NEWS ITEMS ON CAG/ AUDIT REPORTS (14.02.2023)

1. Why India's lithium discovery is fraught with social and environmental risks *(thehindu.com)* February 14, 2023

The find has major strategic implications but if the local populace isn't meaningfully engaged, the resulting tension could introduce new socio-environmental conflicts.

The story so far: News of the discovery of "5.9 million tonnes inferred resources of lithium" in the Salal-Haimana area of Reasi district, Jammu & Kashmir, by the Geological Survey of India has been received as a game-changer in India's impending transition to a green economy. The term 'inferred' refers to the 'preliminary exploration stage', the second of a four-step process, according to the Mines and Minerals (Development and Exploration) Act 1957.

Why is this significant?
Lithium-ion batteries are used in wind turbines, solar panels, and electric vehicles, all of which are crucial in a green economy.

A World Bank study suggests that the demand for critical metals such as lithium (Li) and cobalt is expected to rise by nearly 500% by 2050. While "the global electric vehicle market is projected to reach $823.75 billion by 2030, registering a Compounded Annual Growth Rate (CAGR) of 18.2% from 2021 to 2030," India's market is projected to register a CAGR of 23.76% by 2028. India is seeking to secure its critical mineral supplies and build self-sufficiency in this sector.

As India currently imports all of its Li from Australia and Argentina and 70% of its Li-ion cell requirement from China and Hong Kong, the lithium reserves in J&K could boost the domestic battery-manufacturing industry. If the perceived size of the mineral reserves in J&K is borne out by further exploration, India could jump ahead of China vis-à-vis its Li stockpile.

The J&K reserves will also help advance the Indian government's ambitious plan of "30% EV penetration in private cars, 70% for commercial vehicles, and 80% for two and three-wheelers by 2030 for the automobile industry." They will strengthen India's National Mission on Transformative Mobility and Battery Storage as well.

What are the geostrategic concerns?
Critical mineral dependencies constitute a major geostrategic concern in the transition to net-zero carbon energy systems. In the present scenario, as countries seek to avoid dependencies and vulnerabilities related to critical minerals, the latter are likely to be at least as important as oil and gas in the near future. A high level of dependence on China for Li and other crucial metals and their derivatives are also perceived to be sources of energy security risks.

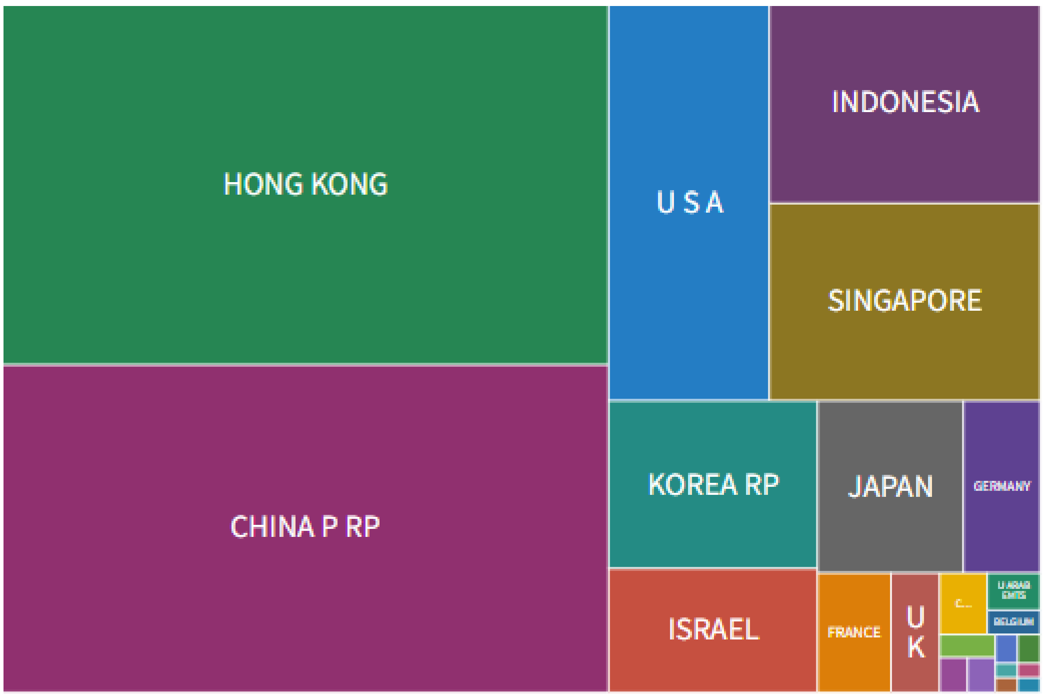
China currently controls 77% of the global lithium-ion battery manufacturing capacity and is home to six of the world's 10 manufacturing companies. As a result, the E.U., the U.S., Canada, India, and other major economies have been trying to leverage alternative supplies that can challenge China's geopolitical dominance in this area. For example, responding to perceived national security concerns, the Canadian government has asked Chinese companies to divest from Canadian lithium-mining companies.

The growing geopolitical rivalry with China makes India's security considerations more immediate as well, especially also in light of the longstanding, and recently escalating, territorial and border disputes. To reduce dependence on China, the Indian government and industry are pushing for a 'Rare Earths Mission' to exploit the country's critical mineral reserves, which account for 6% of the world's rare-earths' reserves prior to the discovery of Li in J&K.

The new discovery has more geostrategic implications considering the geopolitical sensitivity of its wider location. Although Reasi is in the relatively more stable Jammu region, the Union territory of J&K (previously a state) has been the site of historical cross-border tensions between India and Pakistan, domestic insurgency, and terrorism. If the local populace isn't meaningfully engaged in the impending Li extraction project, the resulting tension could introduce new frontiers of socio-environmental conflict.

Where does India get its lithium from?

In 2021-22, India's lithium imports were $22.15 million. Hong Kong, China and the US were the top three sources.



Source: Department of Commerce • THE HINDU GRAPHICS

A Flourish hierarchy chart

What are the environmental effects of Li mining?

The applications of Li in renewable energy infrastructure often obscures its significant environmental consequences, which vary according to the source. Extracting Li from hard rock mines, similar to what has already been proposed in J&K, entails open-pit-mining followed by roasting the ore using fossil fuels. Industry estimates suggest that this process consumes 170 cubic metres of water and releases 15 tonnes of CO_2 for every tonne of Li extracted.

Open-pit-mining, refining, and waste disposal from these processes substantially degrades the environment, including depletes and contaminates waterways and groundwater, diminishes biodiversity, and releases considerable air pollution. This said, the geological context of mining in J&K differs from Australia, which has the largest Li stock in hard rock mines, in one major way.

In Australia, Li-bearing pegmatite deposits are found in the ancient geological regions of Pilbara and Yilgarn cratons, whose continental rocks have been stable for over a billion years. The Himalaya on the other hand is the youngest mountain range in the world and is much more unstable (as evidenced by the ongoing tragedy in Joshimath). Incidents of land sinking have also been reported from a village in Doda district in Chenab valley, which extends to some parts of Reasi.

In the densely populated context of India, the socio-environmental effects of mining are likely to be far worse than they have been in Australia and likely comparable to lithium extraction in South America.

What can we learn from South America?

As India embarks on this new journey, it could learn from the experiences of South American countries, especially the ‘lithium triangle’ of Bolivia, Chile, and Argentina, which contain roughly half the world’s known Li. In Bolivia and Chile, Li extraction has been either in the hands of the state or requires mining companies to enter into a contract with state-owned companies.

In April 2022, Mexican lawmakers introduced reforms to create a state-owned entity to extract, process and sell Li and outlaw all direct private investment and production in the Li sector. Even so, Li mining has had adverse socio-environmental consequences in the region, testing its laws meant to protect Indigenous peoples.

In 2019, Chile’s environmental regulators approved a $25-million compliance plan for Li miner SQM, charged with overdrawing Li-rich brine from the Salar de Atacama salt flat. However, the company failed to satisfy authorities, who reversed their decision in 2020. In September 2021, the Atacama Indigenous Council appealed to regulators citing “constant danger” and called for the “temporary suspension” of SQM’s environmental approvals.

In August 2022, Chilean regulators approved an updated compliance plan worth $52 million, in which SQM proposed to work with both the regulator and local communities to address environmental infractions.

Indigenous resistance and increased awareness of the environmental impact of Li-mining has prompted global carmakers, including Mercedes-Benz and Volkswagen, to look for Li mined with the lowest socio-ecological impact. Other corporations are making similar amends. Battery Mineral Resources Corp. recently signed an agreement with the Comunidad Agricola Potrerillos Alto and the Comunidad Agricola Punitaqui. Another mining giant, Monumental Minerals, signed an agreement with the Ayquina-Turi Indigenous Community in Chile for 40 exploration concessions totaling 8,500 hectares at the Salar de Turi Li project.

While such comparisons must account for inter-regional differences, these developments point to the importance of a strong regulatory apparatus that can address both the environmental and the social consequences of Li mining.

What safeguards does India's mining sector have?

State government officials in J&K have said plans for Li exploration will involve local communities, who will also be prioritised for jobs in exploration and mine development. Yet employment in mining may not fully offset the consequences on local agriculture, animal husbandry, and tourism.

In recognition of the local effects of mining, in 2015, Lok Sabha amended the Mines and Minerals (Development and Regulation) Act 1957 to establish the 'District Mineral Foundation' (DMF). The DMF is a non-profit statutory 'trust' for every Indian district affected by mining-related operations that should "work for the interest and benefit of persons, and areas affected by mining-related operations". In practice, the DMFs have become sites of centralised bureaucratic control, without meaningful public participation or accountability.

For example, a CAG audit in May 2022 noted that the district collectors of Bokaro, Dhanbad, and Ranchi incurred an expense of ₹1568.04 crore from DMF funds, without identifying the areas affected by mining or a list of affected people. Ironically, the auditors were denied access to documents related to the functioning of the State-Level Monitoring Committee.

The general failure of DMFs adds to concerns expressed by environmentalists and concerned citizens about the recent history of weakening of the environmental impact assessment framework.

The geostrategic importance of Li exploration and extraction makes it even more important that the exploration and extraction of resources should be done in the public interest, and must preempt any serious environmental and social problems. Equally importantly, the most effective use of Li reserves should be for the most important parts of the renewable-energy transition, which would also aid the goals of addressing energy poverty and sustainable development.

To these ends, reducing luxury consumption and promoting public transport should also be an important part of the agenda of a just transition. https://www.thehindu.com/sci-tech/science/explained-why-indias-lithium-discovery-is-fraught-with-social-and-environmental-risks/article66507035.ece

2. How Three Critical Drone Programmes of the DRDO Are making progress *(swarajyamag.com)* Feb 15, 2023

Drones have proven their utility in the modern warfare, most recently by shaping battelfield outcomes in the Armenia–Azerbaijan border crisis and the Russia-Ukraine war.

In the former, sophisticated Turkish and Israeli-origin drones deployed by the Azeris wreaked havoc on Armenian T-72 tanks and S-300 air defenses.

In the latter, relatively rudimentary and inexpensive Iranian drones, built with many western sub-systems, are being used by the Russians to target Ukrainian formations which, ironically, are also equipped with western weapons systems.

While Turkey, Israel, and even Iran have been able to develop and deploy long-endurance unmanned aerial vehicles and loitering munitions, most drone programmes run by India's Defence Research and Development Organisarion (DRDO) did not reach maturation in the last decade.

In 2020, India's Comptroller and Auditor General (CAG) slammed DRDO's UAV programme for poor planning, little coordination with the end-user and flouting standard operating procedures.

However, much of this is beginning to change.

Three critical programmes anchored by the DRDO — Tapas BH Medium Altitude Long Endurance (MALE) UAV, Archer-NG and SRUAV — have made significant progress in recent months, sources at Aero India told Swarajya.

Tapas-BH
The first public flight of Tapas-BH is likely to take place at Aero India 2023 in Bengaluru this week.

The platform, designed as a solution for the to the tri-services Intelligence, Surveillance, Target Acquisition, Tracking and Reconnaissance (ISTAR) requirements, is capable of operating at altitudes up to 28,000 feet, with an endurance of 18 plus hours.

Tapas has already completed more than 170 flights with different payload combinations and mission profiles, the DRDO says.

User trials of the UAV are set to begin in the second quarter of 2023.

Archer-NG
Archer-NG, an armed unmanned aerial vehicle (UAV) designed and developed in India, will make its first flight in July this year.

A MALE drone, Archer-NG is capable of operating up to an altitude of 30,000 feet. The platform is reported of have an endurance of up to 18 hours, which means it can remain in air for that duration.

Apart from stricking enemy targets, the drone can be used for intelligence, surveillance, target acquisition, and reconnaissance (ISTAR) missions, artillery fire corrections and battlefield post-strike assessment, a poster displayed at Aero India 2023 in Bengaluru indicates.

An upgraded version of the Rustoum-1 drone designed and developed by the DRDO, the drone is capable of carrying 300 kilograms of weaponry.

The weapons that it can carry include indigenously developed smart anti-airfield weapons (SAAWs) and anti-tank guided missiles.

Archer-NG has a line-of-sight range of 250 kilometers and a beyond line-of-sight range of around 1000 kilometers.

The drone is made up of composite airframe structure and is equipped with piston engine propulsion. It also has a datalink, which helps to beam images and videos back to the ground station for analysis.

Archer-NG has been developed under the Development cum Production Partner (DcPP) route, which ensures the involvement of industry from the beginning of development cycle and leads to the reduction in the time-frame of the development-to-induction cycle.

The DRDO has recently "promulgated new Transfer of Technology (ToT) policy and procedure with 'nil' ToT fee for its industry partners Development cum Production Partners (DcPP)/ Production Agency (PA) and ‘Nil’ royalty for supply to Indian Armed Forces".

Apart from state-owned Hindustan Aeronautics Limited and Bharat Electronics, private sector players like Larsen & Toubro, Triveni Industries, Jayem Automotives and Nucon Aerospace are also involed in the development of the weaponised drone.

SRUAV
SRUAV, also called Short Range UAV, is a weaponised drone which is capable of operationg at an altitude of up to 22,000 feet.

As it's name suggests, the drone has a short range of around 250 kilometers. It can remain in air for up to 12 hours.

Apart from destroying targets, it can be used for collecting near real time, high-quality video and signal intelligence.

The platform is currently being tested to validate its upgraded avionics structure through flight trials and the release of anti-tank guided missile. https://swarajyamag.com/defence/aero-india-2023-how-three-critical-done-programmes-of-the-drdo-are-making-progress

3. If nothing to hide, why is govt running from JPC probe into Adani issue: Cong *(energy.economictimes.indiatimes.com)* February 14, 2023

The Centre is "running away" from a JPC probe into the Adani-Hindenburg issue, the Congress alleged on Tuesday and said the government should allow the investigation if has nothing to hide. The Congress' attack on the government came after Union Home Minister Amit Shah's reported remarks that there is nothing for the Bharatiya Janata Party (BJP) to hide or be afraid of in the matter.

Addressing a press conference at the AICC headquarters here, Congress general secretary Jairam Ramesh said he has written to Reserve Bank of India (RBI) Governor Shaktikanta Das and Securities and Exchange Board of India (SEBI) chief Madhabi Puri Buch for an impartial probe into allegations against the Adani Group.

Reacting to Shah's reported remarks, Ramesh said, "If they do not have anything to hide, why are they running away from a Joint Parliamentary Committee (probe)."

"They do not even allow us to raise the demand of JPC in Parliament. When our leaders, including party president Mallikarjun Kharge ji, raised the demand for JPC, their remarks were expunged," Ramesh said.

If there is nothing to hide, the government should allow a JPC, he stressed.

On Monday, the Centre agreed to the Supreme Court's proposal to set up a panel of experts to look into strengthening regulatory mechanisms for the stock market in the wake of the recent crash of Adani Group shares triggered by Hindenburg Research's fraud allegations.

Saying it has no objection to constituting the panel, the Centre also stressed that market regulator SEBI and other statutory bodies are "fully equipped" to deal with the situation, not only regime wise, but otherwise as well.

According to Ramesh, it is important to look at the petition filed in the court.

Investigation should be against Adani and its ties with the government, the Congress leader said.

He also clarified that the Congress is in favour of private investments, which need to be encouraged.

"We have always said we are in favour of entrepreneurship and that is the way forward for economic development. We are against blind privatisation and selling of PSUs."

The Congress, Ramesh said, backs liberalisation but this should be on the basis of rules and institutions which should function independently so rules can be applied in an impartial and transparent manner. Our fight is against crony capitalism, he asserted.

He also claimed that all Opposition parties are on the same page in demanding a JPC probe into the Adani issue.

Rahul Gandhi, the Congress leader said, will not apologise for the remarks in Parliament and will continue to ask questions of the government.

Ramesh also posted on Twitter a set of three questions to the prime minister as part of the "Hum Adani ke Hain Kaun" series.

In a statement addressed to the prime minister, Ramesh said the UPA government in its efforts to strengthen economic relations with neighbours had signed an MoU in 2010 for the state-owned National Thermal Power Corporation (NTPC) to set up a 1,320 MW thermal power plant in Bagerhat, Bangladesh.

After coming to power, the Modi government decided to help its "Double A" friends instead. During the prime minister's June 2015 visit to Dhaka, it was announced that Adani Power and Reliance Power would construct thermal power plants to supply electricity to Bangladesh, Ramesh alleged.

"Is it true that you put pressure on your counterpart PM Sheikh Hasina to accept terms that were extremely favourable to Adani Power and unfavourable to Bangladesh," Ramesh asked.

In his statement, Ramesh said Jharkhand originally required 25 per cent of the electricity produced by a power plant to be supplied to the state at discounted rates.

"This was reflected in its initial February 2016 agreement with Adani Power. However, in October 2016, the policy was abruptly amended to benefit Adani," the Congress leader alleged. Is it correct, he asked, that these revised terms will cost Jharkhand an additional Rs 7,410 crore over the 25-year lifetime of the project according to a government audit report.

"Did the office of the state accountant general state in writing on May 12, 2017 accountant that the agreement with Adani amounted to 'preferential treatment' and would give the company 'undue benefits'? he said in a poser to the PM.

"What was your role in persuading then Jharkhand CM Raghubar Das to reverse this longstanding state government policy," Ramesh asked. In February 2018, Adani Power had applied to set up the Godda power plant as a Special Economic Zone (SEZ) to avail of tax benefits, he said.

"However, the Ministry of Commerce denied this request because it conflicted with guidelines that prohibited the establishment of a standalone power plant inside an SEZ. Yet on January 9, 2019, the Ministry of Commerce changed its view and amended those guidelines," he claimed.

Shortly after, on February 25, 2019, the Board of Approval for SEZs approved Adani Power's application, Ramesh said and asked what was the role of the Prime Minister's Office in this policy change that allegedly "benefitted" Adani Power.

The Hindenburg report had levelled financial irregularities and stock manipulation allegations against Adani group companies. The Adani group has dismissed the allegations as baseless. https://energy.economictimes.indiatimes.com/news/renewable/if-nothing-to-hide-why-is-govt-running-from-jpc-probe-into-adani-issue-cong/97915106

4. Finding the faultlines *(dailypioneer.com)* February 15, 2023

Kerala and Tamil Nadu should follow the maxim- 'Medice, cura te ipsum' - physician, heal thyself

Kerala Kerala and Tamil Nadu were accusing the Centre of discrimination in the disbursement of financial assistance because of political differences. The total of the 2023-24 Kerala budget presented by K N Balagopal, the State's finance minister, read like this: "All woes of Kerala are results of the indifferent and callous attitude of the BJP-led Centre towards the secular liberal and democratic dispensation ruling the State". Balagopal hiked taxes on all goods including petrol and diesel to offset the loss suffered by the State on account of the Centre's apathy. M K Stalin, chief minister of TN, daily lambastes the Centre for his State's dismal shows in the economy. The bone of contention between the DMK and Centre is over the latter's refusal to free the Dravidian heartland from the shackles of NEET, the screening test for admission to undergraduate courses in medical colleges. Interestingly, Tamil Nadu is the only State that has demanded the scrapping of the NEET, which was launched by the UPA Government that survived in office for a decade only because of the support extended by DMK, the party held tightly by Stalin's family.The DMK is silent when asked why it could not set up any major public sector industries in Tamil Nadu while it was holding crucial stakes in the BJP-led Vajpayee Government (1999-2004) and the Congress-led UPA Government(2004-2014). It also failed to take up the interlinking of rivers which would have solved the severe water scarcity faced by the State.

The mini, small, and medium enterprises that sustain the State's economy are in the doldrums. On Monday, union finance minister Nirmala Sitharaman said there was no truth in the allegation by Kerala that it was being discriminated against by the Centre. The State has not submitted the Accountant General certified statement for GST Compensation even for a single year from 2017 till date. She requested N K Premachandran MP who raised the issue to sit with the State Government and plead with it to send the AG-certified statement. Sitharaman's sporting offer comes immediately after the CAG blamed Kerala for its failure to collect revenue arrears worth Rs 22,000 crore over the last two years. Well, anti-Centre rhetoric may work for some time and help the State to wash its hands off financial mismanagement. Kerala and TN should set their houses in order before venturing out to cast aspersions on Centre. https://www.dailypioneer.com/2023/columnists/finding-the-faultlines.html

STATES NEWS ITEMS

5. Taxing times in Kerala *(thehindu.com)* February 15, 2023

Budget week is that time of the year when the state of public finances comes under relentless scrutiny. This year has been no different in Kerala.

Ahead of the Budget presentation by Finance Minister K.N. Balagopal, the Opposition Congress-led UDF released a white paper that painted a depressing picture of the State's finances. Mr. Balagopal presented the Budget for 2023-24 on February 3. His announcements of a bevy of tax proposals and a social security cess on petrol, diesel and liquor, which were the rather unexpected highlights of his Budget speech, kicked off a political storm. Chief Minister Pinarayi Vijayan and Mr. Balagopal have staunchly defended the proposals, but the UDF is not convinced.

Accusing Mr. Vijayan's government of overburdening the people, four MLAs of the UDF announced an indefinite stir inside the State Assembly and protests outside it. The Leader of the Opposition, V.D. Satheesan, declared that the protests would continue until the tax proposals and cesses were scrapped.

That the water charges too were increased on the same day the Budget was presented hasn't helped the government on the public relations front. Looking to bolster revenues by an additional ₹2,955 crore, Mr. Balagopal announced, among other things, a ₹2 cess on petrol and diesel, a ₹20 per bottle cess on Indian-made foreign liquor costing ₹500-999, and ₹40 on liquor costing above ₹1,000. The government also increased the one-time tax on motorcycles, cars, and private service vehicles, the one-time cess on newly registered motor vehicles, and the electricity duty applicable to commercial and industrial units. The fair value of land was raised by 20% and the stamp duty, from 5% to 7%.

Over the weekend following the Budget presentation, there was some speculation that the CPI(M)-led LDF government would go easy on some of the proposals. But the following Monday, the UDF announced its stir in the House, which drew a sharp reaction from Mr. Balagopal who denied that the tax hikes were needlessly steep. He argued that the government's hand was forced by the unsympathetic fiscal policies of the Central government which have sharply diminished the State's share from the divisible pool. The cesses on fuel and liquor were for the "larger good" and were vital to keeping the social security pensions going for over 60 lakh people, he argued. Moreover, the tax on liquor has not been hiked in two years, Mr. Balagopal said. In the case of motor vehicles, the tax hikes were decided after examining the rates in neighbouring States, he said.

On February 9, Mr. Vijayan called a press conference where he backed the Budget proposals and slammed the Centre for attempting to strangle the State financially. The next day, K. Sudhakaran, president of the Kerala Pradesh Congress Committee, urged the people to boycott the fuel cess.

On the broad fiscal front, Kerala has been showing encouraging signs of a post-pandemic recovery. In 2021-2022, the GSDP at constant prices grew by 12.01% from -8.43% the previous year, according to the Economic Review 2022, which was tabled in the Assembly. Agriculture and allied sectors clocked a growth of 4.64% in 2021-22 compared to 0.24% in 2020-21. Industry grew from –2.82% to 3.87% and the service sector grew from –14.44% to 17.3%.

While this is good news, a report of the Comptroller and Auditor General tabled in the Assembly on February 9 by and large endorsed the observation of several leading economists that Kerala has, over the years, been sloppy in effectively tapping available tax sources, and is skirting ground realities by taking the easy way out with fresh levies.

The 'Combined compliance report of the CAG on revenue sector for the period 2019-21' found that the government has been unable to collect ₹21,797.86 crore in revenue as on March 31, 2021. Of this bulk of arrears, ₹7,100.32 crore has been outstanding for more than five years. Some of it even goes back to 1952.

There has been considerable improvement in forecasts on the tax collection front this year with the government recently unveiling a revamped State Goods and Services Tax Department. But how the LDF government tackles the turmoil on the political front, especially once the Assembly reconvenes on February 27 after a two-week break, remains to be seen. https://www.thehindu.com/opinion/op-ed/taxing-times-in-kerala/article66508544.ece

6. Kerala AG clears GST compensation files within hours of Nirmala Sitharaman's response in Lok Sabha *(english.mathrubhumi.com)* 15 Feb 2023

Thiruvananthapuram: The Accountant General's office cleared the files within hours of union Finance minister Nirmala Sitharaman alleging in the Lok Sabha that Kerala did not submit AG authenticated certificates for "GST compensation" since 2017-18.

AG sent the files to the state GST commissioner on Monday evening.

Meanwhile, it has come to light that a report by the Comptroller and Auditor General (CAG) in 2021 stated that Kerala had already given accounts related to GST compensation. According to tax report 1 of 2021, Kerala is among the 19 states that submitted figures for 2017-17. It also notes that the audits of the years 2018 and 2019 are pending since the union revenue department failed to submit the data of compensation.

Sitharaman, in the Lok Sabha, had slammed Kerala for the delay in submitting the figures. However, state finance minister KN Balagopal stated that Kerala has already received most of the compensation and only around Rs 750 crore has been pending.

Sitharaman was responding to a question raised by Kollam MP NK Premachandran regarding the IGST share of Kerala. The finance minister did not mention the IGST and her reply was on GST compensation. Later, Premachandran slammed Kerala for blaming the union government for "delaying GST compensation." The question and the response had triggered a political controversy in Kerala with LDF slamming Premachandran for raking up "non-existent issues" rather than focusing on the real ones.

According to the Kerala government, it has nothing to do with the matter as the AG does not come under its jurisdiction. That is why the AG gave the data soon after the issue was raised in parliament, sources said.

Since there was confusion over the figures in several states, the union government had sanctioned most of the arrears without waiting for the AG certificate. Kerala had expected a total of Rs 42,639 crore as compensation for five years. Of which, the state is yet to receive Rs 776 crore.

However, the final data regarding compensation can only be known after receiving the AG report for 2020-21.

If the GST commissioner fails to give an opinion within two weeks, then the figures will be confirmed, said the AG's office. https://english.mathrubhumi.com/news/kerala/kerala-ag-clears-gst-compensation-files-within-hours-of-nirmala-sitharaman-s-response-in-lok-sabha-1.8312776

7. ED arrests Kerala CM's ex-principal secretary Sivasankar in LIFE Mission project case *(indianexpress.com)* February 15, 2023

The Enforcement Directorate (ED) Wednesday arrested M Sivasankar, the former principal secretary to Kerala Chief Minister Pinarayi Vijayan, in connection with its money laundering probe into the state government's LIFE Mission project.

Sivasankar, sources said, had been called for questioning by the agency in connection with the case on Tuesday following which he was put under arrest for non-cooperation. "There are some irregularities in the project and many contracts have been found to be dubious. It is for this that Sivasankar's custodial interrogation is required," an ED official said.

The ED case is based on a CBI FIR where it was alleged that the project was funded by a foreign entity in violation of the Foreign Contribution Regulation Act (FCRA). The state has moved the Supreme Court against the case arguing that government projects are exempt from FCRA.

Notably, Sivasankar had earlier been arrested by ED in 2020 in connection with the Kerala gold smuggling case where it had also arrested his alleged close aide Swapna Suresh who was touted as the key player of the entire gold smuggling operation through diplomatic baggage.

At that time, ED had told a Kochi court that out of the 36 projects, tenders of 26 were bagged by just two companies. It had alleged that before issuing a tender for these projects, Sivasankar had handed over the confidential details to Swapna who had used the information to earn crores of rupees. It had told the court Swapna, during interrogation, had said Sivasankar had benefitted from all the "bribery" involved in the project.

Under the project, the UAE Red Crescent, which is affiliated with the International Federation of Red Cross and Red Crescent Societies, agreed to provide 10 million UAE dirhams for constructing housing units for the victims of the Kerala flood, and a health centre. For this, a Memorandum of Understanding (MoU) was entered into on July 11, 2019, between the UAE Red Crescent Authority and the Government of Kerala through the chief executive officer of LIFE Mission.

As the project ran into a controversy, Congress MLA Anil Aikkara lodged a complaint on the basis of which CBI registered a case.

The Kerala High Court had earlier rejected a plea by the state to quash the FIR. Dismissing the petitions against CBI investigation, the High Court had said "the typical nature of the facts involved in the instant case would reveal a high profile intellectual fraud played in furtherance of MoU so as to avoid an audit by CAG and to get kickbacks and gratifications. The very nature of the mischief done in furtherance of MoU would suggest the involvement of highly educated professionals – a mastermind behind it". https://indianexpress.com/article/india/kerala/ed-arrests-kerala-cm-sivasankar-life-mission-project-case-8445690/

8. Tangedco forms coal quality assurance wing at collieries and thermal plants *(timesofindia.indiatimes.com)* Feb 15, 2023

Chennai: In order to comply with the recommendations of a Comptroller Audit General (CAG) report, Tangedco, has formed a full fledged coal quality assurance wing to assess coal quality at collieries and thermal plants.

A February 7 order said it will he headed by a superintendent engineer from mechanical/mines wing who will report directly to the director (generation). There will be an executive engineer and two assistant executive engineers, assisting the SE. "Tangedco should revamp the entire system of assessment of quality and quantity of coal in order to reduce the cost of generation and tariff," the order quoted the CAG report.

A centralised laboratory exclusively for testing coal in Chennai with the latest testing equipment and dispensing of testing of coal at thermal power stations will also be set up. The CAG report for the year ended March 31, 2019, cited lack of efficiency and effectiveness of the present system of assessing quality and quantity of coal and said it was fraught with several organisational, practical, logistical, procedural and human resources issues. It recommended constituting a separate quality assurance wing for ensuring quality of coal and all material and equipment procured. It added that procurement and quality assurance should be done by different agencies.

A Tangedco official said that so far coal quantity is measured based on plimsoll line or waterline in ships. If there is any difference found in the quantity, the money equivalent to the depreciation will be deducted on the payment. While 95% of the cost is paid during the agreement, 5% is withheld till the supply to thermal plants to adjust for the quantity issues.

Similarly, to ensure that the promised quality is supplied, samples are collected from collieries and on the ship arrival. "Apart from tests in Tangedco labs, samples will be sent to third party labs too," said the official. https://timesofindia.indiatimes.com/city/chennai/tangedco-forms-coal-quality-assurance-wing-at-collieries-and-thermal-plants/articleshow/97933887.cms

9. VISL, which heralded industrial era in then Mysore state, stares at permanent closure *(news9live.com)* February 15, 2023

Union steel minister has said that VISL would be shuttered as its disinvestment hasn't evoked good response

January 18, 2023 came and went by. For scores of people including those in Karnataka, it was like any normal day. But perhaps it was a moment to savour for the citizens of the town of Bhadravati which is the epicentre of this narrative.

It was on January 18, 1918 that thanks to the pioneering efforts of the then ruler of Mysore, Nalvadi Krishnaraja Wodeyar and his dewan, Sir M Visvesvaraya that this sleepy and quiet town became the hub of industrial activity courtesy the new iron and steel mill (called kabina matu ukku karkhane in Kannada).

Death blow

On Monday, February 13, Parliament was informed that the Union government was planning to shut down Visvesvaraya Iron & Steel Limited (VISL).

It was in July 2019 that the Union government had planned that Steel Authority of India Limited (SAIL), which had 100% ownership of VISL, would offer this venture as a part of the disinvestment process. SAIL is majority-owned by the Union government.

However it appears that the quotes received for disinvesting VISL were weren't anything substantial forcing the Union government to mull a complete shutdown of the loss-making unit.

It is indeed a sad day as one of the leading enterprises which was set up with the backing of the erstwhile rulers of Mysore will now possibly be consigned to the pages of history.

It is said that VISL has 200 permanent and 1,350 contractual employees all of whom now stare at an uncertain future.

It was in January this year, that none other than the former PM, HD Deve Gowda penned a note to PM Narendra Modi urging the latter to call off the decision to close down VISL.

The problems

Union Steel Minister Jyotiraditya Scindia, speaking in Parliament, said that VISL suffered from a combination of factors including rising costs and low volume of production due to obsolete technology, lack of captive iron ore mines besides dynamics of the steel market.

Predictably the opposition Congress has lashed out at the Union government's proposal and said that while an iron ore mine had been sanctioned in 2011, precious little had been done to provide the linkage and ensure that VISL was operational.

The tragedy of state-owned enterprises

The news about the shuttering of VISL is tragic news for Karnataka. A report of the Comptroller & Auditor General (CAG) in September 2022 noted that of the 107 enterprises owned by the Karnataka government, only 54 were earning a profit.

It is only tragic that while Karnataka's clout in the information technology arena is growing its manufacturing prowess is lagging behind and the VISL decision could come to haunt the state many years down the line.

The political fallout
With the state gearing up for Assembly polls over the next six to eight weeks, the closure of VISL could become a thorny issue particularly in the Malnad region where the unit is located. https://www.news9live.com/business/companies/visl-which-heralded-industrial-era-in-then-mysore-state-stares-at-permanent-closure-au1937-2052001

10. Andhra Pradesh's debts Rs 4.42 lakh crore only: Special Chief Secretary *(newindianexpress.com)* February 15, 2023

VIJAYAWADA: Accusing the Opposition TDP and its friendly media of misleading the people on the State's debts, Special Chief Secretary to CM (Finance and Economic Affairs) Duvvuri Krishna has said there is no truth in the allegation that the liabilities of Andhra Pradesh increased to the tune of Rs 9,16,696 crore. The report of the Reserve Bank of India has confirmed that the AP government's debt is Rs 4,42,442 crore. The Ministry of Finance has also provided a detailed reply to a question raised by a TDP MP in Parliament that the total liabilities of AP stood at Rs 4,42,442 crore, he asserted.

Speaking to mediapersons at the Secretariat on Tuesday, Krishna furnished all the details. The opening balance of the State government liabilities at the time of its formation was Rs 1,13,797 crore as per the RBI report (58% of the outstanding liabilities of the combined State) and the same has increased to Rs 2,71,797.56 crore during the previous TDP regime. The total debt had more than doubled and increased by 238% i.e. the closing debt is 2.38 times more than opening debt.

The debt has not doubled during the past four years of the present government as alleged by the opposition. It has only increased by 62.78%. This means the closing balance of liabilities by the end of four years of the present government is only 1.63 times more than the opening balance at the time of the formation of the present government.

"As alleged by the opposition if the liabilities had doubled during the past four years of the present government, the borrowing during the final year of the present regime i.e. 2023-24 fiscal, should be to the tune of Rs 1,01,150 crore and this is not possible as this translates to nearly 7.5% of the GSDP, when the borrowing limit by the Centre government is only 3.5% of the GSDP. Hence, it is absolutely impossible for the liabilities to double during the term of the YSRC regime," he explained.

He further said the AP government's share of fiscal deficit in aggregate of fiscal deficits of all the States during the time of the TDP government (2014-19), was 7.06% and during the first three years of the YSRC regime, it is only 5.76%.

“When we compare the growth in debt of the Centre and the State government during the same periods, it would come to light. During the five year period of the previous TDP government, the Centre’s debt increased at a CAGR of 9.89% and the State government’s debt at a CAGR of 19.02%. During the first four year period of the present government, the Centre’s debt increased at a CAGR of 13.85% and the State debt at a CAGR of 13.55%. This adequately indicates to what extent the opposition is correct in its allegations. Therefore, none of the parameters suggest that the State government’s finances have deteriorated under the present government,” he added.

For the financial year 2019-20, the TDP government continued in April and May and the debt availed during those two months was Rs 7,346.56 crore as per CAG, the same is added to the outstanding balance as of March 31, 2019.

The outstanding bills amounted to Rs 21,673 crore by September 2022. The Finance Minister had also confirmed that on March 31, 2019, the pending bills were to the tune of Rs 40,172 crore. Hence, the outstanding bills almost doubled, what they currently are, when the present government formed, analysed Krishna. https://www.newindianexpress.com/states/andhra-pradesh/2023/feb/15/andhra-pradeshsdebts-rs-442-lakh-crore-only-special-chief-secretary-2547537.html

11. The highest revenue is received from the land; Now the advisory company will look for alternatives *(divya-bharat.com)* February 15, 2023

Noida Authority’s sources of income are getting exhausted. The major source of income here is land. That land is over. Apart from this, lease rent from the allocation of property is also one of the main sources.

In such a situation, the authority will take the help of a consultant to find out what other options can be there. RFP (Request for Proposal) has been issued for this. For this, companies can apply till March 2.

Authority officials told that in order to increase the income, help will be taken from the consultant especially on three points, in which assessment of the value of the things to be purchased, reporting, policy review and financial analysis will be done.

Under the financial analysis, the advisor will have to tell from which sources more income can come. Apart from this, how else can the expenses be cut.

Officials told that a pre-bid meeting will be held today before selecting the consultant. In this, companies will be given complete information about the RFP issued by the Authority. Its technical bid will be opened on March 3, 2023.

The CAG report told how the financial irregularities happened
After the change of power in 2017, the government had asked the CAG to investigate the financial irregularities in the Noida Authority. He investigated the authority for about a year.

Prepared a report of 400 pages. In which the matter of financial irregularity of 30 thousand crore rupees was revealed. However, even after handing over the inquiry report to the government, no action was taken on it.

Since 2017, CAG is conducting financial investigation in Noida Authority. In which all the irregularities have come to the fore.

Irregularities in group housing, commercial, FAR, land allotment and development projects were pointed out in the report. Most of the cases related to irregularities pertain to group housing allotments made between 2004 and 2017. This was the period when the previous governments changed their policies to give benefits to the builders and land allotments were made by depositing 10 per cent of the total plot cost.

Thereafter the FAR was wrongly increased and sold to give profit to the builders. Supertech Emerald was also a part of it. Which was demolished on August 28 following the order of the Supreme Court.

Scams from 2004 to 2017

The list of scams in the Authority is long. Land allotment scam, farm house scam, Noida stadium scam, underground cabling, hotel allotment scam, earning profits by giving more compensation to farmers, etc. were all done here. In all these funds of the authority were misappropriated.

Now no money to complete the plan

In view of the paucity of funds, the Noida Authority has placed a demand of Rs 230 crore for four projects under the PM Gati Shakti Yojana. These schemes include underpass being constructed in front of Sector-142 on Noida-Greno Expressway, Bahalolpur underpass, Parthala flyover and Bhangel elevated road. Their work is getting hampered due to paucity of money.

Revenue target achieved by 90 percent

The achievement target of Noida Authority for the financial year 2022-23 was Rs 4880 crore. Against this, the authority has so far received Rs 4,538 crore, in which mainly Rs 819 from commercial properties, Rs 466 from residential, Rs 313 crore from industrial etc.

Officials say that there is still more than one and a half months left, so it is expected that more revenue will be achieved than the target.

The builders of Noida who have constructed the building but have not yet paid the land cost to the authority. Has even ordered the Supreme Court to give the money along with interest.

More than 35 thousand crore outstanding

The economic condition of the Noida Authority would not be so shaken if its arrears stuck for years come out. At present, about 30 thousand crore builders and 5 thousand crore are stuck in other places.

In the month of November, the Supreme Court has given its verdict that the arrears will have to be paid only according to the conditions of the authority. Even after this the builders are not coming forward to deposit the money. Due to this flat buyers are also stranded.

Now the land is being vacated by running bulldozers on illegal construction.

Encroachment on 45 lakh square meters of land

According to the CAG report, there is encroachment on 45 lakh 26 thousand 464 square meters of land in Noida. Its estimated cost is one trillion 63 billion 85 crore 79 lakh 96 thousand 800 rupees. Now the authority is getting encroachment freed from its land through land audit. https://divya-bharat.com/the-highest-revenue-is-received-from-the-land-now-the-advisory-company-will-look-for-alternatives-the-highest-revenue-is-received-from-the-land-now-the-advisory-company-will-look-for-alternative/

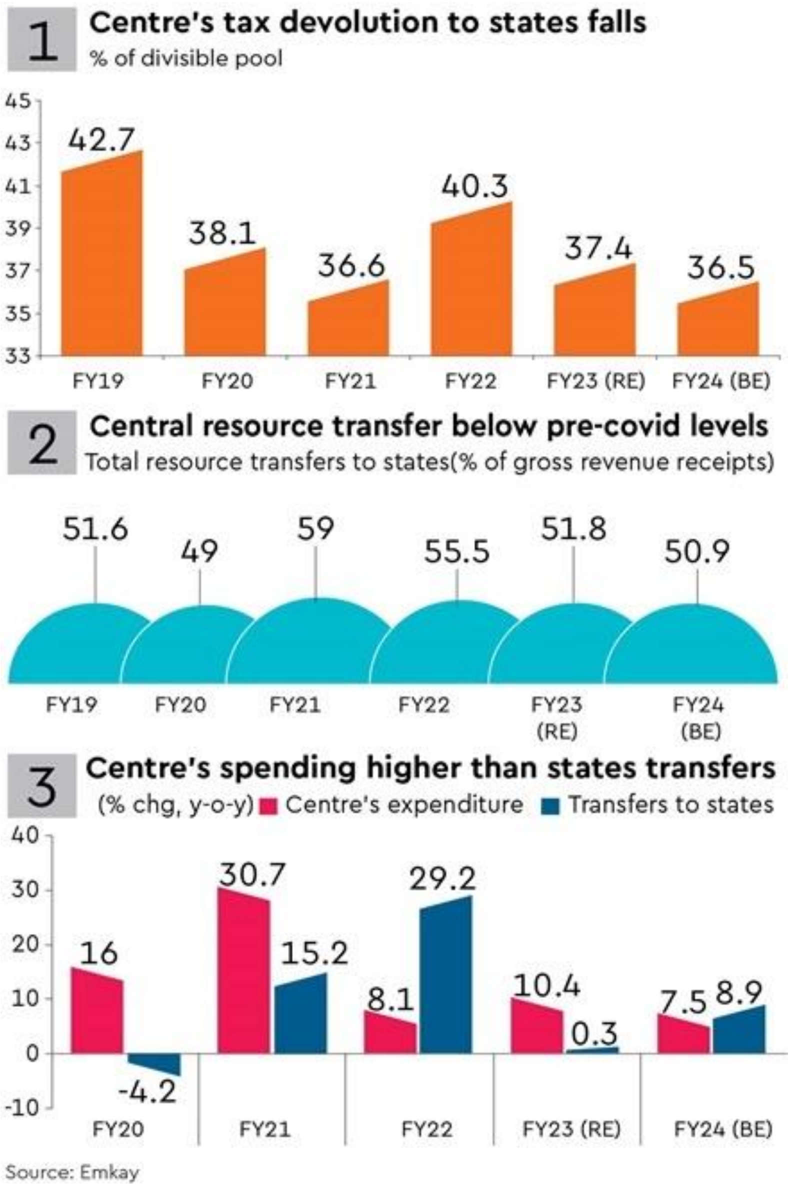
SELECTED NEWS ITEMS/ARTICLES FOR READING

12. Shrinking share of states *(financialexpress.com)* February 15, 2023

With the increasing imposition of cesses and surcharges by the Union government, the states' share in the divisible tax pool has stayed below the 15th Finance Commission's recommendation of 41%, and is expected to be around 36% in FY24 (BE).

With the increasing imposition of cesses and surcharges by the Union government, the states' share in the divisible tax pool has stayed below the 15th Finance Commission's recommendation of 41%, and is expected to be around 36% in FY24 (BE).

Apart from the tax devolution, transfers for centrally-sponsored schemes and Finance Commission grants, which also form a part of the Union government's transfer to states, have fallen sharply after the pandemic.



The total resource transfers, as share of the gross revenue receipts of states, has also fallen in the period after the pandemic and will be below 50% by the end of FY24. https://www.financialexpress.com/opinion/shrinking-share-of-states/2981720/

13. Modi govt may sweeten new pension plan *(financialexpress.com)* Feb 15, 2023

With demand growing for the old pension system (OPS) with assured benefits, the Centre and some state governments are exploring ways to salvage pension reforms, by treading a middle path between the fiscally-expensive OPS and the reform-oriented National Pension System (NPS).

One option being considered is to offer guaranteed pension to government staff at around 50% of the last pay drawn under the NPS by tweaking the existing scheme without burdening the exchequer too much. While OPS is based on the concept of defined benefits, the principle that underlie NPS is defined contribution.

Currently, under the NPS, also called new pension scheme, 60% of the accumulated corpus from contributions during a person's working years is allowed to be withdrawn at the time of retirement. Such withdrawal is also tax-free. The balance 40% is invested in annuities, which according to an estimate, could provide a pension equivalent of about 35% of the last pay drawn. However, it is not a guaranteed pension as returns are linked to markets.

Officials reckon that the NPS could be revised in such a way that at the time of retirement, an employee gets back her contribution of roughly 41.7% (built from a contribution of 10% of pay) as a lump sum amount.

"An analysis showed that if the balance 58.3% corpus built from the central/state government contribution (14%) is annuatised, the pension in NPS could be around 50% of last drawn salary," an official aware of the deliberations in the government said. If actual returns work out to be less than the guaranteed amount, the gap could be bridged by the government concerned by contributing a little more to NPS, the official added.

The only problem with this model is unlike in OPS, which revises pension upward periodically to adjust for inflation and increments due to future Pay Commission awards, it would be a tricky job under NPS as the corpus for pension would remain constant, post-retirement.

Officials, however, said there are ways to address this issue too. Instead of investing the pension corpus in low-yield annuities, the funds could generate a higher return (currently annuities generate around 5-6% while NPS returns are close to 10%) by keeping the corpus in the NPS system under a scheme to be able to meet the aspiration of periodic revision in pensions.

While a possible hike in salary in the Eighth Pay Commission is factored in to generate 50% of the last pay drawn, NPS could still face issues if people retire in large numbers just after another Pay Commission award is implemented. That would mean without contributing much, they would be entitled to a very high pension based on revised pay.

Officials say this could be addressed by the government by contributing a little more, say 16% rather than 14% or periodically contributing a little more to the pension corpus based on actuarial analysis. Secondly, as people retire from the NPS system from 2036 and some these die in natural course, their pension capital amount would return to the government. This would augment the government's resources to fund pension without relying too much on the budget in future.

Officials said a lot of work in revamping NPS has to be done in consultation with employees to work out an implementable scheme to address issues such as pension at the reduced rate to the spouse after the death of pensioners like in OPS (spouse gets half of the sum paid to pensioner).

Since FY20, the central government staff has been eligible for a deduction of 24% of salary (employees' contribution of 10% and employers' share of 14%) for NPS contributions and as many as 15 state governments have subsequently enhanced employers' share to NPS to 14%.

In the government-backed Atal Pension Yojana that guarantees a minimum monthly pension of `1,000-5,000 to the lower-income group subscribers based on their contributions, the actuarial estimates found a corpus gap of `5,000-6,000 crore, which the Centre is bridging from Budget with a provision of `800 crore in FY23 to start with.

Fixed overheads in the form of establishment expenditure (largely towards salaries, wages and bonuses and pensions) account for more than 50% combined revenue expenditure of states. This pressure would continue on resources-starved states for another two decades till OPS-pensioners reduce.

The Pension Fund Regulatory and Development Authority (PFRDA) has rejected the demand of Rajasthan, Chhattisgarh and Jharkhand for custody of the accumulated corpus under the NPS after they announced to return to OPS in 2022, saying the law did not permit such withdrawals. These states have stopped fresh contributions to NPS.

However, even the states such as Punjab which have announced return to OPS will not find it easy due to their messy finances. West Bengal, even though it did not join NPS to make staff happy, it also did not implement 7th Pay Commission award to keep salary and pension bills in check. Its staff still get paid as per Sixth Pay Commission award without much annual increase in dearness allowance whereas most other states have implemented 7th pay panel award and their staff get a higher salary and could get a higher pension under NPS as well than West Bengal, analysts said.

While ruling out reversing the pension reforms and going back to the fiscally-disastrous unfunded OPS, which entails 50% of the last pay drawn as pension from the budget to the pre-2004 staff, the political executive is conscious of the increasing resonance of demand for OPS amid a spate of state/general elections in 2023-2024. https://www.financialexpress.com/money/modi-govt-may-sweeten-new-pension-plan/2981738/

14. Indian states' outstanding liabilities rise 43% since pandemic, ringing alarm bells *(moneycontrol.com)* Feb 14, 2023

The states' outstanding debt burdens have spiked considerably since the Covid-19 pandemic hit, with Madhya Pradesh topping the rise with a 79% jump. This is a cause for concern as refinancing this debt over coming years will keep interest rates in the economy high.

Indian states are climbing a fiscal cliff with no end in sight. Data shared by the ministry of finance during the budget session of parliament shows that the outstanding liabilities of 28 states are projected to rise 43 percent in the three years from March 2020 to March 2023.

In all, the outstanding liabilities of all these states are forecasted to reach Rs 75 lakh crore by the end of the current financial year, up from Rs 52 lakh crores in March 2020 when the Covid-19 pandemic had forced a nationwide lockdown in India.

States' finances have come under the spotlight recently amid a raging debate over freebies or pre-election doles by political parties. Several states have also moved back to the so-called old pension regime which guarantees defined returns for retiring government employees.

Meanwhile, India’s central bank continues waging a battle against inflation that seems to be getting entrenched. To this end, it has raised interest rates sharply from the record lows of the pandemic era.

The Centre’s borrowing is also projected at a record high in the next financial year even as it aims to lower the fiscal deficit as a percentage of gross domestic product.

Reason for worsening of states’ liabilities

States’ outstanding debt has shown a gradual upward movement due to implementation of Ujjwal DISCOM Assurance Yojana, farm loan waivers, pandemic-related revenue losses, additional expenditures and growth slowdown, the ministry of finance said February 7.

To be sure, the states have been regularly servicing their debt obligations and have typically not been punished much by a bond market that generally charges a spread of 50-100 basis points for state debt wider than the central government debt.

India’s federal structure allows states to tax but their borrowing capacity is defined by the Centre.

All States have also enacted their Fiscal Responsibility and Budget Management (FRBM) Act, with the compliance being monitored by the respective state legislatures.

The Ministry of Finance generally follows the fiscal limits mandated by the accepted recommendations of the Finance Commission while approving borrowings by states. The normal Net Borrowing Ceiling of each state is fixed by the Union Government in the beginning of each financial year. Adjustments for the over-borrowing during previous years, if any, are made in the borrowing limits of subsequent year.

Worst and best

In the tally of states that have seen the most rise in their outstanding liabilities are Madhya Pradesh (79 percent), Assam (65 percent), Rajasthan, Sikkim, Tamil Nadu (63 percent each).

Odisha, on the other hand, has managed to lower its liabilities between March 2020 and March 2023, by 21 percent!

STATE	RISE IN OUTSTANDING LIABILITIES FROM MAR 20 TO MAR 23 (%)	DEBT-TO-GSDP MAR 23
Andhra Pradesh	44	33
Arunachal Pradesh	27	40
Assam	65	28
Bihar	48	39
Chhattisgarh	37	27
Goa	40	40
Gujarat	29	20
Haryana	31	29
Himachal Pradesh	30	42
Jharkhand	37	34
Karnataka	58	23
Kerala	46	39
Madhya Pradesh	79	29
Maharashtra	41	19
Manipur	40	38
Meghalaya	41	43
Mizoram	44	53
Nagaland	20	44
Odisha	-21	16
Punjab	33	48
Rajasthan	52	40
Sikkim	63	31
Tamil Nadu	63	32
Telangana	63	28
Tripura	45	35
Uttar Pradesh	29	33
Uttarakhand	31	32
West Bengal	36	36

Source: Ministry of Finance, Reserve Bank of India

In terms of the debt-to-gross state domestic product ratio, a measure of how much the liabilities are as a proportion of the size of the state's economy, Punjab comes out as the worst of the lot, with the ratio at a whopping 48 percent as at March 2023.

Odisha, Maharashtra, Gujarat are the only states with the debt-to-GSDP ratios of up to 20 percent.

Impact

States will continue to be fiscally constrained even if they lower their borrowings in the coming years or, in fact, borrow less than projected amounts from the debt market.

As as result, the general government debt (Centre plus states) will remain high, forcing investors to demand higher returns for the bonds they buy.

This would, in turn, keep market interest rates elevated for longer, hurting consumption and fresh investments.

It is high time for states to start taking corrective actions. https://www.moneycontrol.com/news/business/economy/indian-states-outstanding-liabilities-rise-43-since-pandemic-ringing-alarm-bells-10080511.html

15. Govt falls short of its 2022 target to improve forest cover, reveals RTI *(indiatoday.in)* Feb 14, 2023

The Ministry of Environment and Forest's reply under Right to Information (RTI) sought by a Kerala-based campaigner revealed that the ministry failed to achieve its 2015-22 target intended to improve the quality of the forest and increase its cover.

The reply said the government fell short by nearly 50 per cent in increasing forest cover, and the improvement in the quality of the forests was not achieved.

"At a time when the Union Government is giving a maximum push for green projects, shortfall of the target in increasing forest or tree cover and improving the quality of forest under the Green India Mission, an ambitious project of Prime Minister Narendra Modi, is a serious lapse," said K Govindan Nampoothiry, an RTI campaigner.

"Many states are showing lackadaisical attitude in utilising funds allocated for green projects effectively despite the fact that environmental imbalance is rising due to climate change day-by-day," he said.

According to the reply received last month, as on December 31, 2022, the target to increase forest cover was 53,377 hectares, and to improve forest quality was 166,656 hectares.

However, until December 31, 2022, the forest cover was increased by only 26,287 hectares, nearly half of the target. The forest quality improved in 102,096 hectares, which was again short of the target. Out of the total Rs 681.92 crore, Rs 525.88 crore was utilised.

Himachal Pradesh topped the list in underutilising funds as no money was utilised from the released funds of Rs 17.09 crore. Mizoram was provided Rs 139.08 crore, out of which Rs 102.81 crore, marking the highest amount spent on forests in the country.

Arunachal Pradesh and Haryana failed to share the details to fund utilisation. A total of 17 states were involved in the target.

"Though the Budget has given a lot of emphasis to green growth, the output of ongoing green projects so far must be evaluated as early as possible and remedial action should be taken. Otherwise, the country would have to pay a heavy price in future. Tackling climate change must get due priority, added Nampoothiry. https://www.indiatoday.in/india/story/govt-falls-short-2022-target-improve-forest-quality-reveals-rti-2334795-2023-02-14

16. ‘GST audits led to detection of ₹22,000 cr tax evasion’ *(livemint.com)* Feb 14, 2023

The GST audits undertaken by the indirect tax administration in the current financial year have led to the detection of ₹22,000-crore tax evasion from nearly 48,000 cases so far, Central Board of Indirect Taxes and Customs (CBIC) chairman Vivek Johri said in an interview. The indirect tax authority is now working on analyzing the corporate tax returns filed by businesses with the Income Tax department and the GST registration data to identify businesses and traders who ought to take GST registration but have not done so. This is part of a drive to widen the tax base. Johri also said there is no proposal to roll back the Finance Bill clarification that input tax credit will not be available on CSR spending by companies. The budget proposals on customs duty changes will help several industries achieve self-reliance, Johri said, citing several examples. Edited excerpts:

What is the progress of GST audits, and what are the major breaches noticed during the audit?

We have so far done almost 48,000 GST audits (in 2022-23) pertaining to the first two years of GST (FY18 and FY19), for which we have data till the end of the second quarter of this financial year. We have detected tax evasion worth about ₹22,000 crore, and we have also made recoveries of about ₹4,000 crore. One major discrepancy we have found is with regard to availing of input tax credit. Because of a wrong understanding of the law, some taxpayers may have taken input tax credit on inputs for which credit is not available--that is one possibility. We have also come across cases where the value of the goods is not properly declared. Misclassification is another issue because of which the wrong rate of tax has been applied. These are the three broad categories where we have found gaps in compliance.

How do you plan to widen the GST base significantly from around 14 million registered taxpayers now?

There are two or three broad elements in that strategy. One is that we will use more data triangulation. We will be comparing our taxpayer base with that of other taxes, for example, direct taxes, particularly their taxpayer base of businesses. We will see whether the gap which is there in the GST base and the income tax taxpayer base is adequately explained or not. Are there any taxpayers on the income tax side who also ought to be GST taxpayers but are not? In many cases, you will find that even though they are income taxpayers, because of their categorization in the exempted category (below ₹40 lakh annual sales threshold for GST registration), it’s alright if they’re not registered with us, but we need to test that hypothesis. That is one part of the strategy. The second part would entail a more intense outreach program with potential taxpayers. We will have to do it on a regional basis in different parts of the country, where we will try and explain the benefits of being part of the GST value chain, such as input tax credit availability. We will also explain to them how easy it is to file returns with automation.

A highlight of indirect tax proposals in the Union budget for FY24 is the customs duty changes. How will these help the industry?

We have simplified the customs rate structure by reducing the number of rates from 21 to 13. This is meant to indirectly help importers by way of a simpler rate structure so that there is more clarity on classification and less scope for classification-related confusion or disputes. A simplified rate structure helps everybody, and it is a clear positive. If you look at our import basket, you will find that about 85% of the imports, by value, are either raw materials, intermediates or capital goods. To promote manufacturing, what we have done, as always, is to look at where the domestic industry is dependent on imports either for raw materials, capital goods or intermediates.

If domestic availability is not adequate, there we have given duty exemptions or some reduction in rates so that availability improves and it will eventually help value addition in the country. To give an example, a very big step for the chemical sector taken in the budget is the full exemption being given to denatured ethyl alcohol used in manufacturing a large number of chemicals.

Likewise, we've given some exemptions for inputs that go into the manufacture of mobile phones. We've given an exemption to lenses that are used for making camera modules of mobile phones. There are other sectors which contribute not only by way of value addition but also through exports (where relief has been given). One is the full exemption given to seeds for lab-grown diamonds. Again, the idea is that we should be able to produce lab-grown diamonds in the country. We already have a very robust cutting and polishing sector in Surat and in other places. If you make lab-grown diamonds here, you can cut and polish and add value here and either export or use it for manufacturing jewellery domestically. Similarly, we have exempted ingredients for the manufacture of shrimp feed because marine exports are a very important part of our export basket.

We are seeing greater data collection and automation of GST return filings. In which direction is GST return filing progressing?

I think over a period of time, you will see the return filing process getting more and more automated and therefore simplified for the taxpayer. Unlike income tax, in GST, the tax return is constructed on the basis of transaction-level data. With the introduction of e-invoicing, we are now capturing electronic invoices for business-to-business transactions on the system and we have gradually reduced the threshold to ₹10 crore. Any business with a turnover of more than ₹10 crore is required to generate e-invoices electronically for their business-to-business transactions. It helps us to construct that taxpayer's return.

So increasingly, we will see more and more automation of the return. The taxpayer will have better visibility of what tax credits are available to him. The system will allow that to be checked and he will just need to verify the auto-constructed return. So to that extent, return filing will become simpler.

So the system will have an idea about the tax liability of a business even before the person prepares the return?

The system will know, but we will also be able to show it to the taxpayer just in time for the filing cycle. So the taxpayer and the department will know it at the same time. Of course, the taxpayer can edit that return, but you know, we will have a fair idea of the liability.

Will there be any relaxation on the government's proposal in the Finance Bill to clarify that input tax credit will not be available on CSR spending?

There's no proposal right now to change it.

What is the progress in clarifying the GST liability for crypto assets?

There's a group of officers studying it. We are waiting for their recommendations. https://www.livemint.com/economy/gst-audits-led-to-detection-of-22-000-cr-tax-evasion-11676397367736.html

17. India to spend 75% of defence capital outlay for procurement from domestic firms, says Rajnath Singh *(cnbctv18.com)* Feb 15, 2023

Defence Minister Rajnath Singh said on Wednesday the government will spend 75 percent of the total defence capital outlay for procurement from domestic defence manufacturers from 2023-24.
The decision will mean setting aside of around Rs 1,00,000 crore for procurement of military platforms and equipment from the Indian manufacturers, he while speaking at the Valedictory Ceremony of Aero India 2023.

"For creating demand for the defence industry, domestic demand must be there. Under Amrit Kaal for our defence industry, the Indian vendor's capital acquisition has been upgraded to 75 percent for 2023-2024," Rajnath Singh was quoted by ANI as saying.

"It is a very significant decision which will further strengthen the domestic defence manufacturing sector," Singh added.

He further informed that about 250 Memorandum of understanding (MoUs) were been signed during a ceremony on Wednesday. "The MoUs and technology transfer agreements signed during Aero India will facilitate a new beginning for defence manufacturing in India," he was quoted by PTI as saying.

He went on to say that Aero India 2023 showed that the Indian defence sector is ready to march ahead along with top global defence companies. "Aero-India showed the whole world, that the new India's Defence sector has not only become capable and enriched continuously but is fully prepared to keep pace with the defence sector of the leading countries globally," the defence minister said.

Singh even launched of the Defense India Start-up Challenge, DISC-9 during the annual defence startup event 'Manthan' on Wednesday. This year's challenge will focus on cyber threats.

The five-day aerospace and defence show, Aero India-2023, kicked off at the Air Force Station Yelahanka on Monday. The 14th edition of Aero India is showcasing the country as an emerging hub for manufacturing of military aircraft, helicopters, military equipment and new-age avionics.

The US Air Force's two newest fifth-generation supersonic multirole F-35A aircraft had made a historic debut on the first day of the Aero India, triggering huge interests and adding lustre to the five-day marquee event.

The exhibition is being participated by around 810 defence companies and delegates from 98 countries, the officials said. They said around 250 business-to-business agreements are expected to be firmed up at the aero show which is estimated to unlock investment to the tune of around Rs 75,000 crore. https://www.cnbctv18.com/economy/rajnath-singh-aero-india-spend-more-defence-capital-outlay-procurement-domestic-firms-mous-signed-15943711.htm

18. Army looking at procuring around 200 indigenously-built Prachand and Light Utility Helicopters *(theprint.in)* 14 February, 2023

The Army is planning to procure around 95 Prachand Light Combat Helicopters (LCH) and 110 Light Utility Helicopters (LUH) to enhance the profile of its combat aviation wing, Chief of Army Staff Gen Manoj Pande said here on Tuesday.

Gen Pande told a group of journalists on the sidelines of Aero India that the Army is looking at inducting the indigenously-built LCHs for deployment in high-altitude areas as the chopper has better maneuverability in mountainous regions.

The Army is looking at procuring the LUHs and LCHs to replace its ageing fleets of Cheetah and Chetak helicopters.

He said one of the weapons systems to be integrated into the LCH Prachand would be Helina missiles and their trials have been successful.

"We are looking for integration of the Helina missiles on the aircraft," he said during the briefing at the Yelahanka Air Force complex on the outskirts of Bengaluru.

Developed by state-run aerospace major Hindustan Aeronautics Ltd (HAL), the 5.8-tonne twin-engine chopper is capable of destroying enemy tanks, bunkers, drones and other assets in high-altitude regions.

The helicopter possesses modern stealth characteristics, robust armour protection and formidable night attack capability, and it is fully capable of even operating in Siachen, the world's highest battle-field.

The army chief said the LCH is very versatile in terms of its maneuverability.

The Defence Acquisition Council has already accorded approval for the procurement of 40 Helina launchers and missiles. "Its integration on aircraft is something we believe is important for us to maximise the potential of anti-tank guided missiles," Gen Pande said.

The army chief said out of the initial five LCHs, the force has already received three. On the LUHs, Gen Pande said, the army is getting six limited series versions of the helicopter initially.

"Thereafter, we are looking at 110 LUHs," he said, adding the army will take forward the procurement plan based on the performance of the initial six choppers.

"Our overall requirement in this class is about 250 helicopters," he said.

The Chief of the Army Staff also suggested that Hindustan Aeronautics Ltd (HAL), the producer of the helicopter, is working on capability enhancement of the platform including the autopilot feature.

Gen Pande said that the Army is expected to receive the first lot of American Apache attack helicopters out of the total six in the early part of next year while the remaining ones are likely to be delivered by end of 2023.

The LUH is designed and developed as a replacement for Cheetah and Chetak helicopters which are being operated by the Indian Armed forces.

It is a new generation helicopter in the three-tonne class incorporating the state of the art technology features like glass cockpit with multi-function displays (MFD).

The Chief of the Army Staff also referred to Army Aviation having Advanced Light Helicopter (Weapons System Integration) versions. The force currently has four squadrons of such helicopters.

Gen Pande also highlighted the infusion of niche technologies for surveillance along the Line of Actual Control (LAC) with China and said the focus has been to procure a range of drones.

He cited the importance of micro to mini drones to the tactical-level unmanned aerial vehicles as well as more longer range ones for overall surveillance.

Gen Pande said the focus has also been on counter-anti-drone technologies including hand-held drone jammers.

"We are looking at more soft-kill and hard-kill options for countering drones. Even swarm drones for that matter," he said.

Asked about China deploying new-age technologies along the LAC, the Chief of Army Staff said that the Army has electronic warfare (EW) units.

Gen Pande suggested that the Army has formed two EW battalions in the Northeast and that they are already underway.

On China's use of surveillance balloons in the US and Canada and whether the country can use similar tactics against India, Gen Pande underlined the need for remaining alert about new technologies.

"I have been saying that we have to constantly remain current to what is happening around us. …we have to be ahead of the learning curve," he said. https://theprint.in/india/army-looking-at-procuring-around-200-indigenously-built-prachand-and-light-utility-helicopters-2/1371511/

19. UP NREGA 'SCAM': People Died, but Wages Drawn in Their Names *(newsclick.in)* 15 Feb 2023

Lucknow: Maya of Bhanwarpur village in Naraini block reportedly worked for 13 days under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in May 2022 and was paid Rs 2,556 on June 18, 2020. However, she had died on December 28, 2016, as per the death certificate issued by the Chief Registrar, Births and Deaths.

Maya, job card number 82, also ‘worked’ for 18 days under the NREGA scheme between July 30 and August 21, 2020, earning Rs 3,834 as wages.

Maya’s case is not alone. Dead persons have allegedly come alive to draw wages from accounts under the MGNREGA in some villages of Banda district.

Prema, wife of Dayalu, had died on November 17, 2018, but was paid wages for work under NREGA in January 2020.

NewsClick has accessed data of at least 60 people who are either dead or do not exist, and still figure in the muster rolls and wage remuneration was drawn against their names under the MGNREGA scheme in Uttar Pradesh’s Banda. The money obviously never reached them or their kin, who say they had no inkling of their deceased labouring under rural employment schemes.

“My father Shaukat was 70 when he died two months back. He never worked as a labourer under MGNREGA. This is a cruel joke on the poor that money is being stolen in his name,” Suleman, a daily wager, told NewsClick.

Shaukat has left behind a family of five kids. Suleman, Rahman and Usman — all of them working as daily wagers in metro cities. Dozens of people from Bilharka’s village had to leave their homes because there was no source of employment, alleged Suleman.

Mangal Singh Patel, the former village head of Bilharka, speaking to NewsClick alleged that “Not only money has been fraudulently drawn against the dead’s name, but there has been rampant misuse of funds by way of enlisting ghost beneficiaries and fake muster rolls.”

Hadaha Mafi village — 12 km from Atarra town – falls under Naraini block and has similar embezzlement stories under MGNREGA.

Matadin said his brother Sitla died in a road accident in 2015 and he never mentioned anything about working at MGNREGA sites. In another case in the same village, money was withdrawn twice a week in the name of Suresh's son Kallu despite him having never worked under the scheme.

Bijay Bahadur, whose wife Sudha Kumar is the village head of Hadaha Mafi, confirmed to NewsClick two cases of scam. He said, “Both the panchayat mitra and secretary draw money in the name of Suresh. The duo kept withdrawing money for 2-3 years. This is not the lone case of a scam in our area. A lot of work like canal cleaning and drain cleaning was not done, but money was taken out. When we complained about it, the officers only scolded the secretary in front of the public and no strict action was taken against them.”

DISTRICT ADMINISTRATION CLUELESS

For more than one year, there have been allegations of embezzlement of MGNREGA funds in many villages of the Bundelkhand region. The authorities have received several complaints in this regard. But after the authorities allegedly did not take any serious note of the complaints, Raja Bhaiya, who runs the non-profit Vidya Dham Samiti in the district’s Atarra block, has geared up to approach the High Court.

“This is not just a matter of 60 people, but hundreds of such people who have either died or never worked for MGNREGA but fraud is being done in their name. We have investigated each case and found the scam,” Raja Bhaiya, who busted the scam, told NewsClick.

He said this needed to be enquired and the people involved in the irregularity should be put behind bars. “We have written to the district magistrate a week before, but no action was initiated so far. The block development officer and gram sevak shared a hands-in-gloves relationship and let the corruption happen.”

According to the data, the work of cleaning the Gharar river was done with JCB machine in Bilharka Panchayat, but scams worth lakhs of rupees were allegedly withdrawn by showing the same work as done by MGNREGA workers.

When asked the reason for rampant impersonation, Raja Bhaiya said, “Bilharka Gram Panchayat is the last gram panchayat of Naraini block of Banda district bordering with Madhya Pradesh, therefore, government works are rigged on a large scale in this panchayat as no officer reach here.

PEOPLE MIGRATED BUT STILL ‘WORKED’ UNDER MGNREGA

Rahman's son Shaukat lives in Mumbai and does painting work. His job card number is 397. Rahman cannot come to his village every day from Mumbai to work under MGNREGA. Still, money is being grabbed by continuously showing wages in their job cards.

Shiv Ratan, son of Ramdhani, migrated long back in search of job but he too is a victim of the scam. He reportedly worked for 12 days of 3572 muster roll under the Mahatma Gandhi National Rural Employment Guarantee Act between May 7, 2022 and June 6, 2022. Again, from June 10 to June 23, he ‘worked’ for 12 days and same days in even July but he has no idea who withdrew the money in his name.

In this sequence, Jage, son of Chunubad, Jageshwar's son Jhulu, Betu's son Bhola, Kallu's son Munna, Gopal's son Bhau, Sakina's husband Subedar, Bhawanidin's son Sukhwa, Zeenat's wife Tasawwur, Shanti's wife Khande, Bhuri's wife Jumman, Safiq's son Maula Bakhsh are all pension holders. All of them are above 65 years of age and never went to work under MGNREGA, but fake payments have been made in all these accounts and later taken from them.

The story does not end here. There are dozens of people who really exist and have worked under MGNREGA for more than 50 days. But ironically, they were not paid their full wages. About Rs 3,00,000 worth of wages of these labourers are still outstanding.

Ram Babu, who worked for more than 50 days, speaking with NewsClick said that MGNREGA workers are promised payment of their wages within 15 days but it is the norm now to expect a delay of 2-3 months, and often enough, even after this wait, the payments are not made in full.

Siya Dulari, a mother of three, too toiled for months but was given just half her wages, that also after a lengthy wait.

Dulari also told NewsClick about the sad case of a fellow worker in Banda. While at work, she injured her spine in a work-related accident. She received no compensation from the government despite numerous appeals. The lack of help eventually led to her death, highlighting what he called the government's "acts of irresponsibility and incompetency".

Similarly, Rani, wife of Ashok, works as a rasoiya (cook) at a primary school in Bhanwarpur. She has never worked under MGNREGA, yet on different dates, wages have been drawn in her name by filling her name in the muster roll. The dates on which she is shown to be working under MGNREGA, she was found working at the school on those dates.

NewsClick tried to speak to the Banda block development officer but did not get a response. This story will be updated when his comments are received. https://www.newsclick.in/nrega-scam-people-died-wages-drawn-their-names

20. India's G20 presidency and the green transition *(indianexpress.com)* Updated: February 15, 2023

Energy transitions are central to the G20 agenda. In 2023, during India's presidency, the geopolitics and governance of energy have become immensely challenging, as the shift from fossil fuels to renewable energy, concerns about energy security and, in many cases, the pressure on keeping financial commitments made related to tackling climate change have become complicated.

The International Energy Agency counts 20 million more people worldwide without electricity now compared to 2021. Predictably, the worst-affected are in sub-Saharan Africa, which is back to its lowest rate of electrification since 2013. In Europe, the number of people experiencing inadequate energy supply has risen to 80 million from 34 million in 2021. Even middle-income countries in Africa, South America and Asia face fuel and electricity shortages and high levels of inflation. Reduced availability of energy is hurting economies as industries close, and is impacting public health as safe fuels such as cooking gas become expensive. A number of countries also face a balance of payments crisis, partly driven by high energy costs. "Energy poverty" is global and widespread, impacting technology implementation, industry and sustainable development goals — all of which are also G20 goals.

An independent task force initiated by Gateway House in October 2022 seeks urgently to find ways to provide energy access, security and affordability. This requires resolving the conflicts between short-and long-term energy targets, addressing energy disruptions caused by the Covid-19 pandemic and the Ukraine-Russia conflict, and using creative financing to accelerate the development and adaptation of renewable technologies and new business models utilising these technologies. The G20 has a key role to play in advancing solutions.

Three particularly significant recommendations, which can provide immediate runs on the board for India's G20 presidency are: The G20 should focus on providing financial support for those most in need as a cornerstone of climate action and energy transition in the United Nations Framework Convention on Climate Change Protocol and as reinforced and enshrined in the Paris Agreement and successive COPs. This is a natural role for the G20 to play given the involvement of leading economies in it and its convening power. While financial support to developing countries has been increasing, it is nowhere near what will be required for a successful transition. The G20 can galvanise the pursuit of this agenda.

Public financing alone will not be enough for dealing with current energy challenges. Private finance is needed along with public finance. That means continued work is needed to align global financial flows with the Paris Agreement goals. Innovative approaches are needed to climate financing, such as blending finance with public and private capital so they work together, and key impediments like exchange rate risk for financing projects must be addressed. The G20 has a critical role to play in strengthening this global agenda, including by a continued step change on climate financing by multilateral banks.

A possible game-changer could be the creation of a Global Climate Finance Agency to better integrate and drive this global agenda, including at very practical levels. The agency could be mandated to lower hedging costs to mitigate a key risk faced by developers of green projects and to insure major clean energy projects from potential losses due to problems such as the failure of government utilities to meet supply and payment obligations — a persistent issue in developing countries, including India.

Finally, the G20 can harness the significant power of the public procurement system to accelerate energy transitions. There is abundant evidence that, done well, this can be a major driver of change, for instance, by ensuring funding and adaptation at scale. At the same time, the use of public procurement to drive such changes can help prevent the winner-takes-all effect that new technologies often create. Public procurement has a key role to play in accelerating the rollout of critical new technologies such as green hydrogen, electric vehicle transport systems connected to renewable power systems and small modular nuclear reactors, where the G20 can provide global impetus and inspiration.

Ultimately, these proposals will mean new business models and new technologies for energy transitions — new tracks for new trains. Financial centres of the G20 countries and their significant business communities, like Mumbai, have a critical role to play in creating this new economy. The G20 should encourage cooperation and collaboration between these centres, including through green financing and economy taxonomies as per the above recommendations, to accelerate climate transition and energy security for all. https://indianexpress.com/article/opinion/columns/indias-g20-presidency-and-the-green-transition/