

## **NEWS ITEMS ON CAG/ AUDIT REPORTS**

### **1. सुरक्षित रेल यात्रा को लेकर उठते गंभीर सवाल (*lokmatnews.in*)**

November 2, 2023

पिछले चंद दिनों की कुछ रेल दुर्घटनाओं पर नजर डालें तो रेल सुरक्षा को लेकर डरावनी तस्वीर सामने आती है। इस कारण से सुरक्षित रेल यात्रा को लेकर निरंतर गंभीर सवाल उठ रहे हैं।

सुरक्षित रेल यात्रा को लेकर निरंतर गंभीर सवाल उठ रहे हैं। 29 अक्टूबर की शाम आंध्र प्रदेश के विजयनगरम जिले में विशाखापट्टनम पलासा पैसेंजर और विशाखापट्टनम-रायगढ़ पैसेंजर रेल गाड़ियों की हुई टक्कर ने इन सवालों को और गंभीर बना दिया है। इस रेल हादसे में 14 यात्रियों की मौत हुई जबकि 50 से ज्यादा घायल हुए।

बिहार के बक्सर में रघुनाथपुर स्टेशन पर 11 अक्टूबर को हुए भीषण रेल हादसे के तीन सप्ताह के भीतर ही रेल हादसों के कई मामले सामने आ चुके हैं। 11 अक्टूबर की रात रघुनाथपुर स्टेशन पर दिल्ली से गुवाहाटी जा रही आनंद विहार कामाख्या नॉर्थ ईस्ट एक्सप्रेस दुर्घटना ग्रस्त हो गई थी, जिसमें चार लोगों की मौत हो गई थी।

पिछले चंद दिनों की कुछ रेल दुर्घटनाओं पर नजर डालें तो रेल सुरक्षा को लेकर डरावनी तस्वीर सामने आती है। 28 अक्टूबर को मुजफ्फरपुर-हाजीपुर रेलखंड पर कुढ़नी स्टेशन के पास करीब एक फुट टूटी पटरी से कई ट्रेनें गुजर गईं।

कंट्रोल रूम को पटरी टूटी होने की जानकारी मिलते ही आनन-फानन में पटरी ठीक कराई गई। 27 अक्टूबर को महाराष्ट्र में पश्चिम रेलवे के वसई रोड स्टेशन यार्ड में एक मालगाड़ी के 2 डिब्बे पटरी से उतर गए और उसी दिन हरियाणा के हिसार में सातरोड रेलवे स्टेशन पर मालगाड़ी के एक डिब्बे के दो पहिए पटरी से उतरे।

उसी तरह 25 अक्टूबर को पटरी पर दौड़ रही पातालकोट एक्सप्रेस के कुछ डिब्बों में आग लगने से कुछ यात्री झुलस गए। उसी दिन वाराणसी में चौका घाट पुल पर एक मालगाड़ी के 3 डिब्बे पटरी से उतर गए और रेल पटरी भी क्षति ग्रस्त हो गई।

16 अक्टूबर को बक्सर में डुमरांव रेलवे स्टेशन के निकट एक पार्सल ट्रेन पटरी से उतर गई थी। उसी दिन बीड जिले के आष्टी स्टेशन से अहमदनगर जा रही एक डी ईएमयू यात्री ट्रेन के 5 डिब्बों में आग लग गई। ऐसी घटनाओं की श्रृंखला लंबी है।

कंट्रोलर एंड एंऑडिटर जनरल (सीएजी) की रिपोर्ट में रेलवे ट्रैक की मरम्मत को लेकर चिंता जताई जा चुकी है। 21 दिसंबर 2022 को संसद में रखी गई उस रिपोर्ट में कहा गया था कि विभिन्न रेलवे जोन रेलवे बोर्ड द्वारा तय पटरियों की मरम्मत और निगरानी से जुड़े नियमों की अनदेखी कर रहे हैं।

सीएजी रिपोर्ट के मुताबिक रेलवे बोर्ड के नियम कहते हैं कि मुख्य रूटों पर पटरियों का हर 2 महीने में अल्ट्रासोनिक मशीनों से मुआयना होना चाहिए। अल्ट्रासोनिक तकनीक के जरिये उन क्रैक को भी ढूंढा जा सकता है, जिन्हें खुली आंखों से ट्रैकमैन के लिए देख पाना संभव नहीं होता।

सीएजी रिपोर्ट में 2017 से 2021 की अवधि के बीच रेलवे के अल्ट्रासोनिक फ्लो डिटेक्शन (यूएसएफडी) परीक्षण में खामियों पर भी सवाल उठाए गए थे।

रिपोर्ट के मुताबि क्यूएसएफडी परीक्षण के मामले में उत्तर रेलवे में 50 प्रतिशत कमी पाई गई। जिस कवच प्रणाली को रेल दुर्घटनाएं रोकने में बेहद प्रभावी माना जा रहा है, उसे अभी तक देश के समूचे रेल नेटवर्क के केवल दो प्रति शत हिस्से में ही लागू किया जा सका है।  
<https://www.lokmatnews.in/blog/india/blog-serious-questions-arising-regarding-safe-rail-travel-b639/>

## **2. CAG initiates bid on GeM for departmental exam agency, portal ensures data security (cnbctv18.com) Nov 1, 2023**

The Comptroller and Auditor General (CAG) of India has published a bid on the Government's e-Marketplace (GeM) to hire an agency for the design and conduction of its departmental examination. This bid, currently undergoing financial evaluation, pertains to an examination being conducted by the CAG headquarters.

GeM's CEO, PK Singh, has reassured users about the privacy and security of shared data, emphasizing the portal's impeccable security track record. Singh highlighted the burgeoning potential for the banking sector on GeM, noting the State Bank of India's (SBI) substantial bids and the anticipation of other banks following suit.

Furthermore, the power and coal sectors have also presented significant bids, prompting GeM to make contracts flexible by allowing specialized add-ons for enhanced safety. Singh elaborated on GeM's efforts to provide a library of add-ons within contracts, allowing buyers to customize their requirements.

The services on GeM have experienced phenomenal growth, evolving from ₹3,000 crores in FY 2019-20 to an expected figure of over ₹1.5 lakh crores this year. Initially centered on services such as manpower and vehicle hiring, GeM has expanded to encompass a wide array of services essential for government departments.

GeM now hosts comprehensive services, including insurance and specialised offerings for drones and aircraft. Notably, the Defense Ministry has recently procured 830 chartered aircraft for various routes in Jammu and Kashmir, Ladakh, and the Andaman and Nicobar Islands, with an order value of ₹142 crores. An additional bid of ₹148 crores has been published for a similar service.

Singh said that GeM's ongoing trial partnership with Uber is showing promising results and will be introduced publicly once fully successful. Additionally, GeM has collaborated with buyers and service teams to devise a model aimed at analysing the benefits of the new system to save time and money.  
<https://www.cnbctv18.com/business/cag-initiates-bid-on-gem-for-departmental-exam-agency-portal-ensures-data-security-18214941.htm>

## **STATES NEWS ITEMS**

### **3. CAG flags recruitment irregularities in North Bengal University amid foundation day celebrations** (*telegraphindia.com*) Nov 02, 2023

The Comptroller and Auditor General of India (CAG) has found irregularities in certain recruitments made at North Bengal University (NBU) during 2018 and 2021, said senior officials of the varsity on Wednesday, even as the institution celebrated its 62nd foundation day.

The NBU is the oldest university in north Bengal.

Sources said that the CAG report citing "irregularities" reached the varsity recently.

Swapan Rakshit, the officiating registrar of NBU, confirmed that they had received the report.

"The report we received from the CAG contained some unexpected words like 'irregularities,' 'not at par,' 'non-following of government orders,' for some appointments. They have asked for answers which we had sent but they are not satisfied with our report and said it is unacceptable," said Rakshit.

"In the CAG report, it has been mentioned that the recruitments made between the years 2018 and 2021 were irregular. The CAG specified eight officer-level appointments and has asked the varsity to look into it," he added.

C.M. Ravindran, the present vice-chancellor, said he had also found irregularities while scanning old records of the varsity.

"I was going through some old records and found that there has been some malpractice in the recruitments made between 2018 and 2021," he said, adding he also found that some external candidates, "who are not qualified for posts", getting jobs at the varsity.

"People who have no experience have been recruited. I will not be able to regularise these cases because this is illegal," added Ravindran.

On Wednesday, NBU foundation day celebrations were also held, starting with Ravindran hoisting the university flag after a guard of honour by the varsity security guards.

Sanchari Roy Mukherjee, a former VC of NBU, delivered the welcome speech and highlighted the need to fill up the vacancies.

"Our university needs the development of infrastructure and research facilities. We need innovative research and measures to get a higher grade in NAAC (National Assessment & Accreditation Council)," Subhash Chandra Roy, the dean of science, arts, commerce and law, said. <https://www.telegraphindia.com/west-bengal/cag-flags->

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

### **4. Is it time for GST exemptions to go? (*newindianexpress.com*) Nov 02, 2023**

Even as GST collections touch new records, with monthly collections remaining above Rs 1.5 lakh crore consistently, a new working paper from a central government body argues for bringing all goods and services under the tax regime.

At present, the GST regime gives tax exemption to several essential and basic goods and services – such as foodgrains, fruits, vegetables, meat, hospitals, diagnostic tests, education and public transport.

Citing varied evidence, the study argues that imposing GST on such items won't be a burden to taxpayers.

The case made in the working paper rests on two premises: One, it argues that exemptions on goods and services tax are delivering more benefits to households with higher monthly expenditure than the lower strata of consumers.

Two, it found that the exempted items account for only around 20% of a low-income households' monthly expenditure, and hence, bringing them under the tax net is unlikely to pinch consumers' pockets hard.

The working paper, titled 'Distributional Impact of Indian GST', has been brought out by the National Institute of Public Finance and Policy (NIPFP) – an autonomous research institute under the Ministry of Finance. It is the first empirical assessment of the distributional impact of GST.

Until now, there have been no India-specific studies evaluating the distributional impact of the Indian VAT or GST system in Indian public finance literature and hence NIPFP's working paper assumes significance.

Right now, there are 9 tax slabs in GST: (exempted), very low (exempt to 5%), low (5%), lower middle (5-12%), middle (12-18%), upper middle (18%), upper (28%), high (higher than 28%), and lastly out-of-GST.

The study considered 123 major groups of items of households' consumption during 2021-22 to determine the distributional impact of taxes and exemptions. The findings are interesting as they question the premise that the items that are given GST exemption account for a large chunk of the expenditure incurred by poorer sections and therefore benefit them more.

Let's first look at the lowest income households – or 5% of the households from the bottom when the households are arranged according to personal consumption expenditure. They spent around Rs 934 per person per month in 2021-22 on

consumption, according to CMIE's Consumer Pyramids Household Survey. In contrast, the top 5% spent Rs 5,945 per person per month, according to the same survey.

Now, let's look at the spending patterns of the lowest income group, or the lowest 5% by income.

According to the analysis made by the working paper, they spent only around 20% of their money on GST-exempt items such as foodgrains, vegetables, fruits, public transport and so on. In contrast, this low-income group spends around 35% of their money on items that are taxed at 5% GST.

Now, let's compare this to how the richest section of the population, the top 5%, spend their money. The paper found that this section spent a whopping 30% of their expenditure on GST-exempted services such as foodgrains, vegetables, fruits, milk and public transport.

Hence, the study argues that consumers with higher average expenditure – or the richer segments of the population – are getting more of the benefits of GST exemptions, contrary to the common belief that tax exemptions benefit the lower strata of consumers. Hence, the paper suggests that these exempted items, such as foodgrain, milk and public transport, should also be brought under goods and services tax.

It therefore suggests expanding the tax net and reworking the applicability of the slabs.

For instance, look at cereals. Currently, pre-packaged and labelled cereals attract 5% GST, while unpackaged and unlabelled cereals are exempted. Given that average monthly expenditure on cereals increases with increasing size of the consumption basket, it recommended a 5% GST on all cereals, regardless of packaging and labeling. Going by the current expenditure patterns, a uniform 5% rate may not be a tax burden for households.

Likewise, pre-packaging and labeling of salty snacks attract 12% GST, while unpackaged and unlabeled have a 5% levy and suggested removal of differential tax rates.

Apparel under Rs 1,000 attracts 5% GST and those above Rs 1,000 attract 12%. These price-specific rates are prone to revenue leakages if monitoring is not intensive and therefore, removal of price specification and imposing a single GST rate across all such items may increase tax collections. Any attempt to converge two tax rates into one, say 8%, may not significantly increase the prospective tax liability on goods and services.

Similarly, footwear priced under Rs 1,000 has 12% GST, while the rest attract 18%, so merging these into 15% may not have any regressive distributional effect on tax burden. Kitchen appliances and utensils made of iron & steel, aluminum and copper attract GST rate of 12%, while the rest attract 18% and the differential tax structure could lead to revenue leakages and classification disputes. Therefore, a single tax rate on all kitchen appliances and utensils may not only simplify GST structure, but also reduce revenue leakages.

Items under high tax rate of 28% and above comprise intoxicants like cigarettes, bidis and others and in addition to the highest GST rate of 28%, they attract GST compensation cess. Consumption of these items accounts for 1-3% of average monthly expenditure, with rural areas having a higher share than in urban areas. <https://www.newindianexpress.com/business/2023/nov/01/is-it-time-for-gst-exemptions-to-go-2629087.html>

## **5. GST Appellate Tribunals likely to be besieged with appeals involving over ₹1 trillion (cnbctv18.com) Nov 02, 2023**

In what might be a game-changer for both the government and the industry, sources have told CNBC-TV18 that over one lakh appeals involving more than ₹1 lakh crore are expected to reach the GST Appellate Tribunals once it become functional.

Sources share that "the government expects the Appellate Tribunals to be functional by April 2024." It is understood that both the government and the industry aim to ease the litigation burden on the High Courts in the country once these Appellate Tribunals come into existence.

The government notified the creation of GST Appellate Tribunals on October 27, 2023.

Sources further share that "the industry is likely to file appeals in large numbers against adverse GST orders. However, the industry has requested the government to consider reducing the amount of the pre-appeal deposit."

"The industry, in a representation, has mentioned that a high pre-appeal deposit amount will hurt the working capital for many firms," sources said.

GST assesses pay 30% of the GST demand as a pre-appeal deposit before filing an appeal. The maximum pre-appeal deposit in cases with high-value CGST has been increased to ₹50 crore from the pre-GST limit of ₹25 crore.

Similarly, the maximum pre-appeal deposit in cases with high-value IGST has been increased to ₹100 crore. The government aims to have 32 benches of GST Appellate Tribunals in the first phase.

These 32 GST Appellate Tribunal benches will include one national bench and 31 state benches. Large states will have 2 benches, and smaller states are likely to have combined benches.

"The government aims to double the number of state-level GST Appellate Tribunals to 62 in the second phase," sources said. Experts say that the tribunals were much awaited and a need of the hour.

"The absence of a GST Appellate Tribunal even after 6 years of the GST law coming into force was a glaring gap in the GST administration. The government has slowly initiated the process of setting up the tribunal.

On September 14, the notification regarding the location of benches was issued, with 31 benches to be set up across various states. The government has now issued the notification on October 25, spelling out the appointment and conditions of service of the President and member rules.

This is a significant step forward, and the process of selection and filling up of the posts can now commence. Hopefully, the process will be completed, and the tribunals will start functioning soon," said Najib Shah, former chairman of CBIC.

“The formation and operationalisation of the tribunals will assist those taxpayers who have pending litigations to be filed before the tribunal. Pre-deposit may become a hardship in cases of genuine tax disputes. As the tribunals will start with lot of pendency, the taxpayers will have to mention priority to get the matters listed”, said Abhishek A Rastogi, founder of Rastogi Chambers, who argued before the High Courts for the statutory and constitutional right of the taxpayers to file these appeals in absence of the tribunal.

He also pointed out that the Bombay High Court has held that the time limit for filing the appeals before the tribunal will be counted from the day these tribunals will become operational. This order can help all the taxpayers all throughout the country, he noted. <https://www.cnbtv18.com/india/gst-appellate-tribunals-likely-to-be-besieged-with-appeals-involving-over-1-trillion-18216201.htm>

## **6. Revenue from mines dips despite rise in production** (*orissapost.com*) Nov 02, 2023

Joda: Mines are the principal source of revenue for the state government. However, the state government is facing loss due to the faulty valuation of the mines by the Centre-owned Indian Bureau of Mines (IBM), the report said Wednesday. A review said though production is increasing from these mines, their share of revenue to the state exchequer is not rising correspondingly.

Sources said the state government received Rs 50,000 crore as mineral revenue in 2021-22 FY while the revenue share dropped to Rs 37,000 crore in 2022-23 FY. The drop in revenue share came when 20 lakh MT mineral was dispatched or transported in excess from Joda mineral division in Keonjhar district. The revenue share witnessed a sharp decline despite excess mineral transportation from Joda mining division. The mining revenue is fixed on the basis of the total revenue produced and its price from the mines in the state. IBM is fixing the mineral revenue on the basis of Mineral Concessions and Development Rules (MCDR)- 2017. The price of the minerals produced from various mines is not equal. The average sales price (ASP) is decided by IBM which is stated to be the reason behind the declining revenue share of the state government.

Currently, out of 94 mines under the Joda division, 31 are in operation while 57 are lying closed. Six mines have received temporary dispatch orders. The state government earned Rs 25,000 crore as revenue from sale of 71 million MT of minerals under Joda mining division in 2021-22 FY. The revenue declined by Rs 9,000 crore from earlier Rs 25,000 crore despite selling 72 million MT minerals in 2022-23 FY. This is because IBM has not fixed the price of large blocks of iron ores or iron ore lumps for which

various mining firms are converting the large blocks of iron ores or iron ore lumps to calibrated ores by crushing the iron ore lumps and selling at Rs 7000 per tonne.

This started in April 2022 while the price of iron ore lumps was Rs 9,200 per tonne before 2022. The change in price has led to a decline in revenue share. The decline in revenue share has led to a decline in contribution to the District Mineral Foundation (DMF) and National Mineral Exploitation Trust (NMET). Moreover, the decline in revenue share is also affecting the premium money paid to the state government by the leaseholders.

As a result, the contribution of the DMF collected for the mineral-bearing areas is also declining. Funds worth Rs 1,805 crore were collected for the DMF in 2021-22 FY while it was reduced to Rs 1,300 crore in 2022-23 fiscal.

Similarly, Rs 780 crore has been collected so far in 2023-24 FY. When contacted, mining expert Jyoti Ranjan Rout said a new mining policy was formulated after 2020 and the auction of mines was launched. The mining policy came into force in 2020 but the MCDR rules remained unchanged. This has proved to be a stumbling block in revenue collection. Revenue collection will rise only if the Odisha Mining Corporation fixes the average sale price (ASP) of iron ores and sells off the extracted minerals through auctions. The state Mining department and the Centre-owned IBM should coordinate and amend the MCDR rules-2017 which will help boost revenue collection and keep the interest of the state government protected, he added. <https://www.orissapost.com/revenue-from-mines-dips-despite-rise-in-production/>

## **7. After Electoral Bonds: Income from Unknown Sources to Political Parties Rose to 72% of Total Income (*thewire.in*) Nov 02, 2023**

**The Hindu has analysed data submitted by a petitioner in the electoral bonds case, Association of Democratic Rights (ADR). This counters government contention that electoral bonds have cut down on ‘unknown sources’ of income.**

A Constitution bench of the Supreme Court is hearing the case on electoral bonds, against which multiple petitions have been filed. The arguments are ongoing.

Arguing for the Union government, solicitor general Tushar Mehta spoke on the need for electoral bonds, in order to make sure that unknown sources of income to political parties are minimised. His case on day two of the hearing in the Supreme Court included a read-out from the Association of Democratic Reforms to speak of unknown donors from years before.

The Hindu, calculating data on the source of political funding, has found that numbers are to the contrary. The source of funds from unknown sources to national parties in FY2015-FY2017, rose from 66% to 72% (nearly three-fourths) in FY2019-FY2022 period.

Electoral bonds were introduced in 2018.



The BJP saw an increase from 58% being the share of unknown sources of income to total income to 68% in the 2019-2022 period, that is, after electoral bonds were introduced.

The Congress's share (of unknown sources as a fraction of total income) remained around 80% in the same period.

The share of electoral bonds comprised 81% of the unknown funding to national parties in the period after they were introduced.

### **Known and unknown sources as per ADR**

Unknown sources of income, as classified by election watchdog ADR, a petitioner in the case, is defined as income declared in the Annual Audit reports but without giving the source of income. This is for donations below Rs 20,000. Such unknown sources include 'Donations via Electoral Bonds', 'sale of coupons', 'relief fund', 'miscellaneous income', 'voluntary contributions', 'contribution from meetings/morchas' etc.

Political parties are not required to reveal the name of individuals or organisations giving less than Rs 20,000.

The known sources are defined as donations above Rs 20,000. These are further classified by ADR into two types of incomes, one, whose donor details are submitted by parties to the Election Commission of India and another which comprise income through sales of movable and immovable assets.

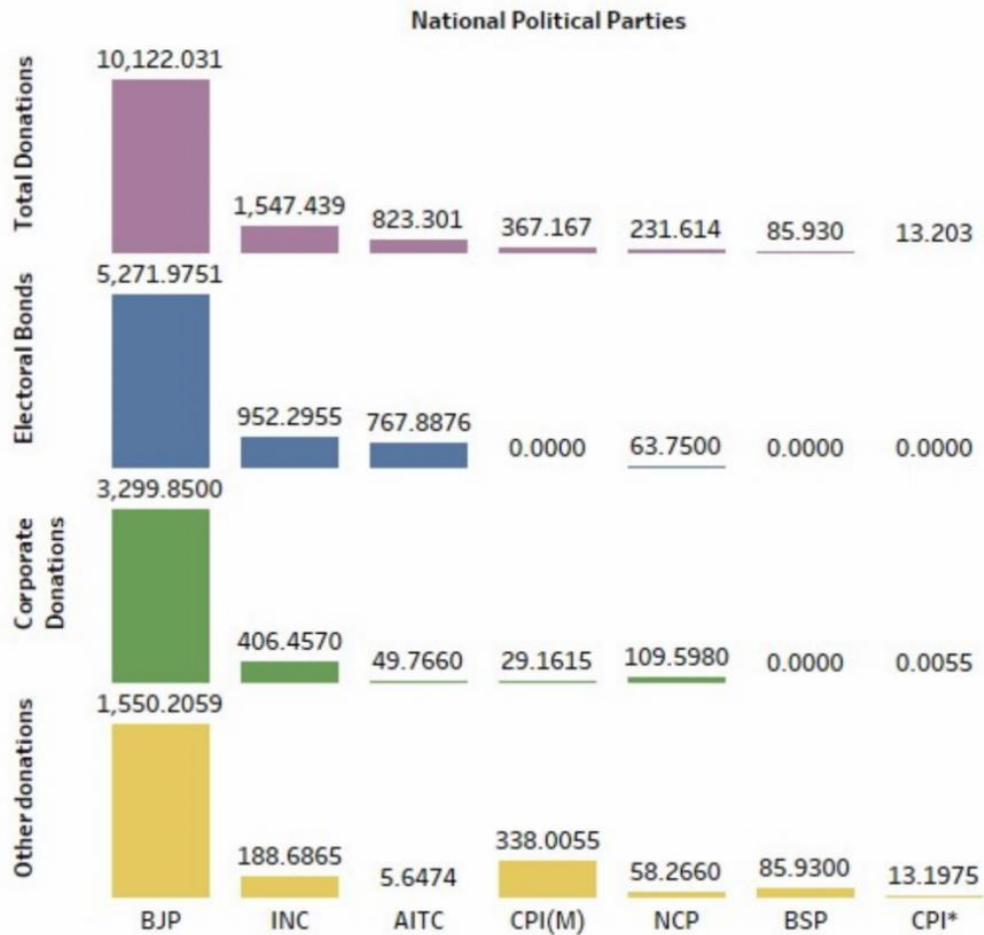
### **Partywise share of electoral bonds**

In all, according to ADR data used in this analysis by The Hindu, BJP secured Rs 5,721 crore between FY2018 and FY2022 through electoral bonds. This is 57% of all the electoral bonds issued till then.

Congress got Rs 952 crore. That is 10.4% of the bonds. Trinamool Congress received Rs 768 crore, BJD Rs 622 crore, DMK 432 crore, BRS Rs 384 crore and YSRCP Rs 330 crore.

The CPI(M) does not accept electoral bonds and is a petitioner in the case contesting the constitutionality of electoral bonds, the only political party so far, to go to court on this, so far.

## Party-wise share of donations, FY2016-17 to FY 2021-22 (In Rs Cr)



Note: CPI has declared donations through Levy, Membership fee, Party funds and Election funds.

Source: ADR

Hearings in the case in the chief justice's court began on October 31, 2023. The court began specifically hearing four petitions moved by the Association for Democratic Reforms, Communist Party of India (Marxist), Congress leader Jaya Thakur, and public interest litigation by one Spandan Biswal. The petitioners urged the court to declare political parties as public offices to bring them under the ambit of the Right to Information Act and to compel them to disclose their income and expenditure. They also challenged the constitutional validity of the scheme. <https://thewire.in/politics/after-electoral-bonds-income-from-unknown-sources-to-political-parties-rose-to-72-of-total-income>

## **8. Banks face challenges in making ECL-based provisioning work** (*moneycontrol.com*) Nov 02, 2023

**The information needed to make ECL provisions has characteristics akin to a public good. While procuring and aggregating them may entail private costs, the communal benefits from their dissemination are substantial**

The Reserve Bank of India recently unveiled a shift in its approach to loan loss provisioning, transitioning from the model of regulatory prescription to one grounded in Expected Credit Loss (ECL).

This shift can have profound implications on how Indian banks manage their lending operations, assess their capital requirements, and report their financial performance. However, the successful implementation of the ECL approach hinges on the availability of high-quality information.

The ECL framework relies on two key elements: an assessment of the probability of default and an estimate of the loss given default.

The probability of default is an estimation of the likelihood of non-payment on a bank loan, subject to factors such as the borrower's ability and willingness to repay.

Loss given default estimates the extent of the loss the bank will incur if a default takes place, subject to the quality of the security collateral, efficiency of the recovery process and recovery institutions and the strength of the legal frameworks.

### **Reliable Measure**

With these two estimates, the bank should be able to compute the present value of expected losses over the life of a loan. ECL, a more reliable and forward-looking measure of potential loan loss, then becomes the basis of provisioning and reporting for the bank.

What is the information required to assess the probability of a default and the loss if a default takes place?

For probability of default, it is the past performance of the borrower. This could be in the form of the bank's historical data on loan performance and defaults. Or it could be data on borrower ratings for bonds and loans, which may range from AAA for the most creditworthy to D for those already in default. Or it could be data from credit bureaus on loan repayments and defaults.

For loss given default, it is data on recoveries made through mechanisms such as liquidation of security collateral or enforcement through the courts.

Four common features of good information for ECL estimation are: granularity, frequency, width, and standardisation. Information that is at the level of loan records and borrower characteristics and can be aggregated to different cuts of the lending portfolio is better.

Similarly, a higher periodicity of information refresh is desirable. Pooling of information from across lenders is richer than a bank's own historical information. And a certain degree of standardisation is key to information aggregation.

Given this, the information requirements for ECL models possess some characteristics akin to a "public good." For instance, their procurement and aggregation may entail substantial private costs, yet the communal benefits derived from their dissemination are substantial.

Rating companies publicly disclose default probabilities for the bonds they rate, based on historical data. However, these companies do not extend the same transparency when rating bank loans.

While bond default probability data for loans may serve as a reasonable approximation, it will not be entirely accurate. In the absence of publicly available data from the rating companies on default probabilities for bank loans, banks are left with no alternative but to rely on their own customer data to compute these probabilities.

### **Inadequate Datasets**

Further, information aggregation may not take place organically. Lenders that otherwise compete for business may not be able to come together to pool information without a regulatory nudge.

The largest Indian bank holds about a quarter of the market share in bank loans, and most of the approximately 150 scheduled commercial banks possess single-digit market shares. Consequently, the individual datasets of banks are woefully inadequate to generate reliable estimates of default probabilities.

This issue is especially acute for smaller banks. Incorrect estimations of default probabilities can lead banks to miscalculate their capital requirements. Moreover, aggregated data on loan ratings and associated default probabilities are exclusively accessible to rating companies, which refrain from public disclosure.

An additional issue pertains to the lack of standardised ratings. Loans rated the same by different companies can exhibit significantly different default probabilities. This disparity becomes more pronounced as one descends the rating scale, particularly for BBB and BB-rated bonds.

Lack of standardisation of the rating scale, combined with the limitation of data, would lead banks to miscalculate default probabilities, ultimately resulting in inaccurate capital levels.

Hence, it stands to reason that regulatory agencies and their affiliated institutions have a role to play in enabling the collection, standardisation and distribution of such information. Currently, there is no regulatory mandate to publicly disclose the rating mix of a bank's loan book.

Due to the lack of standardisation, it is impossible to compare the actual quality of the loan portfolio even for banks that voluntarily disclose the rating mix of their loan books.

The regulator must take a multi-pronged approach to fix this, which includes standardising rating categories by defining threshold default probabilities, and compelling rating companies to publicly disclose loan rating default probability data. Banks should be obliged to disclose information about the rating companies they utilise, including details such as rating transitions.

There could also be a model where the regulator itself aggregates loan rating data across all agencies and computes default probabilities, thereby establishing a more robust basis for estimation. However, this is subject to issues of regulatory capacity and capture.

### **Limited Utility**

The other facet of ECL-based provisioning, loan given default, is also fraught with estimation challenges for banks. Much like the default probabilities, individual banks have limited data sets for estimation.

The enactment of the Insolvency and Bankruptcy Code (IBC) in 2016 ushered in a fundamental shift in loan recovery processes, rendering pre-2017 data less useful. The Insolvency and Bankruptcy Board of India provides "overall" recovery rates, but these are of limited utility for ECL-based provisioning, which necessitates recovery rates across various categories of loan security (including collateral).

Further, there are some non-IBC recovery processes that are still used by banks, such as through the invocation of the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002, (SARFAESI Act) or the use of debt recovery tribunals, for which there are only high-level aggregates available on recovery rates.

In this context, collaboration between the regulator, the ministry of finance and the IBBI could become vital. They can work together on building a reporting framework at the level of categories of debt and security collateral, which is then implemented across the tribunals, SARFAESI actions and the IBC.

In the absence of estimation based on aggregated, sector-wide data, individual banks are likely to struggle in accurately estimating loss given default.

The adoption of ECL-based provisioning could usher in a transformative era for Indian banking, with the potential to rival the impact of the entry of private banks in the 1990s and the enactment of the IBC. It has the power to instil stability within the Indian banking sector, averting the tumultuous cycles of non-performing assets and capital fluctuations witnessed in recent decades.

However, the effectiveness of its implementation hinges on overcoming informational constraints. The information and data required for ECL implementation possess characteristics of a public good, emphasising the crucial role of the regulator in collecting and disseminating this vital information. Without this support, this monumental reform may fall short of achieving its full potential. <https://www.moneycontrol.com/news/opinion/banks-face-challenges-in-making-ecl-based-provisioning-work-11650151.html>

## **9. How Jal Jeevan Mission has failed drought-prone Bundelkhand** (*frontline.thehindu.com*) Nov 01, 2023

### **Women toil for water, even as the mission claims 98 per cent coverage. Villagers allege corruption and mismanagement.**

Huddled together at a tube well in the scorching summer heat are a group of women in colourful cotton saris. They are waiting their turn to fill water in the multiple utensils they carry. The long and arduous walk from home to tube well is a daily routine for these women in Uttar Pradesh's Mahoba district, and some of them do it several times a day.

Mamta, washing clothes at the hand pump, said she made the trek at least five times a day. "Getting water is our main priority. There is hardly time to do other things."

In this region, the menfolk mostly go out to earn daily wages or as farm labour, in many cases migrating to cities such as Delhi or Mumbai in search of work. It is the women who fetch water for cooking, drinking, washing utensils and clothes, and even bathing cows and buffaloes.

Not far away, a group of men performed a nukkad natak (street play) on the importance of water conservation, as part of an awareness initiative. But there were few villagers in the audience, and no women.

In both Jhansi and Mahoba districts, posters claiming that women are the primary beneficiaries of the Centre's Jal Jeevan Mission, with its promise of 24-hour water supply to all homes, adorn the walls of villages.

Both Mahoba and Jhansi are part of Bundelkhand, a drought-prone region of Uttar Pradesh. It was in Murata village in Jhansi, considered the capital of the region, that Chief Minister Adityanath inaugurated the mission in 2020.

### **Nationwide mission**

On August 15, 2019, Prime Minister Narendra Modi launched the mission nationally as part of the UN Sustainable Development Goals. The deadline for the mission has since shifted several times, from 2022 to 2023, and now November 2024. The allocation for the mission in the 2023-24 Budget was an impressive Rs.70,000 crore—the cost shared equally by the States and the Centre.

For the lucky families who have got tap connections under the mission, the experience has been life-changing. But for the majority, water is still a long trek away. In some cases, the main pipelines have not yet been installed, in other cases the taps have no running water. And in this region, where in summer even hand pumps and tube wells run dry, fetching water is taking up every drop of energy.

According to Sanjay Singh, a water activist in Jhansi, Bundelkhand is reeling under the impact of climate change. It has led to a drought-like situation with low groundwater recharge and caused an agrarian crisis.

According to the mission's report on the "status of tap water supply in rural homes", as on October 26, the government had provided Functional Household Tap Connections (FHTCs) to 69.77 per cent of the 19.24 crore rural households in the country, that is 13.42 crore households. In Uttar Pradesh, the mission said it had covered 1.74 crore rural households, that is 66.46 per cent of 2.63 crore households. This is a significant rise from August 15, 2019, when the mission was launched, when Uttar Pradesh had only some five lakh rural households with tap water connections.

But these numbers often do not tell the full story. The goal of "Har Ghar Nal Se Jal" (tap water for every household) sounds simple, but its implementation has been rocky. While Uttar Pradesh aspires to be a role model as far as the mission is concerned, it still has a lot of ground to cover. While tap water has reached 97 per cent of households in places such as Lalitpur, in places like Mirzapur it has reached only 26 per cent of households.

In Mahoba district, the government claims to have reached 98 per cent of rural households. As on August 15, 2019, only 1,612 of the district's 1,32,489 rural households had tap water connections, but that number had soared to 1,29,263 as on October 26, 2023.

#### Ground reality

While this sharp spike in numbers may create the impression that all of these households have uninterrupted access to tap water, the women at the hand pump tell a different story. In several villages, the households that the mission has certified as "connected" have no water flowing in the taps. Even in villages officially certified as having 100 per cent coverage of FHTCs, households have no taps or have taps but no water.

Of the households that do have water in their taps, even in the best-case scenario it is only for two hours a day. For instance, at Shivhar village in Mahoba's Charkhari block, residents with houses marked as having FHTCs said they received water only for an hour or two in the mornings.

Roughly 150 km from Jhansi is Jaitpur block in Mahoba district. Fallow farmlands, water scarcity, and a lack of big industries are the main issues here and in other districts of the region. In Bacherar Khurd village, with a population of about 4,500, water pipelines were installed over two years ago and a water tank over a year ago. But the main pipeline has not yet been connected to the tank, so the taps are dry.

In nearby Lamora, a village with around 3,000 residents, people complained that water had not reached them either. Raja Bhaiya, a local farmer and activist, said: "There are tanks. There is a water pipeline. Taps too have been installed. But what is the use if they don't have water?"

Residents of Jaitpur block (population 20,000) said that at least 40 per cent of their block was not yet covered under the mission. As a result, many still pay Rs.500 to Rs.1,000 a month to get water from households with private borewells.

"When we complain to officials, we are told the same thing over and over again, that they have taken notice and will investigate further. But that never happens," said Mujeeb Khan, a resident of Lamora.

Lamora, like the rest of Mahoba district, suffers from groundwater scarcity. In Kardev mohalla, even the hand pumps run dry for weeks. The Jal Jeevan Mission installed taps in the government-run Junior High School, but there is no water in them. “Students rely on water from hand pumps. Sometimes they even fall sick,” said a teacher at the school. Ram Lata Kushwaha spoke of the poor quality of water. “It is salty and unfit for drinking,” she said.

Many villagers complained that the authorities had taken their Aadhaar card details but had not installed taps in their houses. One villager, Asharfi Lal, was suspicious that their data was being manipulated. “They took our details and uploaded them on their computers to show that water has reached us, while in reality it hasn’t,” he told Frontline.

### **Water history of Mahoba**

Mahoba, a water-scarce region with a rocky subsurface, has historically relied on lakes and ponds for irrigation, but perennial sources of groundwater are few.

The Jal Jeevan Mission’s aim is to provide piped water sourced from dams and rivers to rural homes. To ensure this, the Mahoba administration commissioned five large water treatment plants. But clearly, the plan has not kicked in yet.

Mahoba has four blocks: Charkhari, Jaitpur, Panwari, and Kabrai. Charkhari block has 48 villages with 24,037 households, all of which are marked as having tap connections. However, in Asthaun village, only half of the 420 households had taps, and even those were dry. The village still relies on hand pumps, even for drinking water.

Ganpat Ahirwar of Lamora said that the government only worked in areas close to the main road and not in the remote villages. His family still relies on a hand pump nearby. “The queue at the pump starts forming at 4 am. Some 35 families depend on this one pump. Most houses have no water pipelines. Those who can afford it get a private borewell; it costs about Rs.50,000,” he said.

Jhansi has changed in every sense over the past few years. There are signs of development everywhere, with malls and big company showrooms dotting the city. Here, the government claims to have reached 96 per cent of households with tapped water.

Rajpur village (population 5,000) in Babina block is roughly an hour’s drive from Jhansi. Water pipelines have been laid here—the roads that were dug up for the pipes are still in ruins. But there is no water. Jaswant Yadav took us into his village on a tractor. The tap in his house, he said, was fixed two years ago, but “it has not given us water even a single day”. Only around 40 per cent of the village appears to be getting tapped water as of now. He believes the funds released by the government were misused.

Shivam Verma, 18, will vote for the first time in the Lok Sabha election next year. He said he would vote for the BJP because the party had reduced crime in the State. But even he wonders if the funds for the Jal Jeevan Mission have gone missing because



water has not yet reached his home. A student, he struggles between studies and trips to the tube well to fetch water for the household.

The anger of the villagers is mostly directed against middlemen, in this case the contractors the government hired for the work. A majority of the villagers believe the government's intent is good. "The government is doing good work, but the middlemen are eating up the funds," said Sumit Gupta of Rajpur.

Jhansi's Bamer village had a similar story. Pipelines have been laid and taps installed, but more than 80 per cent of the village does not receive water. Kala Devi was on her way to a nearby hand pump when we met her.

### **Official response**

Zubair Baig, Additional District Magistrate of Mahoba, said: "All the pending villages will be covered very soon." According to him, awareness programmes are being run to make villagers aware of water conservation. Baig also said that villagers were often suspicious of tapped water. "When we tour the villages, we ourselves drink the tap water to show them it is safe," he said.

Several village water sanitation committees have been formed to oversee the project, each with 15 to 20 villagers and the sarpanch as members. Officials spoke of how the village sarpanch and children were often brought to water treatment plants and shown the process so that they could educate others.

According to Anurag Shrivastav, Principal Secretary of the Namami Gange and Rural Water Supply Department, the implementation of the Jal Jeevan Mission was being done in three phases. "The first phase, which includes the construction of water pipelines and other mechanical and technical work, is almost fully complete," he said.

The second and third phases, which involve bringing water from a treated source into water tanks, are still in progress.

Shrivastav said the government was penalising companies that have not delivered. He said the government aimed to complete all three phases in most villages by end-November.

Despite its ambitious aims, the implementation of the Jal Jeevan Mission has been fraught with challenges, and the struggle for clean tap water continues. In Bundelkhand, the age-old sight of women trekking with large water pots remains a common one. <https://frontline.thehindu.com/the-nation/jal-jeevan-mission-uttar-pradesh-bundelkhand-drought-failure/article67457030.ece>

## **10. Why India's road accident and fatality numbers are rising again** (*indiatoday.in*) Nov 01, 2023

**The pandemic brought India's road accident numbers down from 456,000 in 2019 to 372,000 in 2020. In 2022, the figure was back to pre-pandemic levels**

India's infamous graph of road accidents and fatalities has now not just caught up with, but also breached the pre-pandemic level.

In 2022, there were 461,000 road accidents across India. That is slightly more than the number in 2019—the last 'normal' year before the Covid pandemic—when India saw around 456,000 road crashes.

With successive lockdowns as the pandemic raged across India, the accident numbers had come down to 372,000 in 2020 before rising again to 412,000 in 2021.

The accidents also injured over 443,000 people in 2022, registering a 15 per cent jump over the previous year, according to latest figures released by the Centre on Tuesday, October 31.

The 2022 figures have once again brought the focus back on the myriad policy interventions towards road safety over the past nine years, including the passage of an overhauled and contentious Motor Vehicles Act in 2019, whose spelled out intent and purpose was to decrease road accidents and make the country's roads safer for road users through stiff hikes in penalties for violations, electronic monitoring and the like.

Data revealed that over 168,000 people were killed in road crashes in 2022, an increase of around 10 per cent over the previous year and around 10,000 more than 2019. For a few years now the total number of persons killed is what has been keeping India perched on top of the list of countries with the highest number road-crash deaths in the world.

“It is indeed a matter of great concern that despite the continuous efforts of the government in this regard and our commitments for halving fatalities, we have not been able to register significant progress on this front,” minister for Road Transport and Highways Nitin Gadkari said in his message in the report—Road Accidents in India, 2022—published by his ministry after collating data from states and Union territories.

These numbers come just days after Gadkari, while attending the 27th World Road Congress in Prague in October this year, reiterated India's commitment to meeting the global target of reducing road-accident-related fatalities by 50 per cent by 2030, set in the Third Global Ministerial Conference on Road Safety held in Stockholm in 2020.

Gadkari has, on several occasions in the past, spelled out the government's intentions of halving road fatalities over the next few years. The latest report indicates how far it remains from achieving that target.

Tamil Nadu continued to record the highest number of road accidents whereas the number of persons killed in road accident was, once again, the highest in Uttar Pradesh in 2022. Over-speeding continued to remain the most major cause accounting for 72.3 per cent of all accidents across India and over two-third of all deaths and injuries. Drunken/ intoxicated driving, the jumping of red lights and the use of mobile phones while driving, taken together, accounted for 7.4 percent of total accidents and 8.3 per cent of total deaths. Around 3,395 people died in accidents caused because they were using their phones while driving. Over 6,000 people were injured for the same reason.

However, the report says that violations like speeding and driving on the wrong side of the road are not simply the result of human error, but may also be a result of lack of education, enforcement and possible faults in road design.

As much as 67 per cent of accidents took place on straight roads, whereas accidents on curved roads, pothole roads and steep grade together accounted for only 13.8 per cent of the total accidents.

Around half of the 16,715 people who died because they were not wearing seat belts were passengers. Similarly, of the 50,029 motorcycle/ scooty riders who died in accidents because they were not wearing helmets, over 14,000 were pillion riders. Over 100,000 people were injured because they were not wearing helmets, while over 42,000 suffered injuries in accidents because they did not wear seat belts.

Another notable fact is that there was a year-on-year jump of 22 per cent in the number of accidents due to potholes. They killed some 1,800 people, up from around 1,400 the previous year. Pothole-related accidents also injured almost 4,000 road users.

While accidents have seen an overall increase, the country's ever-growing network of national highways and expressways continued to bear over a third of all fatal crashes.

The Supreme Court Committee on Road Safety had asked that the data for accidents on the national highways should reveal a jurisdiction-wise break, since the national highways are under the control of multiple agencies across India. Data shows that 66.3 per cent of accidents and 74.6 per cent of deaths took place on the national highways under the administrative control of the National Highways Authority of India. The national highways under various state Public Works Departments accounted for nearly 28.2 per cent of the road rashes and 20 per cent of the deaths.

There had also been a consistent decline in number of accidents and injuries on national highways from 2018 to 2020, but the graph has been rising again since 2021.

For the fourth consecutive year, young people aged 18-45 made up the largest group of those killed in accidents. Those aged 18-45 years made up 66.5 per cent of the victims during, while the 18-60 years group made up 83.4 per cent of total fatalities. <https://www.indiatoday.in/india-today-insight/story/why-indias-road-accident-and-fatality-numbers-are-rising-again-2456814-2023-11-01>

## **11. Another MiG-21 Squadron Retired: The Curtain Is Closing on IAF's Most Abiding Fighter (*thewire.in*) Nov 01, 2023**

**After the single-engine, single-seat aircraft operated by the Indian Air Force's No 4 Squadron in Rajasthan was retired, just two more squadrons remain.**

The Indian Air Force (IAF) has retired one of its three remaining Soviet-origin MiG-21 'Bison' variant combat aircraft squadrons of around 20 platforms, and is committed to entirely phasing out this doughty fighter-type over the next two years.

The single-engine, single-seat MiG-21s that joined IAF service in 1963 will be replaced gradually by the indigenous Mk1A advanced Tejas Light Combat t (LCA) model, officials said.

IAF spokesperson Wing Commander Asish Moghe told The Wire that the retiring MiG-21 'Bis' fighters, which were being operated by No 4 'Oorials' Squadron at Uttarlai near the Pakistan border in Rajasthan, had been replaced by the more advanced Russian Sukhoi Su-30MKI (India) fighters. He said that the IAF aimed at retiring the remaining two MiG-21 'Bis' squadrons – together comprising an estimated 40 fighters – based at nearby Bikaner and Suratgarh, by 2025.

Last year, the IAF had 'number plated' No 50 'Sword Arms" Squadron in Srinagar, which also operated MiG-21s, reducing the fighter unit to just a number on paper, posting out all its personnel and re-distributing its assets.

But the phasing out of the MiG-21s two years hence would bring down the curtain on possibly the most abiding fighter ever operated by the IAF, beginning with the MiG-211FL. A total of some 870-odd MiG-21 variants entered IAF service from 1963 onwards, with the majority of them being licence-built by the public sector Hindustan Aeronautics Limited (HAL) in Bangalore. These continued to be inducted into squadron service till the mid-1980s.

However, over decades, some 500 MiG-21s had crashed, killing around 170-200 pilots and many others on the ground, according to official statistics and led to the fighters being ignominiously dubbed by the media as 'flying coffins' and 'widowmakers'.

But compulsion constrained the IAF to continue operating MiG-21s despite these mishaps.

One principal factor was the incessant delays in progressing the indigenous Light Combat Aircraft (LCA) programme, which began in 1983, primarily as a replacement option for the MiG-21. This compelled the IAF to keep the latter in service well beyond its use by date by resorting to jugaad, or creative innovation, for which the Indian military is deservedly lauded. And, in the late 1990s, the IAF opted to upgrade some 125 MiG-21 'Bis' with Russian assistance to MiG-21 'Bison' levels with locally developed, Russian, French and Israeli equipment.

And though the fighter's R-25 engines were not replaced, they were 'modified' with 'enhanced' ancillary systems and accessory drives to power the heavier retrofitted fighters. The aircraft's avionics were enhanced by fitting the platform with a lightweight Russian Super Kopyo multi-mode radar and a Totem 221 G ring-laser gyro inertial navigation system supplied by Sextant of France.

These, in turn, were merged with a locally developed navigation and attack computer, with the weapon solution displayed to the pilot in a heads-up display (HUD). The upgrade package also equipped the fighters with EWS-21 radar warning receivers from Thales of France, Israeli flare dispensing systems, video recording systems and locally developed electronic countermeasures (ECMs).

And though the fighter's endurance and payload restrictions remained the same as earlier, it now deployed a wider and varied range of ordnance like the Russian R-73 and R-77 air-to-air missiles with ranges between 40-100 km and Kh-31 medium-range air-to-surface missiles.

The IAF scrambled four such MiG-21 'Bis' in February 2019 over Kashmir in response to the Pakistan Air Force attack over the disputed region, a day after Indian combat aircraft had bombed an alleged terrorist training camp at Balakot in Pakistani's north-western Pakhtunkhwa province. In the dogfight that ensued between the two air forces, IAF Wing Commander Abhinandan Varthaman's MiG-21 was shot down. But he bailed out safely, was taken captive by the Pakistanis and returned home soon after. He has now been promoted to a group captain rank.

Earlier in 2013, delays by the MoD in clinching the long-pending procurement of 126 Dassault Rafale fighters – later scrapped in 2015 – compelled the IAF to extend the operational life of several of its ageing platforms, including MiG-21 'Bis', beyond their retirement date, to keep them operational till 2023-25.

This was well beyond the MiG-21s phasing out deadline of 2019, announced by then Air Chief Marshal N.A.K. Browne in April 2013, with a view to maintaining the force's rapidly depleting force levels at 32-34 fighter squadrons. Veteran officers said that at the time the IAF was left with no choice but to extend the service life of its older fighters like MiG-21s (and MiG-27s), as there were no immediate alternatives available on the horizon. The IAF, said a former three-star fighter pilot, the force needed these MiG-21s to maintain 'numerical' platform parity with the Pakistan Air Force and also with China's People's Liberation Army Air Force.

Meanwhile, Wing Commander (Retired) Amit Ranjan Giri, a veteran MiG-21 pilot, is of the view that the fighter needed retiring as it was old, original equipment manufacturers' support was 'drying up' and, above all, the technology it employed had been 'superseded'. Writing in Financial Express in late 2021, he declared that though designed as a short-range interceptor, the IAF had "upped the game by using the MiG-21 in almost every role imaginable".

This had included bombing, interception, reconnaissance, providing escort to bombers over enemy territory and training rookie pilots. The MiG-21 had even comprised part of large force engagements (LFEs), executed to deceive the enemy and conceal the real intent regarding intended targets, thereby forcing the opposing side to deploy a large defending package to its operational disadvantage. "Let alone Western air forces, even the Russians could never have imagined the role of a MiG-21 in LFE" Wing Commander Giri said in a silent tribute to the IAF's jugaad in optimising its assets for its novel war-fighting manoeuvres.

The IAF's decision to stick with the MiG-21s was more out of necessity than tactical, he conceded. With a humungous amount of sky to protect and few machines trickling in from overseas, coupled with India's own delayed fighter development, the IAF, he said, had little choice but to build its strategy and tactics around what platforms like MiG-21s were available. "The IAF", the fighter pilot argued "deserved credit for making use of what it had, albeit at a huge cost of constantly losing pilots".

<https://thewire.in/security/mig-21-squadron-retired-curtain-closing-iaf-most-abiding-fighter>

## 12. **India's Need for a National Security Strategy Cannot Be Ignored** (*thewire.in*) Shivshankar Menon | Nov 01, 2023

**While a full-fledged NSP may be difficult, it is time for a white paper from the government, setting out its thinking on these issues and the path forward.**

There have been at least three attempts so far that I know of to produce a national security strategy for India. In each case the hesitation came not from the professionals, in or out of uniform, but from the political levels.

I sense, but cannot prove, that they do not wish their hands to be tied, since strategy is essentially an ends and means problem and a NSS would need to be resourced. The major advantage, to my mind, of an NSS/NSP [national security policy] would be the accountability that it would introduce into the management of defence.

### **CDS and higher defence management**

India's National Security Challenges,' Primus Books, 2023.

There is a fundamental issue revealed in the book on the conception of the Chief of Defence Staff's role and the degree to which it is operational or advisory. Both points of view are represented here, and it is for the reader to make up his mind. The record of other countries at very different levels of development and in very different situations can not be compared with India, and this book avoids falling into that trap. But we still need to find our own way on the issue. Today the CDS' charter includes what the Chairman Joint Chiefs of Staff does in the US, (as the principal military advisor to the President, the Secretary Defence and the NSC), and is also the Secretary in charge of the Department of Military Affairs, a secretarial function, and is supposed to drive our military reform. His operational role is still unclear.

There is also a larger issue of the role of the multiple institutions that we have created to deal with national defence. What of the National Security Council, its secretariat and the NSA, and their relationship to the new CDS, Department of Military Affairs and existing institutions like the Chiefs of Staff Committee? We have now had two and a half decades experience of the first NSC in a parliamentary democracy. It is time for us to clarify the the precise operational and advisory roles that the mix of institutions now play, and how they relate to each other. I say this because a clear chain of command is essential if we are to respond to the security situation facing us. Besides, uncertainty in this respect affects deterrence of our adversaries.

While a full-fledged NSP may be difficult, it is time for a white paper from the government, setting out its thinking on these issues and the path forward.

## **Jointness**

Not surprisingly, this was a subject that was universally supported, but each one seems to have a different idea of what it should mean. Some use it as only meaning integration of the uniformed services, others also include jointness between civilians and uniformed personnel. Both are essential, and lacking in our present arrangements. Mr Vohra makes the very valid point that there has to be a national defence doctrine which enables the services to undertake joint planning and fully integrated 5-10 year defence plans. Without these, gaps in preparedness will only grow.

The first CDS was very committed to introducing jointness in the working of the services and in the creation of integrated theatre commands. We hear less about this today.

## **Theaterisation**

This was probably the most contentious of the topics discussed. It is also something that is essential if we are to prevail over adversaries with better inner lines of communication and/or technological and logistical advantages over us. There is a fascinating discussion in the record of the discussions among panelists on higher defence management reforms (page 75) which makes clear the different points of view between the services.

In no country that I am aware of has jointness and theaterisation come about by consensus among all the stakeholders, particularly among those in uniform. Whether it was the 1986 Goldwater-Nichols Act in the US, or reform in the UK military, or the 2015 PLA reforms which drew on US models, reform was widely recognised as needed but its shape was finally decided on and enforced by a decisive political leadership. The Goldwater-Nichols Act of 1986 was a response to the US experience of the Vietnam War and changed the way US services interact. The services themselves “organise, train and equip” forces for use by combatant commanders (CCDRs), and the service chiefs no longer exercise any operational control over their forces. It built on the 1958 Defence Reorganisation Act which took the services out of the loop and empowered the combatant commands.

In each case there was resistance and considerable pushback, but the results in terms of effectiveness have far outweighed the unforeseen and negative consequences.

## **Role of civilians, reform of MOD**

The book also makes clear the differences between civilian and service attitudes to the role of MOD and the new DMA, and to how to integrate the different skills that uniformed personnel and civilians bring to decision-making on defence policy. There is a common plea in this volume for accountability and professionalism in the running, manning and operation of the MOD and other national security institutions. Incidentally, Goldwater-Nichols in the US resulted in the Navy building and fortifying a “wall” between the Department of Navy’s military-run requirements process and the civilian-run acquisition process – a divide inimical to the efficient and effective support of military forces and antithetical to the spirit of the legislation. We have to ensure that we do not make the same mistake.

General Rawat in his contribution argues that in an era of total war we need the involvement of the entire society in our national defence. This is unexceptionable as a sentiment. But it does raise the larger question of whether the answer is to militarise society or civilianise (some would say civilise) the military. Europe has probably gone too far in one direction, Israel in the other. Civilianising the military opens them to politicisation and reduces their military efficacy. Militarising society produces a society on tenterhooks, prone to violence and does not necessarily produce security, as we see in the Levant. Neither is satisfactory. The quest for absolute security by one actor creates insecurity for most others. The issue is one of striking the right balance. Of respecting the laws of war while ensuring deterrence and the capability to prevail.

One thing that I would have liked more of in the book is a detailed discussion of internal security and its relation to national defence. Ajay Sahni has an excellent chapter on how internal security impacts national defence, describing the effects of growing inequality, the erosion of the integrity and autonomy of state institutions, and other recent phenomena. The spread of lawlessness and fraught centre-state relations mean that internal security increasingly impinges on our national defence.

Mr Vohra makes some pointed suggestions, based on his vast experience, for MHA to be relieved of its non-security related tasks, redesigned the Ministry of Internal Security Affairs, and manned by trained personnel deployed on long tenures. As Mr Vohra notes, there has been a progressive increase in threats to internal security (page 4), which might have merited a separate chapter in itself, for the Union government has a duty under the constitution to protect every state against internal disturbance and external aggression. But perhaps that might be a subsequent exercise to produce another such volume. To my mind the distinction between internal and external security is being blurred in cyberspace, across porous borders, and by increasing economic dependencies. It is that linkage that siloed thinking prevents us from seeing, and that creates vulnerabilities.

I cannot stress too strongly the need for us to take heed of what this book says and to act rapidly on these issues of external security management.

**I say so for three reasons:**

- Though India today faces no existential threat from abroad, the external situation has worsened considerably in the last decade and a half. The task of Indian security professionals is to create an enabling environment for India's transformation into a modern, prosperous, and secure country where every Indian has the opportunity to achieve their potential. That requires us to continue to deter our adversaries in order to avoid war as far as possible and, where that proves not possible, to increase the intervals between wars. While we have achieved that for several decades, the task of deterring our adversaries has now got harder with a slowing world economy, rising great power rivalry, and developments in technology.

Let me elaborate. Technology has changed and expanded the battlefield and nullified some of our advantages on the LAC; great power rivalry enables Pakistan to again begin charging strategic rent internationally, something she was unable to do for a few years; and, when our economy is more than ever before integrated with a slowing world



economy, there will be less available for the self-strengthening, military modernisation, and defence reform that we all agree is required.

- Secondly, deterrence has broken down along the LAC with China, our major security preoccupation. What happened in 2020 in the western sector, and subsequent developments including local disengagement in some areas, is evident to all in satellite pictures available to the public. These do not suggest that deterrence has been restored. Instead, we are in a political impasse and a military standoff, however described, with over 100,000 troops along the LAC in the western sector and infrastructure construction continuing apace. The LAC is live.

There is nothing to suggest that we are making progress towards either stabilising the border with China, or preventing China from using the threat of action on the border. The commitment of scarce resources to the standoff itself represents an opportunity cost for our national defence. It also poses serious reputational damage to us.

-Thirdly, half-done reform creates new vulnerabilities without solving old ones. You cannot cross a chasm in two leaps. We are today in a situation where many of the reforms begun by the former CDS, General Bipin Rawat, who has a well-argued contribution in this volume, are incomplete. Operational roles need to be clear at every level, from the CDS and NSA downward. Issues that we regard as internal to us, such as the Agniveer recruitment pattern, have external ramifications in our dealings with Nepal that need to be sorted out. Other issues have been pending or hanging fire from before the CDS was appointed. The fate of the mountain strike corps, approved by the CCS in 2013, is one such example, as is the limbo in which the National Defence University awaits, and the integration of combat air in the Army. There is a long list of what needs to be done.

The common thread in all these reasons for change is the need to enhance deterrence of our potential adversaries. If their assertive behaviour is anything to go by, that deterrence has been degraded and its credibility needs to be restored. That is why reform of our defence management and armed forces so essential.

What has happened between Israel and Hamas since October 7 is an object lesson on how dangerous complacency and hubris can be and how devastating their consequences. We also see in the Levant how hard it is to restore deterrence once it is degraded, and how military options can only go so far without a clear political goal and component in the state's response to terrorist or other attacks and threats. There are clearly lessons for us to be learnt from what is happening in the Levant.

In other words, our overall goal of transforming India remains, and will need to be defended in new ways in the years to come. This book offers us pathways forward to do so. Indeed, though I have spoken of differences of opinion expressed in the book, I was impressed by the extent to which authors from different services and varied experiences still agree on what needs to be done.

There is an apocryphal World War I story about the difference between German and Austrian attitudes to war. When the German commander reported that the situation on the eastern front was 'serious but not hopeless' the Austrian reported that it was 'hopeless but not serious.' Our situation is serious but not hopeless, despite the

precarious international environment, particularly in our neighbourhood, and the pressing need for reform and modernisation of our defence. This book suggests that we can manage the situation if we reform. <https://thewire.in/security/indias-need-for-a-national-security-strategy-cannot-be-ignored>

### 13. Taming the AI genie (*telegraphindia.com*) Nov 02, 2023

**AI raises three major ethical concerns: first, privacy and surveillance; second, bias and discrimination; third, and perhaps the most difficult, is the role of human judgment**

A heated debate concerning the regulation of Artificial Intelligence has been ignited in the midst of the ongoing evolution of AI technology. While the United States of America and European nations are moving towards implementing stringent AI regulations, the Indian government has adopted a different stance. India has chosen not to enforce AI laws at this juncture with the intention of positioning itself as a global leader in AI and capitalising on AI's potential for effective governance.

The rationale behind avoiding strict regulations stems from the concern that such regulations could stifle innovation in India's rapidly growing AI sector. While critics argue that regulations are necessary to mitigate the potential threats posed by AI technologies, proponents of the non-regulatory approach underline the importance of fostering innovation and embracing market mechanisms to drive AI development.

Mechanisms responsible for AI development are already in progress in India. Ethical concerns surrounding AI are being addressed through the National Strategy for Artificial Intelligence. AI raises three major ethical concerns: first, privacy and surveillance; second, bias and discrimination; third, and perhaps the most difficult, is the role of human judgment. The NSAI emphasises the crucial importance of safeguarding the privacy and security of data, especially personal information. It also draws attention to the existing lack of formal regulations concerning privacy and security, advocating for their development. On 'bias and discrimination', the NSAI has identified various cognitive biases in AI that tend to be prejudicial towards certain groups across religion, race, caste, gender, and genetic diversity. As for the 'role of human judgment', the NSAI proposes that since AI systems are created and trained by humans using real-world data, there's a possibility that human biases might be incorporated into the decision-making process.

Public sentiment regarding AI is largely positive in India. The nation has high contribution rates to AI projects. This underscores the enthusiasm and the potential for AI-driven growth in the country. However, the need for caution is apparent due to the inherent risks associated with AI technologies. As AI technology continues to advance, it is imperative to adopt a proactive but balanced regulatory approach.

India's approach to AI regulation is a reflection of the delicate balance between encouraging innovation and addressing potential risks. While the absence of strict regulations has sparked concerns about unchecked development, it also reflects the Indian government's confidence in the potential benefits of AI for its citizens and the economy. A collaborative approach involving cooperation between regulators and developers is crucial to strike this balance effectively.

The evolution of AI in India is mirrored in its rapidly advancing technology sector. Various sectors, including finance, telecommunications and manufacturing, are witnessing the integration of AI applications that promise growth and innovation. However, this integration also brings about regulatory challenges, particularly in areas related to privacy and cybersecurity.

As the AI landscape continues to evolve, ethical considerations should remain a focal point. The principles of safety, equality, inclusivity, transparency, accountability, and the preservation of human values should guide the country's journey toward ethical AI. These principles would provide a solid foundation but translating them into practical applications would require careful deliberation and strategic implementation.

Balancing innovation with ethical considerations and risk mitigation is a complex endeavour that demands collaboration among government bodies, industry leaders and legal experts. Comprehensive legal frameworks tailored for AI, ethical AI principles, and a focus on privacy and data integrity will play a pivotal role in shaping the future of AI in India. <https://www.telegraphindia.com/opinion/taming-the-artificial-intelligence-genie-ethical-considerations-should-remain-a-focal-point/cid/1977017>

#### **14. IOCL fuel to save rlys ₹2k-cr annually: RDSO** (*timesofindia.indiatimes.com*) Nov 02, 2023

Lucknow: The RDSO along IOCL with have tested a formulation of 15% methanol blended diesel for high horsepower locomotive engines, which will save Rs 2,280 crore annually for railways.

Indian Railways spends Rs 15,200 crore to consume 1.6 billion lt of diesel for locomotive engines. The RDSO carried out tests on a 4,500 HP diesel locomotive engine with MD15 fuel developed by IOCL.

“It was found that the Brake Specific Energy Consumption (BSEC) of MD15 fuelled engines is lower than diesel fuel due to higher combustion efficiency with MD15. This performance was seen at all engine notches and the difference in the BSEC between two fuels (methanol blend and mineral diesel) was almost constant, which certified that MD15 was useful for engine efficiency,” said an RDSO official. “It was also observed that in the MD15 fuelled engine, cylinder temperatures were lower at all the notches in comparison to baseline diesel, which will have a positive effect on the life of the components of the engine,” the official said.

<https://timesofindia.indiatimes.com/city/lucknow/iocl-fuel-to-save-rlys-2k-cr-annually-rdso/articleshow/104903615.cms>