NEWS ITEMS ON CAG/ AUDIT REPORTS (16.02.2023)

1. As Share of Cesses & Surcharges in GoI's Gross Tax Revenues Increases, Under Utilization & States Losing out Are Cause for Concerns *(factly.in)* FEBRUARY 16, 2023

In the state's annual budget for 2023-24, the Kerala government announced that it proposes to levy a Social Security Cess on liquor, petrol, and diesel. A cess of Rs. 20 to Rs. 40 on liquor and Rs. 2 on petrol and diesel has been proposed by the government. The cess proposed on fuel is expected to bring an additional revenue of Rs. 750 crores to the Social Security Seed Fund. However, this has led to protests by the opposition in the state. Not just in Kerala, cess is levied even by the Government of India (GoI) for various purposes such as education, infrastructure, etc. It is imposed as an additional tax besides the existing tax and so, the burden is on the taxpayers. Against this backdrop, we look at what cess is and the different cesses being imposed by the Union Government, and what the increase in revenue through cesses & surcharges means for states.

A cess is an additional tax levied by the Government to raise funds for a specific purpose that it is earmarked for. For instance, the government levies a Road and Infrastructure cess, and the revenue generated through this cess is to be used to fund road and infrastructure development activities. Surcharges are a tax on tax, with the same purpose.

Cess for specific purposes need not be shared with states

Article 270 of the Constitution of India lays down what taxes may be included in the divisible pool or those which should be divided among the Union and State governments. Following an amendment in 2000, Cess levied for 'specific purposes' under any law passed by the Parliament is exempted from the divisible pool. In simple terms, cess and surcharges are levied by the Union Government for the purposes of the Union under Article 271 of the Constitution of India. The proceeds of the revenue earned via various cess & surcharge would not become part of the divisible pool and hence, would not be shared with the states.

> (a) States voice their views on the matter of levy of cesses and surcharges in various forums including in the Parliament. As per provisions laid under Article 270 of the Constitution of India "All taxes and duties referred to in the Union List, except the duties and taxes, surcharge on taxes and duties and any cess levied for specific purposes under any law made by Parliament shall be levied and collected by the Government of India and shall be distributed between the Union and the States. The aforesaid Constitutional provision forms the basis for cess collection and utilization for Union Government.

Source: Lok Sabha

Over 42 Cesses were levied at different points of time since 1944

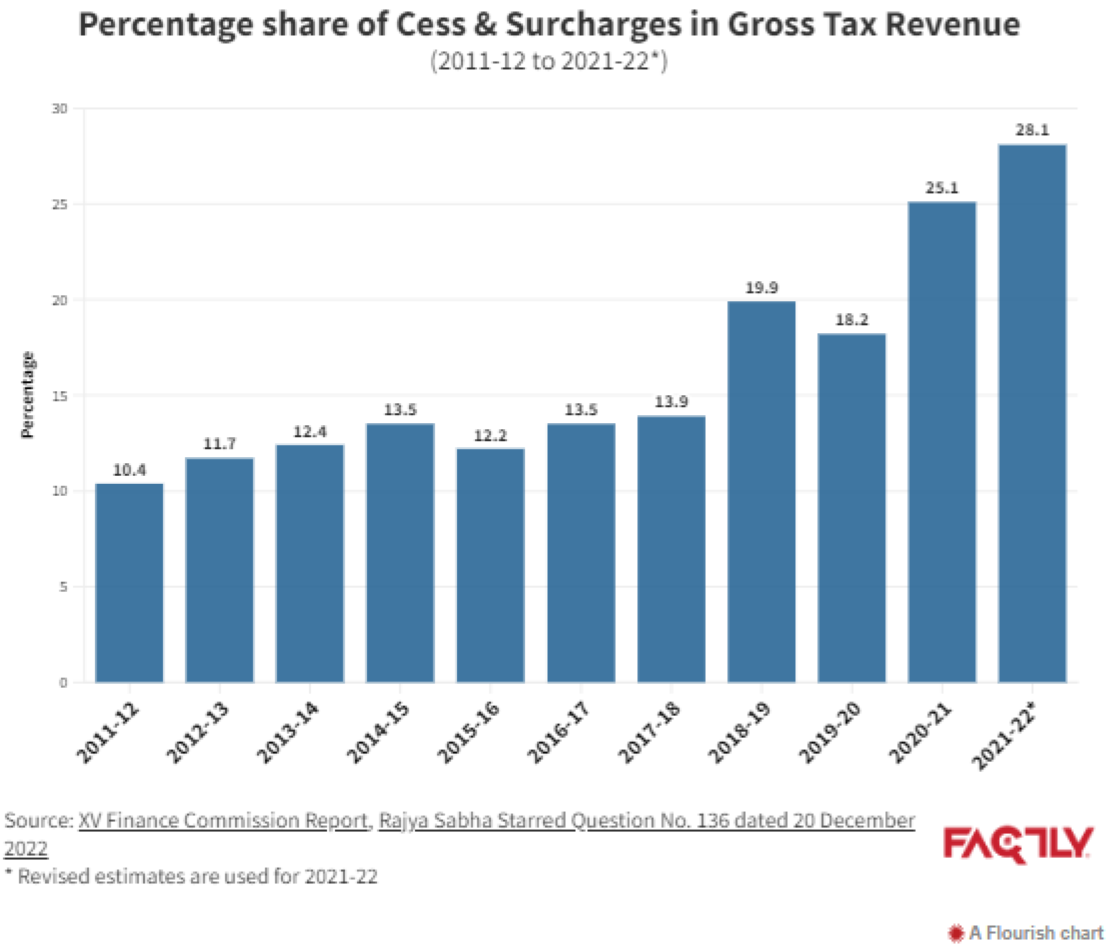
According to a study report submitted to the Fifteenth Finance Commission, from 1944 until 2019, over 42 cesses were levied at different points in time. As per the report, the first cess levied was on 'Matches'. Cesses are levied for multiple reasons such as for the development of a specific industry, labour welfare, and social security, among others. Some of the major cesses that are levied by the Union Government currently include Cess on Exports, Cess on

Crude Oil, Health & Education Cess, Road & Infrastructure Cess, GST Compensation Cess, etc.

Since the implementation of Goods and Services Tax (GST) in July 2017, many cesses like Krishi Kalyan Cess, Swachh Bharat Cess, Clean Energy Cess and Cesses on Tea, Sugar, and Jute, etc. were subsumed into GST. Likewise, Health and Education Cess was rolled out since 2017-18 in place of Primary Education and Secondary Education Cess on direct taxes. Also, unlike other Cesses collected by the Central government, States get a share GST Compensation Cess. The 'GST Compensation Cess' was constituted to compensate States which lose out on revenue due to the introduction and implementation of GST.

Share of Cess and Surcharges in Gross Tax Revenue of GoI has increased significantly in the recent years

According to a response of the Finance Ministry in the Lok Sabha in December 2022, in 2020-21, India's Gross Tax Revenue was Rs. 20.27 lakh crores and the revenue collected through cess and surcharges constituted 25.1% of this amount. Data from the XV Finance Commission's report also reveals that the share of cess and surcharges in the country's gross tax revenue has increased considerably in the last 11 years- from 10.4% in 2011-12 to an estimated 28.1% in 2021-22. A significant increase in the share of cess and surcharges is evident in recent years since 2018-19.



Finance commission cited increase in charges and introduction of new cesses as reasons for increase in share of Cess & Surcharge in GTR

The finance commission's report cited the following major reasons for higher receipts from cesses and surcharges in 2018-19 as

-Increase in the health and education cess on income tax from 3-4%
-Introduction of a road and infrastructure surcharge
-Imposition of social welfare surcharge of 10% per cent on the aggregate duties of customs and imported goods instead of erstwhile education and higher education cess of 3% on imported goods.

In 2019-20, the rate of surcharge on income tax for individuals with income between Rs. 2 crores and Rs. 5 crores has been increased from 15 to 25% and for individuals earning more than Rs. 5 crores, the rate of surcharge has been increased from 15 to 37% which may have contributed to the increasing share. In 2020-21, the central excise duty, cesses and surcharges levied and collected per litre on petrol and diesel were increased by Rs. 10 and Rs. 13, respectively.

Cess collected on Petrol, Diesel, and Road and Infrastructure doubled in 2019-20

The Finance Ministry also provided details of major Cesses (in operation) collected/realized during 2013-14 to 2020-21 and 2021-22 in the Parliament in response to questions. According to these responses it can be noted that:

-The collections under GST Compensation Cess have increased from Rs. 62,596 crores in 2017-18 to Rs. 1.047 lakh crores in 2021-22

-The receipts of additional excise duties on Indigenous Motor Spirit (Petrol) and HS Diesel have doubled in 2020-21 as compared to 2019-20 which may be attributed to the increase noted earlier.

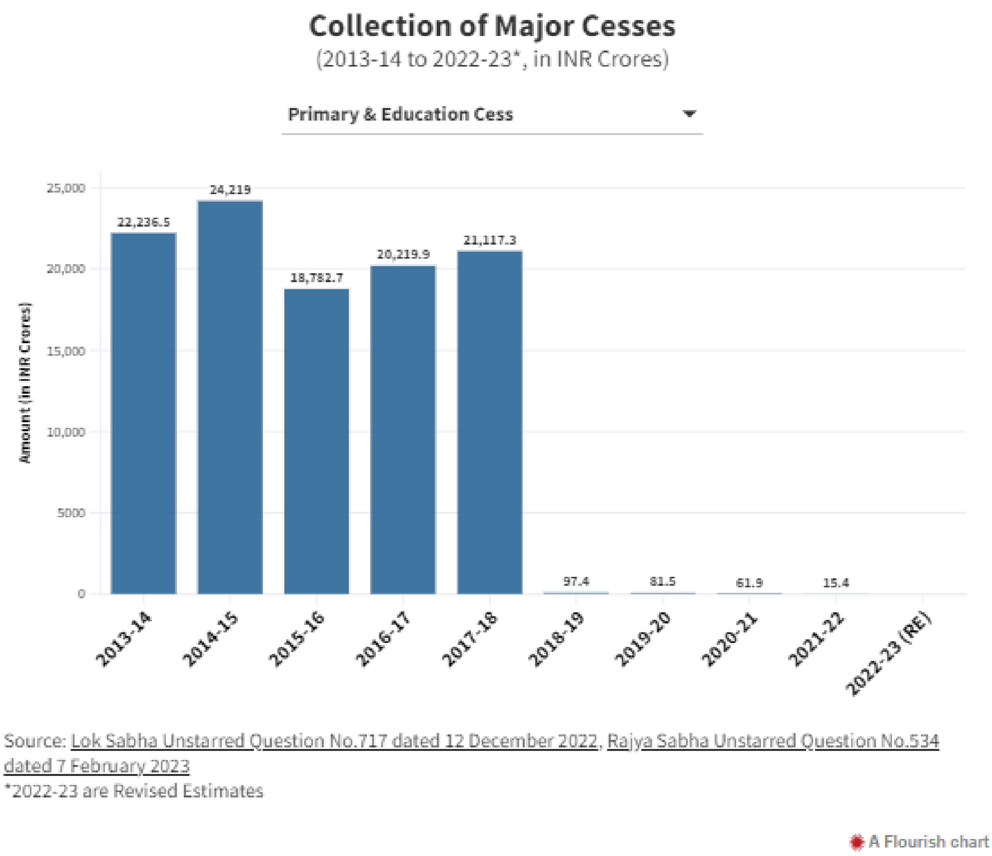
-In 2020-21, the collections of road and infrastructure cess were almost Rs 1.24 lakh crores, up from Rs. 67,373 crores in 2019-20.

-The cess collected on exports dropped from Rs. 9215 crores in 2020-21 to Rs. 1457 crores in 2021-22

-National Calamity Contingent Duty has also doubled over the years

-Agriculture Infrastructure and Development Cess was proposed in Budget 2021-22 and generated Rs. 76,950 crores

It has to be noted that the primary and education cess and secondary and higher education cess were merged after budget 2018-19 as Health and Education Cess. The Road and Infrastructure Cess was also introduced in 2017-18.



While cess and surcharges have reduced devolution to states, underutilization of the collected amount is also a cause of concern

In the past, the Comptroller & Auditor General (CAG) has highlighted that the under-utilization of the cess is a cause of concern. In a financial audit report for 2018-19, CAG observed that only Rs.1.64 lakh crores of the Rs. 2.74 lakh crores i.e., around 60% of the amount received in the form of around 35 cesses, levies & other charges during 2018-19 were transferred to the respective 'Reserve funds & boards'. Around 40% is still retained in the Consolidated Fund of India. Significantly Rs. 382 crores thus retained belongs to 17 cesses that were abolished or subsumed into GST.

According to a study by PRS Legislative Research, contrary to the XV Finance Commission's stated share of 41% for the states in the divisible pool of central taxes, an increase in the incidence of levy of cesses and surcharges by the central government in recent years has resulted in the notable decline in the devolution to states as a share of gross tax revenue. In 2022-23, states' share in gross tax revenue of GoI is estimated to be only at 30% while the XV Finance Commission envisaged a devolution share of 41%. https://factly.in/data-as-share-of-cesses-surcharges-in-gois-gross-tax-revenues-increases-under-utilization-states-losing-out-are-cause-for-concerns/

2. 'Freebies' and Welfare Schemes: Setting a Framework for the Debate in India *(orfonline.org)* Feb 16, 2023

On 16 July 2022, Prime Minister Narendra Modi while inaugurating Bundelkhand Expressway in Jalaun, Uttar Pradesh cautioned against what he called revadi (culture of 'freebies') and called it "dangerous for the development of the country." Following the PM's statement, a Public Interest Litigation (PIL) was filed in the Supreme Court (SC) by a ruling party lawmaker seeking strict regulations on the practice of promising and distributing freebies by political parties; it said "distribution of freebies from the public fund influences voters, disturbs the level playing field, impacts free and fair elections and vitiates purity of the process." The Supreme Court bench hearing the petition, declining to encroach upon the jurisdiction of the legislature, initially proposed to constitute a committee comprising various stakeholders to look into the matter. The apex court later referred the matter to a new three-member bench to take up the plea. At the time of writing this paper, that bench is yet to hear the matter. The Election Commission of India (ECI), which initially stayed silent, in October 2022 released a standard pro-forma to be used by political parties to disclose how they would fund their poll promises. The ECI's directive provoked heated response from opposition parties, with some of them calling it an "overreach" and an "interference in their democratic rights."

To be sure, discussions in India around freebies are nothing new. A decade ago, the SC found itself dealing with a number of petitions on freebies. The bench hearing Subramaniam Balaji v. the State of Tamil Nadu (2013) ruled that although the distribution of freebies influences people and "shakes the root of free and fair elections but the Court held that the promise or distribution of such freebies cannot be considered bribery or corruption and court cannot tell the government how to spend public money." Based on this ruling, the ECI in 2014 required political parties to explain the rationale behind their promises and ordered them to make only promises that can be fulfilled.

This time, however, the issue has been raised by none other than the prime minister, reopening a complex and crucial debate on the nature of welfare policies in the country. At the same time, it raises deeper questions about the nature of the welfare state in India[a] and the underlying political, economic and institutional contexts in which 'freebies' are distributed. How do we differentiate social welfare schemes—which seek to translate the 'welfare state' characteristic of India to policies on-ground—and freebies, which are doled-out by political parties based on electoral considerations? Are they in fact distinguishable from one another—with one being a necessity that has been recognised by a succession of governments, and the other a wasteful use of public funds?

This paper aims to capture the key aspects of the freebies debate, which begins with the definitional conundrum. It outlines the key arguments in favour of, and against such welfare regime particularly the 'populist' aspects of it as well as the roles of regulatory institutions in addressing these concerns. The rest of the paper explores the evolution of the welfare state in India across different phases; sets the context for the primary research question, which interrogates the nature and dynamics of the social welfare regime in India both at the federal and state levels; and offers recommendations on the potential institutional safeguards and reforms that could streamline the social welfare regime to prevent its misuse.

Indian Democracy and Welfarism

Welfarism is as old as human civilisation itself. Throughout history, states have been confronted with shared challenges of financial insecurity, economic or income deprivation, and uncertainty of livelihoods. In contemporary times, rapid industrialisation, economic modernisation, and accelerated globalisation have heightened these uncertainties, necessitating some form of social protection and welfare measures as non-negotiable for nearly all nations. In the late 19th century, many democratic countries particularly in developed Europe sought to respond to market failures by developing structured and formal legislative initiatives to tackle the social welfare needs of their populations. Social protection received more attention in the region during the interwar period, in the form of Keynesian economic policies whose primary aim was to support a productive and healthy workforce.

In the post-war period, the withering of the laissez-faire state in the West resulted in the consolidation of welfare policies. To mitigate the failures of market and the consequent inequalities, states increasingly intervened in the daily lives of people to provide basic necessities like shelter, food, education, health and employment Among the triggers was the communist revolution that led to the establishment of Communist or Socialist regimes in Russia (1922) and China (1949) based on the ideal of heavy state intervention that promised to alter the distribution of income, and make society more equitable than the other alternative in place under capitalism.

The trajectories of welfarism in the global South have been very different, given the strong colonial legacy that has had ramifications in terms of weak political systems and pervasive poverty. Freed from colonial exploitation and moving away from agriculture as main base of the economy, the new states hardly had any surplus left for redistributive initiatives. In the West, redistributive policies were buoyed by affluence; the developing countries, for their part, have had to extend support to the poor while meeting goals of quality education and healthcare. Thus, welfare policies in the global South vary across countries and are often accompanied by social and political transformations.

This is not to deny that the post-colonial states have adopted many characteristics of the Western welfare state. The presence of large populations of impoverished and marginalised warranted an interventionist state. The rise and consolidation of the democratic states in different parts of the world further reinforced the necessity of a welfare state, as government formation became contingent upon the support of the majority—that majority, in most regions comprised poor populations.

T. H. Marshall's typology is useful in this analysis. Marshall underlines the need for "social rights through social policies in the areas of education, health care, unemployment insurance and social security" along with political and civic rights in liberal democracies across the world. As the neoliberal forces of free market gave rise to a globalised world order, inequities in growth have heightened, too, aggravating the challenges for the welfare state. The welfare state continues to be relevant, therefore, amid the many challenges, and in both the developed and developing world. In 2020, the COVID-19 pandemic only underscored the crucial and indispensable role of the welfare state, as large populations lost their livelihoods and the economic fallout reached all regions of the world. Welfare measures and social security initiatives were undertaken by governments across the world to mitigate the crises brought about by the pandemic.

Welfarism in India: A Brief History

India's trajectory as a welfare state has evolved in different phases largely mediated by transformations in its social, political and economic landscapes. Both the Centre as well as the state governments have sought to provide social security benefits to vast populations. Colonial rule and Partition had left India a poor and vulnerable nation, and policymakers did not codify social protection in the Constitution. India's first prime minister, Jawaharlal Nehru said in 1958: "We cannot have a welfare state in India with all socialism or even communism in the world unless our national income goes up greatly….In India there is no existing wealth for you to divide; there is only poverty to divide….We must produce wealth and then divide it equitably." Where welfarism found mention in the Constitution, is in the non-enforceable Directives Principles of State Policy in Part IV of the supreme law. The Directive Principles make it the duty of the Indian state to ensure for its citizens adequate means of livelihood, equitable development and distribution of resources, special protection to children, women, weaker and vulnerable sections, proper healthcare, and other kinds of assistance to provide a life of basic dignity.

Despite the absence of constitutionally mandated provisions on social welfare, the Nehru government pushed for welfarism through the Five-Year Plan, unveiled in the early 1950s as the key to realising the goals of a socialist model of development in India. The Plan focused, for instance, on healthcare for women and children in pursuit of which a Central Social Welfare Board was established in 1953. However, welfare schemes—in terms of distribution of material goods—received far less attention as the expectation was that economic growth would have direct beneficial effects on reducing poverty. Rather than relying on social welfare schemes, the Nehru government placed its bets on industrialisation. It relied on increased agricultural outputs, and organised community development programs and cooperatives to transform the rural regions. However, Nehru's hope was belied as benefits of growth did not trickle down to the poorest sections of society.

A contrasting trend happened at the sub-national level. A number of states started rolling out their own social schemes for the poor. The Tamil Nadu government, for instance, under then Chief Minister K. Kamaraj rolled out an ambitious mid-day meal scheme for students. The programme resulted in a significant increase in the number of children attending schools, and the model found favour among many Indian states. Other states would later introduce similar schemes, such as Kerala in 1984. (This will be discussed in detail in the next section.)

The 1990s—largely a post-Congress phase marked by a series of coalition governments dominated by regional parties—witnessed India implement economic liberalisation policies and recording accelerated growth rates. The decade also saw quantitative and qualitative transformations in the Centre's welfare policies, as the focus shifted towards a needs-based approach to welfare. This is seen in the Eighth Five-Year Plan (1992-1997), which emphasised 'human development' as the fundamental goal of policy. The Ninth Five-Year Plan (1997-2002) followed this up with a strategy of 'growth with social justice'. The Centre then launched a host of social schemes from the mid-1990s focusing on giving the poor access to essential services such as education and healthcare.

The first notable initiative in this regard was the National Social Assistance Program (NSAP) of 1995, which extended benefits such as pensions for the elderly, the widows and those with disability, as well as maternity benefits. The flagship Public Distribution System (PDS), first implemented in the 1960s, received greater attention from the Centre as the Targeted Public Distribution System (TPDS) was launched in 1997. The PDS procures food grains from farmers at mutually beneficial prices, stores them, distributes to the designated government ration shops, and sells them at affordable prices. The PDS also maintains food stocks in case of emergency. It works as a joint venture between the federal government and the states. The TPDS modified the system by identifying different classes of people based on income, and created new categories where the population was divided between 'Above Poverty Line' (APL) and 'Below Poverty Line' (BPL) based on categories determined by the erstwhile Planning Commission. Another category would later be identified in 2000, under the Antyodaya Anna Yojna (AAY) which included the poorest of the poor belonging to the BPL category.

Education programs also received more serious attention with the launch of the Total Literacy Mission, later renamed Sarva Sikshya Abhiyan, aimed at universalisation of elementary education. Welfare policies, in general, received a thrust in the 2000s as the country's remarkable economic growth rates[c] left many behind as a result of widening disparities. In the next two decades, the Centre and states launched a significant number of welfare schemes.

Throughout the history of India's various social welfare programmes, the most critical ones have been in the area of food security. In 1995, following the success of the mid-day meal scheme in Tamil Nadu, the Central government launched the National Programme of Nutritional Support to Primary Education (NP-NSPE). The key objective of the scheme was to increase student enrolment while improving the nutritional status of primary-school children. However, the scheme was limited to 2,408 blocks across the country. Given its usefulness, the Supreme Court—based on a PIL filed by the NGO People's Union for Civil Liberties—directed the Union government in 2001 to provide cooked meals instead of dry rations in all government and government-aided primary schools across the country.

In 2013, the Congress-led United Progressive Alliance (UPA) government passed the National Food Security Act, which made key welfare schemes like the Mid-day meal, the PDS, and child development services, among others, legal entitlements. The law's beneficiaries account for 75 percent of the country's rural population and 50 percent of the urban population—or a combined 800 million people; the coverage capacity of the scheme has room for an additional 10.58 million people. The BJP-led National Democratic Alliance (NDA) later renamed the mid-day meal scheme as PM-POSHAN (Pradhan Mantri Poshan Shakti Nirman) in September 2021.

Another area that has received attention is unemployment, especially in the rural areas. In 2006, the UPA government implemented the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)—a culmination of the 'experiment' initiated in Maharashtra in 1972 with the Employment Guarantee Scheme (EGS). The EGS, despite its shortcomings, is regarded as "the longest sustained effort at employment generation in the rural areas." The MGNREGA is widely viewed as a success story, even as it has met with allegations of corruption, misuse of funds, and delays in payments. It has improved employment opportunities for the blue-collar workforce, especially for women. The central government has a number of other welfare schemes that aim to address issues such as shelter and housing (Awas Yojana), children's welfare (Sarva Shiksha Abhiyan), farmers' incomes (Kisan Samman Nidhi), and healthcare (Ayushman Bharat Yojana).

At present, there are 65 centrally sponsored schemes across the country, with 26 of them having been launched by the Narendra Modi government in the last eight years.

Centre/State Scheme	Ruling Party/ Coalition	Schemes	Launch Year
State (Tamil Nadu)	Indian National Congress	Mid-day meals	1953
State (Maharashtra)	Indian National Congress	Employment Guarantee Scheme	1972
Centre	United Front Government	Targeted Public Distribution System (TPDS)	1997
Centre	NDA government	Sarva Sikshya Abhiyan	2001-2002
Centre	UPA Government	MGNREGA	2005
State (Bihar)	Janta Dal United	Mukhyamantri Balika Cycle Yojana (free bicycles for schoolgirls)	2006
Centre	UPA Government	Food Security Act 2013 (affordable food grains)	2013
State (West Bengal)	TMC	Cash incentive scheme for girls	2013
Centre	NDA Government	Swach Bharat Abhiyan (to eliminate open defecation and promote solid waste management)	2014
Centre	NDA Government	Jan Dhan Yojna (towards financial inclusion)	2014
State (Delhi)	AAP	Subsidised electricity	2015
State (Tamil Nadu)	AIADMK	Marriage Assistance Scheme	2016
State (Odisha)	BJD	KALIA (Krushak Assistance for Livelihood and Income Augmentation) for farmer's welfare.	2018
State (Andhra Pradesh)	YSR Congress Party	YSR Rythu Bharosa (farmers' welfare)	2019

State Initiatives

At the sub-national level, the first movers on welfarism were the southern states. Then Chief Minister K. Kamaraj launched the mid-day meal scheme in Tamil Nadu as early as in 1957. Some years later, in the early 1970s and 1980s, popular leaders like CN Annadurai, M.G. Ramachandran or MGR and M. Karunanidhi and subsequently J. Jayalalitha in Tamil Nadu and NT Rama Rao in then undivided Andhra Pradesh, cultivated strong electoral bases by rolling out popular schemes to distribute free material goods such as food grains, cash, gold coins and jewels, electronic gadgets, and home accessories. Such model of distributing welfare goods has been replicated many times over by regional leaders over the decades.

Notable examples include: Naveen Patnaik's Rs 1/kg rice scheme and Biju Swasthya Kalyan Joyana (health cards) in Odisha; Nitish Kumar's free bicycle scheme for school-going girls in Bihar; Jayalalitha's distribution of eight-gram gold for brides, amongst other schemes in Tamil Nadu; Mamata Banerjee's cash incentives for girls and health insurance scheme in West Bengal; subsidised food grains by Yogi Adityanath in UP; and free electricity and water from Arvind Kejriwal's government in Delhi. Some of these state leaders, like Patnaik in Odisha and Kumar in Bihar, have reaped rich political dividends from repackaging central welfare schemes and launching many attractive schemes at their own levels.Chief Ministers from other states have followed these examples as extremely effective mobilisational tools for winning elections.

It is clear that welfare schemes have proliferated over time in India, and are now all-pervasive both at the Central and state level. Many analysts refer to a number of these schemes as doles or 'freebies'. At the same time, other sections of the political elite, policymakers, experts, and NGOs have repeatedly said that these schemes are instrumental in giving relief to the country's socio-economically vulnerable populations. The crux of the debate, therefore, is whether the utility of welfare schemes in providing support to poor populations is trumped by the argument that they are fiscally imprudent and unproductive in the long run.

Welfare Schemes Vs. Freebies: Key Issues

The debate on the financial viability and social relevance of welfare schemes has been ongoing for some time now. Despite judicial interventions (i.e., the Subramaniam Balaji judgment of 2013 discussed earlier in this paper) and directives to parties from the Election Commission, the issues surrounding freebies remain unsettled.

Ambiguities in Definitions

The dictionary meaning of a 'freebie' is a thing that is given or provided free of charge. The Reserve Bank of India (RBI) in a bulletin in June 2022 defined 'freebies' as "a public welfare measure that is provided free of charge." RBI adds that freebies can be distinguished from public or merit goods such as education and healthcare, and other state expenditures that have wider and long-term benefits. However, it is extremely difficult to distinguish welfare or so-called 'merit' goods from freebies or 'non-merit' goods. Analysts have emphasised that merit goods like free or subsidised food, education, shelter and healthcare are crucial for accelerating human development and in turn contribute to the country's growth. However, the mass distribution of non-merit goods like mixer grinder, laptops, television, or gold jewels can drain government revenue.

At the same time, there are other analysts who are of the view that even 'freebies or non-merit goods' like mixer-grinders help improve the lives of households; these items also free up some time for girls, who are expected by social norms to do most of the kitchen chores, giving them more time to devote to other activities like studying. The provision of bicycles has also resulted in improvements in school attendance among girls in rural areas. Similar results of improved access to education, information and avenues of learning have been found amongst children after being provided with gadgets like mobile phones, tablets and laptops.

As certain material goods normally regarded as ‘freebies’ also have indirect socio-economic benefits, the task of distinguishing welfare goods from freebies becomes a policy challenge.Such ambiguity regarding the definition of desirable and undesirable welfare goods complicates the debate, which is framed by four crucial aspects: a) the necessity of social welfare schemes in India, given widespread poverty, and their positive outcomes; b) the political motivations behind the distribution of welfare goods; c) the challenges in the implementation of such schemes, and their misuse; and d) the question of fiscal imprudence of these schemes.

Welfare schemes as conduits of development

Welfare schemes like mid-day meals, PDS, MGNREGA, health insurance schemes have played a crucial role in the improvement of lives of both the rural and urban poor in the country—often, in fact, ensuring their very survival. The distribution of food grains under the PMGKAY scheme, for instance, as the COVID-19 crisis peaked in 2021 was instrumental in averting widespread hunger amongst huge populations. The health schemes also helped in the treatment of COVID-19 patients at minimum cost. MGNREGA, which is often criticised as a wasteful exercise, is being credited for not only providing work to the rural poor but also increasing the participation of women in the workforce. Subsidies on implements such as seeds, as well as loan waivers have helped debt-ridden small farmers across the country. Mid-day meals result in more children attending school regularly, and improving their nutrition. In a society marred by stark social inequality, therefore, such schemes are crucial interventions that mitigate the consequences of poverty and lack of opportunity.

Certain distinctions in the taxonomy are crucial. A ‘freebie’ may be a gift for which there is no payment, but certain essential welfare goods that the beneficiary cannot afford and which are essential for maintaining the basic dignity of life—healthcare, education, social protection—cannot be called ‘freebies’. These welfare goods reduce the impacts of growth-constraining factors such as poor education, lack of proper nutrition, higher morbidity and early mortality—thus they are costs that the state bears for the upliftment of the poor which, in turn, contributes to positive economic growth.

Better living conditions brought about by these welfare goods help emancipate the poor, infusing them with a better perception of themselves and their position within the nation as citizens. Similarly, subsidies for fertilisers, food, affordable homes, or LPG connections are crucial policy interventions for the socio-economic upliftment of the vulnerable section and cannot be dubbed as ‘freebies’. Even business subsidies, accorded with transparency and within a sound regulatory framework, is an essential component for attracting investment and industrial growth. However, such subsidies need to be better targeted, and distributed within a prescribed limited period and within the affordable fiscal framework.

The Politics of Welfare

The proliferation and consolidation of welfare schemes in India can be attributed largely to their role in providing electoral rewards for political leaders both at regional and national levels. Political analysts have noted how, in the last few decades, the provision of welfare schemes has helped swing electoral outcomes in favour of the benefactor party. There is evidence to show that, in India and in other countries, the distribution of welfare benefits has been subsumed under patronage or clientelistic politics—i.e., benefits are provided to people in exchange for votes. With time, universal as well as targeted schemes have been introduced to mobilise specific constituencies like women, farmers, and youth. In the absence of long-term and productive asset-building developmental policy initiatives, the political elite use these tangible private material goods that directly and immediately touch the lives of the voters and thus accrue assured political benefits. Such welfare schemes are often popularised in the name of the leader as paternalistic grants to oblige the electorates, helping to enhance the leader's electoral acceptability. The practise, entrenched in India's political culture, are often derided as baits for electoral victory.

Wide Scope for Misuse

Notwithstanding the positive impacts of many welfare schemes, their implementation has been shrouded in corruption and nepotism leading to gross misuse of scarce state resources. For instance, the PDS scheme has been criticised for breeding corrupt behaviour and inefficiency—only one rupee reached the BPL families each, for every 3.65 rupees spent by the government. Many schemes that are universal in nature cover populations from more privileged classes who do not require subsidised goods or free of cost benefits. The targeted or means-tested distribution of such welfare benefits, often over-excludes, leaving the poorest families out of the welfare net as seen in the PDS scheme during the initial phase of the COVID-19 pandemic. Experts have also pointed out that means-tested distribution should be done with caution as it might lead to further inefficiency if "the economic cost of means-testing outweighs the cost of making the programme universal."

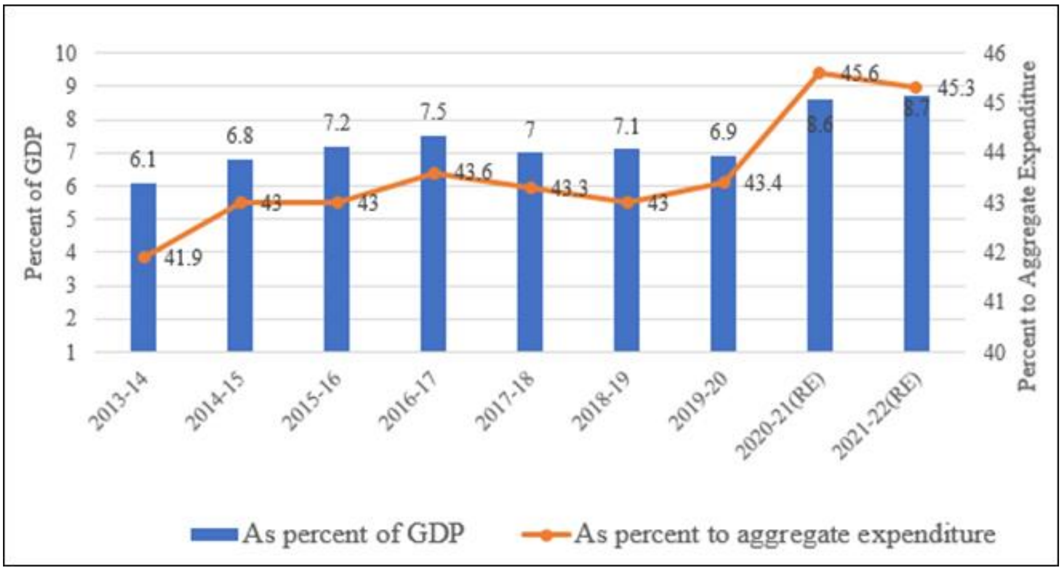
There are many private goods such as subsidies on agricultural utilities like fertilisers, or free electricity to farmers, predominantly seen in Punjab, for instance, that end up not only costing the state substantial finances but also causes harm to the fertility of the soil and leads to wastage. In more recent times, the proliferation of welfare schemes in Andhra Pradesh ended up being wasteful and caused financial difficulties for the state government, provoking public furor.As per the July 2022 Reserve Bank of India Bulletin, a number of other Indian states are similarly reeling from financial crises partly due to unsustainable subsidies.

Assigning Accountability

The current round of debate around freebies was triggered by the Centre, which is putting the blame on the states for rolling out unsustainable volumes of freebies or subsidies to win elections. Yet, both the Centre and the States are accountable for the seemingly runaway practice of freebies. Both have, over the years, allocated significant amounts of public funds for their welfare schemes.

The combined expenditures of states and the Centre on social welfare schemes in the areas of labour welfare, healthcare, urban development, and water supply, increased from INR 65.24 lakh crore in 2020-21 to INR 71.61 lakh crore in 2021-22—or an increase of almost 10 percent. Overall, the combined social spending of states and the Centre amounted to 8.6 percent of GDP in 2021, rising from 8.3 percent the year before. Social welfare spending by state governments saw a sharp jump owing to higher spending on health and medical services during the pandemic (see Figure 1).

Figure 1: Social Sector Expenditure of States in India



Sector-wise spending by state governments saw a marginal increase across sectors, with urban development, water supply and sanitation being given the highest allocations (see Table 2).

	2016-17	2017-18	2018-19	2019-20	2020-21 (RE)	2021-22 (BE)
Expenditure on Social Services	100	100	100	100	100	100
(a) Education, Sports, Art and Culture	43	42.9	41.8	43.8	39.5	38.3
(b) Medical and Public Health	11.8	12.3	12.3	12.5	13.1	13
(c) Family Welfare	1.9	2	2.1	2.2	2.1	2.1
(d) Water Supply and Sanitation	6.5	7	6.6	5.3	6.2	7.6
(e) Housing	3.2	3.8	3.5	2.6	3.7	4
(f) Urban Development	8	7.6	7.6	7.4	8.3	9.1
(g) Welfare of SCs, ST and OBCs	6.9	7.4	6.9	7.7	7.1	7.4
(h) Labour and Labour Welfare	0.8	0.9	1	0.9	1	1.1
(i) Social Security and Welfare	10.9	10.4	11.9	10.9	10.9	11
(j) Nutrition	2.4	2.3	2.1	2.2	2.3	2.1
(k) Expenditure on Natural Calamities	2.9	1.6	2.6	3.2	4.3	2.7
(l) Others	1.6	1.8	1.6	1.3	1.6	1.7

Data from the Comptroller and Auditor General of India (CAG) shows that the State governments' expenditure on subsidies has increased by 12.9 percent in 2020-21 and 11.2 percent in 2021-22, after contracting in 2019-20. Moreover, the proportion of subsidies in the states' total revenue expenditure has grown to 8.2 percent in 2021-22 from 7.8 percent in 2019-20. States like Jharkhand, Kerala, Odisha, Telangana and Uttar Pradesh have witnessed the largest rise in subsidies over the last three years. Meanwhile, states like Gujarat, Punjab and Chhattisgarh spent more than 10 percent of their total revenue expenditure on subsidies. The RBI warned in June 2022 that "new sources of risks have emerged in the form of rising expenditure on non-merit freebies, expanding contingent liabilities, and the ballooning overdue of DISCOMs."

As all direct state borrowings are subject to approval by the Centre, states' revenue expenditure on such social welfare schemes can be monitored. Experts highlight, however, that states are also engaging in off-budget borrowings which "are not declared in the net borrowing ceiling of a state as prescribed by the central government. This leads to a situation where the total outstanding borrowings of a state government are not correctly stated."

The Centre also invests in a number of welfare schemes, especially through Centrally Sponsored Schemes (CSS). Opposition state leaders accuse the Centre of non-payment of dues for these CSS. They also say the Centre is committing fiscal imprudence, noting that "the average revenue deficit of the states has been negligible until Covid-19 at 0.05%, while that of the Union government hovered around 3.15%." According to data published in Bloomberg Quint in January 2022, the central government's subsidy bill on food, petrol and fertilisers has increased to 3 percent of GDP in 2020-21 from 1.1 percent in the previous year. Some analysts also observe that the Central government engages in 'invisible freebies' like writing-off huge loans of big corporations, bailing out banks from corporate bad loans, and cutting down of the base corporate tax rate as it did in September 2019 from 30 percent to 22 percent., Therefore, the Centre and the states have their fair share of accountability in this regard.

The Way Forward

The above discussion has underlined three crucial issues that should frame any discussion on 'freebies' in India. First, for a country with high poverty rates and persistent economic disparities, welfare schemes are a lifeline for huge populations. The World Bank Report of March 2021 has noted that those who came out of poverty between 2005-12 in India, could again fall back into poverty following just one income shock. Indeed, the COVD-19 pandemic pushed millions to below poverty level. Social security schemes have therefore played a crucial role in mitigating the hardships of the poor and vulnerable.

Second, despite the wide network of welfare schemes, India still has a large ground to cover in healthcare and education spending, even when compared to other developing countries. India is also facing challenges in unemployment, hunger, and overall Human Development. The welfare schemes that constitute India's social protection architecture have not been able to adequately address the gamut of developmental challenges as long-term capacity-building projects in education, healthcare and employment remain under-utilised. Third, the widespread practice of offering freebies by politicians, across party lines and for electoral benefits, drains public finances that can be used instead for more concrete policy initiatives. The vote-bank compulsions and likely electoral dividends accrued from such tailor-made schemes complicate their reconfiguration based on actual needs that can prevent overlaps, ensure better targeting, and prevent misuse of resources.

To be sure, the issues related to freebies are serious in nature. At the same time, there should be caution against judicial overreach, as seen in the past instances of the judiciary's intervention in this domain. The Election Commission's order for political parties to regulate their freebies can also have undesirable consequences. Such directives could simply backfire as political parties consider them as interfering in their democratic rights. Moreover, as the promises of welfare made by political parties to their electorates are part of the key process of bargaining in a democracy—where the voter's judgement is paramount—the interference, perceived or real, of non-elected institutions can distort the dynamics of electoral democracy; it also belittles the electorate's agency and sense of judgement. The parliament, as a representative body, can debate on the subject and legislate policies although political consensus on regulating a policy that benefits all parties is a difficult task. It is parliament, and other democratic forums including inter-governmental institutions, which should frame the freebies debate and build a political consensus on the redlines.

Institutionally, there are a few policy tools that can help improve the utilisation of welfare schemes in India. First, the financial regulatory institutions should be strengthened so that invisible and irrational expenditures of both the Centre and the states can be better monitored and channelled towards more productive uses. For that, institutional reforms have to be envisaged so that these regulatory bodies can function with more autonomy. Second, the welfare schemes that aim for targeted intervention should be streamlined to identify and cater to the requirements of the poor. Avenues for corruption during distribution of welfare goods should also be plugged through sound policy correction.

It is also essential to consider new categories and typologies for defining 'welfare goods' and 'freebies', premised upon their utility and impact.

Lastly, attention must be paid to laws that are in place but are not being followed adequately. The Fiscal Responsibility and Budget Management (FRBM) Act, 2003, for example, directs that "the revenue deficit must be eliminated, which means no borrowed money can be used for revenue expenditure, including freebies." Yet this has not brought visible improvement on the ground. A combination of legislative mechanisms and increased public awareness regarding the necessity of long-term productive agenda of welfare can be more helpful in the long run, rather than judicial intervention or the ECI issuing guidelines for political parties.

Conclusion

There are rightful concerns about the long-term negative effects of a runaway 'freebies' culture. At the same time, solutions are not easy, particularly in a highly competitive democratic polity. This is largely because of the porous nature of social welfare schemes and their increasing attractiveness among electorates. In a country with huge impoverished populations who lack formal social protection, welfare goods—including non-merit or freebies—serve multiple needs.

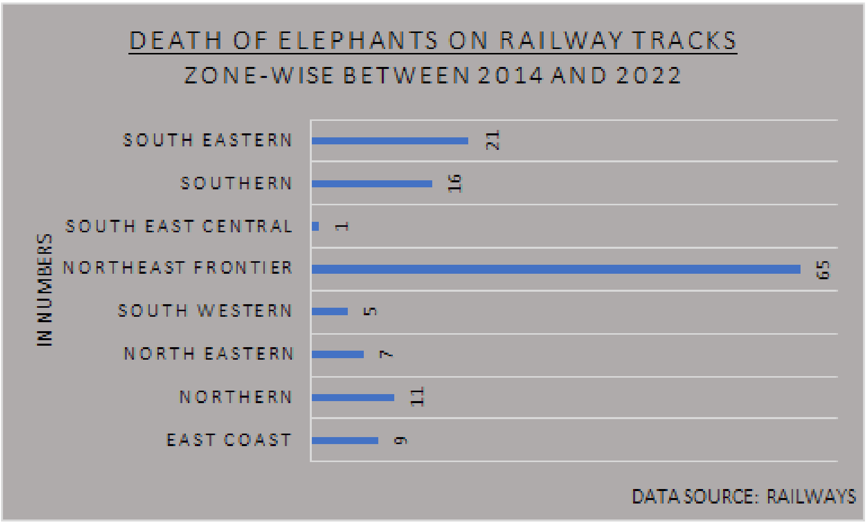
It is imperative, however, to build a political consensus involving the Centre as well as states to arrest the misuse of welfare schemes and the resultant adverse impacts on the country's fiscal health. https://www.orfonline.org/research/freebies-and-welfare-schemes/

3. More Than 130 Elephants Killed on Railway Tracks since 2014, Most in Northeast Frontier Zone *(news18.com)* February 16, 2023

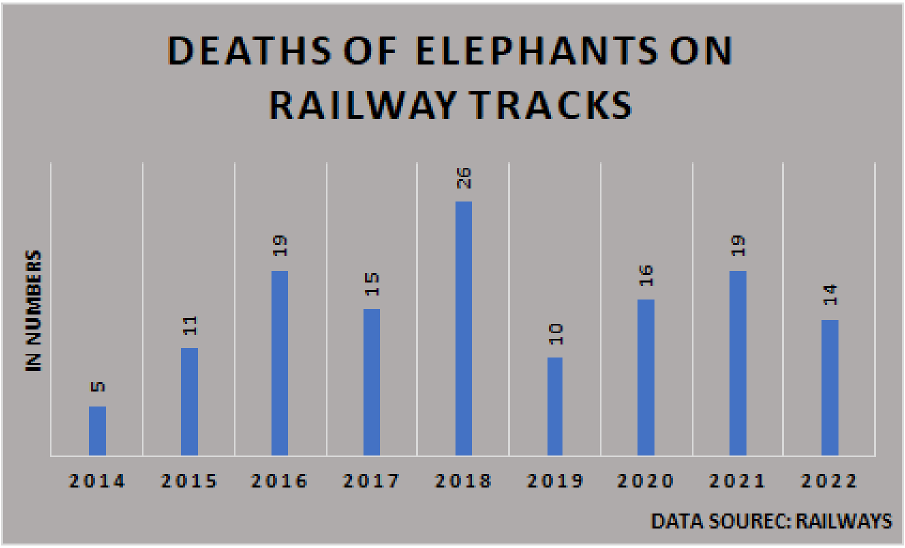
Fifteen elephants were killed on railway tracks on an average each year between 2014 and 2022, and in total at least 135 jumbos have died, ministry data analysed by News18 shows.

Among all eight zones listed by the Railway Ministry, the Northeast Frontier, having headquarters in Guwahati, is accountable for the highest number of elephant deaths – 65 deaths in the nine-year period. It was followed by the South Eastern zone that reported 21 deaths between 2014 and 2022.

The regions where elephant deaths were reported are: East Coast (nine); Northern (11); North Eastern (seven); South Western (five); Northeast Frontier (65); South East Central (one); Southern (16); and South Eastern (21).



Analysing the year-wise data shows that five elephant deaths were reported on railway tracks in 2014, which increased to 26 in 2018. In 2022, 14 elephants were killed on tracks, one per month on an average.



In a report presented in December 2021, the Comptroller and Auditor General of India (CAG) had said that between 2016 and 2019, train accidents were the second most common cause for unnatural deaths of elephants.

According to the last count in 2017, there were 29,964 elephants in India. The total number of captive elephants owned by private individuals and religious institutions was 1,774. The highest number of elephants are in the southern region (14,612), followed by the northeast that houses 10,319 elephants. East central region of the country has 3,128 elephants, while the north west region has 2,085 jumbos.

Speaking to News18, a Railway Ministry official said that in cases of death of elephants or any other animals on railway tracks, the zonal railways investigates the incident and conducts an inquiry wherever necessary. Based on the findings, a number of preventive measures are taken.

"Among the steps taken were provision of fencing at isolated locations and installation of innovative honey bee sound systems at locations that are prone to crossing of elephants. We coordinate with the Ministry of Environment and Forest for preventive steps," the ministry official said on condition of anonymity.

Other steps taken include imposition of speed restrictions in identified locations, provision of signage boards to warn loco pilots about identified elephant corridors, sensitisation of train crew and station masters on a regular basis, need-based clearance of vegetation on the sides of the track within railway land and construction of underpasses and ramps for movement of elephants at identified locations. https://www.news18.com/news/india/more-than-130-elephants-killed-on-railway-tracks-since-2014-most-in-northeast-frontier-zone-7095799.html

4. Rajasthan: ट्रेजरी खत्म करने वाले विधेयक पर राज्यपाल ने मांगा जवाब, विधानसभा में जाने से पहले ही उपजा विवाद *(amarujala.com)* February 16, 2023

राज्यपाल से पहले सीएजी भी दो बार राज्य सरकार के इस कदम को लेकर आपत्ति जता चुके हैं। राजस्थान राजभवन ने 14 फरवरी को सरकार को पत्र लिखकर प्रकाशित खबरों और सीएजी के उस आदेश की जानकारी दी है, जिसमें केंद्र सरकार के डीपीसी एक्ट का हवाला देते हुए राज्य सरकार को कहा गया था कि अकाउंटिंग सिस्टम में बदलाव करना संविधान सम्मत नहीं है। राजस्थान में सरकार के दो मंत्रियों के साथ ही पक्ष और विपक्ष के 80 से ज्यादा विधायकों और कुछ सांसदों ने भी गहलोत सरकार को पत्र लिखकर इस ट्रेजरी सिस्टम को जारी रखने की मांग की है। भाजपा विधायकों का कहना है कि वह इस बिल का पुरजोर विरोध करेंगे और विधानसभा में इस मुद्दे को उठाएंगे।

सरकार से स्थिति स्पष्ट करने को कहा है- सचिव, राज्यपाल

राज्यपाल के सचिव सुबीर कुमार का कहना है कि 'इस मामले में हमने राज्य सरकार को पत्र लिखकर स्थिति स्पष्ट करने के लिए कहा है। अभी तक सरकार की तरफ से कोई जवाब नहीं आया है।'

चेक एंड बैलेंस सिस्टम खत्म हो जाएगा- बीजेपी

उपनेता प्रतिपक्ष राजेंद्र राठौड़ ने कहा कि 'कांग्रेस सरकार जो नया अकाउंटिंग सिस्टम लाना चाहती है, वह कई खामियों से भरा हुआ है। उससे चेक एंड बैलेंस सिस्टम ही खत्म हो जाएगा। जब सीएजी पहले ही इस पर रोक लगा चुके और ट्रेजरी बंद करने से मना कर चुके हैं, तो सरकार इसे क्यों खत्म करना चाहती है।' बीजेपी विधायक अशोक लाहोटी ने कहा कि 'ट्रेजरी सिस्टम प्रदेश में चेक एंड बैलेंस का काम करता है। बीजेपी से खत्म करने के कदम का विरोध करती है विधानसभा में हम इस मुद्दे को उठाएंगे।'

नए 'पे एंड अकाउंटिंग' सिस्टम पर सीएजी ने पहले लगाई थी रोक

राज्य सरकार के करीब 8.50 लाख रिटायर्ड कर्मचारियों की पेंशन और 93 लाख सामाजिक सुरक्षा पेंशनर्स का भुगतान इन्हीं ट्रेजरी ऑफिसों से होता है। अलग-अलग सरकारी डिपोर्टमेंट्स की ओर से भेजे गए बिलों का वेरिफिकेशन करने के बाद फाइनल पेमेंट का प्रोसेस भी इन्हीं ट्रेजरी ऑफिसेज के जरिए ही होता है। फाइनेंस डिपार्टमेंट लेवल पर पहले भी ट्रेजरी और सब ट्रेजरी सिस्टम को खत्म कर नया 'पे एंड अकाउंटिंग' सिस्टम लाया गया था, लेकिन सीएजी ने उस पर रोक लगा दी थी। साथ ही कहा था कि यह सिस्टम संविधान के डीपीसी एक्ट 1971 के प्रोविजन के खिलाफ है।

राजस्थान अकाउंटिंग सिस्टम अमेंडमेंट बिल 2023 का विरोध क्यों ?

राजस्थान अकाउंटिंग सिस्टम अमेंडमेंट बिल 2023 का विरोध तीन लेवल पर हो रहा है।

पहला- 3000 से ज्यादा अकाउंटिंग सर्विस के कर्मचारी ट्रेजरी और सब ट्रेजरी में प्रदेशभर में काम करते हैं, ये ट्रेजरी तहसील स्तर तक खुली हुई हैं। अगर ये ट्रेजरी बंद हो गईं, तो उनके ऑफिस बंद हो जाएंगे। ऐसे में कर्मचारियों को अपने भविष्य पर खतरा मंडराता नजर आ रहा है।

दूसरा- ऐसे सरकारी रिटायर्ड पेंशनर्स और सोशल सिक्योरिटी योजनाओं के पेंशनर्स जिन्हें ट्रेजरी से भुगतान मिलता है। अगर उन्हें पेमेंट संबंधित कोई समस्या आती है, तो ट्रेजरी, सब ट्रेजरी ऑफिस से फिलहाल लोकल लेवल पर ही सॉल्यूशन मिल जाता है। अगर ये ट्रेजरी बंद हो जाएंगी, तो उन्हें प्रदेशभर से किसी भी परेशानी के लिए सीधा जयपुर आना पड़ेगा।

तीसरा- मंत्री, विधायक और सांसद सहित जनप्रतिनिधियों के लिए भी यह मुद्दा वोट से जुड़ा हुआ बड़ा मामला है। अगर ट्रेजरी बंद होती हैं, तो स्थानीय स्तर पर उन्हें इसका नुकसान उठाना पड़ सकता है। हर बड़े बुजुर्ग पेंशनर्स की परेशानी उसके पूरे परिवार की परेशानी बन जाती है। इसलिए इसका पेंशनर्स की संख्या के मुकाबले कई गुणा ज़्यादा लोगों में नाराजगी हो

सकती है। https://www.amarujala.com/rajasthan/the-governor-sought-answers-on-the-bill-to-abolish-the-treasury-2023-02-16

5. राजस्थान में अपना ट्रेजरी सिस्टम P&A लागू करने पर CAG ने जताया ऐतराज *(naihawa.com)* February 15, 2023

गहलोत सरकार अपना अलग से ऐसा ट्रेजरी सिस्टम लाने जा रही है जिसमें किसी का दखल न हो। यही वजह है कि सरकार कई बार की डिमांड के बाद भी CAG को हिसाब-किताब देने में आनाकानी कर रही है। बताया जा रहा है कि CAG के दखल को रोकने के लिए ही गहलोत सरकार अपना खुद का ट्रेजरी सिस्टम पे एंड अकाउंटिंग (पीएंडए) लागू करने जा रही है। CAG ने गहलोत सरकार को इस मामले में आगे कोई भी कदम उठाने से बचने की सलाह भी दी है।

CAG ने राजस्थान सरकार की ऐसी कोशिशों पर ऐतराज जताया है और आरोप लगाया है कि सरकार अपना हिसाब-किताब नहीं बताना चाहती और ऐसा करके वह कैग की संवैधानिक बाध्यता को चुनौती देने का प्रयास कर रही है। कैग का मानना है कि सरकार उसको दरकिनार कर सरकार अपना ट्रेजरी सिस्टम बनाना चाहती है।

CAG का कहना है कि राजस्थान सरकार के इस रवैये के कारण राजस्थान में गंभीर संवैधानिक संकट की स्थिति पैदा हो सकती है। मीडिया रिपोर्ट्स के अनुसार हाल में CAG (नियंत्रक और महालेखापरीक्षक) ने सरकार को एक संदेश भेजा है जिसमें कैग की संवैधानिक बाध्यता को चुनौती देने के प्रयास पर आपत्ति जताई है। संघीय लेखा परीक्षक की ओर से मुख्य सचिव उषा शर्मा को यह संदेश भेजा गया है। इसमें संविधान के अनुच्छेद 150 का हवाला देते हुए कहा गया है कि संघ और राज्यों के खातों को सीएजी की सलाह पर राष्ट्रपति द्वारा निर्धारित प्रपत्र के रूप में माना जाएगा।

आपको बता दें कि राजस्थान सरकार ट्रेजरी और सब ट्रेजरी सिस्टम को हटाकर विभागों को शक्तियां देने वाले अपने नए पे एंड अकाउंटिंग (पीएंडए) सिस्टम को लागू करने जा रही है। सरकार ने राजस्थान विधानसभा में भी कहा था कि ट्रेजरी और सब ट्रेजरी के स्थान पर विभागों में पीएंडए ऑफिस खोले जाएंगे और इससे संबंधित ट्रेजरी और सब ट्रेजरी कार्यालय को बंद करने और अन्य कार्य में लेने के लिए विचार करने के बारे में कहा था जबकि CAG ने सरकार की इन कोशिशों को संवैधानिक प्रावधानों के विपरीत बताया है।

हालांकि राजस्थान सरकार ने अपना पे एंड अकाउंटिंग (पीएंडए) सिस्टम को लागू करने की सूचना CAG को भेज दी थी जिसके जवाब में सीएजी ने जवाब देते हुए कहा था कि मौजूदा

अकाउंटिंग सिस्टम की जगह नया पीएंडए सिस्टम संवैधानिक नियमों के खिलाफ है और यह डीपीसी एक्ट 1971 के प्रावधानों के विरुद्ध है। कैग ने राज्य सरकार को इस मामले में आगे कोई भी कदम उठाने से बचने के लिए भी कहा था।

CAG ने राजस्थान सरकार को पत्र में स्पष्ट किया है कि कैग राज्य कोषागार से प्रत्येक राज्य के खातों की ऑडिटिंग करने के लिए जिम्मेदार है। ट्रेजरी सिस्टम में कोई भी बदलाव करने से पहले राष्ट्रपति और कैग से अनुमति लेना जरूरी है। CAG ने कहा है कि नया पे एंड अ काउंटिंग सिस्टम डीपीसी एक्ट 1971 के प्रावधानों के खिलाफ है। लिहाजा इस मामले में आ गे कोई भी कदम उठाने से बचें।

कैग ने बताया है कि डीपीसी अधिनियम धारा 10 के तहत सीएजी द्वारा संघ और राज्यों के खातों के संकलन के लिए प्रावधान किया गया है जो यह निर्देशित करता है कि CAG प्रत्येक राज्य के खातों की ऑडिटिंग करने के लिए जिम्मेदार होगा। ऑडिट ने कहा कि स्थापित ट्रेज री सिस्टम में किसी भी बदलाव के लिए राष्ट्रपति की पूर्व स्वीकृति और कैग के साथ परामर्श की आवश्यकता होगी।

CAG ने आगाह किया कि किसी राज्य द्वारा पीएओ बनाने से राज्य की व्यवस्था भी गड़बड़ हो सकती है और मौजूदा व्यवस्था की जगह नया सिस्टम लाने से पूरा आईटी इन्फ्रास्ट्रक्चर और कर्मचारियों की जरूरत पड़ेगी जिससे भारत सरकार की सिंगल अकाऊंट और सिंगल नोडल एजेंसी सिस्टम प्रभावित हो सकता है।

राज्य में ट्रेजरी और सब ट्रेजरी सिस्टम को खत्म करने का प्रदेश के लेखाकर्मी भी विरोध क र रहे हैं। लेखाकर्मियों का कहना है कि वित्तीय व्यवस्था को खत्म करने की कोशिशों के तहत गहलोत सरकार ने ये कदम उठाया है। लेखाकर्मियों का आरोप है कि सोशल एंड परफारमें स ऑडिट अथॉरिटी व राजस्थान फाइनेंशियल सर्विसेज डिलीवरी लिमिटेड का गठन कर वित्त विभाग को ठेके पर देने के कदम उठाए जा रहे हैं। आईटी का इस्तेमाल जरूरी है, पर ख जाने को पूरी तरह आईटी पर छोड़ना खतरनाक है। https://naihawa.com/states/rajasthan/cag-objected-to-the-implementation-of-its-treasury-system-pa-in-rajasthan/

STATES NEWS ITEMS

6. With freebies already bleeding state exchequer dry, high debt-to-GDP ratio is adding to Punjab's woes *(indianexpress.com)* 16 Feb 2023

Punjab, estimated to have a debt-to-GDP ratio of 47.6 per cent by March 2023 is second to only Mizoram having 53.1 per cent ration, highest in the country. As the states have recovered from the pandemic in the past two years, Punjab's ratio has improved a little from 48.7 per cent in 2021 and 48.4 in 2022.

With state exchequer already bleeding due to freebies, the fund-crunched Punjab government's fiscal scenario presents a grim picture with the state having a high debt-to-GDP ratio, as indicated by the RBI's recent report on state Governments budgets for 2022-23 fiscal.

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The Fiscal Responsibility and Budget Management review committee, headed by N K Singh, had recommended a debt-to-GDP ratio of 20 per cent for states. A high debt-deficit burden leaves little room for states to manoeuvre when faced with the next economic shock.

Punjab is also among the states having highest interest payments to revenue receipts ratio. This implies that the interest payments account for a sizeable portion of the states' revenues, leaving them with less room to spend on other areas of priority such as health or education.

The state has already borrowed over Rs 35,000 crore in 11 months of its rule. It has not been able to repay instalment of Punjab Mandi Board to the tune of Rs 500 crore towards repayment of loan raised by former Chief Minister Amarinder Singh's government to waive off farmers' loans. The Mandi Board has been asked to restructure the loan so that the state pays Rs 100 crore every month.

Also, for defaulting the instalment, that was due till December 2022, the government has paid the interim interest for delaying the payment.

The Power utility of the state too is bleeding. It had to borrow Rs 500 crore to pay salaries of the last month as the burden of power subsidy is set to cost the state exchequer Rs 22,000 crore this fiscal. Situation has worsened ever since the government has rolled out free 300 units of power to the residents.

The state has been unable to take a call on the free bus travel facility for women. It has been costing the exchequer Rs 550 crore every year.

The Transport Department had come up with a proposal to rationalise the free travel but the government has not been able to take a political decision.

Chief Minister Bhagwant Mann had told the media on Monday that they will be able to generate resources. He had stated that they were able to get 9,000 acres of public land recovered from the encroachers. Renting out this land would get government funds. Also, he had stated that they expected to generate funds from sand.

Women and Child Welfare Minister, Punjab, Dr Baljit Kaur has been making announcements that the government would be rolling outRs 1,000 per month for women, a pre poll promise made by the Aam Aadmi Party. However, if the government rolls out this freebie, it would mean extra financial burden.

Also, the state is unlikely to meet its revenue targets in the current fiscal, according to the data released by comptroller and auditor general (CAG) regarding the fiscal indicators from April to December 2022.

The state's budget was pegged at Rs 95,378 crore from tax, non-tax revenue and grain-in-aid from Centre's, the state has been able to mop up only Rs 60,096 crore in first nine months.

On the indictors of GST, state excise, stamps and registration, sales tax, land revenue, state's share in central taxes, the state has been able to achieve 65.86 per cent of the revenue target. https://indianexpress.com/article/cities/chandigarh/with-freebies-already-bleeding-state-exchequer-dry-high-debt-to-gdp-ratio-is-adding-to-punjabs-woes-8447639/

7. Andhra capital row: CM Jagan faces heat over Amaravati loans as he bets on Vizag *(indianexpress.com)* 15 Feb 2023

The loans raised by the YSR Congress Party (YSCP)-led Andhra Pradesh government in the name of Amaravati capital may pose legal and political challenges to Chief Minister and YSRCP supremo Y S Jagan Mohan Reddy's decision to shift the state capital to Visakhapatnam.

Addressing investors at the International Diplomatic Alliance Meet in New Delhi on January 31, CM Jagan had announced that Visakhapatnam will be the capital of Andhra Pradesh in the coming days. "I myself will be shifting there (Vizag) in the months to come,'' he had said.

After storming to power in the state in May 2019, the YSRCP government has mobilised loans amounting to Rs 3,013 crore from various banks through the AP Capital Region Development Authority (APCRDA) for the development of Amaravati as the capital city. Such a loan is mentioned in the "Report of the Comptroller and Auditor General of India on State Finances Audit Report for the year ended 31 March 2020: Report No. 3 of the year 2021".

The APCRDA was set up by the previous N Chandrababu Naidu-led Telugu Desam Party (TDP) government for development of the proposed Amaravati capital region.

The loans taken through the APCRDA has put the Jagan government at odds with the banks, given his declaration that the capital will be shifted to Visakhapatnam from Amaravati proposed by Chadrababu Naidu. The Opposition parties, including the TDP, Jana Sena, and BJP, are now going after the YSRCP dispensation over the loans.

Dismissing the Opposition's concerns, YSRCP leader Sajjala Ramakrishna Reddy, advisor to the Jagan government (public affairs), said, "The Centre has agreed that the states have the right to decide on their capital cities. Amaravati will be the legislative capital and the loans and funds received for Amaravati are being used there. Opposition leaders are simply trying to stall the government's decentralisation plan with vague allegations," he said.

TDP national spokesperson Kommareddy Pattabhiram however said the YSRCP government raised Rs 3,013 crore bank loans for the capital city of Amaravati which, he charged was "nothing but deliberately misleading the banks".

As early as in December 2019, CM Jagan made a statement in the Assembly, Pattabhiram said, that "the capital is going to be shifted from Amaravati to Visakhapatnam, which will be henceforth the executive capital of the state". "Raising loans in the name of Amaravati and then issuing statements that Visakhapatnam would be the capital really puts the government and banks at odds,'' he added.

These loans have been taken by the state government from several banks including Punjab National Bank, Indian Bank and Union Bank.

"The Centre has given thousands of crore for development of Amaravati, and the present state government has raised loans in the name of Amaravati but is not spending the funds. We reject Chief Minister Jagan Mohan Reddy's three-capital proposal,'' BJP AP unit chief Somu Veerraju said.

The central government, as per the provision of Section 94 of the AP Reorganisation Act, has extended a total of Rs 2,500 crore assistance to Andhra for building the capital (Rs 1,500 crore for construction of buildings like Assembly and High Court, and Rs 1,000 crore for development of the Vijayawada and Guntur Municipal Corporations), Veerraju said, adding that another Rs 1,000 crore was released by the Centre for developing smart cities.

BJP Rajya Sabha MP GVL Narasimha Rao said his party prefers that Amaravati should remain the capital. "Vizag may be a good place but it has already been decided to set up the capital at Amaravati and it should remain so. What will happen to Amaravati if the capital is shifted elsewhere?'' he asked.

The decision on picking a new capital city for Andhra Pradesh in the wake of the state's bifurcation in 2014 has since gone through several twists and turns on legal, political, legislative and administrative fronts, with the matter now pending in the Supreme Court. https://indianexpress.com/article/political-pulse/andhra-pradesh-row-jagan-mohan-reddy-vizag-amaravati-8446897/lite/

8. Naturopathy colleges in web of graft sans rules in Tamil Nadu *(newindianexpress.com)* 16 Feb 2023

CHENNAI: Lack of guidelines and oversight has left the administration of the yoga and naturopathy educational institutions run by the state government in disarray and allegedly mired in graft. This comes at a time when the demand for yoga and naturopathy courses is growing in leaps and bounds as students are showing keen interest in learning the system of preventive and curative medicine through natural methods.

Unqualified teachers, excess monetary benefits and irregular appointments and promotions are some of the issues plaguing these institutions. The principal accountant general, in a 2021 audit, found that 10 faculties at the Govt Yoga and Naturopathy College (GYNMC) at Arumbakkam, Chennai, were availing of excess monetary benefits worth Rs 2.3 crore through irregular appointments and promotions, resulting in loss to the exchequer. The principal, holding the post since 2000, tops the list of such beneficiaries.

In October 2022, the principal accountant general wrote to health secretary P Senthil Kumar suggesting action against the irregular appointments, promotions and availing of excess pay and allowances. But the files are still gathering dust without any action, it is learnt. When contacted by TNIE, Senthil Kumar only said, "A detailed reply has been sent to the accountant general office at Teynampet, Chennai." However, he did not elaborate further.

The Madras High Court, while hearing petitions on the matter last year, had directed the concerned authorities to follow UGC rules for appointment of faculty until proper rules are framed, but the order seems to fallen on deaf ears. "We are following the old rules and guidelines of the state government for appointments," said Dr Manavalan, GYNMC principal.

GYNMC, established in 2000, runs a course in Bachelor of Naturopathy and Yogic Sciences with 60 seats and three branches in post-graduation having 15 seats. However, the college does not have department heads who have a post graduation degree as those having diploma and UG are heading most of the PG departments. Even principal Manavalan has only diploma and degree qualifications.

"It is unfortunate that even after securing PG degrees, we are not recognised as PG teachers or posted as HoDs. We have taken up the matter with the concerned authorities of the government but no action has been taken so far," said an aggrieved faculty member.

Manavalan also holds additional charge as director of the newly established International Institute of Yoga and Naturopathy Medical Sciences at Chengalpet, which has 100 UG and 30 PG seats. The college does not have a full-time principal, affecting day-to-day administration and handling of academic matters.

Doctors point the fingers to the principal for the mess. "He is not qualified to hold the post of principal. However, he has managed to hold two more posts by tweaking the rules and scuttling chances of an efficient hand to helm the affairs by exerting influence," alleged Dr Indran, a private practitioner.

That's not all, as 17 private yoga and naturopathy colleges are having a free run without a regulatory body.

The Directorate of Indian Medicine is learnt to have sent a report to the government seeking urgent attention on the issues and necessary action to recover excess pay and allowance from the faculties, apart from streamlining appointments. "We have brought the issues to the notice of the government. We hope necessary action is taken soon to resolve them," an official at the Directorate of Indian Medicine told TNIE.

Manavalan added that the findings of the principal accountant general's report are not true and that a new head will soon be posted to the Chengalpattu institute. https://www.newindianexpress.com/states/tamil-nadu/2023/feb/16/naturopathy-colleges-in-web-of-graft-sans-rules-in-tamil-nadu-2547930.html

9. Kerala Filed Accounts, Affirms CAG; Nirmala Sitaraman's Pretext Falls to Pieces *(deshabhimani.com)* 15 Feb 2023

Thiruvanantahpuram: The Comptroller and Auditor General of India (CAG) in its report said that Kerala had indeed filed accounts relating to GST compensation arrears. The clarification crumbles Union Finance Minister Nirmala Sitaraman's argument in Lok Sabha that Kerala had failed to file relevant accounts.

Kerala features among the list of 19 states that have submitted their accounts for 2017-18. This is stated in the 2021 First Report on Taxes. Hinging onto Nirmala Sitaraman's claim, the media and Opposition had come out vociferously against the State government. With release of information contained in CAG report now, it is clear Minister KN Balagopal's argument in this regard is where facts lie.

Kerala Finance KN Balagopal had said that NK Premachandran's narrative on GST compensation in the House deviated from facts and was politcally motivated. And the response that followed from Nirmala Sitaraman was equally empty – one that was pulled down by KN Balagopal through his FB post pointing out CAG reprot.

KN Balagopal's post reflected on the genuine problems facing Kerala and clarified how the state provided exact and proper accounts. https://www.deshabhimani.com/english/news/kerala/kerala-submitted-accounts-affirms-cag-nirmala-sitaraman-s-pretext-falls-to-pieces/7864

10. Bengal Budget: State's accumulated debt to rise to Rs 6.47 cr by March 2024 *(daijiworld.com)* 15 Feb 2023

As West Bengal's Minister of State for Finance, Chandrima Bhattacharya, presented the state Budget for the financial year 2023-24 on Wednesday, the budget documents projected the total accumulated debt of the state government to rise to Rs 6,47,825.52 crore by the end of the fiscal under review.

This means that the accumulated debt figures by March 2024 will rise by 10.40 per cent from the figures of Rs 5,86,124.63 crore as per the revised estimates for 2022-23. As of March 2011, which was the last year of the previous 34-year long Left Front regime, the accumulated debt was around Rs 1,97,000 crore.

This means that the state's per capita debt, which is currently standing at Rs 59,000, will rise further by the end of March 2024. Economists have pointed out that alarming signal about the accumulated debt was evident in the latest CAG report, which pegged the debt to gross state domestic report (GSDP) ratio at 37.05 per cent for the financial year of 2020-21, up from 35.68 per cent in 2018-19.

Economists are of the opinion that if this upward trend of accumulated debt continues, West Bengal will surely be inching towards a debt trap situation. A debt trap situation is a point where the state has to go for fresh borrowings just for servicing the older debts and that situation comes when the debt to GSDP ratio reaches 50 per cent.

As per the Budget documents, during the fiscal ending March 2024, the state government will have to shell out Rs 73,303.68 crore for repayment of principal and interest on earlier borrowings, as mentioned in the Budget estimates for the fiscal under review, up from Rs 69,691.79 crore as mentioned in the revised estimates for 2022-23.

According to economists, servicing of old debts comes under the head of revenue expenditure where there is no asset creation, which happens under capital expenditure. They also feel that the phenomenon of revenue expenditure being too high leaving little reserve for capital expenditure is not at all a healthy sign for any state finance. https://www.daijiworld.com/news/newsDisplay?newsID=1050684

11. UP News: बिजली दरों में बढ़ोतरी के प्रस्ताव पर कंपनियों ने दिया जवाब, उपभोक्ता परिषद ने बताया आधा-अधूरा *(jagran.com)* 16 Feb 2023

लखनऊ: बिजली महंगी होने की उल्टी गिनती जल्द शुरू होने वाली है। वार्षिक राजस्व आवश्यकता (एआरआर) एवं बिजली दरों में बढ़ोतरी संबंधी प्रस्ताव में कमियों पर बिजली कंपनियों ने बुधवार को विद्युत नियामक आयोग में जवाब दाखिल कर दिया। अब प्रस्ताव स्वीकारने से अधिकतम 120 दिनों में आयोग बिजली की नई दरें घोषित कर देगा। इस बीच जवाब को आधा-अधूरा बताते हुए उत्तर प्रदेश राज्य विद्युत उपभोक्ता परिषद ने आयोग से प्रस्ताव न स्वीकारने के लिए कहा है।

वित्तीय वर्ष 2023-24 के लिए बिजली कंपनियों ने पिछले दिनों 18 से 23 बिजली की दरें बढ़ाने संबंधी प्रस्ताव आयोग में दाखिल किया था। प्रस्ताव में तमाम कमियों पर आयोग ने कंपनियों से जवाब-तलब किया था। इस पर कंपनियों ने जवाब तो आयोग को दिए हैं, लेकिन उपभोक्ता परिषद के अध्यक्ष अवधेश वर्मा का कहना है कि कंपनियों ने रेगुलेटरी फ्रेमवर्क को न मानते हुए आधे-अधूरे जवाब ही दिए हैं।

वर्ष 2021-22 ट्रू-अप याचिका पर आयोग ने कंपनियों से सीएजी ऑडिट रिपोर्ट तलब की तो कंपनियों ने रिपोर्ट न मिलने की बात कही। कंपनियां, एक तरफ मुआवजा कानून को टेस्टिंग के दौर में बताती हैं वहीं जवाब यह भी देती हैं कि उपभोक्ताओं ने मुआवजा ही नहीं।

वर्मा का कहना है कि उपभोक्ताओं का बिजली कंपनियों पर लगभग 25,133 करोड रुपये ज्यादा निकल रहा है ऐसे में बिजली दरों में बढ़ोतरी किस आधार पर की जा सकती है? कंपनियों ने सरकारी सब्सिडी का उपभोक्ता श्रेणी वार कोई ब्रेकअप भी नहीं दिया है। ऐसे में टैरिफ का निर्धारण कैसे किया जा सकता है? https://www.jagran.com/uttar-pradesh/lucknow-city-up-news-companies-responded-to-proposal-to-increase-electricity-rates-23330822.html

12. नियामक आयोग के सवालों का कम्पनियों ने दिया आधा अधूरा जबाब *(pinewsservice.com)* 15 Feb 2023

लखनऊ। प्रदेश की बिजली कंपनियों की तरफ से विद्युत नियामक आयोग में दाखिल वार्षिक राजस्व आवश्यकता वर्ष 2023-24 व ट्रू-अप याचिका का वर्ष 2021-22 जिस के संबंध में उत्तर प्रदेश विद्युत नियामक आयोग ने बिजली कंपनियों से सैकडों सवा

ल पूछे थे। उसके संबंध में प्रदेश की बिजली कंपनियों की तरफ से आज विद्युत नियामक आयोग में आधा अधूरा जवाब दाखिल कर दिया गया है। उपभोक्ता परिषद ने कहा बिजली कंपनियों की तरफ से विद्युत नियामक आयोग में जो जवाब दाखिल किए जा रहे हैं। उसके आधार पर बिजली कंपनियों की वार्षिक राजस्व आवश्यकता को विद्युत नियामक आयोग को किसी भी स्तर पर स्वीकार नहीं करना चाहिए। क्योंकि बिजली कंपनियों ने विद्युत नियामक आयोग द्वारा पूछे गए सवाल का जवाब रेगुलेटरी फ्रेमवर्क के तहत नहीं दिया है। वर्ष 2021-22 टू-अप याचिका की बात हो रही है और जब विद्युत नियामक आयोग ने बिजली कंपनियों से सीएजी ऑडिट रिपोर्ट तलब की तो बिजली कंपनियों का कहना है कि अभी सीएजी ऑडिट रिपोर्ट नहीं प्राप्त हुई है। ऐसे में फिर इस याचिका का क्या होगा। दूसरी तरफ बिजली कंपनियां एक तरफ कह रही है कि मुआवजा कानून टेस्टिंग में चल रहा है बहुत जल्द लागू हो जाएगा। दूसरी तरफ अपने जवाब में यह भी कह रही हैं कि किसी भी उपभोक्ता ने आज तक मुआवजा मांगा ही नहीं। ऐसे में सवाल यह उठता है कि जब मुआवजा कानून लागू ही नहीं किया गया। बिजली कंपनियों की तरफ से तो उपभोक्ता मुआवजा मांगे तो कैसे इसका जवाब कौन देगा ? यदि बिजली कंपनियां इतनी ईमानदार है तो उन्हें स्वतः मुआवजा या उपभोक्ता के नुकसान की भरपाई का कदम क्यो नही उठाया।

प्रदेश की बिजली कंपनियों की तरफ से विगत दिनों जो वार्षिक राजस्व आवश्यकता विद्युत नियामक आयोग में दाखिल कर जो बिजली दर 18 से 23 प्रतिशत तक औसत वृद्धि का प्रस्ताव दिया गया था। अब जब विद्युत नियामक आयोग ने उसके आधार पर डिफिशिएंसी नोट बिजली कंपनियों के लिए जारी किया तो उसका उत्तर देने में बिजली कंपनियों के पसीने छूट रहे हैं। जिस पर उपभोक्ता परिषद ने एक बार फिर प्रदेश की बिजली कंपनियों को घेरते हुए कहा कि प्रदेश की बिजली कंपनियां यह कैसे भूल सकती है कि जब प्रदेश के विद्युत उपभोक्ताओं का बिजली कंपनियों पर लगभग 25133 करोड रुपए सरसरप्लस निकल रहा है। ऐसे में बिजली दरों में बढोतरी की बात किस आधार पर की जा सकती है देश का कोई भी कानून बिजली दरों में बढोतरी की इजाजत नहीं देता। उत्तर प्रदेश राज्य विद्युत उपभोक्ता परिषद के अवधेश कुमार वर्मा ने कहा विद्युत नियामक आयोग ने आरडीएसएस स्कीम के लिए पूरा विस्तृत जवाब मांगा था लेकिन बिजली कंपनियों की तरफ से आधा अधूरा जवाब दे दिया गया । यह बताने की कोशिश नहीं की गई की इस पर होने वाले खर्च की भरपाई कहां से होगी। जबकि विद्युत नियामक आयोग पिछले 4 वर्षों से स्मार्ट प्रीपेड मीटर के कैपिटल एक्सपेंडिचर को खारिज करता चला आ रहा है। बिजली कंपनियों की तरफ से मिलने वाली सरकारी सब्सिडी का उपभोक्ता श्रेणी वार कोई भी ब्रेकअप ना दिया जाना अपने-अपने गंभीर मामला है। जब विद्युत अधिनियम 2003 की धारा 65 का सही मायने में पालन ही नहीं होगा तो उसके आधार पर टैरिफ का निर्धारण कैसे किया जाएगा। प्रदेश की बिजली कं

पनियों ने जहां जीरो गैप मानकर प्रदेश के विद्युत उपभोक्ताओं की बिजली दरों में बडा झट का देने की कोशिश की गई। https://pinewsservice.com/companies-gave-half-incomplete-answers-to-the-questions-of-the-regulatory-commission/

SELECTED NEWS ITEMS/ARTICLES FOR READING

13. Fixing the bleed: India is losing billions to GST tax evasion, and it needs to act fast *(economictimes.indiatimes.com)* 16 Feb 2023

Several measures such as reporting of outward supplies, matching of input tax credits have resulted in identifying issues of fake invoicing, errant taxpayers who default on payment of tax, claim refund on exports fraudulently etc. But, experts believe that easing compliance burden is among the most important steps the government has to take to plug the leakage. A complex registration process is ailing the system and the tax authorities must also train on GST laws.

The North Block has been cheering the trend of India's monthly revenue collection from goods and services tax hitting Rs 1.5 lakh crore and becoming a 'new normal'. Vivek Johri, chairman at Central Board of Indirect Taxes and Customs also exuded confidence of breaching this level in the coming fiscal year.

However, behind the celebrations is a miscreant that is making India bleed billions of rupees from its coffers. In a media interview, Johri said GST audits by the indirect tax body this fiscal year led to the detection of Rs 22,000-crore tax evasion from nearly 48,000 cases so far.

Johri cited wrongful input tax credit claim to be the major reason behind the leakage. Possibly, some taxpayers may have taken input tax credit on inputs for which credit is not available as this is because of a wrong understanding of the law, Johri said.

Johri also said the tax body has seen cases where the value of the goods is not properly declared, while misclassification is another issue because of which the wrong rate of tax has been applied.

GST Tax

India has stepped up efforts to draw the salaried class to an exemption-less tax structure, but for indirect tax experts believe this is about time when the officials plug the loopholes. India for sure can’t afford the revenue losses when it seeks to bolster the tax ecosystem and simplify norms to ramp up collections?

Several measures such as reporting of outward supplies and matching of input tax credits have resulted in identifying issues of fake invoicing, errant taxpayers who default on payment of tax and fraudulent claim refund on exports, among others.

But, experts believe that easing compliance burden is among the most important steps the government has to take to plug the leakage. A complex registration process is ailing the system and the tax authorities must also train on GST laws, they said.

Parag Mehta, a partner at N.A. Shah Associates said compliance is a major issue for the trade. Filing 24 returns per year per state is a major issue for the entire trade. Further audits and assessments from all jurisdictions are also a big hassle.

He suggests that for multi-state entities, compliances may be state wise but assessments, notices etc should be centralised. This will be very beneficial to the entire industry where tax departments are centralised and ensure proper compliance and collection of taxes, Mehta said.

The process of registration has also become very cumbersome, he said, adding that this is especially true when one is operating from a rented premise or free of cost associate or group company premises.

The authorities insist on having affidavits notarised before the magistrate and have specific wordings on the NOC. This process delays the registration. In many cases, businesses are conducted without obtaining registration. The authorities should come out with a pan-India standard checklist of documents instead of each and every jurisdiction having a separate requirement list.

Meanwhile, Niraj Bagri, a partner at Dhruva Advisors, said the government has identified that a big source of leakage is business to consumer transactions where the last mile invoice is not issued.

Some ideas being discussed is rewarding consumers through a lottery system which will encourage seeking of invoices from the local dealers. It would also be worthwhile to consider whether any offsets can be given against the income tax liability of the individuals which will encourage actively seeking the GST invoices from the dealers.

"This will have a cascading effect on direct tax collection as well since the transaction will get reported by the local dealers. Thus, this would provide a further boost to tax collection without increasing the rate of taxes," Bagri said.

Mehta also flagged the need for proper GST law training. System generated notices are sent, but the authorities are unable to justify the basis on which figures are derived. This is creating unnecessary litigation and no recovery for the department. https://economictimes.indiatimes.com/news/economy/finance/fixing-the-bleed-india-is-losing-billions-to-gst-tax-evasion-and-it-needs-to-act-fast/articleshow/97974131.cms

14. Fuelling green growth *(millenniumpost.in)* 15 Feb 2023

Apart from addressing environmental issues and boosting the agriculture sector, India's biofuel policy is a step aimed at ensuring self-sufficiency in the energy sector

India has come up with E-20 — a 20 per cent blend of ethanol and 80 per cent of petrol — two months ahead of time and presented it to the people in the Energy Week 2023. With the coordinated efforts of public sector petroleum marketing companies, retail sale of petrol with 20 per cent ethanol blending has started at select petrol pumps in 11 states and union territories of the country. However, the consumer will not be able to get the option of filling normal petrol other than blended ethanol because it may create confusion at petrol pumps. That's why, at present, only 'ethanol-blended fuel' is available at all the pumps. Earlier, there were plans to bring petrol with 20 per cent ethanol in April. To promote the use of biofuels to reduce emissions and dependence on imports, the government is fast-tracking ethanol blending with petrol, and aims to double its effort by 2025-26. Earlier, in 2014, the blending of ethanol in petrol was limited to 1.5 per cent.

The Government of India is promoting the Ethanol Blended Petrol (EBP) programme to enhance energy security, reduce import dependence on fuel, save foreign exchange, address environmental issues, and boost the domestic agriculture sector. India is the world's third-largest oil importer, relying on imports to meet more than 85 per cent of its demand. The focus on ethanol is having a better impact on the environment as well as on the lives of the farmers, as it provides another source of income to the farmers. Ethanol is extracted from spoiled food grains and agricultural residues like sugarcane, wheat, and broken rice. This reduces pollution, and farmers get a means of earning a separate income. Firstly, petrol prices are likely to come down with the use of ethanol-blended petrol. Secondly, those crops will be promoted in the country through which ethanol is extracted. The rest will also depend on the decision of the government as to how much the prices will be reduced.

The tax on ethanol and crude oil is different. In such a situation, the consumer is getting the benefit of a reduced tax on ethanol. The increase in the amount of ethanol does not seem to have any significant effect on vehicles with biofuel engines because now almost all the companies are making vehicles with biofuel engines. Owing to this, there will be no significant impact on the working capacity and mileage of the vehicles. Vehicles with flex-fuel engines can put a variety of fuels in the tank; and run on pure ethanol or a mixture of any proportion of ethanol with petrol. The engine design of every vehicle is different, and it is difficult to fit flex-fuel engines in old vehicles, but it can be done with some changes. However, the flex fuel engine will take time. It may be noted that last year, the government had set a target of mixing 10 per cent ethanol in petrol, which India achieved five months in advance during June 2022. Resultantly, the country saved a foreign exchange of Rs 53,894 crore. Also, 27 lakh tonnes of Greenhouse Gas (GHG) emissions have been reduced, and an immediate payment of over Rs 40,600 crore has been made to the farmers.

India is the fifth largest producer of ethanol in the world after the USA, Brazil, the European Union, and China. With more ethanol blending, the procurement of ethanol has now increased from 38 crore litres to 320 crore litres annually. Now that there is 20 per cent blending, the quantity of ethanol procurement is expected to increase further. Last year, oil companies spent Rs 21,000 crore on ethanol purchases. The deadline for making E-20 petrol available in the country has also been preponed to 2025, based on a 'pilot project', while the earlier deadline was 2030.

Several important steps have been taken by the Central government to promote green energy. India is becoming the world leader in the field of green hydrogen. The recently launched 'National Green Hydrogen Mission' is poised to give a new direction to the country in the 21st century. There is a possibility of a huge increase in energy demand in the country in the coming times. As a result, India remains a suitable place for investment in the energy sector. Despite the global crisis, India had been the most attractive destination in the world in 2022 due to its internal fighting ability. India is working on increasing the crude oil refining capacity from 250 million tonnes annually to 450 million tonnes. The gas pipeline network in the country is estimated to increase from the present 22,000-km network to 35,000 km in the next five years. India, today, is the world's most prominent voice in the energy transition framework and development of new resources. According to the International Monetary Fund (IMF), India will remain the fastest-growing economy in the world in 2023.

Ethanol is widely used for consumption around the world. Brazil presents a successful example of the use of ethanol, where about 40 per cent of vehicles are run on 100 per cent ethanol; the rest of the vehicles also use fuel mixed with 30-40 per cent ethanol. Vehicles are also running on ethanol in Sweden and Canada. A subsidy is also being given by the government for the use of ethanol in Canada. A major part of the eightfold increase in ethanol procurement has benefited India's sugarcane farmers. Uttar Pradesh, Maharashtra, Haryana, and other states in India produce sugarcane, which is the main source of ethanol. India is currently dependent on imports for 85 per cent of its crude oil requirement. In such a situation, the 'Biofuel Policy' will be very helpful, which will reduce the country's dependence on imports — thereby enabling India to become self-reliant in the energy sector by 2047. https://www.millenniumpost.in/opinion/fuelling-green-growth-508782?infinitescroll=1

15. Risk-proofing climate finance *(thehindubusinessline.com)* February 15, 2023

RBI's efforts must be buffeted by better guidance on end-use of funds, and joint policy response by financial regulators

A centralised public database pertaining to climate vulnerabilities is key to carrying out robust climate risk assessment

The assessment and disclosure of climate risk while important for the stability of India's financial system, is also perhaps a window of opportunity for financial institutions to innovate financial solutions and products to support the green transition of industry and society in an impactful way.

It is now widely accepted that financial stress emanating from climate risk isn't only that which affects the survival and health of individual lending institutions or even a country's financial systemic stability, but society's functioning as whole.

In this context, Reserve Bank of India's recent consultation paper, 'Climate Risk and Sustainable Finance', is an important and timely step towards achieving much needed awareness regarding climate risk and its systemic implications amongst its regulated entities (REs).

The 'Report of the Survey on Climate Risk and Sustainable Finance', brought out by the RBI, is indicative of the steps being taken by various institutions (low for public sector banks, higher for private sector banks, foreign banks, etc.) to respond to this evolving reality. The RBI's initial efforts need to be supported by many more steps.

Below are specific areas which the RBI needs to consider.

End-use guidance for sustainable finance for REs: There is an urgent need to provide more guidance on end use of sustainable finance by REs, especially regarding which end uses would qualify for sustainable financing as well as an approach to monitoring end use. The Securities and Exchange Board of India's green debt securities framework's list of end uses is one step in this direction.

This could be a starting point for the RBI to develop its own regulation keeping in mind the instrument level nuances between bonds (longer tenors, largely capex intensive end use) and banking products (varying tenors and end uses, treasury products, non-fund based products, etc.). This would limit the possibilities of window-dressing or green washing.

Definition of climate risk as a separate risk class and disclosures of the same: Normally, lenders are used to assessing the risk of any potential loan in terms of credit, market, liquidity and operational risks. The RBI, in its guidelines should stipulate a separate formal definition of climate risk for the finance sector — the sources of climate risks could be physical, transition, liability, etc.

Along with the definition stipulation, it would also be good for the RBI to stipulate basic common disclosures related to this risk class in the organisation's annual reports/periodic filings. Encouraging REs to adopt the Task Force on Climate-Related Financial Disclosures (TCFD) guidelines is a welcome move and one that will improve REs' acceptability and access to foreign funds/markets where TCFD is almost universally accepted as a disclosure norm.

Capacity building: There is a pressing need for preparing adequate number of well-trained professionals for RBI's REs in the rapidly evolving areas of climate risk and sustainable finance. There are many trained professionals attached to various international bodies and consulting firms in these areas.

A central training body such as the Indian Institute of Banking and Finance (IIBF) may be considered to prepare and provide regular trainings and technical skills upgradation courses for REs staff who will be part of the departments responsible for climate risk assessment and/or involved in sustainable finance initiatives.

To ensure that the RBI climate risk policy is based on empirical data and cutting edge scientific research from both domestic and global sources, the following may be considered:

A joint steering committee from the RBI, SEBI and the Insurance Regulatory and Development Authority (IRDA), under the aegis of Ministry of Finance (MoF), could start looking at climate risk issues together and come out with a joint policy response for climate risk measurement and mitigation given the interdependent nature of financial institutions and markets.

A centralised public database pertaining to climate vulnerabilities such as inundation in flood-prone areas, heat stress, etc., is key to empowering REs to carry out robust climate risk assessment. The joint steering committee may formally engage with the domestic and international climate scientists community to build on their available data..

Another source for REs for measuring relative climate/ environmental impact of their individual borrowers may be the Business Responsibility and Sustainability Report (BRSR) for ESG (Environment, Social and Governance) parameters for the top 1,000 listed Indian companies by market capitalisation (mandatory stipulation by SEBI) as well as ESG ratings (assigned by SEBI approved rating providers).

These reporting formats are fairly detailed and cover measurable parameters of climate impact such as emissions, generation of pollutants, etc. This information may be useful for REs conducting climate risk stress testing and simulations on their loan books at a total portfolio level.

The RBI can create a Special Empowered Task Force to study the various sustainable finance instruments issued. This Task Force may bring out half yearly or annual reports/compendium detailing observations, trends of impact assessment, etc. These documents could provide valuable guidance to financial institutions, both domestic and global. https://www.thehindubusinessline.com/opinion/risk-proofing-climate-finance/article66513627.ece

16. NHAI may miss road target by a wide margin *(livemint.com)* 16 Feb 2023

Against a target of road construction of over 12,000 km, the pace of work so far indicates the National Highway Authority of India may not even reach 10,000 km mark in FY23, way below even last year when prolonged rains and the third covid wave cut construction to just 10,400 km.

New Delhi: Infrastructure development may top the government agenda, but the pace of road and highway construction is slipping badly, setting the stage for the year's target being missed by a wide margin.

Against a target of road construction of over 12,000 km, the pace of work so far indicates the National Highway Authority of India may not even reach 10,000 km mark in FY23, way below even last year when prolonged rains and the third covid wave cut construction to just 10,400 km.

As per the ministry of road transport and highways data, till January-end only 6,803 km of highways had been built, including 1,009 km in January.

If this pace is maintained, the country may end up with around 8,500-9,000 km of roads in FY23, the lowest in the last four years, a person privy to the development said.

To reach 12,000 km now, NHAI may have to build around 85 km of roads per day, a feat never achieved and much higher than even the aspirational target of 50 km a day, the person quoted above said.

Questions sent to NHAI and ministry of road transport and highways remained unanswered till the time of going to press. But officials said the slow pace may be attributed to NHAI using a portion of the government's budgetary allocations to cut down its debt that has shot up to over ₹3 trillion.

"The road construction this year may not be showing actual km additions as in case of several new projects a lot of work is going towards land acquisition. Also, NHAI is also focused on other infrastructure development projects connected with PM Gati Shakti mission. But, the last few months of the year is generally good for highway development and we may see big pick up in construction now," said Arindam Guha, partner, government and public services, Deloitte India.

As per the latest data from ministry of road transport and highways (MoRTH), highway construction in the country reached 7,803 km in FY23 upto January end. This is higher than 6,684 km of road constructed upto January in FY22 when the year ended with total highway construction of 10,457 km.The construction this year is even slower than the first year of pandemic that resulted in wide scale disruptions in economic activities.Though there is a slowdown in construction, a big pick up is seen in road awards in FY23 indicating that construction will also pick up pace in coming months. NHAI has awarded a total of 8,400 km of highways upto January this year against award of just 6,883 km in the same period last year. Increase in award is indicative of improving health of the sector with rising appetite for contractors to pick up projects.While the government has not provided any reason for the weak performance in highway construction this year, an official in the road transport ministry said disruptions from the Omicron wave and a prolonged monsoon prevented the National Highways Authority of India (NHAI) from completing the targeted 12,000km last year, and the trend seems to be continuing this year. But, MoRTH still hopes of reaching 12,000 km of target given that agencies have already been asked to push up constructions and government is flush with funds to get roads completed at accelerated pace.

But signals of a slowdown in India's road sector seem to be getting stronger with each passing day as higher inflation and rising interest cost has also made it difficult for investors to put their money in road projects where returns would be delayed and be inconsistent.An official of MoRTH said that the current development is in line with three year trend where constructions have remained slow in the first six months but picks up pace thereafter.

“Even this year, we have surpassed the target upto January, meaning the shortfall may quickly get eliminated," said the official.The government constructed 10,237 km of highways in the pre-pandemic period of FY20 at 28.04 km per day.

This increased substantially in the first year of the pandemic when the country saw lockdowns, which indirectly helped speed up construction. That year (FY21), a record 13,327 km of highway were built at 36.51 km per day. Last year (FY22) the pace again slowed down to 10,457 km at 28.64 km per day.

The road ministry had originally set a target of 14,600km of highways in 2021-22—or 40km of construction per day—up from the 13,327km target for the previous year. It later scaled it down to 12,000km. Similarly, the target has been kept low at 12,000 km even in FY23 even though road minister Nitin Gadkari had earlier indicated that 18,000 km of highway may be looked at in the current year. https://www.livemint.com/news/india/nhai-may-miss-road-target-by-a-wide-margin-11676484046332.html

17. Behind the push to merge BSNL & MTNL: An Explainer *(financialexpress.com)* February 16, 2023

The Centre has been trying merge BSNL and MTNL for two decades now. In 2022, it announced a Rs 1.64 trillion package for the two PSUs, with merger as an outcome. Now, with Deloitte appointed as a transaction advisor, the government is pushing forward with the plan. Jatin Grover takes a look at merger proposal and why it hasn't taken off so far.

Behind the merger proposal

The proposal to merge MTNL with BSNL was first floated ~20 years ago, when Pramod Mahajan was the Union telecom minister. The Centre's intent to merge the two was driven by the objective of reviving the two telcos and rationalising their costs—by then, both had started facing financial pressure due to competition from the private players in the sector.

Experts hold that a merger will help the combined entity to lower costs and compete in the market. At the same time, it will increase the burden on BSNL, given the high levels of debt in MTNL's books. In 2019, the Centre again approved the merger in-principle, but the plan was put on hold once more, thanks to MTNL's weak financials. After the revival package of Rs 1.64 trillion, the Centre is aiming to complete the merger.

Why the merger hasn't taken off so far

From late 2002, when the merger was first proposed, to 2014, when the Centre set a deadline of 2015 to complete the merger, the merger of the two telecom PSUs could not take off. The proposal was rejected multiple times, owing to complex issues such as different salary structures of both the PSUs (salaries of MTNL employees are higher than BSNL), higher debt of MTNL (of around Rs 30,000 crore), and MTNL being a listed company, among others.

"Due to financial reasons including high debt of MTNL, the merger of MTNL with BSNL is deferred," the minister of state for communications Devusinh Chauhan told the Rajya Sabha on April 6, 2022. Besides, the employee union of BSNL also wrote to prime minister Narendra Modi before the revival package was announced last year to not go ahead with the merger as it would do irreparable damage to BSNL.

Why merge?

The Centre has made it very clear three private players and BSNL will help maintain competitive balance. The latest merger moves must be seen against this backdrop. Besides, MTNL is operational only in the Delhi and Mumbai circles, whereas BSNL is present in all other circles; thus, a merger will help strategise customer retention and acquisition better, apart from lowering costs.

To smoothen the path ahead…

The government's revival package of Rs 1.64 trillion is a strong trigger for the conclusion of the merger.

As part of the revival package, the Centre has provided for MTNL and BSNL raising sovereign guarantee bonds to repay high-cost debt and restructuring it with new sustainable loans.Reports suggest that the Centre may also look at delisting MTNL from the stock exchanges to proceed with the merger.

What the financials of the two telecom PSUs look like

While the government had announced the revival package for the two telecom PSUs in 2022, to de-stress their balance sheets, on the operational front and financial performance, the companies don't have a strong showing to boast off.

In FY22, BSNL's revenues declined nearly 4% year-on-year, to Rs 16,809 crore. The company's loss stood at Rs 6,982 crore, compared to Rs 7,441 crore in the preceding financial year. Over the last six years, BSNL's revenue from operations fell by over 40%, which has also increased the losses for the company. One of the reasons for the company's fall in revenues is the near-continuous loss of subscribers.

In the nine months ended December 2022, the company's revenue rose 14.5%, to Rs 12,761 crore, whereas its losses rose to Rs 5,457 crore.

For MTNL, in the nine months ended December, the revenue was down 21%, to Rs 716 crore, and losses expanded to Rs 2,166 crore. According to projections made by the government, BSNL is expected to generate a net profit in the financial year 2026-27, owing to approval of the revival package. https://www.financialexpress.com/industry/behind-the-push-to-merge-bsnl-amp-mtnl-an-explainer/2982767/

18. Cabinet approves projects worth Rs 6600 crore to strengthen India's borders *(newindianexpress.com)* Updated: Feb 16, 2023

NEW DELHI: In a bid to make the borders of India more secure through people's participation coupled with additional troop deployment, the Union Cabinet has approved centrally sponsored schemes worth over Rs 6600 crores, to be spent on infrastructural development over the financial years 2022-23 to 2025-26.

In two significant decisions taken on Wednesday, the Cabinet headed by Prime Minister Narendra Modi cleared the induction of seven additional battalions of Indo-Tibetan Border Police, primarily meant to guard the India-China border and also approved the "Vibrant Villages Programme" (VVP) with financial allocation of Rs. 4800 Crore till 2025-26.

Amidst the continuing unrest along the Line of Actual Control (LAC), the induction of seven additional battalions of ITBP, to guard the Indo-China border and setting up of a sector headquarters (SHQ) to supervise them has been cleared. The additional battalions will be raised to man 47 new Border Out Posts (BOPs) and 12 staging camps, further strengthening the security grip along the LAC, Union Minister Anurag Singh Thakur said.

An estimated cost of Rs 1,800 cr will be spent for the construction of office and residential buildings, land acquisition, and purchase of arms and ammunition. Around ₹963 crores will be spent per year on salaries, ration of the personnel and other recurring expenditure, the minister said.

A total of 9,400 troops will be inducted into the ITBP for the additional seven battalions and the sector headquarter, according to people familiar with the matter. The additional battalions and the SHQ will help fill gaps on border posts. The establishment of these battalions and sector headquarters is expected to be completed by 2025-26.

Informing about the VVP project meant for the villages located along India's border, Thakur said with a financial allocation of Rs 4800 cr upto 2025-26, comprehensive development of villages of blocks on northern border has been cleared with an aim to improve the quality of life of people living in identified border villages.

The scheme will provide funds for development of essential infrastructure and creation of livelihood opportunities in 19 Districts and 46 Border blocks 4 states and 1 UT along the northern land border of the country which will help in achieving inclusive growth and retaining the population in the border areas. In the first phase 663 Villages will be taken up in the programme, the minister said.

Elaborating further Thakur said, the scheme aids to identify and develop the economic drivers based on local natural human and other resources of the border villages on the northern border and development of growth centres on “Hub and Spoke Model” through promotion of social entrepreneurship, empowerment of youth and women through skill development and entrepreneurship. “This will help in encouraging people to stay in their native locations in border areas and reversing the outmigration from these villages adding to improved security of the border,” Thakur said.

The VVP also aims to leverage the tourism potential through promotion of local cultural, traditional knowledge and heritage and development of sustainable eco-agribusinesses on the concept of “One village-One product” through community-based organisations, Cooperatives, SHGs, NGOs etc. https://www.newindianexpress.com/nation/2023/feb/16/cabinet-approves-projects-worth-rs-6600-crore-to-strengthen-indias-borders-2547772.html

19. Army Commits to Buy 95 Made-In-India Attack Helicopters with HELINA Anti-Tank Missiles *(swarajyamag.com)* Updated: Feb 15, 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 in Bengaluru 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://swarajyamag.com/defence/aero-india-2023-army-commits-to-buy-95-made-in-india-attack-helicopters-with-helina-anti-tank-missiles

20. Order audit of Ayushman funds, Punjab governor Banwarilal Purohit urged; Centre may stop aid *(timesofindia.indiatimes.com)* Updated: Feb 16, 2023

CHANDIGARH: With the central government putting its foot down on the use of Ayushman funds in setting up Aam Aadmi Clinics, Punjab governor Banwarilal Purohit has been urged to order an audit of funds being utilised by the Bhagwant Mann-led state government in converting the existing health infrastructure into much talked about clinics.

The chief minister Bhagwant Mann-led AAP government in Punjab has reportedly spent around Rs 83 crore on setting up 500 Aam Aadmi Clinics at existing health centres and other facilities.

Union health minister Mansukh Mandaviya, while responding to a question by YSRCP member K Raghu Rama Krishna Raju in the Lok Sabha on February 10, had objected to several states, including Punjab, claiming to have created healthcare facilities under different names by utilisation of Ayushman Bharat-Health and Wellness Centres funds.

The health minister had informed the House that the funds to the erring states under the scheme might be stopped.

The Ayushman Bharat-Health and Wellness Centres under the Ayushman Bharat programme is a flagship scheme of the central government that aims at delivering comprehensive primary healthcare, including preventive, promotive, curative, palliative and rehabilitative services for free, and closer to the community, the minister had stated.

Terming the utilisation of central funds for rebranding a violation of the MoU, social activist Dr Daler Singh Multani, who retired as a civil surgeon from the Punjab government, has written to governor Banwarilal Purohit urging him to order an audit of Ayushman Bharat funds used by the state government.

He also requested the governor to direct the state government that the funds allocated by the central government should be used only for the earmarked scheme and not for vote bank politics.

Dr Multani feared that if not checked, the state government would end up destroying the entire government health structure. "If the central government stops providing funds, as warned by the Union health minister in the Parliament, it will impact not only the health services but also a large number of employees engaged in these health and wellness centres," said the former civil surgeon. https://timesofindia.indiatimes.com/city/chandigarh/order-audit-of-ayushman-funds-guv-urged-centre-may-stop-aid/articleshow/97966074.cms