NEWS ITEMS ON CAG /AUDIT REPORTS

1. ICAI to launch training on panchayat municipal accounting

(theweek.in) Updated: December 16, 2023

The Institute of Chartered Accountants of India (ICAI) has decided to launch a nationwide training programme for panchayat and municipal accountants to strengthen financial governance, an official said.

This initiative, with a special focus on West Bengal where panchayats are strong, aims to equip local bodies with robust accounting practices.

"There is an urgent need to have strong accounting records and practices in our panchayats and municipalities," said ICAI President Aniket Sunil Talati.

The ICAI has already signed an MoU with the Comptroller and Auditor General of India (CAG) in this regard.

"Through this MoU with CAG, we are launching a course and an examination to create panchayat and municipal accountants across the country," Talati said.

The training will be available in multiple languages, including Bengali, against a nominal fee of Rs 500.

Participants will undergo a two-level examination, upon successful completion of which they receive a certificate.

"The Institute, along with the CAG and state governments, will then work towards placing these qualified individuals as the official account keepers for panchayats and municipalities," Talati stated.

The ICAI also said it has introduced an exposure draft, suggesting fresh auditing standards for Limited Liability Partnership (LLP) in the country.

LLP is an alternative corporate business form that gives the benefits of limited liability of a company and the flexibility of a partnership.

This move aims to align LLP auditing practices with existing corporate norms. The exposure draft is open for public comments until January 6, 2024.

The draft will later be presented to the National Financial Reporting Authority and the government to make them compulsory for LLP audits, Talati said. https://www.theweek.in/wire-updates/business/2023/12/16/ces8-wb-icai-panchayat.html

2. आईसीएआई पंचायत, नगर पालिका लेखांकन पर प्रशिक्षण शुरू करेगा
(hindi.theprint.in) 16 December, 2023

भारतीय सनदी लेखाकार संस्थान (आईसीएआई) ने वित्तीय प्रशासन को मजबूत करने के लिए पंचायत और नगर पालिका लेखाकारों (अकाउंटेंट) के लिए एक राष्ट्रव्यापी प्रशिक्षण कार्यक्रम शुरू करने का निर्णय लिया है। एक अधिकारी ने यह जानकारी दी है।

मजबूत पंचायत के लिए प्रसिद्ध पश्चिम बंगाल पर विशेष ध्यान देने वाली इस पहल का उद्देश्य स्थानीय निकायों को मजबूत लेखांकन प्रक्रियाओं से लैस करना है।

आईसीएआई के अध्यक्ष अनिकेत सुनील तलाटी ने कहा, 'हमारी पंचायतों और नगर पालिकाओं में मजबूत लेखांकन रिकॉर्ड और प्रक्रियाओं की तत्काल जरूरत है।'

इस संबंध में आईसीएआई ने पहले ही भारत के नियंत्रक एवं महालेखा परीक्षक (सीएजी) के साथ एक समझौता ज्ञापन (एमओयू) पर हस्ताक्षर किए हैं।

तलाटी ने कहा, 'सीएजी के साथ इस समझौता ज्ञापन के माध्यम से हम देशभर में पंचायत और नगरपालिका लेखाकार बनाने के लिए एक पाठ्यक्रम और एक परीक्षा शुरू कर रहे हैं।'

प्रशिक्षण 500 रुपये के मामूली शुल्क पर बंगाली सहित कई भाषाओं में उपलब्ध होगा।

प्रतिभागियों को दो-स्तरीय परीक्षा से गुजरना होगा, जिसके सफल समापन पर उन्हें एक प्रमाण पत्र प्राप्त होगा। https://hindi.theprint.in/india/economy/icai-to-start-training-on-panchayat-municipality-accounting/640966/

3. सीएजी ने केंद्रीय विभागों से मांगा सीनियर ऑडिटर, एकाउंटेंट का ब्योरा *(livehindustan.com)* Dec 18, 2023

प्रयागराज। भारत के नियंत्रक एवं महालेखाकार कार्यालय (सीएजी) ने केंद्र सरकार के विभागों से सीनियर ऑडिटर, एकाउंटेंट का ब्योरा मांगा है। केंद्रीय विभागों से ब्योरा मिलने के बाद सीनियर ऑडिटर और एकाउंटेंट को केंद्रीय सचिवालय के सहायकों के बराबर वेतनमान देने का बजट निर्धारित होगा, लेकिन एरियर भुगतान पर कोई घोषणा नहीं हुई है।

असिस्टेंट कंट्रोलर एंडएं ऑडिटर जनरल निलेश पाटिल की ओर से 13 दिसंबर को पत्र जारी किया गया है। ब्योरा मिलने के बाद सीएजी केंद्रीय सचिवालय के सहायकों के बराबर वेतनमान के हकदार सीनियर ऑडिटर, एकाउंटेंट की सूची वित्त मंत्रालय को भेजा जाएगा। विभागों से ब्योरा मिलने के बाद सीनियर ऑडिटर, एकाउंटेंट का उच्चीकृत वेतनमान के लिए बजट जारी होगा।

ऑल इंडिया ऑडिट एंडएं एकाउंट्स एसोसिएशन की मांग पर वरिष्ठ लेखा परीक्षक और वरिष्ठ लेखाकारों को केंद्रीय सचिवालय के सहायकों के बराबर उच्चीकृत वेतनमान देने को लेकर केंद्र सरकार की अनुसचिव कविता पानीकर ने असिस्टेंट कंट्रोलर एंडएं ऑडिटर, एडिशनल फाइनेंस एडवाइजर, ज्वाइंट डायरेक्टर/पे कमीशन-।। और सीनियर एकाउंट ऑफीसर (कंट्रोलर जनरल एकाउंट्स) को पत्र भेजा था। एसोसिएशन 1986 से इस मांग को लगातार उठा रहा था। केंद्र सरकार की अनुसचिव का आदेश मिलने के बाद असिस्टेंट कंट्रोलर एंडएं ऑडिटर जनरल ने केंद्रीय विभागों

को ब्योरा देने के लिए पत्र भेजा। आपके अपने अखबार हिन्दुस्तान ने आठ दिसंबर को केंद्र सरकार की अनुसचिव के आदेश को प्रकाशित किया था।

ऑल इंडिया ऑडिट एंडएं एकाउंट्स एसोसिएशन के पूर्वराष्ट्रीय अध्यक्ष एवंस्थायी विशेष आमंत्रित सदस्य तथा ऑल इंडिया ऑडिट एंडएं एकाउंट्स पेंशनर्स एसोसिएशन के कार्यकारी अध्यक्ष सुभाषचंद्र पांडेय ने बताया कि सीएजी से विभागों को पत्र जारी होने के बाद सीनियर ऑडिटर और एकाउंटेंट को उच्चीकृत वेतनमान मिलना तय है, लेकिन इसमें एरियर का जिक्र नहीं है। जबकि एसोसिएशन 1986 से एरियर देने की भी मांग कर रहा है। एसोसिशन के पूर्वराष्ट्रीय अध्यक्ष ने बताया कि इसी साल 12 अक्तूबर को भारत सरकार के अतिरिक्त सचिव से वार्ताकर आर्बिट्रेशन अवार्ड लागू करने में तेजी लाने का आग्रह किया गयाथा। उसके बाद पूरी प्रक्रिया शुरू हुई। https://www.livehindustan.com/uttar-pradesh/prayagraj/story-cag-seeks-details-of-senior-auditor-accountant-from-central-departments-9082653.html

4. MoD signs ₹5,336-cr deal with BEL for ammunition fuzes

(thehindubusinessline.com) Updated: December 15, 2023

The Ministry of Defence (MoD) said on Friday it has signed a landmark contract with Pune-based defence PSU, Bharat Electronics Limited (BEL), for the procurement of electronic fuzes to provide ammunition for artillery guns of the Indian Army for a decade. The deal for fuzes, which are essential and critical components of ammunitions for reliable detonation at a desired time and place, is worth ₹5,336.25 crore.

As part of the 'Aatmanirbhar Bharat' vision, this contract has been signed for ammunition procurement under 'Manufacture of Ammunition for Indian Army by Indian Industry', a government initiative for long-term requirement of 10 years, stated the Ministry. "The aim of the project is to build up ammunition stocks to minimise imports, achieve self-sufficiency in ammunition manufacturing, obtain critical technologies, and secure stock affected by supply chain disruption," said the MoD.

The Ministry said that electronic fuzes are an integral component of medium- to heavy-calibre artillery guns for providing sustained artillery firepower for military operations. The fuzes will be procured for usage in artillery guns, which are capable of lethal engagements in various kinds of terrains, including high altitude areas along the northern borders.

Electronic fuzes will be manufactured by the BEL at its Pune and upcoming Nagpur plants, it said. The project will generate employment for one-and-half lakh man days and encourage active participation of Indian Industries including MSMEs in ammunition manufacturing and broaden ammunition manufacturing ecosystem in the country.

The Ministry's decision comes in the backdrop of ordinance factories (OFs) inability to meet the ammunition fuze requirement of the Indian Army. A Comptroller And Auditor General's (CAG's) Performance Audit report of December 2019 on "Production of Fuzes in Ordnance Factories", stated there were mismatches in the availability of empty fuze from in-house production as well as from trade sources and their filling capacity in OFs. The audit of OFs for fuzes covered a time span from 2013-14 to 2017-18. "Major shortfalls in production were noticed for eight types of empty fuzes mainly due to material constraints and quality problems," the CAG pointed out.

MDL Bags export order

In a boost to defence export, state-owned Mazagon Dock Shipbuilders Limited (MDL) on Thursday signed a shipbuilding contracts with a European client for construction of three 7,500 DWT multi-purpose hybrid powered vessels at a cost of approximately $ 42 million which works out to Rs 3,489,765,048.

The MDL will be supplying the three vessels to Denmark, with the delivery of the first one will be executed in 27 months after the contracts are executed, said the state-owned company officials. The remaining two will be handed over at intervals of two months. The MDL informed National Stock Exchange of India Limited about the deal on Friday and stated that on October 9, the PSU signed a Letter of Intent with the European client which it did not disclose in the filling. https://www.thehindubusinessline.com/books/reviews/business-economy/mod-signs-5336-cr-deal-with-bel-for-ammunition-fuzes/article67642143.ece

STATES NEWS ITEMS

5. KIIFB faces uncertain future *(english.mathrubhumi.com)* 18 Dec 2023

Kerala Infrastructure Investment Fund Board (KIIFB) is at a crossroads eight years after the state government maximised the potential of this 24-year-old funding body. The financial crisis, stemming from the union government's intervention in KIIFB's borrowings, has posed an unanswered question: What lies ahead for KIIFB?

The KIIFB was established in November 1999 during the tenure of the Left Democratic Front (LFD) government led by EK Nayanar. It operates as a body corporate under the governance of the Kerala government. The primary objective is to create a fund for investing in the state's infrastructure projects, allowing for borrowings outside statutory opportunities under annual budgets.

State borrowings are governed by the Fiscal Responsibility and Budget Management (FRBM) Act, introduced in 2003, which stipulates that only 3 percent of the GDP can be borrowed in a given year. The concept of off-budget financing wasn't groundbreaking, as several central agencies and organisations established by other states were already employing or planning similar opportunities. (Former finance minister Thomas Isaac argues that KIIFB loans don't fit the off-budget category. According to the Status Paper on Government Debt by the Union Finance Ministry, extra-budgetary resource liabilities involve financial obligations raised by public sector undertakings but fully serviced, both principal and interest, by the Government of India through the Union Budget. KIIFB's principal or interest doesn't come from the state budget.)

KIIFB remained relatively inconspicuous in the economy until Isaac decided to harness its potential in 2016. Isaac had mentioned the possibilities of the Board during his previous term (2006-2011), but this time, he took a more earnest approach. He amended the 1999 act to transform it into a "powerful body functioning as the key arm of the

Government for large-scale infrastructure investment in the State," as highlighted in the state economic review of 2016-17.

During that financial year, KIIFB greenlit 144 projects with a total outlay of Rs 9,281.56 crore, encompassing areas such as roads, bridges, school buildings, ICT in schools, irrigation, and more. As of November 2023, the tally has risen to 1,073 projects amounting to Rs 82,383 crore. To contextualise this, the 2023-24 state budget indicates that the estimated expenditure (excluding debt repayment) of Kerala is Rs 1,76,089 crore

The KIIFB amendment of 2016 facilitated diverse modes of financial support for projects, encompassing "new infrastructure fund mobilisation structures approved by SEBI and RBI." This broadened the scope to include "modern investment structures such as Infrastructure Investment Trust, Infrastructure Debt Fund (IDF), Alternative Investment Fund (AIF); financial instruments like General Obligation Bonds, Land Bonds, and Infra Bonds, etc.; tailor-made investment packages through existing government financial agencies such as Kerala State Financial Enterprises Ltd. (KSFE); grants, annuities, and other guaranteed payments from the Government; returns from investments, loans from domestic/bilateral/multilateral financial institutions, etc."

As of November 2023, KIIFB has disbursed Rs 26,926 crore for the approved projects. It boasts a total mobilisation of Rs 35,697 crore, comprising Rs 19,634 crore from the financial market and Rs 16,063 crore as the Kerala government's contribution (a share of Motor Vehicle Tax and cess on petroleum products). Additionally, it has an NRI chitty and dividend schemes, with a cumulative collection of nearly Rs 4,000 crore. The honeymoon for KIIFB came to an end in 2018 when the Comptroller and Auditor General (CAG) contested the model, asserting that KIIFB's borrowings would fall under the state government's debt ceiling, as stated in its State Finance Audit Report. The Fiscal Responsibility and Budget Management (FRBM) Act says that state borrowings will be curbed to control fiscal deficit at an annual limit of 3 percent of Gross States Domestic Product (GSDP).

Despite the Kerala Assembly rejecting CAG's findings, the auditor reiterated the comment the following year. Ultimately, the union government declared its intent to consider KIIFB's borrowings as loans of the state government. This decision resulted in a reduction of the net borrowing ceiling (NBC), ultimately plunging the state into a severe financial crisis.

The crisis

The financial strain is not unique to KIIFB; the state is grappling with an unprecedented financial crunch due to a significant reduction in borrowings this fiscal year. This trend is anticipated to persist in the upcoming years, given the ongoing constraints on borrowing. The borrowings of Kerala Social Security Pension Limited (KSSPL), established to ensure timely disbursement of welfare pensions, are also now included in the net borrowing ceiling. Notably, since 2017, public account deposits in the state treasury have been considered as a form of borrowing.

According to Thomas Isaac, the loan amount of Kerala in 2022 was Rs 43,000 crore, decreasing to Rs 23,000 crore in 2023. The government attributes the financial crisis to the union government's “discriminatory policy”, contending that while agencies like

KIIFB that are under the union government can continue borrowing, Kerala is being penalised. The government argues that no other states are facing such curbs. Isaac challenges the Congress-led opposition for not questioning the union government and instead focusing their criticism on the state. Kerala Finance Minister KN Balagopal points out that nearly Rs 12 lakh crore in loans obtained by union entities similar to KIIFB are not considered part of the union debt, citing NHAI alone having a Rs 3 lakh crore loan.

Opposition slams govt

VD Satheesan, the opposition leader in the Kerala Assembly, asserts that the state government ignored the warnings from the opposition regarding KIIFB. In a statement to mathrubhumi.com, he stated, "We are not against the project (KIIFB). We had informed the government in the Assembly (during the discussion over the 2016 amendments) that this violates constitutional provisions. The very next year, CAG objected to KIIFB. It is true that the financial crisis is caused by cutting short of loans. But this government invited it knowingly."

Satheesan further characterised KIIFB as a 'maverick' move by Thomas Isaac, emphasising that the government lacked funds for Public Works Department (PWD) projects.

"KIIFB is a state, with 51 percent stake owned by Kerala government. Budget money is spent in KIIFB. There is a Supreme Court verdict that clarifies this situation. Therefore, CAG is bound to act," he added.

When questioned about Congress's stance on the union government's policies affecting the federal system, Satheesan responded, "UDF opposes the formula for devolution of taxes." In the same breath, he pointed out that LDF governments received Rs 53,000 crore in revenue deficit grants in five years, a sum that no other government has received.

Satheesan contends that if at least 51 per cent of KIIFB projects were self-sustainable (revenue generating), the government would have a stronger argument before the union government. He pointed out that NHAI collects tolls, making a distinction between the road authority and KIIFB. Notably, KIIFB currently has 25 percent of selfsustaining projects, although none involve toll collection. United Democratic Front (UDF) leader CP John suggested that the government could have constructed more overbridges and bypasses using KIIFB, and collected tolls. However, the UDF has not officially advocated for toll collection, as public sentiment in Kerala is against tolls, even with the BJP marching to toll booths on National Highways.

CP John criticised the priorities of KIIFB, asserting that spending on schools is unnecessary since they are already infrastructure surplus. He alleged that the board did nothing for hospitals or medical colleges.

Regarding the future of KIIFB, Satheesan believes it has lost its relevance. With its borrowings now falling under the state ceiling, he suggests that the government should instead announce projects in the budget and allocate funds accordingly. When asked about an alternative to KIIFB, Satheesan responded, "How did we come so far?" Thomas Isaac argues that the "business as usual" approach is insufficient for Kerala's immediate need for more infrastructure development. He emphasises the necessity for creative solutions, citing KIIFB as an example.

In response to questions about the sudden urgency for massive infrastructure development, Prof. Jayan Jose Thomas, a development economist at IIT Delhi, explains that Kerala currently has the best demographic opportunity in India. While Kerala is advanced in demographic development compared to other states, the demand is high. To avoid becoming a state of retirees, the economy needs to transition into a knowledge-based one. Kerala's unique feature of urban qualities in rural areas presents an opportunity to start ventures like a biotech park in Thiruvananthapuram, Thiruvalla, or Thalassery. However, attracting global youth requires better infrastructure, including not just roads but also improved universities and even a high-speed rail system. Prof. Jayan warns that if action isn't taken now, Kerala could miss out on the momentum.

Prof. Jayan views KIIFB as a "lifeline during a difficult financial period" with "enormous untapped potential for economic growth." He argues that the debt created by KIIFB will not pose a danger as long as it grows at a rate slower than the growth of incomes, triggered by the expenditure.

CP John expresses a pessimistic view of the future of KIIFB, stating that it is detrimental to the planning process in the state and amounts to recentralization, encroaching on the roles of various entities, including local governments. He highlights concerns about the funding source, noting that the income from fuel cess, which supports KIIFB, has not increased this the previous quarter, and with the anticipated rise of electric vehicles, the model's sustainability is questionable.

John suggests that the state should have resolved the legal issues regarding the loan ceiling with the union government before implementing KIIFB. (Congress government led by Oommen Chandy had announced plans to mobilise Rs 30,000 cr using KIIFB in its final budget in 2016. VD Satheesan said that this was well within the budget and not considered an off-budget borrowing).

The UDF proposes the annuity model as an alternative to KIIFB. In this model, the contractor takes a loan, completes the project, and the government pays the contractor a sum annually until the total amount is settled. Thomas Isaac, however, regards KIIFB as a "better annuity model," overcoming flaws in the traditional annuity model, such as a lack of competition and the burden of high-interest rates. Isaac argues that KIIFB's flexibility allows for the funding of smaller projects. On the other hand, CP John contends that the annuity model and KIIFB are not comparable.

According to Prof KN Harilal, a former member of the state planning board and a development economist associated with the Left, the crisis could adversely impact the state's routine work if it persists. Harilal sees KIIFB as a means to utilise the finance market for the benefit of Kerala. He criticises the union government for creating rules that it doesn't follow itself. Harilal believes that for capital expenditure, KIIFB is the right model. He raises concerns that if the current trend continues, the union government might even classify annuity model funding under the debt ceiling as well. Harilal emphasises the need for a solution, stating, "In the long run, we are all dead."

Regarding the future of KIIFB, Harilal suggests that the government may need to prioritise projects within KIIFB and consider postponing those that can be delayed.

In response to criticisms from UDF leaders, Prof R Ramkumar, a state planning board member and faculty member at the development studies department at TISS, defends KIIFB, stating that the money spent through KIIFB couldn't have been mobilised in any other way. When asked about the future of KIIFB, he acknowledges the possibility of setting priorities for certain projects but mentions that no such discussions have occurred yet. He also adds that future borrowing may be limited, but it might not affect ongoing projects. https://english.mathrubhumi.com/features/specials/kiifb-faces-uncertain-future-1.9165383

6. No discrimination against Kerala, says Nirmala Sitharaman Nirmala Sitharaman *(onmanorama.com)* Dec 17, 20223

Thiruvananthapuram: The central government had never took any discriminatory action against Kerala, said the Union Finance Minister Nirmala Sitharaman on Saturday. She was inaugurating the Viksit Bharat Sankalp Yatra, the Union government's mega outreach exercise to ensure that its initiatives reached all the beneficiaries, here at Mangalapuram panchayat.

According to her, the CAG (Comptroller and Auditor General of India) was only criticising Kerala on notice of some non-transparent financial matters done by the Kerala government.

The minister said that the Union government is bound to initiate certain steps when the governance of a state is found non-transparent. Once the Centre became forced to take such steps, the state need not cry foul, saying the move was against federalism, she added.

It is natural for the CAG, the supreme audit institution of India, to criticise initiatives that are not transparent, said the Union minister. Subsequently, the central government will act. This is the government's approach to all states, she said while ruling out the argument on the Central government's discrimination against Kerala.

The minister was referring to the CAG report that said the borrowings by KIIFB (Kerala Infrastructure Investment Fund Board), a body to mobilize funds for infrastructure development from outside the state revenue, had bypassed the set limits. Consequently, after the report, the centre made a drastic reduction in Kerala's borrowing limit.

Sitharaman further said that the Centre has been providing the states' shares without fail, and often make advance payments. Vikasit Bharat Sankalp Yatra is meant for all people and the Union government has been successful in identifying those in need and providing them with financial assistance, she said.

According to the finance minister, there are no traces of corruption charges against the Prime Minister or the Cabinet Ministers over the past decade. She claimed that the country's economy witnessed a rise despite the limiting conditions of the COVID-19 pandemic, fuel price hikes, and the war.

Sitharaman also distributed cheques and gas stoves for Ujjwala Yojana beneficiaries, at the event organised by the SBI Kerala Circle. Sitharaman stuck in a traffic block for 20 minutes While returning to the airport after the official function, the Union minister got a taste of Thiruvananthapuram's traffic woes. Her convoy was caught in a traffic block at the capital for about 20 minutes near Karikkakom on the bypass. Though the police usually block vehicular movement to ensure smooth passage to the Chief Minister's motorcade, it was not arranged when Sitharaman returned to the airport, though she had pilot and escort vehicles. https://www.onmanorama.com/news/kerala/2023/12/17/there-is-no-discrimination-against-kerala-says-finance-minister-nirmala-sitharaman-viksit-sankalp-yatra.html

7. Why ED withdrew summons against Isaac in 'masala bond' case? *(onmanorama.com)* Dec 16, 2023

Thiruvananthapuram: In July 2022, former finance minister T M Thomas Isaac was reportedly served a notice by the Enforcement Directorate (ED) summoning him for questioning on the 'masala bonds' floated by the Kerala Infrastructure Investment Fund Board (KIIFB). When the media approached him then, Isaac had feigned ignorance of any such summons. But he had also this to say: "Even if they serve me the notice, I will not appear before them as I have more important things to do."

Subsequently, the ED issued more summons and Isaac kept ignoring them. In between, he went to court challenging these summons.

Now, one-and-a-half years later (on December 14), the ED submitted before the High Court that it was withdrawing the summons. Isaac posted a triumphant note on Facebook on December 14."The ED has unconditionally withdrawn its summons against me and they have fled without leaving a trace," the former finance minister said.

Why was the ED after Isaac and KIIFB?
The summons were issued for violations under the Foreign Exchange Management Act (FEMA), 1999. The ED argued that Section 37 of the FEMA (search and seizure powers) arms it with enough ammunition to issue summons when violations are suspected or brought to its notice.

In Isaac's and KIIFB's case, the ED, without any evidence or even a complaint to think along those lines, was probing whether the money mobilised from 'masala bonds' had gone into real estate and other activities mentioned in the negative list of the External Commercial Borrowing (ECB) framework drawn up by the RBI.

Enforcement Directorate logo. Representational image: Onmanorama Funds secured through ECB mechanisms like ‘masala bonds’ could not be invested in activities catalogued in the negative list. Besides real estate, the other prohibited activities in the negative list include investment in the capital market, equity investment and repayment of rupee loans.

The ED was also empowered by successive reports of the Comptroller and Auditor General (CAG) that termed 'masala bonds' as unconstitutional. It noted that the Constitution bestowed the power to raise foreign loans only on the Union Government, not on states. The CAG report had further termed the KIIFB borrowings as off-budget ones that bypassed the scrutiny of the legislature and would impact revenue and fiscal deficits.

What was Isaac/KIIFB counter?
The CAG report was considered by the Kerala Assembly on January 22, 2021, and the part dealing with 'masala bonds' was rejected. It is for the legislature to decide whether to accept or reject a CAG report. The High Court concurred, saying that observations in a CAG report cannot be grounds for an inquiry.

Most importantly, the KIIFB argued that it had RBI's permission to go for 'masala bonds'. The RBI, too, testified in favour. The KIIFB's monthly reports to the RBI on 'masala bonds' were also examined by the court. "No objection or suspicion has been raised by the RBI," the court noted.

Isaac and KIIFB also highlighted the selective harassment of the ED. The court had wanted to know whether the ED was probing any other entity in the country for floating 'masala bonds'. The petitioners had argued in court that central government entities like the National Highways Authority of India, National Thermal Power Corporation Ltd, and Indian Renewable Energy Development Agency had also issued 'masala bonds' and yet they were not put through any probe by the ED. The central agency had no counter to this.

What did ED demand from Isaac?
Details of all the bank accounts maintained by him and his family members in India and abroad, details of his foreign visits during the last 10 years along with purpose and income earned during these travels, details of foreign inward remittance sent by Isaac or companies/firms in which he is a director or partner during the last ten years along with bank accounts.

A senior woman official of the KIIFB also submitted that she was asked to present her IT returns and bank accounts without giving any reason why her privacy should be encroached upon.

What did the High Court say? As it turned out, the ED had no answer for the one crucial poser the court constantly threw at the agency: What is the purpose of the summons?

The court found that the ED was trying to create a complaint against Isaac and the KIIFB rather than investigating a complaint."It cannot be a roving enquiry for the purpose of establishment of the cause of a complaint, nor can an entity like the ED continue investigation solely for the purpose of establishing a complaint. Investigation into a complaint and establishment of a complaint through an enquiry are two different aspects," the High Court said on December 14.

Is this the end of the ED probe against Isaac? No. The High Court has not prohibited the ED from conducting any further investigation into Isaac's or KIIFB's activities. The ED can but just that it has to provide valid reasons.

"As long as the investigation is done based on a complaint or on the basis of valid or verifiable cause, certainly, it would be impossible for any court to prohibit them from doing so, as long as they act within the parameters of the law," the court said.

What are 'masala bonds'?

These are rupee-denominated bonds issued by Indian entities to source funds from a foreign market for infrastructure development. It is denominated in rupees but settled in US dollars. Since interest rates in developed markets are lower, borrowers can obtain funds at lower interest rates compared to prevailing rates in India. As for those issuing the bond, the currency risk is borne by investors.

KIIFB borrowed Rs 2,150 crore by floating 'masala bonds' on the London Stock Exchange. The amount to be repaid is Rs 3,195.23 crore. https://www.onmanorama.com/content/mm/en/kerala/top-news/2023/12/16/thomas-isaac-kiffb-case-ed-wihdraw-summons-against-former-finance-minister-in-masala-bond-case.html

8. Funds Crunch: Film, Shopping Fests on Hold *(timesofindia.indiatimes.com)* Dec 17, 2023

New Delhi: Delhi government's ambitious plan to hold a world-class shopping festival and an international film festival will not be implemented even in this financial year in the wake of high expenditure estimated on its branding and advertisement.

Officials said the tourism department has recently surrendered Rs 97.4 crore of Rs 100 crore allocated for organising a monthlong festival on the lines of Dubai Shopping Festival and Rs 30 crore for the film festival set aside in the 2023-24 budget.

"Only a token amount has been provisioned to initiate the projects. The festivals will be held next year now," said a tourism department official.

Both the schemes were announced by former deputy chief minister Manish Sisodia while presenting the budget for 2022-2023.

To an unstarred question by Gokulpur MLA Surender Kumar in Delhi Assembly, the tourism department replied that as both festivals were being planned for the first time in the national capital, it required a huge spending on their advertising and branding.

It added that the comptroller and auditor general (CAG) while auditing the records of the directorate of information and publicity (DIP) and nine other departments that released advertisements through DIP for 2019-22 observed that "disproportionate, unfruitful and unjustifiable" expenditure was made on advertising campaigns. The CAG also pointed out that no postcampaign impact assessment was being done by the departments.

Though meetings to plan the shopping and film festivals had started in April itself and the tourism department had even prepared the draft request for proposal for the latter, as it was being planned in August-September 2023 during the G20 Summit, the DIP informed the tourism department of CAG's observations through a circular on June 5.

Stakeholder meetings had also been held apart from booking of the venue for the film festival for the third week of August.

DIP in its circular asked the departments to keep the observations made by CAG in mind while sending an advertisement campaign to be run.

The tourism department, replying to the question, further stated that it informed the minister about the DIP's communication on June 27 and sought specific directions on how the money should be spent on advertising and branding.

Since no directions had been received from the minister on how much spending on advertising and branding would be appropriate for such events of massive scale and the Supreme Court having made negative comments on the government's publicity budget, the tourism department decided to postpone both the festivals to next year. https://timesofindia.indiatimes.com/city/delhi/funds-crunch-delhi-government-postpones-shopping-film-festivals/articleshow/106055849.cms

9. Court rejects ACB closure report in EWS housing scam *(timesofindia.indiatimes.com)* Dec 17, 2023

Ahmedabad: A special anti-corruption court on Saturday rejected the anti-corruption bureau's (ACB) request to close a criminal case against four Ahmedabad Municipal Corporation (AMC) employees for an alleged scam in a housing scheme for economically weaker sections (EWS) at Lakhudi Talav in Naranpura.

Upon the Gujarat high court's directions, an FIR was lodged in 2018 over alleged irregularities in the allotment of houses, certain beneficiaries being deprived and wrongfully claimed transferable development rights (TDR) worth Rs 132 crore by the construction company B Safal Group.

Rejecting the police's C summary filed more than three years after the case was filed, special ACB judge V BRajput directed the agency to probe further into the allegations of breach of trust, forgery, criminal conspiracy and corruption with the observation that these allegations were also supported by a vigilance inquiry.

The court also ordered police to probe further the irregularities in allotment of houses to people displaced from Lakhudi Talav, and investigate the Rs 132 crore TDR claimed. The court ordered police to probe how the houses were allotted to persons other than those on the list of beneficiaries, and how corruption took place. The court also ordered further investigation into the allotment of several houses to the members of one family.

The FIR was registered by a social worker, Janaksinh Parmar, with Naranpura police, when 25 families complained that they were not given houses after being evicted. After various complaints, a vigilance inquiry and CAG report in 2016 revealed irregularities in this slum redevelopment scheme.

The developer built 568 houses and shops and was supposed to allot the houses to 350 families. Of these, 148 units were allotted through a draw. It was alleged that flats were given to those who were not residents of the slum that had existed at the site. As many as 157 flats were found to be rented and more than 100 flats were locked.

On Parmar's complaint, police first submitted a closure report in May 2016. A month later, AMC's vigilance department and then the CAG highlighted irregularities in the allotment of houses and TDR. Parmar approached the HC, which ordered the registration of an FIR in March 2018. https://timesofindia.indiatimes.com/city/ahmedabad/court-rejects-acb-closure-report-in-ews-housing-scam-ahmedabad/articleshow/106056267.cms

SELECTED NEWS ITEMS/ARTICLES FOR READING

10. PMAY-G: Centre likely to save Rupees 14k crore as states fail to spend *(financialexpress.com)* December 18, 2023

The Central government may save around Rupees 14,000 crore under the flagship Pradhan Mantri Awaas Yojana- Gramin (PMAY-G) in the current financial year as some states are not eligible to get funds, either for failing the eligibility conditions or not implementing the scheme.

The government has budgeted Rupees 54,487 crore for PMAY-G in FY24, the highest annual allocation after the launch of the scheme in 2016.

The expected savings in PMAY-G would cover, to a large extent, the additional allocation of Rupees 16,143 crore for the Mahatma Gandhi National Rural Employment Guarantee Scheme in the first supplementary demand for grants, which was approved by the Lok Sabha last week.

West Bengal, one of the biggest beneficiaries of the scheme in the last few years, won't get any funds in FY24 due to violation of the norms such as branding for centrally-sponsored schemes. Telangana and Puducherry, which are not implementing PMAY-G, will also not receive any funds. Several other states have also not been able to fully utilise the funds, sources said.

In October, the rural development ministry had said that complaints were received about the West Bengal government changing the name of the central scheme to Bangla Awas Yojana. Apart from this, eligible families were deprived of houses and party workers were allotted houses in violation of the guidelines, it alleged.

To achieve the target of "Housing for All" in rural areas, the Centre has been implementing PMAY-G with effect from April 1, 2016 to assist eligible rural households with an overall target to construct 29.5 million pucca houses with basic amenities by March 2024. More than 29.4 million houses have been sanctioned to the beneficiaries so far by various states and Union Territories and 25.1 million houses have been completed as of December 7, 2023.

Under PMAY-G, the beneficiaries are provided financial assistance of Rupees 1.2 lakh in plain areas and Rupees 1.3 lakh in hilly states (including North Eastern states and UTs of Jammu & Kashmir and Ladakh), difficult areas and Integrated Action Plan (IAP) districts. https://www.financialexpress.com/policy/economy-pmay-g-centre-likely-to-save-rupees-14k-crore-as-states-fail-to-spend-3340787/

11. Railways spent over Rs 1.2L crore for upgrading assets in last five years *(newindianexpress.com)* December 18, 2023

To improve safety, the Railways claims to have spent an amount of over Rs 1.22 lakh crore in carrying out massive replacement and upgradation of railway assets including old railway tracks and bridges in the country over the last 5 years.

The upgradation project also included locomotives, wagons and signaling equipments to ensure safe and swift services. According to the Railways, this is being done in addition to regular inspection of assets to ensure their fitness for services and obsolete assets are being replaced with new technology on age-cum-condition basis.

In the last five years, the Railways has met an actual expenditure of Rs 1,22,865 crore on replacement and upgradation of assets over the last 5 years. "The total expenditure of Rs 1,22,865 crore is funded to the extent of Rs 78.501 crore from Gross Budgetary Support and balance from Internal Generation and Extra Budget Resources on Ministry of Railways," said an official, adding that the outlay for budget estimate 2023-24 is Rs 29,325 crore.

The Railways claimed that Rs 20,407 crore was spent on the replacement and upgradation of railway assets in 2018-19, Rs 18,557 in 2019-20, Rs 28,529 in 2020-21, Rs 28,517 in 2021-22 and Rs 26,855 in 2022-23. To ensure safety in operating of trains at high speed, the Railways spends capital expenditure on replacement of tracks under the Plan Head 31-Track Renewals while expenditure on replacement of coaching stock is met under Plan Head 21-Rolling Stock.

Sharing details of expenditures, the Railways said Rs 9,690 crore was spent on track renewals in 2018-19, Rs 9,391 in 2019-20, Rs 13,523 crore in 2020-21, Rs 16,558 crore in 2021-22 and Rs 16,325 crore in 2022-23. It had spent Rs 1,815 crore on rolling stock programme in 2018-19, Rs 1,178 crore in 2019-20, Rs 3,466 crore in 2020-21, Rs 2,870 crore in 2021-22 and Rs 2,034 crore in 2022-23. https://www.newindianexpress.com/nation/2023/dec/18/railways-spent-over-rs-12l-crore-for-upgrading-assets-in-last-five-years-2642543.html#:~:text=In%20the%20last%20five%20years,over%20the%20last%205%20years.

12. Generative AI to add about $1.5 trillion to India's GDP by FY30: EY *(financialexpress.com)* December 18, 2023

Generative artificial intelligence (AI) could contribute a substantial $1.2-1.5 trillion to India's gross domestic product (GDP) over the next seven years, according to a report by EY titled "The AIdea of India: Generative AI's potential to accelerate India's digital transformation".

Sectors such as business services (including IT, legal, consulting, outsourcing, rental of machinery and equipment and others), financial services, education, retail and healthcare are expected to help drive 69% of the overall benefit for the economy with take up of generative AI, the report said.

The expected impact encompasses improvements in employee productivity, enhanced operational efficiency and personalized customer engagement.

According to the report, the full utilization of Gen AI technology across various sectors could potentially add $359-438 billion to India's GDP in the fiscal year 2029-30 alone. This reflects a noteworthy increase of 5.9-7.2% above the baseline GDP.

The report said 60% of organisations acknowledge the significant influence of generative AI on their businesses.

Despite the optimistic outlook, the report highlights that organisations are still in the early stages of adopting generative AI, with 75% expressing a low to moderate level of readiness to harness its benefits. It said 52% of the organisations are facing primary challenges that include a skills gap, whereas 47% feel that there is an unavailability of clear use cases. On the other hand, 36% of organisations perceive data privacy as a risk associated with generative AI, the report said.

"Organizations are swiftly adopting to AI-first approach to digital transformation, aiming to enhance customer engagement, increase productivity and achieve greater agility in delivering digital capabilities using innovative foundation models and AI-First solutions," said Mahesh Makhija, technology consulting leader at EY India.

As governments are working around models to regulate AI, EY said adopting a 'light touch' approach can create a responsive regulatory environment, balancing innovation and risk management. Clarity on a regulatory framework, establishing regulatory sandboxes, watermarking generative AI content and setting standards for accountability and liability to build trust in the AI systems will be critical, it said in the report.

Implementing measures like enabling access to training data and marketplaces, deployment of generative AI systems as public goods, securing critical digital infrastructure (through rollout of 5G, data centers, access to specialised chips and AI specific compute infrastructure) and access to talent and public funding of R&D will help foster innovation, the report said. https://www.financialexpress.com/policy/economy-generative-ai-to-add-about-1-5-trillion-to-indias-gdp-by-fy30-ey-3340801/

13. India inches closer towards developing stealth combat drones

(hindustantimes.com) Dec 15, 2023

The DRDO carried out a successful flight trial of the autonomous flying wing technology demonstrator from the Aeronautical Test Range at Chitradurga in Karnataka.

NEW DELHI: India on Friday inched closer towards developing indigenous stealth combat drones capable of firing missiles and dropping bombs — a platform that will boost the military's capabilities, with the defence ministry announcing that the Defence Research and Development Organisation (DRDO) carried out a successful flight trial of the autonomous flying wing technology demonstrator from the Aeronautical Test Range at Chitradurga in Karnataka.

The system that was flight-tested is also known as the stealth wing technology demonstrator or SWiFT.

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"With this flight in the tailless configuration, India has joined an elite club of countries that have mastered the controls for the flying wing technology," the defence ministry said in a statement. The successful flying demonstration of this autonomous stealth unmanned aerial vehicle (UAV) is a testimony to the maturity in the technology readiness levels in the country, it said.

The UAV, whose maiden flight took place in July 2022, has been designed and developed by DRDO's Aeronautical Development Establishment. The 2022 flight was followed by six flight trials in various developmental configurations using two locally manufactured prototypes.

"These flight-tests led to achievements in development of robust aerodynamic and control systems, integrated real-time and hardware-in-loop simulation, and state-of-the-art ground control station. The team had optimised the avionic systems, integration and flight operations towards the successful seventh flight in the final configuration," the statement said.

The latest test is a significant milestone on the path to developing indigenous stealth unmanned combat aerial vehicles (UCAVs), said Air Marshal Anil Chopra (retd), director general, Centre for Air Power Studies. "It will greatly enhance the operational capabilities of the armed forces. This could also be helpful in the manned-unmanned teaming of IAF's platforms," Chopra added.

The SWiFT prototype, with a complex arrowhead wing platform, has been designed and manufactured with lightweight composite materials developed indigenously.

The composite structure, with technology for health monitoring, showcases "Aatmanirbharta" or self-reliance in aerospace technology, the statement said. "The autonomous landing of this high-speed UAV, without the need for ground radars/infrastructure/pilot, showcased a unique capability, allowing take-off and landing from any runway with surveyed coordinates."

This was possible using onboard sensor data fusion with indigenous satellite-based augmentation through GPS Aided GEO Augmented Navigation (GAGAN) receivers to improve the accuracy and integrity of GPS navigation.

Defence minister Rajnath Singh complimented DRDO, the armed forces and the industry for the successful flight trial of the system. He said the successful development of such critical technologies indigenously would further strengthen the armed forces.

DRDO chief Samir V Kamat also congratulated DRDO and the teams associated with the flight trial.

The armed forces will also induct in the next three to four years the MQ-9B remotely piloted aircraft systems to be imported from the US. The acquisition of these drones, in a government-to-government deal estimated to be worth $3 billion, will significantly boost the Indian military's strength as the versatile platform has the capability to strike targets with its on-board weapons, it can carry out intelligence, surveillance and reconnaissance; and its other roles include electronic warfare, defensive counter air and airborne early warning.

India is pursuing a deal to buy 31 drones --- 15 for the navy, and eight each for the army and the Indian Air Force. https://www.hindustantimes.com/india-news/india-inches-closer-towards-developing-stealth-combat-drones-101702657179076.html

14. COP28: Much ado about very little *(thehindubusinessline.com)*

Updated: December 18, 2023

The words "transition away from fossil fuels" occurring in the decision text put out by the COP28 presidency at the climate conference seem to have generated a swell of excitement across the world.

Indeed, it is not without basis. While the urgent need for bidding goodbye to all fossil fuels has been well-recognised, it is for the first time doing away with 'fossil fuels' has been formally brought onboard a decision text. But one would have to think hard if it justifies screaming headlines like 'historic agreement', 'beginning of the end of fossil fuels' — giving the impression that rich countries have contributed something big to the cause of climate action.

The truth is that COP28 has changed nothing. The words "transitioning away from fossil fuels" means that some people in the room have just acknowledged the presence of the elephant in the room. The elephant doesn't go away just because people have noted that it is there. So, where is the commitment for 'the beginning of the end of the fossil fuel era', as the UNFCCC press release says?

Para 28(d) of the text is loose. First of all, the paragraph "calls on the parties" to do a number of things, including "accelerating efforts towards phase-down of unabated coal" and "transitioning away from fossil fuels". A call is not an agreement. The use of the word "efforts" in the context of unabated coal, and the words "in a just, orderly and equitable manner" for fossil fuels mean countries will make their moves on "best effort" basis. There is no hammer-nailing of any country to any commitment. In the absence of any binding commitment, platitudinous statements have little meaning.

Nobody is cutting down fossil fuels consumption. The US consumption of natural gas in 2022 was a record 32.26 trillion cubic feet. The country's coal consumption has been rising in the last three years — it was 594 million tonnes (mt) in 2022. India's coal consumption is about 800 mt, but it is home to four times as many people in the US and, unlike the US, has no other energy source. As for the EU, the region's coal production increased 2 per cent to 454 mt in 2022. Its natural gas consumption decreased in 2022, but presumably only because of the Ukraine war.

Therefore, one should mine reality from hype. COP meetings typically end in an explosion of hype. For example, when the 'loss and damage' fund was set up at COP27 in Egypt last year, the reaction was euphoric, even though the fund had not a penny. And now, in COP28, pledges worth $792 million were received for the fund (to which the US, which is spending billions on the Ukraine war, has contributed $17 million), the reaction again is as though something big has happened.

When you look through the smokescreen of hype, you see that the pledges amount to nothing, compared with the requirement. In 2022, Pakistan alone suffered loss and damage of $30 billion. When the need is so huge, a fund of less than a billion dollars is like offering a banana to a hungry elephant. The need for a mechanism for financially helping a country hit by a climate event get back on its feet has been talked about since at least the Warsaw COP of 2013, when the Warsaw International Mechanism for Loss and Damage was set up. Thus, the pledges received for the L&D fund are too little, very late.

Usefulness of COP
Despite decades of negotiations, things have gotten only worse in terms of climate change. Should we hold COP meetings at all? The answer is an emphatic ‘yes’.

At the time of the Paris conference (COP21 of 2015), the world was on a trajectory to get hotter by 4 degrees Celsius by 2100 (over the benchmark of the average temperatures of the pre-industrialisation era of 1850-1900.) Scientists have determined that up to 1.5 degrees (the “ambition”) things will be (sort of) okay; up to 2 degrees, well, we can somehow manage; but beyond 2 degrees it is really bad and gets worse all the way up.

Today, as the recent Emissions Gap Report of the United Nations Environment Programme said, the world is headed to anywhere between 2.5 degrees and 2.9 degrees, perhaps closer to the latter, which is calamitous. But the journey from 4 degrees to 2.9 could not have happened but for the COP conferences. While it is debatable as to what exactly the COPs have brought in, it is undisputable that a lot of action has happened elsewhere because of the climate alarm rung by the COP meetings.

The hope is that things will slowly reach a tipping point soon, beyond which there will be acceleration of actions at a pace consistent with the need. Many experts believe that the “1.5 degree target” isn’t realistic anymore, the time for it has passed. The 6th Assessment Report of the Intergovernmental Panel for Climate Change (IPCC) — a scientific body tasked with generating data for negotiations — has said that Earth is already warmer by 1.1 degrees. There isn’t much runway left. https://www.thehindubusinessline.com/opinion/cop28-much-ado-about-very-little/article67641449.ece

15. The regulator’s challenge in the age of AI *(indianexpress.com)*
December 18, 2023

As a variety of professions adopt AI, regulatory agencies must be nimble. They need to be provided with skills to keep in step with the fast-changing technology

Artificial Intelligence, AI regulations, US White House, European Parliament, European Council, UK summit on AI safety, GPAI summit Delhi, Bletchley Declaration, AI trust, AI global framework, indian express news, AI Opinion, Explained,This wave of high level discussions will soon begin to highlight the downstream challenge — the urgent need for regulatory skill-building in the digital age.

The past couple of months have seen a flurry of activity related to the regulation of artificial intelligence. The US White House issued an executive order for the regulation of AI, the European Parliament and the European Council have agreed on a legislation to regulate AI, the UK hosted a summit on AI safety that resulted in the Bletchley Declaration, and at the GPAI summit in Delhi this week, participating countries agreed to create a global framework on AI trust and safety, among other things.

This wave of high level discussions will soon begin to highlight the downstream challenge — the urgent need for regulatory skill-building in the digital age. This is the problem of being able to develop capabilities at roughly the same pace as the pace of new risks emanating from new technology. While governments, as a whole, have a role in confronting the nascent challenges being thrown up, the specific arms of governments, regulatory agencies, will be at the forefront dealing with this issue.

This piece discusses the need to rethink regulatory capabilities given the potentially transformative impact of AI in sectors like banking, telecommunications, and insurance. Regardless of whether AI has the potential to be self-sustaining in the future, two consequences of the deployment of generative AI products have already become apparent. The first is the vast scope of use for the technology. The second is the rapid improvement in the quality of services on offer. ChatGPT is a whole lot better than it was on the day it was launched. This in turn means that the potential for adoption across the economy becomes even stronger.

The Economist Intelligence Unit reports that banks and credit card companies have started using AI for fraud detection, risk assessment and digital marketing. E-commerce companies are using AI to predict credit risk and personalise services. The Indian insurance industry now uses AI for risk-management. Similar uses are being adopted in other parts of the economy. While these are examples of limited use, AI usage may become much more prevalent soon as the technology improves and people start understanding how to use the technology better.

The Reserve Bank of India and the Securities and Exchange Board of India have both recently begun to develop AI tools for regulatory supervision. Since 2019, SEBI has required mutual funds to disclose the use of AI in their product offerings and product managements. However, they and other regulators will need to do much more to prepare for potentially transformative changes.

AI may also alter professional practices and norms. The use of AI for book-keeping and accounting practices will potentially change the way a chartered accountant and an auditor works. Similarly, AI-drafted contracts will reshape the work of corporate lawyers. These changes may be slow at first, but will soon reach an inflection point. With the change in the way the professions work, the role of professional bodies in charge of maintaining the integrity of professional norms and practices is also likely to undergo a change.

Governments and regulators in some countries have so far implemented nascent regulatory frameworks for the use of AI. While these and other frameworks focus on the substance of AI regulation, regulatory agencies that have to implement these frameworks have to build the capabilities to implement them.

These capabilities are not easy to build in-house. Regulatory agencies will have to be nimble and proactive in order to acquire the necessary skills. The RBI for example, reportedly, has entered into a contract with McKinsey and Accenture to provide advanced analytics to help it discharge its supervisory functions. Even if regulators are able to hire external firms and experts with the necessary skills, they will have to develop the capabilities to evaluate the inputs from these external resources.

For example, some regulators globally have begun exploring the concept of algorithmic auditing. Algorithmic auditing is the audit of each part of a model's lifecycle to gain a better understanding of how the model works, and whether its use leads to potentially problematic outcomes. However, in order to make use of this practice, regulators will have to develop the capability to understand algorithmic auditing. Similarly, disclosure related requirements will only be useful if regulators know how to evaluate the information being reported.

While market dynamics and consumer preferences may naturally mitigate AI's rapid adoption, this underscores rather than diminishes the necessity for regulation. Effective regulation can facilitate market acceptance of AI products and services. Relying solely on private sector incentives for regulation, particularly in specific parts of critical sectors like banking and insurance,
will be inadequate.

The important question is not whether this capability should be developed, but how it can be developed at the scale of the Indian state and at speed. In the absence of a central coordinating function, the development of such capabilities will be uneven and ad-hoc. Enterprising regulators will devise mechanisms to rely on the expertise available in the private sector. This is, however, not a sustainable strategy in the long-term. Relying on outside expertise for the discharge of core regulatory functions can become problematic over a period of time.

Therefore, building these capabilities on a systemic scale will require deep thinking. The Indian state has managed to transition from an analog state to a significantly digital one over the last two decades. However, there is no significant body of knowledge that explains how this transition was achieved, that can in turn be replicated to build a new set of capabilities. In the absence of this body of knowledge, the central government must take on the mantle of understanding how to build this capability across government. The main challenge in AI regulation therefore seems to be to develop the capability to develop capabilities. https://indianexpress.com/article/opinion/columns/the-regulators-challenge-in-the-age-of-ai-9072107/

16. The IIP needs a thorough overhaul *(thehindubusinessline.com)*

December 15, 2023

Thanks to an old base, high volatility and a very shaky link to value added, the index does not convey the true picture of industrial activity

The Index of Industrial Production for October 2023, the government announced earlier this week, was at a 16-month high of 11.7 per cent. Yet, there's no sense of achievement, nor any celebration. Even this government which revels in trumpeting the smallest bits of positive news, has chosen to ignore it. This is not at all surprising because the IIP index is no longer taken very seriously by anyone.

It's been around for 86 years and refined and made more representative over that period. The econometric techniques used to build it have also improved. But the sad truth is that, with age, the Index hasn't improved. Some would go so far as to say it's become worse. There can be arguments over that but no one any longer denies that it is inaccurate in conveying the true picture of industrial activity in India. Little wonder then that the Purchasing Managers Index (PMI) has been seen as a better indicator. This is unworthy of a country with ambitions of becoming the third largest economy. The reasons for this are well known: an old base, high volatility and a very shaky link to value added. There are probably other reasons as well but just these three are enough to suggest that we need a completely new Index.

India's technical competence for this endeavour is not in doubt. But commitment to the cause is. Indices depend on data collection. In the case of the IIP, it's not collected but reported by a large set of chosen entities. If they don't report or file wrong reports, no amount of technical corrections will help. This is the main reason why proxies like the PMI provide a less inaccurate picture. In that sense, the problem is more an administrative one. Unfortunately, we have tended not to solve it. . And the older it gets, the worse the problem becomes. It is this that must engage the government's attention on an urgent basis. The problem of volatility in the items that make up the set of items used to build the index is different. It requires more frequent revisions in the basket of items. It is only after this that the econometricians can come in and solve the problem of linking to value added.

But there are two prior conditions. One is to end the lack of direct access of Ministry of Statistics and Programme Implementation to the industrial production data. It's the only ministry with the adequate capacity to solve the problem. In the current system, the data from different sources are routed through other ministries, particularly the Ministry of Industry. The other is to use data scraping techniques — computer programs that extract data from other data — to build a better index from GST data. All this, along with the overhaul of the rest of the national statistics is going to require the attention of the prime minister. Nothing less will do. https://www.thehindubusinessline.com/opinion/editorial/the-iip-needs-a-thorough-overhaul/article67642231.ece