NEWS ITEMS ON CAG/ AUDIT REPORTS

1. CAG's Rs 1.76 lakh crore 2G spectrum 'presumptive loss' contestable: Ex-RBI Governor Duvvuri Subbarao *(indianexpress.com)* Updated: May 1, 2024

Ten years later, Duvvuri Subbarao, a former Union Finance Secretary and RBI governor, said the assumptions underlying CAG's estimate of Rs 1.76 lakh crore presumptive loss in the 2G telecom scam are contestable on several grounds.

The 2G spectrum pricing became a hot issue before the 2014 Lok Sabha elections with the Comptroller and Auditor General (CAG) estimating Rs 1.76 lakh crore 'presumptive loss' for the government. Opposition parties led by BJP then made it a major election issue, among other scams, which eventually led to the exit of the UPA government headed by Manmohan Singh in the elections.

Ten years later, Duvvuri Subbarao, a former Union Finance Secretary and RBI governor, said the assumptions underlying CAG's estimate of Rs 1.76 lakh crore presumptive loss in the 2G telecom scam are contestable on several grounds. "CAG did not reckon with the significant spin off benefits of low spectrum pricing," Subbarao said in an interview to The Indian Express.

"Arguably, it's possible to come out with a study that would, in fact, show a 'presumptive gain' to the government—that the overall benefits to the government far exceed the revenue foregone—by making assumptions that would be no less robust than those underlying the CAG methodology," Subbarao said ahead of the release of his book "Just a Mercenary?"

"The sacrifice of upfront revenue would be neutralized by recurring revenue the government would earn via larger spectrum usage. Also, the CAG did not take into account the substantial equity and efficiency gains that would accrue to the economy via deeper telecom penetration," said Subbarao.

He said the reality is that it's difficult to quantify the costs and benefits of decisions like this without making heroic assumptions.

As finance secretary, Subbarao contested the proposal of Department of Telecom, then headed by DMK Minister A Raja, to give away these second-round spectrum licences in 2007/08 at the same price as that set in 2001. "I argued that we must rediscover the price through a fresh auction since experience in India and around the world during the intervening years showed that spectrum was a scarcer commodity than originally believed. It's only fair that a part of the scarcity premium must accrue to the government," he said.

The DoT pushed back against this proposal. Later, at a meeting with the prime minister, it was decided that this round of spectrum would be given at the 2001 price but all future spectrum would be allocated only through an auction, he said.

The 2G pricing issue assumed crisis proportions when it later turned out that some of the licensees were making windfall profits. The government came in for severe criticism, among other things, for ignoring the advice of its own finance secretary. “I was made to look like a hero. But when I appeared before the JPC, they grilled me on just one question: why didn’t I pursue my suggestion and why did I give in? The JPC was not satisfied with my response that there were limits to the extent to which a civil servant could push his advice. They made it look like I gave up on the interest of the government and made me feel like a villain,” he said.

“In the course of my evidence in the CBI court, the judge asked me if I believed it was right for the government to incur such a huge loss of revenue,” he said.

“I replied that it was misleading to call it ‘a loss of revenue’ when it was actually ‘a sacrifice of revenue’ and added that it was very much open to a democratically elected government to sacrifice revenue if it believed that the resultant gains, both tangible and intangible, exceeded the forgone revenue,” he said. In his judgement, the CBI court said that Subbarao displayed the quality of a “sterling witness” by remaining reasonable and objective in his deposition.

On the advice given by PM Manmohan Singh when he was appointed the RBI governor, Subbarao said, “I related to the prime minister’s advice particularly during my long fight against high and stubborn inflation for over two years during my RBI tenure. Inflation hurts everyone but it hurts the poor disproportionately.”

“I remembered how my parents used to struggle to manage our household budget on a low middle-class income when we were growing up,” Subbarao said. “Your mind will become so cluttered with numbers like inflation, interest rate, money supply and credit growth that you will forget that there are real people behind those numbers. Please be watchful of that possible blind spot,” Singh had told him.

As a joint secretary in the finance ministry, he signed off on the pledge of gold during the balance of payments crisis in 1991, he said, “as a director in the finance ministry, I was handling balance of payments (BoP). I saw first-hand, on my direct watch, the rapid decline in our forex reserves and how we were reduced to scraping the bottom of the barrel. On many occasions, to maintain forex liquidity, we even had to play the clock – borrowing in Tokyo in the evening to repay in New York, only to reverse the deal in the next half day.”

“The Japanese came to our rescue in that difficult time by providing bridge finance. As joint secretary in charge of Japanese assistance, I had the responsibility of negotiating this lifeline to get us through those critical months. And of course, I also had the dubious distinction of signing away the papers that mortgaged our gold for a temporary loan,” Subbarao said.

On his RBI tenure, Subbarao said, “the five years I was at the helm of the RBI (2008-13) were truly turbulent. The global financial crisis erupted just a week after I assumed office. Just as the crisis was receding, we were hit by an extraordinary bout of inflation which segued into a battle against a crash in the rupee in the face of what were termed taper tantrums.”

"You must remember that there was behind me a great institution – the RBI with immense experience and expertise in handling crisis situations like this. It was that support and confidence which helped me navigate these challenges," he said.

Subbarao dealt with two finance ministers – Chidambaram and Pranab Mukherjee — and reportedly had disagreements with both of them on the RBI policy stance. "Both Mukherjee and Chidambaram had regard for the RBI as an institution. Also, they were both always courteous to me. Even as we had differences, our interactions were always cordial. There were differences though in the settings of the meetings and the mechanics of interaction."

"Chidambaram would almost always meet me alone. He typically heard me out and gave his point of view, or 'advice' as he called it, unequivocally and firmly," he said.

"The meetings with Pranab Mukherjee, on the other hand, were more formal and larger in setting with all the secretaries of the finance ministry and all his advisers being present and actively participating. All the talking at these pre-policy meetings would be done by his team while he himself mostly stayed quiet. I could never figure out if they had a strategy session in preparation for this meeting or if all of the presentations of the 'finance minister's view' by his staff were spontaneous," he said.

"Coming from the old school, Mukherjee had no understanding of RBI autonomy whereas Chidambaram understood it but could not always acquiesce in it. In meetings, Mukherjee's stance was straightforward—that the Reserve Bank should ease on the interest rate to support growth. Chidambaram, on the other hand, was more nuanced; he believed that I should cut rates in acknowledgement of his efforts at fiscal consolidation, and would assert his arguments more firmly and forcefully," Subbarao said. https://indianexpress.com/article/business/cags-rs-1-76-lakh-crore-2g-spectrum-presumptive-loss-contestable-subbarao-9299963/

2. Ex-RBI Governor D Subbarao on 2G scam: 'CAG's Rs 1.76 lakh crore 'presumptive loss' contestable' *(businesstoday.in)* May 1, 2024

The former governor said that arguably, it was possible to come out with a study that would show a 'presumptive gain' to the government — that the overall benefits to the government far exceed the revenue foregone — by making assumptions that would be no less robust than those underlying the CAG methodology.

Ten years after the alleged telecom scam rocked the Congress government at the Centre, former RBI Governor Duvvuri Subbarao has said that the CAG's estimate of Rs 1.76 lakh crore presumptive loss in the 2G case is contestable on several grounds. "CAG (Comptroller and Auditor General) did not reckon with the significant spin-off benefits of low spectrum pricing," Subbarao said in an interview with The Indian Express.

The former governor said that arguably, it was possible to come out with a study that would show a 'presumptive gain' to the government — that the overall benefits to the government far exceed the revenue foregone — by making assumptions that would be no less robust than those underlying the CAG methodology.

"The sacrifice of upfront revenue would be neutralized by recurring revenue the government would earn via larger spectrum usage. Also, the CAG did not take into account the substantial equity and efficiency gains that would accrue to the economy via deeper telecom penetration," Subbarao told IE.

In its report in November 2010, the CAG estimated that the 2G scam had caused an astronomical loss of Rs 1.76 lakh crore to the state exchequer. The CBI, in its charge sheet, alleged there was a loss of Rs 30,984 crore to the exchequer in the allocation of licences for the 2G spectrum.

Subbarao, Union Finance Secretary from July 2007 to September 2008, said it was difficult to quantify the costs and benefits of decisions like this without making heroic assumptions. He said he contested the proposal of the Department of Telecom, then headed by DMK Minister A Raja, to give away these second-round spectrum licences in 2007/08 at the same price as that set in 2001.

"I argued that we must rediscover the price through a fresh auction since experience in India and around the world during the intervening years showed that spectrum was a scarcer commodity than originally believed. It's only fair that a part of the scarcity premium must accrue to the government," he said.

The DoT pushed back against this proposal. Later, at a meeting with the prime minister, he said, it was decided that this round of spectrum would be given at the 2001 price but all future spectrum would be allocated only through an auction.

Subbarao said that in the course of his evidence in the CBI court, the judge asked him: "If I believed it was right for the government to incur such a huge loss of revenue."

"I replied that it was misleading to call it a 'loss of revenue' when it was actually 'a sacrifice of revenue' and added that it was very much open to a democratically elected government to sacrifice revenue if it believed that the resultant gains, both tangible and intangible, exceeded the forgone revenue," he said.

In December 2017, a special CBI court acquitted former telecom minister A Raja and other accused in three separate 2G cases, observing that there was no scam. In March 2018, the Enforcement Directorate approached the high court, challenging the special court's judgement acquitting all the accused. A day later, the CBI too challenged in the High Court the acquittal of the accused persons.

In March this year, the Delhi High Court admitted a CBI appeal challenging the acquittal. The court said that based on the material on record, a prima facie case is made out by the CBI and the appeal needs to be heard in detail.

https://www.businesstoday.in/india/story/ex-rbi-governor-d-subbarao-on-2g-scam-cags-rs-176-lakh-crore-presumptive-loss-contestable-427772-2024-05-01

STATES NEWS ITEMS

3. कैग रिपोर्ट आने के बाद मचा हड़कंप, स्मार्ट सिटी दफ्तर के चक्कर लगा रहे अफसर *(punjab.punjabkesari.in)* May 1, 2024

देश के सबसे बड़े ऑडिट संस्थान कैग ने हाल ही में जालंधर स्मार्ट सिटी के खातों के ऑडिट बारे विस्तृत रिपोर्ट जारी की है।

जालंधर: देश के सबसे बड़े ऑडिट संस्थान कैग ने हाल ही में जालंधर स्मार्ट सिटी के खातों के ऑडिट बारे विस्तृत रिपोर्ट जारी की है। कैग की इस रिपोर्ट में स्मार्ट सिटी जालंधर में पिछले समय दौरान हुई कई गड़बडियों का खुलासा किया गया है। कैग के इस खुलासे के बाद पंजाब के उन अफसरों में हड़कंप मच गया है, जिन्होंने समय-समय पर जालंधर स्मार्ट सिटी में या तो काम किया या उनके पास सी.ई.ओ. इत्यादि पोस्ट का चार्ज रहा।

कैग ने यह ऑडिट 2015 से लेकर 31 मार्च 2023 तक समाप्त हुए वित्तीय वर्ष तक का किया है, इसलिए इन 9-10 सालों दौरान स्मार्ट सिटी जालंधर में रहे अधिकारियों की संख्या भी काफी है। इस दौरान पता चला है कि जालंधर स्मार्ट सिटी में रहे अधिकारियों ने अब जालंधर ऑफिस के चक्कर लगाने शुरू कर दिए हैं। स्मार्ट सिटी के मौजूदा अधिकारी जहां कैग की आपत्तियों के आधार पर विस्तृत रिपोर्ट तैयार कर रहे हैं, वहीं पिछले समय दौरान रहे अधिकारियों से भी स्पष्टीकरण मांग कर उसे कैग को भेजी जाने वाली रिपोर्ट में लगाया जा रहा है।

अभी तो कई सौ करोड़ रुपयों के खातों का होना है ऑडिट, निकल सकती हैं कई गड़बडियां

कैग ने हाल ही में जालंधर स्मार्ट सिटी के खातों संबंधी जो ऑडिट रिपोर्ट दी है, उसमें जालंधर स्मार्ट सिटी द्वारा पिछले 8-9 सालों में खर्च किए गए 618 करोड़ रुपए के खातों का हिसाब किताब आंका गया है। गौरतलब है कि जालंधर स्मार्ट सिटी ने इन सालों में 618 से कहीं ज्यादा पैसे खर्च किए हैं जिन संबंधी खातों का अभी ऑडिट ही नहीं हुआ है। मिसाल के तौर पर रैनक बाजार इत्यादि अनेक क्षेत्रों में बिजली की तारों को ऊंचा करने बाबत स्मार्ट सिटी का जो प्रोजैक्ट चलाया गया, उसमें पैसे पावरकाम को ट्रांसफर किए गए।

इसी प्रकार जालंधर सिटी रेलवे स्टेशन के सौंदर्यीकरण बाबत प्रोजैक्ट के पैसे रेलवे को ट्रांसफर हुए। काला संघिया ड्रेन के सौंदर्यीकरण बाबत चले प्रोजेक्ट के पैसे ड्रेनेज विभाग द्वारा खर्च किए गए। खास बात यह है कि यह सभी प्रोजैक्ट क्योंकि स्मार्ट सिटी जालंधर द्वारा चलाए गए इसलिए स्मार्ट सिटी के अधिकारियों की जिम्मेदारी बनती थी कि वह इन प्रोजैक्टों का भी ख्याल रखते कि कहीं उनमें गड़बड़ी तो नहीं हुई। अब देखना होगा कि स्मार्ट सिटी के ऐसे खातों का कब ऑडिट होगा और उनमें क्या निकल कर आएगा।

थर्ड पार्टी जांच में भी निकल चुके हैं कई नुक्स, प्रिंसिपल सेक्रेटरी भी काम से नाखुश दिखे थे

जालंधर स्मार्ट सिटी का एक प्रोजैक्ट स्मार्ट रोड्ज बाबत भी है जो 50 करोड़ रुपए से भी ज्यादा का है। शहर में आम चर्चा रही कि जिस क्षेत्र को स्मार्ट बनाने के लिए यह प्रोजैक्ट तैयार किया

गया वहां कोई समस्या थी ही नहीं। वहां पहले से ही सड़कें अच्छी भली थीं, वहां बरसाती पानी की समस्या नहीं थी और स्ट्रीट लाइटें भी चकाचक थीं । फिर भी 50 करोड़ रुपए इन्हीं चीजों पर खर्च करने की तुक किसी को समझ में नहीं आ रही ।

यह प्रोजैक्ट शुरू से ही विवादों में रहा। काम की क्वालिटी और प्रगति को लेकर भी कई आरोप लगे। थर्ड पार्टी जांच भी हुई , कई नुक्स निकले पर किसी को जवाबदेह नहीं ठहराया गया। एक बार तो वर्कशॉप चौक में पूरी की पूरी सड़क ही धंस गई पर फिर भी किसी पर एक्शन नहीं हुआ । स्मार्ट रोड्ज प्रोजैक्ट में गड़बड़ियों को लेकर जालंधर निगम के दो अधिकारियों को नोटिस जारी किए गए पर सवाल उठते रहे कि जालंधर निगम तो केवल नोडल एजेंसी थी , जालंधर स्मार्ट सिटी कंपनी के जिस टीम लीडर की देखरेख में यह प्रोजैक्ट चला, उनपर कोई एक्शन क्यों नहीं लिया गया ।

गौरतलब है कि जब यह प्रोजैक्ट शुरू हुआ और करोड़ों का काम हुआ , तब सी.ई.ओ करनेश शर्मा और टीम लीडर कुलविंदर सिंह थे। कुलविंदर सिंह निगम से रिटायर्ड एस.ई. हैं और सरकार से पैंशन ले रहे हैं फिर भी उन्हें कभी इस प्रोजैक्ट में लापरवाही हेतु जवाबदेह नहीं बनाया गया। उनके बाद आए टीम लीडर ने भी इस प्रोजैक्ट को लेकर गंभीरता क्यों नहीं दिखाई। लोकल बाडीज विभाग के प्रिंसिपल सैक्रेटरी अजॉय शर्मा ने एक बार स्मार्ट रोड्ज प्रोजैक्ट का दौरा किया और वर्कमैनशिप पर नाखुशी जताई और अधिकारियों को डांटा। उसके बाद भी कुछ नहीं हुआ। https://punjab.punjabkesari.in/jalandhar/news/there-was-a-stir-after-the-cag-report-1974166

4. कैग टीम के प्रश्नों के समक्ष बेबस हुए मुंगेर विवि के अधिकारी *(livehindustan.com)* 01 May 2024

मुंगेर: मंगलवार को मुंगेर विश्वविद्यालय के सिंडिकेट सभागार में कुलपति प्रो श्यामा राय की अध्यक्षता में नियंत्रक एवं महालेखा परीक्षक की टीम ने विश्वविद्यालय के आडिट इकाई के अधिकारियों के साथ एक बैठक की। बैठक में कैग टीम के सदस्यों ने विश्वविद्यालय के अधिकारियों से उनके यहां कार्यरत शिक्षकेतर कर्मियों की नियुक्ति प्रक्रिया, कर्मियों की सूची, संबद्ध कालेजों से संबंधित विश्वविद्यालय की ओर से प्राप्त डाटा, संबद्ध कालेजों पर विश्वविद्यालय के नियंत्रण व विश्वविद्यालय की अधिकार सीमा, विश्वविद्यालय एवं कालेजों में संचालित पाठ्यक्रम, विश्वविद्यालय अनुदान आयोग तथा राज्य सरकार सहित अन्य संगठनों से प्राप्त अनुदान और उसके खर्च की प्रक्रिया आदि से संबंधित कई प्रश्न पूछे।

किंतु, विश्वविद्यालय सूत्र से मिली जानकारी के अनुसार बैठक में शामिल विश्वविद्यालय के अधिकारी कैग टीम के प्रश्नों के आगे पूरी तरह बेबस दिखे। ऐसे में कैग टीम के सदस्यों ने विश्वविद्यालय के अधिकारियों से मांगी गई जानकारी समुचित ढंग से नहीं मिलने पर अपनी आपत्ति व्यक्त की और इसे शिक्षा विभाग को भेजने की बात कही। https://www.livehindustan.com/bihar/munger/story-munger-university-officials-were-helpless-in-front-of-the-questions-of-cag-team-9890776.html

5. विवि के ऑडिट सेल के अधिकारियों की हुई बैठक *(bhaskar.com)* 01 May 2024

मुंगेर। सिंडिकेट सभागार में विश्वविद्यालय के ऑडिट सेल के अधिकारियों के साथ भारत के नियंत्रक एवं महालेखा परीक्षक (कैग) की टीम की मंगलवार को बैठक हुई। अध्यक्षता कुलपति प्रो. श्यामा राय ने की। कुलसचिव कर्नल विजय कुमार ठाकुर भी बैठक में उपस्थित थे। बैठक में कैग टीम द्वारा विश्वविद्यालय से मांगी गई जानकारियों को लेकर चर्चा की गई। https://www.bhaskar.com/local/bihar/munger/news/a-meeting-of-the-officials-of-the-universitys-audit-cell-was-held-132953559.html

SELECTED NEWS ITEMS/ARTICLES FOR READING

6. The case for cautious optimism over state of Indian economy *(indianexpress.com)* Updated: May 1, 2024

It has fared better than expected and the momentum is likely to continue. However, concerns, especially over jobs, remain

Indian economy, Indian economy growth, GDP, GDP growth rate, India GDP forecast, editorial, Indian express, opinion news, indian express editorialAs per the India Meteorological Department, the southwest monsoon this year is "most likely to be above normal".

Last year, the Indian economy fared better than expected. The National Statistical Office's second advance estimates have pegged growth for the full year at 7.6 per cent. As per the International Monetary Fund's Regional Economic Outlook report, India has been a "source of repeated positive growth surprises". There are expectations of the growth momentum continuing this year as well. In its most recent World Economic Outlook, the IMF has upped its growth projections for the country. The Fund now expects the Indian economy to grow at 6.8 per cent in 2024-25, up from its earlier projection of 6.5 per cent. The Reserve Bank of India is more optimistic. In the last monetary policy committee meeting, the central bank had projected growth at 7 per cent. The Asian Development Bank has also upped its estimate of growth this year to 7 per cent. The World Bank has pegged the economy to grow at a marginally lower rate of 6.6 per cent in its recent South Asia Development update. Rating agency Crisil expects growth at 6.8 per cent, while ICRA is less optimistic at around 6.5 per cent. This range of GDP growth estimates from 6.5 to 7 per cent does suggest that the Indian economy is likely to remain the fastest growing large economy in the world.

There are several reasons to be optimistic about the country's growth prospects. As per the India Meteorological Department, the southwest monsoon this year is "most likely to be above normal". There is a 60 per cent chance of La Nina conditions developing by June-August as per the most recent update from the US National Oceanic and Atmospheric Administration. A good monsoon would bode well for food production, and, as a consequence, possibly provide a fillip to rural demand. There are also expectations of a firm pickup in private investment activity as capacity utilisation rates rise. Both bank and corporate balance sheets are healthy — bank non-performing loans fell to 3.2 per cent in September 2023, while the corporate debt-to-equity ratio has fallen from 1.16 in 2014-15 to 0.85 in 2022-23 as per a report from Nomura. However, there is a possibility of government capex slowing down in the first few months of the year due to the elections. On the trade front, while the IMF does expect world trade volume in both goods and services to pick up, uneven global growth and geopolitical conflicts do create uncertainty.

There are, however, several sources of concern. As per the IMF, growth in the global workforce will be driven by India and sub-Saharan Africa, with these regions accounting for "nearly two in every three entrants over the medium term". Creating more productive forms of employment opportunities for the millions entering the labour force each year should be a top priority for the next government. Alongside, it must also commit to the path of fiscal consolidation and bring down its debt. https://indianexpress.com/article/opinion/editorials/the-case-for-cautious-optimism-over-state-of-indian-economy-9299745/

7. IMF raises India's FY24 GDP growth forecast to 7.8%, higher than the government's projection *(timesofindia.indiatimes.com)*

May 01, 2024

The International Monetary Fund (IMF) has projected that India's economy will grow by 6.8% in the current fiscal year, driven primarily by public investment. Krishna Srinivasan, Director of the Asia and Pacific Department at the , stated, "In China and India, we expect investment to contribute disproportionately to growth— much of it public, especially in India."

The IMF has revised its growth forecast for India upward from its January projection of 6.5% to 6.8%.

Additionally, the IMF has raised its outlook for India's FY24 growth to 7.8%, surpassing the government's estimate of 7.6%. The IMF report highlighted that "India and the Philippines have been the source of repeated positive growth surprises, supported by resilient domestic demand."

Regarding inflation, the IMF anticipates a more favorable situation for emerging markets, where inflation is already at or near the target. The report stated, "Core inflation is largely expected to remain contained. As for headline inflation, several economies may experience further reductions due to lower energy prices while in others (for example, India), food price pressures—especially for rice— may slow headline disinflation."

India's inflation rate fell to a 10-month low of 4.9% in March, although food inflation remained persistent above 8%.

The IMF has maintained its FY25 forecast for India at 4.6%, with a further decrease to 4.2% in FY26. The Reserve Bank of India anticipates inflation to drop to 4.5% in the current fiscal year.

In addition to India's positive outlook, the IMF has raised its forecast for the Asia and Pacific region to 4.5% from the previously projected 4.2% in October. The fund noted that the region's economic slowdown in 2024 is expected to be less severe than initially anticipated, as inflationary pressures continue to ease. The IMF also highlighted that risks to the near-term outlook are more evenly balanced.

Concerning inflation, the IMF suggested differentiated policies for the region, with a "tighter-for-longer stance in economies where inflation is elevated, and accommodative macro-policies in economies with sizeable slack." https://timesofindia.indiatimes.com/business/india-business/imf-raises-indias-fy24-gdp-growth-forecast-to-7-8-higher-than-the-governments-projection/articleshow/109747080.cms

8. Inheritance taxes: A key step towards reducing economic inequality *(frontline.thehindu.com)* Apr 30, 2024

Even as PM Modi communalises the debate on inheritance taxes, it is imperative that we understand what the tax implies and how it can help the nation.

A feature of the ongoing election to the 18th Lok Sabha is an extraordinarily communal campaign led by Prime Minister Narendra Modi. The debate on the reintroduction of inheritance tax and wealth tax in the country is an example of this. The Prime Minister began by misinterpreting an old speech of former Prime Minister Dr Manmohan Singh to the effect that ghuspaithiyas (infiltrators) and those "with more children" (Muslims) will have the first claim on the country's resources.

Days later, when Sam Pitroda, the entrepreneur, mentioned the need for a debate on inheritance taxes, Modi twisted that too out of shape by claiming that the mangalsutras of women and the homes of the common people would be robbed. In this context, let us look at the issue under discussion.

What are inheritance taxes?
An "inheritance tax" is a one-time tax charged on high-value inheritances. It is different from "wealth tax", which is an annual tax charged on wealth when the owner is alive. Sometimes, inheritance tax is contrasted with "estate tax"; the difference is that while inheritance tax is charged on the wealth received by the heirs, estate tax is charged on the wealth transferred by the donors. In other words, estate tax is paid out from the estate of the deceased before the money is transferred to his or her heir, while inheritance tax is paid by the person who inherits money or assets. All these taxes can coexist in an economy.

While the suggestion of an inheritance tax was received with shock in the country, it has been commonplace in the advanced economies of the West and the East for more than a century. The economist Thomas Piketty has called progressive inheritance taxes the "second major fiscal innovation of the twentieth century" after progressive income taxes.

While inheritance tax has a long history, it was after the First World War that it was introduced in many countries, with high rates at the top level. If the top inheritance tax rates in the US and the UK were about 20 per cent in the 1930s, they were raised to 70-80 per cent between the 1930s and the late 1970s. Germany and France had relatively lower top rates—between 30 per cent and 40 per cent—through this period. Such inheritance or estate taxes were an important reason for the reduction of inequalities in these countries after the late 1940s.

Today, several economies have inheritance tax, ranging at the top level from 55 per cent in Japan, 50 per cent in South Korea, 45 per cent in France, 40 per cent in the UK, 34 per cent in Spain, 33 per cent in Ireland, and 30 per cent in Belgium and Germany.

In the US, inheritance taxes were slashed at the top level substantially after the 1980s. In 2023, federal estate taxes applied only to property valued above $13 million. Only 12 US States levied estate taxes and only six States levied inheritance taxes. Interestingly, the slashing of the top inheritance tax rates in the US coincided with a sharp rise in the share in national income of the top 10 per cent of the people: from 33 per cent in the 1980s to 47 per cent by 2010.

Why inheritance tax?

The primary objective of inheritance tax was the redistribution of wealth in unequal capitalist societies. In the 19th century, John Stuart Mill, the English philosopher and political economist, was a powerful proponent of limiting inheritance. According to Mill, the right to inheritance was not part of any natural right over property. One’s absolute right over property ended with one’s death.

Writing in the Political Science Quarterly in 1893, Max West argued that while parents may support, educate, and assist children during their lifetime, there was no moral justification for the view that the parents must leave their children as wealthy after their death. In short, what you inherit is not what you “earned”. It was “unearned”, over which you have no perpetual right.

In short, the inheritance tax originated in capitalist economies. Piketty has argued that progressive inheritance taxes are “an ideal compromise between social justice and individual freedom”, and represent “a relatively liberal method for reducing inequality”, where the state neither prohibits or expropriates wealth nor disrespects free competition or private property.

Advantages of inheritance tax

There are philosophical and economic justifications for the existence of the inheritance tax. To begin with, unlimited inheritance across generations leads to the persistence of wealth inequality and an accumulation of extreme “unearned” wealth. Consequently, there is no “equality of opportunity”, as inheritors enjoy an unfair headstart over others. The possibilities of social mobility are also diminished. By helping equalise inter-generational wealth distribution in the long run, inheritance tax enhances equality of opportunity and social mobility.

Secondly, inheritance tax increases horizontal equity in the fiscal sphere. When two persons receive the same amount of assets, they must be taxed similarly irrespective of whether the assets were earned or inherited. In the absence of inheritance tax, earnings and inheritances are treated differently, which leads to horizontal inequities.

Thirdly, inheritance tax helps increase vertical equity in taxation. Those with a higher ability to pay taxes must pay more. When inheritances are taxed, that too progressively, vertical inequity declines.

Fourthly, inheritance taxes reduce the misallocation of capital. There is no certainty that all heirs are good entrepreneurs. Inheritance tax promotes competition and motivation across generations and incentivises heirs to work and save better.

Fifthly, via the "Carnegie effect", inheritance tax may incentivise large wealth holders to donate more to charities during their lifetime rather than pay inheritance tax at death. In the 1880s, the American steel magnate Andrew Carnegie advocated a 100 per cent inheritance tax. Carnegie said that a man who did not give away his riches during his lifetime "dies disgraced", and the state's taxation of his estate marked its "condemnation of the selfish millionaire's unworthy life". His views were cited by Warren Buffett when he donated $31 billion in 2006 to the Bill and Melinda Gates Foundation.

Criticism of inheritance tax

One of the criticisms of inheritance taxes is that they are a tax on capital, and could lead to a depletion of capital stock after each generation. This is a baseless criticism because, firstly, even a high rate of income tax can also potentially lead to a depletion of capital, and all inheritance taxes are not necessarily paid by disposing of capital.

Secondly, even when heirs are forced to sell a part of the capital to pay inheritance taxes, there is no diminution of the country's capital as a whole; there is only a change in their ownership.

Another criticism is that inheritance taxes amount to double taxation, that is, you tax a person's wealth during his/her lifetime and then tax him/her again after death. Getting taxed twice is nothing new; for instance, we all pay a GST on goods that we buy with our incomes for which an income tax has already been paid. In inheritance taxes, the concern disappears if we disregard the deceased wealth-holder's perspective. If we consider just the heir's perspective, there is no double taxation because he/she pays an inheritance tax only once during his/her lifetime to obtain access—as if in an asset purchase—to an unearned asset.

Some others argue that inheritance taxes discourage entrepreneurship. But if we logically allow this criticism, we may also be explicitly violating the "equality of opportunity" principle. Be that as it may, all taxes may be construed as disincentivising entrepreneurship in one way or another. In fact, a one-time inheritance tax can only be a smaller disincentive to entrepreneurship than other annually charged taxes.

The Indian case

Independent India in the late 1940s was a highly unequal society, with inequality high in land and asset ownership. Inequalities were also high in the ownership of buildings, precious metals, and financial savings because of the legacy of the princely classes.

Consequently, estate taxes were introduced in 1953, wealth taxes in 1957, and gift taxes in 1958. These taxes were withdrawn in the 1980s and 1990s. Three reasons are usually cited for their withdrawal: one, their contribution to the gross tax revenue was less than

0.25 per cent; two, the costs of administration and compliance were unduly high; and three, the concurrent presence of wealth and estate taxes amounted to double taxation.

In fact, the poor revenue flow from estate, wealth and gift taxes was not surprising. India's overall economic growth was only about 3 per cent per year, and industrial and financial growth was concentrated in the public sector. A rise in inequality was probably kept in check. But absolute levels of wealth inequality remained high. The persistence of wealth inequality also had an inbuilt caste dimension. Almost all land- and asset-holding groups belonged to the dominant castes.

However, economic liberalisation after 1991 substantially transformed the situation. The new economic policies encouraged private accumulation through reforms in land laws and the ease of doing business. Corporate and income taxes were cut. New estimates show that notwithstanding absolute rises in the average value of assets owned, asset inequality greatly increased after the 1990s.

The wealth share of the bottom 50 per cent of the population fell from 10.9 per cent in 1981 to 6.5 per cent in 2023. Even the middle 40 per cent saw a fall in wealth share from 44.1 per cent in 1981 to 29 per cent in 2023. At the other end, the wealth share of the top 10 per cent rose from 45 per cent in 1981 to 64.6 per cent in 2023. For the top 1 per cent, the wealth share rose from 12.5 per cent in 1981 to 39.5 per cent in 2023.1

In 2022-23, the top 1 per cent of the population owned assets valued at a whopping Rs.499 lakh crore. Land and buildings comprised about 90 per cent of these assets. Such a vulgar rise in asset inequality after the 1990s reignited discussions around the reintroduction of wealth and inheritance taxes in the country.

An estimate for 2018 showed that a 2 per cent wealth tax and a 33 per cent inheritance tax on just the top 1 per cent of private individuals in the country (that is, less than 1 crore persons) could fetch Rs.12.1 lakh crore as additional tax revenues annually. These revenues can be used to establish a comprehensive social security net for the poor covering employment, food, education, health, and old age pensions.2

Distorting the debate

It would be morally repugnant for any modern society to allow the vulgar levels of inequality, as they exist today, to persist. Any progressive welfare state must implement a progressive system of inheritance taxes. It is thus only correct that it is openly and fully discussed.

However, the urge of the BJP to communalise all suggestions from the opposition has effectively killed the space for reasoned debate. Any discussion on inheritance tax will now be miscommunicated with the bizarre claim of wealth transfer across religious communities.

While inheritance tax applies only to high-value inheritances of the top 1 per cent of the population, the Prime Minister's false claim that the mangalsutras of women will be snatched away is meant to promote an irrational atmosphere of fear among the middle classes. He and his party have equated the demand for equality as a "Maoist" agenda, and those who raise it as "urban naxals". Such condemnable interpretations have caused enormous harm not just to the cause of socioeconomic equality but also the welfare of the poor and downtrodden. https://frontline.thehindu.com/politics/wealth-inequality-india-inheritance-tax-resources-entrepreneurship/article68125209.ece

9. India doesn't need new taxes to uplift its poor. Existing welfare schemes are doing well *(theprint.in)* 30 April 2024

The social safety net for the Indian population is adequate, though improvements in health and education infrastructure are necessary and can be achieved through reallocating capital expenditure.

The debate on inequality and redistribution of wealth, ahead of the 2024 Lok Sabha elections, has focused on whether India needs more taxes to boost its spending on uplifting the poor. What has been missed out in the high-pitched political rhetoric is how much welfare spending India already does, and how this has been achieved without resorting to inordinately high levels of taxation, or excessive debt levels.

Not quite a welfare state, India has nevertheless been on this road for a while now. And it's been doing it the way it needs to. Rather than borrowing more or trying to raise tax revenue through rate increases or redistributive taxes, the country has made improvements in social welfare through better targeting.

Over the last two decades or so, India has paid considerable attention to each element of what makes a welfare state — free healthcare, free education, free food, income support for the unemployed, and pensions. The country has managed to cover large parts of the population in almost every one of these categories.

This isn't the impact of any one government but a gradual shift spanning decades. What one government has implemented, the next has widened and improved. It's also not just the central governments at work, state governments are also doing their part by distributing numerous freebies.

Pillars of welfare state
The fact that such initiatives are politically motivated holds limited value in this particular discussion. The positive outcome—the poor receiving help—is taking place regardless of policy motivations.

So, how much of a priority does the government give to the social sector? And does it need higher tax rates or more taxes to achieve greater outcomes?

There are various ways to look at this issue. The first is to understand what a 'welfare state' is and if India falls within these parameters. The second is to compare India's social sector spending with that of known welfare states like the Scandinavian countries, France, and Italy. Third, a comparison of India's current taxation and debt levels with these welfare states.

The United Nations uses the Merriam-Webster dictionary definition of a welfare state: "A social system in which a government is responsible for the economic and social welfare of its citizens and has policies to provide free healthcare, money for people without jobs, etc.”

Let’s examine the four key pillars of welfare: food, health, education, and income.

Ever since the National Food Security Act was implemented in 2013, significant expenditure has been allotted to providing about half the population or more with highly subsidised (and now free) food grain. It’s no one’s argument that households need more than the 5 kg of food grain they are receiving, or that the coverage of the scheme needs to be widened further.

In fact, recent household income and expenditure data will likely result in the coverage shrinking in line with real needs. That is, it is highly likely that the income data will show the actual number of people who need free food is lower than the 80 crore who currently get it.

Back in 2002, the 86th amendment of the Constitution inserted an article to provide free and compulsory education for all children in the age group 6-14 years. Building on this, the Right of Children to Free and Compulsory Education (RTE) Act of 2009 legislated that each and every child was entitled to full-time elementary education.

An argument can be made here that the RTE Act should be expanded to include higher levels of education than just elementary school. But, given that expenditure on the scheme is shared between the Centre and the states, the additional financial burden won’t be high enough to require additional taxes.

The Rashtriya Swasthya Bima Yojana (RSBY), the UPA government’s public health insurance scheme launched in 2008, aimed at providing below-poverty-line patients with free medical insurance cover up to certain limits. The Ayushman Bharat Yojana was launched in 2018 as a repackaging of this scheme, with higher coverage and a wider net.

Then, of course, there’s the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), which offers income support to whoever demands it by providing them with a minimum amount of work and income. The UPA government introduced the Act in 2005, and the Modi government has continued to make extensive use of the scheme.

These major areas of welfare are over and above the Centre’s fuel and fertiliser subsidies, cash transfers to farmers, and the free electricity, free water, and public transport schemes provided by various state governments.

India’s spending on social welfare

The metric in which India fails to qualify as a welfare state is the share of its total expenditure it dedicates to social sectors.

India’s general government — which is the combined central and state governments — allocates about 27 per cent of its total expenditure to the provision of social services. This figure is about 57 per cent for France, 48 per cent in Canada, 49 per cent in Switzerland, and about 57 per cent in Denmark.

India does not need to reach these levels. These are the very highest in the world. Improved targeting of beneficiaries will not only weed out those who don't need the government's help but also include deserving beneficiaries who have been left out.

However, overall, the percentage of the Indian population that is being provided a social net is around where it needs to be. There is undoubtedly a need for better infrastructure in health and education, but that can come through a reorientation of capital expenditure.

We do need to pay teachers and doctors employed in government institutions way more than we are. This too is possible using existing resources and any additional tax revenue that can be earned by bringing more people into the tax net. We do not need to raise rates or bring in new redistributive taxes.

Now, the third level of analysis is to see how India is paying for its social sector spending. Are we paying for this level of welfare through taxes that are too high, or by taking on crippling levels of debt? As it turns out, no to both.

India's median general government debt level since 2000 has been about 74 percent of GDP, far lower than the 88 per cent in France, and 85 per cent in Canada, not to mention the US (99 per cent), Italy (120 per cent), and the UK (81 per cent). India's debt levels are higher than Sweden and Denmark, but those two countries rely instead on tax revenues to finance their activities.

Sweden and Denmark have a median tax-to-GDP ratio of 27-33 per cent. This median ratio has been just 10.5 per cent in India over the last 22 years.

Yes, the figure is too low for a country like India but the fact is that all our welfare measures are being financed through these tax levels. An improvement in the tax-to-GDP ratio needs to come through a wider tax base rather than higher rates.

When people talk about the welfare state as a great ideal to strive toward, they should look deeply at how long and well India has walked this path. They might be in for a surprise. https://theprint.in/opinion/india-doesnt-need-new-taxes-to-uplift-its-poor-existing-welfare-schemes-are-doing-well/2063438/

10. GST revenue collection hits record high of Rs 2.10 lakh cr in April *(economictimes.indiatimes.com)* May 01, 2024

India's Goods and Services Tax (GST) collections soared to a new peak of Rs 2.10 lakh crore in April, marking a 12.4% increase from the previous year, according to the Finance Ministry. The surge was fueled by a 13.4% rise in domestic transactions and an 8.3% increase in imports.
Insurance cos plan to file writ petition seeking GST clarityAgencies

India's Gross Goods and Services Tax (GST) collections hit a record high of Rs 2.10 lakh crore in April, growing 12.4 per cent on year-on-year basis, the Finance Ministry said in a statement on Wednesday.

GST collection in March stood at Rs 1.78 lakh crore. Previously, the highest-ever GST collection figure stood at Rs 1.87 lakh crore in April 2023.

The growth was driven by a 13.4 per cent growth in domestic transaction and 8.3 per cent growth in imports, the ministry said.

"After accounting for refunds, the net GST revenue for April 2024 stands at ₹1.92 lakh crore, reflecting an impressive 17.1% growth compared to the same period last year," the press release read. https://economictimes.indiatimes.com/news/economy/indicators/gst-revenue-collection-hits-record-high-of-rs-2-10-lakh-cr-in-april/articleshow/109748102.cms?from=mdr

11. PSBs told to speed up recovery at tribunals *(economictimes.indiatimes.com)* May 01, 2024

As per latest data from the finance ministry, around 215,000 cases are pending before DRTs till January 2024, of which 162,000 are original applications (OAs) filed under Section 19 of Recovery of Debts and Bankruptcy Act (RDB Act), 1993. RBI data showed in FY23, around 58,000 cases with amounts totalling about ₹4.02 lakh crore were referred to DRTs.

New Delhi: The Centre has directed state-owned lenders to avoid seeking unnecessary adjournments before debt recovery tribunals, a government official said.
Banks have been asked to conduct monthly reviews to expedite the debt recovery process and reconcile cases that have already been settled.

"An observation was made by Presiding Officers (POs) of debt recovery tribunals (DRTs) that the legal representative from banks often seeks adjournments on minor issues, which often leads to delays in resolution of cases," the official said, adding lenders have been told to ensure that they should advise their legal teams to keep a tab and conduct reviews on unnecessary adjournments.

As per latest data from the finance ministry, around 215,000 cases are pending before DRTs till January 2024, of which 162,000 are original applications (OAs) filed under Section 19 of Recovery of Debts and Bankruptcy Act (RDB Act), 1993. RBI data showed in FY23, around 58,000 cases with amounts totalling about ₹4.02 lakh crore were referred to DRTs.

PSBs

"While some pendency is on account of the legal remedies being pursued by litigants, like going to higher courts, it was pointed out that lack of an aggressive approach from bank legal representatives also led to inordinate delays," said the official cited above.

The government has also set up a panel to suggest amendments to SARFAESI and DRT Acts, including adding a provision for granting legal sanctity to e-notices to debtors to fast-track the recovery process.

"The report will be tabled soon, and necessary amendments will be pursued after the new government takes over," the official said.

Earlier this year, the finance ministry, after a review meeting to enhance efficacy of DRTs, directed banks to conduct periodic reviews of the performance of empanelled advocates and rationalise assignment of their cases, considering their performance. Banks were further directed to ensure the presence of their officers at all case hearings before judicial forums.

This February, minister of state for finance Bhagwat Karad observed that pendency is also sometimes caused by the absence of lawyers, either on one side or both sides, or by requesting adjournments. https://economictimes.indiatimes.com/industry/banking/finance/banking/psbs-told-to-speed-up-recovery-at-tribunals/articleshow/109738107.cms?from=mdr

12. Tread with caution: RBI should subject SFBs to stringent assessment before graduating them to universal banks *(financialexpress.com)* May 1, 2024

But SFBs, too, are coming out of a very rough patch. Since their borrowers are financially weaker, delinquencies rose sharply during the pandemic, driving down profits and, in some instances, causing losses.

The track record of a few of the promoter-driven banks in India over the past couple of decades would make any regulator cautious. While some have done exceptionally well, Bandhan, which graduated from micro-finance institutions (MFI), is muddling along. It's the casualties — whether a Global Trust Bank or a Yes Bank — that tell us not all promoters are fit and proper. In fact, the Reserve Bank of India (RBI) has been reluctant to allow even strong non-banking financial companies (NBFC) to become banks if they are a part of any business group. Against this backdrop, the RBI came out with the eligibility norms for small finance banks (SFB) to transition to universal banks. While eight of the 12 SFBs were earlier MFIs, they are gradually de-risking themselves and have forayed into secured products — home, gold, micro, small and medium enterprise, and vehicle loans. That has lowered the share of microfinance credit to about a third of the book at the end of March 2023 from 40% in March 2020. This is an encouraging signal because a lender like Bandhan Bank has suffered because it is yet to shed its microfinance bias.

But SFBs, too, are coming out of a very rough patch. Since their borrowers are financially weaker, delinquencies rose sharply during the pandemic, driving down profits and, in some instances, causing losses. If their accounts look much better today, it is partly due to substantial write-offs. Many SFBs were compelled to raise growth capital after the pandemic. Going by the eligibility criteria, as of now only AU Small Finance makes the cut. Apart from a set of financial parameters, the RBI will also assess the qualitative criteria of a satisfactory five-year track record. Though some have criticised the subjective element in such assessments, it is very much required because numbers tell just one part of the story. In fact, the requirement that an SFB should have been profitable only in the last two financial years seems rather lenient; four years would have been more appropriate.

Again, the SFB needs to have a reported net NPA (non-performing assets) ratio of less than 1% in the last two financial years. That, again, seems lenient; the net NPA ratio should be read together with the extent of write-offs and recoveries during the period. In fact, going by March 2023 data, several of the SFBs are ineligible to transition because they fail to meet the NPA ratio criterion and also because the portfolios are not diversified enough. Of course, some of this would have changed in FY24; AU SFB, Equitas, and Jana have less than 20% exposure to MFIs. To that extent, SFBs are already competing with universal banks.

A licence to become a full-fledged bank would enable SFBs to offer more products and also to mop up more current account, savings account (CASA) deposits. In September 2023, the share of CASA deposit for SFBs was 27% compared with 38% for universal banks. That would help lift their net interest margins, which fell from 8.7% in FY20 to 7.5% in FY23. However, the regulator must vet the candidates carefully because we simply cannot afford any more failures. Also, competition merely for the sake of it cannot be good. Rather than create many small banks, which cannot compete effectively and run the risk of failing, it's better the RBI facilitates mergers of relatively weak SFBs with strong banks. That would help banks pursue the goals of financial inclusion. https://www.financialexpress.com/opinion/tread-with-caution-rbi-should-subject-sfbs-to-stringent-assessmentnbspbefore-graduating-them-to-universal-banks/3473282/

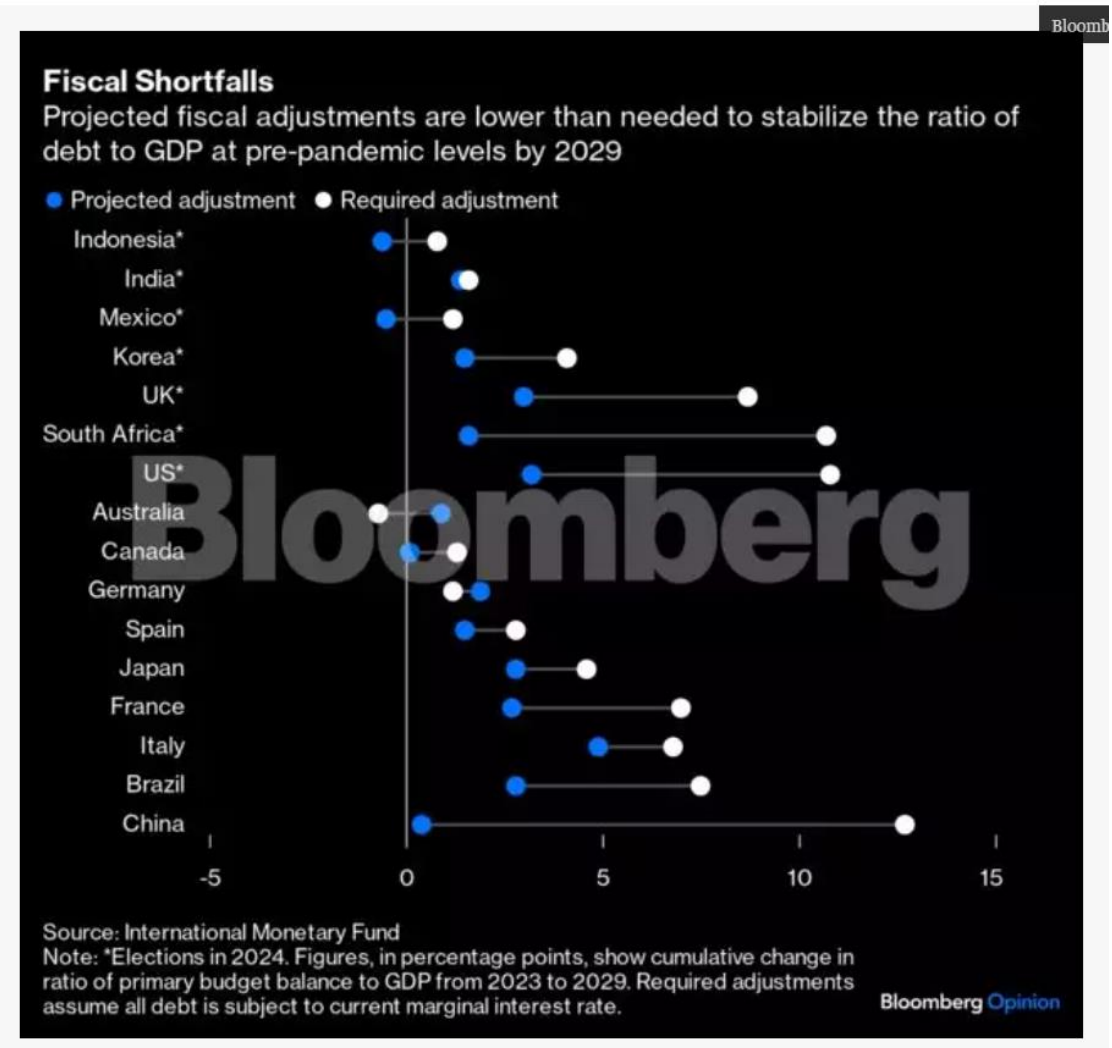
13. Fight climate change with fiscal discipline *(economictimes.indiatimes.com)* May 01, 2024

The transition to clean energy requires enormous public investment in electricity generation and distribution, in addition to the far larger expense of mitigating the damage caused by rising temperatures.

At the spring meetings of the International Monetary Fund and World Bank earlier this month, the world's finance ministers and central bankers congratulated each other on progress in curbing inflation and reviving post-pandemic economic growth. But they also acknowledged an excess of unfinished work — in particular, on improving financial stability, restoring fiscal discipline and fighting climate change.

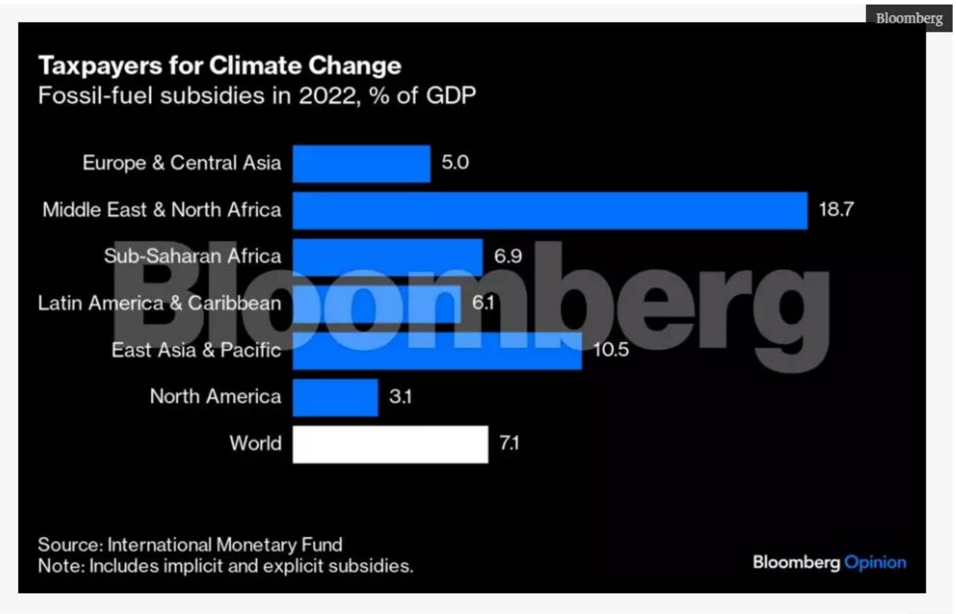
Governments need to see that these tasks, each vital in its own right, are linked. Fiscal control is essential for financial stability, and better carbon-abatement policies can strengthen fiscal control. In a year of multiple elections, with more weight than usual given to empty promises and short-term calculations, getting this right won't be easy. But the fact remains: These problems will most likely be solved together or not at all.

The pandemic drove public borrowing up almost everywhere. Governments spent heavily to cushion their economies as stalled output and employment reduced revenue. In much of the world, efforts to rein in the resulting surge of public debt have barely begun. Current policy is not yet on track to stabilize the ratio of debt to gross domestic product at its pre-pandemic level.



Higher debt makes economies more financially fragile, not just because it seeds doubt about a government's ability to meet its obligations, but also because it limits the scope for new stimulus when the next big shock comes around. Granted, advanced economies like the US and most of the European Union have more leeway. For a while, they can get away with mounting debt because investors are slow to question their creditworthiness. That's a luxury denied to many emerging-market economies, where the risks of fiscal and financial distress are more immediate.Climate change heightens these dangers. The transition to clean energy requires enormous public investment in electricity generation and distribution, in addition to the far larger expense of mitigating the damage caused by rising temperatures. Further delay will increase the public and private costs more quickly, while investing too little in the green transition is a woefully false economy.

Equally important, smart reforms in taxation and government spending can accelerate this effort and promote short-term fiscal control at the same time. In many countries, fossil-fuel subsidies are still a major (and growing) public outlay. They amounted to a staggering $7 trillion in 2022, equivalent to roughly 7% of global output. These subsidies are partly explicit (in the form of payments to offset the cost of producing energy) and partly implicit (in the form of pricing systems that ignore environmental damage and fail to tax emissions appropriately). Taken together, they neutralize other efforts to curb emissions via regulation and other direct controls — and dig heavily indebted governments into an even deeper hole.



Fiscal prudence is especially urgent for poorer countries. As a proportion of GDP, emerging-market economies have lower environmental taxes and much higher fossil-fuel subsidies than advanced economies. If they dialed down their subsidies and raised more money through excise taxes on fossil fuels — a kind of revenue that's relatively easy to collect — they'd discourage carbon emissions while improving their budgets and promoting financial stability. https://economictimes.indiatimes.com/small-biz/sustainability/fight-climate-change-with-fiscal-discipline/articleshow/109744935.cms?from=mdr

14. Why a Chinese company's monopoly may pose a security risk at Indian ports *(business-standard.com)* Updated: Apr 30 2024

Chinese crane maker ZPMC was the subject of a recent US probe that raised concerns about possible surveillance

Several Indian ports like Vizhinjam port and Jawaharlal Nehru port could become vulnerable due to the monopoly held in India by Chinese crane maker Shanghai Zhenhua Heavy Industries Company (ZPMC). It was the subject of a recent US Congressional probe that raised concerns about possible surveillance and even sabotage.

Shanghai-based ZPMC is the world's biggest maker of ship-to-shore (STS) cranes and a part of the state-controlled China Communications Construction Company. The company has responded to the accusations by insisting that it poses "no cyber security risk". STS cranes are used to move containers on and off vessels and are necessary for handling very large container ships.

But concerns about Chinese hackers are serious enough that in February, US President Joe Biden signed an executive order aimed at strengthening cyber security at US ports. An investment of over $20 billion over the next five years to improve US port infrastructure, including reviving domestic production of cranes, was also announced.
Dominant position

ZPMC has a monopoly in critical port equipment in India.
“Not just in India, but globally, ZPMC Shanghai is a major supplier of maritime cargo handling equipment, including cranes. Industry estimates put the installed base of ZPMC at 75-80 per cent globally, and the same holds true for India,” says Davinder Sandhu, co-founder & chairperson of Primus Partners, a business and management consulting firm.
More than 250 cranes sourced from ZPMC were installed across various ports in India, including the Jawaharlal Nehru port, by the end of 2020, according to a recent Rajya Sabha question addressed to the Ministry of Ports, Shipping and Waterways.

ZPMC’s Indian customers
In July of 2020, the Centre restricted public procurement from countries which share a land border with India on grounds of national security, in a move that was squarely aimed at China.

According to the order, any bidder from countries sharing a land border with India would be eligible to bid in a procurement of goods, services or works only if the bidder was registered with the competent authority constituted by the Department for Promotion of Industry and Internal Trade. Political and security clearances from the Ministries of External and Home Affairs would also be mandatory. The order is applicable for central and state governments, public sector banks, autonomous bodies, state-owned companies, and public-private partnership projects receiving financial support from the government.

The order applied only to new tenders for public procurement. It did not apply to procurement by the private sector.

An analysis of documents available on ZPMC’s website shows how many cranes have been ordered, processed, or shipped for Indian ports since then. Out of the at least 29 cranes of various types that ZPMC shipped for use at Indian ports after the July 2020 public procurement order, the Adani Group accounted for the lion’s share, at 11, including cranes shipped for the Vizhinjam International Deepwater Multipurpose Seaport in Kerala.

Fully-owned by the Kerala government, the Vizhinjam port is being built by Adani Vizhinjam Ports Pvt Ltd, a subsidiary of Adani Ports and SEZ Ltd, India’s largest private sector port operator. Described as India’s first mega transshipment container terminal, it is expected to be fully operational by December 2024.

Since Adani Ports and SEZ reportedly placed the Vizhinjam port crane order with ZPMC in 2018, two years before the restrictions were imposed, the company is not affected by the 2020 procurement order despite receiving government financial support by way of viability gap funding for the project.

Gateway Terminals India (GTI) comes in second with eight cranes shipped from ZPMC.

APM Terminals Mumbai, which is registered as GTI, has a 30-year license from the Jawaharlal Nehru Port Trust (JNPT) to build and operate container handling services at its facility. APM Terminals Mumbai is a joint venture between APM Terminals, which is part of Danish shipping and logistics giant A P Moller-Maersk, and the state-run Container Corporation of India. GTI is one of the three container terminals operating at the state-run Jawaharlal Nehru port, which is located near Mumbai.

In the context of the Centre's July 2020 restrictions, GTI does not receive any financial support from the government or its undertakings. Additionally, GTI is reportedly configured to operate with ZPMC cranes, making the installation of cranes of any other make challenging.

However, there is a discrepancy in the number of ZPMC cranes procured by Indian entities since the 2020 order. ZPMC also has an Indian subsidiary, ZPMC Engineering India, which is registered as an engineering and technical services company.

Though its website does not have a similar press statement detailing shipments and orders, some of its receipts of cranes however, were documented on its social media handles on LinkedIn and Facebook.

An analysis of these social media posts found that of the 45 cranes unloaded in India between February 2021 and August 2023, 20 were received at the APM Terminals, Mumbai, and 20 at various Adani ports.

The remaining orders of cranes were received at GTI Mumbai, VCTPL Visakhapatnam, PSA Chennai and DPW Cochin. The Indian subsidiary has mentioned GTI Mumbai and APM Terminals separately while cataloging the unloading of cranes.

Questions sent to the concerned ports or operators on the orders for ZPMC cranes and if they had any security concerns regarding them did not elicit a response till the time of filing. Questions sent to the Ministry of Ports, Shipping and Waterways on the total number of ZPMC cranes in India and if it had any security concerns regarding them also did not elicit any response.

ZPMC's dominance likely to continue

"In 2012, the (Union) Cabinet had laid down specific guidelines, and the import of ZPMC cranes, especially at sites near Indian naval installations, was restricted. To facilitate port expansion, the restriction was reconsidered in 2014, and most private sector port operators have ZPMC cranes in operation," explains Davinder Sandhu.

Acknowledging that some of those security concerns have re-surfaced recently, Sandhu says, "Indian port operators do have choices to source from Europe and US, but there will be considerations around project delays, spares and maintenance supply chain, and certainly around costs, which may rise by 25 per cent when compared to ZPMC."

The previously mentioned Rajya Sabha question had raised three specific points. First, whether the government was aware of ZPMC's monopoly in critical port equipment.

Second, whether it was aware that ZPMC's cranes could have surveillance sensors and what actions it had taken. And third, what steps was it taking to increase the domestic production of such cranes.

In his answer in February, Union Minister of Ports, Shipping and Waterways Sarbananda Sonowal said that major ports were gradually moving towards a landlord model where the terminal was being operated by public-private-partnership operators, who were required to procure cranes while adhering to all applicable rules and guidelines.

Sonowal added that no report had been received up to that point from any of the major ports regarding the presence of "sophisticated sensors" in ZPMC's cranes.

Lastly, he said that the Make in India initiative was being "actively promoted" in the ports and shipping sector as well.

ZPMC, listed on the Shanghai Exchange, made over $4 billion in revenue in 2022-23 and over $600 million in profits. Meanwhile, the Indian company made about Rs 57 crore in revenue and over Rs 7 crore in profits in the same financial year.

ZPMC's troubles in the US
Last month, an eight-month US Congressional investigation's findings became public, revealing that a number of ZPMC-made cranes used at US ports contained communications equipment that had no clear purpose and which had been installed without any record of the same.

The investigation was conducted by the US House of Representatives' House Committee on Homeland Security and House select committee on China.

Chinese-made cranes account for almost 80 per cent of the cranes used at US ports. US lawmakers found cellular modems, which could allegedly be used for remote communication, installed on these.

The details of the probe, which focused on over 200 Chinese-made cranes at US ports and regulated facilities, came a month after the US Coast Guard said it would impose new cybersecurity requirements on the operators of these cranes.

According to US experts, there is a possibility that these cranes could be controlled remotely. A hacker could potentially collect intelligence from US ports or even disrupt the functioning of equipment. https://www.business-standard.com/external-affairs-defence-security/news/why-a-chinese-company-s-monopoly-may-pose-a-security-risk-at-indian-ports-124043001232_1.html

15. The UGC must nudge universities to excel *(thehindu.com)* May 01, 2024

Indian universities must be directed to ensure global standards for the colleges they govern

The heads of India’s regulatory agencies are mostly unseen and their thoughts seldom read by the public. Given this, the article in The Hindu, “Universities must budge on college autonomy nudge” (Editorial page, April 5, 2024), by the Chairman of the University Grants Commission (UGC), Mamidala Jagadesh Kumar, is somewhat of a rarity. It is also significant in that higher education is deeply aspired to in this country. The article itself is to be welcomed for its plain speaking and constructive tenor. Essentially, Mr. Jagadeesh Kumar would like universities to be far less controlling in their relationship with the autonomous colleges under their jurisdiction. This he considers reasonable to ask for as the UGC itself grants universities substantial freedom. Whether the last is true is contestable when viewed through a global lens, as we shall see. A global lens would be the right one to use here, as the market for ideas has no borders.

The core of Mr. Kumar’s message is that more colleges ought to be granted autonomy. This autonomy he considers essential for improvement in the quality of higher education, and suggests ways in which it can come about. He is, of course, absolutely right in principle. However, the evidence that he presents shows that this is not necessarily true in practice. This is of the number of autonomous colleges at the top of the list of colleges in the National Institutional Ranking Framework (NIRF) rankings. It turns out that there are five of them in the top 10. This does not exactly show a tilt towards autonomous colleges when it comes to excellence. It is surprising that the UGC Chairman considers it sufficient evidence of their superiority.

The state of Indian universities

Despite the absence of evidence that autonomous colleges do better than those without autonomy, there is a case for greater autonomy for colleges from their respective universities. India’s universities are by now stranded leviathans driven by bureaucratic procedure. They appear to have lost touch with the mission of producing and disseminating knowledge, and have not responded to the observation being increasingly made that their graduates are unemployable. Today, with the greater resources made available by economic growth and the ubiquitous presence of the Internet, information on global best practices in instruction and the material for study are accessible to any Indian entity in the field of education.

This was not the case in the mid-19th century when the present crop of universities was first set up in India. Knowledge was transferred by British officials in person or in the form of books, both brought here by sea. The universities had acted as some sort of a trans-shipment hub, without which knowledge could not reach the colleges scattered across a vast hinterland. Think of the University of Madras which had affiliated colleges from the Presidency’s northernmost districts all the way to Kanniyakumari (Kanyakumari). While this erstwhile logistical role of the university has become irrelevant, the bureaucratised university of today is neither in a position to disseminate knowledge to its constituent colleges nor, as Mr. Kumar observes, willing to relinquish power to the colleges so that they can get on with their business. Nothing it seems is gained by continuing with the present system of shackling the colleges to the university, when the university has turned out to be an unresponsive behemoth.

The advantage gained when autonomy is granted to a college is that it would give it flexibility in designing the curriculum and can devote more attention to assessing learning, both being fundamental to the purpose of a university. However, there is no guarantee that an autonomous college would embrace the opportunity with alacrity. Very likely, it is this that is reflected in the fact that the autonomous colleges do not dominate the NIRF rankings. This despite the fact that among the first colleges to be granted autonomy by the UGC were those over a century old. Informal enquiries about the state of affairs in them today mostly elicit the response that the quality of instruction is indifferent and the curriculum is far from the knowledge frontier.

Clearly, the quality of teaching and the exposure of students to the global standard is not guaranteed by granting them autonomy, which the UGC Chairman would like to see accelerated. It is not clear if the NIRF ranking which he has referred to includes an assessment of the colleges on these criteria. In any case it is only a ranking; ideally, we would want to have a rating. Hence, prior to processing the 590 applications for autonomy that Mr. Kumar refers to in his article, the UGC should institute an independent review of the performance of India's existing autonomous colleges and devise methods that will ensure quality when more are added to the list. Universities offering degrees without providing world-class education are pointless.

Start with revising lecture hours

There are some immediate moves that the UGC can make to take the colleges of India to global standards. Even when they have formal autonomy, they are expected to abide by some of the UGC rules that hold them back. These require relaxation. Colleges would also gain from certain positive action by the UGC. As knowledge production and its dissemination is to be judged by global standards, India's educational institutions can participate in these activities only if there is a level playing field for its faculty. UGC norms on teaching loads in the undergraduate colleges of India leave the faculty over-worked, with little energy or incentive to improve their classroom performance. The UGC must revise downward the required lecture hours per week, ensuring that teachers have the time to read the burgeoning literature in their respective fields and give greater attention to student learning.

The present teaching requirement is far too high in a global comparison. Less lecturing would also leave the student to do some of the learning on their own, something unheard of in India but expected in the leading universities of the world. Indian students must be encouraged to be much more self-reliant with regard to the learning process. The implied release of faculty from excessive teaching must be accompanied by expectation of a far superior performance. Nothing short of global standards should be expected both in terms of the knowledge transfer, communication and responsiveness to the student in class. The only route to ensuring this is to institute course evaluation by students. This is standard practice across the world. The singular failure in higher education in India occurred when the transition to far higher salaries for faculty, referred to as the "UGC scale", was not accompanied by any innovation for ensuring a superior faculty performance. The UGC Chairman has done well to ask the universities to nudge the colleges to autonomous status. By the same token, he should nudge, nay, direct, India's universities to raise to global standards the colleges they govern. https://www.thehindu.com/opinion/op-ed/the-ugc-must-nudge-universities-to-excel/article68126128.ece

16. Cash crunch: At least seven smart city projects shelved in Puducherry *(newindianexpress.com)* May 01, 2024

The shelved projects include the much-anticipated Multi-Level Car Parking Project, aimed at alleviating traffic congestion in the main town.

PUDUCHERRY: In a setback to Puducherry's urban development aspirations, several initiatives under the Smart City project have been abandoned due to financial constraints, leaving residents and authorities disappointed.

According to sources, out of the 66 projects tendered with an initial outlay of Rs 894.31 crore, at least seven have been shelved, reducing the implementation budget to around Rs 620 crore. The central government, which typically provides 50% of funds, saw its contributions go unutilised as the Puducherry government struggled to match the required financial commitment for project execution.

The shelved projects include the much-anticipated Multi-Level Car Parking Project, aimed at alleviating traffic congestion in the main town.
Furthermore, an initiative to create disabled-friendly pedestrian footpaths along 130 km stretch, estimated at Rs 129.94 crore, was also cancelled.

The installation of rooftop solar systems in public buildings, at an estimated cost of Rs 22.05 crore, suffered the same fate. This is despite the mandatory requirement for developing renewable (both solar and non-solar) power sources within the UT to meet its renewable purchase obligation (RPO) through physical energy. Puducherry has a back cumulative backlog RPO of 1,200 MW, according to data available on the electricity department's website.

Even projects under innovative financing models, such as the rooftop solar under the RESCO (Renewable Energy Service Company) model, valued at `6 crore, were abandoned. The RESCO model, designed for long-term sustainability, operates on a 'pay as you consume' basis but failed to proceed due to financial constraints.

The government's ambitious plan to modernise the old Goubert Market, spanning 2.9 acres, with a modern three-story complex worth `53 crore, was also shelved. Traders' reluctance to vacate the premises fearing delays in completion contributed to the project's downfall.

Residents are now waiting for alternative solutions to address these urban development needs. https://www.newindianexpress.com/states/tamil-nadu/2024/May/01/cash-crunch-at-least-seven-smart-city-projects-shelved-in-puducherry

17. Goa's Smart City Project Lags, Congress Leader Raises Concerns *(devdiscourse.com)* May 01, 2024

Congress's Alka Lamba alleged corruption and irregularities in Panaji's Smart City project, citing delays and cost overruns. She claims the project, meant to be completed in two years, has been delayed by five years, leading to a loss of Rs 1,000

crore. Lamba calls for voters to condemn corruption during the May 7 election and promises to continue highlighting the issue.

Congress leader Alka Lamba on Tuesday alleged irregularities in implementation of the Panaji Smart City project in Goa.

Lamba, who was in Goa ahead of the May 7 voting in the coastal state, went around the capital city of Panaji which is being developed as a Smart City, and planted trees in trenches dug up as a part of the work.

"The work on Smart City was supposed to be completed within two years, but it has been delayed by almost five years. This has resulted in a loss of Rs 1,000 crore," she claimed while talking to reporters.

Lamba, who heads the Congress's women wing, alleged the Smart City project smacks of corruption.

The Congress leader said her party will appeal to Goa voters to send out a strong message to the ruling BJP that corruption will not be condoned when they exercise their franchise on May 7.

Lamba noted the opposition will continue to highlight problems being faced by people.
https://www.devdiscourse.com/article/politics/2923351-goas-smart-city-project-lags-congress-leader-raises-concerns