NEWS ITEMS ON CAG/ AUDIT REPORTS

1. India must rework the risk-reward matrix to push up its innovation quotient *(livemint.com)* 06 Dec 2023

Two recent back-to-back events have helped showcase India's rise in the polity of nations: the country's successful hosting of the G20 summit, which managed some path-breaking geopolitical agreements, and the Chandrayaan-3 mission that was executed flawlessly and cost effectively, validating India's space industry.

India is being seen as a country with a deep history and culture that is moving forward firmly. As India's presence grows commensurate with its increasing economic heft, it must dial up its innovation quotient, and build on its strong grounding in technology, IT services and now also digital public infrastructure (DPI).

For India, beyond the current disruption created by rapidly evolving technologies such as artificial intelligence (AI) in mature innovation ecosystems such as the US and Europe, the central long-run question is how well and consistently we can innovate.

A key indicator of India's low—albeit growing—innovation capabilities is patent filing. Among 55 nations, India is ranked 42nd on the International IP Index 2023 (eleventh edition) developed by the Global Innovation Policy Center, US Chamber of Commerce. In patent filings, directly related to investment in research, India scores much lower than top spenders such as Israel, South Korea, Sweden, Japan and the US, and also below some BRICS peers.

The World Intellectual Property Organization ranks India 40th in the Global Innovation Index 2023. By this assessment, despite performing above expectations relative to GDP and producing more innovation output relative to its level of innovation investment, it ranks low on infrastructure, business sophistication and institutions.

Despite encouraging signs and islands of excellence, India has some way to go before it can compete with the best. Here are three areas it needs to focus on to drive innovation:

First, build truly world-class centres of excellence. India has just a few real world-class centres of excellence for innovation beyond those at the Indian Institute of Science in Bangalore and a few Indian Institutes of Technology (IITs). These have strong linkages between industry, government and academia. While Brand IIT is still a power to reckon with in Silicon Valley, there has been much criticism about the lack of a longer-term innovation strategy at these IITs.

An audit report published in 2021 by the Comptroller and Auditor General of India seems to agree on several counts. Assessing the performance of eight IITs between 2014 and 2019 across a range of research areas, it found that most were unable to nurture innovation consistently and had failed to attract enough non-government-funded research projects. In India, of the broadly 10,000 institutions teaching technology, over 95% have not submitted any intellectual property for protection and the remaining 5% annually file only between 2,000 and 2,500 patents collectively.

Second, create an enabling environment for India's Generation Z to succeed. This will address a complex sociological factor that has been behind a relatively weak ability to take risks and innovate. While this phenomenon requires deeper study, it's clear that India differs from the US, where several generations of prosperity over the last 250 years has afforded it the kind of risk-taking and entrepreneurial mindsets necessary to spur innovation.

India, which has had just about three generations since independence, is witnessing the emergence of its current Gen Z as the first generation that is educated, competitive, and, most importantly, fearless in placing big bets on innovation. The very real possibility of failure seems less of a worry to Gen Z and it's time to make way for it. Today's youth are also awake to realities of the current world, which is one where responsible tech-centric innovation can have a far-reaching impact on human lives in more ways than meet the eye right now.

Third, it's time we stop celebrating jugaad and frugal innovation and instead focus on world-class innovation in mission mode. While cheap workarounds as a premise for innovation may be truly Indian, it's reactive and short-term at best, solving just well enough for resource or time scarce environments.

India Inc must turn its focus towards world-class innovation. The key, of course, is a commitment by both private industry and the government to longer-term investments, aided by tax incentives that could create inter-generational social value at scale in mission mode (and do not merely motivate family or individual wealth).

In the final analysis, can India innovate at all at the same rate as, let's say, the US? Will the next big thing such as the next Facebook, Google, Microsoft or the next AI wonder emerge from India?

India has all that is required to make it happen: world-class tech talent, rapidly maturing startup entrepreneurial ecosystems, access to smart capital and big finance, strong academic institutions, world-class business leaders, strong and consistent macroeconomic fundamentals and a supportive policy environment.

Powerful innovation takes place when lateral thinking leads to solutions that lie between the usual 'yes' and 'no' responses. The famous lateral thinking evangelist Edward de Bono called this state of thinking "Po". What is required is a pedagogical and economic re-crafting of the risk-reward matrix that encourages lateral thinking and innovation at scale. https://www.livemint.com/opinion/online-views/india-must-rework-the-risk-reward-matrix-to-push-up-its-innovation-quotient-11701866154591.html

2. Total expenditure under Bharatmala Pariyojana Phase I till now stand at ₹4.10 lakh crore, says Nitin Gadkari *(cnbctv18.com)*

December 7, 2023

In a written reply to a question in the Rajya Sabha, Union Road Transport and Highways Minister Nitin Gadkari said Comptroller and Auditor General (CAG) has made observation about the increase in cost of Phase I of the pariyojana.

A total expenditure of ₹4.10 lakh crore has been made under Bharatmala Pariyojana Phase I (BPP-I) as on October 31, 2023, and the difference in actual and normative cost is due to increase in cost of raw material and land acquisition, Parliament was informed on Wednesday. In a written reply to a question in the Rajya Sabha, Union Road Transport and Highways Minister Nitin Gadkari said Comptroller and Auditor General (CAG) has made observation about the increase in cost of Phase I of the pariyojana.

"As on October 31, 2023, the total expenditure (under BPP-I) is about Rs 4.10 lakh crore...There has been no diversion of funds from other schemes in the execution of BPP-I," he said. According to Gadkari, certain BPP-I projects were earlier planned under other schemes of Ministry of Road Transport and Highways (MoRT&H) viz, externally aided project (EAP), National Highways Original works NH(O), and SARDP scheme, which were subsequently prioritized under BPP-I as per the network planning.

"The difference in actual project cost and normative cost under Bharatmala Pariyojana is due to increase in cost of raw material, increased land acquisition cost, construction of high speed corridors and increase in GST rates etc," he said. In 2017, the Cabinet Committee on Economic Affairs (CCEA) approved BPP-I entailing development of 34,800 km of National Highway corridors with total outlay of Rs 5.35 lakh crore.

"This was based on the normative cost and not on the basis of detailed project reports (DPRs) of national highways proposed under Bharatmala Pariyojana. "DPRs were prepared subsequently and approval of competent authority was obtained for each project," Gadkari said.

Replying to a separate question, the minister said National Highways Authority of India (NHAI) has collected Rs 53,536.48 crore from 2020-21 till November 23, 2023 as user fee at toll plazas on national highways through FASTag. He said Rs 5,974.72 crore was collected in 2020-21, Rs 11,303.24 crore in 2021-22, Rs 18,843.36 crore in 2022-23 and Rs 17,415.16 crore in 2023-24 till November 23, 2023.

Gadkari said the ministry, through NHAI, has raised Rs 70,127 crore so far through monetisation of NHs through TOT (Toll Operate and Transfer), InvIT and project based financing modes. Private investment of Rs 1,12,095 crore has also been done for NHs since 2018-19, he added. https://www.cnbctv18.com/india/nitin-gadkari-total-expenditure-under-bharatmala-pariyojana-phase-i-18507281.htm

STATES NEWS ITEMS

3. Why State debt levels need a close watch bl-premium-article-image *(thehindubusinessline.com)* Updated: December 06, 2023

The recently concluded Assembly elections in Madhya Pradesh, Chhattisgarh, Rajasthan and Telangana witnessed high decibel campaigning by the incumbent governments as well as the parties in the Opposition to win over the electorate. With the Lok Sabha election just a few months away, such promises of doles are only set to increase.

It is natural to wonder about the effect of these promises on the finances of States and Union Territories. A closer look at numbers shows that some States have thrown caution to the wind this fiscal year, budgeting for debt to GSDP ratio much beyond the mandated level, while many others have managed to keep it within reasonable limits.

But there are several reasons why the borrowing numbers of States could be much higher than budgeted. One, many States are resorting to off-budget borrowing in the form of guarantees to State utilities which is not captured by their Budgets. Two, the projections made in many State Budgets are too rosy and the deficit and borrowing could be higher than the numbers in the budgets. Three, the bid to meet poll promises is likely to stretch the finances of many States.

Stretched borrowing

The FRBM review committee headed by NK Singh had stipulated that State debt should not exceed 25 per cent of GSDP. But due to excessive spending during the pandemic, not matched by commiserate growth in revenue, this ratio hit 31.1 per cent in FY21. While States did manage to rein it back to 29.5 per cent of GDP by 2021-22 it is still well above the preferred level.

There is a large variation in debt levels among States and UTs. A businessline analysis of State Finances of FY22 revealed that Punjab fared the worst in this metric with debt-to-GSDP ratio of 53.3, as per revised estimates. Punjab was followed by Rajasthan, Bihar, Kerala and West Bengal with the ratio between 34 and 39. Odisha, Gujarat and Maharashtra showed the lowest ratio implying that these States did not resort to too much borrowing, perhaps helped by strong growth in revenue.

The trend appears quite similar in the budgeted projections for 2023-24. Analysis of the budgets for 27 States by PRS Legislative Research, shows that Punjab continues to have the highest debt-to-GSDP ratio, above 46. States such as Rajasthan, West Bengal, Himachal Pradesh, Kerala and Bihar are also piling debt disproportionate to the size of their GDPs, with the ratio between 35 and 40.

Odisha, Maharashtra and Gujarat have once again budgeted for debt below 20 per cent of GSDP while States such as Tamil Nadu, Karnataka, Telangana and Chhattisgarh have their ratios close to the mandated 25 per cent.

But the budget debt numbers do not tell the complete tale.

The RBI as well as the CAG have flagged the increased risks from guarantees given by State governments to State public sector enterprises. State governments give guarantees to enable these PSEs, especially power and other utility companies, to borrow. But given the precarious finances of these PSEs, the loans guaranteed by the State governments can prove to be a pain point going ahead.

According to the RBI, these guarantees had hit a high of 3.7 per cent of GDP in 2021. But the guarantees have continued to rise in recent years too. Going by latest numbers (the numbers for FY22 and FY23 are not available for many States), guarantees given by States stands at ₹9.03-lakh crore in FY23, up from ₹7.4-lakh crore in FY21.

Uttar Pradesh has the highest outstanding guarantee at ₹1.53-lakh crore (2021 numbers), followed by Telangana with ₹1.35-lakh crore (2023), Andhra Pradesh with ₹1.17-lakh crore (2022), Tamil Nadu with ₹97,975 crore (2022) and Rajasthan with ₹82,613 crore (2023).

While these guarantees are not too big when seen as a percentage of GDP for States such as Maharashtra (1.3 per cent of GDP), Karnataka (1.9 per cent) and Gujarat (0.8 per cent), these could be problematic for States such as Telangana, Andhra Pradesh, Punjab and Rajasthan where guarantees are over 7 per cent of GDP. Their debt to GDP levels will increase substantially if these guarantees were also taken in to account.

Poll promises, rosy projections

Given the increasing debt levels and need to spend more during the election period, many States have made over-optimistic projections for nominal GSDP growth for FY24. businessline analysis showed that while the Centre has projected 11 per cent nominal growth for FY24, Uttar Pradesh is projecting GSDP growth of 19 per cent, Tamil Nadu, 14 per cent and Gujarat 13 per cent. Of the top 10 States, six are projecting growth at a higher rate than the Centre.

States have also projected unattainable tax revenue growth for FY24, given falling inflation, consumption slowdown due to rising interest rates and slowing exports. Telangana has projected own tax revenue growth of 18.48 per cent for FY24. Rajasthan is projecting own tax revenue growth of 23 per cent for FY24, led by growth in State GST collections of 36 per cent. Chhattisgarh has been relatively conservative, projecting own tax revenue growth of 15.9 per cent and SGST growth of 19 per cent this fiscal year.

The victory of BJP in the three Northern States removes the threat to State fisc from reverting to the old pension scheme. But the winning parties have not held back in luring voters with carrots. Some of the poll promises such as increase in MSP on wheat and paddy, higher subsidy on cooking gas cylinders, more financial assistance to farmers and lower fuel prices in Rajasthan are going to increase the fiscal stress in these States.

In a federal structure, prudent fiscal management of States is as important as the management of Central finances. Attention of the media and analysts needs to be drawn to the Budgets and fiscal management of States. Greater public awareness could be one way to check the more fiscally profligate States. https://www.thehindubusinessline.com/opinion/why-state-debt-levels-need-a-close-watch/article67611767.ece#:~:text=One%2C%20many%20States%20are%20resorting,the%20numbers%20in%20the%20budgets.

4. Rhetoric and Reality III: Construction workers' funds unutilised in K'taka *(bizzbuzz.news)* 7 Dec 2023

Whether it's BJP, AAP or Cong govt, minuscule part of Cess spent on welfare of workforce in Delhi, UP & Karnataka

The poor utilization was attributable to shortfall in registration of beneficiaries, absence of database of registered workers, rigidity and inconsistencies in Karnataka Building and Other Construction Workers'(Regulation of employment and conditions of service) Rules, 2006, inordinate time taken to process claims, insuf icient publicity, etc., CAG report said

Utilisation of Cess Proceeds
• 1% Cess on construction cost collected for welfare of workers
• Only 5% of funds spent in Karnataka
• Act says 95% of the funds should be utilized for the benefit of construction workers

From the speeches and statements they make, it looks like politicians' hearts bleed for the poor, including construction workers. Examining the reports prepared by the Comptroller & Auditor General (CAG), we noticed earlier that the Delhi government under the Aam Aadmi Party and the Uttar Pradesh government under the Bharatiya Janata Party (BJP) spent small fractions of the cess collected on providing benefits to the workers. The Karnataka government between 2014-15 and 2018-19, which was mostly under the Congress, did no better than the other two State governments.

The Karnataka Building & Other Construction Workers' Welfare Board "utilized a mere five per cent of the funds available at its disposal on welfare schemes during the period 2014-15 to 2018-19," the CAG report said.

It went on to point out that "it is distinctly evident that the Board did not comply with the provisions of the Act as the administrative expenses ranged between 9 and 72 per cent of the total expenses during the period 2014-15 to 2018-19." Also Read - ECoR builds ltd height subway in record time

The Building & Other Construction Workers' (Regulation of Employment & Conditions of Service) Act, 1996, stipulates that administrative expenses should not exceed five per cent of the total expenses in a year. Further, at least 95 per cent of the funds should be utilised for the benefit of construction workers.

The major source of funds to the board is collection of Cess at the rate of one per cent of the cost of construction incurred by the employers of workers.

Not just the total expenditure on workers' welfare was very low; almost half of that expenditure was on administrative expenses. During the period 2014-15 to 2018-19, administrative expenditure was Rs423.56 crore, or 49 per cent, of the total sum of Rs862.01 crore spent for the welfare of construction workers.

The poor utilization was attributable to shortfall in registration of beneficiaries, absence of database of registered workers, rigidity and inconsistencies in Karnataka Building and Other Construction Workers' (Regulation of employment and conditions of service) Rules, 2006, inordinate time taken to process claims, insufficient publicity, etc., the CAG report said.

The report also noticed laxity and absence of adequate checks and balances at the board. "The issues such as non-realisation of Cess, non-remittance of Cess by collecting authorities, discrepancies in sanction of benefits, etc., were observed during the current audit also. Further, the board had incurred inadmissible expenditure and failed to avoid tax liability."

Also, the CAG Audit observed that neither the State government nor the board had conducted any survey or devised any system to estimate the number of eligible beneficiaries in the state so as to build a database and aid in decision making. https://www.bizzbuzz.news/national/rhetoric-and-reality-iii-construction-workers-funds-unutilised-in-ktaka-1271224

5. Congress MLA Vikas Thakre alleges Rs 1500 cr scam in Nagpur Metro *(nagpurtoday.in)* 6 December 2023

Nagpur: Congress leaders including West Nagpur MLA Vikas Thakre has alleged that the former MD of Maha Metro prepared bogus certificate of RDSO, coming under Ministry of Railwaysw, started operations of Nagpur Metro Rail. They alleged scams of Rs 1,500 crore, further saying that poor work led to developing of cracks in viaduct, incomplete phase-I despite passing of nine years.

According to a memorandum submitted to Shravan Hardikar, Managing Director (MD) of Maha Metro, Thakre said that tThe Nagpur Metro project has been going on for the last 9 years in the city and so far Maha Metro has completely failed to complete the first phase of the project. There is a lot of corruption going on in these projects and last year in December 2022, the CAG report also blamed that there was a misappropriation of Rs 100 crore in the work of this project. But ironically, no action has been taken in this case even after a year.

The Congress leader further said that amidst this, a shocking fact has been revealed under the Right to Information that the operation of the Metro project has also been started with a fake letter from the Research Design and Standards Organization (RDSO), an organization under the Ministry of Railways. Against this corruption in Maha Metro, on behalf of Nagpur City (District) Congress Committee, a memorandum was given to Hardikar.

Vikas Thakre agitation in Nagpur Metro Fake RDSO fake letter: File a case against Brijesh Dixit and other guilty officers: Thakre claimed that in the Nagpur Metro project, which is being operated under Maha Metro, there is widespread corruption and many cases of malpractices have come to light. In this, a shocking fact has come to light that the Ministry of Railways has been cheated by the officials of the Metro in connection with the certification of electricity required for the operation of the Metro.

"It is mandatory to get the approval of the Research Design and Standards Organization (RDSO) before starting the operation of Metro Rail to the citizens. The Metro authorities started the operation of the Nagpur Metro by creating a fake letter of RDSO dated December 26, 2017 without taking any permission from this organization. This matter came to light in RDSO's RTI reply dated October 25, 2023," he charged.

In this regard, it was demanded that immediate action should be taken by registering a case against the guilty officials including Brujesh Dixit, former MD of Maha Metro. It was also demanded that Dixit should be expelled from the Metro bungalow in Mumbai where he was staying for the last seven months when he was not in service in Maha Metro and recover the expenses from him.

Rs 1500 crore corruption and action zero:
A CAG report published in December 2022 alleged corruption of Rs 900 crore by Maha Metro. Along with this, Maha Metro officials have committed scams of Rs 600 crore in various 19 works during the year to extend benefits of crores to private companies. The main facilitator is former MD Brujesh Dixit and his officers, Thakre alleged.

The Congress leaders further said that the Director of the metro had also given illegal permission to a contractor to pick up the piles stored in the car depot on Hingna Road of Maha Metro in Nagpur. However, this contractor dug up a mountain of murrum without sprouting from the murrum stored in the depot and earned crores from it. No action has been taken on this till now. Interestingly, for various works of Maha Metro, large quantity of murrum is procured. It costs crores of rupees to Maha Metro. In this case, allowing a contractor to do so is clear corruption, they stated.

Recover Rs 600 crore from guilty officials:
While the first phase of the Nagpur Metro project was expected to be completed in 2018, it has not yet been completed due to the negligence of officials, which has increased the cost of the project by Rs 600 crore. Therefore, it has been demanded that the amount of Rs 600 crore should be recovered from the concerned authorities, the Congress leader demanded. https://www.nagpurtoday.in/congress-mla-vikas-thakre-alleges-rs-1500-cr-scam-in-nagpur-metro/12061443

SELECTED NEWS ITEMS/ARTICLES FOR READING

6. MGNREGS gets extra Rs 14,524-crore, Rs 13,351-crore more for fertiliser subsidy *(financialexpress.com)* December 7, 2023

Centre seeks Parliament nod for additional spending; net cash outgo at Rs 58,378-crore

The Centre on Wednesday sought approval of Parliament for gross additional spending of Rs 1.29 trillion including Rs 14,524 crore for Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and Rs 13,351 crore for fertiliser subsidy.

"Approval of Parliament is sought to authorise gross additional expenditure of Rs 1,29,348.85 crore. Of this, the proposals involving net cash outgo aggregate to Rs 58,378.21 crore and gross additional expenditure, matched by savings of the Ministries/Departments or by enhanced receipts/recoveries, aggregates to Rs 70,968.15 crore," the government in a Bill tabled in Lok Sabha.

However, the net additional cash outgo is unlikely to lead to the government missing the fiscal deficit target of 5.9% of GDP in FY24 as savings on many other heads are not captured in the supplementary grant demand and revenues are expected to exceed the budget target.

The government has provided Rs 14,524 crore for the MGNREGS including Rs 10,000 crore for recoupment of advance taken from Contingency Fund of India. The additional money will largely cover the expenditures already incurred in the scheme so far. The Centre will likely provide some additional funds in February depending on the demand for works under the scheme. In the Budget Estimate for Fy24, the Centre had provided

Rs 60,000 crore for the jobs programme in view of the rampant corruption in the programme.

To cover the additional spending due to the rise in global commodity prices, the Centre has provided an additional Rs 13,351 crore for the Nutrient Based Subsidy Scheme. This includes the recoupment of an advance of Rs 5,000 crore sanctioned from the Contingency Fund of India. The fertiliser subsidy BEFY24 was Rs 1.75 trillion.

With the extension of Rs 200 subsidy/LPG cylinder and LPG connection to poor households, the Centre has provided an additional Rs 9,200 crore for fuel subsidy.

The government has made an additional provision of Rs 5,589 crore towards food subsidy largely to cover extra spending on the free grains scheme.

For capital infusion, an allocation of Rs 8,310 crore has been made for BSNL, Rs 1,100 crore for Regional Rural Banks and Rs 500 crore for Industrial Finance Corporation of India (IFCI). https://www.financialexpress.com/policy/economy-mgnregs-gets-extra-rs-14524-crore-rs-13351-crore-more-for-fertiliser-subsidy-3330043/

7. Centre seeks Parliament nod for ₹1.29 trillion gross additional spending in FY24 *(livemint.com)* 06 Dec 2023

New Delhi: The government on Wednesday sought Parliament's approval for gross additional spending of ₹1.29 trillion for FY24.

In the first batch of supplementary demand for grants, the government sought approval to spend a net ₹583.78 billion in the current fiscal, which involves a cash outgo. The gross spending involves reshuffling expenses among various central ministries and departments.

The demand for grants was tabled in the Lok Sabha by minister of state for finance Pankaj Chaudhary,

The Centre also sought permission to spend ₹709.68 billion, which can be met through enhanced receipts and savings under various heads.

The Narendra Modi government said it will spend an additional ₹133.51 billion for fertilizer subsidies and ₹145.24 billion for the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA).

In the FY2024 budget, the government had allocated ₹1.75 trillion for fertilizer subsidies, after this bill surged to a record high of ₹2.55 lakh crore during FY 2023.

Mint had on 7 November reported, quoting experts from rating agencies, that India’s fertilizer subsidy bill may touch ₹2 trillion this financial year as higher consumption and costlier natural gas could drive it past initial estimates of ₹1.75 trillion.

In the first six months of FY2024, the fertilizer subsidy bill had crossed 63% of the full-year allocation.

During September, the Centre said it will borrow ₹6.55 trillion for the second half of the ongoing financial year or 42.45% of its gross market borrowing of ₹15.43 trillion for FY2024, leaving its borrowing plans unchanged for the ongoing fiscal.

So far, the Centre has maintained it will meet the ongoing year's fiscal deficit target comfortably on the back of robust tax proceeds, higher non-tax revenues, including dividends from the Reserve Bank of India (RBI) and state-run banks, which will offset any revenue shortfall from disinvestment.

Last week, the department of Economic Affairs (DEA) secretary Ajay Seth said the Centre is confident of achieving its FY2024 fiscal deficit target of 5.9% and was committed to lowering the fiscal deficit to 4.5% of GDP by FY2026.

According to the latest data from the Controller General of Accounts, the government's fiscal deficit during the first seven months of the current financial year stood at ₹8.03 trillion, or 45% of the annual estimates of ₹17.87 trillion.

In its economic review released last month, the finance ministry said buoyant tax collection, achieved during the ongoing fiscal, will give more fiscal space to the Centre for spending, and the government revenues are expected to substantially exceed budgeted estimates amid increased economic activity.

Interestingly, the central government has budgeted ₹45.03 trillion for expenditure in its annual budget for FY2024. The Centre's tax and non-tax revenue are pegged at ₹26.33 trillion for the fiscal.

The request for the first supplementary demand for grants 2023-24 comes about five months ahead of the general elections, slated for May 2024.

The government can always opt to go for a second supplementary demand for grants if required but will need the Parliament's nod for any additional spending.

The BJP government led by Modi, which is seeking a third consecutive term in the general elections, has been rolling out several welfare measures, including fertilizer, food and other subsidies to revive the rural economy. https://www.livemint.com/economy/centre-seeks-parliament-nod-for-rs-1-29-trillion-gross-additional-spending-in-fy24-11701864394527.html

8. Seeds of success *(financialexpress.com)* December 6, 2023

Madhya Pradesh's agriculture model offers valuable lessons for others.

The Modi factor certainly played a role in the Bharatiya Janata Party's (BJP's) victory in Madhya Pradesh, but a lot of credit should also go to the Shivraj Singh Chouhan government's agriculture policies over a near-uninterrupted stint since 2005. Concerns over rural growth at the national level are deepening as demand and agri-growth continue to decline. The agri-GDP growth rate fell to a four-and-half year low in the July to September quarter, and averaged just 3.9% annually over 2013-14 to 2022-23. Madhya Pradesh, however, has been an outlier, averaging 6.1% over the same period. As a report in The Indian Express points out, between 2004-05 and 2021-22, the net sown area in the state saw a relatively modest rise, but the gross cropped area (GCA) has risen by close to 50%—signalling a phenomenal rise in the same agricultural land being cultivated multiple times a year.

This, without doubt, is the most robust indicator of the farmer's growing faith in sustained high returns from agriculture—indeed, the state now has the highest GCA in the country, up from the fourth spot in 2004-05. One defining factor of Madhya Pradesh's agri-revolution seems to be 'ease at the last mile'. A quantum leap in irrigation coverage (from 40% to 81.5%) has been made possible by greater attention to unfinished canal-connectivity projects and improving utilisation of irrigation potential with a hyperlocal focus. The state has also ensured that even the small and marginal farmers are reached by procurement at the Minimum Support Price (MSP).

The apparatus rolled out for this includes online registration prior to marketing season, SMS alerts to avoid overcrowding of mandis, and, most significantly, a decentralised procurement system with operations even outside the primary APMC yards, closer to the villages. This helps avoid uneconomical transportation costs for small farmers while empowering them to negotiate better terms with village-level traders. The state government is also giving a handsome bonus of Rupees 150/quintal over the Centre's MSP, and an income support of Rupees 6,000 under the Mukhya Mantri Kisan Kalyan Yojana (over and above the Rupees 6,000 from the Centre's Kisan Samman Nidhi scheme).

The real testimony of the policies' success is surpluses from agriculture in the state being ploughed back into the sector, a departure from other states where agriculturists tend to use these to diversify out of agriculture. If the Madhya Pradesh farmer feels secure enough to postpone such hedging and bank on farm fortunes for now, it is surely a vote of confidence in the sector's future growth. At a time when agriculture prospects, especially in the face of climate change effects, continue to be a cause of concern —the CMIE pegs the rural unemployment rate at 9.1% in November, against the typical 6-7%—Madhya Pradesh's agri-success should offer clues to the other states, and political parties.

A robust rural economy—certainly easier talked about than achieved—would be the deliverance that they need from the pressures of competitive populism. The urgency to announce pre-poll doles will be considerably lower if the rural sector wasn't left so vulnerable to seasonal vagaries. To be sure, the BJP also perhaps benefited from Chouhan's Ladli Behna Yojana, a monthly allowance to women from poor households. But that has a lot to do with his government's failure to replicate the agri-success in industry and services. States, to that end, would do well to learn both lessons. https://www.financialexpress.com/opinion/seeds-of-success/3329059/

9. Do GDP Growth Figures Reflect Robustness or a Statistical Overstatement? *(thewire.in)* December 07, 2023

The razzmatazz around the robust 7.6% real second quarter (Q2) GDP growth pumped up an adrenaline rush last week, prompting many to up their projections for fiscal year 2024 (FY24) closer to 7%, higher than the RBI's projection of 6.5%.

But what is obscured is that consumer companies are facing a supply gridlock as demand falls, inventories pile up, and the festive season demand remained weak.

Separately, there is extensive evidence of flatness in real incomes of households (76% of the GDP), derived from the RBI's data on the contraction of financial savings and the Periodic Labour Force Survey (PLFS) report. CMIE says that the unemployment rate has spiked again, to an average of 9.5%.

Is there a disconnect between the stupendous GDP data and the lugubrious household situation? We think not.

The answer lies in the way GDP is calculated, which is confounded with systemic statistical aberrations. While the headline real GDP growth numbers are disconnected from the ground reality, the removal of the discrepancies shows the true picture.

Despite the robust headline growth situation as reflected in the 7.4% year-on-year (YoY) gross value added (GVA) growth, employment-intensive agriculture and services – which together contribute 72% of the GVA – saw a major deceleration.

Robust contribution from manufacturing and construction, which grew by 13.9% and 13.3% YoY respectively, translating into Industry GVA growth of 13.2%, essentially derives from the imputed higher value addition. This was due to low inflation related to the WPI driving up margins and profits of large firms.

On the expenditure side, real GDP growth at 7.6%, however, encloses weak core demand.

Putting the identified components of the expenditure GDP explained by the components of household and government consumption, capital formation, and net exports, i.e. GDP excluding the unexplained discrepancy portion, the real core GDP stands at 3.0% in Q2 of FY24, following 1.4% in Q1. This is only 40% of the reported GDP of 7.6% in Q2!

Given the contrastingly frail household income situation (a la PLFS 2022-23, RBI's savings data FY23), the continued slackness in private capex and deceleration in trade, the divergent core (2.3% YoY in the first half of FY24) and headline real GDP growth (7.7%) are not trivial.

The substantial 71% unexplained portion of the real GDP growth in the first half of FY24 is because the estimated real GVA side, representing the value added from production across all sectors, is 2.7% higher than the real core expenditure GDP. But for the discrepancies, the real GVA plus net indirect taxes should match with the real GDP.

Why the discrepancy is cause for worry

Normally, discrepancies should not be worrisome if it is a random error, where frequent offsetting positive and negative deviations average at zero. But that isn't the case.

The average discrepancy during Q1 FY12 to Q2 FY24 is +0.6% of GDP with a maximum of 5.4% and a minimum of -3.9%; 32 out of 50 quarters saw a positive discrepancy, indicating that real GVA exceeded core GDP in 64% of quarters. And more importantly, it has an inverse correlation of (-)0.63 with the GDP/GVA deflator, which rose to (-)0.76 in the post-pandemic era.

So, the overestimation of GVA occurred during times of falling inflation or deflation, mainly driven by WPI. Thus, indexed to Q2 FY12, the real GDP in Q2 FY24 is 3.8% (or Rs 1.6 trillion) higher than the core real GDP.

Therefore, the discrepancies capturing a large portion of unaccounted GDP growth are not random and relate to the usage of WPI as a deflator to derive real GVA. Such systemic discrepancies, therefore, pose a challenge to the credibility of the real GDP estimation process.

GVA is the value of output excluding net indirect tax less cost of input consumption valued at purchasers' prices. Hence, the measured value added would rise sharply with a fall in commodity or raw material prices, as has been the case recently, even with slowing consumption demand, particularly in a scenario where large firms have gained considerable operating margins due to elevated monopolistic power since mid-2016 at the cost of smaller firms.

Conversely, given the sharp deceleration in estimated household real disposable incomes to 2% YoY in FY23 due to the decline in the quality of jobs, aligning with the decline in savings and slowing consumption and flat real wage earnings in four years (PLFS 2022-23), the real core GDP growth or the demand side does not share the robustness of the output side or estimated GVA growth.

With the PLFS data also indicating a structural rise in dependence of households on less productive rural (73.3% of the population) and agri (45.8% of workers, 2022-23), the resultant decline in labour productivity and the household income which contributes 76% of GDP is misaligned with the sharp gains in reported productivity of the producing firms represented by real GVA growth.

This feebleness of the household consumption demand combined with the lack of private investment and the recent deceleration in exports has overpowered robust government capex. Hence, the aggregate demand remains significantly weak.

A crucial factor is that the deflator used for deriving the real GVA is highly correlated with the WPI inflation. However, given the dominant contribution of household consumption, core expenditure GDP is also sensitive to CPI inflation. Hence, the sharp decline in WPI inflation (-1.8% in the first half of FY24) and higher CPI inflation (5.5%) also contributed to the rise in divergence between low real core GDP and strong GVA growth.

Thus, all put together, the GVA side of the national income is susceptible to over-identification of large surviving companies that have gained market share from the non-corporate smaller firms in the manufacturing and services industries. As a corollary, it underrepresents the falling productivity arising from gaining ruralisation. Secondly, it is also susceptible to higher projections of gross value added due to the sharp decline in commodity prices (or underestimation in times of sharp rise in commodity prices).

Contrastingly, growth in real GDP ex discrepancies is a more relatable measure to depict the actual situation of the households' livelihood, employment and productivity. Also, unlike the GVA estimates, the problem of exclusion and volatility induced by WPI inflation is much lesser in real core GDP.

Thus, the endogenous growth, depicting the situation of households, in terms of income and consumption capability remains very weak. Behind the robust real headline GDP growth, padded up by overstated GVA is a flattening trend in the core real GDP growth, which is worrisome.

Whereas the enfeebled demand reflects the structural issues, as the divergence between CPI and WPI inflation eventually narrows it would imply that the reported GDP will also converge towards the lower structural trend in core GDP growth. https://thewire.in/economy/gdp-growth-figures-robustness-or-statistical-overstatement

10. Indian Army advances surveillance capabilities with cutting-edge thermal imaging technology *(financialexpress.com)* December 07, 2023

The Indian Army is embarking on a mission to augment its surveillance capabilities by seeking 10,000 state-of-the-art Hand Held Thermal Imagers-Uncooled (HHTI-UC). These lightweight devices, weighing under 3.0 kgs, aim to empower soldiers with enhanced day and night surveillance capabilities, covering distances of up to 3000 meters.

These imagers go beyond the ordinary, integrating High Resolution Optical Viewer, Digital (low light), and Thermal (uncooled) sensors. Picture soldiers equipped with a powerful tool enabling them to navigate challenging terrains seamlessly, regardless of lighting conditions.

What's more interesting is the device's versatility. It not only excels in surveillance but also assists soldiers in judging distances, acquiring magnetic bearings, and relaying their location using built-in Satellite Navigation Systems like NAVIC. This multifaceted approach equips soldiers with a comprehensive tool for heightened situational awareness.

To ensure seamless operation, the device must support both wired and wireless connectivity, extending up to a minimum of 50 meters through standard interfaces. Beyond real-time monitoring, these imagers are designed to record and store a minimum of three hours of SD videos, facilitating post-analysis and reference.

Interested vendors have until December 26 to respond to the Indian Army's call. Following this, a Request for Proposal (RFP) is tentatively scheduled for June 2024. The procurement process unfolds gradually, with the desired quantity set for delivery within six to twenty-four months from the date of the Advance Payment. Essentially, the Indian Army is poised to embrace cutting-edge technology, ensuring soldiers have the tools needed to navigate and secure diverse landscapes effectively. https://www.financialexpress.com/business/defence-indian-army-advances-surveillance-capabilities-with-cutting-edge-thermal-imaging-technology-3330226/

11. CoP-28: Let local climate actions outdo our global commitments

(livemint.com) 06 Dec 2023

India needs to take greater control of its domestic vulnerabilities—especially when it comes to its energy mix and health sector—even as it keeps pushing hard for climate justice internationally.

Discussions at CoP-28 in Dubai have reached a crescendo with the world witnessing its highest temperatures ever, the paradox of having an oil magnate holding the presidency of CoP-28 and with the developed world still far from fulfilling its responsibilities and commitments—be it on mitigation support, adaptation finance or Loss and Damage funding. And yet, there seem to be many pressures on the developing world, with India often in the cross-hairs, to assume leadership on climate actions. In the first week of CoP-28 events, India has been called out for refraining from signing the Pledge on tripling renewable energy capacities by 2030 and doubling energy efficiency, as also the Declaration on Climate and Health.

The challenge, in the case of the former, is not the renewable energy (RE) and energy efficiency (EE) pledges, but an underlying commitment to a phase-down of unabated coal power, in particular ending "continued investment in unabated new coal-fired power plants." India has ambitious plans to enhance its coal production capacity from 777 million tonnes in 2021-22 to over 1 billion tonnes in 2023-24. With 75% of its electricity coming from coal thermal plants, amounting to over 200GW in May 2023, India needs to evaluate its options on energy security. Its RE capacity stood at about 125GW (net of hydro). Thus, while India is committed to more than tripling its RE capacity by 2030 with a target of 450GW, most of this capacity addition really caters to incremental electricity demand for powering an 8% rate of economic growth. In other words, India cannot recognize a phase-down of coal power production, in absolute terms, in the same document that we commit to enhanced RE and EE targets, unless we vastly increase our feedstock dependence on volatile international markets for lower-carbon gas (think of the Russia-Ukraine war and Israel-Hamas conflict) in the interim, or have adequate cutting-edge technologies and financial support to aim for much higher growth in renewables.

The Declaration on Climate and Health, on the other hand, merely calls upon countries to factor in the positive health implications of low greenhouse gas (GHG) emission pathways, assess GHG emissions from the health sector and define procurement standards for national health systems. It provides an additional emotive argument for pursuing low-carbon development pathways in general. India's health systems are in urgent need of infrastructure upgradation with reliable electricity provision in its rural areas a key barrier to better health services. It is also well researched that climate change, with melting permafrost and extreme events, will exacerbate the demand for health infrastructure in complex and compounding ways. Therefore, as India seeks to strengthen this infrastructure, it makes eminent sense to prioritise the use of renewables, especially in primary health centres, and focus on the energy efficiency of medical equipment and processes in line with our EE commitment.

Undoubtedly, climate related transformations in development pathways that countries need to adopt are challenging, but they also provide an opportunity to correct the mal-development and inequities that have been perpetrated in all countries across the world, India being no exception. The above two global initiatives are but examples. In making its choice to invest huge amounts in coal production (or natural gas for that matter) and the associated infrastructure, India could be pushing more expensive and difficult clean-energy choices into the future but increasing system costs in the form of stranded infrastructure and assets when domestic commitments are ratcheted up. There is a case here for some hard-nosed analysis of leap-frogging to much lower-carbon or no-carbon futures. We may also have an opportunity to harness the potential of decentralized renewable power generation in both urban and rural settings, which could enhance India's ambitions on RE while facilitating more secure and reliable RE through new business models, as being designed in other countries.

In a similar fashion, the quality provisions of the Health for All initiative can be bolstered through custom-designed RE solutions to meet the demands, including cooling demand, of health facilities. We also need to recognize that enhanced access to clean and reliable energy in itself can go a long way in preventing a large number of diseases associated with water and air pollution. India thus needs to look at the cross-cutting issues of climate, energy and health, even if the country may be reluctant to acknowledge the same on an international platform.

A good example of an international commitment with a domestic imperative lies in the LiFE initiative of Prime Minister Narendra Modi. At CoP-26 held in Glasgow, India launched the Lifestyle for the Environment (LiFE) initiative, recognizing the necessity of behavioural change to drive climate-friendly solutions among individuals, communities and organizations. At CoP-26, the Prime Minister called upon all stakeholders to contribute to defining our future choices, and was rightly lauded by the global community for the focus he brought to individual behaviour change. Merely enhancing clean supply solutions without creating popular demand would lead to partial success at best. In the last two years, however, the country has made little substantive progress on this critically important issue. Some demand changes have been effected, as seen for example in the robust growth of electric vehicles (EVs), but this was driven primarily through sector-specific incentive schemes. We have not succeeded in making EVs a preferred choice for vehicle users for sustainability reasons.

India needs to take greater control of its domestic vulnerabilities while keeping the pressure on for climate justice internationally. https://www.livemint.com/opinion/online-views/cop28-let-local-climate-actions-outdo-our-global-commitments-11701865778302.html

12. Reconsider criminal law reforms bl-premium-article-image *(thehindubusinessline.com)* December 06, 2023

Within just three months of the introduction of three new bills to replace the centuries old codes that have governed India's criminal justice system, the Parliamentary Standing Committee on Home Affairs has submitted its reports suggesting some minor tweaks in the proposed statutes.

The government intends to push for an expeditious passage of the Bharatiya Nyaya Sanhita (BNS) Bill, 2023 that seeks to repeal the Indian Penal Code, 1860, Bharatiya Nagarik Suraksha Sanhita (BNSS) Bill, 2023 to replace the Criminal Procedure Code, 1898 and the Bharatiya Sakshya Bill to repeal the Indian Evidence Act, 1872 in the ongoing Winter Session itself.

However, a careful reading of the Standing Committee reports suggests that this legislative exercise needs to be far more consultative than it has been. In their present form, the proposed laws are an exercise in repetition wherein provisions in the old statutes have merely been rearranged.

While this defeats the very purpose of signalling a complete break from the Colonial past, it simultaneously has the potential to create confusion in the legal community which would be required to re-learn the new numbers of the old provisions. For example, to locate the familiar Section 302 of the IPC, Clause 101 of the BNS Bill has to be found. The Bharatiya Sakshaya Bill (BSS), 2023 is the most striking illustration of such duplication. The new Bill rearranges the sections of the Evidence Act with minor additions and deletions but provisions in the old statute have not been changed. In his dissent note to the Standing Committee, P Chidambaram points out: “Every one of the 170 clauses of the Bill is a copy and paste of the provisions of the Indian Evidence Act, 1872.” Chidambaram estimates the extent of the copying and pasting to be 99 per cent!

While the old statutes have more or less been reproduced, the changes that have been introduced indicate harsher sentences, and expanded police powers.

The most dangerous instance of this is Clause 187(2) and 187(3) of the BNS Bill on “Procedure when investigation cannot be completed in 24 hours” that enhances the period for which a detainee can be kept in police custody for much longer periods than is presently authorised. The Clause holds: “The Magistrate may authorise the detention of the accused person beyond the period of fifteen days if he is satisfied that adequate grounds exist for doing so but no Magistrate shall authorise the detention of the accused person in custody under this sub-section for a total period extending (i) ninety days where the investigation relates to an offence punishable with death, imprisonment for life or imprisonment for a term of not less than ten years; (ii) sixty days where the investigation relates to any other offence.”

This would cause irreparable damage to civil liberties and fundamental freedoms as every investigating officer, public prosecutor and judicial magistrate could interpret the wording of this clause according to their convenience. The new law leaves citizens exposed to the probability of torture, threat or inducement by the police.

It goes against the decision of the Supreme Court in CBI-versus-Anupam J Kulkarni (1992) in which the Court held, “The Judicial Magistrate can, in the first instance, authorise the detention of the accused in such custody i.e., either police or judicial from time to time but the total period of detention cannot exceed fifteen days in the whole.”

The proposed laws are purportedly an attempt to reform the existing criminal justice system. But the provisions bring back outdated practices that have long been frowned upon by the Supreme Court. Take, for instance, Clause 43(3) of the BNSS that brings back the practice of slapping handcuffs on detenus.

Progressive reforms

As far back as 1980, Justice VR Krishna Aiyar had held in Prem Shankar Shukla-versus-Delhi Administration (1980): "It is the basic assumption that all individuals are entitled to enjoy that dignity that determines the rule that ordinarily no restraint should be imposed except in those cases where there is a reasonable fear of the prisoner attempting to escape or attempting violence." In DK Basu versus State of West Bengal (1996), the Supreme Court set guidelines on rights of accused while being arrested or in custody.

Clearly, the progressive reforms carried on by the Supreme Court over decades are being sought to be undone. The Standing Committee, in its report, abets the government's efforts. In para 1.19 of its report on BNS Bill, the Committee seeks to bring back Section 497 relating to adultery which had been struck down by the Supreme Court in Joseph Shine-versus-Union of India, 2018. The Committee, in its wisdom, suggests: "The Committee is of the view that the institution of marriage is considered sacred in Indian society and there is a need to safeguard its sanctity. For the sake of protecting the institution of marriage, this section should be retained in the Sanhita by making it gender neutral."

Another dubious insertion is with regard to sedition. In his comprehensive submissions before the Committee, TMC MP Derek O' Brien points out that while the government has deleted the term sedition from the proposed statute, the sedition law itself has got a "sinister backfoot entry in the proposed legal regime". Section 124A (the old sedition law) is part of the IPC. Though the BNS Bill does not explicitly have a Section 124A in it, it has Section 150. This proposed provision in the new Bill avoids using the term 'sedition', but describes the offence as "endangering sovereignty, unity and integrity of India". It makes it so broad that it can encompass any act in the name of endangering the unity and integrity of India. It leaves a lot of room for discretion which is the opposite of what was advised by the Law Commission.

Thee statutes need much wider discussion not just among the parliamentarians but the legal fraternity, the police foundations, bar councils, eminent legal scholars and practitioners of law. There is still time for Parliament to constitute for the purpose a Joint Select Committee in which the Home Minister too can be a member. When the old statutes have been around over a century, a few more months will not make much difference when the issues concern common people as well as criminal jurisprudence in the country. https://www.thehindubusinessline.com/opinion/reconsider-criminal-law-reforms/article67611725.ece

13. Numerous lessons to be learnt from Chennai's predicament *(thehindubusinessline.com)* December 06, 2023

The more that things seem to change, the more they remain the same. In fact, they get worse going by the experience of Chennai post-Cyclone Michaung. After the devastating floods of 2015, it was hoped that lessons would've been learnt by the authorities; but more than 48 hours after the calamitous downpour on Sunday and Monday, Chennai is still reeling with large parts of high population density areas, still under water. Worse, the state machinery has proved unequal to the task of rescue and relief, leaving people to fend for themselves. This is by no means the "smart city" that the government is promoting.

It is the same old story of unplanned construction, building colonies on swampland and lakebeds, clogged waterways due to public apathy and a complicit administration that has issued building permits without a care for city planning. Natural disasters do happen and in these days of drastic climate change, they're more frequent. What's important is how good rescue and relief measures are. When it rains 53 cm in 48 hours in a dense urban agglomeration such as Chennai, it is obviously not easy to manage the fallout. But that's where the state administration comes in.

There was adequate warning of the oncoming cyclone, and it is not as if the authorities have no experience of dealing with such situations before. Yet, rescue and relief operations have been pathetic and the administration was more noticeable in its absence than in its efforts to ameliorate the situation in the initial aftermath. Viral videos and pictures in social media and reports from parts of the city still under water tell a tale of suffering, of people stranded on higher floors and roof tops without access to drinking water and food for 24-48 hours after the downpour stopped.

Business and industry have also been badly affected with industrial estates in Ambattur, which is flooded every monsoon, and in Padi, which hosts some big auto parts manufacturers, remaining under water till Wednesday evening. On the famed IT-Corridor, water had entered at least one multi-storeyed complex hosting major multinational companies. Worse, with power disconnected and mobile towers not functioning, even the relatively better placed companies and employees have not been able to work for the last three days. This is surely not the picture that the State government would like to convey ahead of the Global Investors Meet in exactly a month from now. The lessons to be learnt are clear. Construction should not be permitted in the swamps and flood plains abutting the city, and those that obstruct the path of water flow should be pulled down. Power infrastructure should be strengthened obviating the need to switch off supply at the first hint of rain. The effectiveness of the city's new drain network, laid at a cost of ₹4,000 crore, needs to be reviewed. And finally, the administration's disaster management capabilities need to be improved. https://www.thehindubusinessline.com/opinion/editorial/numerous-lessons-to-be-learnt-from-chennais-predicament/article67610559.ece

14. Forest land valued over Rs 20 lakh crore encroached in Karnataka *(newindianexpress.com)* 07th December 2023

The value of these lands runs into thousands of crores considering that the basic minimum price per acre is at least Rs 1 crore in the state capital.

BENGALURU: Forest lands valued at over Rs 20 lakh crore have been encroached in Kodagu, Chikkamagaluru, Shivamogga, Hassan, and a few other districts in the state. In Bengaluru alone, over 2,000 acres have been encroached.

The value of these lands runs into thousands of crores considering that the basic minimum price per acre is at least Rs 1 crore in the state capital. When contacted, Forest Minister Eshwar Khandre refused to comment. Asked if the extent of encroachment mentioned was right, he replied, "Yes."

Former Lokayukta Justice N Santosh Hegde said, "People in power try to encroach forest land either directly or through benamis. When forest officials try to retrieve the land and clear the encroachments, they resist and use power at their disposal to ward off these officers.''

Sources said, "Encroachers, who are politically powerful, have not spared forest land even in states like Uttarakhand, Assam, Madhya Pradesh, Chhattisgarh, Jharkhand and Odisha, which have sizeable forest cover." Conservationist Akilesh Chilpi and former Wildlife Board member Joseph Hoover said, "Some of our leaders are using small landholders as shields to protect their own interests. As lawmakers, they should be custodians of law and set an example.''

Dr Robert John, professor at the Indian Institute of Science Education and Research, Kolkata, said, "Forest land encroachment is a complex problem in India. It often results from unsettled rights, contested boundaries, and environmental changes that can displace people."
https://www.newindianexpress.com/states/karnataka/2023/dec/07/forest-land-valued-overrs-20-lakhcrore-encroached-in-karnataka-2639300.html