NEWS ITEMS ON CAG /AUDIT REPORTS

1. Defence Ministry to Contest Hundreds of Disability Pensions Granted to Jawans, Officers in Court *(thewire.in)* 05 Nov 2023

The move has come after the defence ministry tightened rules of eligibility for the disability pension nearly a month ago.

The Ministry of Defence (MoD) has decided to contest hundreds of cases of disability pension awarded to retired officers and jawans in court nearly a month after it tightened rules for its eligibility.

The Adjutant General's branch in a letter to legal cells of all Army commands has said "as directed by the competent authority at MoD, writ petitions be filed in the jurisdictional high court". These petitions will be filed against various Armed Forces Tribunal (AFT) judgements, the Economic Times reported.

In September, the defence ministry had rolled out 'Entitlement Rules for Casualty Pensionary Awards to the Armed Forces Personnel-2023′, changing how disability pension is calculated for veterans.

This was done after an internal assessment done by the Comptroller and Auditor General (CAG) found that 40% of the officers were claiming disabilities to get higher pensionary benefits. Those deemed eligible for disability benefits get 20-50% higher pension and income tax exemptions. As per the assessment, the annual pension outflow is around Rs 10,000 crore and the tightening of rules is likely to save Rs 4,000 crore.

Now the defence ministry has prepared a list of officers and jawans, who have been awarded some sort of disability pension, which was appended to the AG's letter. The list comprises beneficiaries divided under 10 categories and has been drawn up on the basis of which the soldiers were granted disability pension, the Economic Times reported.

"The cases have been listed after careful sifting of a huge volume of files," said the AG's letter sent out last month. According to the report, the defence ministry has been at the receiving end of adverse judicial strictures passed by courts, citing "delay" in processing cases after the pronouncement of AFT judgments. The Army is seeking a stay on the various judgments and wants similar petitions to be clubbed.

The AG branch has asked the legal cells of the commands to monitor the cases in the respective high courts. While legal cells will be vetting each case at the local level, any ambiguity will be decided by the AG office, the report said. https://thewire.in/government/defence-ministry-to-contest-hundreds-of-disability-pensions-granted-to-jawans-officers-in-court

STATES NEWS ITEMS

2. Audit at HBPCL: From fund transfer to London to losses in crores, CAG raises questions on Haffkine's functioning *(indianexpress.com)* Nov 4, 2023

The audit observed that 'not complying with the directions of the Supreme Court, the company incurred the business loss of Rs 50.69 crore.'

The Maharashtra government is currently probing a series of irregularities at Haffkine Bio Pharmaceutical Corporation Limited after the CAG's inspection report in July 2023 made observations which range from transfer of funds to London-based bank account to losses to the company amounting to over Rs 50 crore on account of not following the Supreme Court order.

The report stated that the HBPCL suffered losses worth Rs 50.69 crore in a procurement of polio bulk for manufacture of Oral Polio Bulk in tenders invited in February 2016. The legal battle in this tender between the HBPCL and the contractors involved, stretched till August 2017. The audit observed that 'not complying with the directions of the Supreme Court, the company incurred the business loss of Rs 50.69 crore.'

On September 27, the office of the Principal Accountant General (Audit) – 1 wrote to the state government seeking its response on the same within four weeks. An official from Medical Education Department said the matter is being studied and is likely to be put up for discussion on the November 6 board meeting of the HBPCL.

The inspection report has also highlighted the payment of Rs 15.6 lakh to the London branch of Barclays Bank where the HBPCL does not have any account. "The company, vide purchase order No. BN1720P1 dated 14.06.2017, had sold 10,000 vials or Bivalent Oral Polio Vaccine valuing US $ 24,000 (Rs 15.6 lakh) to Bionet-Asia Co. Ltd. (Bionet), Thailand in October 2017. As per the directions of the Bionet, the consignment was delivered (October 2017) to Medicines Sans Frontiers (MS) Logistique, France. Audit observed that the company has not received Rs 15.6 lakh since October 2017," the report stated.

It further observed two invoices being issued with one carrying account number of Barclays bank. The audit observed that none from HBPCL persuaded the matter since October 2017 and added that 'it does not rule out the possibility of wrong invoices being issued to the company.'

The audit has also raised questions on irregularities in appointments, including that of S V Shankarwar, who is appointed on contractual basis within a fortnight of retirement despite Secretary, Medical Education Department, disapproving his appointment last year because of complaints received against him.

The Indian Express has learnt from sources that a complaint in this regard has been submitted to Chief Secretary Manoj Saunik last week as well as Dinesh Waghmare, Principal Secretary, Medical Education Department under whose jurisdiction the

HBPCL falls and Abhimanyu Kale, Commissioner, Food and Drugs Administration (FDA) who has been given the additional charge as Managing Director of the HBPCL.

When The Indian Express sought comment from Waghmare and Kale about the audit report and its observations, both said that they were unaware about the report and it was not possible for them to comment. https://indianexpress.com/article/cities/mumbai/audit-at-hbpcl-cag-haffkines-9013502/

3. Plan afoot to save coral reefs, says govt after CAG's rebuke *(timesofindia.indiatimes.com)* Nov 4, 2023

Panaji: The state forest department, in association with WWF, has undertaken a detailed survey of all coral reefs on Grande Island off the coast of Goa, and the department will prepare a detailed management and action plan for their conservation. The department of environment and climate change has conveyed this to the Comptroller and Auditor General of India (CAG), which had criticised Goa's absence of a monitoring system to protect its coral reefs.

The environment department, in its reply to the CAG, said that it has initiated the process to bring the entire ambit of protection, conservation, and management of marine biodiversity, including coastal tourism, under one nodal agency — the forest department.

It also informed the CAG that all waterborne tourism activities are considered watersports activities, and are under the total regula-tory control of the department of tourism. "The forest department is not a stakeholder, although several instructions are issued by the forest department with regards to water sports in Goa whenever NOCs are sought by the authorities," the environment department said.

It further told the CAG that, recognising the importance of marine biodiversity and the need for its conservation, a marine cell has been created in Goa to protect, preserve, conserve, regenerate, restore, enrich, and maintain biodiversity... having direct or indirect impact on human life, as well as the conservation of endangered species of coastal and marine fauna such as corals, turtles, coastal birds, and marine mammals. The cell will also intervene to ensure sustainable fishing.

The cell's other objectives are to promote livelihoods, culture, development of eco-tourism communities, rights of those dependent on these ecosystems, and to build research and academic capacity in the field of coastal, island, wetland and marine ecosystems. These will inform policymaking, act as a repository of information, and build the foundation for capacity building and welfare programmes, the department said, adding that the cell will also contribute to the overall goal of coastal, island, wetland, and marine conservation.

The marine cell, which will include the North Goa marine range and South Goa marine range, will cover all coastal areas of Goa. "The process of constituting a dedicated marine division has already commenced and is under consideration of the government of Goa for approval." https://timesofindia.indiatimes.com/city/goa/plan-afoot-to-save-coral-reefs-says-govt-after-cags-rebuke/articleshow/104952094.cms

4. State crosses 80% of its borrowing limit *(timesofindia.indiatimes.com)* Nov 4, 2023

HYDERABAD: Though five more months are left in the financial year, Telangana government has already exhausted 81% of its expected borrowing capacity by the end of September in this election year. In contrast, the state had borrowed only 40% of expected limits during the corresponding period in the last financial year, according to the latest Comptroller and Auditor General (CAG) figures.

In terms of actual numbers, state has already borrowed Rs 31,333 crore by the end of September against its total expected borrowings for Rs 38,334 crore for this financial year.

In the previous financial year, during the corresponding period, state had accrued Rs 21,173 crore, which was 40% of the expected budgeted total borrowings of Rs 52,167 crore as against the 81% now.

Also, due to the Fiscal Responsibility Budget Management (FRBM) regulations, state's budgeted borrowing window has shrunk this financial year compared to last year. https://timesofindia.indiatimes.com/city/hyderabad/state-crosses-80-of-its-borrowing-limit/articleshow/104955231.cms

5. Mumbai Police's EOW has mere 4 percent convictions, reveals RTI *(mid-day.com)* Nov 06, 2023

Only four per cent of individuals accused of perpetrating white-collar crimes worth Rs 59,000 crore between January 1, 2018 and July 2023 have been convicted while 93 alleged offenders are absconding, according to information obtained via Right to Information (RTI) applications.

The findings call into question the efficacy of the Economic Offences Wing (EOW) of the Mumbai Police. As per the reply to an RTI application filed by an activist Jeetendra Ghadge, in the aforementioned period, the EOW has registered 594 cases related to economic offences. However, a mere 264 charge sheets, summary reports and closure reports were filed by July this year. This disparity implies that approximately half of these cases are still being probed, leaving countless victims in limbo.

The figures paint a bleak picture. Within the period in question, a startling 319 accused were acquitted, while only 14 were convicted. In cases of economic offences, refunding the money to victims is a critical component of the justice system. However, the EOW has fallen short, having managed to refund a mere Rs 37,24,81,214 so far. This figure represents less than one per cent of the Rs 59,000 crore figure, leaving victims grappling with financial loss.

According to Ghadge, of The Young Whistleblowers Foundation, “The revelations serve as a stark reminder of the need for reform and efficiency within Mumbai’s Economic Offence Wing to ensure justice for victims of white-collar crime. In the past, an IPS officer serving as DCP at the EOW was suspended for alleged criminal offences.

A high-level inquiry should be ordered if there were any malpractices that led to such low conviction rates."

"The investigation of cases related to financial fraud, commonly known as white-collar crime, often endures prolonged scrutiny, as each and every fact of the case requires meticulous verification. The extensive collection of documents and rigorous scrutiny are key factors contributing to the inevitable delays. Additionally, a recurring pattern emerges with a majority of cases involving prominent figures from the construction and corporate sectors and politicians, where substantial sums are at stake. It is imperative that we consider invoking the Maharashtra Control of Organised Crime Act in instances pertaining to financial fraud," explained an officer from the EOW.

Major scams EOW has been probing for past five years
>> PMC bank scam: The EOW probed the R7,000 crore scandal, leading to the arrest of realty company HDIL's promoters Sarang and Rakesh Wadhawan, as well as Punjab & Maharashtra Co-operative Bank's former MD Joy Thomas. The charge sheet was filed in 2019 and the trial has been pending since then.

>> Cox & Kings scam: The wing is investigating multiple FIRs against Cox & Kings, a global travel company, for alleged financial frauds amounting to Rs 2,500 crore. Various banks and private investment firms have registered cases for loan defaults, resulting in multiple arrests and charge sheets.

>> Patra chawl scam: The worth of this alleged scam is Rs 1,000 crore and the Enforcement Directorate registered an enforcement case information report and arrested MP Sanjay Raut in connection with it. He was later granted bail after the court deemed the ED's actions against him illegal.

>> BMC irregularities: The EOW is investigating the Rs 12,500 crore scam based on the CAG report, which highlighted irregularities in various departments. An SIT has been set up by the Mumbai police commissioner as per the chief minister's orders. Several preliminary enquiries are open, with one FIR registered against Shiv Sena (UBT) MLA Ravindra Waikar in connection with the construction of a five-star hotel in Jogeshwari, allegedly in violation of an agreement, amounting to discrepancies of around Rs 500 crore

>> COVID scams: Multiple cases are being looked into in connection with the COVID-19 pandemic, including those related to body bags and the so-called Khichdi and jumbo centre scams, amounting to an estimated Rs 50-60 crore. https://www.mid-day.com/mumbai/mumbai-news/article/mumbai-polices-eow-has-mere-4-percent-convictions-reveals-rti-23318429

6. RTS Act may be amended to include compensation clause *(timesofindia.indiatimes.com)* Nov 06, 2023

Pune: The state government is considering amending the Maharashtra Right to Public Services Act, 2015, to include a clause on providing compensation to citizens facing delays.

“The proposal has been submitted to the state government and a final decision is awaited,” said Sujata Saunik, state additional chief secretary in the general administration department.

An RTS commissioner who did not want to be named said the proposal would bring about much-needed change in the implementation of the Act. “It would ensure that the information is given on time,” said the commissioner.

Officials from the regional RTS commissioner’s office, however, told TOI that the proposal is expected to take its own course of time as it would have to be sent to the Law and Judiciary Department and then put before the Cabinet for final approval.

A team from the state studied the Haryana Right To Service Act in detail and submitted a proposal in July this year. The report stated that the Haryana Act ensures no citizen is harassed while availing benefits notified under the Haryana RTS Act.

In a recent case, the Haryana RTS not only imposed a penalty of Rs 20,000 on an official for not ensuring the delivery of a service but also awarded the complainant a sum of Rs 5,000 for the delay.

While the Maharashtra RTS Act, 2015, has a provision to impose a fine of Rs 500 to Rs 5,000 for delays in execution, there is no provision to compensate a complainant for the delay.

Currently, the state has around 523 notified services under the RTS Act. Of them, a total of 400 services are integrated with the Aaple Sarkar portal. The rest are at various levels of development for integration.

The government developed the Aaple Sarkar Service portal as a common platform for citizens to apply for services of various departments.

A report from the Comptroller and Auditor General of India (CAG) early in March highlighted the poor functioning of Aaple Seva Kendras in the state. Of the 37,000 assigned kendras, only about 25,000 are functioning, officials said.

Their performance on the delivery of timely services front was far from satisfactory, stated the 181-page report. It highlighted the issues of pending applications and delays in delivery of services within the stipulated time despite the recovery of service charges from citizens.

The Maharashtra Aaple Sarkar portal does not have an updated list of the number of services provided to citizens as the figures are updated only till 2022, pointed out Mohita Joshi, an entrepreneur who recently used the portal.

State IT department officials said a plan was underway to upgrade the existing portal, and this would enable citizens to access it through mobile apps easily. https://timesofindia.indiatimes.com/city/pune/rts-act-may-be-amended-to-include-compensation-clause/articleshow/104997908.cms

7. CBI bribe cuffs on asst audit officer *(timesofindia.indiatimes.com)* Nov 04, 2023

Bhubaneswar: The CBI on Friday arrested an assistant audit officer here for allegedly accepting a bribe of Rs 6,500 from a man for not raising any audit objection against medical bills of his office. The accused was identified as Santosh Kumar Panigrahy.

"The accused, posted at the office of principal accountant general (audit-1), Bhubaneswar demanded Rs 6,500 bribe (10% of the bill amount) as he did not object to medical bills of Rs 65,000 during the audit.

CBI laid a trap and caught him red-handed with the bribe," a CBI statement said.

Following his arrest, searches were conducted in Odisha and Andhra Pradesh which led to recovery of documents related to immovable properties in Bhubaneswar, Berhampur and Visakhapatnam. https://timesofindia.indiatimes.com/city/bhubaneswar/cbi-bribe-cuffs-on-asst-audit-officer/articleshow/104957165.cms

8. CBI Arrests Asst Audit Officer of PAG Office in Bhubaneswar in Bribery Case *(odishabytes.com)* 03 Nov 2023

Bhubaneswar: The Central Bureau of Investigation (CBI) on Friday arrested Assistant Audit Officer, Principal Accountant General (Audit-1), Bhubaneswar for allegedly demanding and accepting a bribe of Rs 6,500 to clear a medical bill.

The accused auditor has been identified as Santosh Kumar Panigrahy.

He was caught red-handed while allegedly accepting the bribe money, which was 10% of the bill amount, from the complainant for not raising any audit objection on medical bills of his office, in front of Bhubaneswar RTO office and later arrested.

"Searches conducted on the premises of the accused at Bhubaneswar and Visakhapatnam led to recovery of documents related to immovable properties at Bhubaneswar, Visakhapatnam and Berhampur. The arrested accused will be produced today in the Court of Special Judge, CBI Cases, Bhubaneswar," a CBI release said. https://odishabytes.com/cbi-arrests-asst-audit-officer-of-pag-office-in-bhubaneswar-in-bribery-case/

9. जालंधर में CAG टीम सर्वे के लिए पहुंची:स्मार्ट रोड-सोलर पैनल प्रोजेक्ट में मिली खामियां, जांच कर रिपोर्ट सरकार को भेजेंगे *(bhaskar.com)* 03 Nov 2023

पंजाब के जालंधर में कॉम्प्ट्रॉलर एंड ऑडिट जनरल (CAG) की टीम शहर में स्मार्ट सिटी के प्रोजेक्टों का निरीक्षण कर रही है। CAG एक हफ्ते के अंदर सरकार को रिपोर्ट भेजेगी। अभी तक की जांच में कई खामियां पाई गई है। CAG बल्टन पार्क, एलईडी लाइट, केपी स्टेडियम, सोलर पैनल, स्मार्ट रोड के प्रोजेक्टों के भुगतान बिलों और सहित अन्य कामों की फिजिकल रिपोर्ट बना रही है। https://www.bhaskar.com/local/punjab/jalandhar/news/cag-team-reached-jalandhar-for-survey-132093482.html

10. बिजली उपभोक्ताओं को तगड़ा झटका देगा Smart Meter, ऊर्जा विभाग ने किया टेंडर में अनोखा खेल *(etvbharat.com)* Nov 04, 2023

लखनऊ: उत्तर प्रदेश के स्मार्ट मीटर की तकनीकी भलेस्मार्ट न हो, लेकिन स्मार्ट मीटर के टेंडर में तकनीकी का इस्तेमाल कर ऊर्जाविभाग स्मार्ट मीटर कंपनियों को कमानेका भरपूर मौका दे रहा है. यही वजह हैकि मध्यांचल विद्युत वितरण निगम लिमिटेड नेस्मार्ट मीटर का टेंडर जिस कंपनी को दिया है वह उत्तर प्रदेश का अब तक का स्मार्ट मीटर का सबसे महंगा टेंडर है. उत्तर प्रदेश में लगभग 25 हजार करोड़ के स्मार्ट प्रीपेड मीटर के टेंडर होनेहैं. इनमेंसे मध्यांचल विद्युत वितरण निगम ने 19 जिलों के लिए 71 लाख सिंगल फेज स्मार्ट प्रीपेड मीटर लगानेके लिए लगभग 8,146 करोड़ का टेंडर फाइनल कर दिया है. भारत सरकार ने जहां प्रति सिंगल फेज स्मार्ट प्रीपेड मीटर का बेस रेट छह हजार रुपयेप्रति मीटर तय किया था, उत्तर प्रदेश में उससे कहीं ज्यादा 4 जी स्मार्ट प्रीपेड मीटर का टेंडर मध्यांचल विद्युत वितरण निगम ने इनटैली स्मार्ट को दिया है. जिस प्रोजेक्ट की कुल लागत लगभग 2,934 करोड़ रुपयेहै. प्रति स्मार्ट प्रीपेड मीटर सिंगल फेज की दर पर जो आदेश निर्गत हुआ है वह लगभग 8,428 रुपयेप्रति मीटर है, जो अब तक का उत्तर प्रदेश के स्मार्ट मीटर का सबसे महंगा टेंडर है.

पूर्वांचल में इसी स्मार्ट प्रीपेड मीटर की जो सबसे कम प्रति स्मार्ट प्रीपेड मीटर कीमत आई है. वह जीएमआर की 7307 रुपयेहै. मध्यांचल विद्युत वितरण निगम में इसी मीटर की सबसे महंगी दर निकाल कर आई है. वह रुपया 8,428 है. यानी एक ही तरह के स्मार्ट प्रीपेड मीटर की कीमत में लगभग 1,121 रुपयेप्रति मीटर का अंतर है. वह भी तब जब पॉवर कॉरपोरेशन की कॉर्पोरेट भंडार क्रय समिति सेही सभी मीटर की दर को अंतिम रूप दिया गया है. राज्य विद्युत उपभोक्ता परिषद के अध्यक्ष अवधेश कुमार वर्माका कहना हैकि एक ही क्रय समिति की अलग-अलग दर तय किया जाना भी अपने आप मेंसीएजी जांच का मामला है. इसीलिए उपभोक्ता परिषद लगातार इस पूरेमामलेकी सीबीआई से जांच करनेकी मांग उठाता रहा है. https://www.etvbharat.com/hindi/uttar-pradesh/state/lucknow/madhyanchal-vidyut-vitran-nigam-gave-opportunity-to-smart-meter-companies-to-earn-big-money/up20231104141732337337924

SELECTED NEWS ITEMS/ARTICLES FOR READING

11. Union finance ministry tight-fisted on funds sought for rural job scheme MGNREGA *(telegraphindia.com)* 04 Nov 2023

If the government has decided to allocate Rs 28,000 crore in the supplementary budget, it's grossly inadequate, says a senior researcher

The Union finance ministry has decided to allocate only a little more than half the additional funds sought for the rural job scheme MGNREGA, government sources said, despite a rise in demand for work under the programme fuelled by a high unemployment rate.

The Union rural development ministry had sought an additional Rs 50,000 crore for the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) programme for 2023-24 since all the funds allocated in the Union budget had been used up.

But the finance ministry agreed to allocate only Rs 28,000 crore, a finance ministry official said. The additional allocation will need parliamentary approval as part of the supplementary budget. The finance ministry has already released Rs 10,000 crore pending Parliament's sanction.

Chakradhar Buddha, a senior researcher at LibTech India, a private organisation that mainly researches the MGNREGA, said the demand for jobs under the scheme had increased by around 9 per cent over last year. The person days generated under the programme was 205.94 crore on October 31 this year, against 188.42 crore on October 31 last year.

"If the government has decided to allocate Rs 28,000 crore in the supplementary budget, it's grossly inadequate. Already there is a pending liability of over Rs 9,000 crore," Buddha said.

"I feel that once the funds are exhausted in the next two or three months, the state governments will be unlikely to allow any new work. If new work is allowed, the workers will not be paid on time."

Buddha said the demand for work under the scheme had risen despite the government deleting over 5 crore job cards in 2022-23 and pushing the Aadhaar Enabled Payment System and an online attendance system, which would have deterred many would-be workers.

"If the government had not deleted the job cards and not pushed the technology-driven measures, the demand for MGNREGA jobs would have increased even further. So what we see is a neglect of the job scheme," he said.

A labour economist said one reason for the increase in demand is a high unemployment rate. According to the Centre for Monitoring Indian Economy, a private research group, the unemployment rate had hovered around eight per cent since the start of the financial year before crossing 10 per cent in October.

Buddha calculated that the available funds after the deduction of the current liabilities would be Rs 18,375 crore, which can generate only 57.3 crore person days of work.

With the Union budget having allocated Rs 60,000 crore under the scheme, and the additional funds likely to be only Rs 28,000 crore, Buddha said the funds this year would be the lowest in four years. The total allocations for the scheme were Rs 89,400 crore in 2022-23 and Rs 98,000 crore in 2021-22, while the expenditure was Rs 1.1 lakh crore in 2020-21.

The rural development ministry had estimated that the spending under the scheme would be higher than last year because of an about five per cent rise in the wage rate and the increased demand for work.

The MGNREGA provides for up to 100 days' employment a year to every rural household and is seen as a livelihood support system in rural India during the lean agricultural period. https://www.telegraphindia.com/india/union-finance-ministry-tight-fisted-on-funds-sought-for-rural-job-scheme-mgnrega/cid/1977493

12. New Report Calls for GST Slab Rationalisation amid High State Revenue Deficits, Subsidy Expenditures *(thewire.in)* 03 Nov 2023

The report titled 'State of State Finances' says that electricity subsidy forms about half of total expenditure by states.

A new report has shed light on the status of state finances, highlighting the persistent budget revenue deficit. This, according to the report, is leading to limitations on capital outlay, specifically the allocation of funds to create assets.

The report also points out that the goods and services tax (GST) slabs need to be rationalised for the post-compensation period.

The Union government had refused to extend the original GST compensation period, which affected the states' revenues.

The GST was introduced on July 1, 2017, and June 30, 2022 marked the end of the transition period during which the states were compensated for any loss in revenue due to the implementation of the new tax regime. This was calculated as the difference between the projected revenue based on a 14% annual growth with 2015-16 as the base year and the actual GST revenue.

The report also says that electricity subsidies form about half of total expenditure by states.

The report titled 'State of State Finances' was released by PRS Legislative Research, a non-profit independent research institute, on October 1 (Wednesday). It has been authored by Tushar Chakrabarty and Tanvi Vipra.

States continue to budget revenue deficit

A revenue deficit implies that the revenue generated by a state is not enough to cover its estimated revenue expenditure which includes salaries, pensions, etc.

In other words, this means that the state governments are consistently spending more money than they are generating through their regular sources of income, such as taxes, fees, and other revenue streams. Their expenses exceed their income.

This puts a limitation on the creation of assets.

The report noted that since 2015-16, seven states have persistently reported a revenue deficit. These states are Andhra Pradesh, Haryana, Kerala, Punjab, Rajasthan, Tamil Nadu, and West Bengal.

All recent Finance Commissions have recommended grants to states to eliminate revenue deficits.

The 15th Finance Commission has recommended revenue deficit grants of nearly Rs 2.95 lakh crore for 17 states over the next five years, from 2021-22 to 2025-26. Around 87% of the grants were awarded in the first three years, the report said. Therefore, the grants in the next two years will be substantially lower, and states will have to augment their revenue sources or cut expenditures to maintain revenue balance.

Kerala received the largest share of the revenue deficit grant of Rs 4,749 crore. It won't receive any grants in 2023-24.

The report added that 11 states have budgeted a revenue deficit. Out of these 11 states, Andhra Pradesh, Himachal Pradesh, Kerala, Punjab, and West Bengal have budgeted revenue deficit after accounting for revenue deficit grants in 2023-24. If grants were not provided, six more states, including Assam, Nagaland, and Uttarakhand, would have been in revenue deficit in 2023-24.

Note that states' own tax revenue is the largest source of revenue for them.

In 2023-24, states on aggregate are estimated to have raised 57% of their revenue receipts from their own tax and non-tax sources, while 43% is estimated to have come from the devolution of central taxes and grants from the Union government.

In 2023-24, states' revenue expenditure is budgeted to be 83% of their total expenditure while capital outlay is budgeted to be 17%, the report added.

Rationalise GST slabs

States' GST revenue has been consistently lower than the guaranteed revenue.

"This is because states' aggregate GSDP has grown at a compounded rate of 9.6% between 2018-19 and 2022-23, lower than the 14% guaranteed growth rate," the report said.

When the GST was introduced in July 2017, states were given a revenue guarantee of 14% per annum on their GST revenue over the base year 2015–16. However, not many states had a growth rate of subsumed taxes higher than 14% pre-GST, with most of them falling in the 5%–12% growth rate band, the Economic and Political Weekly reported in December 2020.

States that fell short of this annual GST revenue growth were compensated until the end of June 2022. The compensation to the states was being met through the levy of a GST compensation cess on specified goods and services. However, the end of the compensation affected their revenues.

Moreover, the 15th Finance Commission had observed that the GST's revenue neutrality was compromised due to multiple tax rate reductions.

The GST Council had in September 2021 decided to set up a Group of Ministers (GoM) for rationalising tax exemptions and correcting the inverted duty structure (where the tax on finished or processed goods is lower than the tax on the raw materials or intermediate products used to manufacture those finished goods).

In its 47th meeting, the GST Council had recommended several tax rate changes to reduce exemptions and correct the inverted duty structure. However, the changes have not been adopted so far, says the report.

After five months, the 48th GST Council meeting, held on December 17, was a "disappointing affair", because there was no correction of the inverted duty structure, an exercise which also led to the rationalisation of rates, Najib Shah, former chairman of the Central Board of Indirect Taxes & Customs, wrote on CNBC-TV18.

"There was no attempt either to move towards the much-debated convergence of rates," he added.

The PRS report also highlighted that "at present, SGST accounts for over 40% of states' own tax revenue."

And, therefore, GST slabs may need to be rationalised to get additional revenue in the post-compensation period, it said.

Inflating subsidy expenditure

In 2022-23, states are estimated to spend 9% of their revenue on subsidies. These include electricity supply, health, education, and transportation.

A major portion of the states' expenditure goes towards providing subsidised electricity for agriculture, domestic and industrial use, the report said.

"In 2021-22, a large share of the subsidy expenditure went towards providing subsidised electricity. Notably, 97% of Rajasthan and 80% of Punjab and Bihar's total subsidy expenditure went towards subsiding electricity in 2021-22," it said.

The International Monetary Fund (IMF) has noted that a substantial portion of the benefits from these subsidies may primarily reach higher-income households.

PRS conducted a case study on Punjab's subsidy expenditure. It said that the subsidy expenditure as a share of revenue receipts has been significantly high in the state.

Between 2017-18 and 2021-22, Punjab spent 17% of its revenue receipts on subsidies. Other states, on average, spent 8%. https://thewire.in/government/new-report-gst-slab-rationalisation-high-state-revenue-deficits

13. States capex up 50% in H1 on low base *(financialexpress.com)*

Nov 06, 2023

Capex excluding Centre's aid also shows a robust 24% rise, for 18 states reviewed by FE

Capital expenditure by 18 state governments whose finances were reviewed surged by 56% on year in the first half of the current financial year compared with just a 2% rise in the year-ago period. This was supported by capex loans from the Centre.

Excluding loans from the Centre, the capex of these 18 big states rose by a robust 26% in H1FY24 over the year-ago period.

These states – Madhya Pradesh, Bihar, Gujarat, West Bengal, Andhra Pradesh, Haryana, Karnataka, Kerala, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, Uttarakhand, Telangana, Chattisgarh and Jharkhand- reported Rs 2.57 trillion in H1FY24 against Rs 1.65 trillion in the year-ago period. In H1FY24, the Centre provided around Rs 0.5 trillion in loans to these states.

Keeping in mind the fund crunch faced by states, the Centre has increased the allocation for the Scheme for Special Assistance to States for Capital Investments to Rs 1.3 trillion in FY24 BE from the Rs 0.8 trillion loans disbursed to them in FY23. The enhanced allocation is aimed at spreading asset creation across the country to boost economic growth and the creation of jobs.

Election-bound Telangana reported a whopping 190% increase in annual capex in H1FY24, followed by Andhra Pradesh with 142%, Odisha (up 87%) and Uttar Pradesh (85%). However, Karnataka saw a 32% decline in capex during the period.

These 18 states reported a 15% growth in their tax revenues in April-September 2024 at Rs 12.55 trillion, upon the 32% growth recorded in the corresponding period of the previous year.

The borrowings of these states rose 49% on year to Rs 3.39 trillion in April-September FY24 as against a 29% decline in the year-ago period, reflecting trailing revenues vis-a-vis aggregate target.

Even as capex surged, the states' revenue spending was contained with about a 10% annual increase in H1FY24 compared with 15% in the year-ago period.

The Centre has raised the capital expenditure target by 37% on year to a whopping Rs 10 trillion (including Rs 1.3 trillion capex loans to states) for FY24 to continue the public investment-led economic recovery post-pandemic. The Centre has clocked 43% on-year growth in capex in H1FY24 and achieved around 49% of its annual capex goal in April-September of the current financial year. https://www.financialexpress.com/policy/economy-states-capex-up-50-in-h1-on-low-base-3297850/

14. RBI governor's growth optimism overlooks India's rural distress *(livemint.com)* 05 Nov 2023

Here's a $64-billion question: in the ongoing debate about the changing role of central banks, are central bankers expected to inflate feel-good news while downplaying the depressing parts? Recent statements by Reserve Bank of India (RBI) governor Shaktikanta Das draw attention to some of these contemporary dilemmas confronting central banks.

The RBI governor, in copybook central banker mode, has duly pointed to a systemic risk routinely discounted by large commercial banks: high levels of staff attrition. Most leading private banks have experienced 30-40% attrition rates on an average during

2022-23. One of the reasons for the high turnover levels is growing demand for experienced hands from non-banking finance companies and freshly-minted fintech firms. Private banks hit by high attrition rates have maintained a nonchalant exterior, claiming that exits were largely concentrated at the junior and entry-level positions, leaving their core institutional knowledge and expertise unaffected.There are many ways to unpeel this. One, entry-level human resources policies in banks and other financial service providers often resemble feudal systems, over-working executives and under-paying them. But, more importantly, a large proportion of the staff heading for exits is from the sales function because these employees are unable to cope with the aggressive and unrealistic (even unethical occasionally) sales targets typically set for loans, credit cards or insurance products. In essence, most private banks have become sales factories, calibrated with perverse incentives and carrying seeds of future crises.

But questions about a central banker's role have been revived by the RBI governor's growth optimism. At Business Standard's recent banking conclave, Das exuded confidence: "The second quarter GDP number, as and when it is released, at the end of November, in all probability will surprise everyone on the upside." This implies that GDP growth for the July-September quarter is likely to exceed RBI's projections of 6.5%. And, even though he added a caveat that RBI's current priority was inflation over growth, the upbeat growth messaging, shorn of the economy's current structural weaknesses seemed, well, Panglossian.

The dispute here is not over the growth trajectory, but the nature of growth that has emerged from current systemic and structural fragilities. The buoyancy over GDP growth data for the second quarter of 2023-24 glosses over stagnating rural demand, which has impacted the second-quarter financial results of most leading consumer products companies. For example, the media release issued by FMCG company ITC Ltd states: "Consumption demand has been relatively subdued especially in the value segment and rural markets on the back of sub-par monsoons and persistent food inflation which saw a sharp spike during the quarter." Hindustan Unilever CEO Rohit Jawa has stated: "We delivered resilient and competitive growth… in a challenging operating environment, marked by subdued rural demand and heightened competitive intensity."

Other studies have also corroborated rural income stagnation. Market research agency Kantar's FMCG pulse report for September shows that consumption of FMCG products in rural areas continues to trail urban areas: volume growth (in moving annual terms) for rural areas was only 2.8% compared with 6.1% for urban areas.

Rural demand never really recovered from the ravages of demonetization and the two covid waves. Other factors, such as unseasonal rains during April-June as well as erratic monsoons during July-September, have not only affected crop sowing patterns but dampened output and incomes. In addition, September inflation in rural areas has been higher compared with the urban areas: 5.3% versus 4.65%. The combination of higher prices, lower incomes and employment volatility has affected demand and consumption.

However, RBI's October bulletin sees it differently—"Rural consumers also appear to be ready to join the party"—and claims that joblessness fell in September, even though its high-frequency indicators for rural areas shows incipient signs of stress. It is curious that RBI's radars have picked up signs of rural recovery which have gone unperceived by every other agency. Ignoring the irony implicit in this, it is indisputable that the central bank is expected to communicate tail-risks associated with lopsided GDP growth trends. This astonishing disregard for rural stagnation also shows up in the minutes of the monetary policy committee (MPC) which met during 4-6 October, 2023. None of its members raised concerns over rural distress and the impact it could have on their mandate. The minutes allude to a revival in rural demand, unmindful that this revival has been repeatedly suggested over many previous MPC sittings but continues to remain elusive.

The continuing rural stagnation should ideally focus the MPC's attention on the distributional effects of monetary policy, or how monetary policy affects inflation and purchasing power along different income points. But, more importantly, it also ironically focuses the arc-lights on a current central banking predicament: whether central bankers should become growth evangelists or knuckle down on growth-enabling monetary policies. There is a subtle difference between the two approaches. https://www.livemint.com/opinion/online-views/rbi-governor-s-growth-optimism-overlooks-india-s-rural-distress-11699184605248.html

15. A watershed revitalisation *(millenniumpost.in)* Nov 04, 2023

Creation of strategic stockpile reserves to secure the supply of rare metals like nickel and platinum can help tackle certain challenges confronting India's National Green Hydrogen Mission

Green Hydrogen is being seen as a key tool for decarbonisation globally, with the Indian government envisaging the National Green Hydrogen Mission driven by lofty targets of 5 MMTPA (Metric Million Tonnes per annum) by 2030 and a massive 20,000 crore outlay of funds in the form of production incentives and ecosystem enablers. With India's growing hydrogen demand expected to rise to almost 11 MMTPA by 2030, Green hydrogen has the potential to account for nearly 45 per cent of the total demand. This demand is across various industries that currently use hydrogen, such as refining, steel, and ammonia, and new developing use cases, such as transport, blending with natural gas as cooking fuel, etc.

Green hydrogen, considered the fuel of the future, is made by driving renewable electricity through electrolysers into water, thus producing hydrogen and oxygen gas. Cost of renewable electricity and that of the electrolysers thus emerge as the two main cost drivers. India is well placed in terms of renewable energy due to its growing RE capacity available at competitive prices compared to the rest of the world. However, cost and availability of electrolysers are expected to be a bottleneck.

India is projected to need 35-40 GW of electrolyser capacity by 2030 to meet its targets, which is almost six times the current global capacity. With only a handful of domestic manufacturers in this space, producing these electrolysers is likely to be a constraint. One of the critical bottlenecks that will hamper the meeting of this target is the availability of critical and rare metals that are pivotal to manufacturing electrolysers. There are two broad types of electrolyser technologies that are commercially used: alkaline (ALK) and PEM electrolysers. Alkaline electrolysers primarily rely on nickel, whilst PEM electrolysers require loadings of platinum and iridium. India is estimated to need 18.4 tonnes of platinum, 49,000 tonnes of nickel and 42 tonnes of iridium to meet the additional demand from Green Hydrogen Production alone. This additional demand is more than the current annual demand for these metals in all the other industries. Moreover, these critical metals are also required for other upcoming technologies such as battery storage, fuel cells, catalytic converters, etc., creating further stress on already constrained supplies.

The critical issue with these metals is that their supply is limited to certain countries, and India entirely depends on imports from these countries to meet their current domestic demand. Reserves of platinum and iridium are primarily concentrated in Africa and Russia, and Nickel reserves are concentrated in Indonesia, with its supply chain dependent on China. Moreover, India is entirely devoid of platinum and nickel reserves, with none of the resources currently present in India being economically feasible to be mined. Taking platinum as an example, we see that out of the total resources of only 11.6 tonnes that are present in the country, 50 per cent of these are indicated, that is, they might have the potential to be mined in the long term, but the economic feasibility is unknown. The rest are inferred and reconnaissance resources which puts them in the very long term category. The indicated resources might take up to 17 years to change from being resources to actual production. Even considering a best-case scenario where all the indicated resources are converted into reserves, they might provide less than 30 per cent of the total platinum required solely for GH2 by 2030. An analysis of nickel resources in the country also gives a similar picture. All of this stresses a pivotal shortfall that can hamper both India's GH2 vision and its larger sustainability goals. It also emphasises the need for critical interventions on the supply side to secure reserves of these critical and rare metals. Self-production is thus an inadequate option, as seen by the state of Indian Reserves in the country.

One option to secure the supply of these critical metals would be to create a strategic reserve through stockpiling. The Government should create a company whose purpose will be to manage the rare metals reserves in the country; they can do so by acquiring platinum and nickel at higher than usual quantities for a couple of years to safeguard the supply of these metals for the Green Hydrogen and the cleantech ecosystem in India. An analysis shows us that building a stockpile for platinum results in savings of up to USD 204 million as compared to relying on assured imports as per demand every year. Similarly, creating a stockpile of nickel and iridium (both of which are also entirely import-dependent) saves more than USD 300 million whilst only considering the requirement of these metals to produce Green Hydrogen. Savings can be much higher if India creates a stockpile of these rare metals, considering the need for these metals for batteries, fuel cells, catalytic converters, etc and considering the inherent risk of volatility in the prices of these metals.

India is no stranger to creating strategic reserves for the security of supply, with reserves currently in place for petroleum and foodgrains. The Government manages India's petroleum reserves through ISPRL (Indian Strategic Petroleum Reserves Limited), which holds reserves to meet India's crude requirements for up to nine-and-a-half days. Although these petroleum reserves suffer from high storage costs, these reserves have helped safeguard India from price shocks and act as insurance against future supply uncertainties. Seen as a success, a new strategic reserve for natural gas (in PPP mode) is also under planning. Moreover, creating a similar strategic reserve for these rare metals is advantageous to petroleum and natural gas as it is not expected to have high associated storage costs.

A similar strategy is followed by the USA, which has a similar scenario to India with little to no indigenous production of platinum and nickel, for which their reliance is both on assured imports and creating a strategic stockpile reserve to assure security of supply. Similarly, the EU recently introduced the Critical Raw Materials Act, recognising the need for action to secure the supply of these metals. They do so by signing strategic partnerships with producer nations and setting up companies in resource-rich areas such as Africa. India has also started recognising the need for the same by recently amending the Mines and Minerals Act by adding nickel and platinum to a list of thirty critical materials that hold strategic importance for the nation's economic progress and national security. Moreover, India also entered the Mineral Security Partnership (MSP) with the US, UK and EU with a central focus on reducing dependence on China.

In essence, India should follow a multi-pronged approach to secure the supply of these crucial metals. Firstly, there is a need to strengthen the supply chain internationally, with a focus on stockpiling these resources in potential partnerships with different producer nations. Secondly, it would be crucial to enhance the domestic ecosystem through better and more comprehensive geological exploration (only 10 per cent of the geological potential of the country has been explored yet). There is a need to invest in R&D by potentially reducing the loading per electrolyser, thus decreasing the over-reliance on these metals and fast-tracking the reconnaissance of current potential platinum and nickel resources in the country.

India has set ambitious targets for the future of Green Hydrogen in the country and is betting big on the same. However, recognising the potential roadblocks that may plague this journey, there is a need for action. A concerted approach is required among all stakeholders – both public and private, to help India achieve its lofty goals and come to the forefront of the world in terms of clean energy and Green Hydrogen production. https://www.millenniumpost.in/opinion/a-watershed-revitalisation-539080

16. Fitch raises India's mid-term growth forecast to 6.2% *(livemint.com)* Nov 06, 2023

India's medium-term potential growth estimates has been upgraded by 70 basis points from 5.5% to 6.2% by Fitch Ratings. Mexico and India have both received significant upgrades from the US credit rating agency.

"We have made large upgrades to India and Mexico, with the latter benefitting from a much better outlook for the capital to labour ratio. India's estimate is higher at 6.2% from 5.5% and Mexico's at 2.0% from 1.4%.

We have revised the estimate for Poland to 3.0% from 2.6%, that for Turkiye to 4.1% from 3.9%, that for Brazil to 1.7% from 1.5% and that for Indonesia to 4.9% from 4.7%," said Fitch in a release.

As per a recent report by the agency, Fitch Ratings has lowered the estimate for the 10 emerging markets (EM) that are included in its Global Economic Outlook (GEO) to

4.0% on a GDP weighted-average basis. This is less than the 4.3% from its 2021 assessment. The estimate of China's supply-side growth potential was significantly reduced, by 0.7 percentage points, which accounts for the majority of the decline. Reflecting upward revisions elsewhere, the average EM10 potential growth on an unweighted basis is constant at 3%.

“We have cut the estimate for China to 4.6% from 5.3%, for Russia to 0.8% from 1.6%, for Korea to 2.1% from 2.3% and for South Africa to 1.0% from 1.2%," the release said.

Fitch stated in its release that, with the exception of Brazil and Poland, the most recent forecasts for all EM10 countries continue to fall short of its pre-pandemic potential growth projections. This is a reflection of both the pandemic's lasting effects and declining demographic trends. Revisions to capital stock and productivity growth forecasts partially reflect the latter.

“But some “scarring" effects are hard to capture and we have now made additional downward “level shock" adjustments to historical estimates of potential GDP in 2020 and 2021 for Mexico, Indonesia, India and South Africa," Fitch said in its release.

With these level shocks and adjustments to Fitch's forward-looking growth forecasts taken into account, the estimated level of EM10 potential GDP by 2027 is 3.0 percentage points lower than the trajectory suggested by projecting their pre-pandemic estimates of potential growth from 2019. https://www.livemint.com/economy/fitch-raises-indias-mid-term-growth-forecast-to-62-11699254670078.html

17. Indian Armed Forces All Set to Secure Rs 32,000 Crore Predator-B Drone Deal, Anticipating February Signing

(timesnownews.com) Nov 04, 2023

Of the 31, the Navy will get 15 and the Army and the Air Force will get 8 each. The Navy already have 2, but they have been taken on lease. The naval version of the Predator-B is slightly different from the ones that the Army and Air Force are getting.

New Delhi: The armed forces— the Navy being the lead organisation— are making every effort to sign the Rs 32,000 crore Predator-B deal for the 31 armed drones as soon as possible. The letters of request have been sent to the US Department of defence and General Atomics, the manufacturers, and there is an expectation that the deal, after the commercial negotiations, will be signed by February next year, perhaps not by year end. Then, the deliveries will begin in 2026.

Of the 31, the Navy will get 15 and the Army and the Air Force will get 8 each. The Navy already have 2, but they have been taken on lease. The naval version of the Predator-B is slightly different from the ones that the Army and Air Force are getting. The Navy’s Sea Guardian Predators could be in Tamil Nadu. There will be 8 Predators in Saraswa (4 each of the Army and Air Force), which is in Uttar Pradesh, close to Haryana and a similar complement in Gorakhpur, also in Uttar Pradesh.

Then, there is the matter of weapons. The defence ministry will need to sign a separate contract for bombs and missiles.

Apart from the United States, several other countries, including NATO members Britain, France and Italy have the drone. It has been used extensively in the Af-Pak area. It is a capable weapon system; it can be in the air for 24 hours and has a range of 1900 km and carries 1800 kg of weapons, including air-to-ground missiles and laser-guided bombs. https://www.timesnownews.com/india/indian-armed-forces-all-set-to-secure-rs-32000-crore-predator-b-drone-deal-anticipating-february-signing-article-104969285

18. State disposes 1.34 million expired Covid vaccine doses worth ₹26 crore *(hindustantimes.com)* Nov 06, 2023

Maharashtra has over 91.4 million people over 18 years of age eligible for the vaccine, against which 92% of people took the first dose, 85% took the second dose, and the response for the booster dose was very poor at just 20%

Mumbai: Amid the drastic drop in demand to the Covid-19 vaccination, Maharashtra has reported the disposal of 1.34 million doses of Covaxin, Covishield, and Corbevax vaccines as these doses were past their expiry dates, leading to a cumulative loss of around ₹26 crore to the central government exchequer.

After the central government announced to bear the cost of the Covid-19 vaccines in January 2021, the state government received 122 million doses of Covishield and 28.9 million doses of Covaxin, and 7.4 million doses of Corbevax.

Maharashtra has over 91.4 million people over 18 years of age eligible for the vaccine, against which 92% of people took the first dose, 85% took the second dose, and the response for the booster dose was very poor at just 20%.

As of today, 91.7 million eligible beneficiaries in the state have not taken their booster dose, while 24.7 million have averted the second dose, though 10 million did not bother to even go for the first dose.

The data on the disposal of the expired doses has been obtained by Hindustan Times from the public health department of the state government.

The response to the daily number of inoculations hit a new low with less than 50 doses, leading to the disposal of 3.9 lakh doses in the urban areas of the state, while the disposal of the expired doses of three vaccines in rural areas was 9.44 lakh. The state hospitals and health clinics have a stock of over 15,000 doses of the iNCOVACC vaccine with the expiry date of May and June 2024.

"The central government had procured the vaccines at around ₹200 a dose to supply to all the states. The losses to the central government due to the expiry of the doses in the state are estimated to be ₹26 crore. The doses expired in the last six months of the financial year that ended in March 2023. The supply of the vaccine from the central government was stopped owing to the drop in the response for inoculation," said an official from the public health department. "A mild wave of the Covid-19 in March-April this year forced the state government to procure 20,000 iNCOVACC vaccine doses at ₹325 a dose. In the absence of the response, most of the stock is lying unused in the hospitals and clinics."

The highest number of doses that were disposed of owing to the expiry was 1,08,560 in Sangli, followed by 82,390 in Gadchiroli, 76,000 in Dhule, and 37,647 in Mumbai.

Dr Sachin Desai, state vaccination officer, said that the doses were expired owing to the poor response from the people after waves of Covid-19 started receding. "The inoculation has dropped drastically now. The people flying to other countries come for the vaccination with the fear that they may be stopped from entering there for the want of inoculation."

Dr Avinash Bhondve, former state president of Indian Medical Association, said that the wastage is due to the wrong policy of procurement. "It is because of the inappropriate planning of procurement by the central and state government and because of the state's failure to create awareness when the pandemic was at its peak. The procurement was done unnecessarily in 2022 when even the third wave was waning. The loss of public money is unfortunate when the budgetary allocation on health services in the state is around 1.25% of the GDP."
https://www.hindustantimes.com/cities/mumbai-news/state-disposes-1-34-million-expired-covid-vaccine-doses-worth-26-crore-101699211501851.html