8. State of concern: State governments must address fiscal risks *(indianexpress.com)* January 18, 2023

They must shun profligate policies, and strengthen their fiscal position to create the policy space needed to deal with possible economic shocks that may arise in the future.

After a marked deterioration during 2020-21, state government finances have been on the mend. In 2020-21, the consolidated fiscal deficit of states had risen to 4.1 per cent of GDP — the highest level since 2004-05. But by the end of next year, state governments had managed to bring down their deficits to 2.8 per cent of GDP. This year, they have pegged their consolidated fiscal deficit at 3.4 per cent of GDP, lower than the level of 4 per cent laid by the Centre as per the RBI's report on state budgets. However, considering the deviations in the past between budget expectations and actual trends, the deficit for this year may well end up being lower than what was originally planned for.

The RBI report also highlights a compositional shift in the general government capital expenditure. In 2021-22, capital outlay by state governments stood at 2.7 per cent of GDP, as against 2.3 per cent by the Centre. For 2022-23, states total outlay is actually budgeted to rise to 2.9 per cent of GDP. In fact, as per the RBI report, adjusting for the defence outlays, states' share in general government capital spending averages around 70 per cent. Though, so far this year, capital expenditure by states has been rather sluggish, barely registering a rise in the first seven months of the year.

There are, however, several areas of concern. First, the state debt to GDP ratio remains uncomfortably high. It is budgeted at 29.5 per cent by the end of March 2023, considerably higher than the 20 per cent level recommended by the Fiscal Responsibility and Budget Management (FRBM) review committee. Second, guarantees provided by state governments have also seen a sharp surge, having risen from Rs 3.79 lakh crore in 2014 to Rs 7.4 lakh crore in 2021. As per the report, this has "implications for debt sustainability". The debt position of state discoms is yet to be resolved. And then there is the fiscal risk from some states opting to return to the old pension scheme. "The annual saving in fiscal resources that this move entails is short-lived," notes the report, adding that "by postponing the current expenses to the future, states risk the accumulation of unfunded pension liabilities in the coming years". State governments must urgently address these risks, shun profligate policies, and strengthen their fiscal position to create the policy space needed to deal with possible economic shocks that may arise in the future. https://indianexpress.com/article/opinion/editorials/state-of-concern-state-governments-must-address-fiscal-risks-8388083/

9. Once GST compensation regime ends, Delhi, Punjab among states to feel pinch *(newindianexpress.com)* January 18, 2023

The RBI in its latest report on state finances said the share of GST compensation in tax revenue of these states has exceeded 10% on average.

Punjab, Delhi, Himachal Pradesh, Goa, Uttarakhand and Puducherry will be fiscally most impacted states once the GST compensation regime gets over. The RBI in its latest report on state finances said the share of GST compensation in tax revenue of these states has exceeded 10% on average.

The central bank says going forward, in the absence of GST compensation, these states need to augment their revenue by increasing compliance, plugging leakages and widening tax bases. During the five-year transition period (July 2017 to June 2022), the top five compensation-receiving states were Maharashtra, Karnataka, Gujarat, Tamil Nadu and Punjab. GST compensation to states ended on June 30, 2022. Though, the compensation cess is continue to be levied till March 2026 to pay up for money borrowed to fill the compensation gap during 2020-21 and 2021-22.

When GST was implemented, the Centre guaranteed states a 14% annual increment in GST revenue for the first five years. Any shortfall from the target had to be compensated via GST compensation cess. As per RBI, 10 states are expected to fall short of the 14% GST growth target as per their 2022-23 estimates. These states include Gujarat, Maharashtra, Karnataka, Tamil Nadu, Haryana, Punjab, Himachal Pradesh, Uttarakhand, J&K and Delhi.

The report says north-eastern states have been the biggest beneficiaries in the GST regime, recording a compounded annual GST revenue growth of 27.5% since implementation as against 14.8% for all states. https://www.newindianexpress.com/business/2023/jan/18/once-gst-compensation-regime-ends-delhipunjab-among-states-to-feel-pinch-2538925.html

10. A case for reassigning GST to States *(thehindu.com)* January 18, 2023

The Union government is endowed with more tax powers than the States, while the States are assigned more expenditure responsibilities than the Union government. This gives rise to a vertical fiscal imbalance (VFI) between the Union and State governments. The main responsibility of the Finance Commission is to correct this, but this task remains unaccomplished. We look at this issue in the context of the Goods and Services Tax.

The Union and State governments concurrently levy GST on commodities with 50% as Central GST (CGST) and 50% as State GST (SGST). There is an Integrated GST (IGST) on inter-State trade, so that 50% of it goes to the final destination State. The GST is a harmonised tax on commodities across the country. Individual States have little power to unilaterally change this tax. Though conceptually, the Union government could not do so either, the GST Council gives the Union government a veto to thrust its preferences on the States.

Measuring imbalances

The simplest of the many empirical measures of VFI is ‘VFI equals one minus the ratio of the State’s own revenue to own expenditure’. If this VFI ratio is zero, the States have enough own revenue to meet their own expenditure and there is no need for financial transfers.

We can calculate the VFI ratio for each State and for all the States put together. If we look at the data for all the States over the periods of the last three Finance Commissions (2005-06 to 2020-21), the VFI ratio shows an increasing trend. For the latest period of 2015-16 to 2020-21, the ratio was 0.530, which means that only 47% of the States’ own expenditure was financed by their own revenue in that period. In this period, four major changes took place. First, the divisible taxes of the Union government expanded from two to all the Union taxes, thus enlarging the revenue base to be shared with the States. Second, fiscal responsibility legislation was implemented to constrain the fiscal deficits of the States. States directly borrow from the market subject to limits imposed by the Union government. Third, the Union Planning Commission was dissolved, leading to the withdrawal of Plan grants. Fourth, GST was introduced in 2017. These changes have considerably altered the States' revenue structure. States have little revenue autonomy and are more dependent on the Union government. For instance, if we consider the withdrawal of the Union government's plan grants and loans to the States and their effect on States' combined budget, the VFI ratio increased for the same period to 0.594 from 0.530, indicating that only 40% of the State's own expenditure is financed by their own revenue.

Reassigning of tax powers

We propose a solution to correct the VFI by reassigning the tax powers between the Union and the States. The Union government has exclusive power to levy excise duty on petroleum products, and the States have exclusive power to levy excise duty and sales tax on liquor. All other commodities fall under the GST. We propose that the CGST and the excise duty on petroleum products be assigned to the States so that the entire GST is assigned to the States.

This should be conceived as follows. One, we should bring all commodities, including petroleum products, under GST. Two, the Union government should continue to collect IGST only to settle revenue on destination basis. This will ensure harmonisation of GST across States. GST shall continue as a tax determined by the GST Council. However, the veto power of the Union government should be removed. Then, the GST Council will truly become a body by the States to settle tax issues among themselves, with the Union government facilitating the arrival of consensus among the States on tax issues. This may once again require some constitutional amendments. Commodity taxation should be moved to State List II of the Seventh Schedule of the Constitution, with a rider that harmonisation of commodity taxation should be maintained.

The assignment of excise duty on petroleum products to the States will hasten the process of integrating taxes on petroleum products into GST and remove the cascading effects of the current excise duty on petroleum products. This will reduce the tax potential of the States, but higher buoyancy of GST should compensate for this revenue loss. The positive aspect of this reassignment of tax will be the increase in own tax revenue of the States. This will also improve accountability of the States to their people on fiscal matters.

We assume that once GST is assigned to the States, VFI will come down to zero. Assuming this reassignment and revenue effect, we recalculated the VFI ratio and found that it stands at 0.005 (2015-16 to 2020-21), indicating that all the States' own expenditure can be financed by their own revenue resources. The need for assigning share in Central taxes and grants in aid to address VFI does not arise.

Though the financial transfers to the States to address VFI may not be needed if the entire GST is assigned to the States, the tax base of the GST, namely consumption, is not equally distributed among the States. The unequal tax base with unequal expenditure requirement between the States creates horizontal fiscal imbalance among the States. Therefore, the Union government should effect equalisation transfers to address this issue of horizontal fiscal inequality. Our calculations show that the revenue surplus of the Union government after this tax reassignment should be enough to provide for this equalisation transfer to the

States. https://www.thehindu.com/opinion/op-ed/a-case-for-reassigning-gst-to-states/article66386979.ece

11. SBI estimates India's FY23 fiscal deficit at Rs 17.5 trn, FY24 Rs 17.95 trn *(business-standard.com)* January 17, 2023

The upcoming Indian budget for 2023-24 will be a challenging one for the government to follow the roadmap for fiscal consolidation amidst a global environment of declining inflation, said a top economist of State Bank of India in a report.

For India, this could make things difficult to set a nominal gross domestic product (GDP) number significantly higher than 10 per cent, with a deflator about 3.5 per cent. But this could also mean a higher GDP growth than anticipated at about 6.2 per cent, he said.

He also said the fiscal deficit of the Indian government for FY23 will be about Rs.17.5 lakh crore.

According to Dr. Soumya Kanti Ghosh, Group Chief Economic Adviser, SBI, for FY23, total receipts of the Government would be higher than the budget estimates (BE) by around Rs 2.3 lakh crore, on account of higher direct tax receipts (about Rs 2.2 lakh crore), higher GST receipts (Rs 95,000 crore) but lower dividends (about Rs 40,000 crore), lower fuel tax net of cess (Rs 30,000 crore) and lower disinvestment receipts (about Rs 15000-20,000 crore).

"Meanwhile, expenditure is likely to be on the higher side of the BE by around Rs 3 lakh crore on account of higher subsidy bill and additional spending announced by the Government. Taking this into account, the fiscal deficit of the Government in FY23 is expected to come at Rs 17.5 lakh crore. However, higher nominal GDP growth (15.4 per cent) estimates will help in keeping the fiscal deficit at 6.4 per cent of the GDP," Ghosh said.

As regards FY24, the government's expenditure is likely to increase by around 8.2 per cent over FY23 estimates to Rs 46 lakh crore, Ghosh said in the report.

Subsidy bill which increased significantly in FY23 is estimated to be reduced in FY24 to around Rs 3.8-4 lakh crore and capital expenditure is expected to grow by 12 per cent.

Meanwhile, receipts (minus borrowing and other liabilities) are expected to grow by about 12.1 per cent with tax revenue receipts growth likely at 11 per cent. With nominal GDP growth at 10 per cent, tax buoyancy is thus expected at close to 1.1 compared to expected tax buoyancy of 1.5 in FY23.

Thus, the fiscal deficit for FY24 is estimated at around Rs 17.95 lakh crore or 6 per cent of GDP in FY24, thereby resulting in fiscal consolidation of 40 bps from the current fiscal, the report notes.

"As far as borrowing is concerned, we believe net market borrowing of the Centre in FY24 will be around Rs. 11.7 lakh crore and with repayments of Rs 4.4 lakh crore, gross borrowing is expected at Rs 16.1 lakh crore. We believe a switch of about Rs 50,000 crore is also likely to be announced," the report said.

With higher tax devolution from the Centre, the states are likely to borrow around Rs 8 lakh crore in FY23, lower than earlier anticipated.

"In FY24, the overall gross borrowing by Centre and States is likely to be Rs 24.3 lakh crore (Rs. 22.2lakh crore in FY23) and net borrowings Rs. 17 lakh crore (Rs 16.7 lakh crore in FY23). We further believe that the Government will continue to rely on small saving schemes (Rs 5 lakh crore likely in FY24).

According to the report, the government can give a hard push to Sukanya Samriddhi Yojana (SSY), through encouraging fresh registrations in a mission drive mode, allowing one time registrations for all leftover cases up to 12 years. https://www.business-standard.com/article/economy-policy/sbi-estimates-india-s-fy23-fiscal-deficit-at-rs-17-5-trn-fy24-rs-17-95-trn-123011700671_1.html

12. Ministry seeks extra Rs 30,000 crore fertiliser subsidy for Q4 *(financialexpress.com)* January 18, 2023

The fertiliser ministry has asked for an additional Rs 30,000 crore as subsidy allocation for the last quarter of the current fiscal, which would be in addition to Rs 2.15 trillion already allocated by the finance ministry for the subsidy on soil nutrients.

This will be over and above an additional fertiliser subsidy of Rs 1.09 trillion included in the net expenditure of Rs 3.26 trillion under the first supplementary demands for grants for the current fiscal approved by Parliament in the winter session.

The Budget Estimate for fertiliser subsidy in the current fiscal year is Rs 1.05 trillion. The subsidy requirements turned out to be much higher, as the Ukraine war broke out unexpectedly, leading to a spurt in commodity prices, especially of fertilisers and feed-stocks like natural gas.

Sources told FE that with the additional allocation of Rs 30,000 crore, the estimated subsidy for the soil nutrients would be a record in the range of Rs 2.45 trillion.

The subsidy on farm nutrients stood at Rs 1.6 trillion (revised estimate) in FY22.

It would be the third year in a row that the annual Budget spending on fertiliser would be above Rs 1 trillion mark, against a lower range of Rs 70,000 – 80,000 crore in the past few years.

Fertiliser minister Mansukh Mandaviya had stated last month that the government would not pass on the burden of rising global prices to farmers and ensure that there is not shortage of soil nutrients in the country.

Nearly half of country's di-ammonium phosphate (DAP) requirements are imported mainly from West Asia and Jordan while the domestic muriate of potash (MoP) demand is met solely through imports from Belarus, Canada and Jordan etc. India also imports about 20% of its annual consumption of urea.

In terms of volume, imports account for a third of domestic soil nutrients consumption. The cost of production of urea in the country has witnessed a significant jump because of rise in liquefied natural gas (LNG) prices, a key raw material for manufacturing of urea.

However sources said that the fertiliser subsidy may decline in the next fiscal because of recent moderation in global prices. “However, the global prices of fertilisers have started to soften in recent times. The worst as far as high global fertiliser prices trend is over,” Arun Singhal, secretary, department of fertilisers, had told FE.

In case of urea, farmers pay a fixed price Rs 242 per bag (45 kg) against the cost of production of around Rs 2,650 per bag. The balance is provided by the government as a subsidy to fertiliser units

The retail prices of phosphatic and potassic (P&K) fertiliser, including DAP were ‘decontrolled’ in 2020 with the introduction of a ‘fixed-subsidy’ regime as part of Nutrient Based Subsidy mechanism announced by the government twice in a year.

The government provides subsidies to companies manufacturing fertiliser and those who import soil nutrients on the basis of actual sale by the retailers to the farmers

Rating agencies – Icra and Crisil – have pegged the government’s fertiliser subsidy to cross Rs 2.5 trillion in the current fiscal.

Prime Minister Narendra Modi recently stated the Central government has spent over Rs 10 trillion over the past eight years to ensure that farmers in the nation are not burdened by the high global fertiliser costs. https://www.financialexpress.com/economy/ministry-seeks-extra-rs-30000-crore-fertiliser-subsidy-for-q4/2951451/

13. India's population may have already overtaken China's, estimate analysts *(business-standard.com)* January 18, 2023

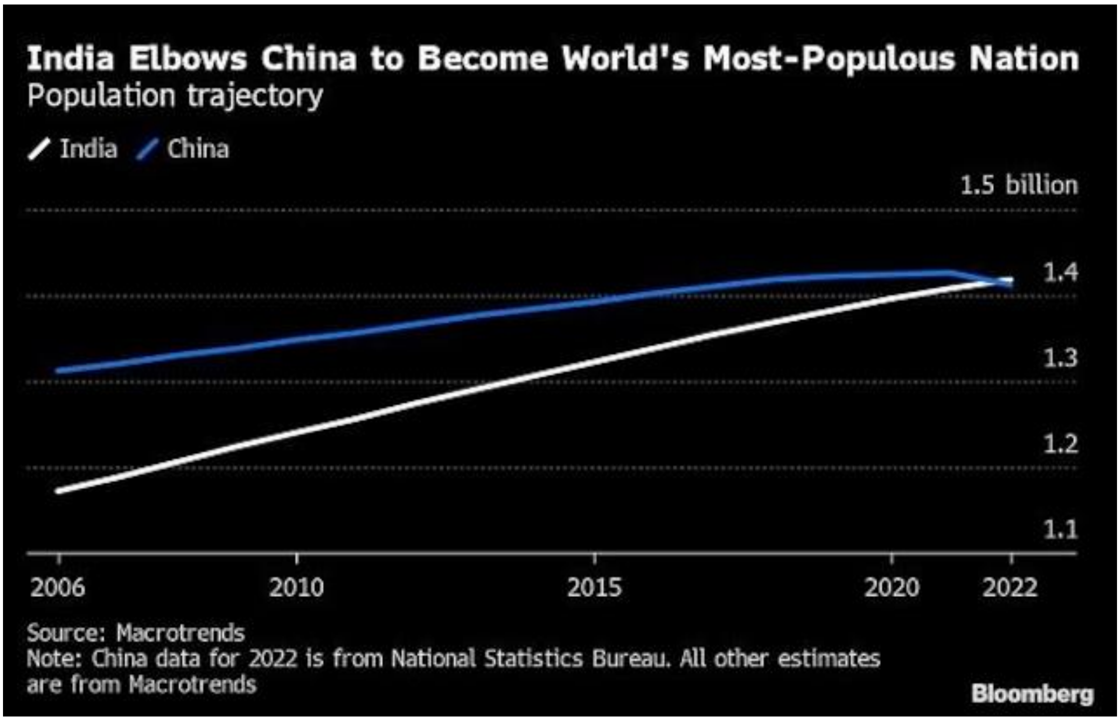
India may have already surpassed China as the world’s most-populous nation in a milestone that adds urgency for Prime Minister Narendra Modi to create more jobs and ensure the country sustains its world-beating growth.

The South Asian nation’s population stood at 1.417 billion as of end 2022, according to estimates from the World Population Review, an independent organization focused on census and demographics.

That’s a little over 5 million more than the 1.412 billion reported by China Tuesday when authorities there announced the first decline since the 1960s.

India, where half the population is under the age of 30, is set to be the world’s fastest-growing major economy in the coming years. To make the most of the demographic dividend, Modi needs to create jobs for the millions of people entering the workforce every year as the nation moves away from farm jobs.

The United Nations had expected the milestone to be reached later this year. As of Jan. 18, India’s population had already climbed to 1.423billion, according to WPR.



Another estimate by research platform Macrotrends puts the latest number for India at 1.428 billion. The country didn't publish its once-in-a-decade census data in 2021, after deferring population surveys due to pandemic disruptions.

The government's move last year to restrict the tenure of soldiers in India's armed forces to four years illustrated the strain on the administration to create jobs and pay for them. Modi, who is due to seek reelection by May 2024, has been pushing to improve the share of manufacturing in the economy to 25% from the current 14%.

Despite India's rapid economic growth pre-Covid and its relatively strong recovery from the pandemic, about 800 million people still rely on free food rations from the government, the largest program of its kind in the world.

For now, Asia's third-largest economy is self-sufficient in food production. It is the second-largest producer of rice, wheat and sugar. It is also the biggest consumer of sugar, while being the top importer of edible oils. As a market, India is the second-largest consumer of gold and steel and the third-biggest buyer of crude oil. It is also home to the world's third-largest domestic aviation market.

Although India's population growth has slowed, WPR expects the number to continue to rise until at least 2050.

China, on the other hand, is currently seeing a slight contraction, which Bloomberg Economist Eric Zhu described as a "growth crushing headwind for a long time" in his Jan. 18 note. China's population shrank by 850,000 in 2022 compared to a year ago, according to data released by the National Statistics Bureau.

The UN estimates that more than half of the projected increase in the global population between 2022 and 2050 to be concentrated in just eight countries: the Congo, Egypt, Ethiopia, India, Nigeria, Pakistan, the Philippines and Tanzania. https://www.business-standard.com/article/economy-policy/india-s-population-may-have-already-overtaken-china-s-estimate-analysts-123011800179_1.html

14. Need to forge pacts to attain India's net-zero targets: Industry leaders *(business-standard.com)* January 18, 2023

With the immense potential of India's transitioning energy systems, industry leaders have emphasized the need to forge partnerships across private, public and philanthropic entities to aid the country in attaining its net-zero targets.

At a fireside chat organised by the Ministry of Commerce and Industry, and Invest India in association with The Energy and Resources Institute (TERI) at the annual meeting of the World Economic Forum (WEF) in Davos on Tuesday, Girish Sethi, Senior Director, TERI, drew attention to the commitments made by India towards its net-zero targets at COP26 in Glasgow, and underscored the array of initiatives undertaken since at the government level, with the National Green Hydrogen Mission being the latest, to make the targets attainable.

Taking part in a panel discussion moderated by Sethi on 'The Path to Net Zero for India: The role of Public-Private Partnerships' with industry leaders and other stakeholders, Jeremy Oppenheim, Senior Partner, SYSTEMIQ and Member of Board of Directors, Mission Possible Partnership, said strong government commitments in India have translated into large-scale investments, which, in turn, is beginning to change the economics of how the energy systems in the country work.

"There are technologies coming through, with solar being an obvious example. These are not only unlocking immense potential for the transformation of the energy system in India, but the economy as a whole, and that is feeding through into green hydrogen, green steel, green cement and into a whole lot of industries and technologies. India has a chance to be world class," said Oppenheim.

During the chat that brought together leaders from global businesses and coalitions to explore innovative technologies and business models for accomplishing India's net-zero vision and help find solutions through public-private cooperation, Paul Marriott, President, SAP Asia Pacific Japan (APJ), said regulations are one of the barriers in making the transition to renewables swifter and smoother.

"India can be the world platform for green energy but regulation needs to be accelerated," he added.

Markus Solibieda, Managing Director, BASF Venture Capital GmbH, highlighted the company's investments in India's local start-up ecosystem with particular focus on digitalization as well as sustainability.

"We find companies in India that win global recognition," said Solibieda.

Noting that the momentum on issues such as decarbonisation and net-zero is heartening, Anthony Hobley, Executive Fellow (Strategic Engagement), Center for Nature and Climate, World Economic Forum (WEF), asserted that unless the momentum is "catalysed, we are not going to get to the low-carbon, net-zero world on time and at the speed and scale required."

Underscoring the need for a public-private-philanthropic partnership in moving towards a decarbonised world, Hobley said philanthropy is most effective when it works alongside the government and the private sector. "Of the total philanthropy in the world, less than 2 per cent of that goes to climate mitigation," he said, adding the biggest growth in philanthropy is in places like India, Middle East and South East Asia.

Agreeing with Hobley, Carl Brinton, Managing Director, The Rockefeller Foundation, too emphasized the significant role philanthropy can play in aiding the world towards net-zero. "We would like to work with philanthropies across the world and then connect it with public and private sector so that we can take on these challenges that are well beyond us individually," said Brinton.

Bringing in the entrepreneurial and technology perspective to the discussion, Pankaj Agarwal, CEO, Panitek Power AG, asserted that renewable energy is an existential issue and digitalization is a key element in making the transition smooth.

"Integrating technology, bringing all stakeholders together is important," said Agarwal.

Asa Persson, Research Director and Deputy Director, Stockholm Environment Institute, focussed on the need for co-development of technology between developed and developing countries. "Mobilizing finance, de-risking, supporting market creation, green public procurement and developing common standards and definitions and providing data for global transitions and reducing information asymmetry" are critical to moving towards a net-zero world, said Persson.

Noting that India and the world are undergoing major transitions, Prem Barthasarathy, Managing Partner, Pontaq, said "there needs to be a careful balance between the current demand that is on India, by India and by the world, five years and 10 years on the line due to macro-economic changes". https://www.business-standard.com/article/economy-policy/need-to-forge-pacts-to-attain-india-s-net-zero-targets-industry-leaders-123011800128_1.html

15. Govt allocates 3 more coal blocks for commercial mining activities *(business-standard.com)* Jan 17, 2023

The government on Tuesday allocated three more coal mines under commercial mining to the successful bidders.

With this, allocation orders have been issued for 48 coal mines so far having a cumulative peak rated capacity 89 million tonnes per annum (MTPA) under commercial mining.

Representatives of successful bidder received allocation orders from Additional Secretary (Coal) M Nagaraju who stressed on participation of private sector for contributing towards energy security, the coal ministry said in a statement.

The cumulative production capacity of the three blocks mines is 3.7 MTPA and its geological reserves is 156.57 MT.

These mines are expected to generate an annual revenue of Rs 408 crore and will attract capital investment of Rs 550 crore. It will provide employment to 5,000 people.

The government launched the sixth round of commercial coal mines auction in November and has put on block 141 mines. https://www.business-standard.com/article/companies/govt-allocates-3-more-coal-blocks-for-commercial-mining-activities-123011701090_1.html

16. IAF's Mi-17 helicopters to become more lethal, will get made-in-India armour *(firstpost.com)* Jan 17, 2023

The IAF will now equip its Mi-17 helicopters with indigenous armour that will improve their ability to withstand fire from small arms and snipers. This will enable these helicopters to perform better in operations involving close quarters combat

The Mi-17 helicopters of the Indian Air Force (IAF) are going through a 'desi' makeover.

The IAF will now equip its Mi-17 helicopters with indigenous armour that will improve their ability to withstand fire from small arms and snipers. This will enable these helicopters to perform better in operations involving close-quarters combat.

This is part of the Atmanirbhar Bharat initiative of the Indian government which aims to boost indigenous industry, including the defence sector.

According to a report by The Print, the made-in-India armour plates are 40 percent lighter than those imported from Russia.

The report quoted officials in the security establishment as saying that unlike the earlier variants of the Mi-17 helicopter, the latest version – the V5 – comes with Russian clip on, clip off armour.

However, the indigenous clip on, clip off armour, that are being manufactured by the government-run Mishra Dhatu Nigam Limited (MIDHANI) is much lighter and durable than the armour from Russia.

"The Mi-17 V5s came with additional armour protection. However, the earlier variants of Mi-17s did not have them. The IAF is now procuring them from Midhani which are also lighter," defence official was quoted as saying by The Print.

At present, the IAF has a fleet of about 250 Mi-17 helicopters. These Russian helicopters have the ability to carry up to 36 soldiers in full combat gear.

Hindustan Aeronautics Limited (HAL) is in the process of coming up with an indigenous medium weight military helicopter that will eventually replace the Mi-17 V5. https://www.firstpost.com/india/iafs-mi-17-helicopters-to-become-more-lethal-will-get-made-in-india-armour-12001932.html

17. 4 years & 17 letters on, funds still slam brakes on Chilla road project in Noida *(timesofindia.indiatimes.com)* Jan 18, 2023

NOIDA: The 5.3-km-long, six-lane Chilla elevated road project, aimed at providing seamless connectivity from Mayur Vihar, Delhi, to Noida-Greater Noida Expressway and decongesting the stretch, has made little progress in the past four years.

The project, conceived in 2013, was kicked off on January 25, 2019, with an initial deadline of 42 months, but back and forth over the cost and no funds allocation from the state government is still delaying it. Earlier, work had stopped four times due to the pandemic.

Officials said unlike any other Noida Authority project, the state government initiated this, with the cost to be borne equally by the PWD and the Noida Authority. But the PWD has not released any funds so far. The Authority wrote 17 letters to the state government from 2019-21, but to no avail.

The construction agency, UP State Bridge Corporation Ltd (UPSBCL), has also revised the cost several times over the years. From an estimated cost of Rs 605 crore, it was raised to Rs 1,076.61 crore in early 2022, citing a rise in material cost and a change in construction design. The Authority immediately rejected the proposal. Then UPSBCL submitted a revised budget of Rs 912 crore, citing a design change to accommodate a CNG pipeline on the road alignment as the reason for the cost escalation. The UPSBCL officials said a portal frame structure with two pillars, one on each side, would replace the earlier-proposed single pillars in the middle. The Authority got this budget examined by a thirdparty consultant, which reduced it to Rs 801.61 crore. Its technical audit cell also checked the cost and forwarded it to IIT for further vetting. The IIT report, however, is not in yet.

Officials said fresh attempts are on to revive the project. Among them are getting the UP cabinet approval for the state funds and an additional assistance from the Centre through its Gati Shakti initiative. The Authority is ready to pay 50% of the share. At a meeting held in September last year under the chairmanship of the additional chief secretary (finance), UPSBCL also received instructions to give a DPR on which agency (Noida Authority and PWD) needs to pay what amount. Then the government's expenditure finance committee (EFC) has to approve it as the project cost is more than Rs 200 crore.

This road project, parallel to Shahdara drain and connecting Chilla Regulator in Sector 14 A to MP road 3 (Mahamaya Flyover), started gathering steam in April 2018 after the UP additional chief secretary proposed the state government bear 50% of the cost. In August 2018, UPSBCL was appointed as the construction agency. Then in December 2018, Unified Traffic and Transportation Infrastructure (Planning and Engineering) Centre, an agency the Delhi Development Authority has set up to clear projects, gave its approval. UPSBCL and Noida Authority signed the MoU on January 18, 2019. On January 25, 2019, CM Yogi Adityanath laid the project foundation stone, and the work started with the Authority funds and was to be completed by December 2021.

Now, the work has completely stopped. The casting of only 584 of the 1,610 piles is complete. Against 296 pile caps, work on nine pile caps is complete. These account for only 13% of the total work. Noida Authority has released Rs 71.4 crore to UPSBCL as mobilisation advance and work payments till now. https://timesofindia.indiatimes.com/city/noida/4-years-17-letters-on-funds-still-slam-brakes-on-chilla-road-project-in-noida/articleshow/97075775.cms?from=mdr