NEWS ITEMS ON CAG/ AUDIT REPORTS

1. RTI: CAG's audit flags discrepancy in pension fund of 47 employees of Pune Zilla Parishad *(indianexpress.com)* Updated: April 4, 2024

In Pune Zilla Parishad, a test audit by the Accountant General (AG) of Maharashtra has found out that a total of 47 employees had their pension amount deducted but not credited into their Pension Fund (PF) account.

Over the last few months, the issue of pension for Central government employees has become a hot potato with Congress vowing to implement the same if voted back to power.

In Pune Zilla Parishad, a test audit by the Accountant General (AG) of Maharashtra has found out that a total of 47 employees had their pension amount deducted but not credited into their Pension Fund (PF) account. For employees, this amounts to loss of interest, and for the, government an increase in liabilities.

The incident came to light when the AG conducted its audit for the Zilla Parishad for the years 2019-2020, and 2021-2022. A copy of the audit report along with its observations was made available to The Indian Express under the RTI Act , 2005.

The pension scheme sees the Zilla Parishad deducting 10 per cent from the salary of the employee and matching the same from its funds. The consolidated amount is then transferred to the National Security Depository Limited (NSDL) /Trustee Bank. The Zilla Parishad's Chief Accounts and Finance Officer (CAFO) is responsible for the process and has to facilitate the process within five days of the amount being deducted from the employee's account.

However, during the course of the audit, the AG came across Rs 12.68 crores, which was deducted from the salaries of the employees but was not transferred to the NSDL. "The un-transferred amount was due to non-issuing of Permanent Retirement Account Number (PRAN)," the report read.

PRAN is the unique number allocated to employees, which is used to transfer the combined amount to NSDL, which releases the pension fund for the employee. The audit revealed that 47 employees did not have their PRAN generated, yet a portion of their salaries towards pension was deducted. Thus, for employees, it amounts to loss of pay due to deduction as well as loss of interest due to failure of the Zilla Parishad to transfer the amount to the pension fund.

Sandeep Choudhary, union leader of the Zilla Parishad Employees, after this problem came to their notice, they immediately brought it to the notice of the administration. "Deducting the pension amount from the salary and not crediting it to the NSDL account amounts to breach of objective," he said.

Choudhary said they have not seen proactive efforts on the part of the administration to resolve the matter. During the audit, the AG attributed the non-generation of PRAN to

technical issues. “This reply is not acceptable and the fact remains that the amount is yet to be transferred to NSDL,” the AG had noted.

When The Indian Express reached out to the Zilla Parishad for its response, the administration said the matter is close to being resolved. “The PRAN of 33 employees were to be generated and the matter was delayed due to inter-district transfer of employees,” said the reply. https://indianexpress.com/article/cities/pune/express-rti-cags-audit-discrepancy-in-pension-employees-pune-zilla-parishad-9249674/

SELECTED NEWS ITEMS/ARTICLES FOR READING

2. Get GST reform rolling: Review rate slabs *(livemint.com) 04* Apr 2024

GST revenue buoyancy should close the chapter of a shortfall cess and prompt reforms aimed at tax simplification. For GST to fulfil its basic promise, start by reducing rate slabs.

India’s latest goods and services tax (GST) revenue figures indicate that the regime’s initial phase of inadequate mop-ups is over. Overall GST revenue in 2023-24 hit a record ₹20.2 trillion, up 11.7%. Last fiscal year’s monthly average GST mop-up was ₹1.68 trillion, up from ₹1.5 trillion the year before. It seems we can finally close the long chapter of shortfall-compensation for states after the mid-2017 switchover to GST from multiple central and state taxes that got subsumed by this uniform levy across the country. The government’s five-year deal with states to plug their gaps in case they fell short of a projected GST-revenue incline ended in mid-2022, but the pay-out for this was so large that a cess imposed on top of GST for some goods had to be extended till March 2026 just to pay off the debt taken to fully compensate states. Now that our GST intake—which is split by the Centre and states—is finally showing a steady upward trend, perhaps that loan can be foreclosed and the cess dropped ahead of time. As cesses add to taxation complexity, it would mark a small win for the idea of a “good and simple tax," as GST was meant to be. Sustainable relief from a revenue crunch also makes space for GST reforms to simplify how it is levied in India. This is what the GST Council must turn its attention to at the earliest.

Let’s recall why GST adoption was hailed as a critical reform. Its uniformity, which made India ‘one market’ for the ease of business, was one aspect. Its fostering of specialization along value chains was another. As a tax applied only to value addition by a taxpayer (with input-tax credits available), GST was designed to prevent tax bills bloated by one levy upon another. This not only moderates commercial costs, it favours value chains determined by skills more than taxation policy, as having more profit-oriented business units as links in a supply chain does not result in costlier final output. This prospect of enhanced economic efficiency went along with a promise of rate clarity and stability. An ideal GST regime would levy a single rate on every good and service, forming a system that can be held stable for the foreseeable future, closing the scope for confusion, rate inversions, tax-relief lobbying and rate-related squabbles. Unfortunately, not only has GST compliance caused much hardship, our rate slabs have splintered and shifted so often that today’s structure is riddled with complexity. We

have too many rates, and with many items that look arbitrarily slotted into one slab or another.

A single-rate GST was rejected right at the start on the argument that it would be acutely regressive, with the rich paying too little and the poor too much as a slice of their incomes. But then, indirect taxes are always regressive, regardless of rate variation, and it's the job of progressive direct taxes to lend taxation fairness. Clearly, it's more about varying rates to squeeze items that can be charged more on the pretext of rich people using them (or their use needing to be deterred). Since multiple rates underpin today's GST-intake calculus, we can start simplifying it by adopting a clear three-slab regime. Most items should be taxed at a central rate that meets our revenue target, with two exceptional slabs for a tiny bunch of obvious items that need to be either relieved or overtaxed: a low-rate merit slab and a high-rate demerit bracket. All other deviations should be axed. This way, GST will get a chance to fulfil its conceptual promise of clarity, tax-policy stability and economic efficiency. https://www.livemint.com/opinion/online-views/get-gst-reform-rolling-review-rate-slabs-11712153321382.html

3. India's Indirect Tax Collection Beats Estimates, Fueled by Record GST Revenue *(timesnownews.com)* April 3, 2024

According to the PTI report, the gross GST mop-up for the fiscal year reached an impressive Rs 20.18 lakh crore, representing a remarkable 11.7 per cent increase compared to the previous year's collection.

India's indirect tax collection for the fiscal year 2023-24 has surpassed the revised estimates by a significant margin, buoyed by record GST collections, announced a top government official.

CBIC chairman Sanjay Kumar Agarwal commended the tax officials for their efforts, stating, "I am happy to inform that the indirect tax collections for the Financial Year 2023-24, including Customs and Union Excise Duty, have exceeded the Revised Estimates by a handsome margin." He attributed this achievement to the professionalism, teamwork, and perseverance of the CBIC community.

According to the PTI report, the gross GST mop-up for the fiscal year reached an impressive Rs 20.18 lakh crore, representing a remarkable 11.7 per cent increase compared to the previous year's collection. This milestone includes state GST, Central GST, integrated GST, and compensation cess.

In March 2024: Revenue Jumps 11.5 pc Year-on-Year, Reaches Rs 1.78 Lakh Crore In the Interim Budget presented earlier this year, the government revised the target for direct tax collection to Rs 19.45 lakh crore for FY24, while the target for indirect taxes, including GST, Customs, and Excise, was lowered to Rs 14.84 lakh crore.

The report added that the GST collections remained robust throughout the fiscal year, reaching a record high of Rs 1.87 lakh crore in April 2023 and the second-highest collection of Rs 1.78 lakh crore in March 2024.

The gross tax collection target, as per the revised estimate, stood at Rs 34.37 lakh crore for FY24, reflecting the government's optimism amidst a challenging economic landscape.

The country is projected to grow at 7.6 per cent in 2023-24, according to estimates by the National Statistical Office (NSO).

Driving India's economic momentum are domestic consumption and government capital expenditure. The economy witnessed growth rates of over 8 per cent for three consecutive quarters (April-December), leading various agencies to revise their growth forecasts closer to 8 per cent. https://www.timesnownews.com/business-economy/economy/indias-indirect-tax-collection-beats-estimates-fueled-by-record-gst-revenue-details-article-109009521

4. A well-integrated action plan is needed to solve India's water crisis *(livemint.com)* 04 Apr 2024,

A people-centric, multi-pronged and science-based approach could ensure we don't run short of this vital resource.

The headlines in recent days have been about severe and debilitating water shortages in several states of the country—particularly in the south. All eyes have been on Bengaluru—which is India's Silicon Valley, the country's most technically savvy, most innovative and third richest city. It is also a city that spotlights the disconnect between the corporate sector's famed strategic management capabilities (unfortunately over-shadowed by its short-sightedness in not engaging with sustainability governance) and government orthodoxy.

That Bengaluru has been struggling to manage its water resources well is long-established. Images of the 'frothing' lakes of Bengaluru—with instances of toxic fumes catching fire—have horrified us earlier. While a large part of the blame goes to local authorities for allowing untreated sewage to flow into its water bodies, industry stood a silent witness to the resource degradation of the 'garden city,' resulting from the enormous population pressure created by prosperity.

Ironically, for Bengaluru, scanty rainfall has resulted in its water bodies going dry. If, on the other hand, the region had experienced heavy rainfall, then there could have been a repeat of the 'frothing' problem. The city urgently needs a comprehensive water and waste management strategy to address quantity and quality issues. It is already suffering from a reputational challenge that could scathe businesses along with the city.

A couple of days ago, a leading national newspaper headlined its story as "...a water crisis that software cannot resolve." But this statement gives an easy pass to the information technology (IT) sector and is grossly misleading. In 2019, the World Economic Forum identified an urgent need to deploy real-time sensor technology for high-resolution monitoring of the quantity and quality of water bodies (complete with automated geo-tags and time-stamps), along with machine learning models to predict impacts and outcomes of rainfall and waste-water flows, and then use this information for policy and strategy development in a holistic manner. India's IT capital has a role to play.

In general, India is an inherently water-stressed country, hosting 18% of the world's population with only 4% of its water resources. 70% of its surface water is unfit for consumption and over 40 million litres of waste-water flows into its rivers and water bodies daily. Our water resources and their quality must be addressed for adequacy and accessibility. The government's own first census of water bodies, commendable as that is, documents the rather pitiful state of water bodies in India—in terms of location, state of fullness and beneficiary population. More than 97% of our water bodies are in rural areas, with reservoirs making up a mere 12%. According to a member of the Central Water Commission, we need to "acknowledge the fact that India's water reservoirs are dying" (The Wire Science, 2 February 2021).

With regard to the role of IT mentioned above, India's water-body census has not yet covered issues of available capacity (after accounting for siltation and ageing issues), adequacy, accessibility, vulnerability to rainfall patterns, or water quality. It merely seeks to assure communities on the groundwater situation they are likely to face, given that nearly 60% of irrigated agriculture and 85% of drinking water supplies are dependent on groundwater. A scarcity of necessary information, unfortunately, means that robust planning for this life-saving resource is impossible.

A 2013 World Bank report estimated the health costs relating to water pollution to be about ₹47,000-61,000 crore. These costs today are likely to be much higher. Compare this with the 2024-25 budget estimate of the ministry of jal shakti of ₹98,418.79 crore, of which only ₹21,028.11 crore goes to the department of water resources, river development and Ganga rejuvenation. Also compare it with the estimated outlay of ₹278,000 crore for the ministry of road transport and highways, aimed at development activities that will only increase our resource challenge. Clearly, much needs to be done.

On the positive side, water interventions, unlike in energy, are largely focused on people's participation and demand management. The government has several laudable schemes for stemming groundwater depletion and initiatives under the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). The questions that arise from some of these schemes relate to their outcome efficacy and issues of equity, fairness and justice: are common citizens engaged by such schemes being compensated adequately for their labour while alleviating governments of their responsibility?

India's water vulnerability is only set to rise in the coming decades, given our still-rising population, rapidly growing economic activity and climate change. The water shortages we face today have been exacerbated by the El Niño conditions experienced last year. In the coming years, we will increasingly feel the harsh effects of climate change, amplified in some years by the cyclical El Niño effect that results in subcontinental dryness. The looming water crisis of 2024 is another wake-up call to adopt science-based approaches to natural resources management, to re-prioritize public investments, and to address sustainability challenges in an integrated manner. https://www.livemint.com/opinion/online-views/a-well-integrated-action-plan-is-needed-to-solve-indias-water-crisis-11712153397960.html

5. NHAI executed capex for FY24 increases by 20% to Rs 2.07 trillion *(business-standard.com)* Apr 03, 2024

The National Highways Authority of India (NHAI) executed capital expenditure of Rs 2.07 trillion in the financial year 2023-24 (FY24), which is 20 per cent higher than its expenditure in both FY22 and FY23, a senior government official said.

"During FY24, NHAI achieved construction of 6,644 km of national highways against the target of 6,544 km. At 6,644 km, construction increased in FY24 by around 20 per cent compared to 5,544 km constructed in FY23 and by around 53 per cent compared to 4,331 km constructed in FY22," the official said.

NHAI, operating under the Ministry of Road Transport and Highways, is tasked with executing road projects. The ministry itself is expected to have built around 12,000 km of highways in the fiscal year.

To alleviate debt burdens on capital-intensive bodies like NHAI and railways, the government has allocated increased capital expenditure, to offset the reliance on debt for funding rail and road projects.

The Ministry of Road Transport and Highways has been allocated Rs 2.78 trillion in FY25, according to the interim budget presented by Finance Minister Nirmala Sitharaman in February.

Meanwhile, during FY24, the NHAI reportedly monetised highway assets worth Rs 40,314 crore, through its three models – Toll Operate Transfer (TOT), infrastructure investment trust (InvIT), and toll securitisation for specific projects, such as the Delhi-Mumbai expressway. Now, the highway authority also plans to secure debt for expressway projects on a standalone basis, without a comfort letter from the NHAI.

"NHAI awarded four TOT bundles in FY24. The combined value of the TOT bundles was around Rs 15,968 crore. The success rate in TOT mode during FY24 was 100 per cent, and Letter of Acceptance (LoA) was issued within one day of the financial bid opening. NHAI also raised the highest ever monetisation value of Rs 15,700 crore through InvIT mode during the financial year as well as raised Rs 8,646 crore through toll securitisation," the official said. https://www.business-standard.com/economy/news/nhai-executed-capex-for-fy24-increases-by-20-to-rs-2-07-trillion-124040301332_1.html

6. Just 57 companies linked to 80% of greenhouse gas emissions since 2016; Coal India among largest emitters *(newindianexpress.com)* 04 Apr 2024

This powerful cohort of state-controlled corporations and shareholder-owned multinationals are the leading drivers of the climate crisis, according to the Carbon Majors Database, which is compiled by world-renowned researchers.

A mere 57 oil, gas, coal and cement producers are directly linked to 80% of the world's greenhouse gas emissions since the 2016 Paris climate agreement, a study has shown, according to The Guardian.

This powerful cohort of state-controlled corporations and shareholder-owned multinationals are the leading drivers of the climate crisis, according to the Carbon Majors Database, which is compiled by world-renowned researchers.

The database has now been updated and was relaunched on Thursday on a dedicated public access website, which is hosted by InfluenceMap.

It includes a striking comparison between long-term emissions trends dating back to 1854, and more recent developments since the 2016 Paris deal.

The historical record encompasses 122 entities linked to 72% of all the fossil fuel and cement CO_2 emissions since the start of the industrial revolution, which amounts to 1,421 gigatonnes, The Guardian said.

In this long-term analysis, Chinese state coal production accounts for 14% of historic global C02, the biggest share by far in the database. This is more than double the proportion of the former Soviet Union, which is in second place, and more than three times higher than that of Saudi Aramco, which is in third.

Then comes the big US companies – Chevron (3%) and ExxonMobil (2.8%), followed by Russian's Gazprom and the National Iranian Oil Company. After that are two investor-owned European firms: BP and Shell (each with more than 2%) and then Coal India, according to the report. https://www.newindianexpress.com/business/2024/Apr/04/just-57-companies-linked-to-80-of-greenhouse-gas-emissions-since-2016-coal-india-among-largest-emitters

7. Afforestation norms *(tribuneindia.com)* 04 April 2024

Irregularities call for remedial action

THE revelations regarding the mismanagement of afforestation efforts in Haryana merit corrective action. G Raman, retired CEO of the Compensatory Afforestation Fund Management and Planning Authority (CAMPA), has exposed irregularities in the execution of projects. Despite certification from divisional forest officers claiming compliance with the CAMPA Act, it is alleged that afforestation has been carried out on unapproved sites, in flagrant disregard if norms. The misallocation of sites is symptomatic of the problems plaguing the state's forest management. The failure to secure ex post facto approval for site changes has exacerbated the situation. The proposed monitoring and evaluation of activities under CAMPA from 2021-22 to 2023-24 by a special team is a crucial step towards addressing the shortcomings and ensuring compliance with regulations.

Notably, the Supreme Court's intervention last year regarding the NHAI's work on the Gurugram-Pataudi-Rewari highway presented both challenges and opportunities for environmental conservation. While permitting the national highways authority to resume the project — which was stalled over inadequate compensatory afforestation —

the court upheld the NGT's order to the NHAI to find suitable sites for planting 20,000 trees to make up for the axed ones. This directive underscores the importance of mitigating ecological damage caused by infrastructure development. The court's order to the Haryana Government to identify land banks for plantation drives represents a concerted push to restore the green cover for the sake of environmental sustainability.

However, concerns persist over the reluctance to fix accountability for violation of compensatory afforestation rules. Enhanced oversight and strict enforcement of the regulatory norms are essential to rebuild public trust and safeguard the ecological balance of the region. https://www.tribuneindia.com/news/editorials/afforestation-norms-607054

8. By financing environmentally damaging projects, can Indian funders be held liable? *(scroll.in)* 04 April 2024

Banks and financial institutions in India have no internal mechanisms to address the broader costs of investing in risky projects.

Early in February, hundreds of residents of Himachal's Kullu district blocked highways to protest against the Luhri Hydro Electric project run by the public sector Satluj Jal Vidyut Nigam Limited. They wanted to draw attention to the unsettling cracks snaking through their homes, the dust pollution that is devastating their crops and inadequate compensation they have been given for their loss of land and crops.

The State Bank of India is the lead financier for stage one of the 210-megawatt project. The fact that the bank has not been visible in the discussions about the effects of the project highlights the unwillingness of Indian financial institutions to take responsibility for the human and ecological consequences of their investments.

The Luhri Hydro Electric plan had met with vociferous opposition in Himachal Pradesh from local communities since 2010 when the project was granted received environmental clearance. Residents were wary of the potential impacts of the project, such as agricultural land being submerged upstream, water sources and springs drying up, the low compensation rates for land being acquired and the flaws in the clearances granted by the government.

One of the main anxieties related to a planned 38-km-long tunnel. Tunnelling in the mountains had previously resulted in soil on the slopes loosening, houses developing damage and natural springs going dry.

In 2014, the World Bank dropped its plan to extend a $650 million loan to the project. It made this decision after a visit to the site by a team of the United States Agency for International Development, which acknowledged the concerns of residents. USAID had been commissioned by the World Bank to conduct an appraisal of the project's potential impacts.

After this, the Himachal Pradesh government reconceptualised the plan, seeking to minimise the impact by reducing the scale of construction. Instead of the original

proposal of a single dam with a capacity of 755 MW, the new plan involved building three hydroelectric dams on the same section of the Satlej river.

Significantly, the revised plan abandoned the idea of constructing of the 38-km tunnel, allaying some of the concerns of the protestors. But as construction began in 2021, protests continued about the lack of compensation for crop losses, the pollution caused by construction activity and the refusal of the authorities to recognise that more villages were affected by the project than the administration was willing to acknowledge: they only accepted compensation claims for crop losses due to construction activity for villages falling within a 900-metre radius of the project.

Public sector financiers

In 2020, the Indian government approved a $18.1 billion proposal for the project. In March 2022, a loan agreement of $15.37 billion was signed with the State Bank of India. The remaining funds were to be generated with budget support from the Union government and capital from the Satluj Jal Vidyut Nigam Limited.

This was another example of a public sector Indian commercial bank and union or state government emerging as willing investors where international funders had hesitated due to environmental and social concerns.

This has happened before too. In 1993, the Indian government was forced to cancel funding from the World Bank for the Sardar Sarovar Project in Gujarat because the project did not meet the Bank's environmental and resettlement standards. At that time, the Gujarat government and the Union government financed the project through budgetary support.

In 2007, too, when the Asian Development Bank decided not to proceed with financing the Tapovan-Vishnugad in Uttarakhand, being constructed by the National Thermal Power Corporation, a host of domestic banks such as State Bank of India, Bank of Baroda, HDFC Bank and others stepped in.

Indian banks and non-banking finance institutions, such as the Power Finance Corporation and Rural Electrification Corporation Limited, are able to invest in projects that can take a huge toll on the environment, communities and climate because they lack internal investment standards, accountability procedures or safeguard mechanisms to prevent their investments from extracting high environmental and social costs. This also explains their silence when disaster unfolds.

For instance, the largely Indian financiers of the Teesta stage 3 dam in Sikkim hardly faced any questions for investing in the hydroelectric project that was washed away during a glacial lake outburst flood in October that washing away large sections of the North Sikkim Highway, bridges and claiming over a hundred lives. This disaster had been predicted by residents and independent evaluators for years.

This does not mean that multilateral banks such as the Asian Development Bank or World Bank are not investing in sectors and projects that cause harm or that their social and environmental safeguards necessarily work. Yet, the fact that they define investment standards and have accountability and grievance redressal procedures means that they recognise their responsibility to the consequences of their investments.

In addition, communities and civil society organisations on the ground are able to invoke these procedures to hold the financiers accountable.

Internationally, banks such as the Netherlands-based ASN Bank and the pan-African Ecobank are increasingly moving towards taking lending decisions based on clear goals and objectives about sustainability, human rights, biodiversity and climate change.

Indian financial institutions will do well to frame investment standards and mechanisms of their own to prevent environmental, social and climate harm.

Green Energy, communities
Hydroelectric projects are often projected as a "sustainable" alternative that is said to be imperative given the climate crisis. Hydroelectric power is claimed to produce far lower carbon emissions than coal-based electricity and is encouraged as a major renewable source of energy.

Yet, these projects require building dams, altering the flow of rivers and tunnelling through mountains. The Indian experience shows that constructing hydroelectric projects in the Himalayas has led to the destabilising of mountain slopes, which makes them more vulnerable to floods and landslides, the displacement of communities, pollution-related to construction activity and more.

Protests such as that of the Lepchas in Sikkim in the context of damming the Teesta, or by the villagers in Luhri are viewed as obstacles to so-called green investments. But can there be a sustainable future by insisting on a form of development that is actually destructive?

The consequences of hydroelectric projects unfolding in Joshimath, Luhri and Teesta emphasise the need for Indian financial institutions to develop not just investment standards for projects but also mitigation frameworks to address climate concerns arising from investments already made.

This is of course easier said than done and poses significant policy, legal and governance challenges. But Indian institutions must go beyond the non-committal talk of exploring "green" investment and start the discussion.

They should adopt safeguards that prioritise the voices and well-being of affected communities through free, informed consent. Independent assessments and grievance mechanisms should be accessible at both the project developer and financing institution levels. Regular social audits should track and measure the impact of the project on communities. Finally, clear thresholds should be established, beyond which projects are deemed too risky for funding.

Even as financiers make ever louder claims of their commitment to addressing the climate crisis, incorporating safeguard and accountability mechanisms will demonstrate their will to walk the talk. https://scroll.in/article/1065582/by-financing-environmentally-damaging-projects-can-indian-funders-be-held-liable

9. Working India hobbles along *(thehindubusinessline.com)* Updated - April 03, 2024

The India Employment Report 2024 points to worrying trends in terms of structural change in the Indian economy

The newly-released India Employment Report 2024, produced by the ILO and the Institute for Human Development, contains a wealth of information and analysis on past and current employment patterns, and has an important focus on employment concerns of the youth in India.

The report makes for grim reading, which should come as no surprise to anyone even minimally familiar with the sluggish job market and the Indian economy's apparent inability to generate more good quality jobs.

But there is another aspect of the findings in the report that deserves greater consideration: the perverse trends of structural change in recent years, which should also be of great concern to policy makers.

One of the major failings of the Indian economic development process has been the inability to move workers out of low-productivity, low-paying activities in the primary sector (agriculture, forestry, fishing, etc.) and in low-remuneration services. The most recent period is marked not just by continued stagnation in this respect, but even a slight worsening.

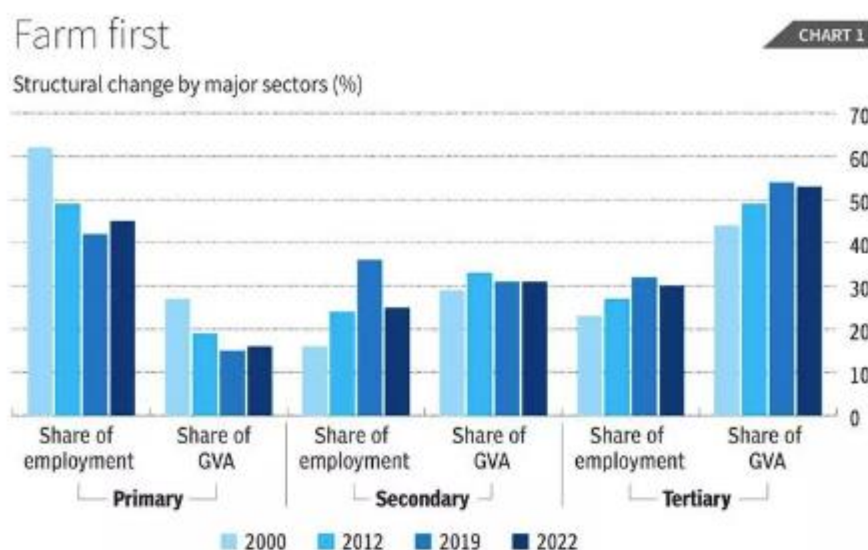


Figure 1 shows the changes from 2000 to 2022. (It should be noted that the calendar years actually refer to the period from July the previous year to June of the stated year, in accordance with NSSP surveys on which the data are based.)

2022 was the year when the Indian economy was still recovering from the Covid-19 pandemic; even so, the increase in the share of workers in primary activities (from 42 per cent in 2019 to 45 per cent in 2022) comes as a shock.

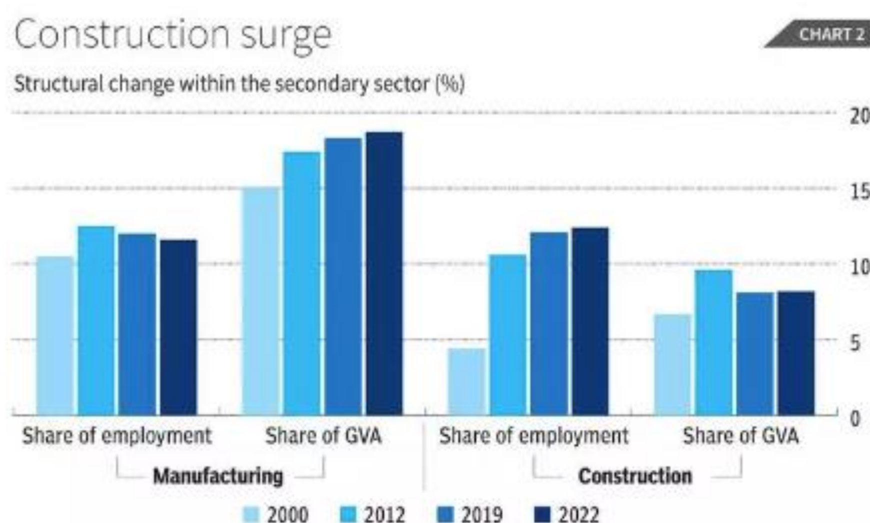
Farm jobs pull
This shows that agriculture still remains a “refuge” sector for workers, in the absence of adequate employment generation in other sectors, and that underemployment still remains very marked in India, even taking into account the low aggregate employment rates.

Indeed, primary activities dominate in rural areas and service activities in urban areas, both accounting for 60 per cent of total employment in the respective locations.

The share of secondary employment increased continuously between 2000 and 2019, but then fell to 25 per cent in 2022. This requires further investigation. Figure 2 disaggregates the two most important sub-sectors within secondary activities, manufacturing and construction.

It turns out that the increase in secondary employment after 2000 was not largely due to manufacturing. The declining shares of manufacturing in total employment are evident from 2012 onwards, even as the share of manufacturing in GVA increased slightly (but still remained well below one-fifth).

However, construction increased its share of employment quite sharply, such that by 2022, for the first time in the Indian economy, the share of workers employed in construction outnumbered those in manufacturing.



Construction spike
In turn, much of the recent increase in construction — in both output and employment terms — has been because of public investment, as private investment in this sector has lagged in recent years. This breakdown of the anticipated Kuznets-Lewis process of structural change is also evident in the employment pattern, which shows little evidence of the formalisation predicted by such theories.

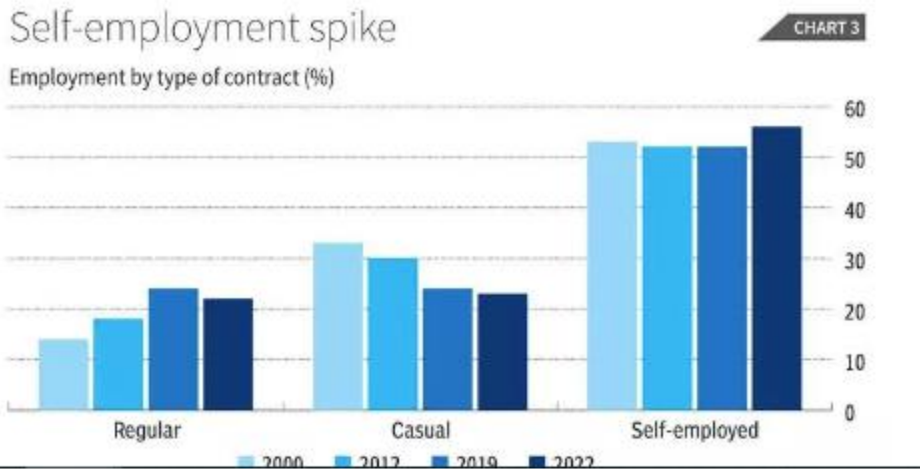


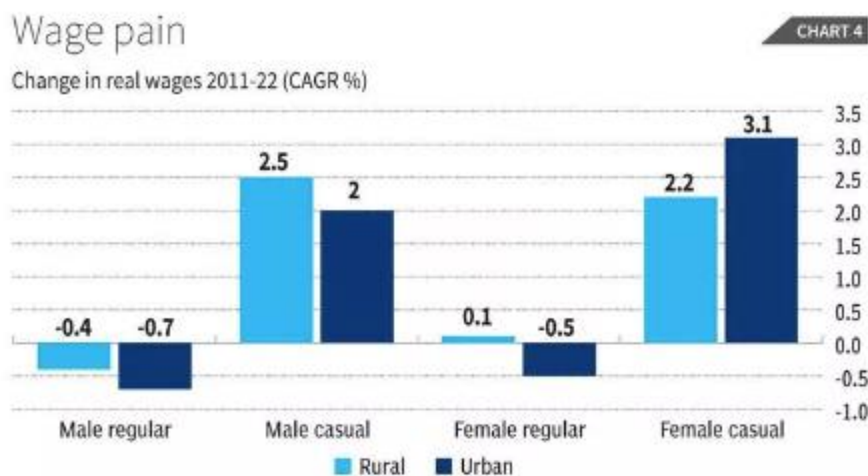
Figure 3 indicates that regular employment did increase from 14 per cent in 2000 to 24 per cent in 2019, but subsequently fell again to 22 per cent. Much of that increase, however, was in types of work that cannot be considered formal, such as employment for domestic services in private homes.

Formal jobs stagnant

The report notes that formal employment ratios barely changed at all, going from 8.5 per cent of total employment to only 10.5 per cent in 2019, then falling to 9.7 per cent in 2022. What is also striking is the decline in casual work, which has been balanced not by increases in regular employment, but in self-employment.

This is a real comment on the absence of real job opportunities in the labour market, which has forced so many workers into what is euphemistically called "micro-entrepreneurship".

These depressing trends help to explain the broader stagnation of real wages, particularly in the last decade, which has been confirmed by other data sources as well. Figure 4 shows the annual growth in real wages.

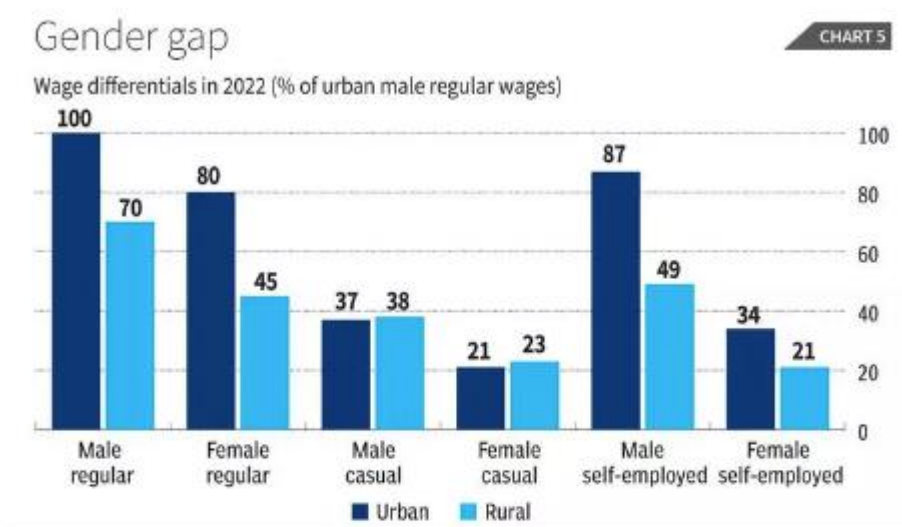


Wage decline

Shockingly, real wages actually declined for both male and female regular workers in both rural and urban areas, despite the much-hyped growth of the economy over this period. For casual workers, the real wage increases were very low, and well below the rate of increase in per capita GDP.

Indeed, there were barely noticeable for female casual workers in rural areas. This is further evidence of the significant increase in inequality in India especially since 2014, that has also been documented by researchers at the World Inequality Lab.

While workers as a whole have not benefited from recent aggregate economic growth, inequality is evident even between workers, as Figure 5 illustrates. While wages of regular workers have fallen in real terms, they are still significantly higher than the earnings of all other types of workers.



The worst situation is of women workers: female casual workers and self-employed women earn only around one-fifth of the wages received by men working in regular employment in urban areas.

In most countries, a report — and a reality — such as this would generate massive public and official concern. But the current government seems rather sanguine about the employment issue.

This is counter to the promise of one crore new jobs for the youth of the country made by Narendra Modi during his 2013-14 electoral campaign, and the BJP's 2014 and 2019 election manifestos. This is clearly another area in which "Modi ki guarantee" has not worked.

As the country enters yet another general election process, we have yet to see whether this employment crisis will be given the importance it deserves by the electorate.
https://www.thehindubusinessline.com/opinion/columns/c-p-chandrasekhar/working-india-hobbles-along/article68025102.ece

10. High time to set up India’s AI regulator AIDAI *(timesofindia.indiatimes.com)* April 4, 2024

The Artificial Intelligence and Data Authority of India (AIDAI) will ensure speedy and equitable development of this sector.

The urgency for the speedy development of an artificial intelligence (AI) regulatory framework is growing day by day, especially with advancements in generative AI.

In a first, the European Union (EU) Parliament approved the Artificial Intelligence (AI) Act on March 13. The Act seeks to ensure ‘safety and compliance with fundamental rights while boosting innovation’.

In a recent report, the International Monetary Fund (IMF) rightly called for policymakers to develop an AI regulatory system in view of the likelihood of 60 per cent of jobs being impacted by AI in advanced economies and 40 per cent overall globally.

A World Economic Forum report in 2023 noted that 14 million jobs will disappear within the next five years due to the job market churn on account of adoption of new technologies. So, the fears surrounding AI are not far in the future but more near-term.

During its presidency last year, India proposed a globally coordinated AI regulatory framework through the G20 platform. The country possesses a huge potential to take leap in AI implementation across diverse sectors, and, therefore, must kickstart setting up of a robust and effective regulatory ecosystem in the country to avoid any mishaps.

The Union Cabinet recently approved an ambitious Rs 10,372 crore ‘IndiaAI Mission’ to strengthen the AI innovation ecosystem. The idea is to ensure availability of indigenous tools for safe, trusted and ethical AI development.

It is high time that the government considers expeditious setting up of the Artificial Intelligence and Data Authority of India (AIDAI), as suggested by the Telecom Regulatory Authority of India (TRAI) in July last year.

The AIDAI will ensure speedy and equitable development of this sector growing at a rapid pace as envisaged in the IndiaAI Mission.

The TRAI, in its July 2023 report, said, “For ensuring the development of responsible Artificial Intelligence (AI) in India, there is an urgent need to adopt a regulatory framework by the Government that should be applicable across sectors. The regulatory framework should ensure that specific AI use cases are regulated on a risk-based framework, where high-risk use cases that directly impact humans are regulated through legally binding obligations.”

The telecom regulator further suggested, “An independent statutory authority should be established immediately for ensuring development of responsible AI and regulation of use cases in India. The authority should be designated as Artificial Intelligence and Data Authority of India (AIDAI).”

The AIDAI will frame regulations on all aspects, including responsible use of AI, define principles based on risk assessment, and ensure that they are applicable at each phase of the AI lifecycle—design, development, validation, deployment, monitoring, and refinement.

It will also develop a model AI Governance Framework, which will guide responsible deployment of technology. In addition, it will develop model Ethical Codes for adoption by public and private entities in different sectors. The AI regulator's extremely critical role will be to focus on 'orderly growth of the AI sector and protection of the consumers'.

Moreover, the success of the government's IndiaAI Mission is critically dependent on public-private partnerships in developing the country's AI ecosystem.

In this backdrop, the TRAI recommendations of constituting an advisory 'Multi-Stakeholder Body (MSB) ' attached to AIDAI, having members from different ministries and departments, industry, legal, cyber experts, academia, and research institutes, will play a crucial role in devising a working model and taking care of the existing and emerging concerns. It would be helpful to draw a list of possible members, especially industry members, and start deliberating on AIDAI.

While the creation of AIDAI may have to wait till the formation of the new government in June, the preparation for this exercise may be continued so that a roadmap is already there for the government to act as a priority. This is also necessary to address the need for global coordination in this fast-developing area.

The EU AI Act "aims to protect fundamental rights, democracy, the rule of law, and environmental sustainability from high-risk AI while boosting innovation and establishing Europe as a leader in the field". The UK approach, though, is a liberal one—light-touch and pro-innovation. The rest of the world, including the US, is at different stages of preparation to bring AI regulations.

There is tremendous scope to deliberate and devise a global regulatory system that helps industry players and innovators utilise AI's potential for supporting sustainable growth.

The expeditious setting up of the AIDAI will not only help India accelerate AI innovation and development but will also help the country be a leader in ensuring responsible AI usage globally with a well-coordinated approach. https://timesofindia.indiatimes.com/blogs/voices/high-time-to-set-up-indias-ai-regulator-aidai/

11. After Covid, bogus billing in state doubled *(timesofindia.indiatimes.com)* April 4, 2024

AHMEDABAD: The menace of bogus billing scams has almost doubled in Gujarat since the Covid pandemic. According to data provided by the state goods and services tax (GST) department, bogus billing worth Rs 22,680 crore took place during the fiscal year 2023-24, up from Rs 11,493 crore in 2019-20.

Tax evasion also escalated by 103%, from Rs 1,832 crore to Rs 3,730 crore during the same period.

Within a single year, the turnover of bogus billing scams rose by 22%, compared to Rs 18,605 crore in FY 2023.

Similarly, evasion grew by 29%, compared to Rs 2,895 crore in the previous period.

Despite changes in tax rules, these fraudulent activities persistently result in substantial tax evasion and financial losses to the state exchequer. The recovery rate, in fact, has been consistently declining over the years.

In the current fiscal year, GST officials could recover barely 16.7% of the total evaded taxes.

The escalation of bogus billing scams in Gujarat since the Covid pandemic is one of the primary reasons for the rise in tax evasion. Data from the state commercial tax department suggests that Gujarat has lost roughly Rs 75,552 crore to bogus billing scams since the rollout of the new tax regime.

"These scams are a major concern as they lead to substantial losses for the government treasury. We have repeatedly emphasized the urgent need to address these vulnerabilities to prevent further exploitation by fraudsters," said a senior SGST official. Tax policy changes by the state and Centre have proven insufficient to deter scammers who continuously devise new ways to cheat the system.

"In cases that surfaced over the past year, Aadhaar entries were manipulated to fraudulently obtain GST identification numbers (GSTINs), which were then used to orchestrate massive multi-crore fake billing scams across several states. Such scams are causing significant losses to the exchequer, and these loopholes need to be plugged," said a source.

To address this, the state GST department recently implemented a pilot project, making biometric verification mandatory for obtaining GSTINs.

Since its implementation in Nov 2023, there has been a notable 42% decline in the number of fresh applications for obtaining GSTINs. https://timesofindia.indiatimes.com/city/ahmedabad/after-covid-bogus-billing-in-state-doubled/articleshow/109017127.cms

12. Madras High Court seeks status report on misappropriation of PMAYG funds in Solavaram panchayat union *(newindianexpress.com)* 4 April 2024

CHENNAI: The first bench of Madras High Court comprising Chief Justice SV Gangapurwala and Justice J Sathya Narayana Prasad has sought a status report from the state on the probe held into complaints of misappropriation of funds meant for constructing houses to the poor people under the Prime Minister Awas Yojana - Gramin (PMAYG) in Solavaram panchayat union of Tiruvallur district.

When a public interest litigation petition filed by ML Dhamodharan came up for hearing on Tuesday, advocate S Shanmugasundaram, appearing for the petitioner, submitted that Rs 54.4 lakh was siphoned off under the scheme.

Information sought through RTI queries revealed that Rs 39.7 lakh was allotted to eight beneficiaries for non-existent houses, Rs 10.1 lakh to ineligible people who are not below the poverty line and Rs 4.6 lakh to those who have already availed the scheme, he told the court.

The additional public prosecutor, representing DVAC, informed the court that an inquiry was underway and 25 witnesses were examined, and eight others are yet to be examined based on similar complaints. The bench directed the state to file the status report by April 23 and adjourned the matter. https://www.newindianexpress.com/amp/story/states/tamil-nadu/2024/Apr/04/madras-high-court-seeks-status-report-on-misappropriation-of-pmayg-funds-in-solavaram-panchayat-union

13. Budgets 2024-25 of Punjab and Haryana: Usual or focussed

(timesofindia.indiatimes.com) April 3, 2024

Punjab and Haryana States with broadly a similar social and economic background are generally compared by people and academics in terms performance of economy, governance and management of finance. Financial situation and the priorities in allocation of expenditure usually affect the other financia,social and economic parameters too. At present, the states are governed by two different political parties' vij., Aaam Aadmi Party in Punjab for two years and Bhartiya Janata Party in Haryana for the last 10 years. It is widely known that finances are stretched more in Punjab than Haryana in terms Revenue deficits (RDs) and debt liabilities in the last two decades. To comment on their latest status, the item wise expenditure and vital fiscal parameters are presented in Table 1. Due to different pattern of budget presentation, we have taken broad items only to make both comparable.

Item-wise Budget Allocations Punjab in and Haryana (Amount in Rupees crore)

Item	Punjab during				Haryana during			
	22-23 AC	23-24 RE	BE24-25	% to Total	22-23 AC	23-24 RE	BE24-25	% to total
Rev.Expd.of which	113661	122752	127134	62.04	106406	118951	134456	70.81
Interest Paymnets	19905	22500	23900	11.66	20096	22250	25142	13.24
Salaries	32172	34300	35168	17.16	24625	26503	29542	15.56
Pensions/ Retirement	18214	18900	19800	9.66	12403	14200	15000	7.90
Other Rev.Expd.	43370	47051	48266	23.55	49282	55998	64772	34.11
Cap. Expd.,of which	24143	23325	20783	10.14	14127	18680	21376	11.26
(Repayments-loans)	16094	16626	12867	6.28	Given under ways and means advances			
Total Expenditures	137804	146076	147918	72.18	120533	137631	155832	82.07
Ways& Means Expd.	42221	53000	57000	27.82	31888	32859	34044	17.93
Total Expenditure	180025	199076	204918	100.00	152420	170491	189878	100.00
Debt & Liabilities	314420	343626	374091	-	255325	284864	317982	-
As % of GSDP	53.84	53.86	53.55	-	25.95	26.00	26.15	-
Revnue Deficit	18468	23891	24589	-	17212	13165	17817	-
As % of GSDP	3.16	3.74	3.52	-	1.75	1.20	1.47	-
GSDP(Current Prices	584042	638023	698635	-	984055	1095535	1216044	

Notes: Rev. Expd = Revenue Expenditure, Cap Expd= Capital Expenditure. GSDP= Gross State Domestic Product Source: Budgets 2024-25 at Glance of Punjab and Haryana as presented on 5th March and 26 February 2024

The Table shows that the committed expenditure (CE) of Interest on loans, salaries and pensions are about 62 % (38.48/(62.04)X100) of revenue expenditure(RE) in Punjab compared to that of 52 percent in Haryana. The Actuals of 2022-23, Revised Estimates (RE) of 2023-24 show that in both the states are unable control the CEs. The remaining revenue expenditure is 24 % in Punjab and 44 % in Haryana. Of that the electrify subsidy is about Rs20000 crore for tube wells, domestic consumers and industry in Punjab as against about Rs10000 crore in Haryana. Further, in Haryana the social security and honorarium and pensions to elected representatives from panchayat member to member of Legislative Assembly is much more than Punjab. All these are also like committed expenditures. Hence the revenue expenditure at the disposal of government may be around is Rs20000 in Punjab and Rs40000 in Haryana. Besides, there is capital expenditure of about Rs8000 in Punjab and Rs20000 in Haryana.

Of the remaining revenue and capital expenditure, Punjab has allotted the maximum for new initiatives in education especially schools, health, rural development and transport as appended in its budget at glance. In Haryana, there is usual increase in allocation for education, urban development, procurement in agriculture, solarisation of pump-sets. Its budget speech also announce allocation for new initiatives like waiver of interest & penalty or chronic cooperative defaulters, repair of Chaupals, houses/plots to urban & rural poor and free pilgrimage. The major investments announced are a new thermal plant in Yamunanagar, Mega Food Park in Rohtak , three airstrip and drone to Lakhpati Didies of self help groups. Whereas Punjab with lesser funds has taken new initiative education in schools, health services, rural development without any major capital investment. Thus, the budget of Haryana is more broad- based covering more areas and sections of the society, though with small one time allocations, whereas Punjab has focussed on school education, sports and health services.

In terms of fiscal discipline, both are having higher debt liabilities and revenue deficit then average of all states and Union Territories (annex 1). Though, Haryana is satisfied

that its debt and RD as their percentage to GSDP is less than the prescribed limit by FRBM Act while Punjab has already surpassed for both. However, the average increase in revenue deficit in last 6 years is higher at 22.3 percent in Haryana compared 12.14 percent in Punjab. In the last two years after AAP Government in Punjab, there is decrease in RD of Punjab by 5.58 % as against increases by 5.93 % in Haryana. Thus Haryana is fast approaching Punjab in debt liability which may be harmful to the state in long run. https://timesofindia.indiatimes.com/blogs/issues-from-the-ground-and-experience/budgets-2024-25-of-punjab-and-haryana-usual-or-focussed/