NEWS ITEMS ON CAG/ AUDIT REPORTS

1. Delhi HC seeks L-G's stand on DCPCR plea against inquiry and stoppage of funds *(millenniumpost.in, business-standard.com)*

11 Jan 2024

The Delhi High Court on Wednesday sought the stand of the city lieutenant governor on a petition by the Delhi Commission for Protection of Child Rights (DCPCR) challenging an order to withhold funds to it pending an inquiry and a special audit over allegations of misuse of government funds.

Justice Subramonium Prasad, while perusing a press note on the action ordered by Lieutenant Governor V K Saxena against the child rights body, observed that certain portions of the document took a "political colour" and asked the counsel for the L-G to seek instructions.

'I would've said 'audit, go ahead'. (But page) 154 takes a political colour. That's when my problem begins...The usual foundation and motive problem (is there),' remarked the judge.

The portion in question noted DCPCR's former chairperson Anurag Kundu and six members were politically affiliated with the Aam Aadmi Party(AAP).

The counsel for the lieutenant governor said action was taken on the recommendation of other state authorities, and sought time to seek instructions.

Last year, Lieutenant Governor Saxena approved a Women and Child Development (WCD) Department's proposal to institute an inquiry and ordered a special audit over alleged misuse of government funds by DCPCR.

Saxena also directed that no further request for allocation of funds by DCPCR will be entertained before the completion of the inquiry and special audit.

Senior advocate Gopal Sankaranarayanan, representing the DCPCR, told the high court that allocation of funds to the child rights body has come to a grinding halt.

The DCPCR has said in its petition that such a setback paralyses a statutorily protected and independent institution, putting at risk emergency response systems for children facing violence, child labour, and begging.

The plea said any attempt to withhold or reduce the funds to DCPCR is a violation of its autonomy and threat to its survival. It also said the statutory mechanism, which provides for audit by the CAG, has been sought to be diluted and there was an attempt to weaken this mechanism through a "frontal assault".

(The L-G's action) subjects Petitioner No.1 and its members, to extraneous inquiry and special audit', which is not within the scheme of the Commission of the Protection of Child Rights Act, 2005. The said Act contemplates audit by Comptroller and Auditor General (CAG),' the plea said.

The petition said subjecting DCPCR to any other auditor was illegal and demeaned the office of the CAG.

It added that the proposal of the WCD Department, based on which the L-G approved action, was “replete with legal errors as well as malice”.

‘The same has been initiated only after Petitioner No.1 moved against the school run by Respondent No.4 (Kuldeep Chahal) who is a political person associated in a leadership capacity with the party in dispensation at Centre that advises Respondent No.1 (L-G),’ it said.
https://www.millenniumpost.in/delhi/delhi-hc-seeks-l-gs-stand-on-dcpcr-plea-against-inquiry-and-stoppage-of-funds-547741?infinitescroll=1

2. Rule & fund violations by RTDC unearthed by CAG in desert circuit tourism project *(timesofindia.indiatimes.com)* 11 Jan 2024

JAIPUR: The CAG found serious violations in Rajasthan Tourism Development Corporation's fund utilisation report to develop Sambhar lake town and other destinations in the state under the 'desert circuit' project, including violations of prescribed norms and financial irregularities.

A physical visit to the project sites also found various components missing and many others non-functional. The CAG report found a train for tourists, a bicycle track and other assets not functioning despite spending Rs 50 crore under the Union tourism ministry's Swadesh Darshan scheme to develop the lake and the town as a tourist destination.

The ministry had sanctioned Rs 3.74 crore for a 15.75km bicycle track (adventure sports) with solar street lighting, approach road, administrative block, wayside amenities, etc. But a physical verification revealed that only 4.1km of the track has been developed, with no work done on other components of the project, said the report.

Similarly, for constructing a camping site with tourist amenities and log huts at Naliasar, Rs 4.84 crore was sanctioned. However, due to non-availability of land at Naliasar, the camping site was shifted to Sambhar lake.

‘Govt failed in Sambhar park town’s proper manienance’
“The verification revealed that tents have not been put up, tourism amenities and log huts not constructed at the camping site. Only four platforms for erecting tents were constructed,” the report said.

As per the Public Works Financial & Accounting Rules, a contractor should submit all the bills in printed form.

However, the contractors had only submitted handwritten bills amounting to Rs 26.44 crore in contravention to the aforesaid rule.

“Similarly, it was proposed to construct an approach road along the bicycle track at Sambhar Salt complex. But during physical verification, no approach road was found constructed along the track,” the CAG report said.

Though state government was to ensure proper operation and maintenance (O&M) after the completion of the project, this has not been carried out. Assets handed over to Sambhar Salt Ltd (SSL) and Nagar Palika, Sambhar Lake for the same were found locked, said the CAG.

"Some of the assets were found in dilapidated condition. The salt train could not be operated as it lacked a safety clearance certificate. Further, the work of mini desert night safari at Naliasar was shifted to Sambhar Salt complex along the bicycle track. This has also not been carried out."

In fact, the Sambhar lake town was selected for the desert circuit over other desert areas such as Jodhpur, Jaisalmer, Barmer and Bikaner in the '20 Years' Perspective Plan for Sustainable Tourism in Rajasthan'. "The selected destination does not fall within the desert. Thus, the purpose of developing the desert circuit was defeated," said the report.
https://timesofindia.indiatimes.com/city/jaipur/rule-fund-violations-by-rtdc-unearthed-by-cag-in-desert-circuit-tourism-project/articleshow/106722690.cms

3. Revealed in CAG report *(irshadgul.com)* Updated: January 10, 2024

Jharkhand: Several irregularities were found in the implementation of government schemes in Jharkhand.

The Hindu reported in its report that these irregularities came on a day when the Comptroller and Auditor General (CAG) report for the financial year 2021-22 was tabled on the last day of the assembly on Thursday.

In the report, the issue of grant of widow's pension to men by the state government came to light.

The report revealed that several students received more than one scholarship even though they were only eligible for one scholarship. The CAG report found a lack of social audit and monitoring in Direct Benefit Transfer (DBT) schemes, which led to the awarding of scholarships to bogus students.

During the audit, it was found that 16 men from East Singhbhum, Godaputka, Ghatsheila, Podiayat and Goda Sadar were given Rs 9.54 lakh as widow pension under the Indira Gandhi National Widow Pension Scheme and State Widow Saman Pratasahan Yojana.

The audit also found irregularities in pre- and post-matric scholarships, with Rs 1.17 crore paid to bogus students in Chitra, East Singhbhum, Gowda and Ranchi. In addition, Rs 9.99 crore was paid to bogus students under scholarships awarded to minorities.

Irregularities were also found in scholarships awarded to Scheduled Castes (SC), Scheduled Tribes (ST) and Backward Classes (OBC). The report said 81 fake students received Rs 5.21 lakh in five districts including Chitra, Gowda, Palamu, Ranchi and East Singhbhum districts.

Delays in the payment of pensions were also revealed during the audit. About 39 percent of applicants faced a delay of more than two years in receiving their pension.

At the same time, the Jharkhand government has not issued an expenditure certificate of Rs 103,459.14 crore till March 31, 2022. The CAG report for the fiscal year 2021-22 stated that the government has estimated a budget of Rs 91,277 crore, but the revenue receipts are Rs 17,659 crore, which is much lower than the estimate.

The report showed that the state government received Rs 69,722 crore as central assistance, but found that 40 per cent of this revenue was spent on salaries, allowances, pensions and interest payments on loans taken for development schemes.

In the financial year 2021-22, the state government spent Rs 13,979 crore on salary allowances, Rs 7,614 crore on pension payments and Rs 6,286 crore on interest payments. The state's revenue deficit has increased in 2021-2022 compared to fiscal year 2020-2021.

In 2020-21, the government's revenue deficit stood at Rs 3,114 crore and it increased to Rs 6,944 crore in 2021-22. At the end of the fiscal year 2021-22, the country's total debt and indebtedness burden rose to Rs 109,184.98 crore. The state government borrowed Rs 5,000 crore at interest rates of 6.87 per cent and 7.35 per cent to meet its expenditure.

The report also pointed out that the state government has not completed infrastructure projects costing more than 10,000 crore rupees within the stipulated time. It also includes road construction costing Rs 3344.75 crore. https://irshadgul.com/revealed-in-cag-report-ig-news/

4. KLIS: Re-engineering Quadrupled Project Cost, Says CAG *(deccanchronicle.com)* Updated: January 11, 2024

CAG probe shows cost escalated from Rs 38,000 cr to Rs 1.5 L cr, while ayacut area increased only by 50 per cent

Hyderabad: The much-touted re-engineering of the Pranahita-Chevella project into Pranahita and Kaleshwaram by former chief minister K. Chandrashekar Rao might help increasing the command area (extent of irrigated agricultural land) by 50 per cent, but the project cost shot up by 400 per cent, from Rs 38,000 crore to Rs 1.5 lakh crore, as per currently available information and this amount will further go up to complete the pending works.

The Comptroller and Auditor General (CAG) probe into the Kaleshwaram Lift Irrigation Scheme (KLIS) established beyond doubt that substantial amounts of the increased project cost were pocketed by the contractors, more particularly Megha Engineering and Infrastructure Limited, giving credence to Congress and Bharatiya Janata Party's accusations of nexus between contractors and the BRS top brass.

"Audit analysis revealed that the re-engineered Kaleshwaram project was economically unviable and ab-initio," said the CAG in its draft performance report submitted to the state government two years ago.

While the previous government projected a 1.51 benefit-cost ratio (BCR), CAG revealed that in reality, it would be less than 0.51.

The BRS government cooked up the BCR to obtain statutory clearances, as well as loans from financial institutions. For instance, the government projected to earn Rs 3,805 crore every year from the sale of water to industries and to realise it, the Hyderabad Metro Water Supply and Sewerage Board had to increase the present industrial tariff by a whopping 19 times.

It showed revenue of Rs 1,750 crore every year from pisciculture, by growing fish in 3.5 lakh hectares spread area in 20 reservoirs, but in reality, the spread area will not be more than 30,823 hectares and revenue just Rs 154 crore.

According to CAG, the government under-projected the annual costs and overstated the value of annual benefits. The government projected an annual energy requirement of 13,558 million units for lifting 180 TMC ft of water and brazenly, the cost of power was worked out at Rs 3 per unit, against the actual cost of Rs 6.4, at which the discoms have been supplying to lift irrigation schemes in the state.

"As a result, the projected energy cost is Rs 4,148 crore against the actual cost of Rs 9,400 crore," the CAG pointed out.

Similarly, the interest burden was pegged at Rs 8,191 crore per annum, which is 10 per cent of the project cost of Rs 81,000 crore, but with the cost escalating to Rs 1.50 lakh crore, the interest burden will jump to Rs 15,000 crore, the CAG stated.

The CAG also observed that the BRS government went ahead with re-engineering without exploring alternative ways to make the best use of the old B.R. Ambedkar Pranahita-Chevella Sujala Sravanti (PCSS) launched by Dr Y.S. Rajashekar Reddy-led government in the undivided state. The government also exhibited undue haste in preparing estimates, which the agencies concerned will arrive at after conducting soil and other mandatory tests.

For the Medigadda barrage that recently sank, the consultant was given just four months to prepare detailed estimates, with experts saying soil tests alone would take more than a year.

The previous government claimed to have re-engineered the PCSS because of shortfalls in it and came up with Kaleshwaram to increase the command area and defended shifting of the storage point from Tummidihetti to Medigadda, given better availability of water. It also showed objection of Maharashtra for submergence of its 5,247 acres if the full reservoir level (FRL) at Tummidihetti was maintained at 152 feet as one of the reasons for re-engineering. But all the submergence it could bring down in Maharastra after re-engineering is just 511 acres.

Further, the BRS government defended that water availability at Medigadda would be 284 TMC ft, out of which 195 TMC ft would be utilised under KLIS. The CAG, however, said the government would have ascertained the true availability of water under the old scheme instead of rushing with re-engineering. The old scheme would have catered to 16.4 lakh acres and the new one 24.96 lakh acres, but the project cost increased by more than Rs 1.2 lakh crore, it stated.

The CAG also referred to a CWC report of March 2015, in which it was clearly stated that 192 TMC ft or more was available for 65 per cent years in the old scheme and going ahead with it would have saved capital cost of Rs 1.2 lakh crore and recurring cost of Rs 2,000 crore every year.

With the sinking of Medigadda proving beyond doubt that soil condition under the three barrages and their hasty construction may put the entire re-engineered KLIS at risk raising serious concerns over the utility of Rs 1.5 lakh cr spent so far. https://www.deccanchronicle.com/nation/current-affairs/110124/klis-re-engineering-quadrupled-project-cost-says-cag.html

5. बड़े KLIS सहायता प्राप्त ठेकेदार *(jantaserishta.com)* Jan 10, 2024

हैदराबाद: ऐसा लगता है कि पिछली बीआरएस सरकार ने कलेश्वरम लिफ्ट सिंचाई योजना की उठाने की क्षमता को 2 टीएमसी फीट पानी प्रति दिन से बढ़ाकर 3 टीएमसी फीट (हजार मिलियन क्यूबिक फीट) करने में संदिग्ध तरीके से काम किया है।इस कदम से हाई-प्रोफाइल मेघा इंजीनियरिंग एंड इंफ्रास्ट्रक्चर लिमिटेड (एमईआईएल) को 28,000 करोड़ रुपये के अतिरिक्त अनुबंध हासिल करने में मदद मिली।

नियंत्रक एवं महालेखा परीक्षक, जिन्होंने परियोजना की जांच की, ने कहा: "भारी लागत पर अतिरिक्त एक टीएमसी कार्य करना अनुचित था और इससे केएलआईएस की लागत में काफी वृद्धि हुई।गौरतलब है कि कांग्रेस के सत्ता में आने के बाद पहले विधानसभा सत्र में सत्तारूढ़ दल के नेताओं ने बीआरएस के शीर्ष नेतृत्व पर एमईआईएल को दिए गए 28,000 करोड़ रुपये के बढ़े हुए अनुबंधों को खत्म करने की क्षमता बढ़ाने का आरोप लगाया था।

बीआरएस सरकार ने फरवरी 2017 में केंद्रीय जल आयोग (सीडब्ल्यूसी) को एक विस्तृत परियोजना रिपोर्ट सौंपी थी, तब तक 50,000 करोड़ रुपये के पुन: डिज़ाइन किए गए केएलआईएस और प्राणहिता कार्यों के अनुबंध एमईआईएल, एलएंडटी, नवयुग और एफकॉन्स जैसी कंपनियों को दिए गए थे। सिंचाई विभाग ने कुल 235 टीएमसी फीट पानी उठाने का प्रस्ताव रखा है, जिसमें से 180 टीएमसी फीट गोदावरी नदी से, 20 टीएमसी फीट येलमपल्ली से, 25 टीएमसी फीट भूजल और 10 टीएमसी फीट स्थानीय टैंकों की उपज से होगा। इसने सीजन के दौरान 90 दिनों के लिए 2 टीएमसी फीट की दर से मेडीगड्डा से 180 टीएमसी फीट उठाने का प्रस्ताव रखा।

सरकार ने 27 अगस्त, 2016 को एमईआईएल को पंपहाउस का काम सौंपा, और 19 दिनों के भीतर सरकार ने, सबसे अच्छे कारणों से, डिस्चार्ज पंपिंग क्षमता को समायोजित करने के लिए पंप हाउस, एप्रोच चैनल और डिलीवरी मेन पर सिविल कार्यों के डिजाइन को संशोधित किया। क्षमता बढ़ाने का औचित्य केवल दो साल बाद पाया गया जब सीडब्ल्यूसी ने बताया कि स्थानीय जल टैंकों से 10 टीएमसी फीट पानी लेने पर विचार नहीं किया जा सकता है। इसके बजाय, वह चाहती थी कि सरकार गोदावरी से ही 195 टीएमसी फीट पानी उठाए। https://jantaserishta.com/telangana/large-klis-assisted-contractor-1026173

SELECTED NEWS ITEMS/ARTICLES FOR READING

6. The Centre has no control over subsidies *(dailypioneer.com)* 11 January 2024

The biggest drawback with the current system of food subsidy is making it available at throwaway prices. It allures dubious players who buy it cheap and sell it at higher prices

The Union government's total expenditure on the three major subsidies - fertiliser, food and cooking gas - during the current financial year (FY) is likely to be around Rs 400,000 crore as against Rs 549,000 crore spent during FY 2022-23. From this, it might appear that the government has made serious efforts to trim the subsidy. But, looking at the situation on ground zero, this isn't so. The subsidy on each tonne of fertiliser produced (or imported) and sold is the excess of the cost of production/import and distribution (or cost of supply) over the maximum retail price (MRP) controlled by the Central government at a low level. It controls the MRP of urea – a major source of nitrogen (N) – directly, while on all other fertilizers carrying phosphate (P), and potash (K) which are decontrolled de jure, the control is indirect. The subsidy is paid to manufacturers or importers to cover the differential between the 'cost of supply' and the MRP.

India depends heavily on imports to meet its fertilizer requirements, the level of import dependence being 100 per cent in 'K', and 80-90 per cent in 'P'. Regarding 'N', 25-30 per cent of the urea demand is met from imports. For domestic production of urea, the country imports at least one-third of the natural gas (NG) requirement; it could be higher if either there is a dip in domestic production of NG or more of it is allocated for priority sectors such as CNG, PNG etc leading to less availability for urea production.

A major determinant of the cost of supply and in turn subsidy is thus the international prices of fertilizers and fertilizer raw materials (FRMs). During FY 2022-23, these prices rose sharply due to global shortages triggered by the Ukraine war. In April 2022, the price of urea touched US$980 per ton while the price of di-ammonium phosphate (DAP) – a major source of 'P' - was US$954 per ton. As a result, actual fertilizer subsidy payments during FY 2022-23 turned out to be Rs 254,000 crore against a budget estimate (BE) of Rs 105,000 crore.

For FY 2023-24, finance minister Nirmala Sitharaman set the BE at Rs 175,000 crore, Rs 79,000 crore lower than the actual Rs 254,000 crore for 2022-23. This was on the assumption that international prices would decline sharply from the previous year's high. The prices did decrease during the first four months of the current FY. The price of urea declined from US$980 per ton in April 2022 to US$333 per ton in July 2023. On the other hand, the price of DAP decreased from US$954 per ton in April 2022 to US$ 454 per ton in June 2023.

Had the declining trend continued, the government could have managed to keep subsidies within the BE. But, that hasn't happened. From the third quarter onward, the prices have moved north. The price of urea increased to US$411 per ton in October 2023. The price of DAP rose to US$ 535 per ton in December 2023. This has prompted the government to go for an additional allocation of Rs 13,351 crore in December 2023 over the BE of Rs 175,000 crore.

The year could end up with even higher subsidy outgo if prices increase further during January – March 2024; such a possibility is not ruled out given the continuing conflagration in the Middle in particular, the Israel – Hamas conflict and more recently the sporadic attacks by Houthi rebels on merchant ships in the Red Sea.

Normally, any effort at prudent fiscal management involves countervailing measures to offset the cost-push effect of an increase in international prices. One such measure could be an increase in the MRP of urea that hasn't been touched for over two decades. Yet, in June 2023, the Modi government decided to continue its availability to farmers at the prevailing MRP of Rs 242 per 45 kg bag for another three years. The government's efforts to plug leakage of subsidized urea (estimated at 30 percent) by adopting various measures, including neem coating, haven't delivered the desired results.

Food subsidy is the excess of minimum support price (MSP) paid to farmers and handling and distribution costs over the heavily subsidised price of Rs 2/3/1 per kg for wheat, rice and coarse cereals, respectively paid by 820 million beneficiaries under the National Food Security Act (NFSA). In the budget for 2023-24, Sitharaman had set the BE at Rs 197,000 crore, down Rs 90,000 crore from the RE for 2022-23 of Rs 287,000 crore.

Apart from the regular NFSA allocation, the RE for 2022-23 also included subsidy payments for distributing 5 kg of cereals per month for free to all 820 million people under the Pradhan Mantri Garib Kalyan Anna Yojana(PMGKAY), a Scheme launched in April 2020 to deal with the situation triggered by the Covid-19 pandemic. The PMGKAY was withdrawn from January 1, 2023, and supplies under regular NFSA were made free. This arrangement ran till December 31, 2023.

By ending free supplies under PMGKAY (rightly so, as the pandemic had completely fizzled out, it was no longer necessary to continue the Scheme), during April-December 2023, the government saved a lot of money. But this was partially offset by making supplies under the regular NFSA free. The impact of these decisions was captured while setting the BE at Rs 197,000 crore. But, Modi's sudden announcement in November 2023 extending free supplies under NFSA for another five years has altered the subsidy math.

This is because in the remaining three months i.e. January – March 2024 of the current FY, the beneficiaries won't pay anything instead of Rs 2/3/1 per kg for wheat, rice and coarse cereals they would have to pay if the regular dispensation were to be restored. This together with a hike in the MSP for all 14 kharif crops by 5-10 percent, announced in June 2023, has led to an increase in food subsidy beyond the BE. To accommodate this, in December 2023, the FM made an additional provision of Rs 5,589 crore under this head.

As in fertilizers, we don't see any major reforms happening in the food sector that would help in reducing the subsidy bill. The biggest drawback with the current system is making food available at a 'throwaway' price which allures dubious players to indulge in diversion and misuse of the subsidized food. Prime Minister's promise of free food for five years ensures that this system won't change till December 2028.

The subsidy on cooking gas was pegged at Rs 2,250 crore in the BE. It was meant to give a subsidy of Rs 200 per cylinder to 96 million households under the Pradhan Mantri Ujjwala Yojana (PMUY). From October 5, 2023, the subsidy was increased to Rs 300 per cylinder. Besides, the government plans to provide an additional 7.5 million connections under the scheme. Both these post-budget decisions have led to excess payments.

During the current FY, the total subsidy outgo on cooking gas is estimated at Rs 9,800 crore - Rs 7,550 crore higher than the BE. Together with excess payment on fertilizer subsidy of Rs 13,351 crore and food subsidy of Rs 5589 crore, the total excess payment would be Rs 26,490 crore. So, the Centre would end up spending Rs 400,000 crore against BE of Rs 374,000 crore. The Centre has no control over subsidies. https://www.dailypioneer.com/2024/columnists/the-centre-has-no-control-over-subsidies.html#:~:text=The%20Union%20government's%20total%20expenditure,spent%20during%20FY%202022%2D23.

7. GST authorities drop plans to enforce stricter e-way bill norms

(livemint.com) 11 Jan 2024

Tax experts note that linking e-way bill generation to e-invoice details offers benefits and challenges

New Delhi: Goods and Services Tax (GST) authorities have dropped a plan to block generation of goods transportation permits, or e-way bills, from 1 March for companies that fail to produce 'e-invoices' for their wholesale transactions through designated portals. These portals aid in more accurate data capturing across various tax forms using a standardized invoice.

This decision likely stems from the difficulties businesses, particularly small and medium enterprises, encounter in generating e-invoices, such as increased administrative work and the need for technological upgrades.

E-invoices, readable across different software, eliminate the need for re-entering data and promote tax compliance. They automatically update transaction data in other tax documents like e-way bills and GST returns, enhancing economic activity oversight.

The initial plan to deny transportation permits to firms not issuing e-invoices for business-to-business transactions aimed to boost tax compliance. The heightened reporting demands under the GST regime contribute to the economy's formalization and tax compliance.

The National Informatics Centre (NIC), under the ministry of electronics and information technology and managing some GST reporting portals, in an update said that the plan to block e-way bill generation without an e-invoice has been deferred, without specifying a new date for its potential reintroduction.

Initially, e-invoicing was mandatory for businesses with sales over ₹ 500 crore, but now it applies to those with annual sales exceeding ₹ 5 crore. It is not required for retail sales to end consumers.

Tax experts note that linking e-way bill generation to e-invoice details offers benefits and challenges.

Rajat Mohan, senior partner at AMRG & Associates, said it could improve tax compliance and reduce evasion by aligning transportation and invoice data. However, it may increase administrative burdens, particularly for small and medium enterprises facing compliance costs and technology updates.

The transition could lead to disruptions and compliance errors. While the scheme aims for streamlined tax processes, businesses must adapt and manage potential errors in a dynamic tax environment. The government's decision to retract the proposal indicates the challenges faced, but businesses await clarity on the revised implementation timeline, Mohan added.

Since its rollout in July 2017, GST has significantly boosted revenue, with monthly collections now averaging ₹1.66 trillion, nearly double the amount in the initial GST year. This rise in indirect tax compliance has also driven an increase in direct tax collections, making the under-reporting of sales more difficult. https://www.livemint.com/news/india/gst-authorities-drop-plans-to-enforce-stricter-e-way-bill-norms-11704960609265.html

8. Going slow on the D-word: The next government must push disinvestments in next fiscal *(financialexpress.com)* January 11, 2024

While the elections are responsible for going slow on future disinvestments, this exercise has been running out of steam during the past few years.

As the NDA regime gears up for the national elections, there are pre-budgetary indications that the disinvestment target for FY25 may be relatively modest at `30,000 crore, which is 40% lower than the targeted `51,000 crore for the current fiscal. For perspective, this is the lowest in nine years. Clearly, this is underwhelming as the actual disinvestment in the current fiscal itself is likely to be 60% lower than the target. Although it makes sense to set a smaller disinvestment target and over-achieve it, much like what has happened with revenue collections in recent years, there is no doubt that the forthcoming election is responsible for shifting the focus away from divestment and privatisation or strategic disinvestments. The difference between disinvestment and strategic disinvestment is that the former entails incremental scrip sales of listed public sector undertakings while the government retains majority control while the latter involves a shift of management control to the acquiring party. Ahead of elections, governments are generally cautious about scaling up such exercises—popularly perceived to be selling the family silver to pay the butler—because of opposition from powerful trade unions.

While the elections are responsible for going slow on future disinvestments, this exercise has been running out of steam during the past few years. More so with strategic sales despite the government declaring that it has no business to remain in business. For starters, the government has never met its disinvestment targets since FY20 according to a report in this newspaper. The proximate causes include volatility in the stock market and obstacles created by administrative ministries. As for strategic sales, the successful transactions so far have been only Air India and Neelanchal Ispat Nigam Ltd in FY22 and FY23, respectively, both of which went to the Tata Group. This limited progress contrasts sharply with the sweeping agenda announced in Budget 2022, which also included BPCL, Shipping Corporation of India, Container Corporation of India (Concor), IDBI Bank, BEML, Pawan Hans, besides two public sector banks and a general insurance company. On IDBI Bank, the government has received multiple expressions of interest from domestic and foreign investors and the exercise could possibly be concluded next fiscal. Concor has been hanging fire since 2019 as the railway ministry's processes have been slow. There are doubts whether this transaction would be concluded even in FY25.

As plain vanilla stake sales are not fraught politically, the government must push through divestments next fiscal to cash in on the rallies in the stock markets and must be carried out as frequently as possible. Strategic sales are more complicated. As they are controversial, the bureaucrats involved in these complex processes fear penal action or harassment in the future. Perhaps provisions need to be built into the laws to protect the civil servants working on these transactions. Even though strategic sales take place through transparent bidding processes, there is clearly some anxiety that needs to be addressed. But the disinvestment targets can be more ambitious to fetch the government sizeable non-tax revenues to fund its capex plans to boost overall economic growth. Relying on market borrowings is not desirable. While at some point the private sector must do the heavy lifting in terms of investments, the government must have the tax and non-tax revenues from disinvestments to complement that effort. https://www.financialexpress.com/opinion/going-slow-on-the-d-word-the-next-government-must-pushdisinvestments-in-next-fiscal/3361276/

9. As Kisan Credit Card loans rise, experts urge caution *(moneycontrol.com)* Jan 10 2024

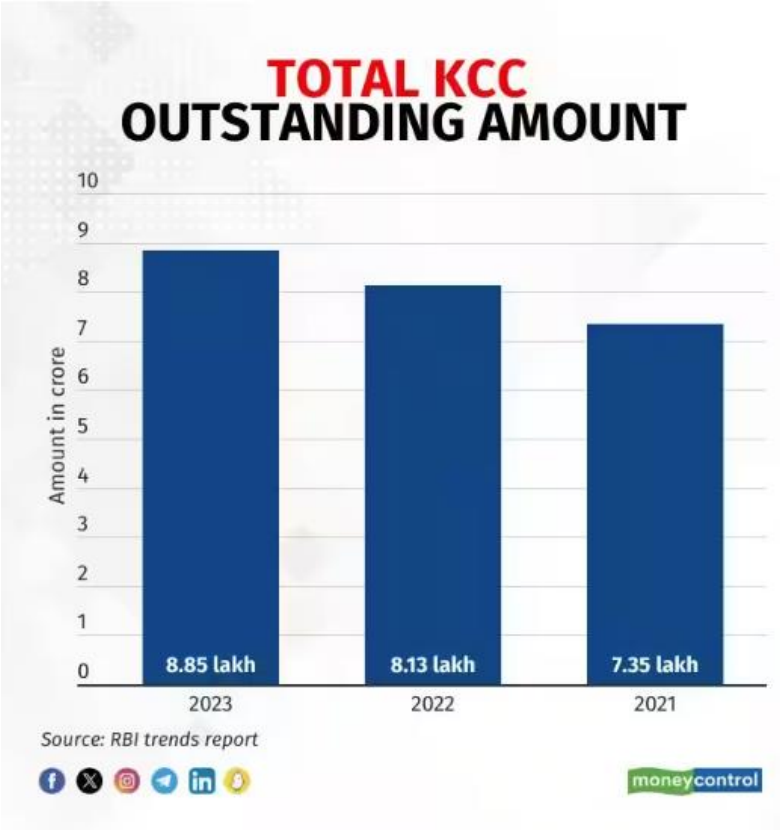
The total outstanding amount under the KCC scheme rose to Rs 8.85 lakh crore in 2023 from Rs 8.13 lakh crore in 2022.

A jump in banks' outstanding loans to farmers through the Kisan Credit Cards (KCC) warrants a cautious lending approach, industry experts said.

The KCC scheme was introduced in 1998. It aims to provide cash to farmers to purchase agricultural inputs and meet their production needs.

The caution advised by experts follows a notable jump in non-performing assets (NPAs) in farm loans in recent years. A major chunk of the farm loans is disbursed through the KCC channel.

The repayment cycle of such loans is such that farmers, at the end of the tenure, can repay only some part of the loan, and not the entire amount of the loan. In other words, these loans are carried forward after the end of the initial tenure.



The numbers

The total outstanding amount under the KCC scheme rose to Rs 8.85 lakh crore for 2023 from Rs 8.13 lakh crore in 2022 and Rs 7.53 lakh crore in 2021, according to Reserve Bank of India (RBI) data. In terms of the number of cards, total KCCs by the end of 2023 stood at 7.35 crore, up from 7.13 crore in 2022. In percentage terms, the total outstanding amount has increased by 9 percent in 2023, compared to an aggressive 20 percent in 2022.

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Experts said that lending to the agriculture sector always needs a cautious approach as it has higher chances of turning non-performing assets (NPAs). A loan is declared an NPA when there is no payment of interest or principal for 90 days.

Anand Duma, Senior Analyst, BFSI, Emkay Global Financial Services, said that NPAs in the agri-loan portfolio of banks could rise worryingly due to extreme weather changes. “It has been observed that weather changes have affected farm production; consequently, there has been a rise in agri-NPA numbers."

How does KCC work?

Under the scheme, cardholders can use KCCs to buy allied and non-farm activity tools like vehicles for logistical support, etc. But often, these loans are used for consumption purposes.

“KCC loans are sometimes used for purposes other than agriculture, farm production, and logistics. This disturbs the overall repayment cycle,” said Vijay Singh Gaur, a BFSI expert.

RBI caution

The RBI's latest financial stability report (FSR) also noted that the NPA from the sector remains high. “The improvement in banks’ asset quality has been broad-based. The GNPA ratio of the agriculture sector remains high at 7 percent,” the FSR report said.

In terms of lending, according to data from the RBI’s latest sectoral credit data, total lending to agriculture stood at Rs 19.31 lakh crore in November 2023, compared to Rs 16.33 lakh crore in November 2022.

Data from banks shows a rise in credit to the agriculture sector. For example, the country’s largest bank, the State Bank of India (SBI), had an agriculture loan portfolio of Rs 2.73 lakh crore in the July–September quarter of the financial year 2023–24, up 15 percent from Rs 2.38 lakh crore from the corresponding quarter last year. The Bank of Baroda’s advances to the sector jumped 13 percent from Rs 1.14 lakh crore to Rs 1.3 lakh crore during the same period.

Additionally, experts highlighted that a change in the KCC scheme can bring more clarity to the repayment process.

Some recovery

Industry players said that there was pressure on KCC loans during the peak of COVID-19, but now recovery is good.

Shripad Jadhav, President and Head of Tractor and Farm Equipment, Crop Loans, and Gold Loans at Kotak Mahindra Bank, said, "After COVID-19, banks are seeing recovery from old NPAs and accounts. The pace of recovery of these loans is also improving."

Gaur also highlighted that under priority sector lending (PSL), banks have to lend some percentage of their loans to the agri sector (among other sectors). "A good pace of recovery will help banks reduce their NPAs," he said. https://www.moneycontrol.com/news/business/as-kisan-credit-card-loans-rise-experts-urge-caution-12028661.html#google_vignette

10. India holds back $600 million strategic oil reserve top-up *(thehindubusinessline.com)* Updated - January 10, 2024

With limited storage capacity and efforts to reduce the fiscal deficit, India seeks to negotiate storage leases, but refiners have shown little interest.

The Finance Ministry has scrapped a ₹5,000-crore ($602 million) plan to top up the nation's strategic crude oil reserves, given the market volatility and the prospect of a further decline in prices.

Instead of buying at current levels — Brent crude has already slumped about a fifth from a September peak and could fall further if supply remains plentiful — the Ministry is asking State-owned Indian Strategic Petroleum Reserves Ltd (ISPRL) to lease out empty underground storage to refiners and global oil majors, according to people familiar with the matter. They asked not be named as the discussions aren't public.

Limited storage
An Oil Ministry spokesperson didn't immediately reply to text messages seeking comment, while a Finance Ministry spokesperson didn't respond to an email seeking comment.

India has limited oil storage capacity, with space for only 39 million barrels of crude — barely enough for eight days of the country's consumption — to use in the event of an emergency. It filled the storage in 2020, when Brent crude prices crashed, but has since released about a third of that oil to local refiners.

The Ministry's decision not to refill its reserves, at odds with other large consumers, comes as New Delhi seeks to lower its fiscal deficit to 5.9 per cent of its gross domestic product in the fiscal year to March, from 6.4 per cent a year earlier. It has instead sought to lease out space, but refiners have expressed limited appetite so far.

That could mean the underground storage caverns remain empty unless market conditions turn, the people said.

The country keeps its strategic oil stockpiles at three sites. A combined 13.5 million barrels of storage space at Visakhapatnam and Mangaluru are currently empty, the people said.

One of the two 5.5 million barrel caverns at the Mangaluru site has been leased to Abu Dhabi National Oil Co. The Finance Ministry has asked ISPRL to discuss the lease of the second unit with local refiners and Adnoc. https://www.thehindubusinessline.com/economy/policy/india-holds-back-600-million-strategic-oil-reserve-top-up/article67728175.ece

11. Riding high on the growth momentum *(hindustantimes.com)* Jan 10, 2024

The challenge for India is to sustain growth in the 7% range, or possibly aim higher at achieving 8% growth, without losing out on its hard-won macro stability

The Indian economy's growth continues to surprise: The recently released advance estimate of Gross Domestic Product (GDP) by the National Statistical Office showed that the economy will grow 7.3% in the current fiscal year 2023-24, slightly higher than last year's 7.2% increase. The growth estimate was higher than Reserve Bank of India's forecast (7%) and consensus projections (6.7%). The number is likely to be revised over five more revisions spread across three years, but it serves as a useful early gauge of growth momentum, the source of growth, and broadly helps the Union ministry of finance in formulating its revenue and expenditure estimates ahead of the Union Budget in February.

What are the key takeaways from the latest release? Two economic developments are becoming increasingly evident and entrenched.

First, India's growth differential with the rest of the world has widened. India's growth rate has kept a 7% handle for the last two years, but the world's GDP growth has slowed. The International Monetary Fund projects global growth slowed from 3.5% in 2022 to 3% in 2023 and is expected to remain subdued at 2.9% in 2024, below the historical (2000-19) average of 3.8%.

The resilience of the Indian economy in the face of slowing global growth points towards its greater ability to deal with the polycrises since the pandemic. Indeed, the economy's strength has surprised market analysts and commentators (including us), as it has navigated volatility in commodity prices, elevated geopolitical tensions, global interest rates at multi-year highs, and weak global trade, all the while maintaining its macro stability. By macro stability, we refer to strong growth while keeping fundamentals robust. The rupee has remained stable relative to previous crises, external financing needs remain manageable, forex reserves are more than adequate, and retail inflation, while admittedly still elevated, is driven more by supply-side factors than runaway demand-pull inflation.

Second, India's growth mix is turning more favourable, shifting towards investment. While consumption still accounts for the largest share of GDP at around 57%, India's investment/GDP ratio has increased to approximately 35% in FY 24, from 32% in the pre-pandemic decade. Since the pandemic, investment has been driven by the public sector, but double-digit growth in FY 23-24 for the second consecutive year also shows that private sector participation has picked up. Not just the investment rate, but the efficiency of capital invested has also risen. If this is sustained, it could have a multiplier effect on overall economic growth, given that it is driven by investments in physical and digital infrastructure.

Going ahead, what will these shifts mean for India? The economy has done very well over the past two years despite multiple headwinds, but the challenge now is to extend this growth phase. India's widening growth differential with the rest of the world could create fiscal and external imbalances — risks of a wider current account deficit, stickier fiscal deficits and elevated price pressures. For instance, as the economy grows faster, increased demand may result in increased imports or higher inflation. Therefore, the challenge for India is to sustain growth in the 7% range, or possibly aim higher at achieving 8% growth, without losing out on its hard-won macro stability.

To enable this, rather than shifting to a new growth model, we think the economy needs to deploy its existing advantages more aggressively, starting with a sustained push towards raising investment further, financed by domestic savings. Higher public investment in critical infrastructure also facilitates private investment, which is critical to creating jobs for India's burgeoning working class. India's much talked about demographic dividend can only be utilised if the rising labour force, especially women, is engaged in gainful employment.

Furthermore, even in the face of a slowing global economy, the target should be raising India's share of global exports: India can, and should, aim to do better in both goods and services exports. The focus on manufacturing sector goods is important both from the point of view of employment (given it is more labour-intensive than the services sector) and self-sufficiency. India's rising importance as a global capability centre hub further underscores its position as a leading provider of telecom and business services exports.

India is currently on the cusp of a breakout moment, poised to be the fastest-growing economy in the medium term. But it will face challenges in a post-pandemic world order of fractured global supply chains, uncertain geopolitics, and elevated interest rates. Both fiscal and monetary policy have so far worked in tandem. A continued, joint focus on maintaining robust macro fundamentals could see the economy taking off as the biggest contributor to global growth by the end of this decade. https://www.hindustantimes.com/opinion/riding-high-on-the-growth-momentum-101704895413205.html

12. India Poised to Be Most Resilient Economy, Grow At 7.4-7.5% In 2023-24: PHDCCI *(businessworld.in)* 11 Jan 2024

The industry body's analysis was based on key macroeconomic indicators, including GDP growth, export growth, gross national savings, total investments and the debt-to-GDP ratio

India is poised to be the most resilient economy among the top 10 leading economies in 2024 and 2025, said the industry body PHD Chamber of Commerce and Industry, in a report after it conducted an analysis.

The industry body's analysis was based on key macroeconomic indicators, including gross domestic product (GDP) growth, export growth, gross national savings, total investments, and the debt-to-GDP ratio.

With a consistent GDP growth rate exceeding 7 per cent over the past two years and a projected continuation of this trend in the current year too, the economy is expected to surpass USD 4 trillion in 2024 and thereafter move to the next orbit in 2025, said Sanjeev Agrawal, President, PHD Chamber of Commerce and Industry, in a press statement.

India as a country is making significant strides for its futuristic growth trajectory, said Agrawal, pegging GDP growth for the current financial year ending March 2024 at 7.4-7.5 per cent.

The Indian economy is expected to grow 7.3 per cent in the current financial year 2023-24, remaining the fastest-growing major economy, the National Statistics Office said on January 5. India's economy grew 7.2 per cent in 2022-23 and 8.7 per cent in 2021-22.

The first advance estimates of GDP by the statistical office come after the Reserve Bank of India (RBI) raised its growth forecast last month by 50 basis points to 7 per cent from an earlier estimate of 6.5 per cent.

According to the industry body PHDCCI, India's economy remains resilient despite the global headwinds.

"Geopolitical conflicts are reshaping the world, disrupting global value chains and causing inflationary pressures. However, India's geopolitical significance is growing significantly, earning praise from international institutions," said Sanjeev Agrawal.

PHDCCI, citing experts, said markets are expected to remain resilient and are expected to make new highs in 2024. The Nifty 50 index and Sensex are likely to significantly surpass 25,000 and 75,000 points, respectively in 2024, benefiting from the government's continued reforms.

The inflation trajectory is expected to be around 4.5 per cent on average in 2024, PHDCCI said in the report. The Reserve Bank of India is expected to cut the repo rate by 100 basis points to bring the level of repo rate at 5.5 per cent by the end of 2024.

The Reserve Bank of India (RBI) monetary policy committee, in its December meeting, unanimously decided to keep the policy repo rate unchanged at 6.5 per cent, thus maintaining the status quo for the fifth straight occasion. The repo rate is the rate of interest at which the RBI lends to other banks.

While deliberating the policy statement Friday morning, RBI Governor Shaktikanta Das attributed declining inflation as the reason behind maintaining the status quo policy stance. https://www.businessworld.in/article/India-Poised-To-Be-Most-Resilient-Economy-Grow-At-7-4-7-5-In-2023-24-PHDCCI-/11-01-2024-505530/

13. SC report exposes severe gaps in accessibility for people with disabilities at courts across India *(thehindu.com)* Jan 10, 2024

A report by the Centre for Research and Planning revealed lack of wheelchair availability, deficiencies in ramps, and infrastructure gaps for people with disabilities across court premises in India

More than half of the District Court complexes in the country do not have ramps, only 25.2% have availability of wheelchairs, and just 5.1% have tactile paving to assist persons with visual impairments in navigating the court building, said a recent report by the Centre for Research and Planning of the Supreme Court.

The first-of-its-kind report, released on December 15, sheds light on the glaring inadequacies in the infrastructure of District Courts across India, raising serious concerns about the impediments faced by people with disabilities in accessing justice.

The report said while accessible toilets for people with disabilities hold fundamental importance, only 30.4% of District Court complexes have separate disabled-friendly toilets.

Visual Impairment

It highlighted that only 5.1% of District Courts have tactile paving to assist persons with visual impairments in navigating the court building. "Inclusivity and accessibility to justice can be ensured to persons with visual impairment by giving them instructions that are accessible to the tactile or auditory senses," the report said.

Hearing Impairment

In a first, the Supreme Court in September last year allowed a deaf lawyer to argue virtually with the help of a sign language interpreter. The Delhi High Court too last year engaged the services of a sign language interpreter to enable a petitioner who was hearing impaired, to understand the proceedings.

While these may be positive signs, as per the report sign language interpreters who could be engaged to assist persons with hearing impairment in accessing court proceedings are available in only 2.8% districts in India.

Infrastructure Gap

The report revealed that out of a sanctioned strength of 25,081 judges in District Judiciary, there are 20,831 courtrooms highlighting infrastructure gap of 4,250 courtrooms.

The report said 73.5% of the available court premises are owned by the judiciary, 13.3% are owned by the respective state government, 2.6% (626 courtrooms) are rented premises, and 10.6% are under construction.

As per information received from the High Court of Jammu & Kashmir and Ladakh, 35 courts in the district judiciary of Jammu & Kashmir and Ladakh are functioning on an ad hoc arrangement from rented accommodation or otherwise.

The report said when courts function in private rented buildings or in stop-gap arrangements, they not only face the challenge of non-availability of necessary amenities but also of a secure work environment due to which all the stakeholders face inconvenience.

While the required provisions for people with disabilities are being made in the newly constructed buildings, with respect to the existing buildings, few High Courts have said that it is difficult to make alterations in the old buildings or those functioning from temporary accommodations due to structural limitations and space constraints.

The report said that the data signifies a "critical shortcoming" in the judicial infrastructure with respect to accessibility, necessitating concerted attention and action.

"There is a need for regular inspection by the concerned agencies like the Public Works Department in coordination with the District Judges to explore modifications that can be made in existing court buildings to make the judicial infrastructure disabled-friendly," it said. https://www.thehindu.com/news/national/sc-report-exposes-severe-gaps-in-accessibility-for-people-with-disabilities-at-courts-across-india/article67726650.ece

14. Delhi used only 28% of funds allotted under clean air programme: Report *(indianexpress.com)* January 11, 2024

The data is part of a five-year NCAP report prepared by Climate Trends and Respirer Living Sciences using data from the network of Continuous Ambient Air Quality Monitoring Stations in the country.

In the last five years, despite a fall PM 2.5 levels by around 5.9%, Delhi is still far from achieving targets under the National Clean Air Programme (NCAP) and has remained the most polluted out of a list of 92 cities in the country in 2023.

The data is part of a five-year NCAP report prepared by Climate Trends and Respirer Living Sciences using data from the network of Continuous Ambient Air Quality Monitoring Stations in the country.

The report also pointed to Union government data that said only 28% or Rs 10.77 crore of the Rs 38.21 crore disbursed to the city by the Union government under NCAP has been utilised. The Delhi government did not respond to questions with regard to the expenditure.

Delhi's annual average PM 2.5 concentration of 102 µg/m3 in 2023, was the highest on a list of 92 cities, including state capitals like Mumbai, Bhopal, Lucknow, Kolkata, Chennai and Bengaluru, for which sufficient air quality monitoring data was available, followed by Patna.

On this list, Faridabad, Ghaziabad, Noida, and Meerut were the other NCR towns and cities that featured in the top 10 list in terms of PM 2.5 levels in 2023. The national capital saw more polluted air in 2023 compared to 2022 when the annual average PM 2.5 level was 99.5 µg/m3. This is, however, 5.9% lower than the average of 108.4 µg/m3 recorded in 2019.

In terms of PM 10 levels, Delhi saw a smaller improvement of 3.9% — from 216.8 µg/m3 in 2019 to 208.4 µg/m3 in 2023.

Delhi was the second most polluted (after Patna) out of 93 cities for which sufficient data was available in 2023 in terms of PM10 levels. The report noted that "there is still much ground to cover to meet the 40% reduction target set by the National Clean Air Programme for 2026".

NCAP, which was launched in 2019 to deal with air pollution in the country, had an initial target of bringing particulate matter levels down by 20% to 30% by 2024.

Funds under NCAP have been released to 131 'non-attainment' cities (cities exceeding national air quality standards for five years) in the country from the 2019-20 financial year onwards. https://indianexpress.com/article/cities/delhi/delhi-used-only-28-of-funds-allotted-under-clean-air-programme-report-9104220/

15. Lead poisoning in Odisha, a silent scourge *(thehindubusinessline.com)* Updated - January 10, 2024

Enforcing regulations on the informal recycling sector and improving waste disposal practices are critical steps

Lead poisoning, a pervasive yet oft-underestimated public health concern, has silently penetrated the landscapes of Odisha, leaving a detrimental impact on the well-being of its residents. Lead contamination in Odisha is primarily attributed to improper treatment of waste from industries and e-waste as well as the informal battery recycling sector, which affects the soil, water and subsequently the food chain.

High levels of cancer causing heavy metals such as lead and chromium have been found in eight wetlands in Odisha, with the highest found at Hirakud — one of the largest human made reservoirs in India. In the modern world, anthropogenic activities like urbanisation, industrialisation and agricultural practices deposit heavy metals in wetlands, which act as heavy metal sinks according to a study.

In the last week of December, New Delhi based think tank Pahle India Foundation convened a Roundtable (where the above-mentioned study was cited) on 'Lead Poisoning in Odisha: Challenges and Way Forward' in Bhubaneswar, one among the 5 cities where higher than average blood lead levels (BLLs) have been found, to better understand the issue.

Aside from contaminated drinking water, fish, vegetables, etc., grown in and around polluted water and soil, can cause indirect ingestion of lead and other harmful heavy metals. Aluminium utensils, imported candy, adulterated spices, toxic paints, etc., are other sources of lead poisoning.

Severe health risks

Lead accumulates in the body and gets deposited in the bones and teeth. It poses severe health risks, particularly to children with developing nervous systems. Cognitive impairments, developmental delays, behavioural disorders leading to reduced educational achievement and diminished earning potential are the consequences. Children from low income households are especially vulnerable due to limited access to healthcare and nutritional deficiencies that exacerbate the impact of lead exposure. Adults are not immune, experiencing adverse effects on cardiovascular health, kidneys and reproductive systems. In pregnant women specifically, lead poisoning can lead to miscarriages, still birth, low birth weight and other complications.

The insidious nature of lead poisoning lies in its often asymptomatic early stages, leading to delayed detection. The absence of visible signs complicates timely interventions, underscoring the importance of systematic screening programmes and accessible blood lead level testing.

A Report of the World Health Organisation says that almost one million people die every year due to lead poisoning across the globe and 1,000-5,000 people die in Odisha, with the most vulnerable being children.

Efforts to combat lead poisoning in the State require stringent regulatory measures. Enforcing regulations on the informal recycling sector and improving waste disposal practices are critical steps. Raising public awareness is another key component of addressing the grave danger of lead poisoning.

Effective intervention demands collaboration between governmental bodies, non-governmental organisations, healthcare professionals, and local communities. A united front can strengthen preventive measures, enhance healthcare infrastructure, and facilitate the dissemination of vital information.

Inter-disciplinary research, including doctors, chemists, agricultural scientists, environmentalists, toxicologists, etc., is absolutely critical to understand the sources of lead poisoning so we can develop effective interventions.

As Odisha grapples with the silent peril of lead poisoning, a comprehensive and coordinated effort is imperative. From regulatory measures to public education and sustainable development, addressing this multifaceted issue requires a united commitment to safeguard the health and well-being of the population. https://www.thehindubusinessline.com/opinion/lead-poisoning-in-odisha-a-silent-scourge/article67727792.ece

16. 'Rs 10,000 Crores': In a Poll Year, a PDS Scam Once Again Poses Corruption Hurdle for TMC *(thewire.in)* 11 Jan 2024

Kolkata: On January 8 (Monday), the Enforcement Directorate (ED) alleged extensive corruption within the West Bengal public distribution system (PDS) scam. ED sources estimated that a single suspect, Shankar Adhya, the former chairman of Bongaon Municipality and a close aide of the arrested minister Jyotipriya Mallick, could be responsible for embezzling up to Rs 10,000 crores.

As the critical general election approaches, the ration scam, involving thousands of crores, adds to the embarrassment for chief minister Mamata Banerjee and senior TMC leaders.

According to ED submissions, Adhya played a direct role in laundering approximately Rs 10,000 crores through foreign currency trading and exchange in the border areas of the state, with nearly half of that sum stemming from the ration distribution scam. The agency claimed in court that Adhya managed to smuggle out over Rs 2,500 crores to Dubai through forex trade.

Sheikh Shahjahan, the other key suspect, remains at large despite an ED look-out circular (LOC) issued for him. The LOC was issued after an armed mob attacked investigating agencies during a raid in Sandeshkhali, North 24 Parganas, last Friday (January 5).

What is the ration scam in West Bengal?

During the COVID-19 lockdown in May 2020, protests erupted in West Bengal over alleged irregularities in the distribution of PDS grains.

A first information report (FIR) was filed in Nadia district. Then-governor of West Bengal Jagdeep Dhankhar (now vice president), and the central government had criticised the state's handling of the PDS. On April 23, 2020, the Centre informed the state that food grain distribution was non-existent under the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY).

According to the Indian Express, under PMGKAY, each ration card holder was entitled to 5 kilogram of food grains and 1 kg of pulses, in addition to the monthly quota of 5 kg of subsidised food grains per person under the National Food Security Act (NFSA). Investigations revealed that an influential businessman, Bakibur Rahman, supplied rice and wheat in insufficient quantities to fair price shop distributors.

Bakibur, allegedly supported by Mallick, a powerful minister close to the chief minister, profited by selling the excess grain in the open market.

ED sources claim that flour mill owners supplied less flour to distributors than paid for by the government. Mill owners claimed that for the price of 1 kg of flour, government suppliers received only about 600 grams. Approximately 30% of the PDS ration intended for beneficiaries in West Bengal was redirected to the open market. In collaboration with some local leaders from the ruling party, rice millers created fake bank accounts for farmers, siphoning off the minimum support price (MSP) earmarked for paddy growers. Rice millers earned nearly Rs 200 per quintal for grains that government agencies were supposed to procure at MSP from farmers, of which, a significant percentage had allegedly to be shared with Mallick, who oversaw the Food and Supplies Ministry in the previous TMC government from 2016 to 2021.

While Partha Chatterjee, another major leader currently in jail, had to lose his portfolio after his involvement in the job recruitment scam came to light, Mallick continues to remain a minister holding key position in the cabinet. Similarly, Shahjahan and Adhya, crucial figures in TMC's electoral strategy in North 24 Parganas, continue to enjoy party support despite being confronted with accusations spanning from financial misconduct to homicide.

Recently, Shovandev Chattopadhyay, a seasoned TMC leader, cautioned that ED officials can anticipate similar resistance from TMC student activists in the days ahead, leading to public outcry.

During the panchayat elections in 2013, 2018, and 2023, opposition parties struggled to field candidates in the Sadeshkhali blocks, where Shahjahan wields significant political influence. Likewise, Adhya's influence in the Matua-dominated border areas near Bangaon became evident when ED officials encountered resistance from his supporters. Following his arrest, many locals came forward and disclosed his involvement in corruption, intimidation, and violence to the local media.

"The corruption in ration distribution poses a threat to the TMC organisation as there are tens of Shahjahan within the party. Their potential arrests could exert pressure on the party, leading to a cascading effect on its influence," observed political analyst Biswanath Chakraborty.

As part of the collusion, ration dealers were compelled to contribute a portion of their monthly earnings to the local syndicate in exchange for the windfall. The Wire spoke to a ration dealer in Murshidabad, whose identity is being withheld for protection. The dealer said, "The amount of money we're paying as bribe and commission to the local syndicate kept on increasing. Many of us felt the dealership was not profitable anymore. I applied three years back to return my licence, but it was not accepted."

"We are a family of five, each with ration cards. Yet, we receive only 12 kgs of rice every month from the ration shop. I use ration cards from other families who do not want to eat this rice, but are eligible for rations. I pay them Rs 25 per kg for their share," said Tapan Roy, a part-time transport worker from Dhupguri in North Bengal.

In 2007, during the tenure of the Buddhadeb Bhattacharjee-led Left Front government, protests erupted over alleged irregularities in the public distribution system. One of the demonstrations, marked by violence, resulted in the death of Ayub Sheikh, a protester, in a clash with the police.

The Wire recently visited Ayub's family, who now claim to have received insufficient rations. Jhunafa Bibi, Ayub's wife, said, "Sometimes the rice arrives in a month, sometimes it doesn't. Kerosene is unavailable. Previously, lentils were accessible; now there are none. Wheat flour arrives irregularly, and the quality is very poor!" https://thewire.in/politics/rs-10000-crores-in-a-poll-year-a-pds-scam-once-again-poses-corruption-hurdle-for-tmc