NEWS ITEMS ON CAG/ AUDIT REPORTS

1. GST Dues Not Pending, Some States Yet To Submit Accountant General's Certificate: Centre *(swarajyamag.com)* 13 Dec 2023

The Centre has said no GST dues of any State are pending before it and that some state governments have not submitted AG's authenticated certificate for release of their share of funds.

Union Finance Minister Nirmala Sitharaman, in response to a supplementary question in the Rajya Sabha, refuted the claim that the Centre has outstanding GST dues. She labeled the narrative that GST dues are pending from the Centre as a "misnomer", stating that the states have not submitted their AG's report.

"It is important to understand that if the AG's (accountant general) certification is (mandatory)... If the AG's certificate does not reach us, we can not clear," she said.

Some states, even after sending AG's certificate, tell us to hold on till they clear it finally, she said.

The Finance Minister's reply came in response to an inquiry made by Saket Gokhale, a member of the Trinamool Congress, who questioned the GST dues owed to states, especially to West Bengal.

He also sought a reason for which the GST dues of the states were withheld.

In response, the Finance Minister assured that she would explicitly mention certain states to eliminate any potential confusion among the public.

Goa has yet to provide the Auditor General's certificate for the fiscal years 2017-18, 2018-19, and 2019-20. Additionally, the report for fiscal year 2021-22 and the first quarter of fiscal year 2022-23 has not been sent.

She stated that for the 2022-23 period, Karnataka is the only state that has provided an AG's certificate so far.

West Bengal has yet to submit the Auditor General's report for the fiscal year 2019-20 through the first quarter of the fiscal year 2022-23.

"AG's certificate has not come from West Bengal, so the amount would not be released," she said, adding, "to call it pending, I am sorry, its a misnomer. Let them send AG's certificate, we will clear it".

"Kerala has sent us AG's certificate but has also told us to hold on till they reconcile the numbers with AG themselves. So we are holding on. It is not pending from our side," she added, The Hindu reported.

MoS Finance Pankaj Chaudhary, who was present in the house, clarified that there are no outstanding GST dues owed to any state government. He confirmed that these have already been disbursed to the respective states.

"Even some states have not sent their AG's report, despite that we have made some provisional payments. Once AG's report is received, they will receive final payment," he said.

Rajiv Shukla, a member of Congress, brought up the concern of arrest provisions being misused. He questioned the government about the measures they plan to implement to simplify the procedure of filing GST.

In response, Sitharaman said that the Finance Ministers of State governments, who are members of the GST Council, are being informed about the challenges encountered by traders and business communities at the grassroots level.

"The GST Council does discuss these things and periodically the forms are being simplified accordingly," she said.

Sitharaman stated that the council had taken action concerning the abuse of power by local officials who overstepped their boundaries.

The Finance Minister further said she would welcome any member who thinks that there are difficulties faced on the ground, particularly officers who are exceeding their briefs, she would be happy to receive and take action against them. https://swarajyamag.com/news-brief/gst-dues-not-pending-some-states-yet-to-submit-accountant-generals-certificate-centre

2. No pending GST dues to states, says FM *(newindianexpress.com)*

13 Dec 2023

The Centre on Tuesday clarified that there are no pending goods and services tax (GST) dues to any state. Finance minister Nirmala Sitharaman addressing a supplementary question in Rajya Sabha, stated the narrative suggesting pending GST dues from the Centre is incorrect and a “misnomer”. She said certain state governments have not submitted the authenticated certificate from the Accountant General (AG) required for the release of their share of funds. Sitharaman underlined the importance of AG’s certification and clarified that without it, Centre can’t clear funds. She explained that some states, even after submitting AG’s certificate, have requested to hold on until they reconcile numbers.

Sitharaman specifically named West Bengal and Goa, stating that they have not submitted the AG’s report for several fiscal years. “AG certificates not yet received as yet for states like Goa.. not come from West Bengal. To call it pending, it’s a misnomer. Let them come with AG certificate, we will clear it. Other states which have not submitted AG certificate.. one state Kerala sent AG certificate, has asked to hold on so till they reconcile with the AG certificate themselves.

So, we are holding,” she stated. Minister of State for Finance Pankaj Chaudhary corroborated FM’s statement, affirming that there are no pending GST dues from any state government. He explained that provisional payments have been made to some states despite them not submitting the AG's report.

Final payments will be processed once the AG's report is received. Sitharaman noted that discussions in the GST Council address the challenges faced by traders and businesses on the ground. https://www.newindianexpress.com/business/2023/dec/13/no-pending-gst-dues-to-states-says-fm-2641116.html

3. Priority to fiscal prudence without denying funds for social welfare schemes, says FM *(thehindubusinessline.com)* 12 Dec 2023

Finance Minister Nirmala Sitharaman on Tuesday said the Centre gives priority to fiscal prudence without compromising on resources for welfare schemes. She also emphasised that the Indian economy is moving in the right direction and macroeconomic indicators are healthy.

"Fiscal prudence is given priority and at the same time not denying any funds for social welfare," Sitharaman said while replying to debate on first Supplementary Demands for Grants (SDFG) in the Lok Sabha.

SDG refers to the statement of supplementary demands laid before Parliament, showing the estimated amount of further expenditure necessary for a financial year, over and above the expenditure authorised in the annual financial statement for that year.

Cash outgo
Post debate and reply, Lok Sabha approved fresh cash outgo of over ₹58,000 crore in the current fiscal ending March 2024, with a large chunk going towards MGNREGA and subsidy on fertilizer.

As of March 31, 2023, the total number of Central government pensioners was around 68 lakh, including defence pensioners.
No proposal under consideration to revert to Old Pension Scheme, says FinMin

Talking about the overall economy, she said: "Our economy is moving in the right direction. Macroeconomic fundamentals are fine. We have become the fastest-growing economy. Q2 growth of 7.6 per cent is the highest in the world."

On MNREGA, she said it is a demand-driven programme, and the government allocate funds accordingly. On complaints of members that the Centre delays the release of funds to States, Sitharaman said they are done in accordance with the rules on receipt of utilisation certificate.

Onion export ban
Responding to a specific question raised by NCP's MP Supriye Sule, Sitharman defended government's decision to impose export ban on onion. "I understand the concern, but if there are crop shortages and if there are difficulties of getting something as essential as onion to the market, we will have to ensure that Indian consumers get the priority and therefore, sometimes we need to come up with these measures," she said.

The government on December 8 banned exports of onion till March next year to increase domestic availability and keep prices in check, which is currently selling at about ₹60 per kg.

GST Dues
Earlier, in response to a question in the Rajya Sabha, the FM said GST dues are pending from the Centre is not correct and is a "misnomer" as states have not submitted AG's report.

"It is important to understand that if the AG's (Accountant General) certification is (mandatory). If the AG's certificate does not reach us, we cannot clear," she said. while responding to a question from Trinamool Congress member Saket Gokhale, who asked about the GST dues of States, especially to West Bengal.

The Finance Minister said she would specifically name some States "so that there are no doubts in the minds of the people". Goa has not submitted AG's certificate for FY18, FY19 and FY20. It is also yet to send the report for FY22 and the first quarter of FY23.

West Bengal has also not submitted AG's report from FY20 to the first quarter of FY23. "AG's certificate has not come from West Bengal, so the amount would not be released," she said, adding, "to call it pending, I am sorry, it's a misnomer. Let them send AG's certificate, we will clear it." There are several other states which have not submitted AG's report. https://www.thehindubusinessline.com/economy/priority-to-fiscal-prudence-without-denying-funds-for-social-welfare-schemes-says-fm/article67630886.ece

STATES NEWS ITEMS

4. PIL in Patna High Court Alleges Gross Mismanagement Of Health & Education Cess Funds Since 2008 *(livelaw.in)* 13 Dec 2023

A plea has been filed in the Patna High Court, urging the court's intervention to address the critical issue of non-utilization and mismanagement of funds collected under the Health and Education cess, formerly known as the Secondary and Higher Education Cess, since 2008.

Advocate Shama Sinha, the petitioner, argued that the failure to appropriately utilize these funds has adversely affected education in India, specifically in the State of Bihar.

Emphasizing the fundamental principle that a cess is a specific levy collected for a particular purpose, in this case, the enhancement of education and health initiatives, the petition highlights serious deficiencies in channelling these funds for their intended objectives.

"However, despite substantial collections over the years, there have been serious deficiencies in channelling these funds for their intended objectives. The Madhyamik and Uchchtar Shiksha Kosh (MUSK), designed to utilize these funds for educational schemes, has not been operationalized till date as per CAG report," the petition states.

The petition underscores multiple reports by the Comptroller and Auditor General (CAG) of India, parliamentary standing committees, and recent budget allocations, all of which underscore the underutilization, misallocation, and delays in the utilization of these cess funds. Furthermore, the petitioner emphasizes the lack of transparency, accountability, and compliance with CAG recommendations in managing these funds.

In light of these concerns, the petitioner has prayed the Court to issue directions to the respondents to ensure the immediate and proper utilization of the accumulated funds, operationalize MUSK as per statutory obligations, establish a transparent mechanism for fund management, and adhere to CAG recommendations.

Additionally, the petitioner has sought the Court's intervention to enforce the principles of fiscal accountability, transparency, and good governance. https://www.livelaw.in/high-court/patna-high-court/pil-filed-in-patna-high-court-alleging-gross-mismanagement-of-health-and-education-cess-funds-since-2008-244399

5. Another Scam of outgoing Gehlot Government? Rs 3,000 Crore of Rajasthan Employee Welfare Fund Used For Freebies: Report

(swarajyamag.com) December 12, 2023

After manipulation in Rs 1,000 crore of the National Pension System (NPS), an irregularity in the Employee Welfare Fund has come to light from Rajasthan during Ashok Gehlot's tenure, as per Amar Ujala's report.

An amount of Rs 3,000 crore in the settlement fund of the General Provident Fund (GPF) was supposed to be deposited in the Employee Welfare Fund but has been diverted to reduce the revenue deficit.

The announcement of a Rs 3,000 crore Employee Welfare Fund was made in the budget of 2020-21. The outgoing Gehlot government decided in the meeting chaired by Chief Financial Secretary Akhil Arora on 10 June 2021, that the unclaimed money in the accounts of the GPF would be kept in the Employee Welfare Fund until the account holders claim it.

However, the Finance Department spent money to replenish the revenue deficit instead of depositing it in the Employee Welfare Fund, despite Comptroller and Auditor General's (CAG) objection. Until October 2023, not a single rupee had been deposited in the Employee Welfare Fund.

As of April 2020, a total of Rs 34,262 crore of 3.91 lakh employees were deposited in the GPF accounts. However, Rs 31,279 crore was shown on the SIPF portal. There was a difference of Rs 2,984 crore in reconciliation, which the government declared unclaimed.

However, this could be an error as even after deductions, the entry does not appear in employees' accounts several times. The amount is adjusted in the employees' accounts during retirement or in service period if loans are taken from the GPF.

Ignoring this, the officers of the Finance (Expenditure) Department first considered it unclaimed and then used to reduce the revenue deficit and run freebie schemes.

However, according to the rules, even if this money is considered unclaimed, it should have been deposited in the public account first and kept safe in this account for some period. Only then could this amount be considered unclaimed.

When information about this reached the CAG, it wrote two letters to the Finance Department of Rajasthan government objecting to it. The CAG also mentioned this in its report tabled in the Legislative Assembly this year. https://swarajyamag.com/news-brief/another-scam-of-outgoing-gehlot-government-rs-3000-crore-of-rajasthan-employee-welfare-fund-used-for-freebies-report

6. Maha govt orders audit of BMC's financial deals in past 25 years - under Shiv Sena (UBT) rule *(daijiworld.com)* Dec 12, 2023

Heating up the political atmosphere ahead of the civic elections, the Maharashtra government has ordered an audit into the financial transactions of the BrihanMumbai Municipal Corporation (BMC) for the past 25 years when it was controlled by the Opposition Shiv Sena (UBT).

The government has set up a three-member panel to carry out the audit of the country's biggest and richest civic body, in a move ostensibly aimed at targeting Shiv Sena (UBT) President and former Chief Minister Uddhav Thackeray, ahead of the upcoming elections.

Reacting sharply to the developments that took place late on Monday night, Thackeray asked on Tuesday as to why only the BMC should be singled out and demanded that the government should also probe the finances of all other civic bodies in the state.

"We are ready for any audit… But why only the BMC? The government should order an audit into the finances of all the civic bodies in the state, and even the rest of the country," Thackeray said sarcastically.

Thackeray specifically named Nagpur, Pune and Thane, which have been ruled by the BJP, particularly Nagpur -- from where Deputy CM Devendra Fadnavis hails -- which was sunk due to the floods in the last monsoon.

Ruling Shiv Sena's Industry Minister Uday Samant announced the panel late on Monday night after demands were raised by ally BJP MLA Yogesh Sagar, raising apprehensions over the BMC's finances in the past 25 years and its current financial status, as other MLAs also joined in alleging scams galore.

Samant said that a detailed probe will be conducted into the BMC"s financial affairs for the past quarter-century and the findings will be submitted in the form of a white paper in 2024.

Meanwhile, Shiv Sena (UBT) MP Sanjay Raut sought a probe into the Urban Development Ministry headed by Chief Minister Eknath Shinde, alleging that it is the most corrupt in the present government.

“If they don’t have auditors who can understand it, then tell us… Our Shiv Sainiks are also good auditors and we can explain everything to them,” said Raut in a swipe.

It may be recalled that last year, the state government had ordered a special audit by the Comptroller & Auditor General (CAG) into the BMC’s finances specifically pertaining to alleged irregularities committed during the Covid-19 pandemic period between November 8, 2020 and February 28, 2022. https://www.daijiworld.com/news/newsDisplay?newsID=1148707

SELECTED NEWS ITEMS/ARTICLES FOR READING

7. Indian Army To Receive Second Tranche Of 70,000 US-Made Sig716 Rifles As Defence Ministry Greenlights Purchase

(swarajyamag.com) December 13, 2023

The Ministry of Defence (MoD) has cleared a proposal for the Indian Army to buy a second batch of 70,000 Sig716 rifles, reported ANI.

These rifles will be primarily for army troops engaged in counterterrorism operations in Jammu and Kashmir (J&K).

A high-level MoD meeting, attended by senior military and government officials, approved the order.

This comes a year (May 2022) after reports of MoD cancelling an order of another 70,000 Sig716 rifles due to some operational issues. According to a senior Defence Ministry official, the Sig716 rifles have a compatibility issue in India, due to different operational conditions, even when the rifle works fine in American conditions.

"The Sig716 rifles may work fine in America, but there can be compatibility issues in India due to different operational conditions," said the officer.

The procurement of over 70,000 assault rifles, valued at more than Rs 800 crore, comes at a crucial time.

The Indian forces are currently engaged in a military standoff with China and are actively involved in extensive counterterrorism operations along the Line of Control (LoC), combating Pakistan-backed terrorist activities.

India has previously procured over 70,000 of these American-manufactured assault rifles. They are currently in use in Ladakh along the China border and in the Kashmir valley. The decision to acquire these rifles was initially taken by the military to obtain a weapon with a longer range capability.

Notably, in February 2019, India ordered 72,400 Sig716 rifles (of 7.62x51mm calibre) – 66,400 for the army, 4,000 for the air force, and 2,000 for the navy.

The choice of the Sig716 assault rifle, selected from various contenders, was based on its high calibre and extended range capabilities.

It is also more lethal than the INSAS Rifle or the AK-47 and its variants, which are currently in service.

In addition to the Sig716 rifles, the Indian forces are poised to receive the AK-203, produced by a joint venture between two companies in the ordnance factory near Amethi, Uttar Pradesh.

Furthermore, the Indian forces have recently added a significant number of Russian AK-103 rifles to their arsenal, further bolstering their capabilities against terrorist threats and in conventional operations. https://swarajyamag.com/defence/indian-army-to-receive-second-tranche-of-70000-us-made-sig716-rifles-as-defence-ministry-greenlights-purchase

8. A long-awaited win on Loss and Damage *(financialexpress.com)*

December 13, 2023

Private sources of financing will be key to the Fund's success. Companies, philanthropic foundations and other non-state actors can all contribute to the Fund. Highly polluting companies—such as those in fossil fuels, shipping and aviation—would be wise to voluntarily contribute to help address the loss and damage they cause, in line with the "polluter pays…

Change happens slowly, then all at once. For thirty years, developing countries, particularly those most vulnerable to the adverse effects of climate change, have voiced the need for funding to help them deal with the worst impacts of climate change. Both sudden disasters like hurricanes and flooding, and slow onset events like sea level rise and desertification are causing loss and damage to lives, livelihoods, and property.

Following decades of contentious negotiations, the last few years have witnessed substantial movement on the issue of loss and damage at climate talks. Last week, at COP28 in Dubai, countries formally established a new fund to help particularly vulnerable developing countries address the mounting climate impacts they are experiencing. The Fund has broken three precedents: first, governments broke with protocol and adopted the decision to create the Fund at the start, rather than the end of the climate summit. Second, this early adoption paved the way for governments to pledge funding right away. Within minutes, Germany, the United Kingdom, the United States and several other countries together committed several hundred million dollars for the new institution. Third, the first country to step up and pledge—at $100 million, one of the largest commitments to the Fund so far—was the host of COP28, the United Arab Emirates (UAE).

This is significant because the UAE does not have a formal obligation to provide financial support under the UN's foundational climate treaty, the Framework Convention on Climate Change. The fact that the UAE led the way in pledges suggests we may be heading into a new era where the "nouveau riche" countries that have become extremely wealthy from fossil fuel exports are facing up to their responsibility for the climate crisis and joining the "old wealth" Western nations as climate finance contributors under the international climate regime.

With over $650 million in pledges, the Fund now has momentum through this rapid establishment and start-up capitalisation, which is encouraging. However, countries cannot be complacent and must ensure they operate quickly to deliver critical support to vulnerable communities. Studies show that the loss and damage bill already runs into the hundreds of billions per year. The new Fund will need much more money to deliver on its ambition. It is set up to accept contributions from three sources: public funding from governments, private finance, and new and innovative finance mechanisms. All three must play a role.

More nations need to step up and pledge to the Fund, particularly developed countries such as Austria, Belgium, and Sweden which have yet to announce contributions. Many developed countries pledged only modest amounts and should work to increase their contributions in the coming months and years. The UAE's leadership paves the way for other rich petrostates, such as Saudi Arabia, Qatar and Kuwait, to make significant contributions. Large Asian economies, such as South Korea, Singapore and China, would also be lauded if they stepped up with contributions.

India, although not required to contribute, could provide technical assistance and share knowledge from its own experience dealing with climate disasters. Private sources of financing will be key to the Fund's success. Companies, philanthropic foundations and other non-state actors can all contribute to the Fund. Highly polluting companies—such as those in fossil fuels, shipping and aviation—would be wise to voluntarily contribute to help address the loss and damage they cause, in line with the "polluter pays principle," the bedrock of environmental law. If they don't, governments could explore ways to compel them to.

This is where new and innovative sources of financing will play an important role. A new task force on international taxation, led by one of the key architects of the Paris Agreement, Laurence Tubiana, will consider several proposals in the coming months, such as taxes on fossil fuel industry profits ($4 trillion last year); a levy on the emissions of the shipping industry; and surcharges on business and first-class flights. Some of these ideas are already being used for non-climate purposes. Several European countries imposed windfall taxes on fossil fuel companies last year.

Major oil importers pay into an international fund that would provide compensation for oil spills. France and South Korea put a levy on airline tickets to help fund contributions to a global health fund. With several innovative mechanisms for financing in the works, India could consider joining existing efforts and adding its voice on how these sources could be scaled up and directed for loss and damage.

As the world finally begins to rally to help the most vulnerable deal with the adverse effects of climate change, we cannot lose sight of the fact that reducing greenhouse gas emissions and increasing resilience to climate impacts are key to reducing loss and damage, and remaining priorities at the climate talks. While the new fund set the tone at the start of COP28 for money to flow to the worst affected, the close of COP28 must also yield progress on scaling up emissions reductions, establishing goals for measuring progress on adaptation, and, crucially, the financing to achieve all of these priorities.

https://www.financialexpress.com/business/sustainability-a-long-awaited-win-on-loss-and-damage-3337338/

9. Empty talk on climate change *(thehindubusinessline.com)*

Updated: December 12, 2023

Given how serious the environment situation is, it is vital to set targets that are achievable

When it comes to tackling climate change, the targets set are often very lofty. The latest one is the Global Renewable and Energy Efficiency Pledge (Pledge) where 118 countries have agreed to triple their renewable energy capacity to at least 11,000 gigawatts (GW) and also double their annual energy efficiency improvement to more than four per cent by 2030.

Similarly, on nationally determined contributions (NDCs), a lot is being promised but actual progress made on the ground leaves much to be desired.

Yet another case of setting ambitious targets is the decision of many countries to go net-zero by around 2050. However desirable, these targets are ambitious given the current use of fossil fuel and tardy pace of decarbonisation.

According to Net Zero Tracker (an independent reviewer of all member states of UNFCCC), net-zero declaration has been made by 151 countries (either through policy documents or pledges etc) out of which 27 countries have backed it through legislation. The desire to go net-zero has percolated down to sub-national governments also and about 260 cities have made a similar declaration.

The private sector, too, has not lagged behind and more than 1000 publicly listed companies from the Forbes Global 2000 list have given long-term targets to reduce carbon emissions. Incidentally, according to Net Zero Tracker, the global net-zero coverage includes 88 per cent of the emissions, 92 per cent of the GDP (purchasing power parity) and 89 per cent of the population. Comparing the targets set by governments and corporates with the achievements on ground, four reports show how grim the reality is.

Achievement deficit

UNEP's 14th Emission Gap Report (2023) states that by implementing the current NDCs, the temperature will still rise between 2.4 degree centigrade and 2.9 degree centigrade. The earth's temperature has already risen by an average of 1 degree centigrade compared to pre-industrial levels and one can see how devastating the effect has been in the form of cyclones, floods, submergence of low-lying areas, droughts etc. The year 2023 has been recorded as the hottest year ever and the month of September as the hottest month. If the earth's temperature actually rises by 2.5 degree centigrade or more, the effects would be catastrophic. The latest report to be released on climate issues is the one from the Global Carbon Budget and it was made public during the COP28 deliberations itself.

The report states that countries are expected to emit a total of 36.8 billion tonnes of carbon-dioxide (CO_2) from fossil fuels in 2023, an increase of 1.1 per cent from that of last year and 1.4 per cent increase from pre-Covid 2019 level.

The report further cites that there is a 50 per cent chance of breaching the 1.5 degree centigrade target in about seven years' time. India's annual CO_2 emissions in 2023 which is likely to be 8.2 per cent up from last year (Global Carbon Budget 2023), would be double the expected rise in China. In absolute terms, China's emissions would be around four times that of India. Incidentally, India's CO_2 emissions since 2022 are more than that of the European Union.

Two scenarios

There are two scenarios emerging. First, there is inadequate inaction on the targets set in the NDCs and second, the targets themselves are impractical in some cases and out of sync with ground realities. As far as the latter is concerned, in the recently signed Pledge, it seems that targets are being set without due diligence. To triple renewable capacity, one has to rely on sources that have major potential and they are hydro, solar and wind.

Ramping up hydro capacity in the next seven years is relatively difficult, so one will need to concentrate on wind and solar. Moreover, we would need to rely on those countries which not only have a good potential for wind and solar generation but also have the capacity to absorb such excess generation — China, the US and India.

India, for some inexplicable reason has not signed the Pledge even though as G20 President, it was party to the decision that renewable capacity would be tripled by 2030! Whether China and the US can meet the 11,000-GW target is debatable. If we are serious about climate change, we should be practical and fix targets that are attainable.
https://www.thehindubusinessline.com/opinion/empty-talk-on-climate-change/article67631583.ece

10. The COP flop? Diluted promises threaten to blunt climate action *(hindustantimes.com)* Updated: December 13, 2023

Climate talks at the COP28 summit in Dubai were likely to run into overtime on Tuesday after a draft global stocktake text late on Monday night angered groups of developed countries, EU and island nations that insisted on a commitment for rapid phase-out of all fossil fuels.

The text, a fourth draft released after 10 days of discussions, called on countries to take steps that "could" reduce "consumption and production of fossil fuels, in a just, orderly and equitable manner" — a significant watering down of obligations that would bind all countries for their climate action.

While the COP28 presidency promised to revise the draft and bring changes more palatable to both sides, the shape it takes was likely to become evident only early on Wednesday.

While there was some movement on several areas, this year's negotiations also signalled a hardening of stance by countries with various "climate ambitions" and compulsions. A look at five takeaways from the negotiations:

The only silver lining... somewhat

What may perhaps emerge as the only success story of this year's talks is the operationalisation of the Loss and Damage Fund.

At the first plenary on the opening day itself, the countries agreed on the World Bank hosting it for an interim period of four years. It began with an initial pot of $475 million — host UAE pledged $100 million, the European Union promised $275 million, $17.5 million came from the US, and $10 million from Japan — and later swelled to around $700 million.

"The work is far from over. After the gavel drops at COP28, we cannot rest until this fund is adequately financed and starts to actually alleviate the burden of vulnerable communities. Success starts when the international community can properly support the victims of this climate crisis, with efficient, direct access to the finance they urgently need," said Ambassador Pa'olelei Luteru, AOSIS (Association of Small Island States) Chair.

But there are shortcomings in this as well. The (for now) $700 million fund remains almost incomparably short of the $300 billion needed annually by 2030 according to UN estimates.

Another compromise is the voluntary nature of the contributions.

The approved text states: "…urge developed country Parties to continue to provide support and encourage other Parties to provide, or continue to provide support, on a voluntary basis, for activities to address loss and damage."

"Developed countries need to pledge new and additional funds to the Loss & Damage Fund so that support can be provided to countries and communities where it is most urgently needed. This support should be in the form of grants rather than loans that risk further indebting these economies," said Ulka Kelkar, Executive Director, Climate, WRI India.

A world divided on renewables

On December 2, 118 governments pledged to triple the world's renewable energy capacity by 2030 in a bid to cut the share of fossil fuels in energy production.

It was revealed as part of the Global Decarbonisation Accelerator (GDA), a series of "initiatives designed to speed up the global energy transition", and decarbonising the sector that include expanding nuclear power, cutting methane emissions and choking off private finance for coal power.

Sultan al-Jaber, COP28 summit President, said: "This can and will help transition the world away from unabated coal."

But this is again far from ground reality. While China and India — among the top three emitters currently — have signalled support for tripling renewable energy by 2030, both refrained from signing the pledge last weekend.

"It's disheartening that India has not signed on to the global pledge to triple renewable and double energy efficiency by 2030. These were landmark decisions that were championed by the Indian G20 presidency and agreed to by G20 leaders in September 2023. Reaching net-zero commitments made by countries means that fossil fuels, including coal, need to be phased down and out," said Madhura Joshi, Senior Associate, India Energy Transition Lead, E3G.

Nearly 75% of India's energy needs are met with fossil fuels, primarily coal. Data from the Global Energy Monitor shows the country has 35.9 GW of new coal proposals in various pre-construction phases and about 31.6 GW in the construction phase.

Equity stands to derail talks

Most developing countries have refused to support any language that calls for phasing out fossil fuels without addressing the issue of common but differentiated responsibilities and respective capabilities (CBDR-RC).

Largely a principle, CBDR has become a major flashpoint, with developed nations pushing for references to be removed.

Even in the adaptation goal discussions, the US has said it will not support any references to CBDR in the text, preferring the "no text" option in this regard.

"They (the US) are the largest oil and gas producer and they have huge projects in the pipeline. They also do not wish to deliver on any finance for adaptation or mitigation and have again and again tried to remove references to CBDR. Basically, they want to push the mitigation burden to developing nations," a negotiator from the like-minded developing countries (LMDC) group, which India is a member of, said.

Switzerland, on behalf of the High Ambition Coalition, said they will not accept principles of equity or differentiation. "We cannot leave this COP without having guidance towards our new set of nationally determined contribution (NDC). We need all NDCs to be aligned with Paris Agreement's 1.5 degrees C goal and call on all countries to align with absolute economy wide NDCs. We need key players. We need unity. We cannot accept references to differentiation that seek to redefine the careful balance reached in Paris. Let us all agree to global objectives and it is up to countries how they can reach them," said the country's representative.

Adaptation remains a sticking point

Two drafts of the Global Goal on Adaptation so far have been met with resistance, with developing countries, including India, seeking a clear differentiation of adaptation and mitigation strategies.

The text used vague terms such as "transformative adaptation" and "maladaptation avoidance", without any clarity on what they mean.

It also called on countries to close the finance gap and spoke of "the importance of making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development,", even as it omitted the needs of the countries spelled out in the Adaptation Gap Report. The text also failed to detail a pathway for scaling up the finance.

An Indian official, privy to the negotiations, told HT on Monday that most targets are mitigation centric.

“This can muddle financial flows to adaptation and mitigation. All the targets including the one on attaining climate-resilient food and agricultural production and supply; strengthening resilience against climate-related health impacts are mitigation oriented. Terms such as maladaptation and transformational adaptation are also not acceptable to us,” the official said.

While mitigation requires measures to address the underlying problem by slowing or stopping the rise in emissions from fossil fuels, adaptation is needed to withstand and minimise the impacts of the climate crisis.

A future with fossil fuels?

The latest draft of the Global Stocktake — the first ever review of the progress on Paris Agreement — succeeded in bringing fossil fuels to the table. This is the first time an international climate treaty mentions fossil fuels, all of three times. The last five outcome documents only mention fossil fuel subsidies.

But it failed in one critical aspect: a commitment to phase out fossil fuels.

Section 39 of the text highlighted “the need for deep, rapid and sustained reductions in GHG emissions”, instead of the need to cut use of fossil fuels, listing the steps countries “could” take for the same.

Differences have emerged between developed countries insisting that a science-based approach to fossil fuel reductions must be followed, and developing nations who say that they need the fuels to develop their economies and richer nations must shoulder responsibility for the cuts.

“We have no alternative than to follow the science. We have to peak emissions by 2025 at the latest and must reduce emissions by 43% this decade,” said EU Climate Action commissioner Wopke Hoekstra.

Separately, petro-states such as Saudi Arabia have resisted attempts by wealthy nations to target oil. “We have raised concerns on attempts to attack energy sources instead of emissions. There are attempts to present sectoral targets with lack of differentiation. This platform should not be used to target specific sources of energy. It is at odds with the Paris Agreement and has a policy prescriptive nature,” said the representative from Saudi Arabia.

Consensus on the document is needed before negotiations close for another year without any clear pathway on how to curb emissions and keep 1.5°C alive. https://www.hindustantimes.com/india-news/the-cop-flop-diluted-promises-threaten-to-blunt-climate-action-101702404542178.html

11. RBI's study reveals pain points in State Budgets *(thehindubusinessline.com)* Updated: December 12, 2023

Growing debt can prove troublesome amidst increasing interest rates

The Reserve Bank of India's report on the fiscal position of State governments from 2021-22 to 2023-24 has tried to highlight the positives such as reduction in consolidated fiscal deficit, elimination of revenue deficit and vast improvement in capital expenditure in FY23 and FY24. Yet, as the report acknowledges, the aggregate numbers conceal the poor fiscal management and accumulation of huge debt by many of the larger States. The suggestions in the report on ways to increase States' own tax and non-tax revenue are well-intentioned, but absence of political will could hold up implementation of these ideas.

The report says that States have been fiscally prudent with gross fiscal deficit at a consolidated level controlled at 2.8 per cent of GDP for 2022-23, according to provisional numbers. This is under the 3 per cent limit prescribed by the fiscal responsibility legislation (FRL) and below the budgeted number of 3.2 per cent. But at a disaggregated level, many States including Bihar (9.2 per cent of GSDP), Himachal Pradesh (6.4 per cent) and Punjab (4.9 per cent) have recorded fiscal deficits far above the mandated levels for FY23. This trend continues in FY24, with 19 States budgeting gross fiscal deficit ratios above the 3 per cent FRL limit. This expansion in fiscal deficit is increasing the outstanding debt. Though consolidated debt of States, as percentage of GDP, is down to 27.6 per cent in FY24, from the pandemic highs of 31 per cent, it is still above the 25 per cent limit prescribed by the FRBM Act. Moreover, 25 States and Union Territories are expected to breach the limit this fiscal year. Growing debt can prove troublesome amidst increasing interest rates.

Besides, the deficit numbers for some States this fiscal could be higher than budgeted, due to optimistic revenue projections. The report says that all States have projected robust growth in revenue for FY24. This confidence is however belied by the actual numbers for the first half of FY24, which show slowing growth in revenue due to the high base. States should review their assumptions regarding tax buoyancy. Actual tax buoyancy of States has averaged 0.55 while that budgeted has been above 0.74 for the 13 States analysed by the RBI. While revenue management is a concern, States appear to be doing well in cutting back revenue expenditure and increasing capex spends. States' spending on capital investments increasing 52.6 per cent in the first half of FY24 is a good augury for the economy.

The report rightly says that States are not doing enough to increase non-tax revenue. While mineral-rich States such as Odisha, Chhattisgarh and Jharkhand are getting a significant share of revenue from mining royalties, most others are heavily subsidising the utilities and not earning enough from other services provided by them. But it is doubtful if States will increase the fee, given the impact it would have on the electorate. The suggestion to improve tax administration and compliance in States is a good one.
https://www.thehindubusinessline.com/opinion/editorial/rbis-study-reveals-pain-points-in-state-budgets/article67631001.ece

12. Bad bank falls short of NPA targets, but there's a silver lining

(cnbctv18.com) Dec 12, 2023

The Finance Ministry provided an update to the Rajya Sabha, revealing that public sector banks (PSBs) have transferred a mere ₹12,000 crore worth of bad loans to the National Asset Reconstruction Company (NARCL), falling significantly short of the ambitious goal of acquiring ₹2 lakh crore worth of fully provisioned non-performing assets (NPAs) by March 2022, as decided by the Cabinet.

More than two years after the Cabinet approved the establishment of the National Asset Reconstruction Company (NARCL), commonly known as the 'bad bank,' to acquire bad loans from public sector banks, the institution is facing challenges as public sector banks (PSBs) have transferred only a fraction of the targeted bad loans.

The Finance Ministry provided an update to the Rajya Sabha, revealing that PSBs have transferred a mere ₹12,000 crore worth of bad loans to NARCL, falling significantly short of the ambitious goal of acquiring ₹2 lakh crore worth of fully-provisioned non-performing assets (NPAs) by March 2022, as decided by the Cabinet.

Despite this setback, there is a silver lining as the gross NPAs of public sector banks have decreased from ₹6.16 lakh crore in December 2021 to ₹3.77 lakh crore by September 2023. This reduction is attributed to recoveries, upgrades of accounts outside the NARCL structure, and write-offs by public sector banks.

The Finance Ministry informed the Rajya Sabha that NARCL acquired its first bad loan from banks in January 2023. The government-backed security receipts issued to lenders by NARCL have a five-year time window for recovery. Some of the accounts acquired by NARCL are currently under the Insolvency and Bankruptcy Code (IBC), and recovery is anticipated once the resolution plan is approved by the National Company Law Appellate Tribunal (NCLAT).

As of November 30, 2023, NARCL has recovered ₹16.64 crore in the remaining accounts. The Finance Ministry shared a breakdown of the debt assigned to NARCL by various PSBs:

Bank of Baroda: ₹114 crore
Bank of India: ₹49 crore
Bank of Maharashtra: ₹796 crore
Canara Bank: ₹1,858 crore
Central Bank of India: ₹70 crore
Indian Bank: ₹233 crore
Indian Overseas Bank: ₹20 crore
Punjab National Bank: ₹2,138 crore
State Bank of India: ₹4,508 crore
Union Bank of India: ₹1,831 crore

Big gap
The cumulative amount of bad loans transferred to NARCL stands at ₹11,617 crore, highlighting the considerable gap between the actual transfers and the ambitious target set by the Cabinet. As the bad bank navigates these challenges, the spotlight remains

on its ability to accelerate the resolution of bad loans and contribute to the health of the banking sector. https://www.cnbctv18.com/finance/finmin-update-bad-bank-falls-short-of-npa-targets-but-theres-a-silver-lining-18548471.htm

13. What Indian banks need *(financialexpress.com)* December 13, 2023

Legacy systems just won't do in an increasingly digital world. Core modernisation has become a need that can no longer be ignored.

Banking is in the middle of a flux. The world has changed, especially since the pandemic, which accelerated the pace of digital transformation around the world. It is now a digital society, consumers are plugged in, and expect the businesses they work with to be personal to their lives.

Likewise, in banking, consumers expect personalisation, and banks must respond. The banking industry should reconsider the practice of consistently launching products designed for a broadly defined audience, a tradition that has endured for many decades. Banks that embrace agility through their technology stack to give personalisation with speed to their end consumers will win, and others will lose. There is no doubt about that.

In the dynamic landscape of global banking, modernisation stands as a major challenge. Faced with evolving business paradigms, financial institutions are investing in focused programs to navigate this terrain. The demands of customer expectations necessitate a level of technological agility and functionality that cannot be understated. Customers' expectations for choice, trust, and transparency coupled with the surge of fintech innovations and stringent regulatory mandates amplify the urgency for this transformation.

An important aspect of this transformation process is transforming the core, or core modernisation. Core banking systems are the backbone of a bank's operations. They are critical for ensuring the accuracy, security, and efficiency of financial transactions. These systems perform operations like customer and account management, deposits and withdraws, loans and credits, customer relationship management etc., depending on the design and scope of the core.

One prominent core modernisation strategy gaining traction in the past 12-18 months has been centred on simplification as opposed to full core replacements, which is a mammoth task and could lead to service disruption. Banks are strategically decoupling embedded capabilities from their core infrastructure. Consider for instance the domain of product and pricing. In simplest terms, this could mean creation of banking products for the end user and fees and rate definitions. Through this segregation of product and pricing capabilities from the core, a journey towards a service-oriented architecture unfolds, concurrently fostering a strategy. This approach disentangles various core systems from customer-facing channels, facilitating simultaneous operation and experimentation.

A notable example of industry collaboration in this endeavour is offered by the Banking Industry Architecture Network (BIAN). Comprising members with a wealth of industry experience, BIAN operates on service-oriented architecture principles. Their comprehensive model offers a future-proofed solution for banks, promoting seamless collaboration within the sector.

The Coreless Bank initiative aims to promote a more efficient and effective approach to modernising banking software. The collaboration between initiative partners will make it easier for banks to source and adopt new business services. This will solve the perpetual challenges presented by legacy core infrastructure and allow for faster and cost-effective development of services that are more relevant for today's digital-first customers.

In the realm of technology, the cloud emerges as a pivotal player. By migrating select workloads to the cloud, banks reclaim their focus on delivering unparalleled customer experiences, while eliminating the need for on-premises infrastructure. Leveraging cutting-edge technologies such as Confidential Computing to safeguard vital core data, cloud-hosted solutions for product and pricing empower banks to remain agile and responsive to evolving customer preferences in the digital age.

This juncture in the banking world requires forward-thinking strategies. This hybrid narrative is not merely an option, but an imperative. As banks fervently pursue agility, uphold global standards, and maintain an unwavering client-centric focus, they forge the path for a transformative era in banking. Another fitting example of how a bank can achieve a better customer and employee experience is the ANZ bank digital transformation. It is a useful case study of the need to continue core modernisation and transformation to enhance product propositions and customer experience.

It is noteworthy that some banks today are opting for core replacement rather than core modernisation, which represents a more capital-intensive and riskier approach when compared to the phased modernisation of their technology stack. The advantages of embarking on a modernisation journey include the ability to retain functional core system elements, improve cost and time efficiency, and minimise disruptions.

The potential for business disruption poses a significant risk with the potential to harm a well-crafted brand image in a matter of days, particularly if it impacts the consumer experience. Core modernisation presents banks with a viable path to modernise while minimising risk.

Looking ahead to 2024 and beyond, emerging technologies promise to further reshape the banking landscape. Blockchain's potential for secure and transparent transactions, AI's ability to revolutionise customer service and risk management, and augmented reality's potential for immersive financial experiences are influential forces that will redefine how banks operate and how consumers experience banking. By embracing these innovations, banks can fortify their position at the vanguard of technological progress.

The need for modernisation in banking is a vivid reality. By harnessing the power of technology, collaborative industry efforts, and forward-thinking strategies, banks which are attuned to the new digital age are poised to usher in a new era of banking excellence. Those who are not will miss the proverbial bus. https://www.financialexpress.com/opinion/what-indian-banks-need/3336931/

14. Will AI be All Inclusive? *(thehindubusinessline.com)* Updated: December 12, 2023

The European Union finalised a set of rules last week to regulate how artificial intelligence (AI) will be used. The objective of such regulation is to provide protections for the public while giving clarity for tech developers on how to proceed with the technology. The EU regulation, among other things, bans the use of biometric systems that will identify people based on race and sexual orientation, bans predictive policing systems, includes transparency requirements, provides protections for copyright holders, and bans emotion recognition in the workplace. China had also issued some regulations earlier. Other countries are bound to follow.

AI is like derivatives and cryptocurrency. We should not dismiss it as complex and try and understand what it's all about for otherwise it will come back to hurt us. When decision-making algorithms incorporating AI are built into products and services we use, it will certainly impact all of us. Since it is hidden, we would very soon not know how AI is impacting all that we do and that is scary. Supposedly, the potential use/misuse of AI is one of the issues on which the board of the company OpenAI considered seriously in its decision to remove Sam Altman from his CEO role just a few weeks ago.

Many firms have been profitably incorporating AI into their systems for some time now. For instance, Amazon.com has significantly automated its warehouse operations in how goods are picked and placed into bins for shipping. At this stage, the items go through an imaging station to confirm if the right item is being shipped. By incorporating AI here, the station compares the item with images of damaged and undamaged items, learns about different damages over time, and prevents a damaged item from being shipped. Compared with the manual alternative, the company reports it has been three times more effective in reducing shipping damaged items.

In contrast, AI is also being built into hospital systems that monitor patient vitals and issue alerts for action. In one case reported recently, the system did not issue an alert when a patient had an elevated white blood count based on records of previous patients with similar combination of problems. However, the supervising nurse who knew that this case was different because of the patient's history could not overrule the system's decision and take action under the hospital's rules.

Rapidly transformative

AI clearly can be a benefit and a curse. Venture capitalist Vinod Khosla, one of the investors in OpenAI, says that in about 10 years, 80 per cent of doctors and accountants may potentially be replaced due to the use of AI systems. That is surely rapidly transformative. AI will boost productivity and growth of economies as it is incorporated in more and more sectors. What do we do with the people being replaced? One charitable suggestion is that part of the gains can be used to fund more extensive universal basic income programmes so we avoid hunger and give people a chance to think of what they would like to do next. Employment agencies need to become more than application filing centres and become counsellors.

AI has already begun to be used to spread misinformation with generated images and text that seem realistic. Who do we believe now when we log into social media?

Fortunately, AI-based programmes can also be used to distinguish what has been generated by AI and that is how educational institutions will have to deal with the homework their crafty students submit.

But another subtle problem was pointed out by Taiwanese AI expert Kai-Fu Lee. The generative AI models being developed in the West are all being trained in English on American and British data. That is where the giant data repositories are available to develop the models. And thus, these decision-making routines will reflect the values and beliefs of those societies and may not suit other countries. If you are smarting how 'pandit' has become a derogatory term in the West, watch out.

Already, much knowledge creation in the world takes place in English and the spread of AI can make the world more culturally and socially parochial. Even though their resources may be limited, other countries need to jump on the bandwagon right now. https://www.thehindubusinessline.com/opinion/will-ai-be-all-inclusive/article67627263.ece

15. Ration 'scam' cost state exchequer Rs 400 crore: ED *(indianexpress.com)* December 12, 2023

More than a month after West Bengal Forest Minister Jyoti Priya Mallick was arrested in connection with alleged irregularities in ration distribution, the Enforcement Directorate (ED) claimed that the alleged scam cost the state exchequer a loss of Rs 400 crore.

The probe agency made the claim while submitting the first chargesheet in the case in a special ED court on Tuesday. The agency said the estimated loss might go up as the investigation progresses.

The chargesheet mentions 12 names including Mallick and Kolkata-based businessman and rice mill owner Bakibur Rahman. "The chargesheet also mentions the name of 10 firms. Of these, five are linked to Mallick and the remaining to Rahman," said an official.

ED arrested Mallick, who held the food and supplies portfolio between 2011 and 2021, on October 27 following marathon raids at his residence and seven other locations.

According to ED officials, ration meant for PDS beneficiaries was allegedly siphoned off by flour millers in connivance with distributors and other people in the supply chain. The proceeds from selling the ration in the open market were worth crores of rupees. The proceeds were deposited in the bank accounts of three shell firms under the garb of bogus share premiums and commission from foodgrain trading, said the agency.

The probe agency claimed that these companies were subsequently liquidated. These bogus firms had no real business and were used only for laundering the proceeds of crime, it added.

ED officials said that Mallick's name cropped up after Rahman was questioned. Though Mallick was arrested, he is currently in hospital on health grounds. Rahman is in judicial custody.

According to sources, Mallick held frequent meetings with Rahman at his office and in Kolkata's Salt Lake area. Rahman's car used to accompany the minister's convoy and he used to keep in touch with the ration dealers, said the ED.

The claims made by the ED stoked a war of words between the ruling Trinamool Congress and the Bharatiya Janata Party.

The TMC claimed that ED's claims were "to support BJP's vindictive statements". Trinamool spokesperson Kunal Ghosh said, "The ED has submitted this chargesheet just to support BJP's vindictive statements. It has no value. We don't know what is inside. However, we believe if there was a scam and someone was involved, it should be investigated."

Hitting back, the BJP said that the probe agency should try to arrest those "who received the money" from the alleged scam. "Ration and money meant for PDS beneficiaries was siphoned off. The entire money definitely didn't go only to Jyoti Priya Mallick. Bakibur Rahman was just an agent who was used. It is important to arrest those who were at the top of the scam and received the money," said BJP state president Sukanta Majumdar. https://indianexpress.com/article/cities/kolkata/ration-scam-cost-state-exchequer-rs-400-crore-ed-9065644/

16. Despite second-highest fund allocation under NCAP, Maha fails to spend adequate money *(hindustantimes.com)* 13 Dec 2023

Despite the second-highest fund allocation under the Ministry of Environment, Forests and Climate Change (MoEFCC)-controlled National Clean Air Programme (NCAP), Maharashtra has failed to utilise adequate money on air pollution mitigation efforts in its cities with high pollution issues.

According to the latest data released by the Centre on Monday, Maharashtra has spent only 36% of the total funds allocated between 2019-20 and 2023-24 on pollution mitigation efforts. Experts said that even after preparing the NCAP action plan, many cities in the state have failed to mitigate air pollution issues.

Launched in January 2019, the NCAP is a long-term, time-bound, national-level strategy for prevention, control and abatement of air pollution. The NCAP envisages a 20 to 30% reduction in particulate matter concentration by 2024 in 131 cities of 24 states/union territories vis-à-vis the base year (2017). The target has been subsequently revised to achieve up to 40% reduction in particulate matter concentration by 2025-26. For the purpose, the central government has allocated Rs1768.66 crores to several states, including Maharashtra. Till November, the funds spent by the states stood at Rs489.86 crores against the funds received by them of Rs1,273.70 crores. The highest funds (Rs471.66 crores) were allocated to Uttar Pradesh, of which, it received Rs306.99 crores and spent Rs109.70 crores. Maharashtra got the second-highest allocation (Rs214.17 crores), of which, it received Rs164.02 crores and spent Rs59.62 crores, as per MoEFCC data.

Nitin Shinde, sub-regional officer from the Maharashtra Pollution Control Board, said, "Policy decisions and implementation about funds' allocation is being carried out by the central government and the implementing agency namely, local bodies. The MPCB being a watchdog only monitors the work progress under the said project. Moreover, the MPCB head office in Mumbai is the primary authority when it comes to dealing with fund-related issues, and therefore, not much information is available with the regional office."

V M Motghare, joint director (air), MPCB, could not be contacted.

To meet the objectives of NCAP, 131 cities in the country have prepared city action plans to take measures to improve air quality. In Pune, the PMC has been working on various initiatives mentioned in its NCAP action plan. However, the work is progressing at a slow pace, said activists.

Mangesh Dighe, environment officer, Pune Municipal Corporation, said, "The overall expenditure for Pune is around 40% of the allocated funds. The main focus of the PMC is encouraging e-mobility, especially in public transport, road dust mitigation, electric crematoriums, etc. The findings are being utilised in various steps and we will initiate various action plans shortly. Several projects like most foundations, enhancing the charging station networks are a few of them."

Although the authorities have put up their point of view, the people working in this field have a different view.

Sharmila Dev, senior programme associate, Parisar, said, "There is no way for citizens to know how the NCAP money is being spent. Parisar has appealed to the PMC to inform citizens of the progress of the NCAP but there's been no information. From our experience in Pune, there is a budget allocated for outreach and dissemination on AQ but for over two years, the proposal has been pending. It has been with the commissioner's office for some months now and nothing has moved on it."
https://www.hindustantimes.com/cities/pune-news/despite-second-highest-fund-allocation-under-ncap-maha-fails-to-spend-adequate-money-101702407237405.html