

## **NEWS ITEMS ON CAG/ AUDIT REPORTS (24.01.2023)**

### **1. It Is Time for States to Turn Away From Populism and Focus on Capex ([outlookindia.com](https://outlookindia.com)) January 23, 2023**

The Covid-19 pandemic dragged the global economy to an unprecedented lull, and the Indian economy was no exception. After multiple bouts of vaccination against the transmission of an economic slowdown, India is finally on a road to recovery. For the country to steady itself on a trajectory of growth, its states have to wise up financially as well.

Over the course of the past few years, since the pandemic brought state economies to a standstill, several financially imprudent decisions were made. Perhaps, the time has arrived to rectify this, as a recent Reserve Bank of India (RBI) report suggests. The report, titled State Finances: A Study of Budgets, has found that state finances are finally improving after sticking to better fiscal management in financial year (FY) 2022-23 as seen in budget estimates (BE).

The states play a crucial role in India's gross fixed capital. This because the government expenditure's share in the total gross fixed capital of the country is 11 per cent, of which 60 per cent is borne by states. This is significantly higher compared to the global average for sub-national spending which is at 30 per cent.

With such an important role to play, the states were tied down by the impact of the pandemic, aptly described as the 'scissor effect' by the National Institute of Public Finance and Policy (NIPFP). This two-prong effect consisted of revenue loss and the urgency to spend so that economic activities could be revived.

While revenue loss led to increased borrowing and deepening of state fiscal deficits, the sudden expenditure took a populist line that served political purposes. In the view of upcoming state elections, the states' fiscal management deserve a closer scrutiny.

#### **Populism at Play**

The pandemic arrived without any warning and pulled the states into impromptu lockdowns. In order to provide a social safety net for the vast majority of the population, the government, at central and state levels, had to increase its subsidy spending. In FY 2020-21, most states recorded a substantial jump in subsidy expenditure.

Data from the Comptroller and Auditor General of India (CAG) show that state's expenditure on subsidies grew 12.9 per cent and 11.2 per cent during in FY 2020-21 and 2021-22, respectively. Notably, this came after the states recorded a contraction in FY 2019-20, when the lockdowns were yet to strike.

In the last three FYs, Uttar Pradesh, Jharkhand, Telangana, Kerala, and Odisha saw the largest rise in subsidy outgo, while Punjab, Chhattisgarh, and Gujarat spent over 10 per cent of their revenue expenditure on subsidies. When subsidy measures are not well-targetted, they lighten the government purse without causing any noteworthy improvement to the welfare of the state's people.

Such measures negatively impact credit culture, discourage private investment by distorting prices through cross-subsidisation, and lead to falling labour force participation by

disincentivising work at the prevailing wage rate. However, these measures can be made popular among the masses, giving rise to electoral benefits for the governments at work.

State governments reportedly announced subsidies and populist schemes over Rs 1 lakh crore in 2022. Economists and experts have pointed out often that states, in order to safeguard their electoral interest, resort to spending that do little to augment growth but adversely impact state finances.

The recent flip-flop by states on the Old Pension Scheme (OPS) is a good example of governments pursuing populist agendas that can have grave tax burdens on upcoming generations. After years of debate and discussions, many states decided to opt for the newer pension regime as the OPS was agreed to be unsustainable in the long run by most states. But Rajasthan, Himachal Pradesh, Punjab, and Chhattisgarh have brought back the old system.

The unfunded nature of most populist schemes pushes the government to borrow more, causing grave slips in fiscal deficits and a piling up of debt.

### **Deepening Of Debt, Deficits**

In the pandemic year, states resorted to additional borrowings to ensure a 4.9 per cent growth in states' expenditure, despite a fall in revenue. The states' lending jumped by close to 56 per cent, a four-time growth over the pre-pandemic year. Borrowing, as a means to fund current expenditure, is not an ideal situation.

Just as in the household level, a loan is an instrument to invest in long-term benefits and not to fund one's daily expenses. In FY 2020-21, expenditure grew by 14-17 per cent in states like Tamil Nadu, Andhra Pradesh, Kerala, Uttarakhand, Bihar, and Punjab.

In 2020-21, the states' consolidated gross fiscal deficit (GFD) rose to 4.1 per cent of gross domestic product (GDP), the highest level since 2004-05. According to data compiled by the CAG, between FY20 and FY21, fiscal deficit increased by 1 per cent of gross state domestic product (GSDP).

A state-wise disaggregation suggests that fiscal deficit and borrowings were among the highest in the States of Uttar Pradesh, Bihar, Jharkhand and Rajasthan. The case of Uttar Pradesh was particularly acute. Aggregate receipts declined by 20 per cent in the pandemic year, which resulted in an increase of fiscal deficit of about 3.9 per cent of GSDP, the highest among the 26 states studied.

While the pandemic was an exigency, several states have generally had a high debt burden owing to untargeted schemes announced during election campaigns. An RBI report titled State Finances: A Risk Analysis that was published last year highlighted that finances of states like West Bengal, Kerala, Punjab, Rajasthan and Andhra Pradesh showed warning signs of building stress.

Based on the debt-GSDP ratio in 2020-21, Punjab, Rajasthan, Kerala, West Bengal, Bihar, Andhra Pradesh, Jharkhand, Madhya Pradesh, Uttar Pradesh and Haryana had the highest debt burden, accounting for around half of the total expenditure by all state governments in India. The report said that Kerala, Jharkhand and West Bengal exceeded the debt target for 2020-21 set by the 15th Finance Commission.

It also indicated that the debt stock was no longer sustainable for Punjab, Rajasthan, Bihar, Kerala and West Bengal, as the debt growth outpaced their gross state domestic product growth in the last five years. Such unsustainable models, that combine injudicious spending and reckless borrowing, leaves very little room to spend on capital expenditure (capex).

### **Case for Capex**

Now that the states are experiencing relief from the economic strain caused by the pandemic, there is a good case for capex receiving more attention. Provision for capital outlay by states saw a robust growth of 32 per cent in 2021-22, aided in part by the Centre's allocation for states through Scheme for Financial Assistance to the States for Capital Investment. Further, states have budgeted a 38 per cent increase in capital outlay in FY2022-23.

However, the latest CAG data on state accounts for the first eight months of the ongoing financial year shows that states may not be in sync with the Centre's policy focus towards capex as growth multiplier. A study of India's 10 largest states by gross domestic product (GSDP) shows that only Gujarat, Karnataka, and West Bengal's capex increased in FY23 April-November compared to the same period a year ago.

Gujarat spent 57 per cent of its budget target on capex, up from 46 per cent a year ago, Karnataka spent 52 per cent, up from 43 per cent a year ago, and West Bengal spent 32 per cent, up from 25 per cent in the same period a year ago.

While Uttar Pradesh's capex in absolute term went up to Rs 35,658 crore in FY23 April-November from Rs 33,457.14 crore in the same period a year ago, there was no change in terms of percentage of budget target, which was 29 per cent for both years. Maharashtra, Tamil Nadu, Rajasthan, Andhra Pradesh, Telangana, and Madhya Pradesh have all spent less on capex in FY23 April-November compared to the same period a year ago.

### **The Way Out**

Since finances have always remained a bone of contention between the Centre and states, the lack of funds for capex have often turned into a political blame game. Opposition-ruled states are quick to point to the acute centralisation of funds and lower devolution by the Centre for them being cash-strapped, while the Centre retorts that electoral needs make them opt for populism over growth, thus draining resources.

Indeed, political compulsions, and aspirations of electoral gains, have resulted in state governments following a populist path. But the centralised nature of Goods and Services Tax (GST) have impacted the states' revenue mobilisation abilities as well.

The way out might be in augmenting new revenue streams as several states have been attempting. Kerala and Rajasthan announced amnesty schemes to clear pending tax disputes and mobilise revenue, and Maharashtra has opted for this as well. Punjab proposed forming a tax intelligence unit to achieve better tax compliance under GST while Chhattisgarh is planning to raise revenue through data-based review of taxation rules and tax rates.

Assam has introduced a liquidation scheme for settling of arrears whereas Haryana has a one-time scheme for settling old VAT dues, in addition to phased monetisation of assets. Both Assam and Kerala have green tax to discourage old vehicles.

By snapping away from populist policies, generating new revenue streams and streamlining its welfare measures, states can now finally hit the gas on capex. This will ensure sustainable growth and prevent undue tax pressure on future generations. <https://www.outlookindia.com/business/it-is-time-for-states-to-turn-away-from-populism-and-focus-on-capex-news-256003>

## 2. प्रधानमंत्री मोदी की सबसे पसंदीदा योजना में बंगाल से लेकर मध्यप्रदेश तक घोटा ले क्यों हो रहे हैं? ([thelallantop.com](http://thelallantop.com)) January 23, 2023

रोटी कपड़ा और मकान. जीवित रहने के लिए प्राथमिक जरूरत. ये तीन बेसिक जरूरतें बताई गई हैं. वंचित तबके के लिए इन सुविधाओं को उपलब्ध कराना सरकार का काम है. इसके लिए सरकार की ओर से समय-समय पर अलग-

अलग स्कीम्स चलाई जाती रही हैं. प्रधानमंत्री आवास योजना भी इसी का हिस्सा है. जो शुरू की गई ता कि बेघर लोगों को घर मिल सके. लेकिन तब क्या होगा, जब जरूरतमंद लोगों तक सुविधाएं न पहुंचे बल्कि जिनके पास संसाधन हैं, जो सक्षम हैं और शासन-

प्रशासन में पहुंच रखते हैं वो गरीबों का ये हक मार लें? क्या होगा जब जिनके कंधे पर गरीबों का घर बनाने की जिम्मेदारी इसमें हेरा-फेरी करने लगें?

ये यक्ष सवाल हमारे सामने इसलिए उठ खड़ा हुआ है क्योंकि पश्चिम बंगाल और मध्य प्रदेश से प्रधानमंत्री आवास योजना के क्रियान्वयन में तमाम तरह की गड़बड़ियां सामने आई हैं. शुरुआत प्रधानमंत्री आवास योजना से. 2011 की आर्थिक सामाजिक जनगणना के मुताबिक देश में कुल 4 करोड़ 3 लाख परिवार ऐसे थे जो बेघर थे या टूटे-

फूटे घर में रह रहे थे. ऐसे परिवारों को पक्का घर उपलब्ध कराने के लिए 1996 से इंदिरा आवास योजना चलती आ रही थी.

मई 2014 में सरकार बदली. इसी साल 2014 में CAG ने इस योजना में कई कमियों को पॉइंट आउट किया. जैसे- मकानों की कमी का सर्वे ना होना, लाभार्थियों को चुनने में पारदर्शिता की कमी, खराब क्वालिटी वाले मकान आदि. जिसके बाद सरकार ने इस योजना को पुनर्गठित करने का फैसला किया. 1 अप्रैल 2016 को प्रधानमंत्री नरेंद्र मोदी ने प्रधानमंत्री आवास योजना- ग्रामीण नाम से इस योजना का उद्घाटन किया.

### क्या-क्या मिलता है इस योजना में?

ये डायरेक्ट बेनिफिट ट्रांसफर वाली स्कीम है. यानी सरकार घर नहीं बनवाती. बल्कि सहायता देती है. सीधे लाभार्थी के खाते में. मैदानी क्षेत्रों में 1 लाख 20 हजार रुपए और पर्वतीय, दुर्गम क्षेत्रों में 1 लाख 30 हजार रुपए. इसके अलावा लाभार्थी को स्वच्छ भारत मिशन के अंतर्गत शौचालय बनाने के लिए 12 हजार रुपए की सहायता और 90 या 95 दिन की मनरेगा मजदूरी भी मिलती है जो करीब 18 हजार रुपए की होती है. यानी कुल सहायता मैदानी क्षेत्रों में 1 लाख 50 हजार, और पहाड़ी क्षेत्रों में 1 लाख 60 हजार रुपए की मिलती है. जो कि राज्य और केंद्र सरकार मिलकर देती हैं. मैदानी राज्यों में 60 प्रतिशत हिस्सा केंद्र सरकार देती है और 40 फीसद राज्य सरकार. जबकि पूर्वोत्तर और हिमालयी राज्यों में 90 फीसद लागत केंद्र सरकार देती है और 10 फीसद राज्य सरकार. इसके अलावा इस योजना के लाभार्थियों को अलग-

अलग सरकारी स्कीम्स के जरिए पानी की आपूर्ति व्यवस्था, बिजली कनेक्शन, घरेलू गैस सिलेंडर उपलब्ध कराने में सहूलियत दी जाती है.

प्रधानमंत्री आवास योजना के तहत घर मिलता किसे है? कौन इसके योग्य है?

प्रधानमंत्री आवास योजना ग्रामीण के लिए गरीबी रेखा के नीचे जीवनयापन करने वाले वे सभी परिवार योग्य हैं जिनके पास रहने के लिए घर नहीं है या जो टूटे-फूटे कच्चे घरों में रहते हैं।

सरकारी प्लान और दावा हमने आपको बता दिया. अब वास्तविकता देखते हैं. इंडिया टुडे ने ग्राउन्ड पर जाकर वास्तविक स्थिति का पता लगाने की कोशिश की. पहले इंडिया टुडे की टीम पहुंची दक्षिण 24 परगना जिले के नारायणिताल गांव में. यहां पर एक दो मंजिल का सुंदर वेल डेकोरेटेड घर है. एक कार भी घर के सामने पार्क है. ये घर घोष परिवार का है जिनका मोबाइल फोन का अपना बढिया बिजनेस है. आपको जानकर हैरानी होगी कि प्रधानमंत्री आवास योजना के लिए इस परिवार का नाम भी शॉर्ट लिस्ट किया गया है. इंडिया टुडे के रिपोर्टर राजेश साहा ने जब घर के लोगों से इस बारे में बात करनी चाही तो वे गुस्सा गए और चिल्लाने लगे. उन्होंने कहा कि उन्हें नहीं पता उनका नाम लिस्ट में कैसे आ गया.

इसके बाद टीम पहुंची इसी गांव के एक और घर पर. ये घर है साहा परिवार का. परिवार को आर्थिक तौर पर काफी रसूखदार माना जाता है. इंडिया टुडे के रिपोर्टर राजेश साहा के सामने कैमरे पर परिवार के लोगों ने खुद बताया कि उनके पास दो और जमीनें हैं. यह घर काफी पुराना हो गया है. इसलिए उन्होंने प्रधानमंत्री आवास योजना के लिए अप्लाई किया. साहा परिवार का नाम भी प्रधानमंत्री आवास योजना की लिस्ट में है.

इसी तरह के कई घर इंडिया टुडे की टीम को देखने को मिले. जिनके पास अच्छे खास घर थे. इसके बावजूद उनका नाम प्रधानमंत्री आवास योजना की लिस्ट में था. जब इसके बारे में ग्राम प्रधान से पूछताछ की गई तो उन्होंने कहा कि लिस्ट तैयार करने में पंचायत का कोई रोल नहीं. आपके सवाल का जवाब BDO दे सकता है. BDO से पूछा गया तो उन्होंने कहा कि शिकायत मिली थी. जांच कराई गई लेकिन रिपोर्ट अब तक नहीं आई है.

पश्चिम बंगाल के हुगली जिले के आरामबाग में तो गांव वालों ने स्थानीय पंचायत भवन को घेरकर प्रदर्शन भी किया. गांव वालों का आरोप है कि जो लोग आर्थिक रूप से गरीब हैं और जिनके मकान कच्चे मिट्टी के बने हैं उन्हें आवास योजना के अंतर्गत आवेदन करने के बावजूद मकान नहीं मिला. जबकि जिनके मकान दो-

तीन मंजिल के हैं उनका नाम लिस्ट में है. गांव वालों ने आरोप लगाया कि पंचायत प्रधान और सदस्यों ने 10-20 हजार रुपए की रिश्त लेकर आवास योजना के अंतर्गत मकान आवंटित किया है.

प्रधानमंत्री आवास योजना में और किस तरह की धांधली सामने आ रही है इसे बताया इंडिया टुडे के लिए इन्वेस्टिगेशन रिपोर्ट करने वाले राजेश साहा,

"बंगाल में शिक्षक भर्ती घोटाले के बाद प्रधानमंत्री आवास योजना घोटाला दूसरा सबसे बड़ा घोटाला है. हमें सूत्रों से जानकारी मिली, जिसके बाद हम दक्षिण 24 परगना जिले के नारायणिताल गांव पहुंचे. इस गांव से करीब 64 लोगों को प्रधानमंत्री आवास योजना के तहत घर मिलना है, लेकिन इनमें से कई सारे लोग ऐसे हैं जिनके पास कई संपत्तियां हैं. यहां बड़े स्तर पर धांधलेबाजी हो रही है."

पश्चिम बंगाल में कुछ महीनों बाद पंचायत स्तर के चुनाव होने हैं. और चुनाव से पहले बड़े स्तर पर प्रधानमंत्री आवास योजना में धांधली की खबर सामने आ रही है. विपक्षी दल बीजेपी का आरोप है कि राज्य में सत्ताधारी तृणमूल कांग्रेस से जुड़े ऐसे लोगों के नाम योजना के लिए शॉर्टलिस्ट किया है जो आर्थिक रूप से संपन्न हैं और जिनके पास अपने घर हैं. जबकि तृणमूल कांग्रेस का कहना है कि बीजेपी बेवजह टारगेट कर रही है.

ऐसा नहीं है कि आवास योजना में गड़बड़ी की शिकायतें सिर्फ बंगाल से ही आ रही हैं. अब आपको मध्य प्रदेश के हरदा जिले लिए चलते हैं. यहां पीएम आवास योजना के 64 लाभार्थियों के खिलाफ F.I.R दर्ज हुई है. क्यों... बताते हैं. आज तक के लोमेश कुमार गौड़ के मुताबिक एमपी के हरदा जिले की नगर पालिका ने ऐसे 64 लाभार्थियों को ढूंढ निकाला है जिन्हें साल 2018 से 2022 के बीच पीएम आवास योजना के तहत पहली किश्त तो मिल गई लेकिन आरोप है कि इनमें से एक भी लोगों ने निर्माण कार्य शुरू नहीं कराया. इस मामले में एक खास बात ये भी पता चली है कि इन 64 लाभार्थियों को प्रशासन की ओर से लगातार नोटिस देकर निर्माण कार्य शुरू कराने की हिदायत दी जा रही थी. इसका असर ना होने पर ही F.I.R दर्ज कराई गई.

तो आपने देखा गरीबों को छत दिलाने के लिए बनाई गई एक योजना में किस तरह से धांधली हो रही है. इस मामले में आगे जो भी जानकारी होगी लल्लनटॉप आप तक पहुंचाता रहेगा. <https://www.thelallan.com/news/post/why-scams-are-happening-from-bengal-to-madhya-pradesh-in-pradhan-mantri-awas-yojana>

### STATES NEWS ITEMS

#### **3. Karnataka: सिद्धारमैया सरकार में 35 हजार करोड़ की वित्तीय अनियमितता का आरोप, BJP ने लोकायुक्त से की शिकायत (amarujala.com) January 24, 2023**

कर्नाटक में सत्ताधारी बीजेपी ने राज्य के पूर्व मुख्यमंत्री सिद्धारमैया और कांग्रेस के खिलाफ लोकायुक्त से शिकायत की है। शिकायत में बीजेपी ने आरोप लगाया है कि सिद्धारमैया की सरकार में 2013-14 के दौरान टेंडरशोर प्रोजेक्ट के तहत वित्तीय अनियमितता हुई। सोमवार को लोकायुक्त से शिकायत करने के बाद भाजपा के अनुसूचित वर्ग मोर्चा के अध्यक्ष और एमएलसी चालावाडी नारायणस्वामी ने कहा कि कांग्रेस, भाजपा पर 40 फीसदी कमीशन का आरोप बिना किसी सबूत के लगा रही है। साथ ही भाजपा और राज्य सरकार के खिलाफ दुष्प्रचार कर रही है।

नारायणस्वामी ने कहा कि हमने लोकायुक्त से शिकायत की है और हमारे पास इसका सबूत भी है। हम सबूतों के आधार पर आरोप लगा रहे हैं लेकिन वह (कांग्रेस) अभी तक अपने आरोप के पक्ष में एक सबूत पेश नहीं कर पाई है। उन्होंने कहा कि वित्तीय वर्ष 2013-

14 के दौरान टेंडरशोर नामक प्रोजेक्ट में तय लागत से 53.86 फीसदी अधिक फंड जारी किया गया। भाजपा के पास इस बात के दस्तावेज भी हैं।

बीजेपी नेता ने कहा कि पूर्व सीएम सिद्धारमैया के खिलाफ 65 मामले थे लेकिन उनकी जांच करने के बजाय उन्होंने अपनी सरकार में लोकायुक्त को ही हटा दिया था। नारायणस्वामी ने कहा कि कम से कम 10 मामलों में एंटी करप्शन ब्यूरो ने सरकार को क्लीन चिट दी थी। हम चाहते हैं कि अब बचे हुए 50 मामलों की भी जांच होनी चाहिए। इससे पहले कर्नाटक के स्वास्थ्य मंत्री के सुधाकर ने आरोप लगाया था कि कैग की रिपोर्ट में बताया गया है कि सिद्धारमैया- कांग्रेस सरकार में 35 हजार करोड़ रुपए की वित्तीय अनियमितता बरती गई।

कर्नाटक में इस साल विधानसभा चुनाव होने हैं। ऐसे में भाजपा और कांग्रेस एक दूसरे को घेरने में जुटी हैं। बीते दिनों ही राज्य के मुख्यमंत्री बासवराज बोम्मई ने आरोप लगाया था कि पूर्व की कांग्रेस सरकार ने अपने घोटालों को छिपाने के लिए लोकायुक्त को ही हटा दिया था। <https://www.amarujala.com/india-news/karnataka-bjp-complained-against-siddaramaiah-to-lokayukt-financial-irregularities-2023-01-24>

#### 4. **BJP files complaint with Lokayukta against Siddaramaiah, alleges scam in TenderSure** ([deccanherald.com](http://deccanherald.com)) January 23, 2023

The BJP on Monday launched a frontal attack by filing a complaint with the Lokayukta against former chief minister Siddaramaiah and Congress alleging large-scale irregularities reported in TenderSure projects in 2013-14.

Speaking to reporters after filing the Lokayukta complaint, BJP SC Morcha president and MLC Chalavadi Narayanaswamy alleged that Congress is making allegations without any proof and carrying out a misinformation campaign about '40 per cent commission'.

"We have lodged a complaint with the Lokayukta. We have proof for the allegations we are making, but they don't. They have not been able to produce any proof till now," Narayanaswamy said adding that in TenderSure Projects in 2013-14, 53.86 per cent excess funds were released and this is a scandal.

"There were 65 cases against Siddaramaiah. Instead of inquiring into these cases, he chose to shut down the Lokayukta and at least 10 cases were given to the Anti-Corruption Bureau that promptly gave him a clean chit. We want all the remaining 50 cases against him to be probed," he said.

Also, Health Minister K Sudhakar quoted a CAG report saying that there were financial irregularities to the tune of Rs 35,000 crore under the Siddaramaiah-led Congress government.

Sudhakar said Congress leaders should stop speaking like Sathya Harishchandra. "Siddaramaiah invented the word 'Re-Do' for denotification of prime land in Bengaluru," he said. "While he claims to be the champion of the poor by distributing free food grains, reality is that food grains were given free by Prime Minister Narendra Modi," he said. <https://www.deccanherald.com/state/top-karnataka-stories/bjp-files-complaint-with-lokayukta-against-siddaramaiah-alleges-scam-in-tendersure-1183970.html>

### **SELECTED NEWS ITEMS/ARTICLES FOR READING**

#### 5. **The Budget's capex challenge** ([thehindubusinessline.com](http://thehindubusinessline.com)) January 23, 2023

##### **Besides Centre, the States and the private sector should step it up**

Last year's Union Budget was termed as a 'capex carnival' by many as the Centre decided to boost the capital expenditure budget for FY 23 by a massive 35.4 per cent to ₹7.5-lakh crore to help the economy revive from the pandemic. The economy is benefiting from this large spending — gross fixed capital formation for FY23 is projected to increase 11.5 per cent according to First Advance Estimates of National Income by the Ministry of Statistics and Programme Implementation. It's therefore desirable from the larger economy standpoint that the spending on capex stays elevated this year as well.

This view was reinforced by economists and industry captains at a recent panel discussion on the Budget organised by this newspaper. Interestingly, the panelists also underlined that the States and the private sector need to play their part in this. Capex spends by both the States and the private sector have been sluggish this year. The Budget needs to find a way to address this issue. Of the average annual investment of around ₹10-lakh crore (total capex is ₹90-lakh crore)

in infrastructure, the Centre and the States spend around ₹4.5-lakh crore each with the private sector and households accounting for the rest. The H1 growth in capex of States has been quite low at just 7 per cent and the spending also varies considerably between States. The Centre will have to devise ways to incentivise States to spend on infrastructure investment; rewarding them based on outcomes. Incentives also need to be given for investing in sectors such as irrigation and urban transport where States need to spend more. Industrial investments by the private sector have been patchy. Some traditional manufacturing sectors such as metals, chemicals and cement have started spending on capex since they have garnered market share during the pandemic. However, with consumption yet to revive meaningfully, those such as automobiles have not reached peak capacity utilisation yet.

The Performance Linked Investment schemes have been helpful in boosting investment in recent years and these are likely to account for around 15 per cent of private capex between FY22 and FY27. The Centre should increase its allocation towards, and coverage of, the PLI schemes. Most of the PLI investments, 55-60 per cent, is currently flowing into new-age or green technologies.

That said, the Centre is likely to have less fiscal room in FY24 to pencil in a large capex spend, given the higher base created last year, slower pace of growth in tax collections, and more demands for social spending next fiscal year. A positive in the Union Budget has been the decline in the ratio between revenue and capital expenditure from around six times, a few years ago, to around four currently. The key will be to make the States toe a similar line and divert more funds into asset creation. <https://www.thehindubusinessline.com/opinion/editorial/editorial-the-budgets-capex-challenge/article66424356.ece>

## **6. Modi govt has mostly failed in meeting fiscal targets set in Budgets (*business-standard.com*) January 24, 2023**

The Modi government has never been able to meet the fiscal deficit targets it sets for the next two years in the nine budgets, except for 2016-17, given in the Budget for 2015-16. Even in this case, the original target given in the Budget for 2014-15 was three per cent of the gross domestic product (GDP), which was widened to 3.5 per cent in the next Budget and realised.

It is widely expected that the Budget to be presented on February 1 would more or less meet the fiscal deficit target of 6.4 per cent of GDP for FY23 due to higher tax collections and nominal GDP than expected. However, the suggestion to keep the deficit below 4.5 per cent of GDP by 2024-25 may be revised. The Budget refrained from giving specific numbers for the next two years, as has been the practice till 2020-21. However, it says that the Centre will try to keep the fiscal deficit below 4.5 per cent of GDP by 2024-25. Earlier, the fiscal consolidation paper used to give such a specific target for the next two years.

It seems the glide path given in budgets has been the government's intention, but the actual conditions turned out to be quite different. Targets given till the Budget for 2020-21 were three and 3.6 per cent of GDP. The actual realisation was also in the range of 3.4 to 3.9 per cent till 2018-19.

So, the deviations were there but only a little.



It was when the economy started slowing down from 2019-20, even before the Covid-19 pandemic hit, that the targets were substantially far off than intended.

For instance, the target kept for 2019-20 was 3.1 per cent and 3 per cent in the Budgets for 2017-18 and 2018-19, respectively, but it turned out to be 4.6 per cent.

Afterwards, the target was kept at three per cent for 2020-21 in the Budgets for 2018-19 and 2019-20. However, the deficit widened to a whopping 9.2 per cent of GDP as the government faced shock from the first wave of Covid-19, brought transparency in subsidising Food Corporation of India and brought extra budgetary resources of the Centre over the line.

The Budget for 2021-22 also had a fiscal deficit of 6.7 per cent of GDP as the second wave hit the country.

While the target was now to keep the deficit below 4.5 per cent of GDP by 2024-25 from 6.4 per cent in the current financial year, it seems those would be missed now. The target broadly means that it should be one per cent of GDP cut in each financial year -- 2023-24 and 2024-25. However, most experts peg the fiscal deficit at 5.8 per cent of GDP for 2023-24.

Icra chief economist Aditi Nayar said, " We foresee the domestic recovery to be able to support a reduction in the fiscal deficit to 5.8 per cent of GDP in FY24."

She said that with the extent of volatility created by the pandemic and global disruptions, medium-term projections have become exceedingly fraught with uncertainty.

"I don't think 4.5 per cent should be taken as carved in stone. This requires a cut in the fiscal deficit by one per cent of GDP every year. That is a very substantial amount," former chief statistician Pronab Sen said.

He said the downward glide path should continue but not in such large chunks. "Maybe going from 6.4 per cent to 5.75-5.8 per cent should be targeted for next fiscal year," Sen said.

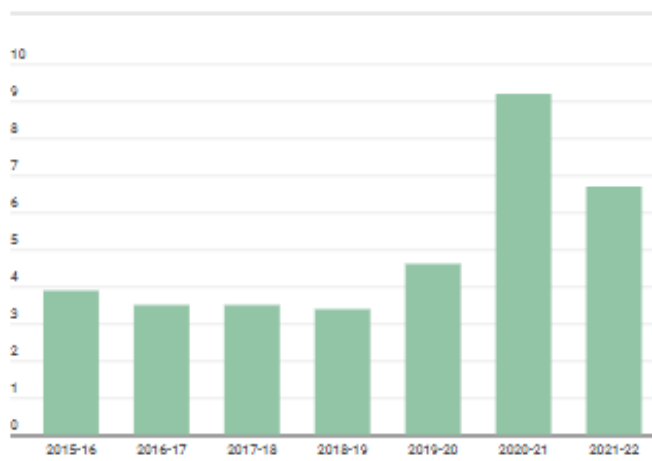
Bank of Baroda chief economist Madan Sabnavis said missing targets is due to the unusual economic environment.

"This has necessitated extra spending on exigencies which means keeping prudence aside as the job of the government is to provide relief when required. In some years revenue goes awry when GDP slumps. Hence we should treat the path as intention. Actual action will be driven by circumstances which are the right way," he said.

## Govt's fiscal deficit problem



## Actual fiscal deficit as % of GDP



[https://www.business-standard.com/budget/article/modi-govt-has-mostly-failed-in-meeting-fiscal-targets-set-in-budgets-123012400196\\_1.html](https://www.business-standard.com/budget/article/modi-govt-has-mostly-failed-in-meeting-fiscal-targets-set-in-budgets-123012400196_1.html)

### 7. **India needs to use its fiscal armoury to fight inequality** (*livemint.com*) January 24, 2023

The Oxfam 2023 report Survival of the Richest has set the cat among the pigeons. There is outrage from predictable quarters that it maligns India because it exaggerates its poverty and inequality. The report is also sought to be discredited for its wrong methodology in estimating people's tax burden. For instance, one finding in the report is that the bottom half of India's income earners pay nearly two-thirds of the goods and services tax (GST). This is an indirect tax and inherently regressive because it pinches the poor more than the rich. That is because the GST paid depends on the price of the product and not on the income of the payer. Naturally, as a proportion of income, it hurts the poor more. But since the rich have higher consumption and buy more expensive goods, their share of the total GST collected should be disproportionately more. Hence, the finding that the bottom half is paying more than the top half is awkward. How did Oxfam come to this strange conclusion? To its credit, it has been

transparent about its methodology and data-availability limitations. India has not collected detailed survey-based data on consumer expenditure since 2011-12. Hence, the report applies the present GST rate to a rather outdated consumer basket (for every decile) and that might have tainted its conclusion. Critics claim that Oxfam is wrong, and that our recent buoyancy in GST collections might not be due to the poor being squeezed, but due to robust demand for luxury goods by the rich.

But therein lies the validation of Oxfam's larger point about worsening inequality. Our K-shaped recovery is now in its third year, and there is no sign of a let-up. The tax burden on the poor is not only through indirect taxes like GST, but also due to the inflationary impact of high excise taxes on petrol and diesel. Average inflation has been above 6% for three years, but for items such as milk, eggs, wheat and flour, it is higher. It is running ahead of the rise in wages. Oxfam says worldwide 1.7 billion workers have seen wage growth eroded by a sharper rise in inflation, making them relatively poorer. The World Bank's 2022 report on Poverty and Shared Prosperity says that by the end of 2020, there were 70 million more people who slipped below the poverty line, and a bulk of them are in India. Thus, not just inequality, but even poverty has worsened. There has been no official poverty count in India for the past 11 years owing to the lack of consumer expenditure data, but Niti Aayog's poverty report using multi-dimensional index still shows an average of double-digit poverty. On inequality, there is plenty of supporting data that corroborates Oxfam's dismal conclusion. India's billionaire count went up from 102 to a whopping 166 in the past two years. Mercedes Benz clocked a record growth of 41% during 2022. Demand for luxury goods and services has been booming. India's stock market rose 4.6% even as the Nasdaq plunged 34% and the S&P 500 was down 20%. Oxfam says that the 100 richest Indians' wealth is \$660 billion, and the top 1% now own 40% of the total wealth.

Inequality is an inevitable consequence of fast economic growth. The winners, who are innovators, risk-taking entrepreneurs and the talented, race ahead and create wealth and make disproportionate gains. They also corner most of the gains of high national income growth. Those left behind might benefit from a trickle down. But what if the majority simply stagnates in income and employment? At some point, extreme inequality leads to tensions, social instability and investor nervousness, which is detrimental to growth. Hence an antidote is needed.

Unfortunately, monetary policy is not very helpful. As a previous column of mine, dated 20 October 2020 ([bit.ly/3Hr4EmO](https://bit.ly/3Hr4EmO)), said, the loose monetary policy followed since 2008 and also during covid made inequality worse. Soaring stock market indices, partly enabled by the infusion of central bank liquidity, benefit only those who are invested in stocks, which in India's case is less than 3% of the population. Hence, it is fiscal policy that one turns to for addressing inequality. This can be done either by redistributive taxation or by spending on public goods whose benefits predominantly go to the poor.

Next week's Union budget is the last one before the national elections of 2024. It may be the last chance for the government to go full throttle on populism or voter-pleasing expansionary spending. The cabinet recently approved the extension of the 30-month long free foodgrain scheme for another year. There is talk of topping up the free basic income to all farmer households by another ₹2,000. The rural employment guarantee scheme might get a higher allocation. All of these do mitigate inequality and poverty, but more is needed. We must focus on ensuring the birth and survival of hundreds of thousands of tiny, small and medium enterprises every year, which is where most of the job creation will happen. Outstanding

payments due to MSMEs are nearly ₹10 trillion, and this is a huge millstone thwarting their growth and survival. The TReDS platform is an exchange to sell outstanding unpaid bills of small businesses, but is not working. Skill mismatches lead to the co-existence of a jobs shortage with manpower scarcity for skilled jobs. The pandemic has led to a setback of two years of schooling for perhaps 200 million children. This is where fiscal action is needed. Higher spending on health, education and infrastructure must also not ignore tax revenue opportunities from the pockets of the rich. We also need to reduce the burden of indirect taxes and increase the share of direct taxes in the total kitty. <https://www.livemint.com/opinion/columns/india-needs-to-use-its-fiscal-armoury-to-fight-inequality-11674494822923.html>

**8. Food subsidies can help India achieve 2030 goals (*hindustantimes.com*)** January 23, 2023

The merging of the PMGKAY and NFSA and providing 5 kg grain free of cost is another step towards long-term sustainability, presuming that NFSA will continue till 2030 to achieve SDGs. At the same time, a critical review of whether all 810 million need free ration is warranted

In 2016, India, along with 192 United Nations (UN) member-States, signed the Sustainable Development Goals (SDGs), and as part of the plan, the country pledged to be poverty- and hunger-free by 2030. The late-December Cabinet decision to extend free food grain till the end of this year (Prime Minister Garib Kalyan Anna Yojana/PMGKAY) under the National Food Security Act 2013 (NFSA) is a bold step to achieve these two key SDG goals.

In addition, thanks to several other ongoing schemes such as green (agriculture), white (milk), blue (fisheries) and rainbow revolutions (to promote resource development and environmental sustainability), India has been able to achieve household food security and reduce poverty to 16.4%, according to the United Nations multidimensional poverty data. Yet, India still has 5.7 million children (around 40%) below five years who are malnourished (Unicef, May 2022) due to economic inequality, poverty, low affordability of food, and lack of sanitation and clean drinking water.

So, the proposed free distribution of 5 kg of food grain per month through the targeted public distribution system to 810 million citizens under PMGKAY is laudable. Additionally, the provision of 35 kg foodgrains (21 kg rice and 14 kg wheat) to very poor families under the Antyodaya Anna Yojana (AAY) will cost around ₹2 lakh crore annually. India is fortunate to have a comfortable buffer stock position (ranging between 50-70 million tonnes during the last decade), whereas, according to the UN World Food Programme, food availability is a major concern for many developing countries.

During Covid-19, globally, around 150 million additional people, in addition to the earlier 800 million below the poverty line, became food insecure. Distress migration was at an unprecedented level. And a global food crisis fuelled by conflict, climate shocks, and the pandemic, gained ground.

Today, millions are at risk of being driven to starvation unless developing countries take action. Fortunately, in addition to NFSA and AAY, India has the National Nutrition Mission (POSHAN Abhiyaan), which focuses on the nutritional status of adolescent girls, pregnant women, lactating mothers and children from 0-6 years. Also, the effective implementation of

the midday meal scheme, with a strategy around increased use of milk, pulses and soybean (it has double the protein than all pulses), can help overcome the problem of malnourishment among children.

The merging of the PMGKAY and NFSA and providing 5 kg grain free of cost is another step towards long-term sustainability, presuming that NFSA will continue till 2030 to achieve SDGs. At the same time, a critical review of whether all 810 million need free ration is warranted.

In addition, the Mahatma Gandhi National Rural Employment Guarantee Scheme, with an outlay of ₹98,000 crore, has helped reduce poverty. The smallholders and marginal farmers (with less than two hectares of land) — accounting for nearly 86.2% of 146 million farm families, tilling around 47.4% of total cultivable land and accounting for more than 50% of the agricultural production — are vital not only for India's rural economy (10th Agriculture Census 2015-16) but also for alleviating the current problems of hunger and poverty in the country.

It must be recognised that the SDGs present a unique opportunity for the agricultural sector to help the country achieve a better tomorrow. So, attaining them will have to be accelerated through higher agricultural growth. But there is no room for complacency. It is imperative, therefore, that high priority is accorded to agricultural research for development (AR4D), with enhanced budgetary allocation to the Indian Council of Agricultural Research, which, unfortunately, has remained stagnant for almost the last decade.

To meet the SDG targets, India needs a well-designed strategy with a well-monitored implementation plan. Such a plan must include the promotion of nutrient-rich high-yielding varieties and hybrids; the adoption of GM food crops; crop diversification and conservation agriculture for sustainable intensification; promoting secondary and speciality agriculture, and using local food systems ecoregion-wise, with an emphasis on farming systems around crops, horticulture, livestock, fishery, and agroforestry.

In addition, it is important to provide an enabling policy environment and institutional infrastructure for improving the sustainable development index (SDI) in the regions bypassed by the Green Revolution, but which otherwise offer great potential being rich in natural resources.

It is also important to revisit and strengthen the ongoing national programmes aiming to ensure rural credit, health insurance, crop and livestock insurance, housing for the poor, improved and efficient irrigation/micro-irrigation systems, the construction of village godowns, youth skill development and self-employment, need-based fertiliser use based on soil test analysis, and linking farmers to markets.

Time is short, and India needs to act fast to achieve the SDGs for better food, nutrition and environmental security. <https://www.hindustantimes.com/opinion/food-subsidies-can-help-india-achieve-2030-goals-101674494969437.html>

**9. Fine tuning the Insolvency and Bankruptcy Code** ([indianexpress.com](http://indianexpress.com)) Updated: January 24, 2023

**Attempts to improve IBC's functioning are welcome. But some of the proposals need more careful examination.**

The proposals are intended at addressing the gaps or shortcomings in the Code's functioning.

The introduction of the Insolvency and Bankruptcy Code (IBC) in 2016 brought about a structural change in the resolution architecture in the country. However, despite its promise, the IBC, in its functioning, has fallen short of expectations. Realisations of creditors have been lower than expectations, and the strict timelines prescribed in the Code for resolving cases have not been adhered to. According to the most recent data, the total realisable value in cases resolved till September 2022 stood at only 30.8 per cent of the admitted claims. The data also shows that 64 per cent of the ongoing cases have crossed 270 days. In fact, as per reports, the average time taken for cases to be resolved has risen, driven in part by more time being spent on associated litigation. On its part, the government has tried repeatedly to address the Code's shortcomings. Last week, the Ministry of Corporate Affairs invited comments on a fresh set of changes it is considering to bring about in the Code. This is a welcome step.

The proposals are intended at addressing the gaps or shortcomings in the Code's functioning. First, the changes aim to reduce the time for admitting cases and streamline the process by pushing for greater reliance on data with Information Utilities. Considering the delays in admitting cases, and the implications of recent judicial interventions, this proposal seeks to remove ambiguity, and bring about predictability in the process. Second, it has also been proposed that the pre-packaged insolvency resolution process that was introduced for micro, small and medium enterprises now be extended to other firms as well. While such a proposal should be appealing, so far very few cases have been admitted under this. Third, the changes proposed also seek to address some of the issues that have arisen in the resolution of real estate firms. A distinction is now being made between a particular real estate project and the larger corporate entity. The government's rationale for doing so is that this could allow the corporate entity to continue on other projects, while the stressed project can be tackled separately.

The proposals have also sought to bring about changes to the manner in which proceeds will be distributed. Creditors "will receive proceeds up to" the liquidation value in line with the priority as prescribed under section 53 of the Code, and "any surplus over such liquidation value will be rateably distributed between all creditors in the ratio of their unsatisfied claims." Such proposals, which seek to bring about changes in the distribution of proceeds, need to be carefully examined for their wider implications. Changes to the Code should, after all, be driven by the objective of improving its functioning, and outcomes. This should be done keeping in mind the incentive structures of all stakeholders. <https://indianexpress.com/article/opinion/editorials/finetuning-the-insolvency-and-bankruptcy-code-8400126/>

#### **10. Why Induction of INS Vagir Will Do Little to Make Up for Indian Navy's Shortfall ([thewire.in](https://thewire.in)) January 24, 2023**

**The Navy continues to grapple with severely depreciated underwater platform assets, which are unlikely to be made good soon, due to flawed and unsound planning.**

Commissioning INS Vagir, the fifth of six licence-built French Kalvari (Scorpene)-class diesel-electric conventional submarines (SSKs) into Indian Navy (IN) service on Monday, while noteworthy, also highlights the forces severely depreciated underwater platform assets, which were unlikely to be made good soon, due to flawed and unsound planning.

The IN's prevailing SSK 'hunter-killer' numbers were eight boats short of the stipulated 24, scheduled for induction by 2030, in accordance with the Navy's 2012-27 Maritime Capability Perspective Plan (MCP). Furthermore, with a majority of its older Russian EKM 'Kilo'-class variants, and only slightly younger German HDW boats due imminently for retirement, senior naval officers conceded that the IN faced serious problems, even in the foreseeable future, in fielding an 'operationally credible' SSK fleet.

The enduring submarine shortfall principally challenges the IN in realising its wider strategic goal of sea-control and sea-denial in the critical Indian Ocean Region (IOR), to rival the inimical Chinese navy's rapid underwater platform accretion. Furthermore, these deficiencies also adversely diluted the effectivity of India's much hyped naval role in the Indo-Pacific maritime security structure, which has gained centre-ground in recent years.

Presently, the IN operates 16 SSKs, of which seven Russian Type 877 EKM 'Kilo'-class models and four HDW Type 209/1500 'Shishumar'-class boats were all between 20 and 34 years old. The remaining five were the Kalvari-class SSKs from France's Naval Group – including INS Vagir (meaning Sand Shark) – that began joining IN service 2017 onwards, having been built under Project 75 or P-75 by Mazagaon Dockyard Limited (MDL) in Mumbai. INS Vagsheer, a sixth similar P-75 boat was scheduled for IN induction some later this year or by early 2024, making it an overall total of 17 SSKs for the IN.

But all the Kalvari-class SSKs, including Vagir, were inadequately armed, lacking heavyweight torpedoes (HWT) that significantly circumscribed their deterrence capability and operational efficacy. Instead, as part of the ubiquitous jugaad, or innovation that invariably accompanies all Indian military platforms and equipment, these boats were armed with the older German-origin SUT-series torpedoes that were acquired by the IN in the late 1980s for its four HDW SSKs after their operational lives were extended recently by some 15 years. The SUT torpedo fitment had also necessitated structural changes to the French-origin submarines, which earlier were configured to receive the Black Shark HWTs.

The reason behind this substitution was the scrapping of the tender to procure 98 Black Shark HWTs from Italy's Whitehead Alenia Sistemi Subacquel (WASS) in May 2016, following allegations of corruption involving its then parent company Finmeccanica, in the 2010 import of 12 AW101 AgustaWestland helicopters from it for the Indian Air Force. And though the IN and the Ministry of Defence (MoD) had 2019 onwards had been in negotiations with Germany's Atlas Elektronik and France's Naval Group to procure 100-odd HWTs, not much had progressed in this regard, industry officials told The Wire.

In comparison, China's People's Liberation Army Navy (PLAN), that considers submarine warfare to be a vital part of its coastal defence doctrine, operates four different types of around 100 conventional submarines. These included 17 Type 039A boats (NATO classification Yuan-class) 13 Type 039's (NATO: Song-class), 60-odd 'Kilo'-class platforms and 13 Type 035s (NATO: Ming-class).

In comparison, the IN's submarine force development plans via its vaunted Rs 43,000 crore Project 75I (P-75I), pending since 2007, to locally build six SSKs under a transfer of technology is 'completely adrift', said IN sources. They indicated that P-75I was headed either for a major tender overhaul, or alternately could even be scrapped due to its 'design overreach', unrealistic delivery schedules and after-sales product support and other sundry unworkable clauses centred round technology transfer issues.

INS Vagir was commissioned into the Indian Navy on Monday. Photo: PIB

Principally, P-75I entails two competing Indian shipbuilders – MDL and Larsen & Toubro (L&T) – entering into partnership with a foreign submarine original equipment manufacturer (OEM) to build these six SSKs with air independent propulsion (AIP) systems and land-attack capability. Thereafter, the selected Indian shipyard would become the MoD's strategic partner (SP) for the P-75I project, a category under the Defence Acquisition Procedure-2020 that the government has been unsuccessfully attempting to propagate by overcoming its inherent structural shortcomings.

But the 'over ambitious' Naval Staff Qualitative Requirements (NSQR) outlined in the IN's request for information (RfI) in 2017, and thereafter in its RfP for P-75I, had resulted in four OEMs from France, Japan, Russia and Sweden declining to bid for the tender on grounds of the programmes impracticability and unworkableness.

Only Germany's Thyssenkrupp Marine systems, Daewoo of South Korea and possibly Spain's state-owned Navantia were, according to industry sources, the only OEMs still tentatively in the race for P-75I. But even their participation was 'somewhat 'tenuous' for reasons largely consonant with those of other OEMs who had opted out of P-75I.

Industry officials said this reality had recently prompted a 'rethink' in the IN and the MoD, which centred simply on awarding France's Naval Group an add-on contract for MDL to construct six more Scorpene's fitted with AIP systems and with land-attack capability, instead of pursuing the 'troublesome' P-75I tender with its 'impractical' SP model.

Consequently, there were whispers in MoD and IN headquarters over a possible collaborative arrangement between Naval Group and India's Defence Research and Development Organisation (DRDO) that claims to have designed an AIP system in conjunction with L&T, Thermax of Pune and the Naval Materials Research Laboratory in Ambernath for eventual fitment onto the Kalvari-class boats.

Hence, a Naval Group-DRDO tie -up for advanced AIP systems for the proposed P-75I project was reportedly under consideration, as such an arrangement would meet the governments Atmanirbharta initiative of securing self-reliance in defence equipment and also obviate criticism of awarding the French a follow-on submarine order on 'pragmatic' grounds.

Recent media reports, quoting unnamed officials revealed that French President Emmanuel Macron was expected to imminently visit India to discuss the ongoing Russia-Ukraine war, but more importantly, to expand bilateral defence cooperation which, doubtlessly, could include discussions on selling the IN more Scorpene's.

Moreover, with MDL delivering INS Vagsheer, the sixth Kalvari-class boat sometime soon to the IN, there was the larger and starker issue of the shipyards submarine building skills, developed at great cost, once again falling into disuse. If such a state of affairs prevailed, which currently seems a dead-cert, it would be a disastrous re-run of the 'lost decade' for the IN between 1995 and 2005. This refers to the period when MDL's submarine construction facilities remained idle for 10 years, following the corruption scandal involving the procurement of the four HDW boats, that ultimately remained unresolved.



MDL had licence-built two of these HDW boats, but the alleged wrongdoing in the deal that remained unproven-had led to all its submarine building activity being subsequently halted, as federal investigations proceeded at a snail's pace and turned up nothing. In turn, this had resulted in MDLs specialised workforce, especially underwater welders, leaving to seek alternative employment abroad. But in 2005, MDL's facilities were once again resurrected and skilled technicians re-hired for the P-75 programme at perilously vast expense, which the navy can ill afford to repeat.

“Through its inefficiencies in the P-75I tender, the IN seems determined to perpetuate MDL's lost decade” railed a retired senior naval officer. To forestall such a consequence, it makes eminent sense to continue with the Scorpene programme, albeit with significant alterations as that would not only preclude delays in the 16-year-old 75I project, but also deliver the submarines in a shorter time frame, he added, declining to be named.

Other officials who had previously dealt with the IN too were taken aback over its P-75I tender, whose December 2022 deadline response from vendors – deferred earlier from November 2021 – has now been extended to end-2023 in an attempt to resolve its innumerable anomalies and failings. Even IN Chief of Staff Admiral R. Hari Kumar recently admitted that P-75I faced ‘several challenges’ but claimed that these had been ‘adequately addressed, but declined to elaborate. Even the IN spokesman declined to comment on the extension granted to the OEMs in responding to the RfP.

“It's surprising that the IN which has previously demonstrated sagacity in pursuing indigenous shipbuilding and related projects, has faltered so grievously in managing such a vital project like P-75 over obviously avoidable obstacles,” said Amit Cowshish, former MoD financial advisor on acquisitions.

However, with some imaginative thinking and bold action it can still salvage it, he advised. <https://thewire.in/security/why-induction-of-ins-vagir-will-do-little-to-make-up-for-indian-navys-shortfall>

## **11. Navy Finally Acts on Manohar Parrikar's Advice, Considers Buying Three More Scorpene Submarines** (*swarajyamag.com*) Jan 24, 2023

The Indian Navy yesterday (23 January), inducted the fifth Scorpene-class submarine, INS Vagir. With this, only the sixth and the last submarine remains in the production line.

To keep the production line active, the Navy is planning to buy three additional Scorpene-class boats, reported the Hindustan Times.

According to the report, the Navy may soon approach the Defence Acquisition Council for Acceptance of Necessity (AoN), for three more submarines.

These three submarines might also be fitted with the Defence Research and Development Organisation (DRDO)-built Air Independent Propulsion (AIP) system, a contract for which was signed just yesterday (23 January) between the Naval Materials Research Laboratory (NMRL) and the Naval Group.

INS Kalvari, the lead boat of the Scorpene-class, will "soon" be fitted with the indigenous AIP system, the Ministry of Defence said after the agreement was signed.

A deal to make six Scorpene-class submarines was signed in 2005 with France's DCNS (now known as Naval Group), at a cost of \$3 billion with full Transfer of Technology (ToT). The deal had an option clause to buy an additional three submarines.

Late Manohar Parrikar, the former defence minister, had suggested the Navy to exercise this option clause to buy more submarines. However, the option clause wasn't exercised, due to the insistence of the then-navy chief Admiral Robin Dhawan.

Since then, the Navy has not been able to order any more submarines.

The Project-75I, the Navy's next-generation submarine program has faced repeated delays and is unlikely to move forward anytime soon.

The Indian Navy operates around 16 submarines, seven of which are Russian-made Kilo-class, four German-made U-209 submarines and five latest Kalvari-class submarines (one is in the fitting-out stage).

The numbers will begin to come down again, as the older submarines in service with the Navy currently, will start to retire in the latter part of this decade or early next decade.

These are not enough to look after an area of interest, as large as the Indian Ocean, at a time when Pakistan is set to receive eight AIP-equipped Chinese submarines over the next few years.

The Chinese, on the other hand, are adding multiple warships and submarines to their fleet every year. <https://swarajyamag.com/defence/navy-finally-acts-on-manohar-parrikars-advice-considers-buying-three-more-scorpene-submarines>

## **12. DRDO, Naval Group reach agreement on indigenous AIP modules on Scorpene submarines ([thehindu.com](https://thehindu.com)) January 23, 2023**

In an important step that will significantly enhance the endurance of the Scorpene-class conventional submarines of the Indian Navy, the Defence Research and Development Organisation (DRDO) and Naval Group have reached an agreement to fit the indigenous fuel cell-based Air Independent Propulsion (AIP) system on INS Kalvari soon.

The AIP has been developed by DRDO's Naval Materials Research Laboratory (NMRL), and the land-based prototype has been tested.

“This new endeavour between the DRDO and Naval Group France will be a very significant step towards the detailed design certification of the energy module, which will be performed by the NMRL along with Indian industry and design of the platforms impacted by the integration of the indigenous AIP inside the Indian submarine by Naval Group,” the DRDO said in a statement. “These actions will seamlessly lead the way to start of localisation and industrialisation of AIP, including the hull fabrication by the Indian industry for future fitment on board the submarines.”

The Cabinet Committee on Security approved the project in March 2022, according to defence sources. Following the sanction and a Detailed Design Phase, the DRDO has started tendering for various equipment, officials said. The AIP is planned to be installed on the first Scorpene

class submarine INS Kalvari when it goes for first refit in 2024, as reported by The Hindu earlier.

An AIP module acts as a force multiplier as it enables conventional submarines to remain submerged for longer duration thereby increasing their endurance and reducing chances of detection.

While there are different types of AIP systems being pursued internationally, the DRDO said earlier that the fuel cell-based AIP being developed is unique as the hydrogen is generated onboard and has merits in performance compared to other technologies. “This technology has been successfully developed by the NMRL with the support of Indian industry partners. The technology has now reached the stage of maturity for industrialisation,” the DRDO stated.

Speaking at the event in Mumbai, Pierre Eric Pommellet, Chairman & CEO of Naval Group, said, “We are very proud to cooperate with Indian stakeholders to safely integrate the DRDO AIP in the Kalvari class submarines built by the MDL. This is a natural extension of strategic bilateral cooperation shared between France and India in the field of underwater defence and deterrence and in spirit of Naval Group’s continued commitment towards *aatmanirbhar bharat* policy.”

Six Scorpene submarines are being built under Project-75 by the MDL under technology transfer from Naval Group of France under a \$3.75 billion deal signed in October 2005. The project is about four years behind schedule. The first submarine INS Kalvari was commissioned in December 2017, the second one INS Khanderi in September 2019, third INS Karanj in March 2021 and the fourth INS Vela joined service in November 2021. <https://www.thehindu.com/news/national/drdo-naval-group-reach-agreement-on-indigenous-aip-modules-on-scorpene-submarines/article66425034.ece>

**13. UGC proposal for foreign universities in India: Three tiers of a crisis** ([indianexpress.com](https://www.indianexpress.com)) Updated: January 24, 2023

**Public universities are in crisis and private universities out of reach for most. Entry of foreign universities will exacerbate inequalities.**

Three swimmers enter a competition. One is allowed free use of all four limbs. The second has hands tied, and the third, both hands and feet.

That could be an apt allegory of Indian higher education if, following the UGC’s latest proposal, foreign universities freely set up campuses in India. “Freely” means just that. They can appoint their own staff, Indian and foreign, on their own terms, and devise their own courses. They can determine admission procedure and fee structure. The only restrictions are that they cannot offer online courses (for how long, one wonders), endanger India’s national interest, or jeopardise the standards of education in India. The last would indeed be an ironic outcome. If India’s national interest is as fiercely monitored on these campuses as on desi ones, would they accept such a regime?

Why should our vishwaguru nation bend over backwards to import instruction from abroad? No doubt it exemplifies the noble principle of *atithi devo bhava*. But our traditions honour home-grown gurus as well. How are they faring?

Some of those gurus subsist on students' dakshina, others on patronage. The first lot, private universities, enjoy many of the above freedoms but not others. They are vulnerable to political pressures. If private universities have their hands tied, public universities are bound hand and foot. They cannot appoint foreign faculty. Their curricula are straitjacketed by UGC models. Research funds are increasingly tied to set fields and topics — a trend likely to swell under the new National Education Policy. Government grants are plummeting, even as the freedom to seek funds elsewhere is curtailed.

Some concerns about the entry of foreign universities were powerfully voiced by Pratap Bhanu Mehta ('The Gimmicks Commission', IE, January 9). I need not repeat them. There are enough other issues. Universities allowed entry must rank among the world's top 500, but other institutions have to be merely "reputed" back home. How would that reputation be measured?

Again, if these universities followed their current curricular patterns, how would they mesh with each other, or with Indian norms? Britain chiefly has three-year undergraduate programmes, the US has four-year ones. Master's courses come in all shapes and sizes, as does the build-up to doctoral research. One wonders how far the UGC appreciates the intellectual implications of its proposal. Its chairperson instances urban design and fashion design as the kind of "diverse" courses desired. Where do fundamental studies feature in this concept? If they do not, what will we gain from the world's leading institutes?

But the really troubling questions concern the context of tertiary education. Currently, India has two types of tertiary institutions, public and private. Public universities have traditionally charged very low fees with no relation to costs. Even the poorest student could enter university, assuming she cracked our inequitable school system. The chief source of funds was government grants.

The Union government is now aggressively slashing grants and pressing for a major hike in fees, at times beyond the means of even middle-class students. This has caused unrest even in the IITs, where students are reconciled to high fees — where, the government still provides substantial funds. Far stronger protests (as currently at Allahabad University) have come from students studying general courses at central universities, where faculty appointments and grants have been grossly curtailed. Courses and standards are in jeopardy, while many students are dropping out from financial constraints. Universities under state governments face the same trauma in heightened form.

The crisis of public universities has brought into being a new generation of academically ambitious private universities. They are few in number, and likely to remain so. Not many students can spend in six or seven figures for an "unremunerative" degree in basic science or humanities. Some private universities have a laudable but inevitably limited programme of scholarships. Most crucially, few indigent students can negotiate the state school system to qualify for admission in the first place. At the same time, there is a ceiling to the income even from such high fees. Educational philanthropy in India is nascent compared to, say, in the US. Hence private universities, too, face financial and educational challenges — for both the institution and the student.

Yet within their purview, they might have achieved stability over time. That prospect will diminish with the entry of foreign universities. The most affluent and ambitious students will shift to the latter, depriving home-grown private universities of the cream of their limited intake. Yet that cream might curdle in its new vessel. Those students might save on the

expenses of living abroad, but it is simply unreal to suggest that their experience can approach that of the parent campus.

Many university systems in the world are scarred by divisions and exclusions. The US is a prominent instance. But if the current proposal goes through, India will have spawned a three-tier system uniquely divided by inequalities of class and wealth. The greater part of India's youth would be roundly deprived of quality higher education — the nation will lose out on the greater part of its human resources.

The success of an educational community depends disproportionately on the participation of the already-educated elite. If they shift patronage to a more exclusive class of institutions, the tremors destabilise the tiers below. Yet, even the upper tiers will suffer an institutional deficit, preventing us from matching the great educational ecosystems of the world.

Despite its many faults, the upper end of our public university system had gone a long way in setting up a comparable ecosystem, organically adapted to Indian conditions. Instead of reforming its defects, we have thrown out the baby with the bathwater. Is there still time to pull it out by the toe before it disappears down the drain? <https://indianexpress.com/article/opinion/columns/ugc-proposal-for-foreign-universities-in-india-three-tiers-of-a-crisis-8400159/>

#### **14. Canary in a coalmine? (*millenniumpost.in*) 23 Jan 2023**

Joshimath crisis has exposed the need for a climate-resilient development administration

The Joshimath land subsidence is a grim warning to our political leaders, development administrators and local people living in ecologically fragile Himalayan Mountain systems. Several concerned citizens, as also many phony experts and social crusaders, have jumped the queue for raising this issue in social media. The agitation of the local people made an impact as the Prime Minister's office has taken up the issue, and the firefighting is underway by the state government. The Himalayas are geologically young folding mountains with rough ranges and ecologically fragile landscapes extending over 2,400 sq. km west to east. Source of major river systems, the Himalayas and their combined drainage basin are home to some 650 million people; 60 million people live in the Himalayas. Rapid unscientific development and an increase in population has accentuated the occurrence of natural disasters in the Himalayan region. The situation is getting further complicated by climate change which has severely affected the water cycle and water channels.

Coming back to the present crisis of the sinking of Joshimath, this town is situated on the debris of landslides at a height of 6,150 metres, and has a population of more than 61,000 people. Joshimath is a gateway to many tourist places, trekking expeditions, and pilgrim sites like Badrinath Temple and Hemkund Sahib. It is here that the Jyotirmath Peeth — one of the four cardinal Hindu religious institutions — was established by Adi Shankaracharya. The population of this town in 2011 was only slightly above 16,500 and only around 3,900 families were living there. In 1975, a committee appointed by the state government of Uttar Pradesh had warned about the geological instability of Joshimath, and recommended several steps, stressing that the undercutting by river currents of Alaknanda and Dhauliganga are bringing in erosion and landslides. It was witnessed with ferocity on February 7, 2021, when a massive flash flood of a devastating fury occurred in the Dhauliganga River. The Dhauliganga is a source stream tributary of the Ganga River, and merges with the Alaknanda River at

Vishnuprayag at the base of Joshimath. The cause of the flood, on initial speculation, was attributed to the breakdown of a glacier in 'Rainee' village, around 25 km from Joshimath. Such disasters have been happening regularly in almost all the districts of Uttarakhand and reminding the people and the administration to take proactive steps to prevent further damage to the fragile ecosystem, especially after the Kedarnath tragedy of 2013.

I first studied the situation in 1998 when I led a Central inter-ministerial team after the flash floods in Rudraprayag and other Garhwal regions during the monsoon. In an interaction with the state officers' team led by the Commissioner of Garhwal on October 24, 1998, I had stated that the main cause of the natural disaster was unplanned, uncontrolled and unscientific development, especially the construction of buildings, homes and roads on vulnerable slopes; uncontrolled minor mineral mining; and choking of natural drainage systems. Our team had recommended the identification of geologically sensitive and vulnerable spots and villages, and rehabilitation of people of these villages was made to other areas, with maximum focus on ensuring that water channels, drainages and sub-surface water channels are maintained throughout the year. But no action was taken either by the state or the Central government. As a result, some of these villages were washed away during the Kedarnath flash floods on June 15, 2013, causing a huge damage to life and property.

After Uttarakhand was carved out of Uttar Pradesh in 2001, a mad rush began to plunder the resources of the region by the unimaginative and corrupt political leadership. Those who were moving on cycles and scooters are now having several luxury cars, houses and investments. The bureaucracy was no different, with honest ones cooling their heels in the corner. The unabated invasion of hills by outsiders continued, as proved by the Ankita murder case. The loose sub-surface water bodies led to collapse during heavy rains due to climate change. Seepage of sewerage, choking of drainage systems and soil erosion by river water currents, coupled with indiscriminate blasting of hills for road widening and hydro power tunnelling, are responsible for the Joshimath subsidence and disasters elsewhere. It is also happening in other areas, and the danger is looming large over the Tehri Dam as well, if immediate steps are not taken to study the geology of the entire mountain system. The Char Dham roads were supposed to be constructed on pillars like those used in China but the way it was constructed caused severe damage. The Karanprayag Railway line also caused a lot of blasting in the hills, and the energy that underground blasts generated must have travelled through the faults to create further instability. I am of the firm opinion that there was no need for this 125-km railway line, for two reasons. First is the ecological reason, and second an economical one because, traditionally, in the absence of an industrial base in the region, a large number of people have been dependent on the transport business. For security reasons in border areas, other modern ways to reach the frontiers can be ensured. Among the whole gamut of problems, the local people ignored the need for environmental stability, and unscientific tourism further damaged the ecology. In nutshell, society and the government both are editing the face of Himalayas which is also the face of India.

Now the question is, where do we go from here? As for short-term action, the government should restrict the population in Joshimath to only 25,000 and rehabilitate others, apart from taking strict action against construction of six-storey hotels without permission. The Army, ITBP and other institutions need to ensure a fool proof sewerage system, and maintain the hydrology of the area. The hydropower policy must be reviewed and more focus should be given on solar power in the hills. Climatic crises call for rapid transformation of societies, a change of attitude by the developed world, and action by developing countries. Resilience is the process and outcome of successfully adapting to difficult situations in life. The agitating

locals must realise their mistake too; without their help, things would not have reached this stage.

In the long term, to ensure climate resilience at the landscape level in all our development planning and execution in the districts, blocks and village panchayats, climate resilience must form the core of the development regime, with essential focus on convergence between different departments. District Magistrates must act as sectoral leaders in ensuring climate-resilient development rather than merely acting as coordinating agency for the government, and other department officers should also come out of the habit of working in silos and act as a team. There is a strong link between sustainable economic development and climate change; and coordinated cross-sectoral policies and planning can play a role in catalysing synergies to improve life not only in the Himalayas but in the entire country as well. <https://www.millenniumpost.in/opinion/canary-in-a-coalmine-506260>

**15. FCI to install AI based grain analysers at the depots ([financialexpress.com](https://www.financialexpress.com)) January 24, 2023**

**This is aimed at minimising the discretionary decision making power at the ground level officials of the corporation in grain handling.**

To bring in automation in the procurement system, the Food Corporation of India (FCI) will be installing 50 Artificial Intelligence (AI) based automatic grain analysers at its foodgrains depots assessing quality of rice received from the millers by the end of the month.

This is aimed at minimising the discretionary decision making power at the ground level officials of the corporation in grain handling.

Sources told FE that performance evaluation of such machines at a few locations have been encouraging and the corporation will install such analysers across all its 2000 depots across the country in a phased manner.

The corporation is also in the process of initiating digitization of quality control laboratories from depot levels for providing real time data on grain testing reports by March this year.

This comes after a nationwide crackdown undertaken recently against a few officials of the FCI by the Central Bureau of Investigation (CBI) after alleged malpractices in procurement, storage and distribution of foodgrains.

Rice millers say that because of the testing of samples in the manual laboratories, the local level officials have a key say in the process of procurement. To eliminate human interface in the whole process of rice procurement, FCI is aiming to install grain analysers across depots.

“Gradually roll out across procurement centres after observing its efficacy. Discretion of the field level officials is brought down to minimal,” he said.

Meanwhile, the FCI has decided to set up a quick response team to visit the spot where rice brought in by the millers meet the fair and average (FAQ) standard or not.

After paddy is procured from the farmers by the FCI and state agencies, it is handed over to millers for conversion into rice. The government agencies had procured close to 60 million tonne of rice in 2021-22 season (October-September)

FCI supplied rice for distribution to more than 800 million beneficiaries under the National Food Security Act and other welfare schemes. The rice procured from grain-surplus states is also used for keeping a buffer stock with the FCI. <https://www.financialexpress.com/economy/fci-to-install-ai-based-grain-analysers-at-the-depots/2957968/>

**16. ‘Embezzlement of funds’ under 14th FC: Govt orders enquiry** ([dailyexcelsior.com](https://www.dailyexcelsior.com)) Jan 24, 2023

Kulgam: The Rural Development Department (RDD) has ordered an enquiry into alleged embezzlement/misappropriation of funds under the 14th Finance Commission and other own resource(s) of the Panchayats in Kulgam District.

A decision in this regard was taken on the complaint filed by a social activist of the area, Muzamil Ashraf Mir.

A Government order said that Mohammad Farooq, Deputy Secretary to the Government, Department of Rural Development and Panchayati Raj, and Mohammad Raiyaz, Technical Officer PMAY-G, Department of Rural Development and Panchayati Raj, shall conduct the enquiry and submit their findings/report along with specific recommendations within a period of one month.

“ACR (Development), Kulgam shall provide all records and papers to the enquiry officers pertaining to this case, as and when required,” ordered the Government. <https://www.dailyexcelsior.com/embezzlement-of-funds-under-14th-fc-govt-orders-enquiry/>