NEWS ITEMS ON CAG/ AUDIT REPORTS (20.01.2023)

1. Himachal's OPS promise: How the numbers stack up *(indianexpress.com)* 20 Jan 2023

Implementation of the Old Pension Scheme was the key poll promise by the Congress party in the Himachal Pradesh elections. In the first cabinet meeting, the party came through and announced that the scheme would be put in place. The real challenge for the party begins now as the financial structure of OPS will put a burden on the state and the government will have to make it viable.

On the eve of the first meeting, the Congress party raised the prices of diesel in the state by Rs 3. The BJP slammed Congress, claiming that it had been done to gather money for OPS.

Last week, Chief Minister Sukhvinder Sukhu chaired the first cabinet meeting with OPS as the key agenda. The CM announced that the scheme will be implemented for the 13.36 lakh government employees. The government stressed the fact that the OPS is being brought back as part of a social security scheme.

What is the difference between NPS and OPS?

The New Pension Scheme is essentially a contributory scheme in which the employees deposit 10% of their basic salary plus dearness allowance. The government contributes 14% to the corpus. In OPS, the employee is given a pension that amounts to 50% of the last drawn salary.

The key component of OPS is the duration of service, which is considered a defined pension. This is one of the main reasons why government employees in Himachal made OPS a poll issue. The BJP did not commit to OPS stating that they had formed a committee to make a recommendation for OPS.

How does the HP government plan to implement it?

The Chief Minister stated that the government will spend Rs 800-900 crore in the first year of OPS. The amount is likely to increase in the coming year. The Central government has nearly Rs 8,000 crore share of NPS employees, the CM said.

The CM also stressed 'financial discipline' and cutting down on expenses in order to fulfil the financial obligation.

The latest State Finances Audit Report of Himachal Pradesh for the year ending March 31, 2021, shows that the committed expenditure of the state — which comprises interest payments, expenditure on salaries and wages, and pensions — had increased from Rs 17,154.75 crore in 2016-17 to Rs 22,464.51 crore in 2020-21.

As a percentage of the revenue receipts, the committed expenditure has increased from 65.31 per cent to 67.19 per cent over the last five years. The committed expenditure has been hovering around 67 per cent of the total revenue expenditure of the government during the last five years (2016-21).

This eventually shows that the government will have to make a budgetary allocation keeping in mind that less revenue is available for development activities.

What is the financial viability of OPS for the Himachal government?

The Chief Minister slammed the BJP government for leaving behind a debt of Rs 75,000 crore. The government said that due to the wasteful expenditure of the BJP, there are financial liabilities of Rs 4,430 crore as salary arrears, Rs 5,526 crore as pension arrears and about Rs 1,000 crore DA for salary and pensioners.

In the recently concluded Vidhan Sabha session, the government also approved the raising of the borrowing limit under the Fiscal Management Act.

The previous BJP government had presented a Rs 51,365 crore budget in which 1/5th had been earmarked for loan interest and repayments itself. The budget session will be held next month and will be factoring in the rise of debt and pension costs.

What are the implications of implementing OPS?
The Reserve Bank of India (RBI) recently cautioned states against reverting to the old pension scheme (OPS), stating that it would add to the fiscal burden of states in the coming years. The central bank said the OPS may lead to the accumulation of liabilities, which can become a major risk.

The OPS is largely a political decision given the large number of government employees in states. It is natural that the finances for OPS will be allocated through expenditure cuts or through different means of revenue generation.

The final notification for the OPS and the next month's budget will shed a light on the Himachal government's approach towards fulfilling the financial mandate for the pension scheme. https://indianexpress.com/article/explained/explained-politics/himachals-ops-promise-how-the-finances-stack-up-8392092/

2. लोन लेने की तैयारी में सुक्खू सरकार:1500 करोड़ के लिए करेगी आवेदन, कर्मचारी-पेंशनरों की 11 हजार करोड़ देनदारी बाकी *(bhaskar.com)* 19 Jan 2023

हिमाचल के मुख्यमंत्री सुखविंदर सिंह सुक्खू के नेतृत्व में बनी नई सरकार भी अब कर्ज लेने की तैयारी में आगे बढ़ रही है। इसके लिए सरकार की तरफ से जल्द करीब 1,500 करोड़ का लोन लेने के लिए आवेदन किया जा सकता है। प्रदेश में वर्तमान सरकार के सत्ता में आते ही विधानसभा के शीतकालीन सत्र में कर्ज की सीमा को बढ़ाए जाने के लिए संशोधन लाया जा चुका है।

वित्तीय देनदारी के लिए लिया जाएगा लोन
मुख्यमंत्री सुखविंदर सिंह सुक्खू यह पहले ही स्पष्ट कर चुकी हैं कि पूर्व भाजपा सरकार प्रदेश पर 75,000 करोड़ का कर्ज छोड़ गई है। इसके अलावा कर्मचारी और पेंशनरों की 11 हजार करोड़ रुपए की वित्तीय देनदारी बाकी है। इसे देखते हुए प्रदेश सरकार के पास कर्ज लेने के अलावा दूसरा कोई विकल्प नहीं बचा है।

1500 देने के लिए भी गठित की कमेटी

प्रदेश में कांग्रेस सरकार OPS यानि पुरानी पेंशन को बहाल कर चुकी है। हालांकि इसको ले कर SOP को तैयार किया जा रहा है, जिसमें इसके लागू करने का फॉर्मूला सामने आएगा। इ सके लिए सरकारी कोष पर 800 से 900 करोड़ रुपए सालाना बोझ पड़ेगा। इसी तरह कांग्रेस सरकार ने 18 से 60 साल की महिलाओं को 1,500 रुपए प्रतिमाह देने के लिए कमेटी गठि त की है।

अब इसको लागू करने से प्रदेश सरकार पर कितना बोझ पड़ेगा, इसका आकलन किया जा र हा है। इसके अलावा सरकार ने प्रदेश के लोगों को 300 यूनिट बिजली मुफ्त देने तथा युवाओं को स्टार्ट अप के लिए 680 करोड़ का फंड देना है।

कैग कर चुका है आगाह

इधर, कैग की रिपोर्ट में सरकार को बार-बार कर्ज लेने के लिए आगाह किया जा चुका है। कैग का कहना था कि मौजूदा हालात को देखते हुए सरकार को वर्ष 2025-26 में ऋण व ब्याज चुकाने पर ही 6,416 करोड़ रुपए व्यय करने होंगे, जो सुखद स्थिति नहीं है। इसके अलावा सार्वजनिक क्षेत्र के उपक्रमों का घाटा 4,074 करोड़ तक पहुंचने पर भी कै ग ने चिंता जताई है। https://www.bhaskar.com/local/himachal/shimla/news/shimla-himachal-cm-sukhvindar-singh-sukhu-preparation-to-take-loan-ops-130818617.html

3. Finally, Chandigarh admn chooses concrete for building 209 bus shelters *(hindustantimes.com)* Jan 20, 2023

Of the 209 shelters being worked upon, 131 are existing shelters that are in a dilapidated condition and are being reconstructed with concrete, while 78 are fresh structures coming up at new locations

After dabbling with multiple designs and materials over the past two decades, the Chandigarh administration has settled for cost-effective concrete for the construction of 209 bus queue shelters in the city.

Of the 209 shelters being worked upon, 131 are existing shelters that are in a dilapidated condition and are being reconstructed with concrete, while 78 are fresh structures coming up at new locations. Costing ₹3.5 lakh, they are expected to be ready in the next six months.

UT chief engineer CB Ojha said, “We are constructing 209 bus queue shelters with reinforced cement concrete (RCC). Big enough to seat 12 people, they are not only cost-effective, but also remain cooler in summer compared to other materials, such as metal. Further, the shortlisted design has a provision of setting up advertisements in the back, which will help the administration generate income.”

The shelters' design is also in sync with the intelligent traffic system of Chandigarh Transport Undertaking that allows commuters to live track buses through screens that display the expected arrival/departure timings of buses.

With the addition of the 78 new shelters, their total number in Chandigarh will go up to 416. The existing structures include the 10 bus queue shelters built using the random rubble masonry (RRM) technique, also known as stone masonry, whereas around 135 are made of brick and mortar.

Apart from stone masonry and brick-and-mortar shelters, the administration had also gone for two other designs that resulted in 22 kiosk-style shelters and 60 stainless steel shelters, which form the bulk of those being demolished and reconstructed.

In 2013, the administration had spent ₹13 lakh each on constructing the steel shelters, whereas the concrete/brick ones cost ₹3.5 lakh.

The kiosk-style shelters, several of them having space for tuck shops, had come up in 2004. But a subsequent audit report by the accountant general had pointed out that the administration had wasted public money because both steel and kiosk shelters were not passenger-friendly.

Welcoming UT's decision, Navdeep Asija, a member of the road safety council, Chandigarh, said, "The concrete design is open from three sides that will help the bus drivers gauge whether passengers are waiting or not. Also, the structure is summer friendly and has advertisement space."

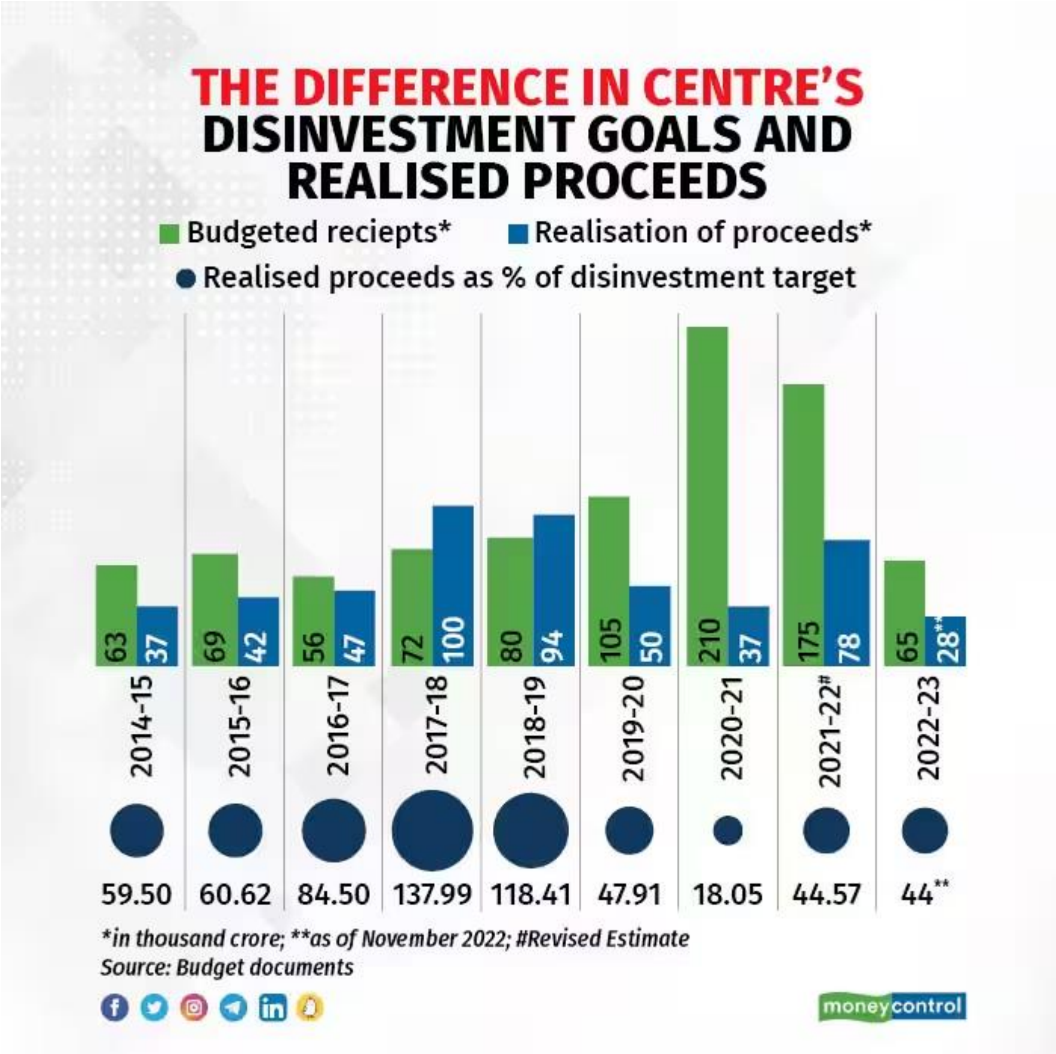
City-based architect Surinder Bahga added, "Use of concrete for bus shelters is in line with Chandigarh's heritage, as opposed to steel." https://www.hindustantimes.com/cities/chandigarh-news/finally-chandigarh-admn-chooses-concrete-for-building-209-bus-shelters-101674157440978.html

SELECTED NEWS ITEMS/ARTICLES FOR READING

4. The mismatch between centre's goals and realised proceeds in disinvestment *(moneycontrol.com)* JANUARY 20, 2023

Despite the government's frequently restated commitment to privatise state-owned enterprises, the realisation of these moves have been uneven over the years and have largely missed their targets.

An analysis of previous budget documents shows that in FY22, out of the Rs 1.75 lakh crore target, only Rs 78,000 crore worth of disinvestment was actually done, marking the third year in a row of the government missing its own disinvestment goal. The realised proceeds just accounted for 44.57 percent of the budgetary estimate during the year.



Between FY15 and FY22, only two years — FY18 and FY19 — saw the revenue from disinvestment exceeding the budgeted receipts. In every other year, it has been less than the target.

During this period, the government was able to earn a total of 4.88 lakh crore as proceeds through disinvestment. However, this accounts for only 58.72 percent of 8.31 lakh crore, which is the total sum of budgetary estimates for each of those years.

FY18 marked the biggest jump in revenue realised from disinvestment till date. The revenue from disinvestment for the year stood at Rs 1 lakh crore, an increase of 109.55 percent from the year before.

Meanwhile, FY19, FY20, and FY21 saw contraction in the growth of revenue through disinvestment. The contraction in growth in FY20 was the biggest, as realised proceeds declined by 46.90 percentage from the year before.

The government's disinvestment targets being highly ambitious is also to be blamed for its failure to meet these targets. FY21 saw the highest target as the budgetary receipt for disinvestment during the year stood at Rs 2.1 lakh crore. However, the actual revenue from disinvestment during the year was only Rs 37,000 crore, which was just 18.05 percent of the target.

The centre's target to raise Rs 65,000 crore in FY23 through disinvestment is also unlikely to be met as according to data till November, only Rs 28,000 crore has been earned through the same so far. This accounts for just 44 percent of the target for the fiscal.

Moving forward, it is likely that the centre will set a lower target for disinvestment in FY24 in the upcoming budget as it focuses on closing the proceedings that are already underway. Furthermore, as disinvestment exercises carries the risk of antagonising several sections of the population, they could take the back seat a year ahead of general election, as the NDA switches to the election gear. https://www.moneycontrol.com/news/business/economy/in-graphic-detail-the-mismatch-between-centres-goals-and-realised-proceeds-in-disinvestment-9898961.html

5. Stronger revenue, lagging capex — why states need to start spending more, and soon *(theprint.in)* 20 January 2023

The Reserve Bank of India (RBI) Monday released its annual report on states' fiscal health. The report shows that the fiscal performance of states has seen a visible turnaround since the pandemic-hit year.

The gross fiscal deficit is estimated to decline from 4.1 per cent of GDP in 2020-21 to 3.4 per cent in 2022-23 though there are wide inter-state variations. Gujarat has budgeted a fiscal deficit of 1.7 per cent of GDP, while Himachal Pradesh has budgeted its deficit at 5 per cent for 2022-23.

States' favourable fiscal outlook is driven by high growth in revenue receipts and higher devolution.

Stable collections from States goods and services tax (SGST) and tax devolution from the central government on account of higher buoyancy in direct taxes have contributed to growth in tax revenues. While allocation to capital spending by some states has seen a big jump, the actual spending on capex is muted in the first eight months of the current year and needs to pick up.

States have exhausted a lower proportion of their budgeted fiscal deficit in the first half of the year. This gives them greater fiscal space to spend in the remaining months of the current year. While overall, states' fiscal outlook has improved since the pandemic, the RBI report highlights some areas of concern.

Higher allocation to capex but actual spending needs to pick up
Capital expenditure by states recorded an impressive growth of 31.7 per cent in 2021-22. Strong growth in revenue collections as well as enhanced transfers from the central government gave the states the required space to accelerate capital expenditure.

In the current year (2022-23), states' capital expenditure is estimated to grow by 38.4 per cent over the provisional accounts of 2021-22. However, the actual capital spending by the states registered a year-on-year growth of 0.9 per cent in April-October 2022.

There are inter-state variations in capital spending. For instance, for the current year, Uttar Pradesh had budgeted Rs 1.23 lakh crore on capital spending. This accounts for 21 per cent of the total budgeted expenditure and is one of the highest allocations on capital spending made by states.

However, the actual amount spent till November is less than Rs 36,000 crore. This implies that around 29 per cent of the budgeted capital expenditure has been spent.

In contrast, Maharashtra has allocated only 14 per cent of its total expenditure on capex. In the first eight months (April-November, 2022-23), Maharashtra strikingly has a fiscal surplus, still the spending on capex is just 27 per cent of the budgeted amount in this period. Given that the state has a fiscal surplus, it would have been desirable if it would have front-loaded spending on capex. Punjab and Kerala are the states with the lowest allocation towards capex.

BUDGETED CAPITAL EXPENDITURE BY STATES VS ACTUAL SPENT
(APR-NOV 2022)

State	Capital expenditure (Apr-Nov 2022-23 PA) (Rs. crore)	Capital expenditure (FY 2022-23 BE) (Rs. crore)	Share of capital expenditure (Apr-Nov 2022-23)/ Total expenditure (BE)	Share of capital expenditure/ Total expenditure (FY 2022-23 BE)
Uttar Pradesh	35658	123920	29	21
Odisha	14903	38732	39	21
Uttarakhand	3337	11988	28	19
Madhya Pradesh	22359	45686	49	18
Karnataka	22787	43573	52	17
Jharkhand	4335	16771	26	17
Gujarat	20400	35898	57	16
Haryana	10991	22535	49	15
Chhattisgarh	6174	15677	39	15
Bihar	14291	30944	46	14
Maharashtra	19310	70819	27	14
Rajasthan	12028	37336	32	13
Andhra Pradesh	6189	30680	20	13
West Bengal	10789	33144	33	13
Himachal Pradesh	3041	5647	54	12
Telangana	11774	29728	40	12
Punjab	2641	10981	24	9
Kerala	8009	14899	54	9
Nagaland	4954	16651	30	68
Arunachal Pradesh	1720	6701	26	27
Tripura	845	5286	16	20
Sikkim	687	1930	36	19
Meghalaya	831	2463	34	14

Source: Comptroller and Auditor General of India

The government launched a scheme for special assistance to states for capital investment. Under this, an amount of Rs 1.07 lakh crore has been allocated and financial assistance is provided to states in the form of 50-year interest-free loan for capital projects. Till December 2022, Rs 77,109 crore has been approved but less than Rs 42,000 crore has been released to the eligible states under the scheme.

While states are expected to step up capital expenditure in the second half, the expenditure pattern of past years shows that they do not spend the full amount of budgeted expenditure, despite having sufficient resources.

States do not have the capacity to ramp up capital spending quickly. Also, to demonstrate fiscal prudence, states tend to scale back capital spending while retaining focus on committed expenditure. The RBI report while emphasising on the need to mainstream capital spending proposes setting up of a capex buffer fund during times when revenue flows are robust to maintain expenditure during economic downturn.

Discrepancies between budget estimates, revised estimates and actuals

Each government puts out three estimates of revenue, expenditure and deficits during a year — the budget estimates (BE), which are the planned estimates for the year at the time of the budget; the revised estimates (RE), which tells how much the budget was revised from the BE; and finally, the actuals.

Some variation between BE, RE and actuals is inevitable given that the revenue and expenditure projections are made at the start of the year. However, if there are vast discrepancies, it reflects errors in assumptions and reduces the credibility of the numbers.

The RBI report shows that for some states, particularly Bihar, Uttar Pradesh and Chhattisgarh, the RE presents an overestimation for spending but the actuals are pulled down due to unutilised spending. The RE, which are released alongside the budget of the next year, should be closer to the actuals.

Wide variations between these estimates indicate errors in forecasting. The variations may also be on account of unexpected events. These variations reduce the reliability of RE (a keenly watched number) in assessing the fiscal health of states.

Borrowings remain elevated

States' debt-to-GDP ratio ratio surged to 31.1 per cent in the pandemic hit year. It is estimated to decline to 29.5 per cent in the current year. The Fiscal Responsibility and Budget Management review committee, headed by N.K. Singh, had recommended a debt-to-GDP ratio of 20 per cent for states.

The borrowing trends of the current year reflect wide inter-state disparities. For example, Uttar Pradesh has exhausted roughly 21 per cent of its budgeted borrowings in the first eight months of the current year. Given that it has allocated 21 per cent towards capex, the state has headroom for borrowings to finance its capital spending in the remaining months. States like Punjab, Kerala, Himachal Pradesh, Andhra Pradesh have exhausted substantial part of their borrowing targets during April-November.

BORROWINGS BY STATES

State	Borrowings (Apr-Nov 2022-23) (Rs. crore)	Borrowings (FY 2022-23: BE) (Rs. crore)	Share of borrowings (Apr-Nov 2022-23)/(FY 2022-23: BE)
Uttar Pradesh	16852	81178	20.8
Odisha	-10315	21588	
Uttarakhand	-166	11934	
Madhya Pradesh	14960	52511	28.5
Karnataka	1553	61564	2.5
Jharkhand	640	11286	5.7
Gujarat	4375	36113	12.1
Haryana	21637	29618	73.1
Chhattisgarh	2878	14600	19.7
Bihar	58804	25885	227.2
Maharashtra	-14602	115425	
Rajasthan	27542	58212	47.3
Andhra Pradesh	54418	48724	111.7
West Bengal	25014	62397	40.1
Himachal Pradesh	6928	9602	72.2
Telangana	25925	52167	49.7
Punjab	15965	23835	67.0
Kerala	19888	39145	50.8

Source: Comptroller and Auditor General of India

The Print

Reversion to old pension system poses a risk to states' fiscal performance
Reversion to the old pension system by some states poses a new source of risk to the fiscal health of states. In the early 2000s, there was a growing realisation that the old pension system was unsustainable. The net present value of the pension promises to civil servants (and pensioners) added up to about 60 per cent of India's GDP. Growing concerns around unsustainable pension liabilities led to the design of the new pension framework.

Some states, such as Rajasthan and Chhattisgarh, have chosen to revert to the old pension system. The report points out that this risks the accumulation of unfunded pension liabilities in the coming years. Instead, focus should be on expanding productive capacities through enhanced capital spending. https://theprint.in/macrosutra/stronger-revenue-lagging-capex-why-states-need-to-start-spending-more-and-soon/1323401/

6. Budgeting for sustained high growth is the need of the hour *(newindianexpress.com)* 20 January 2023

What are the key economic issues that the next union budget needs to address?

Given the expectations of continued global instability, the union budget needs to provide impetus for building economic resilience and nudge the economy towards growth derived from intellectual innovation and green practices. The budget allocation has to be biased towards productive spending and taxation has to decisively favour fresh and large investments in high-potential sectors and green technologies.

The budget needs to commit greater direct investment in foundational sectors such as education, healthcare and infrastructure while prodding the private sector to undertake greenfield investments in sunrise sectors, which are critical for broadening the geographic base of the economy and creating new jobs. Even as the government tries to lead capex and GDP growth, it needs to be mindful that its financing efforts do not cramp wider private investment and consumption.

The budget needs to provide a clear and credible path towards the handing over of the growth leadership to private initiative and consumption quickly and seamlessly.

What are your expectations of economic growth trends beyond the immediate struggles?
India is better positioned than most large economies to weather the economic disruptions and distortions caused by geopolitical scuffles, which are likely to continue in some form or the other for the foreseeable future.

The reliance on the domestic market and production is a source of resilience in bad times, even though it restricts India's external growth potential. India is cranking up investment and it has ample capital to do so, and its upwardly mobile population has an inexhaustible pent-up demand for all kinds of products and services. India is also trying to align itself with the richest economies of the world to have access to their capital, technologies, supply chains, and markets.

Even the factors contributing to India's immediate growth struggles are not durable. Barring any fresh disaster, the food and energy inflation are likely to recede in coming months and the cost of money is likely to start easing up after one or two further episodes of hikes. Though the first half of 2023 may be tough, India's output and consumption growth is likely to return to the natural level after that. That is if another unforeseen crisis does not ruin the plans once again.

What kinds of further fiscal and monetary response do you expect from the government in the face of a global economic slowdown?
While the government must spend more to support business and livelihood at a time of economic instability and uncertainty, it needs to ensure that its excess spending does not become a trap. The government's spending and its borrowings need to be managed with care and finesse so that these are brought down quickly but not abruptly. The budget is expected to balance the need for increased government investment with cost cutting in government spending. The budget can be expected to balance the need for curbing the imported inflation with the need for driving exports through trade agreements.

The tariffs could be calibrated to allow upgrading of the domestic production and exports while making discretionary imports less attractive. The fiscal deficit can be expected to be brought down decisively over the next year, probably below 6%, and the government's debt also can be expected to be contained at 80%-85% of the GDP. On the monetary side, the interest rates may go up once or twice before the normal service of cheap and abundant money resumes. But all that is contingent on absence of any further economic disruption.

What kind of production and consumption impact do you expect because of the government's increased spending and RBI's inflation control measures?
While the interest rate increases will make investors and consumers cautious in the short run, their behaviour will be determined by economic stability in the coming months. Given the huge room for growth in both production and consumption in the economy, India can live with occasional swings in costs of living and doing business.

The government's spending and investment agenda gives confidence to the industry that it would have buyers in the domestic market even at slightly elevated price levels. In fact, the government's growing budget adds to the industry's confidence in the capacity expansion. The consumption trend will be shaped by the government's ability to provide business to the industry and jobs to the people in the short term.

A strong momentum in the economy would also soften the inflation and allow the RBI to switch from inflation containment to growth reinforcement.

What could the government do to sustain a high GDP growth level without losing fiscal discipline?

The current economic situation requires the government to accept some fiscal laxity to support investment and consumption and enable long-term confidence in the economy for the industry and the investors to place bets on greenfield ventures.

However, the government must not get used to driving the economy directly and broadly. Sustaining a high level of GDP growth without losing the fiscal shape requires the government to crowd in private initiative and money into the strategic and the sunrise sectors, as that is where the potential for wealth and job creation is the highest.

What can India Inc do to deal with the domestic growth challenges and the impact of global economic distortions and disruptions?

The slowdown in the national and the global economies requires India Inc to become less conservative and not more. High inflation and demand constraints need to be overcome by getting creative with value propositions of products and services and reaching out to supply sources and markets across the planet. Too many Indian enterprises are too reliant on the domestic market and government policies to exit and grow.

However, the characteristics of the domestic market require India Inc to be more dynamic in global sourcing and selling. Even as the disruptions and distortions in global trade constrain the immediate growth of many Indian enterprises, these disturbances also present unprecedented opportunities for India Inc to offer alternatives to the global producers and consumers.

The key to overcoming domestic growth challenges and capitalizing on global rearrangement is intellectual property. Indian Inc needs to innovate and align itself with the latest policy and popular trends in the world. The time for national competitiveness based on lower labour and environmental standards is gone and being up to the global buyers' ESG standards is necessary to gain access to markets and investment. India Inc needs to become a creator and licensor of intellectual property while it tries to catch up on technologies and innovation. https://www.newindianexpress.com/business/2023/jan/20/budgeting-for-sustained-high-growth-is-the-need-of-the-hour-2539675.html

7. Root out tax evasion *(thehindubusinessline.com)* 19 January 2023

In order to raise the tax-to-GDP ratio, the Centre would do well to plug evasion and avoidance on several counts. These include: bringing agricultural income beyond a level under income tax, plugging GST evasion, increasing the share of income tax among non-salaried classes, curbing tax abuse by multinational enterprises (MNEs), and plugging tax evasion due to illicit trade and smuggling.

The agriculture and allied sector has contributed only to 18 per cent of GDP, where about 45 per cent of the population are employed. However, as the income from agriculture is not taxed, irrespective of the level of income, unaccounted money is shown as agricultural income by vested interests. Those who show their annual income from farming of more than a specific amount can be taxed marginally, to begin with. It is politically a very tough move, though.

Fake invoices

There have been many ways by which GST evasion has been happening, such as issuing fake invoices (without supplying goods and services) and claiming input tax credit (ITC), more so in the construction sector (which contributes to about 5 per cen of our GDP); and round-tripping, especially when the distance of transport is short, where within the valid time of e-way bill, the goods could be transported more than once and unbundling of a single supply contract to reduce the tax incidence.

The consistent increase in GST collections since the introduction of GST in 2017 should mean the economy is becoming more formalised. The informal economy becoming formal does not mean that all economic activities are to be high-tech, but to essentially ensure that the informal economy's earnings and profits are captured well and taxed as per the current tax laws, thereby widening the tax base. A single rate of GST across all goods and services is easy to administer and will check tax evasion. But that would go against equity.

Although the Finance Ministry and the GST Council have been working to curb GST evasion, the free flow of data across the GST Network (GSTN) with other systems such as FastTag, Centralised Processing Centre of Direct Taxes, the Aadhaar, Passport, PAN and other portals that is evolving will go a long way in improving GST compliance.

Although the share of personal income tax in the total tax collection by the Central Government is only about 15 per cent, it is extremely lopsided. It was mentioned in the 2018-19 Budget speech that the average salary earner pays three times more than a non-salaried taxpayer and this does not include those who submit income tax returns but pay nil tax.

This anomaly is essentially due to non-revelation of true income by the non-salaried. The more the GST compliance, the better the revelation of true income by professionals, businessmen and traders, and the increase in income tax from the non-salaried taxpayers. The direct and indirect tax departments should get their act together to generate more income tax from non-salaried taxpayers.

As for MNE tax abuse, profits have been artificially shifted to low or no-tax locations. It was estimated that India lost about ₹75,000 crore due to tax abuse by MNEs in 2020-21. By joining the Inclusive Framework in June 2021 of G20 countries, India tried to reduce the impact of MNE tax abuse. By being the head of G20 countries in 2023, India should make use of its premier position to reduce MNE tax abuse further.

Illicit trade and smuggling should be looked into. According to a FICCI CASCADE report, the two most smuggled goods because of overtaxing are alcoholic beverages and tobacco products. As per the report, the estimated tax loss to the government due to illicit trade is ₹13,331 crore for tobacco products and ₹15,262 crore for alcoholic beverages.

Both these sectors account for nearly 49 per cent of the overall tax loss to the government due to illicit markets, as per the report, which also mentions three more sectors including mobile phones and fast-moving consumer goods. https://www.thehindubusinessline.com/opinion/root-out-tax-evasion/article66410282.ece

8. Achieve financial inclusion targets, finance ministry tells PSBs *(business-standard.com)* 20 January 2023

The progress in digitisation of the process for getting the KCC was also discussed to improve the transparency

The finance ministry on Thursday exhorted public sector banks (PSBs) to achieve their financial inclusion targets allotted to them for 2022-23.

In a full day review meeting of heads of Public Sector Banks (PSBs) and financial institutions chaired by Department of Financial Services (DFS) secretary Vivek Joshi, discussions also took place regarding the amendments proposed in Insolvency and Bankruptcy Code (IBC) with regard to reducing the delays in the processes relating to admission, resolution, National Company Law Tribunal's (NCLT) approval and liquidation. Officials from the Ministry of Corporate Affairs and Insolvency and Bankruptcy Board of India (IBBI) also participated in the meeting.

During the meeting, progress of various social security (Jan Suraksha) schemes, including Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Atal Pension Yojana (APY), Pradhan Mantri MUDRA and Prime Minister Street Vendor's AtmaNirbhar Nidhi (PMSVANidhi) and agri credit were reviewed.

"It was also discussed that banks should organise financial literacy camps so that awareness about various financial inclusion schemes including micro insurance schemes, digital financial transactions including UPI Lite can be further promoted", the finance ministry said in a statement.

The statement said that the finance ministry has already requested the Indian Banks' Association (IBA) to expedite the Consumer Service Rating for all scheduled commercial banks to gauge the consumer expectation and to enable banks to raise their standards of service delivery to every segment of the customer.

In May, Reserve Bank of India (RBI) said it has set up a committee under former deputy governor BP Kanungo to evaluate the efficacy, adequacy and quality of customer service in banks, NBFCs, and other entities regulated by it.

"PSBs were also requested to take help from the PM KISAN database with an aim to provide Kisan Credit Card (KCC) facility to all the farmers in the country. The progress of the Agriculture Infrastructure Fund (AIF) scheme was also reviewed. Officials from the Department of Agriculture & Farmers' Welfare were also present in the review related to agricultural credit," the statement added.

The progress in digitisation of the process for getting the KCC was also discussed to improve the transparency. “PSBs were advised to take necessary steps to digitise the entire journey of KCC loans in a time-bound manner. The digitisation of KCC-Modified Interest Subvention Scheme (MISS) was also discussed and banks were told to start using the portal for their claims from FY22 onwards,” the statement said.

“The progress of the Agriculture Infrastructure Fund (AIF) scheme was also reviewed. Officials from the Department of Agriculture & Farmers’ Welfare were also present in the review related to agricultural credit,” it added.

Agriculture Infra Fund (AIF) is a financing facility launched in 2020 for creation of post-harvest management infrastructure and community farm assets, with benefits including 3 per cent interest subvention and credit guarantee support. https://www.business-standard.com/article/economy-policy/finmin-exhorts-psbs-to-achieve-financial-inclusion-targets-for-fy23-123011901357_1.html

9. Govt exempts key infra projects from wildlife fund rules *(hindustantimes.com)* 20 January 2023

The Union environment ministry under guidelines issued on June 7, 2022 made it mandatory for all projects to deposit 2% of the total project cost towards the cost of implementation of WMP and 0.5% for SMCP, as the case may be, for the purpose of obtaining Stage-II (final forest) clearance under the Forest Conservation Act 1980.

The Centre has exempted road, rail, and transmission line projects from having to deposit 2% and 0.5% of the total project cost towards the cost of the Wildlife Management Plan (WMP) and Soil and Moisture Conservation Plan (SMCP) in a move that will benefit developers, but which has been criticised by environmentalists.

The Union environment ministry under guidelines issued on June 7, 2022 made it mandatory for all projects to deposit 2% of the total project cost towards the cost of implementation of WMP and 0.5% for SMCP, as the case may be, for the purpose of obtaining Stage-II (final forest) clearance under the Forest Conservation Act 1980.

It decided to tweak the guidelines for road and other linear projects such as rail lines, sidewalks, trails, and transmission lines after it was pointed out that these would end up paying for the entire length of the project even though only a small part would pass through a forest.

“Adverting to said guidelines, representation has been received in the ministry that given the involvement of huge cost in road projects, the 2% and 0.5% cost of WMP and SCMP is too large in comparison to meagre forest area involved in the project and accordingly, the ministry was requested to revisit the said guidelines guideline,” a letter issued to state governments and union territories on January 16 said. HT has seen a copy of the letter.

The representations were also discussed by the Forest Advisory Committee (FAC) of the ministry on December 9 last year. The issue was earlier considered by the FAC in its meeting held on October 17, 2022 also wherein the committee decided that since the National Board of Wildlife has already considered and taken a decision in a similar matter while dealing with the Dehradun – Ganeshpur Road, it would l be prudent to obtain the view of the wildlife division of the ministry.

The wildlife division , in its comments said that the National Board for Wildlife in its meeting held on January 5, 2021 on the Dehradun-Ganeshpur Road said the "condition of depositing 2% of proportionate project cost of the project passing through the eco -ensitive zone of the Rajaji Tiger Reserve should be removed and the amount already deposited should be adjusted in future projects of NHAI (national Highways Authority of India) in Uttar Pradesh…"

Following this, FAC observed that given the huge cost of road (and so-called linear) projects, the 2% and 0.5% cost was too large in comparison to the forest area involved in the projects. It said that it made sense to instead define the amount as 2% or 0.5%of the cost of the project passing through the forest area , and not of the total project cost.

The ministry has now officially communicated its decision to states and UTs. "In respect of linear projects, the stipulated norms of 2% and 0.5% towards the cost of WMP and SMCP, as provided in the ministry's guidelines dated 8.06.2022, will be proportionate to the extent of forest land involved instead of total project cost or actual cost of implementation of such plans, whichever is more...," it wrote in its January 16 letter.

"The matter is simple. Road projects are very expensive. They may be passing through a small forest area or eco-sensitive zone of a national park but its not right to ask them to pay based on the entire project cost. It should be proportionate to the extent of forest area involved. So, the guidelines will now be rationalised for road projects based on the forest area involved" said a senior official of the ministry's forest division who asked not to be named.

Environmentalists said sometimes the damage from road projects in eco-sensitive zones is irreversible and costs imposed should act as a deterrent. "The Char Dham road through the Bhagirathi Eco-sensitive zone in Uttarakhand will have massive impact on forests and wildlife. It's shocking that the government wants to make it easier to build roads involving diversion of forests. No cost can compensate for the loss but it should act as a deterrent. Even if wildlife management costs are reduced for the ministry of roads and transport, their landslide maintenance costs in Uttarakhand are going up to over a hundred crores in some stretches," said Mallika Bhanot, member of Uttarakhand based Ganga Ahvaan.

"Mitigation measures through effective wildlife management plans are critical in providing a way to wildlife. This is not only limited to forest areas but also non-forest land which are used by a variety of wildlife to move around. The leopard that was killed on the Delhi Meerut expressway on Wednesday was not moving through a forest. Underpasses and overpasses and other mitigation structures are critical. My opinion is that the road or rail projects should be asked to pay the actual cost of these structures without delay. It may be more than 2% of the project cost but that cost has to be paid for. In fact, these mitigation measures are actually a part of the project cost and cannot be externalised. If there is a river crossing the route, aren't bridges built? It's the same thing. Impact of roads on wildlife is huge," said Ritwick Dutta, environmental and wildlife lawyer.

"I understand that sometimes roads span a 100 km and the forest area covered is only 2% or less. So, if the environment ministry doesn't want to charge 2% of project cost, it should charge the actual cost of mitigation in forest and non-forest land involved but to say only 2% of project cost in forest area involved has to be paid is not fair or effective," he added. https://www.hindustantimes.com/cities/delhi-news/govt-exempts-key-infra-projects-from-wildlife-fund-rules-101674152375824.html

10. FAME probe: Six more EV makers under scanner *(indianexpress.com)* January 20, 2023

Blocked subsidy amount for electric two-wheelers crosses Rs 1,000 crore

With another half a dozen electric two-wheeler makers being investigated, the government has widened its probe of companies that have wrongfully claimed sops under the FAME II scheme.

In all, the government is now looking into the operations of around 18 companies to determine if the subsidies were rightly claimed. The total amount of subsidy withheld has crossed Rs 1,000 crore, according to persons familiar with the development.

In 2022, the government suspended the then market leaders, Hero Electric and Okinawa Autotech, from availing subsidies after they were found to be flouting localisation norms under the scheme. Sources said the government has now roped in accounting services firm EY to audit companies who claimed subsidies under the scheme.

"EY wants to check our books of accounts for any misappropriation of the subsidies we claimed under the scheme. While no subsidies have been released since April, they have asked for financials of October and November too," a senior executive of a company whose subsidies have been stopped, said.

With companies not inclined to continue production without subsidies, production and despatches to dealers nosedived in December and January, manufacturers said. The subsidy ranges from Rs 17,000 to Rs 60,000 per electric two-wheeler.

Battery makers, whose order books were robust a year back, have reported a sharp dip in fresh orders. "Production has come down drastically over the past few weeks. Until there is clarity on subsidy, we do not see any uptick in demand," said the owner of a battery making firm. https://indianexpress.com/article/auto-travel/fame-probe-six-more-ev-makers-under-scanner-8393057/

11. Ethanol blending crucial to cut oil imports but doubling it will hurt India's food security *(theprint.in)* 20 January 2023

Via blending, the Modi govt wants to reduce GHG emissions and India's dependence on imported fuel. But the potent question is about food security

In 2022, close to 1 million metric tonnes of rice from the Food Corporation of India's stocks was sold at subsidised prices to produce ethanol. As per the Ministry of Consumer Affairs, this rice was fit for human consumption. Similar diversions of crops to produce ethanol have been happening in the open markets for rice, maize and sugarcane in the country, where food and feed processors (and food consumers) are competing with oil manufacturing companies for grains.

In December 2022, the retail annual inflation rate for the country's cereals was about 13.7 per cent, it was about 10.5 per cent for rice and 17.5 per cent for maize. We explain the government policy behind this trend in ethanol production and what it entails.

India's ethanol blending programme

Ethanol Blending Programme (EBP) was launched in India in 2003. In 2018, it was given a new thrust under the National Policy on Biofuels (NPB). Among other things, NPB is a guide to producing bioethanol that would be blended with petrol. As per the policy, India was to achieve 10 per cent blending rate (E10) by ethanol supply year (ESY) 2021-22 and 20 per cent (E20) by ESY 2025-26. Data shows India has already achieved E10, with an annual average blending rate of about 9.5 per cent.

Via blending, the Government wants to reduce greenhouse gas (GHG) emissions and India's dependence on imported fuel (and heavy outgo of foreign exchange). As per NITI Aayog, petrol blended with 20 per cent ethanol would reduce carbon monoxide emissions by 50 per cent in two-wheelers and 30 per cent in four-wheelers. Likewise, the country's crude oil import bill is expected to fall annually by about $4 billion under E20.

Ethanol is produced from grains, their stalks, rotten potatoes, sugarcane juice, sugarcane molasses, and agricultural and industrial waste. When ethanol is produced directly from crops such as rice, maize, and sugarcane, the technology is referred to as 1G. When crop waste, non-food crops, industrial waste, and lignocellulosic (plant dry matter) feedstocks are used, the technology is 2G. Despite NPB's preference for 2G technology, most ethanol (for blending) in the country is produced using 1G. Barring a few pilot projects recently undertaken by some oil manufacturing companies, 2G remains commercially unviable in India.

In ESY 2021-22, 3.75 billion litres of ethanol for blending was produced in India. About 84 per cent of it came from sugarcane (juice, B-heavy and C-heavy molasses), about 10 per cent from FCI's rice stocks, and the remaining 5 per cent from maize/damaged food grains.

Projecting crop surpluses

As part of an ongoing research on Indian crops, we are studying surpluses in crops that can be made available to achieve the E20 target by ESY 2025-26. We created balance sheets of rice, maize, and sugarcane by simulating different scenarios for their future demand and supply. The study, among other things, accounts for possible supply shocks due to climate change or from yield improvements. Demands are projected on the basis of crop income elasticities and their historical trends.

In terms of demand, NITI Aayog shares the estimates. By ESY 2025-26, India will need 10.16 billion litres of ethanol for achieving E20. Of this, 55 per cent or 5.59 billion litres will come from sugarcane (and its products) and the remainder from grains, including rice (from FCI and open market), maize, and more. Assuming that rice and maize will together equally provide for producing the remaining 4.57 billion litres of ethanol, then as per our demand projections, India would need about 626 MMTs of sugarcane, 6.02 MMTs of maize, and 5.4 MMTs of rice to meet the E20 target. In the case of maize and rice, food and feed needs would compete more directly with ethanol targets, but in case of sugarcane the competition is less direct since ethanol is a by-product of sugar processing.

In terms of crop supplies, as per our estimates, while rice will be enough, maize will be deficient. There may be competition between poultry feed manufacturers and ethanol-producing units for maize directly impacting the costs and prices of poultry products like chicken meat and eggs. Sugarcane emerges as an interesting case. While most of the ethanol in the country is produced from sugarcane (juice and molasses), its surpluses are predicted to dwindle by FY 2025-26. In cane, there appears to be a trade-off between meeting sugar (domestic and export) and ethanol demands. If India wants to meet its domestic sugar demand of 28-29 MMTs and continue exporting 7-8 MMTs, then the supply of ethanol by ESY 2025-26 is likely to fall short of the target.

Is E20 a misplaced priority?
In light of climate change and growing vulnerability of crops, there is no doubt that we need more and better food to feed ourselves and the world. According to the Global Hunger Index, India still has the highest child wasting rate in the world. Ensuring adequate nutrition for all is rightly the prime focus of the country. While rice, for example, is important for the country's food security, its diversion to ethanol will directly compete with country's nutritional security ambitions where efforts are being made to diversify rice area to crops like pulses. As the country progresses, need for high value food like fruits, vegetables, poultry is also bound to rise.

Besides, gains from ethanol are also not well-established.

Globally, the United States and Brazil are front-runners in ethanol production and blending — the former producing it mainly from corn and the latter from cane. As per the World Resources Institute (WRI), aggressive blending mandates in Brazil have resulted in serious environmental concerns with increased instances of deforestation and conversion of pastures to crops due to ethanol mandates.

Besides, the crops themselves release emissions and have environmental costs. Rice and sugarcane, for example, are water guzzlers. So, what will be the net impact on emissions? This topic requires another deep dive.

For owners of two- and four-wheelers, E20 blended petrol is predicted to reduce fuel efficiency by 5 to 7 per cent, according to NITI Aayog. This will increase the overall fuel requirement for running a vehicle, impacting household budgets.

As per the Food and Agriculture Organization (FAO), crop diversion to biofuels and climate change are the most potent threats to long-term food security of countries globally. There is no doubt that India, like other countries, need to reduce emissions and diversify to improve its energy security. But the potent question is about its scarce resources like land, soil, and water. Should they be used to produce crops for food or for fuel? We are, or will soon be, the most populous country in the world with palpable threats on our crop yields from climate change. Can fuel be prioritised over food just yet?

Besides, are the ethanol targets over-ambitious? Can the surge in the sale of electric vehicles take some burden off the aggressive ethanol blending mandates?

Overall, it appears that while E10 is achieved and may be sustained in future, the target of E20 may require a rethink. https://theprint.in/opinion/ethanol-blending-crucial-to-cut-oil-imports-but-doubling-it-will-hurt-indias-food-security/1323334/

12. The Power Bill~I *(thestatesman.com)* 20 January 2023

Proponents of reforms assert that if tariff of domestic and small consumers is to be kept low, responsibility of subsidization lies with the government and not on the industries for an indefinite period, because in many developed countries power tariff for industrial

sector is always lower than that of domestic sector just to make industries more competitive in the global market

Recent media reports indicate major unions of power sector in the country are likely to strike work on the apprehension that the Union government might table the ‘Electricity (Amendment) Bill 2022’ in the ongoing session of Parliament and get it through in the Lok Sabha by majority vote. Lest the bill should become a law, the employees’ unions have raised this alarm suspecting the move as an approach to ‘selective privatisation’ by carving out the cash-cow of the existing government distribution companies (DISCOM) and punching another blow to the federal structure of the country.

Although electricity is a Concurrent List subject in the Constitution the present bill may shift the balance of power in favour of the Union government and its entities. They further apprehend it might hike power tariff and exacerbate the imbalance in inter-regional development. On the contrary, the major changes that this sector was awaiting, for example, proper redressal of consumers’ grievances, quality power at affordable prices etc. will continue to remain a far cry. In other words, some of the important objectives that brought about the Electricity Act, 2003 will be frustrated.

But the proponents of the bill consider this amendment bill is bold enough to accelerate the pace of industrial growth to make the Indian manufacturing sector more competitive in the globalized markets. A brief analysis of the major issues of the bill will, hopefully, shed some light.

Amendment of Sections 14 (b) and 15 enables more than one utility to distribute power in the same area. Existing provisions also allow more than one DISCOM to distribute power in the same area but only after the new entrant puts its own grid and network in place. This option was seldom exercised because of its prohibitive cost. In Mumbai, however, multiple licensees in the same area are operating in a different context. The present bill allows the new licensee to utilize the existing network just by paying ‘Wheeling charges’ thereby implying that the risk of investment is borne by the existing licensee while the new entrant reaps benefits out of it.

Historically, private companies distribute power in a few cities like Kolkata, Mumbai, Delhi etc. where Transmission & Distribution (T&D) loss is lower than 10 per cent while in other parts of the country, government DISCOMs distribute power to all consumers be it rural or urban, small or big, industrial or domestic, where such T&D loss together with loss arising out of unscrupulous use of power termed as ‘Aggregated Technical & Commercial (AT&C)’ loss is as high as 20- 30 per cent or even more. T&D loss is higher in respect of rural and domestic consumers because consumers get connected at lower voltage levels and power supply lines are drawn miles after miles resulting in excessive mechanical loss. But wherever private companies operate, they are not required to distribute power in rural areas where AT&C loss is very high. The lone experiment of a private licensee distributing power to all types of consumers over a long period in Odisha could not finally sustain and failed miserably. That could be the reason to prompt private entrepreneurs to seek distribution licenses in urban and industrial areas only. Therefore, the apprehension of ‘selective privatization’ through this amendment bill is not unfounded.

There are reasons to believe that operation of many DISCOMs in the same area might increase competition; reduce power-tariff and improve quality of power. But it is not a service similar to what a mobile network provider renders and operates without any grid; because power is to be supplied through a dedicated grid only and that too is different for different consumers according to the voltage level at which such consumers get connected. In a single area, the network remaining the same, different quality of service for different sets of consumers catered by different licensees can be maintained, at best, by installing consumer specific instruments and only when it is operated through smart meters. These smart meters and instruments are not only very expensive but also most difficult to operate for differentiating services through the same grid. Moreover, for this system to succeed, introduction of another independent entity to control the grid is sine qua non.

Most of the government licensees can ill afford such additional expenses. But when a private player selectively does it for high-end consumers, it may become profitable with much less investment because the whole lot of consumers will not be required to be catered. Hence, a private utility would be eager to distribute power to those selected few industrial and big consumers at lower tariff by tacitly undercutting the price of the existing licensee by taking advantage of the provision of ‘ceiling tariff’. It is possible that industrial consumers get cheaper and quality power through this process, and they become more competitive.

For this kind of ‘cherry-picking’ of big and industrial consumers by a new licensee, the existing DISCOM will be left with only rural and domestic consumers that involves higher percentage of AT&C loss. At present, government licensees can compensate some amount of loss arising out of rural and domestic consumers from the gain attributable to big and industrial consumers, As a result, the industrial consumer remains deprived of utilizing its own power technically called crosssubsidy. But in the new situation such kind of cross-subsidization will cease to exist and that will leave them with few choices but to hike their tariff or get subsidy from the government which they do not always receive even after such amounts get budgeted. Therefore, the bill not only paves the path for ‘selective privatization’ but also has the potential to hike power-tariff.

But the proponents of reforms assert that if tariff of domestic and small consumers is to be kept low, responsibility of subsidization lies with the government and not on the industries for an indefinite period, because in many developed countries power tariff for industrial sector is always lower than that of domestic sector just to make their industries more competitive in the global market.

Currently, the state electricity regulatory commission (SERC), after factoring state-level issues, grants a distribution license to a new company. The present bill empowers the Union government to frame guidelines for granting multiple licenses in the same area. It is to be seen how the Union government frames the criteria. If a new licensee, by such policy decision is perforce required to cater to both rural and urban consumers without having the option of ‘cherry-picking’, only then it can be a level-playing-field for both government and private licensees, otherwise not.

By amending Sections 40 and 42, the bill makes transmission of power through ‘Open Access (OA)’ easier and unobstructed. When any industrial house intends to draw power from its captive power plant for its industrial unit from other locations outside the command area of the DISCOM from which it currently draws its power, it must obtain clearance from the State Load Despatch Centre (SLDC). Many SLDCs, before issuing such clearance now seek technical clearance from the concerned licensee and on the apprehension of losing big consumers, existing licensee tries to keep such clearance on hold for some reason or the other.

, even if it is cheaper. This bill removes many such hurdles in accessing power through OA and prescribes penalty for any obstruction, if posed unreasonably by any entity. Although the existing licensee imbibes the risk of losing the cross-subsidizing bracket of industrial consumers and suffering loss of revenue for that reason, it cannot be denied that such reform lends more strength to the industries to set more competitive price of their products in the global market. https://www.thestatesman.com/opinion/the-power-billi-1503148322.html

13. Why Indian Army Is Buying Machine Pistols under Emergency Provision *(thewire.in)* 20 January 2023

Even though the DRDO claimed in 2021 to have successfully developed a 9x19 mm machine pistol for use by the military, paramilitaries and police forces, the Army has raised a tender to indigenously source 5,000 of them.

A slew of domestic vendors have submitted their technical and commercial bids in response to an Indian Army (IA)'s tender, or request for proposal (RfP), to indigenously source 5,000 9×19 mm machine pistols as an 'Emergency Procurement' via the Fast Track Procedure (FTP) of the Defence Acquisition Procedure, 2020 (DAP 2020), for an estimated \$6 million.

The majority of the 10-odd manufacturers who responded to the RfP's January 9 deadline were in tie-ups with overseas small arms original equipment manufacturers (OEMs), a provision admissible under DAP 2020's 'Buy Indian' category through which the pistols were being acquired.

The competing firms include Punj Lloyd Rave (PLR)/Adani Defence, which has a collaborative agreement with Israel Weapon Industries, ICOMM of Hyderabad that is linked to Caracal of the UAE and Delhi-based Jindal Defence and Aerospace, which has a joint venture with Brazil's Taurus Armas, agreed in 2020.

The public sector Small Arms Factory in Kanpur – part of the erstwhile Ordnance Factory Board – Optic Electronics based in Noida that is working with Switzerland's B&T AG (formerly Brugger & Thomet AG) and the Anil Ambani-led Reliance Group's Jai Armaments, were some of the other vendors vying for the IA's machine pistol contract.

These pistols were intended for employment mainly by Infantry battalion Ghatak (Killer) commando platoons and to a limited extent by tank, artillery and helicopter crews, and their delivery via the FTP route needed to be completed within 3-12 months of the deal being inked. The 20-odd strong, lightly armed and mobile Ghatak platoons were tasked by their respective battalion and brigade commanders to execute special reconnaissance missions behind enemy lines and to conduct other special operations at the tactical level. These could include raids on enemy artillery positions, airfields and supply dumps and directing artillery and air attacks in hostile territory.

Trials – or 'demonstrations' as per FTP norms – for the rival machine pistols are expected to take place over the next few months at the IA's Infantry School at Mhow in Madhya Pradesh, following which the vendors would be shortlisted, based on their respective weapon systems performance. Thereafter, commercial bids of the selected bidders would be opened and based on the L1, or lowest price quoted, negotiations would be initiated, following which the contract would then be signed.

The 75-page RfP, issued last December by the IA's Infantry Directorate, requires the pistols measuring 650 mm in length in extended condition, to weigh no more than 2.5 kg and be able to fire in-service, locally-sourced ammunition, at the rate of 600 rounds per minute to an 'effective range' of 100 m.

Mounted with Picatinny Rails to affix sights and other ancillaries, the pistols, equipped with red dot reflex sights, were as per the RfP required to register 8/10 hits in a 15×15 cm grouping when fired in single shot mode from a fixed mount at a target 50 m distant. And, when similarly fired in short bursts of two to three rounds each, the pistol needed to score 18/30 hits within a 30×30 cm cluster.

Required to operate in temperatures varying between -20°C and 45°C "without degradation in performance", the pistol was expected to have a service life of 10 years, or 10,000 rounds, whichever came earlier, the RfP stated. And though developed with OEM assistance and component input, the pistols would be required to include an indigenous 60% content, which in the eventuality of them being locally designed, would reduce to 50%.

Elaborating on the qualified vendors' responsibilities, the RfP outlined that these would include providing instruction to users and maintenance crews and delivering product support, including the Manufacture of the Recommended List of Spares (MRLS) for a decade after the pistols had been delivered.

What happened to DRDO's indigenous pistol?

Industry officials, however, questioned the issuance of this tender, as in early 2021 the government-run Defence Research and Development Organisation (DRDO) claimed to have successfully developed a 9×19 mm machine pistol, in just four months, for use by the military, paramilitaries and police forces.

In an official statement at the time, the DRDO had stated that the prototype pistol, named Asmi (Pride/ Self-Respect) had been jointly designed by its Armament Research Development Establishment in Pune and the Infantry School. It had declared that the pistol, with an empty weight of under 2 kg, featured an 8-inch barrel and a 33-round magazine of in-service 9 mm ammunition.

The DRDO-designed machine pistol also sported an upper receiver made from aircraft-grade aluminium and a lower receiver fabricated from carbon fibre. Furthermore, the DRDO maintained that it had used the 3D printing process to design and prototype the pistol's various parts, including its trigger components. Moreover, it added that each pistol's production cost would be around Rs 50,000 and though five vendors were reportedly shortlisted by the Ministry of Defence (MoD) around mid-2021 for Asmi's limited series production, little had since emerged on its status.

"Given the government's onus on atmanirbharta or self-reliance in the defence sector and the hype surrounding this initiative, why is the IA seeking a new machine pistol, when one seemingly credible one had already been successfully developed indigenously by the DRDO?" queried a retired two-star infantry officer. Such incongruity is questionable, he declared, requesting anonymity, but added that perhaps Asmi, like numerous other small arms previously designed by the DRDO had not lived up to the IA's operational standards, necessitating thereby the new pistol buy under the emergency proviso.

Other veteran infantry officers said acquiring just 5,000 new machine pistols would merely impose additional logistic requirements upon the army at a time when it was under pressure to streamline its equipment profile and right-size its expenditure, as it struggled with depleting annual financial outlays that adversely impacted its continually-delayed modernisation.

Earlier, in a move to replace its legacy 9 mm 1A1/2 sub-machine guns that were local, licence-built variants of the UK's L2A3 Sterling model dating back to WW2, the IA had acquired 1,500 MP9 pistols supplied by B&T AG around 2015-16, followed by two repeat orders soon after for 400-500 more.

The Swiss small arms vendor, working in collaboration with the aforementioned Optic Electronics in Noida, had also provided the army with four base and 40 field workshops to sustain the MP9s, which were believed to be performing effectively. However, an entirely new machine pistol, as planned in the projected emergency procurement, would compel the IA to set up yet more such workshop facilities in the prevailing milieu of frugality, industry officials said.

The IA faces a largescale shortage of efficient small arms.

Last November, the MoD issued an RfP to indigenous manufacturers for 425,213 5.56×45 mm close-quarter battle carbines, and earlier this month a facility in Korwa, near Amethi in Uttar Pradesh, that was inaugurated in 2019, finally started the licensed manufacture of Russian Kalashnikov Ak-203 7.62×39 mm assault rifles. The first batch of 5,000 Ak-203s, of an eventual 750,000 units, produced by the Indo-Russian Private Limited joint venture is scheduled for delivery to the IA in March as replacements for the DRDO designed 5.56×45 mm Indian Small Arms Systems (INSAS) assault rifle, which was declared 'operationally inefficient' by the force in 2010.

Perhaps Asmi too has been similarly deemed in this category, and the emergency procurement of machine pistols invoked to meet the army's urgent operational requirements for this weapon system. https://thewire.in/security/indian-army-machine-pistols-emergency-provision

14. Orissa HC orders special audit of unutilised funds for workers' welfare *(newindianexpress.com)* 20 January 2023

CUTTACK: The cess amount collected on the cost of constructions which include the registered construction workers has come under judicial scrutiny, as Rs 579 crore funds are lying unutilised meant for workers' welfare.All such amounts are collected under Building and other Construction Workers Welfares Cess Act, 1996 as well as the Building and Other Construction Workers' (Regulation and Condition of Services) Act, 1996. Nearly nine lakh construction workers are registered in the state.

The Orissa High Court on Thursday directed the state government to conduct a special audit within six months of all the funds collected under the two Acts.The division bench of Chief Justice S Muralidhar and Justice M S Raman ordered the special audit while hearing a PIL regarding the state government's actions to strictly implement the provisions of two acts. Odisha State Legal Services Authority (OSLSA) had filed the petition.

OSLSA counsel Mrinalini Padhi on Thursday submitted a note indicating that the state government's affidavit filed in pursuance of the court's order indicates that over `579 crore of the amount collected remains unutilised by the end of 2022.

Taking note of it the bench said: "Considering that the unutilised amount is considerable and was meant essentially to cater to the needs of the building and construction workers the court considers it necessary to require the state to get a special audit undertaken of all the amounts collected under the Acts."Accordingly, the bench directed the state government to file the report on affidavit by July 31, the date fixed for further consideration on the matter. https://www.newindianexpress.com/states/odisha/2023/jan/20/orissa-hc-orders-special-audit-of-unutilised-funds-for-workers-welfare-2539623.html

15. Budgetary provisions: Many UP depts haven't even used 50% of funds *(hindustantimes.com)* Jan 20, 2023

Uttar Pradesh government appears concerned over the low utilisation of funds earmarked in the state budget (2022-2023) and has asked many of its departments to ensure that these allocations are used by March 20, 2023.

"Till December 31, 2022, many departments have been able to use only half of the budgetary provisions. We have asked them to ensure that the funds allocated in the state budget for 2022-2023 are used by March 20, 2023," said those aware of the developments in the finance department.

Though UP government has consistently monitored the utilisation of funds, the low expenditure has remained a cause of concern for many departments. Allocated funds, if not used within a given financial year (when the budget is passed), are not carried over to the next financial year. "The situation is monitored at various levels of the state government almost every month and steps are taken to ensure that the maximum funds are used before the end of year," said a functionary associated with the review process.

A close scrutiny of the budgetary provisions and allocations indicates that the expenditure by different departments was nearly 50% or even less than 50% of the funds earmarked in the first three quarters (up to December 31, 2022) when the last review was conducted early in January 2023.

The departments, which have not been able to use funds up to satisfactory levels, include the PWD, medical and medical education, vocational education, social welfare, women's welfare, tourism, environment and civil aviation.

The state government's progressive expenditure (as indicated on the koshvani.up.nic.in on January 19, 2023) indicates that many departments have not been able to make improvement in the situation after the last review. The PWD (special area programme) was able to spend only ₹175.67 crore against budgetary provision of ₹700 crore and allocation of ₹113.60 crore. A sum of ₹6118.47 crore has been used under PWD (roads) head against the budgetary provision of ₹26594.41 crore and allocation of ₹12827.80 crore. A sum of ₹4980.69 crore has been used against budgetary provision of ₹10390.76 crore and allocation of ₹7974.44 crore) for medical (allopathic medicine) while ₹801.27 crore and ₹386.41 crore have been used against budgetary provision of ₹1784.94 crore (allocation ₹975.11 crore) and ₹684.55 crore (allocation ₹540.09 crore) for medical (Ayurvedic and Unani) and medical (homeopathy).

The vocational education department used ₹608.70 crore against budget provision of ₹1222.98 crore and allocation of ₹781.76 crore. The social welfare department utilised ₹5647.29 crore against the budget of ₹12158.09 crore and allocation of ₹9820.93 crore. The women's welfare department used ₹2341.95 crore against budget provision of ₹4643.86 crore (allocation of ₹4227.77 crore).

A sum of ₹528.22 crore has been used by the tourism department against budgetary provision of ₹1104.20 crore and allocation of ₹594.73 crore. The environment and civil aviation departments used ₹5.78 crore and ₹577.71 crore, respectively, against budgetary provision of ₹18.20 crore (allocation ₹11.90 crore) and ₹2315.68 crore (allocation ₹622.08 crore), respectively. https://www.hindustantimes.com/cities/lucknow-news/budgetary-provisions-many-up-depts-haven-t-even-used-50-of-funds-101674147845589.html

16. Yamuna Clean Mission: यमुना की सफाई के लिए 1028 करोड़ के अतिरिक्त फंड को मंजूरी *(amarujala .com)* Jan 20, 2023

मुख्यमंत्री केजरीवाल के यमुना को साफ करने के विजन को गति देने की दिशा में बृहस्पतिवार को विधानसभा में 1028 करोड़ रुपये के पूरक अनुदान को मंजूरी दी गई। इस दौरान उपमुख्यमंत्री मनीष सिसोदिया ने साझा किया कि सरकार ने दिल्ली जल बोर्ड के पैसों को जारी करा दिया है। साथ ही, यमुना की सफाई के लिए अतिरिक्त बजट भी जारी किया गया है।

उन्होंने कहा कि उपराज्यपाल ने अधिकारियों पर दबाव बनाकर यमुना की सफाई के काम को रोकने का हर संभव प्रयास किया। सदन से बजट मंजूर होने के बावजूद जल बोर्ड के काम रोके गए। उन्होंने पहले योजना को रोकने का प्रयास किया, जब योजना नहीं रुकी तो फंड रोक दिया गया, लेकिन यमुना की सफाई का काम जारी है। दिल्ली सरकार यमुना की सफाई का काम कभी रुकने नहीं देगी।

मनीष सिसोदिया ने कहा कि मुख्यमंत्री के वादे के अनुसार अगले चुनावों से पहले यमुना साफ होकर रहेगी। इसके लिए उन्हें जो भी करना पड़ेगा वे करेंगे। दिल्ली सरकार इस दिशा में युद्धस्तर पर काम कर रही है। स्वयं मुख्यमंत्री केजरीवाल ने यमुना की सफाई को प्राथमिकता बनाते हुए स्वयं हर एक पहलू पर बारीकी से नजर बनाए रखी है।

यमुना की सफाई के लिए पूरक अनुदान के अतिरिक्त दिल्ली की तरक्की की गति को बढ़ाने व लोकहित के कामों में तेजी लाने की कड़ी में विधानसभा ने वर्ष 2022-23 के लिए मुख्यमंत्री सड़क योजना में 100 करोड़ अतिरिक्त फंड, ट्रांस-यमुना एरिया वर्क के लिए 49 करोड़, पीडब्ल्यूडी के रोड मेनटेनेंस, अतिरिक्त क्लासरूम निर्माण, अस्पतालों के री-मॉडलिंग आदि के लिए लगभग 800 करोड़ के अतिरिक्त फंड, सिंचाई एवं बाढ़ नियंत्रण विभाग

के लिए 75 करोड़, छठ घाटों के लिए 8 करोड़, शहीदों को 1-1 करोड़ रुपये की सम्मान राशि देने के मद में 25 करोड़ की अतिरिक्त राशि, मुख्यमंत्री तीर्थ यात्रा योजना के लिए अतिरिक्त 50 करोड़, एससीएसटी वेलफेयर के लिए 75 करोड़, डीजीएचएस के लिए 50 करोड़, अस्पतालों के फंड के लिए 364 करोड़, उच्च शिक्षा के लिए 78 करोड़, समग्र शिक्षा अभियान के लिए 199 करोड़, यूनिफार्म सब्सिडी के लिए 130 करोड़, मिड डे मील के लिए 114 करोड़, लॉ डिपार्टमेंट के लिए 60 करोड़, वकीलों की बेहतरी के लिए केजरीवाल सरकार योजना के तहत 10 करोड़ को मंजूरी दी है।

नांगली गांव के किसानों को मुआवजे की मांग

भाजपा ने विधानसभा से लेकर सड़क तक दिल्ली के किसानों के मुद्दा उठाया। दिल्ली सरकार की ओर से दिए जाने वाले मुआवजे को अनुचित करार देते हुए भाजपा ने विरोध-प्रदर्शन भी किया। प्रदशर्नकारियों ने कहा कि नांगली गांव के किसानों की जमीन का मुआवजा दिल्ली सरकार दे तो रही है, लेकिन वास्तविक कीमत से किसानों को वंचित कर रही है। दिल्ली भाजपा के कार्यकारी अध्यक्ष वीरेंद्र सचदेवा के नेतृत्व में नांगली व रावता गांव के किसानों ने विधानसभा के बाहर प्रदर्शन किया। सचदेवा ने कहा कि अनुचित मुआवजा देकर सरकार जबरन भूमि को अधिगृहीत करने की कोशिश कर रही है। भाजपा किसान की जमीन को कौड़ियों के दाम पर नहीं लुटने देगी। सरकार नांगली गांव वालों को 2.5 करोड़ रुपये प्रति एकड़ की बाजार दर का मुआवजा दे। किसानों के खेत में नाले का पानी छोड़ा जा रहा है। https://www.amarujala.com/delhi/1028-crore-additional-fund-approved-for-cleaning-yamuna-2023-01-20

17. Mumbai: BMC to spend a whopping Rs 75 cr to light up skywalks *(mid-day.com)* Jan 20, 2023

The BMC will spend over Rs 74.25 crore to install proper lighting on skywalks as part of the city beautification project. Former group leaders, however, expressed their concerns about the cost and demanded that the civic body declare which works would be done by spending crores of rupees.

Civic Administrator Iqbal Singh Chahal passed the proposal for the beautification of 13 skywalks in the city at a cost of Rs 74.25 crore. Under this project, the Brihanmumbai Municipal Corporation will install LED, flood lights and tube lights on skywalks.

Former opposition leader Ravi Raja said, "The BMC should be aware of how many pedestrians are using the skywalk. This project failed in the city as no one uses the skywalks. Still, if the BMC wants to spend more money on it, they should declare what exactly they*re going to do. As this is taxpayers* money, the authorities should declare the expenses on the website which helps taxpayers know where the money is being spent and they can also keep watch on the project." He also took a jibe at the civic administration and said, "The corporation*s term ended last year in March. So, the officials are now behaving like they are not answerable to anyone."

Former group leader of NCP Rakhi Jadhav said, "Firstly, the BMC should conduct a survey to identify how many pedestrians are using the skywalk. Pedestrians prefer to walk on roads, so the BMC should give them proper footpaths." According to the proposal, the contractor will take care of the lighting for a period of three years after the installation. In case of failure on the part of the contractor, a provision enables the BMC to levy a fine of Rs 2,000 every day.

Expense sheet
Rs 20.52 cr
Borivli and Andheri skywalks

Rs 18.05 cr
Goregaon, Santacruz East and West, Vile Parle skywalks

Rs 18.52 cr
Bhandup, Ghatkopar East and West, Sion skywalks

Rs 17.14 cr
Cotton Green, Nana Chowk in Grant Road, Wadala skywalks
https://www.mid-day.com/amp/mumbai/mumbai-news/article/mumbai-bmc-to-spend-a-whopping-rs-75-cr-to-light-up-skywalks-23266327

18. Himachal PWD seeks ₹37 crore additional fund to save sinking Ridge *(hindustantimes.com)* Jan 20, 2023

Amid the emergency evacuation of residents from Joshimath in neighbouring Uttarakhand, the HimachalPradesh public works department (PWD) sought an additional ₹37 crore from the urban development department to restore Shimla's "sinking heart", the historic Ridge.

"The initial cost of the project was ₹30 crore. We faced more geological problems while carrying out restoration. PWD now requires additional funds to restore the sinking portion (area)," said Praveen Kumar, Himachal PWD executive engineer and in-charge of the project.

"A fortnight ago, engineers from Roorkee visited the site and reworked the project cost," he said adding that an additionalRs 37 crore was required to restore the project.

The Ridge, the most photographed wide-open street located on the side of Shimla Mall Road, is sinking.

"It sank almost two feet in 2019," said Gopesh Behl, subdivisional engineer, Shimla municipal corporation (MC).

The PWD had undertaken a project to restore the Ridge last year in June after a 60m stretch between Heritage Town Hall and the Padam Dev Market Complex on the Ridge developed cracks.

In 2019, the MC roped in engineering experts from the Indian Institute of Technology (IIT), Roorkee, to find a long-term solution to stabilise the sinking portion of the Ridge, which spans over roughly 10,000 square metres. In 2020, the urban development department had sanctioned an amount of ₹30 crore for stabilisation of the Ridge under the smart city project.

“The cost has escalated from ₹30 crore to ₹67 crore completed by this year-end,” says municipal commissioner Ashish Kohli.

Experts concluded that the Ridge was sinking perpetually due to loose soil strata. The government shifted the Tibetan Refugee Market below the Ridge to Ajvika Bhawan near the Lift.

IIT Roorkee‘s comprehensive Ridge stabilisation plan envisaged construction on walls along the sliding area to stabilise the sliding slopes and fill the loose soil strata with concrete. “There is a water storage tank beneath the ridge which has a storage capacity of the 8 MLD. Over the years, the tank had developed cracks. To check water seepage, the Shimla Jal Prabadhan Nigam carried out repairs. The repairs were carried out at the time of the pandemic-induced curfew. It was during the routine inspection that MC had noticed cracks inside the tank,” said Adarsh Chuahan manager at SJPNL

The reservoir was built in the 1880s with lime mortar and without using any cement.

Apart from the Ridge, there are many portions of Shimla that are sinking due to waterlogging, owing to poor drainage systems. The town and country planning department last year hired Mars planning and engineering services limited to draw the draft of the development plan for Shimla, which identified other portions, including a grand hotel, Lakkar Bazaar, central school, Auckland nursery school building, Dobhi Ghat, which were sliding. The National Highway Authority of India has identified a tract of Shimla Tutti Kandi Bypass, which was shrinking constantly near Mehli last two years. The stretch of Shimla’s ancient Kali Bari Mandir, connecting the Mall Road, is constantly sinking, posing a threat to areas below it, including the headquarters of the Army Training Command. Shimla development plan 2041 draft prepared in 2022 highlighted that the town is growing beyond its seams by leaps and bounds.

Ribbon development along the Highways and even along the minor roads emanating from the city is a common feature. A vast cityscape is in the formation. While the already existing areas have also got congested, the fringes and peri-urban areas, especially prominent ridges like Sanjauli, Cemetery, Dhalli, Bhattakufar, Mehli, Kangnadhar, Khalini, Bharari etc. are acquiring considerable proportions of development.

Former mayor Sanjay Chauhan said, “Actually the town didn’t have any development plan then. An interim was drawn in 1979 but it wasn’t implemented and thus haphazard construction took place everywhere.”

Shimla was originally planned for a population of 25,000 people, but it now accommodates more than 2.4 lakh people besides the floating population of tourists. As per state geologist Puneet Guleria, 90% of the core city area has been built on slopes more than 60 degrees, thus making these constructions against architectural and geological norms. These factors make Shimla susceptible to natural disasters. https://www.hindustantimes.com/cities/chandigarh-news/himachal-pwd-seeks-37-crore-additional-fund-to-save-sinking-ridge-101674155965264.html