NEWS ITEMS ON CAG/ AUDIT REPORTS

1. Construction of Office Block in Raj Bhavan: Work not complete even after 3 years, project cost rises to Rs 4.43 cr, as per audit

(indianexpress.com) Updated: August 1, 2023

Chandigarh: The Construction for the Office Block in Raj Bhavan Punjab at Sector 6 was not completed even after the lapse of three years – from 2019 to 2022 – and the estimate was extended more than twice – from Rs 1.81 crore to Rs 4.43 crore. The tender was allotted to the same construction firm, which failed to complete the work within the stipulated time of 12 months till November 2019. These claims are part of objections raised by the audit department in its 2021-22 report.

"The construction work for the proposed Office Block at Punjab Raj Bhavan was allotted to private construction firm, M/s Kad Constructions at Rs 1.81 Crore (1,81,26,445) in 2018, stipulating the construction to be completed within one year till 2019. Although, the construction was not completed till April 2022 and the project cost had been revised upto Rs 4.43 crore (4,43,55,418) while allotting the work tender again to the same company," documents related to the audit of Capitol Project Division-3 of the UT Engineering wing, which allotted the tenders, stated.

It said the the incomplete work even after the lapse of more than three years caused "ungainful expenditure" of Rs 2,23,80,341 (Rs 2.23 crore).

Documents further suggested that the audit department also raised objection over no deposition of the performance guarantee of Rs 22.17 lakh (22,17,780) by the construction firm registered on a residential address in Sector 46. "The construction agency had deposited performance guarantee of Rs 9.10 lakh which was valid up to November, 2020. As the work amount enhanced up to Rs 4.43 crore, the performance guarantee was raised up to Rs 22.17 lakh. The enhanced performance guarantee was not submitted to the UT administration," the report claimed.

The audit further added that after spending amount Rs 2,23,80,341 on the work that is already 23.75 per cent more than the actual allotment of work, department prepared revised estimate of Rs 4,43,55,418, which is almost double of the previous administrative approval, and that too to the same contractor.

Meanwhile, UT Chief Engineer CB Ojha said that the construction of the block is completed, and added that the replies of all the objections raised by the audit department has been submitted. "The delay caused due to many changes in the original drawings of the Office Block, including constructions of more rooms than the proposed in the first phase, adding of the new facilities etc. Indeed, many times audit department raised objections, but we always satisfied it with our replies," Ojha added.

Other highlights

"On records of the department (UT engineering), no comparative statement of the work while preparing revised estimate have been found during audit, thus giving undue benefit to the contractor," the audit report noted.

It also said that during checking, it was found that the contactor had purchased steel and cement against secured advance, and an amount of Rs 70,28,261 had been paid to the account of the former, but original invoices of those purchases were not enclosed with the bills. “In the absence of original invoices, the audit could not be established whether these purchases had been actually made or not,” the report further said. https://indianexpress.com/article/cities/chandigarh/construction-office-block-raj-bhavan-work-not-complete-3-years-project-8870303/

SELECTED NEWS ITEMS/ARTICLES FOR READING

2. GST evasion of Rs 14,302 crore unearthed in April-May *(cnbctv18.com)* Updated: 31 Jul 2023

As many as 2,784 cases of GST evasion involving Rs 14,302 crore were detected in the first two months of the current fiscal, while Rs 5,716 crore was recovered during the period, Parliament was informed on Monday.

Finance Minister Nirmala Sitharaman in a written reply in the Lok Sabha gave details of Goods and Services Tax (GST) and income tax evasion, as well as detection of outright smuggling by the Customs department.

As per the data, GST evasion of over Rs 2.68 lakh crore was detected in 43,516 cases between 2020-21 and 2023-24 (April-May). A recovery of Rs 76,333 crore was made during the period while 1,020 persons were arrested.

In the current fiscal (April-May), 2,784 cases of evasion of Rs 14,302 crore were detected. As many as 28 persons were arrested and Rs 5,716 crore recovered during the period.

As per the statistics on surveys, searches and seizures carried out by the Income Tax Department in the last 5 years, searches were conducted on 3,946 groups while assets worth Rs 6,662 crore was seized.

In 2022-23 fiscal alone, 741 groups were searched and Rs 1,765.56 crore assets were seized.

In the last four years, 42,754 cases of outright smuggling detected by the Customs Department, involving value of about Rs 46,000 crore.

In April-May period of the current fiscal, 2,986 cases of outright smuggling involving goods valued at Rs 1,031 crore were detected by the Customs department.

About 12,259 cases of commercial frauds were also detected in the last 4 years, having duty implication of Rs 21,225 crore.

Sitharaman said with the availability of information in electronic form, the Income Tax Department has developed a wide range of non-intrusive methods for detecting tax evasion.

Besides, the GST department too is taking a number of steps to tackle evasion, including using robust data analytics and artificial intelligence to identify and track risky taxpayers; sharing of data with partner law enforcement agencies for more targeted interventions; reduction in threshold limit for issue of e-invoice for B2B transactions from Rs 10 crore to Rs 5 crore from August 1, 2023.

CBIC through its customs field formations, along with DRI, is actively engaged in detecting and curbing import-export related commercial frauds.

Data analysis based risk management and intelligence development along with human intelligence are being employed by said formations to gather actionable intelligence, which has resulted in substantial detections of tax evasion in recent years, Sitharaman said. https://www.cnbctv18.com/economy/gst-evasion-of-rs-14302-crore-unearthed-in-april-may-17392071.htm

3. India's April-June fiscal deficit widens to 25.3% of annual target *(businesstoday.in)* Updated: 31 Jul 2023

The Centre's fiscal deficit widened to 25.3% of the full year target between April and June 2023 as capital expenditure surged and tax revenue remained muted. The fiscal deficit amounted to Rs 4.51 lakh crore in the first quarter of FY24 as against the full year estimate of Rs 17.86 lakh crore, as per official data released on Monday.

It was lower at Rs 3.5 lakh crore or 21.2% of the Budget estimate in the corresponding period in FY23.

Capital expenditure amounted to Rs 2.78 lakh crore or 27.8% of the full year between April–June 2023, which was much higher than Rs 1.75 lakh crore in the corresponding period last fiscal. The Centre has budgeted Rs 10 lakh crore of capex this fiscal in a bid to help boost economic growth and is keen that the spending remains well paced throughout the year. Rs 1.1 lakh crore of capex was released in June as against Rs 89,332 crore in May this year.

Total expenditure amounted to Rs 10.5 lakh crore during April-June 2023, which was 23.3% of the Budget Estimate.

While revenue receipts remained robust at Rs 5.88 lakh crore in the first three months of the fiscal, net tax revenue was Rs 4.33 lakh crore, which was a 14% contraction on an annual basis. Net tax revenue was higher in the corresponding period of FY23 at Rs 5.05 lakh crore. ICRA said this was due to the accelerated tax devolution to the state governments which offset the sharp jump in non-tax revenues.

"Gross tax collections recorded a mild 3% rise in Q1 FY2024, with a continuing contraction in corporate tax collections, offsetting the growth in private income tax and GST collections. With a double installment released in June 2023, central tax devolution rose to Rs 2.4 lakh crore in Q1FY24 from Rs 1.4 lakh crore in Q1FY23, contributing to the YoY contraction in net tax revenues," said Aditi Nayar, Chief Economist, Head - Research & Outreach, ICRA.

Corporate tax collections fell 13.7% year on year to Rs 1.38 lakh crore between April to June 2023.

The Centre released Rs 72,900 crore as tax devolution in July 2023, taking the aggregate amount to Rs 3.1 lakh crore, which is about a third of the Budget Estimate (BE). According to Nayar, to meet the BE, the Centre has to release Rs. 7.1 lakh crore to the states in the next eight months. “This would contain the incremental fiscal deficit in some of the ensuing months,” she cautioned.

The Centre hopes to lower its fiscal deficit to 5.9% of the GDP in 2023-24 from 6.4% in 2022-23. https://www.businesstoday.in/latest/economy/story/indias-april-june-fiscal-deficit-widens-to-253-of-annual-target-392090-2023-07-31

4. A data collective can strengthen our statistical system *(livemint.com)* Updated: 31 Jul 2023

Most economists remember Margaret Thatcher as a leader who ushered a new era of business-friendly economic policies in the 1980s. Statisticians remember her as the politician who wreaked havoc on a world-class statistical system. Soon after becoming the UK’s prime minister, Thatcher appointed a Marks & Spencer executive to review the country’s statistical system. In his 1981 report, Derek Rayner argued that statistical information should primarily address the needs of government officials rather than citizens.

The Rayner review led to deep cuts in the survey wing of the government’s statistical service, limiting the range of government data available to the public. The growing opacity around official statistics created the grounds for statistical manipulation. Between 1979 and 1996, the UK government adjusted the definition of unemployment no less than 31 times, invariably to show a lower rate of unemployment, historian Eric J. Evans wrote in Thatcher and Thatcherism.

As public trust in official statistics declined, the Royal Statistical Society (RSS) began demanding reforms. Through the 1990s and 2000s, the RSS lobbied hard to insulate statistical activities from political pressures, and institute independent reviews of statistical products. The government responded by providing greater powers to the UK’s central statistical office in the early 1990s. A code of practice for official statisticians was published in 1995.

A 1998 green paper of the UK government finally announced the death of the Rayner doctrine, noting that official statistics must serve the needs of ordinary citizens. Public confidence in official statistics “has for too long been clouded by concerns about their integrity," it acknowledged. The review advocated an overhaul of statistical governance. It took nearly a decade of experimentation to finally come up with a suitable governance structure.

Set up in 2008, the UK Statistics Authority (UKSA) today reports to the British parliament rather than to the UK government. Its regulatory wing audits all statistical products on a regular basis. When government officials provide misleading interpretations of public data, it steps in to correct them. As a result, the national statistics office enjoys greater trust than the Bank of England or the courts, surveys suggest. The UK statistical system has redeemed its reputation, emerging as a global role model once again.

It took several decades of civic activism led by the RSS to rebuild the UK's statistical edifice. Such efforts are required in other democracies too. Statistics are the building blocks of almost all debates in the information age. If we lack statistics that we can all trust, we lose the basis for democratic engagement. With reliable statistics, we can find some agreement over our socioeconomic problems even if we disagree on the cures.

Politicians and policymakers have a vested interest in presenting cheerful statistical narratives. So they are often tempted to subvert statistical institutions even though it may hurt their own interests in the long run. Hence, a modern republic requires a collective of engaged data users to ensure that the pulls and pressures of competitive politics do not impair statistical governance. It is worth noting that a need for a data collective was felt in this country even before India became a free republic. In 1862, a Statistics Committee was set up to standardize the collection of official statistics in British India. Among other things, it recommended that a voluntary "Statistical Society, aided and encouraged by the government," should be set up to help improve official statistics.

It is not too late to make such an attempt today. Over the past decade, a number of non-state actors have launched platforms to make public data-sets accessible and intelligible to citizens. IndiaSpend and Factly have been started by journalists. The Trivedi Centre for Political Data and the Centre for Economic Data and Analysis (both at Ashoka University), and the India Data Portal (hosted by the Indian School of Business) are among the initiatives launched by academics. The next step would be for such organizations to form a collective body that helps create a more open and accountable data ecosystem in India.

This data collective can deliberate on the best practices to be followed while collecting, processing, and disseminating statistical information. It can also steer research on database issues facing the Indian economy. Most importantly, it can act as a non-partisan non-official voice to demand accountability from official producers and disseminators of statistics. It can engage constructively with data producers to bring about citizen-friendly statistical reforms.

Such a data collective can take inspiration from DataMeet, an engineer-led group that has played a key role in India's open data movement. Persistent lobbying by DataMeet has led several government departments to open up non-personal datasets that were previously hidden from public view. This has helped drive up the quantity of public datasets in the country.

We now need similar civic activism to raise the quality of public datasets in the country. This effort must be led by statisticians and social scientists who have engaged with India's diverse datasets over a long period of time. Such an initiative can have a transformative impact on India's statistical governance, and deepen our democracy. https://www.livemint.com/opinion/online-views/a-data-collective-can-strengthen-our-statistical-system-11690822167035.html

5. Why Rafale could be IAF’s default MRFA option *(tribuneindia.com)* Aug 01, 2023

A HOST of recent developments have placed Dassault Aviation, France’s principal combat aircraft manufacturer, in pole position to potentially secure the IAF’s long-pending requirement for 114 multi-role fighter aircraft (MRFA) with its twin-engine Rafales.

Joining the dots, a cross-section of military veterans, defence analysts and industry officials have posited that backed by growing Rafale sales to India and Dassault’s inclination to transfer fighter and related technology to it, the IAF could well end up with Rafale as its default MRFA option.

If so, it would be an ironical redux of the Ministry of Defence’s stillborn 2007-08 tender for 126 Rafales — of which 108 were to be licence-built by Hindustan Aeronautics Limited — that was scrapped in 2015 due to contractual, political and bureaucratic snafus.

A review of these emerging dealings with regard to the possible induction of additional Rafales into the IAF is instructive on multiple counts. At the outset, Dassault will supply 26 Rafale-M (Marine) fighters to the Indian Navy (IN) for deployment aboard INS Vikrant, its newly commissioned aircraft carrier. The multi-role carrier-borne fighter’s (MRCBF) ‘commonality’ with the 36 Rafales, which the IAF had imported in 2016 for $9 billion, had influenced the IN’s choice following user trials in 2022, which featured the rival Boeing F/A-18 Block III ‘Super Hornet’ fighter.

The delivery of these 26 fighters over the next two-three years would total an inventory of 62 Rafale variants in India’s arsenal, not an insignificant number. Hence, increasing this quantity further, according to some retired senior fighter pilots, to meet the IAF’s requirement for 114 MRFA makes ‘immense operational, commercial and logistical sense.’

Dassault, they said, had already established a Rafale flight training and Maintenance, Repair and Overhaul (MRO) facility at Ambala Air Force Station, which would go a long way towards reducing the overall costs for any additional buys. Importantly, acquiring tried-and-tested Rafales would hasten fighter inductions by dispensing with trials and boost the IAF’s declining fighter squadrons, whose number has depreciated to around 29 from a sanctioned strength of 42.

They added that acquiring extra Rafales would also streamline the IAF’s diverse fighter catalogue, which currently features seven aircraft types, sustaining all of which is an enduring logistical nightmare and a costly affair for the force.

In a related development that could enhance Dassault’s MRFA bid, the French manufacturer is believed to be in advanced negotiations to acquire 51 per cent stake of its partner Anil Ambani in Dassault Reliance Aerospace Limited (DRAL) joint venture in Nagpur. India permits 100 per cent foreign direct investment in individual cases and Dassault is reportedly keen on acquiring DRAL, which, if effected, would augment its chances of bagging the MRFA deal.

At present, Dassault owns 49% of DRAL, formed within days of India confirming the IAF's 36 Rafale purchase, to discharge the 50% offset obligation of the inclusive contractual price in accordance with MoD's procurement procedures.

Initially, DRAL was tasked with producing components for Dassault's Falcon business jets and only recently, it had begun producing sub-assemblies like engine doors and canopies for Rafales. But as per media reports, a domestic financial resource crunch had curtailed DRAL's manufacturing capabilities, rendering it vulnerable to a buyout.

Meanwhile, the MRFA procurement envisages the importing of a squadron of 18 shortlisted fighters in flyaway condition from amongst seven models proposed by overseas original equipment manufacturers (OEMs) in response to the IAF's April 2018 Request for Information (RFI). The remaining 96 platforms would be built indigenously by a collaborative venture between the qualified OEM and a domestic strategic partner (SP) from either the private or public sector, with progressively enhanced levels of indigenisation in the all-encompassing deal valued around $25 billion.

The MRFA tender is expected imminently, industry sources said, with the selected platform required to complete 30-35 years of squadron service or flying time of 6,000 hours, with at least one midlife upgrade. Senior IAF officers estimated that MRFA numbers could increase to around 200 units for the IAF alone, in addition to possible export options, resulting in the platforms' cost amortisation.

The six other OEMs which had responded to the IAF's MRFA RFI are Eurofighter Typhoon, Sweden's Saab (Gripen-E), Russia's United Aircraft Corporation and Sukhoi Corporation (MiG-35 'Fulcrum-F' and Su-35 'Flanker-E') and the US' Boeing and Lockheed Martin (F/A-18 and upgraded F-21).

However, in the light of the ongoing war in Ukraine, evaluating the two Russian fighter types for eventual IAF acquisition was, justifiably, irrational, considering the grave spares and components crisis the force is facing with regard to its fleet of 260 multi-role Sukhoi-30 MKIs and 50-odd upgraded MiG-29M fighter-bombers.

Alternatively, shortlisting the Typhoon would only mean adding to the IAF's continuing logistic challenges, whilst the US' F-18 and F-21 — a retrofitted F-16 — had been rejected by it on multiple capability counts during trials conducted 2010 onwards for the binned MMRCA contract. Saab's Gripen-E, on the other hand, was a single-engine platform, and though the MRFA RFI had not specified any preference for single or dual power packs, the IAF's intrinsic preference for the latter remains unstated.

Hence, by the process of elimination, Rafale was more than favourably placed in the MRFA sweepstakes, due not only to its operational superiority over its competitors, as acknowledged by the IAF — and now by the IN — but also the host of multiple ancillary factors.

There was also the abandoned contractual template for the MMRCA contract, which, industry officials said, could easily be 'tweaked' to suit an analogous MRFA purchase by resolving earlier glitches and shortening negotiations. These anomalies had centred on insistence by the MoD that Dassault shoulder eventual quality control responsibility for the 108 Rafales licence-built by HAL. This unwarranted conditionality had emerged as the deal-breaker for the MMRCA deal and led to the IAF procuring just 36 Rafales in flyaway condition, all of which were delivered by late 2022.

Even geopolitically, Indian diplomats and security officials conceded that it was less 'arduous' conducting materiel commerce with Paris than with Washington as the former was more flexible and pragmatic than the latter, especially with regard to transferring hi-tech military knowhow. https://www.tribuneindia.com/news/comment/why-rafale-could-be-iafs-default-mrfa-option-530880

6. **Dismal scenario** *(livemint.com)* Updated - July 31, 2023

The director of the International Institute for Population Sciences (IIPS), which conducts India's National Family Health Survey (NFHS), was reportedly suspended by the government to enable a probe of alleged staffing irregularities. This news can't escape the context of a controversy over data quality in recent years. Among other surveys, NFHS has lately faced criticism from within the establishment for painting an overly bleak picture by giving rural inputs more weight than warranted. Meanwhile, the Centre's record of holding up bright results and dismissing dismal findings has provoked charges of data brazenly being used as a political prop rather than a policy informer. A slugfest over statistics has had the effect of casting a wide clutch of numbers in doubt. Sadly, it is unclear if accurate economic, social, family, employment, health and other indicators are being used to improve the lives of people. Whatever the details of the IIPS director's case, it's a sad commentary on today's state of affairs that suspicions have arisen of an attempted ouster for reasons other than those stated. Confidence in the country's statistical system can't keep taking blows. https://www.livemint.com/opinion/dismal-scenario-11690743697182.html

7. **New climate in monetary policy** *(thehindubusinessline.com)* Updated - July 31, 2023

Climate change can cause financial churn and roil interest rates via changed savings behaviour. New tools are on the anvil

Notwithstanding the criticality of climate-related concerns in recent times, such concerns, by and large, remained outside the domain of core macroeconomic issues. In other words, global warming and climate change issues tended to elude key macroeconomic concerns, like growth, inflation, interest rates, or exchange rates.

In this context, RBI's Report on Currency and Finance, 2022-23 assumes importance. With a subtitle, 'Towards a Cleaner Greener India', the report flags climate-related concerns and brings these to core macroeconomic issues.

To appreciate the criticality of climate change for the economy, consider some indicators/episodes of climate change in India flagged by the report.

First, India faced its hottest February in 2023 since record-keeping began in 1901.

Second, in 2022, India experienced extreme weather events on 314 of 365 days of 2022, which claimed little more than 3,000 lives, affected 1.96 million hectares of crop area, and killed nearly 70,000 animals.

Third, in 2022, India recorded its seventh wettest January since 1901 and March 2022 was the third driest and warmest ever in 121 years.

Finally, it has been estimated that without any policy action, India's CO2 emission level may rise from 2.7 billion metric tonnes (in 2021) to 3.9 billion metric tonnes by 2030.

These numbers are grim and should convince anyone that climate change is no longer in the periphery but like the proverbial elephant in the room has entered our home, and we can neglect it at our own peril.

But how can central banks handle the concerns of climate change? Aren't they ill-equipped to handle these problems? The report is profound in pointing out, "…. even if governments are the most influential agency for climate change, all institutions, including central banks and financial sector regulators/supervisors, are stakeholders and especially so in view of the existential threat to their central mandates". Illustratively, the report flags the critical role of climate change in generating demand and supply shocks over business cycles.

The following are worth mentioning in particular. First, price stability can be affected by climate change via supply shocks like food and energy prices. Second, climate-related risks can affect inflation volatility which could potentially de-anchor inflationary expectations. Third, natural disasters could lead to loss of income and health, leading to adverse demand shocks. Fourth, physical and transition risks can affect the balance sheets of financial institutions and banks, which could have an adverse impact on the flow of credit. Fifth, climate-induced uncertainty could lead to a rise in precautionary saving with an attendant impact on interest rates. Sixth, a change in risk perception arising from climate change could lead to episodes of financial instability.

What is the impact of climate change on the Indian economy? The report noted, "India's diverse topography makes it vulnerable to significant risks from climate change, evidence of which are increasingly visible in rapid changes in temperature; variations in SWM (South-West monsoon) rains; rising frequency and intensity of extreme weather events such as unseasonal rainfall, heatwaves, cyclones and floods". Besides, balancing environmental and economic goals could pose serious challenges in India's ambition to become an advanced country by 2047.

To gauge the state of our consciousness on climate change, the report mentions an anonymous informal survey of various financial institutions was conducted in December 2022. According to the respondents, the energy and mining sector was identified as the most exposed to climate risk, followed by automobiles, agriculture, infrastructure, and construction; sectors like textiles and engineering were not expected to have significant exposure.

Role of financial sector

What is the role of the financial sector in handling climate change? Remember, insofar as the financial sector is related to the real sector, the financial sector is affected by climate change, but at the same time, it can throw up some solutions for mitigating climate-related risks. Climate change can amplify various types of risks in the financial sector, such as credit risk, market risk, liquidity risk, and operational risk and is likely to have adverse implications for financial stability.

Since environmental pollution is primarily seen as an externality, the solution packages traditionally encompassed correcting such distortions via traditional measures like carbon taxation. Besides, technological innovation in clean energy and appropriate trade policies are thought through. Interestingly, increasing emphasis is being placed on the financial sector to devise the solution package. For example, several countries have taken recourse to Sovereign Green Bonds, which are traditional government securities except that "they contain a "use of proceeds" clause which states that the funds will be utilised solely for green investments".

The report delves into using monetary policy tools for countering the menace of climate change and goes on to mention ingenious policy tools like green quantitative easing (such as, a targeted scheme to provide low-cost funds to banks for lending to firms engaging in the renewable energy space), relaxing collateral policy for access of liquidity, CRR exemptions on green credit, even introduction of central bank digital currency from green considerations.

The report highlighted some of the key initiatives of RBI in this area. Illustratively, the RBI released its 'Discussion Paper on Climate Risk and Sustainable Finance' in July 2022. The Discussion paper provided broad guidance for RBI-regulated entities to develop good practices on some issues, such as (a) appropriate governance; (b) climate risk strategy; and (c) risk management structure. Later in January 2023, the RBI issued sovereign green bonds to mobilise resources for the government for green infrastructural investments. More recently, in April 2023, the RBI released the framework for mobilising green deposits.

The RBI report brings some fresh air into this arena and mainstreams such concerns about climate change.

Ray is with National Institute of Bank Management, Pune, and Pal is with the Indian Institute of Management Calcutta. Views are personal

Climate change can amplify credit risk, market risk, liquidity risk, and operational risk. This can impact financial stability. https://www.thehindubusinessline.com/opinion/new-climate-in-monetary-policy/article67143299.ece

8. Slowing down rich economies to deal with climate change is a flawed idea *(downtoearth.org.in)* 01 August 2023

The notion of "degrowth" is gaining traction among some politicians in Europe. It was given a platform recently at the European Parliament's "Beyond Growth" conference.

Jason Hickel, an economic anthropologist and one of the main advocates of degrowth, defines it as

a planned reduction of energy and resource use designed to bring the economy back into balance with the living world in a way that reduces inequality and improves human wellbeing.

The degrowth movement's belief is that other approaches to the ecological crisis, such as green growth and the sustainable development goals, are futile. That's because these approaches are rooted in democratic capitalism, which is obsessed with economic growth.

Therefore the movement calls for a "radical political project" that would displace capitalism and "de-grow" the west. The global south is exempt.

So far, the economic mainstream has been dismissive of degrowth, considering it perhaps not even worth engaging with. Critical analyses by Ted Nordhaus and other leading economists such as Branko Milanovic and Andrew MacAfee remains confined to blog-style pieces.

The degrowth movement does, however, raise very valid criticisms against economic growth and the Green Growth paradigm that underpins the current mainstream approach to tackling the ecological crisis.

But do they offer valid solutions? Are the only two options facing us either ecological collapse or degrowth? Will degrowth save the world as Jason Hickel confidently proclaims?

In several recent scholarly papers, published by the IZA Institute of Labor Economics, I argue that the proposal for degrowth is not a solution for the ecological crisis or for the shortcomings of democratic capitalism.

Degrowth would be ineffective and might be even worse for the environment. Degrowth in industrialised countries would hit developing countries hard because of economic interdependencies.

The west has been experiencing degrowth conditions (the "great stagnation") for decades. This experiment has resulted in many social and political ills. The degrowth movement itself is a reaction against degrowth.

Flaws in the argument

Proponents of degrowth argue that reducing the gross domestic product (GDP) of advanced economies would cut carbon emissions enough to avoid an ecological overshoot.

But my argument is that merely reducing the GDP of developed countries would have no significant impact on the world's overall material footprint.

Most current carbon emissions (63%) come from developing countries where emissions will continue to increase. China, for example, is building the equivalent of two new coal-fired power plants every week.

Many of the world's major carbon pollutors — fossil fuel companies — are located in the global south. They include Saudi Aramco, National Iranian Oil, Petroleos Mexicanos, PetroChina, Petroleos de Venezuela and Kuwait Petroleum.

They are also government owned or controlled, which makes it rather strange that Jason Hickel is advocating nationalisation of fossil fuel companies as a degrowth-solution…

Degrowth considers the global south to be exempt from degrowth. This is an implicit acknowledgement that degrowth can do harm.

The movement has also argued that developed countries should compensate the global south. This implies giving a free pass to global south polluters whose fossil fuel rich governments will get trillions in reparation money to further invest in their polluting industries.

Degrowth would also be ineffective. Most of its key proposals are likely to stimulate economic growth and consumption, not curtail it. For example, the degrowth movement calls for energy sufficiency, basic income grants and four-day working weeks. It proposes banning advertising.

All of these may be subject to rebound effects — they would actually stimulate economic growth and materialisation of the economy.

But degrowth might not only be ineffective in reducing ecological overshoot. It might turn out to be dirty.

First, redistribution towards less developed countries, as degrowth proposes, would stimulate economic growth and aggregate consumption growth in developing countries. Strangely, although degrowthers reject neoclassical economic growth theory, they seem to adhere to its tenet that redistribution has no effect on economic growth.

Second, with reduced income, developed countries would have fewer resources to invest in climate change mitigation and adaptation technologies. Degrowthers may counter that countries could just reallocate their expenditure away from conspicuous consumption towards such green investment.

But that would be inconsistent with the fact that the most innovative countries are not Jason Hickel's poster-children such as Sri Lanka or Cuba, but those with the highest GDP, such as the USA and Switzerland. Innovation costs money.

Kate Raworth is therefore mistaken when she claims that "boundaries unleash creativity."

With resources and innovation under degrowth pressure, firms might simply replace expensive cleaner production techniques with cheaper, but more polluting ones. And without future growth, debt would contract, starving risky but necessary investment projects.

The upshot is that degrowth would leave the world more vulnerable to the impacts of ecological deterioration.

Degrowth might also harm developing countries because of the intertwined nature of the global economy. This might disproportionately hurt the poorest of the poor — and make global inequality worse.

The COVID-19 crisis emphasised this inter-dependency. Poverty rose more sharply in the global south than in the global north. The impact of the pandemic indicated how difficult it would be for the south to decouple from the north.

Degrowth and dictatorship

Because of these shortcomings, degrowth is politically unfeasible. Democracy and degrowth are inherently uncomfortable bedfellows. The only example in history of a sustainable and thriving stationary (non-growing) society was Japan during the Edo (Tokugawa) period (1603-1868). It was, however, a "brutal dictatorship".

Given that a democracy is unlikely to choose degrowth voluntarily, the degrowth movement may set the west on a dangerous path towards rejecting democracy and reverting to an authoritarian collective.

The degrowth movement thinks that material use and carbon emissions cannot be decoupled from economic growth, but that innovation, creativity, happiness and social progress can. This ignores how much social progress has accompanied the last two centuries of economic growth.

The physicist Tom Murphy, who has stressed the limits to economic growth, has warned that

In times of plenty, we can afford to be kind to those who are different. We are less threatened when we are comfortable. If our 21st Century standard of living peaks […] then we may not have the luxury of viewing our social progress as an irreversible ratchet. Hard times revive old tribal instincts: different is not welcome. https://www.downtoearth.org.in/blog/climate-change/degrowth-slowing-down-rich-economies-to-deal-with-climate-change-is-a-flawed-idea-90934

9. Climate change is altering the colour of the oceans: What a new study says *(indianexpress.com)* Updated: August 1, 2023

Although the change in the colour of the oceans doesn't impact marine life directly, it indicates that marine ecosystems are in a state of flux and they could completely go out of balance in the future, which could severely affect ocean life and humans dependent on them.

The colour of the Earth's oceans has significantly altered over the past two decades, most likely due to human-induced climate change, according to a new study. Over 56 per cent of the oceans, more than the total land area on the planet, has experienced the shift in colour, it added.

The study, ‘Global climate-change trends detected in indicators of ocean ecology’, was published earlier in July in the journal Nature. It was carried out by BB Cael and Stephanie Henson of the United Kingdom-based National Oceanography Centre, Kelsey Bisson of the Oregon State University (USA), Emmanuel Boss of the University of Maine (USA), and Stephanie Dutkiewicz of the Massachusetts Institute of Technology (USA).

Although the change in colour of the oceans doesn’t impact marine life directly, it indicates that marine ecosystems are in a state of flux and they could completely go out of balance in the future, severely affecting ocean life and humans dependent on them. BB Cael, lead author of the study, told The Indian Express that changes in these ecosystems could impact how productive they are, “which could, in turn, affect how much carbon the ocean stores and how much food supply there is for fisheries.”

But what makes the oceans colourful in the first place?

In most regions across the world, the oceans appear blue or navy blue for a reason. This happens due to “the absorption and scattering of light,” according to a report by NASA. When the sunlight falls on deep and clear water, colours with longer wavelengths, such as red, yellow and green, are absorbed by the water molecules but blue and violet, which have a much shorter wavelength, are reflected back.

“When sunlight hits the ocean, some of the light is reflected back directly but most of it penetrates the ocean surface and interacts with the water molecules that it encounters. The red, orange, yellow, and green wavelengths of light are absorbed so that the remaining light we see is composed of the shorter wavelength blues and violets,” the report explained.

But when the water isn’t deep or clean, an ocean can appear to be of a different colour. For instance, along Argentina’s coastline, where major rivers merge into the Atlantic Ocean, the ocean exudes a brown tint because of dead leaves and sediments spewing from the rivers. In other parts of the world, the oceans appear green, which happens due to the existence of phytoplankton on the upper surface of the water.

Phytoplankton are microscopic marine algae that contain the green-coloured pigment chlorophyll. The pigment helps them absorb sunlight, which they use to capture carbon dioxide from the atmosphere and convert it into sugars. Moreover, chlorophyll absorbs the red and blue portions of the light spectrum — or photosynthesis — and reflects green light.

Chlorophyll Map The map shows concentration of chlorophyll across the world as of May 2023. Places where chlorophyll amounts were very low, indicating very low numbers of phytoplankton are blue. Places where chlorophyll concentrations were high, meaning many phytoplankton were growing, are dark green. Credit: NASA

"So, the ocean over regions with high concentrations of phytoplankton will appear as certain shades, from blue-green to green, depending upon the type and density of the phytoplankton population there," the report added.

What methods were used to carry out the study?

To conduct the study, Cael and his team first analysed data from Moderate Resolution Imaging Spectroradiometer (MODIS), aboard NASA's Aqua satellite, which has been monitoring ocean colour since 2002 — the measurements are taken in terms of the amount of light coming off the surface of the oceans, at all seven of the different wavelengths of light, from violet to red. The examination of 20 years worth of data indicated that in more than 50 per cent of the world's oceans, the colour has changed.

Then, to check if the phenomenon has occurred due to climate change, researchers used a climate model – a computer representation of the Earth. According to a report by MIT, "this model simulated the planet's oceans under two scenarios: one with the addition of greenhouse gases, and the other without it. The greenhouse-gas model predicted that a significant trend should show up within 20 years and that this trend should cause changes to ocean colour in about 50 percent of the world's surface oceans — almost exactly what Cael found in his analysis of real-world satellite data."

Why is the colour of the oceans changing?

The study says one of the most affected areas is the Tropical ocean regions, near the equator, where the water is turning from blue to green. But this doesn't mean that the rest of the affected areas are also turning greener.

"The colour changes are complex and different in different locations. In general, we see an increase in the amount of green light coming off the ocean, but in some places, we see more change in some green wavelengths than others, in some places we see increases or decreases in different red or blue wavelengths," Cael said. The researcher added that although the study couldn't determine "what" exact changes are happening in the oceans, it could point out "why" the changes are probably happening.

The findings suggest that a shift in colour is happening in those regions where the oceans are getting more stratified. Ocean stratification is the natural separation of an ocean's water into horizontal layers by density, with warmer, lighter, less salty, and nutrient-poor water layering on top of heavier, colder, saltier, nutrient-rich water. Usually, ocean ecosystems, currents, wind, and tides mix these layers, creating smoothed temperature and salinity transitions between them.

But because of climate change, stratification has increased, making it harder for water layers to mix with each other, which has severe consequences — oceans are able to absorb less carbon dioxide from the atmosphere and the oxygen absorbed isn't able to mix properly with cooler ocean waters below, threatening the survival of marine life. Moreover, nutrients aren't able to travel up to the surface of the oceans from below. This directly impacts phytoplankton, which thrives, as mentioned before, on the upper surface of the oceans.

"This decrease in the nutrient supply should favour smaller plankton, which tends to fare better in lower-nutrient conditions, which would result in changes in the composition of the plankton (a diverse collection of organisms found in water) community, which would have signatures in the colour," Cael explained.

Changes in the composition of the plankton population have larger effects on the marine ecosystem. Plankton has two major types: phytoplankton, which are plants, and zooplankton, which are animals. Phytoplankton are eaten by zooplankton, which are then eaten by other marine animals such as crabs, fish and sea stars, and therefore, plankton are critical in supporting marine and freshwater food webs. Any alteration in their population could throw off the whole marine ecosystem.

"The colour of the oceans has changed," Stephanie Dutkiewicz, co-author of the study, said in a statement. "And we can't say how. But we can say that changes in colour reflect changes in plankton communities that will impact everything that feeds on plankton. It will also change how much the ocean will take up carbon because different types of plankton have different abilities to do that. So, we hope people take this seriously. It's not only models that are predicting these changes will happen. We can now see it happening, and the ocean is changing." https://indianexpress.com/article/explained/explained-climate/climate-change-is-altering-the-colour-of-the-oceans-new-study-8869736/

10. Centre detected Rs 1.31 lakh crore evasion in goods and services tax in FY23 *(telegraphindia.com)* 01 August 2023

The fraud detected so far points to a much bigger malaise, former Bengal finance minister Amit Mitra suggested in a letter to Sitharaman three days back

The Centre has detected Rs 1.31 lakh crore evasion in goods and services tax (GST) in FY23, reflecting a sharp rise in dubious activities in the indirect tax system over the previous two years.

In FY22 and FY21, the Centre had detected Rs 73,238 crore and Rs 49,384 crore evasion on the GST network, respectively, the FM informed the members of Parliament in the Lower House.

While sharing the data on tax evasion, the finance minister informed the house about the series of measures being taken by the government to plug the loophole, including reduction in threshold for issue of e-invoice for B2B transactions from Rs 10 crore to Rs 5 crore from August 1.

She mentioned that the government was using robust data analytics and artificial intelligence to identify and track risky taxpayers and detect tax evasion.

Tip of the iceberg

The fraud detected so far points to a much bigger malaise, former Bengal finance minister Amit Mitra suggested in a letter to Sitharaman three days back.

Pointing out that of 69,426 GST identification numbers verified during the last two months, 20,893 were found to be simply non-existent - fraudulent, Mitra wrote: "May I point out that out of the 1.4 crore businesses registered with GST only 0.42 per cent of registered tax payers were verified, which yielded the shocking 30 per cent non-existent and fraudulent registrations."

He went on to suggest that the actual number of frauds could be much higher if all 1.4 crore businesses registered with GST were to be verified.

Mitra pointed to the flaw in the tax return filing system which he blamed has led to the glitch. He argued that if GSTR 1-2-3 return filing methodology which was based on the concept of two-way communication and matching of information between the suppliers and the recipients was followed, such fraud may have been averted. https://www.telegraphindia.com/business/centre-detected-rs-1-31-lakh-crore-evasion-in-goods-and-services-tax-in-fy23/cid/1955912

11. What the data hides and shows *(indianexpress.com)* Updated: August 1, 2023

High-frequency economic data tell us whether things are looking good or not. These indicators help us formulate opinions about what is happening in the economy. However, often, we tend to extrapolate such data to draw conclusions which may not materialise. This raises scepticism about the accuracy of these variables.

In this context, the purchasing managers indices are relevant. They tell us about the state of industry and services on a monthly basis. Such information is provided for several countries and hence is seen as adding value to economic understanding. The fact that this information is available on the first of every month is valuable as we get to know about how the sector has performed immediately. In comparison, official data on the index of industrial production is available with a lag of around 40-45 days. That's why PMI is popular and taken to be a leading economic indicator. But, in India, these leading indicators have tended to be misleading.

The PMI manufacturing averaged above 55 last year. This was interpreted as a sign of a turnaround in the manufacturing sector. In fact, not just a turnaround but a sharp revival. But, manufacturing output as per the GDP estimates grew by just 1.3 per cent — which is very different from what the PMIs were indicating. Is there something wrong somewhere?

The National Statistical Office, which computes these numbers, provides information for May in July. Here, too, revisions are made and critics maintain that the coverage is not optimal as the unorganised sector is largely excluded. In such a situation where a large part of the output comes from the unorganised sector, it does seem a stretch to accept PMIs where the sample size is only 400. Moreover, information is collected on only five indicators. While there is value in any information — it is better than not having any data — interpreting these indices is fraught with the risk of reaching erroneous conclusions.

A similar issue crops up in GST collections data. It has been observed that over the years, tax collections have risen, implying a revival of consumption. But the same does not reflect in other data with companies lamenting about stagnant demand. Collections appear to have risen more due to higher inflation, as well as better compliance. With the growing formalisation of the economy, GST collections will increase as a larger part of the SME world will get integrated into the system. But the usefulness of this indicator ends here. Using it to assess growth may not be correct.

There are also similar issues with the index of industrial production numbers. These numbers are known for extreme volatility with a standard deviation of 3-3.5 in the pre and post-pandemic periods. This means that growth numbers are volatile.

A similar problem is encountered when single-month export data is extrapolated into the future. High commodity prices often contribute to a higher value in trade and hence, whenever exports have increased at a high rate, the same holds for imports too, resulting in a higher deficit. The timing of exports also plays a role — spikes in trade could be due to logistical issues. Single-month numbers inherently carry such biases. This also holds for investment flows. One should eschew falling into the trap of the "highest ever monthly" flows as the bunching effect is quite common.

There has also been a tendency of late to get carried away by investment announcements made by companies as it perhaps supports the belief that the capital cycle has turned. This gets magnified when one looks at the state government-sponsored investment summits, which have a large number of MoUs signed. However, these seldom materialise. Here too, the indicators are misleading.

The flow of economic data in India has definitely improved over time. Various agencies are trying to release as close to possible real-time data to provide insights on developments taking place. While there is value in these, there are deviations when the final picture emerges. This can create problems at the policy end. Therein lies the rub.
https://indianexpress.com/article/opinion/columns/madan-sabnavis-writes-what-the-data-hides-and-shows-8869984/

12. AI needs responsible regulation *(thehindubusinessline.com)* July 31, 2023

Integrating Artificial Intelligence (AI) in various industries has brought unprecedented advancements and growth opportunities. India has recognised the potential of AI to drive economic growth and improve public services and has made it a priority to develop and adopt AI technologies. A 2021 report by the McKinsey Global Institute found that AI could add $957 billion to India's GDP by 2035.

However, it has also raised concerns about the potential adverse effects that could arise from deploying the technology. These concerns led to increased calls for AI regulation to ensure that the technology is developed and used responsibly and ethically.

While it is crucial to address the pressing need for responsible regulation that safeguards society, it must also not stymie unleashing of the true potential of this transformative technology.

Despite being a significant player in the global tech space, India does not have a specific regulatory framework for AI. However, in 2018, the Ministry of Commerce and

Industry constituted a task force on Al to develop a policy framework and identify relevant use cases for AI technology. The task force submitted its report in 2019, which outlined the need for a national strategy for AI and recommended the, establishment of an AI research Institute.

Replying to a question raised by this writer in Parliament, the Minister of State shared several important schemes, most prominently the National Al Portal, the Centres of Excellence and the Global Partnership on Artificial Intelligence (GPAI) — an international and multi-stakeholder initiative to guide the responsible development of AI.

The European Commission published its AI strategy in 2018, which aims to foster the development of AI while ensuring that its use is consistent with EU values and fundamental rights.

The strategy outlines a three-pronged approach to AI regulation, which includes investment, ensuring a legal and ethical framework, and preparing for socio-economic changes. Additionally, the EU General Data Protection Regulation (GDPR) includes provisions that address the use of AI, such as the right to explanation through automated decision-making under Articles 13-15. They give the data principals rights to "meaningful Information about the logic involved" in automated decisions.

India's lead

India has been at the forefront of using and deploying automated solutions to enhance ease of governance and attain last-mile delivery of public programs. However, while the European Union (EU) has already embraced the General Data Protection Regulation (GDPR) guaranteeing its citizens robust data protection rights, India is yet to have its data protection law. Until then, the Supreme Court's judgment in Puttaswamy I remains the guiding light.

Also, like the US, which enforces the Federal Trade Commission Act, National Institute of Standards and Technology (NIST) guidelines, India needs to put in place a unified approach to regulating Al. There is a need to adopt a principles-based approach rather than engaging in piece-meal patchwork, reminiscent of the 'Law of the Horse' era in cyber law regulation.

This divergence leaves India vulnerable and hinders its potential as a global AI leader. At the same time, this disparity presents an opportunity for India to learn from the experiences of the EU and the US and bridge the regulatory gap to ensure responsible AI development and deployment.

Privacy Concerns

Additionally, several potential privacy concerns are associated with AI technologies in India. They can impact women, children, voting and electoral processes, delivery of justice, etc.

AI algorithms can potentially perpetuate and amplify existing gender biases. Regulatory frameworks must prioritise developing and deploying unbiased AI systems to prevent this. Transparent and diverse data sets, rigorous testing, and continuous real-time monitoring are essential to ensure that AT does not reinforce gender disparities in areas such as hiring, lending, and access to opportunities.

Children are particularly vulnerable to privacy breaches and online harm. Robust safeguards must be in place to protect their personal data and ensure their safety in AI-driven environments. Stricter regulations should govern the collection, storage, processing and use of children's data, while educational initiatives can empower children to navigate the digital world safely.

AI is increasingly being used to deliver justice, but principles of fairness and transparency must guide its deployment. AI's role in elections raises concerns about the integrity of the electoral process and voters' privacy. Transparent and auditable AI systems should be employed to ensure fair and unbiased outcomes, which everyone trusts.

International cooperation is essential to addressing the challenges posed by AI. AI is a global technology whose impact already transcends borders. By working together, countries can ensure that AI is used for the benefit of humanity and not for its detriment, by exacerbating inequalities, eroding privacy, or reinforcing biases.

International cooperation allows for the sharing of best practices, development of common standards, and the establishment of ethical guidelines that can guide the responsible development of AI technologies across jurisdictions/geographies.

It would also enable collaboration in addressing AI's ethical, legal, and social implications fostering a global dialogue that considers diverse perspectives and ensures that AI is harnessed in a manner that respects human rights, promotes inclusivity, and safeguards against potential harm. By working together, countries can collectively shape the future of AI, ensuring that it serves as a force for positive chance and contributes to the well-being and prosperity of all.

India, with its vibrant tech ecosystem and a growing AI industry, stands to benefit significantly from international cooperation in addressing the challenges posed by AI. By actively engaging in international cooperation, India can position itself as a global leader in responsible AI innovation. https://www.thehindubusinessline.com/opinion/ai-needs-responsible-regulation/article67143172.ece

13. New framework for improving financial health of power distribution companies *(financialexpress.com)* August 1, 2023

The measures come in the wake of improper and non-transparent accounting as well as non-payment or delayed payment of subsidy announced by the States, one of the reasons for financial distress of Discoms. The Ministry of Power notified rules on July 26.

In a bid to create a broad framework for financial sustainability of the power sector, the government has put in additional measures to improve financial health of Discoms. This also includes streamlining the process of accounting, reporting, billing and payment of subsidy by States to the Distribution Companies.

The measures come in the wake of improper and non-transparent accounting as well as non-payment or delayed payment of subsidy announced by the States, one of the reasons for financial distress of Discoms. The Ministry of Power notified rules on July 26.

The rules mandate that a quarterly report shall be submitted by the distribution licensee within thirty days from the end date of the respective quarter and the State Commission shall examine and issue it within thirty days of submission of the quarterly report. The report will also inter-alia cover the findings regarding raising of demands for subsidy based on accounts of the energy consumed by the subsidised categories and the subsidy payable to these categories as announced by the State Government and the actual payment of subsidy.

Under the framework for sustainability, it is prescribed that the AT&C loss reduction trajectory would be approved by the State Commissions for tariff determination in accordance with the trajectory agreed by the respective State Governments and approved by the Central Government. This is primarily for helping define a definite and reasonable goal for reduction of Aggregate Technical and Commercial (AT&C) loss under any national scheme or programme.

It has been prescribed that all prudent costs of power procurement, done in a transparent manner, would be taken into account, while approving the tariff. Similarly, all the prudent costs incurred by the distribution licensee for creating the assets for development and maintenance of the distribution system would be accounted for subject to fulfillment of prescribed conditions.

The Central Electricity Authority has been mandated to issue guidelines for establishing norms for operation and maintenance of the distribution system.

Reasonable Return on Equity (RoE) is one of the major factors required to ensure investment in the sector. The Rule provides that the RoE by the State Commission would be aligned with the RoE specified by the CERC in its Tariff Regulations for the relevant period, with appropriate modification taking into account the risks involved in distribution business. https://www.financialexpress.com/industry/new-framework-for-improving-financial-health-of-power-distribution-companies/3194799/

14. No offset obligation lapsed in last five years: Govt *(economictimes.indiatimes.com)* Jul 31, 2023

The quantum of defence offset obligations for which claims have been submitted is USD 6.85 billion, the government said on Monday. Replying to a question in Rajya Sabha, Minister of State for Defence Ajay Bhatt said no offset obligation has lapsed during the last five years.

Under India's offset policy, the foreign defence entities, for all contracts worth Rs 2000 crore or more, are mandated to spend at least 30 per cent of the total contract value in India through procurement of components, transfer of technologies or setting up of research and development activities.

However, the offsets are not applicable to procurements under 'fast track procedure' and in 'option clause' cases if the same was not envisaged in the original contract.

Further, no offsets are applicable in contracts under intergovernmental agreements.

"The total value of all offset contracts is USD 13.21 billion. The quantum of offset obligations for which claims have been submitted is USD 6.85 billion. The quantum of offset due is 0.12 billion US dollars so far," Bhatt said.

He was asked about the total value of all offset contracts, the quantum of offsets obligations paid so far along with the quantum of offsets dues by defence contractors.

Bhatt said penal action is taken against defaulting vendors as per the relevant provisions of the defence offset guidelines under the applicable defence procurement procedure.

"Assessment of the quality of offsets is not provided as bid evaluation criteria in the defence offsets guidelines under the extant defence procurement procedure," he said. https://economictimes.indiatimes.com/news/politics-and-nation/no-offset-obligation-lapsed-in-last-five-years-govt/articleshow/102283340.cms?from=mdr