# NEWS ITEMS ON CAG/ AUDIT REPORTS

## 1. Why CAG pulled up Gujarat over wildlife conservation *(indiatoday.in)* UPDATED: Sep 20, 2023

**The reasons why a performance audit of the state forest department from 2016 to 2021 remarked that "sanctuaries are being managed on an ad hoc basis"**

The increase in population of Asiatic lions in the Saurashtra peninsula often brings praise for the forest department of Gujarat, but the Comptroller and Auditor General (CAG) has rapped the department over five critical forest and wildlife conservation functions. The performance audit, 'Protection, Conservation and Management of Wildlife Sanctuaries in Gujarat' between 2016 and 2021, was submitted in the legislative assembly recently.

The most striking matter that the report highlights is the absence of a state-specific forest policy. Moreover, a mechanism to ensure implementation of the provision of the National Forest Policy and National Wildlife Action Plan has also not been put in place. Declaration of critical wildlife habitats in the sanctuaries has also not been done. Ignoring recommendations about habitat improvement regarding potential wildlife corridors, made by the Indian Space Research Organisation (ISRO) on the basis of a scientific study, the regions were not fully included in the notified eco-sensitive zones of the Balaram Ambaji and Jessore sanctuaries. This has brought sloth bear conservation under pressure from urbanisation activities like road construction and mining on the one hand and livestock grazing and tourism on the other.

Consequently, the report remarked that "sanctuaries are being managed on an ad hoc basis". The report has covered the geographical areas of six sanctuaries—Poorna and Shoolpaneshwar in south Gujarat, Jambughoda and Ratanmahal in central Gujarat, and Jessore and Ambaji Balaram in north Gujarat. The most crucial wildlife region of Saurashtra, which is home to the Asiatic lion, has not been covered.

The dominant wildlife species in the central and north Gujarat regions is the sloth bear. According to the latest census, the sloth bear population has increased from 343 in 2016 to 358 in 2023, a rise of only 4.4 per cent in seven years, which is seen by wildlife enthusiasts as worrisome. Sloth bears are found in the Balaram Ambaji, Jessore, Jambughoda, Ratanmahal and Shoolpaneshwar wildlife sanctuaries, as well as several unprotected forest patches of Sabarkantha, Banaskantha, Mehsana and Panchmahal districts.

The apparent question: why is the forest department ignoring the obvious requirements of wildlife conservation? The north and central Gujarat regions are indeed under tremendous stress of industrial development. The Delhi-Mumbai Industrial Corridor and bullet train projects have ambitious requirements of land acquisition on both sides of the corridor, with multiple new cities, industrial clusters and port connectivity planned in the region. The projects are already facing resistance from farmers and tribal people over land acquisition. Converting protected areas or eco-sensitive zones into land for commercial use is excruciating.

"...lack of coordination with neighbouring state authorities resulted in 'zero km' ESZ (eco-sensitive zone) in Balaram Ambaji, Ratanmahal and Shoolpaneshwar sanctuaries. In the absence of a systematic approach and timely preparation of the Zonal Master Plan, the plans of five sanctuaries remained incomplete even after a lapse of 12 to 94 months," the report pointed out.

Besides, the CAG report said budgetary provision for the forest and environment department was abysmal. The allocation during 2016-21 was 0.78 per cent of the total budget of the state. https://www.indiatoday.in/india-today-insight/story/why-cag-pulled-up-gujarat-over-wildlife-conservation-2438173-2023-09-20

## 2. Violations, poor management threaten Gujarat sanctuaries: CAG *(downtoearth.org.in)* 20 September 2023

**Poor spending of funds has led to mismanagement, leaving the forests open for encroachment, mining and deforestation**

A series of violations and other discrepancies have been threatening wildlife in Gujarat, especially in six sanctuaries managed by the state forest department, flagged the Comptroller Auditor General of India (CAG).

Poor spending of funds has led to mismanagement, leaving the forests open for encroachment, mining and deforestation, added CAG in its report tabled in the state assembly on September 16, 2023.

Less than 1 per cent of the allotted fund was spent by the forest department in 2016-17. Though the state government allocated Rs 85,557.78 crore, just Rs 1,000 crore or 0.78 per cent was spent, CAG pointed out.

From 2016-2017 to 2020-2021, Rs 6,748.13 crore was spent against Rs 8,63,505.64 crore provisioned by the state government.

Moreover, only Rs 823.02 crore was spent on protecting, conserving and managing protected areas. This amounted to just 13.71 per cent of the total expenditure incurred by the department.

Six sanctuaries in Gujarat — Balaram Ambaji and Jessore (Banaskantha district); Jambughoda (Panchmahal district), Ratanmahal (Dahod district), Shoolpaneshwar (Narmada district) and Purna (Tapi and Dangs districts) — offer safe homes to sloth bears, leopards, striped hyenas, jackals, wolves, jungle cats, blue bulls, wild boars, Indian foxes, Indian hares, common langurs, reptiles, birds, barking deers, antelopes and chitals, among others.

The Ratanmahal sanctuary hosts sloth bears, a flagship species in the area.

Of the eight species of bears known worldwide, India is home to four; five of the six sanctuaries host the bear population.

However, the Gujarat Bear Conservation and Welfare Action Plan did not develop any provisions for monitoring the bear population.

The department formed no ecotourism plans and lacked transparency in proving how the pilgrimage areas such as Kedarnatha were regulated to keep the bears undisturbed.

It also found that no plan for corridor management existed in the working plan of the Chhota Udepur Forest Division for a period between 2017-18 and 2026-27. However, a nod was given in January 2018.

Though the National Forest Commission Report, 2006 mandates each state to devise a policy for sustainable forest management, the state civil audit report from March 2009 suggested that Gujarat had not prepared a forest policy.

Even after 15 years since the mandate, the policy remained undrafted until November 2022, CAG pointed out.

Furthermore, the forest department did not specify a mechanism for implementing the provisions of the National Wildlife Plan until September 2022; the plan came into force in 1983.

Moreover, the state hasn’t declared any Critical Wildlife Habitats — areas in national parks and sanctuaries dedicated to wildlife conservation — in the past 14 years since the implementation of the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006, CAG pointed out.

The audit report found that negligence in maintaining eco-sensitive zones led to reduced effective forest area. It also found that none of the sanctuaries had prepared inventory to check in land use patterns, operative industries and activities around the sanctuary.

Some 122.08 hectares of reserved forest were deleted from the notified area and even excluded from the sanctuary map without seeking prior permission from the National Board of Wildlife (NBWL), CAG found.

It further exposed that three villages spread across 518.93 hectares of forest land were not part of the Shoolpaneshwar sanctuary. In the absence of boundaries and demarcation, the field staff of the forest department finds it difficult to patrol and protect the forest from encroachment.

The report stated that five of the six, except Purna Sanctuary, were highly fragmented.

Sanctuaries did not include areas under eco-sensitive zones (ESZ), which would have enabled better conservation and management of wildlife. For instance, about 54 per cent of ESZs were excluded in Jessore and Balaram Ambaji sanctuaries.

The CAG audit pointed out a lack of research on flora and fauna from the state. It noted that the Dantiwada range of the Jessore sanctuary was plagued with invasive species Prosopis Julifora. Around 51 per cent of the sanctuary area, including ESZ, was dominated by the species.

Though the department had suggested the removal of invasive species from other sanctuaries, adequate steps were not taken.

Moreover, the wildlife population was not properly estimated. Except for sloth bears, wild asses, Asiatic lions and leopards, the estimation was not carried out regularly between 2005 and 2020.

The audit found that 43 per cent of sloth bears were outside sanctuary areas and human-animal conflict led to 116 human deaths and 679 injuries between 2016 and 2021.

Furthermore, the department was ill-equipped as their rapid response team did not have sufficient stock of drugs, tranquillisers, animal rescue centres and veterinary doctors.

In Jessore and Balaram Ambaji sanctuary, only one of the four tranquilliser guns was working. While Jambughoda had only one gun, there wasn't any anaesthesia medicine.

Moreover, the sanctuaries lacked forest guards, which led to illicit tree cutting, leading to 18,469 cases between 2016 and 2021. The lack of check posts and communication devices, such as wireless, disabled the officials from keeping a check on illegal activities and proved detrimental to the preservation and conservation of forests.

The audit also found violations of the Forest Conservation Act, 1980 and Wildlife Protection Act, 1972. For instance, road widening of state highways such as Danta-Ambaji passing through Balaram Ambaji sanctuary and its ESZ range was initiated before getting permission from government agencies.

Also, the widening of the Vyara-Bhenskatari-Kalibel-Pimpri road, cutting across Purna sanctuary, began construction, later applied for permissions, and finished the works before receiving approvals.

It also found that the road widening was done beyond the sanctioned area. Authorities incorrectly certified beyond 20 km of Shoolpaneshwar sanctuary's boundary for Devalia-Rajpipla National Highway widening works. This NH passes through the ESZ of Shoolpaneshwar sanctuary. Moreover, the user agencies were not penalised for violating the norms.

The report also observed poor management of 10 ecotourism sites developed by the department, which had inadequate mechanisms to control and regulate footfall. The forest areas were also heavily littered with waste, posing a threat to the health of wildlife. https://www.downtoearth.org.in/news/wildlife-biodiversity/violations-poor-management-threaten-gujarat-sanctuaries-cag-91849

## 3. Puducherry records increase in revenue receipts by 30%, says CAG *(thehindu.com)* September 21, 2023

Looking into the government finances of the Union Territory for the year ending March 2022, the Comptroller and Auditor General (CAG) has highlighted a substantial rise in revenue receipts from 2017-18, and the significant contribution of own resources to the revenue receipts during 2021-22.

The CAG report, which was tabled in the Assembly on Wednesday, said the revenue of the U.T. has gone up by 30.92 % from ₹6,003 in 2017-18 to ₹7,859 crore in 2021-22.

Around 68.97 % of revenue receipts during 2021-22 came from the U.T.'s own resources (₹ 5,420 crore), while grants-in aid (₹2,439 crore) contributed 31.03 %.

The contribution of own resources to the U.T.'s finances has been substantial over the years. The revenue receipts of the U.T. comprising own tax and non-tax revenue, increased by 29.67% from ₹4,180 crores in 2017-18 to ₹5,420 crore in 2021-22.

The rate of growth of own revenue increased by 59. 04% when compared to the previous year, which led to a revenue deficit from ₹1,370 crore in the year 2020-21 to ₹889 crore in 2021-22, the report pointed out.

The increase in own tax revenue revenue was mainly due to more receipts on apportionment of the Integrated Goods and Services Tax transfer-in tax component to the State Goods and Services Tax, more sale of malt liquors/spirits and more receipts on trade tax.

The increase in non-tax revenue was mainly due to an increase in the sale of power and interest receipts. Non-tax revenue ranged between 23% and 28% of the total revenue receipts of the U.T. during the five-year period from 2017-18 to 2021-22. It increased from ₹1, 374 crore in 2017-18 to ₹ 2,184 crore in 2021-22. The increase in the sale of power from ₹1,295 crore in 2020-21 to ₹2,010 crore in 2021-22 mainly contributed to the increase in non-tax revenue, the report said.

The report also pointed to the decrease in grant-in aid from the Centre. The aid received from the Union government has decreased by ₹43 crore during 2021-22. The total grant, as a percentage of revenue receipts, also decreased from 42.14% in 2020-21 to 31.03 % in 2021-22. Out of the total Central assistance of ₹1,875 crore, the release during January to March was ₹624 crore, the report said.

Increase in government's committed expenditure
The committed expenditure of the government over the years has gone up substantially. The committed expenditure on salaries, pensions, and interest payments has gone up from ₹3,388 crore in 2017-18 to ₹4,804 crore in 2021-22, an increase of ₹1,416 crore. The committed expenditure constituted 54.92 % of revenue expenditure and 61.13 % of revenue receipts during 2021-22.

The interest payment alone is around 16 % of the committed expenditure. Payment of interest increased by ₹120 crore in 2021-22. It constituted around 11.16% and 10. 03% of revenue receipts and revenue expenditure respectively, the report said. https://www.thehindu.com/news/cities/puducherry/puducherry-records-increase-in-revenue-receipts-by-30-says-cag/article67329411.ece

## 4. U.T.'s revenue receipts increased by ₹1,969 crore in 2021-22: CAG *(thehindu.com)* September 20, 2023

**The report of CAG was tabled in the Assembly when the House reassembled for a short duration on Wednesday**

Puducherry: The revenue receipts of the Union Territory during 2021-22 increased by ₹1,969 crore over the previous year, Principal Accountant General, Tamil Nadu and Puducherry K. P. Anand said here on Wednesday.

Addressing a press conference to share the highlights of the financial audit of the Union Territory by the Comptroller and Auditor General of India for the year ended March, 2022, Mr. Anand said the Union Territory's revenue receipts of ₹7, 859 crore was lesser than the revenue expenditure of ₹8,748 crore in 2021-22. This resulted in a revenue deficit of ₹889 crore as against the revenue deficit of ₹1,370 crore during 2020-21, he said.

The report of CAG was tabled in the Assembly when the House reassembled for a short duration on Wednesday.

The capital expenditure decreased from ₹240 crore in 2020-21 to ₹163 crore in 2021-22. The fiscal deficit decreased from ₹1, 615 crore in 2020-21 to ₹1,052 crore in 2021-22. The ratio of total outstanding debt to GSDP stood at 26.27% at the end of 2021-22, he said.

As on March 31, 2022, there were 13 government companies and the total investment (equity and long term loans) in the Public Sector Undertakings was ₹731.81 crore. Five PSUs earned a profit of ₹38.48 crore and seven undertakings accounted a loss of ₹49.87 crore, leading to an overall loss of ₹11. 39 crore, he said.

Senior Deputy Accountant General Varsini Arun, Senior Audit Officers M Meiyappan and S. Manimozhi were also present on the occasion. https://www.thehindu.com/news/cities/puducherry/uts-revenue-receipts-increased-by-1969-crore-in-2021-22-cag/article67326360.ece

## 5. Assam: Questions raised regarding the abandonment of 5 small hydroelectric projects *(sentinelassam.com)* September 21, 2023

GUWAHATI: The State Government's failure to follow the statutory and policy requirements in the execution of hydropower projects has cost it dearly, with five of its small hydropower projects facing either abandonment or suspension.

According to official sources, the Congress government in the state started work on six projects in 2010–11 under its small hydropower development policy. However, only one of the six hydropower projects is complete. The locations of the six projects are: Bordikorai (4.7 MW), Desang (9 MW), Dronpara (1.6 MW), Pohumara (2 MW), Kolong (6 MW), and Champamati (4 MW). The total cost of the six projects was Rs 2.32 crore. Two of the remaining five projects faced abandonment due to non-receipt of forest clearance; the incapacity of the contractors led to the suspension of two projects; and an undisclosed reason led to the suspension of one project.

According to the findings of the CAG, the State Government was executing the five projects in contravenes of the provisions of the small hydropower development policy. The government signed an MoA (Memorandum of Agreement) with Infrastructure Lease and Financial Services Ltd. (IL&FSL) as the nodal agency for the development of all six projects instead of the APGCL (Assam Power Generation Corporation Ltd.).

The CAG observed that APGCL, being a wholly state-owned entity with expertise in the implementation of hydropower projects, was mandated under the policy to act as the nodal agency for execution and monitoring the hydropower projects. As such, the selection of IL&FSL by the Government of Assam as a joint venture partner for the execution of hydroelectric projects contravenes the provisions of the policy.

According to sources, beginning the work on the projects without getting clearance from the forest department and without knowing the capacity of the contractors led to their failures.

The CAG also said that the State Government making repayment of the SBI loan amounting to around Rs 24 crore is an 'undue favour' to NECCON for the abandoned Bordikorai project, as the company, which was not supposed to carry out any major work on the projects until receiving all statutory clearances within the stipulated 24 months, opted to go ahead with the project work. "Hence, the claim of NECCON for repayment of the SBI loan taken for the project work was not justified and should not have been entertained by the Government of Assam," the CAG said. https://www.sentinelassam.com/topheadlines/5-small-hydropower-projects-abandoned-who-is-at-fault-667651

## SELECTED NEWS ITEMS/ARTICLES FOR READING

### 6. Indian Navy Moves Mega Deal to Buy Second Indigenous Aircraft Carrier *(businessworld.in)* Sept 20, 2023

**A proposal has been received by the Defence Ministry for building and acquiring the second indigenous aircraft carrier which would be known as the Indigenous Aircraft Carrier-2, defence officials told ANI**

In a major push for indigenisation in the military, the Indian Navy has moved a mega proposal to the government for building the second aircraft carrier to be constructed by Cochin Shipyard.

A proposal has been received by the Defence Ministry for building and acquiring the second indigenous aircraft carrier which would be known as the Indigenous Aircraft Carrier-2, defence officials told ANI.

The Defence Ministry would be shortly discussing the proposal moved by the Indian Navy as one of the biggest programmes under Prime Minister Narendra Modi's Aatmanirbharta (self-reliance) programme in the defence sector, they said.

The programme will create several thousand direct and manifold indirect jobs through the Cochin Shipyard in Kerala when the work on the IAC-2 is approved by the government.

The first indigenous aircraft carrier INS Vikrant was commissioned by Prime Minister Modi in Kochi in September last year where the expertise developed by Cochin Shipyard (CSL) in building such large size ships was applauded.

The Indian Navy has been pressing for three aircraft carriers to maintain at least one carrier on each coast with one in refit. With three aircraft carriers, the Indian Navy would also be keeping pace with all the navies deployed in the Indo-Pacific region, officials said.

The Indian Navy is also going to get 26 new Rafale fighter aircraft for the INS Vikrant and also looking to buy the indigenous Twin engine Deck L-based Fighter aircraft which are now expected to be produced in large numbers to be deployed on the three carriers.

Admiral R Hari Kumar had recently stated that INS Vikrant, the indigenously built aircraft carrier, will be based in Visakhapatnam. INS-Vikrant was a landmark event for India and all-out efforts are on to make it (INS-Vikrant) fully operational by November 2023.

Recently the Indian Navy Mig-29K fighter jet landed on the INS Vikrant for the first time at night, an important step towards the warship becoming fully operational along with its air wing by the year-end.

The Indian Navy has given assurances to the government that the sea force will become Atmanirbhar (self-reliant) by 2047. The Naval force aims to have a made-in-India security solution for the country and the Navy has been encouraging and giving incentives to the start-ups and MSMEs for self-reliance, he had stated. https://www.businessworld.in/article/Indian-Navy-Moves-Mega-Deal-To-Buy-Second-Indigenous-Aircraft-Carrier/20-09-2023-492063/

## 7. Delayed infrastructure projects rise to 830 as of September 1: Govt report *(moneycontrol.com)* September 20, 2023

**The 1,762 infrastructure projects are also facing cost overruns of Rs 4,77,280.69 crore or 19 percent of the total cost.**

The number of delayed infrastructure projects, worth Rs 150 crore and above, in India, has risen to 830 as of September 1, 2023 from 809 as of August 1, 2023, according to the August 2023 report by the Infrastructure and Project Monitoring Division (IPMD).

According to the report, out of the 1,762 projects it tracks, 830 projects are facing delays, 550 are on schedule and 43 projects are ahead of schedule.

The remaining 339 projects have no reported year of commissioning nor have a tentative gestation period.

The average time overrun in these 830 delayed projects is 36.96 months.

Out of the 830 delayed infrastructure projects, 167 have reported additional delays vis-à-vis their date of completion reported in the previous month. Of these 167 projects, 59 are mega projects costing Rs 1,000
crore and above, the report said.

Additionally, out of the 830 delayed infrastructure projects, 194 had reported delays of 1-12 months, 190 are facing delays in the range of 13-24 months, 323 are facing delays of 35-60 months and the remaining 123 are facing delays of beyond 60 months.

The 1,762 infrastructure projects are also facing cost overruns of Rs 4,77,280.69 crore or 19 percent of the total cost.

"Total original cost of implementation of the 1,762 projects was Rs 25,01,400.62 crore and their anticipated completion cost is likely to be Rs 29,78,681.31 crore," the report said.

The report added that as of September 1, 2023, Rs 15,57,188.10 crore has been spent on these 1,762 infrastructure projects projects.

The Ministry of Road Transport and Highways of India continues to have the highest number of delayed infrastructure projects, with 435 out of its 972 total projects being delayed.

Under MoRTH, 125 projects have reported additional delays vis-à-vis their date of completion reported in the previous month.

The Indian Railways has the second most number of delayed infrastructure projects, with 98 out of its 260 total infrastructure projects being delayed.

Three infrastructure projects under Indian Railways have reported additional delays vis-à-vis their date of completion reported in the previous month.

The Ministry of Petroleum, Ministry of Coal, Ministry of Power, Ministry of Water Resources, Ministry of Civil Aviation, Ministry of Urban Development, and the Department of Higher Education under the Ministry of Education have 83, 51, 58, 25, 22, 16, and 13 projects delayed, respectively.

Last month, the Ministry of Finance had asked all infrastructure-related ministries to evaluate delayed infrastructure projects under their departments and come up with solutions that can be implemented.

The Finance ministry has asked eight of its peers to prepare a status report by November on why infrastructure projects are facing delays and the steps the ministries concerned have taken to resolve these.

The reasons for time overruns as reported by various project implementing agencies include delay in land acquisition, delay in obtaining forest and environment clearances, and lack of infrastructure support and linkages.

Delays in tie-ups for project financing, finalisation of detailed engineering, change in scope, tendering, ordering and equipment supply, and law and order problems were among the other reasons.

IPMD is part of the Programme Implementation Wing under the Ministry of Statistics and Programme Implementation.

The Programme Implementation Wing has three divisions, namely, the Twenty Point Programme, IPMD and the Members of Parliament Local Area Development Scheme Division.

IPMD monitors the implementation status of 1,762 central sector projects costing more than Rs 150 crore in 16 infrastructure sectors and the performance of key 11 infrastructure sectors. 'https://www.moneycontrol.com/news/business/delayed-infrastructure-projects-rise-to-830-as-of-september-1-govt-report-11397131.html

## 8. Infra needs green ratings *(thehindubusinessline.com)* September 20, 2023

**India's infra push has a sustainability dimension**

The National Infrastructure Pipeline (NIP) outlines an investment of ₹111-lakh crore by 2025.

These investments carry significant economic potential, with a rupee spent on infrastructure yielding a potent multiplier effect of 2.45 in the following year, and 3.14 in subsequent ones. The government is also equally committed to India's environmental and social (E&S) goals.

An inherent flipside of infrastructure development is its significant negative E&S impact, creating conflict with India's NDC and SDG goals. For instance, cement and steel are amongst the largest emitting sectors and could increase their carbon emissions six-fold by 2050. Large-scale infrastructure development will likely exacerbate India's climate risks and socio-economic vulnerabilities.

However, economic growth can still be achieved without compromising on E&S goals by adopting a sustainable infrastructure development model. Institutions such as the IFC and ADB have their own infrastructure project assessment frameworks for determining their E&S risks.

These, however, are adopted only by projects they fund and not by others. The current project development approach globally is compliance-led without considering the larger E&S goals.

The Infravision Foundation's (TIF) research paper published in collaboration with Envint Global suggests an alternative approach, integrating sustainability considerations into the infrastructure project lifecycle, and objectively measuring project level impact through a 'sustainability rating' framework.

The proposed sustainability ratings mechanism adds to the existing regulations and embeds E&S considerations in the project lifecycle. It outlines a ratings regulation mechanism including rating ownership and accreditation, applicability, adoption of ratings and the ratings process. This article proposes S-I Rating, a sustainability ratings mechanism for infrastructure projects based on environmental and social Key Performance Indicators (KPIs) to help objectively assess the project's sustainability considerations. The mechanism incorporates 102 KPIs across 15 themes. The themes covered include Access and Equity; Biodiversity and Ecology; Construction Activity, Emissions; Land Use and Efficiency; Materials and Resources; Risk and Resilience; Waste and Circularity; and Water Use and Management among others.

These KPIs range from the basics related to compliance (e.g., Environmental Management) to aspirational (e.g., carbon mitigation plans). The responses could range from 'not met' to 'full compliance'. Each of the KPIs has a weightage and based on the responses and the weightages, a ratings score is generated.

**Stakeholder benefits**

Such a mechanism will likely benefit all the stakeholders. It will enable governments and project sponsors to make 'go no-go' decision-making based on sustainability parameters, minimise stakeholder conflicts and conserve common property resources. Developers will be able to access responsible investors and minimise long-term E&S risks. It will provide investors with transparent risk assessment and efficient capital allocation. Finally, it will improve the user experience. Implementation of S-I Ratings mechanism needs a robust institutional framework with clear roles and responsibilities. TIF's research paper recommends the creation of a 'Sustainable Infra Development Cell' (SIDC) under the aegis of the National Bank for Financing Infrastructure and Development (NaBFID) to act as the regulatory body for the administration, regulation of the process and promotion of adoption of such ratings.

As the principal Infrastructure Development Finance Institution, NaBFID may be the appropriate body to take forward the implementation of the sustainability ratings. The SIDC would create an ecosystem of accredited independent 'S-I Ratings Service Providers' (SIRPs), to assess individual projects. https://www.thehindubusinessline.com/opinion/infra-needs-green-ratings/article67327289.ece

## 9. RBI paper on OPS: Undoing reform *(indianexpress.com)* Sept 21, 2023

**Shift to old pension scheme is fiscally imprudent. In run-up to polls, political parties must be mindful of long-term implications**

The shift to the National Pension System in the 2000s was a major, hard-won fiscal reform. The move was supported by parties across the political spectrum. The process was initiated by the NDA under then Prime Minister Atal Bihari Vajpayee, and the UPA government continued with it. Over time, most states shifted to the NPS, with only West Bengal and Tamil Nadu staying with the old pension scheme. However, it would now seem that the broad political consensus that led to this fiscally prudent decision has frayed. Several states such as Rajasthan, Chhattisgarh, Jharkhand, Punjab and Himachal Pradesh, ruled by parties who are in opposition to the BJP at the Centre, have announced a shift back to the old pension scheme. Such decisions, driven by political motives, will benefit only a small section of the electorate, and will have adverse long-term fiscal consequences. As a new study by economists at the Reserve Bank of India says, this shift "will be a major step backwards undermining the benefits of past fiscal reforms and compromising the interest of future generations".

Unlike the NPS which is a defined contribution scheme, the old pension scheme is a defined benefit scheme. In this framework, the benefits accruing to employees are marked out — for state government employees, the pension is fixed at 50 per cent of the last drawn salary. This places a significant fiscal burden on the government. As per the RBI study, the burden of switching back to this unfunded scheme would be roughly 4.5 times that of the NPS, "with the additional burden reaching 0.9 per cent of GDP annually by 2060". Pensions already account for a sizeable share of state expenditure allocation. In 2022-23, states had allocated Rs 4.63 lakh crore for pensions, up from Rs 3.45 lakh crore in 2019-20. For all states and Union Territories, the allocations to pension were pegged at 11.8 per cent of the revenue expenditure. For some states it was significantly higher — for Uttar Pradesh it was 16.9 per cent, for Kerala 17.1 per cent, and for Himachal Pradesh 19.3 per cent.

While the move to the old pension scheme may lead to some gains in the short term, over time, the costs will be far greater, constricting the fiscal space available to the state governments. According to the study, the shift can "increase their fiscal stress to unsustainable levels in the medium to long-term". And as the pension outgo increases, it "may compel the states to cut down their capital expenditure, affecting the long term growth prospects of the economy." In the run-up to the national elections, while there may be a temptation to announce such populist measures, political parties of all ideological hues must shun such policies whose harmful effects will return to haunt. https://indianexpress.com/article/opinion/editorials/express-view-on-rbi-paper-on-ops-undoing-reform-8949044/

## 10. ADB Revises India's Growth Forecast for FY2023 Downward From 6.4% to 6.3% *(thewire.in)* Sept 21, 2023

The Asian Development Bank (ADB) on Wednesday (September 20) revised India's growth forecast downward to 6.3% from 6.4% projected earlier. The ADB said this was being done because an inadequate and erratic monsoon had impacted agricultural production.

"Slowing exports could foment headwinds for the economy, and erratic rainfall patterns are likely to undermine agricultural output," Economic Times quoted ADB as saying. However, the Bank retained its earlier growth forecast for next year, projecting that the Indian economy will grow 6.7%

"Inflation has moderated broadly, but the forecast for FY2023 (2023-24) is raised owing to a spike in food prices, and the forecast for FY2024 (2024-25) is marginally lowered as core inflation moderates," the ADB report said about inflation.

ADB also lowered the economic growth forecast for developing Asia to 4.7% this year, down from the 4.8% expansion the bank had forecast in April. https://thewire.in/economy/adb-revises-indias-growth-forecast-for-fy2023-downward-from-6-4-to-6-3

## 11. Banks' reluctance to offload assets, other issues halt NARCL's progress *(financialexpress.com)* Sept 21, 2023

**In 2021, the government announced the formation of NARCL, a state-backed bad bank. It would pick up bad loans from banks and sell them to prospective buyers.**

The progress of National Asset Reconstruction Co (NARCL) has been stalled by both structural issues and a reluctance among banks to offload assets at the offered price.

"The challenges are very pervasive and have always impacted the ARC industry, which is bid-offer spread. While an ARC discounts cost of capital at 25% because their capital is expensive, banks discount cash flows at a maximum of 12-13%," said Abizer Diwanji, head – financial services, EY India.

Diwanji added that while NARCL does offer relatively higher prices than peers, banks do not want to sell at even those rates.

Currently, the gross non-performing assets in the banking system is around Rs 13 trillion, taking into account fully written-off accounts. Despite this, the NARCL has so far, fallen short of expectations.

In 2021, the government announced the formation of NARCL, a state-backed bad bank. It would pick up bad loans from banks and sell them to prospective buyers. The NARCL will pay up to 15% of the agreed value for the loans in cash and the remaining 85% will be paid in government-backed security receipts.

State-owned banks hold a 51% stake in NARCL, while the remaining is held by private banks.

Additionally, the government has also set up India Debt Resolution Co (IDRCL), a service company or an operational entity that will manage assets, and engage with various professionals, including turnaround experts. Private banks hold a 51% stake in IDRCL.

In essence, the stressed assets acquired by NARCL will be managed by IDRCL for price discovery and value addition. The Centre had set NARCL a target of Rs 2 trillion bad loans that needed to be acquired by 2021-22 (April-March). However, only 10% of the target has been met so far, say media reports.

While specific numbers on bad loan acquisitions for 2022-23 could not be attained, experts note that these have remained on the lower side.

Experts highlight a plethora of issues that have stalled the progress of NARCL. In fact, the recent resignation of the bad bank's chairman Karnam Sekar has brought these issues to the fore.

"I think some more guidance on pricing mechanisms and a nudge from the RBI to consortium lenders to encourage the assignment may have resulted in better outcome," said Ashish Chhawchharia, partner and head — restructuring services, Grant Thornton Bharat.

"At present, each lender has to follow their internal processes of price discovery and decision-making that led to timing mismatch and varied results," he added. NARCL is insisting that banks agree to a contract absolving it of any future liabilities.

However, banks have pushed back on this request, considering it unrealistic in light of their board responsibilities. Also, the extension of federal guarantees, which expired in 2022-23 (April-March), is causing delays in the transfer of bad loans to NARCL.

While the guarantee issue is significant, another bottleneck is NARCL's protracted due diligence process and its tendency to present offers that banks deem inadequate, say experts.

Khaitan & Co. partner Siddharth Srivastava notes that there are various important considerations with respect to pending litigations, and attachment of assets that elongates the due diligence process.

"In many instances, there are arbitration cases that are pending and the main value of the company is dependent on the outcome of arbitration," Srivastava said. The extended decision-making process has resulted in unnecessary complications, creating a hurdle for the NARCL initiative, say experts.

"There is little to no incentive for banks to offload these loans to ARCs. Most of the NPAs are old and already carry substantial provisions. The chances of resolving these bad assets have decreased due to their eroded values," said Sudharshan Kedia, head — stressed asset resolution group, Resurgent India.

In order to improve resolution and make the bad bank more effective, some feel that it is necessary for IDRCL to be merged with NARCL. In 2021, RBI gave a licence to NARCL to start operations as a bad bank. However, this has led to an internal conflict between NARCL and IDRCL as to who will have the final say on any given matter.

In such a scenario, experts feel that a merger of these two entities will optimise business opportunities and bring down operational costs. In addition to this, recovery-linked incentives for personnel at the bad bank will help attract talent and increase efficiency. https://www.financialexpress.com/business/banking-finance-banks-reluctance-to-offload-assets-other-issues-halt-narcls-progress-3249882/

## 12. Free power to cheaper LPG, it's 'freebie' season in MP. But Congress hits brakes, flags deficit *(theprint.in)* Sept 21, 2023

Bhopal: Cheaper LPG cylinders, free electricity, two-wheelers for students, and a monthly allowance for women. With assembly polls in Madhya Pradesh around the corner, subsidies and welfare schemes are the sweetener of the season with both the ruling Bharatiya Janata Party (BJP) and its primary challenger, the Congress, banking on them to woo voters. The Congress, though, seems to have one foot on the brakes, given that it has not announced any new poll-related subsidies or schemes in Madhya Pradesh in nearly a month.

According to the state government, Chief Minister Shivraj Singh Chouhan made three new announcements daily on average since assuming office in March 2020. On its part, the Congress has now promised voters 100 units of free electricity, LPG cylinders at subsidised rates and resumption of the Old Pension Scheme (OPS) for retired government employees if voted to power in the assembly elections slated for later this year.

But with the state reeling under an estimated debt of Rs 3.26 lakh crore, fiscal prudence too has become a poll plank with the Congress accusing BJP of adding to the burden of the exchequer. The state's fiscal deficit, according to budget documents (FY 2023-24), is an estimated Rs 55,708 crore — 4 percent of the gross state domestic product (GSDP).

On Tuesday, Congress leader Digvijaya Singh alleged that government money was "being diverted for BJP's election agenda," and warned officials in the state finance department to look out for the ballooning deficit. "Top officials in the finance department are further damaging the state's already shaky financial condition to fulfil the BJP's agenda," he said.

The Rajya Sabha MP and former chief minister alleged that nearly "137 schemes" have been stopped and funds for many others are being withheld.

"I warn the erring officers that after the Congress government comes to power, these activities will be thoroughly investigated and strict action will be taken against erring officers, no matter the seniority," he said.

Chouhan, while addressing a public meeting later in the day, cited Singh's remarks to say that the Congress was "scared":

"Digvijaya Singh threatened officials of the finance department, and asked them where the money was coming from. When Kamal Nath was chief minister for a year-and-a-half, he kept on crying about not having money.

"But here I am, saying that there is enough and more money. If one cries about there being no money while sitting on the chief minister's chair, why were you sitting on it?"

As for experts, they say that while the state government is "dangerously close" to breaching the fiscal limit, schemes such as cycles for students living in rural parts of the state "go a long way" towards benefiting the entire family.

"When looking at freebie culture, one has to see if the freebie is in the form of a cycle given to a student in a rural area. One does not support the freebie culture, but in such a situation — a freebie in the form of a cycle — it will go a long way in benefiting the student or the family," says Amitabh Kundu, professor emeritus at Ahmedabad's LJ University.

He, however, also says that when looking at this in the context of the state's financial health, "not all schemes are continued throughout and often in the fine print of the schemes, one finds many sections of society are not eligible to avail of these schemes".

"Therefore, while the cost to the state might appear to be huge, when it comes dangerously close to breaching fiscal limits, there are often bureaucratic manoeuvres that are enforced," Kundu adds. Quoting Nobel laureate Amartya Sen on the nature of poll promises, he says, "Kam se kam ek baar toh voters ke baare mein sochte toh hain. (At least for once, politicians think about voters.)"

**Madhya Pradesh's debt**

As of 31 March 2022, Madhya Pradesh's overall public debt stood at Rs 2.95 lakh crore, which swelled to Rs 3.26 lakh crore this year, according to the budget estimates (for FY 2023-24). The figure is estimated to swell further to 3.85 lakh crore by 31 March, 2024.

In June this year, Finance Minister Jagdish Devda informed the assembly that the state government had secured loans to the tune of Rs 16,000 crore between June 2022 and February 2023. Then, fresh loans amounting to Rs 10,000 crore were secured in multiple tranches between February and June to meet the government's expenses.

Despite Prime Minister Narendra Modi's criticism of 'revdi' culture, the state BJP has already announced direct cash transfers to women under its Ladli Behna Yojana, subsidised LPG cylinders and free electricity, among other such schemes.

According to a reply by the state's General Administration Department (GAD), CM Chouhan made 2,715 announcements between 6 June 2020 and 9 June 2023 — averaging 2.5 per day. The government, in its reply to a Congress MLA's question, revealed that this included 489 announcements in 2020, 878 in 2021, 753 in 2022 and 595 until June this year.

Under the Ladli Behna Yojana, announced this March, an estimated 1.25 crore women in the state were eligible to receive Rs 1,000 per month as allowance. After the Congress promised to hike this allowance to Rs 1,500 if voted to power, Chouhan raised it to Rs 1,250 on Raksha Bandhan and promised to gradually increase it further to Rs 3,000 a month.

For this scheme, an allocation of Rs 8,000 crore was made in the state budget (for FY 2023-24). However, the government will need to allocate Rs 1,800 to Rs 2,000 crore each month in order to be able to transfer Rs 1,250 to each of the scheme's 1.25 crore beneficiaries.

Reacting to Congress's poll promise of LPG cylinders at a subsidised rate of Rs 500 apiece, the BJP also announced earlier this month that it would provide LPG cylinders for Rs 450 apiece. And while the Congress promised 100 units of free electricity and consumption of up to 200 units at half tariffs, the BJP offered to defer electricity bills issued in line with hiked tariffs, along with free electricity to women in the state living under the poverty line.

Chouhan in June announced a hike in the honorarium of nearly one lakh Anganwadi workers to Rs 13,000 from the earlier Rs 10,000, and a decision to double the honorarium for government employees from Rs 9,000 to 18,000. He also announced a threefold rise in the honorarium for district panchayat presidents, vice presidents and deputy sarpanches, besides the regularisation of 1.5 lakh contractual employees. The government also made a provision of Rs 135 crore in the state's budget (for FY 2023-24) to fulfil its promise of providing e-scooters to government school students who top the Class 12 exam.

Asked to comment on these moves, Kanhaiya Ahuja, head of the department of economics at Indore's Devi Ahilya University, says, "Some of the schemes termed freebies are in fact viewed as social welfare schemes that give their beneficiaries much-needed support. This is also how Ladli Behna Yojana was visualised. But the MP government is dangerously close to breaching its fiscal limit and has to be mindful of its expenses."

**Congress says 'waiting for MCC'**

The Congress, on the other hand, is now taking a more cautious approach in the sense that it has not made any new poll promises over the past month. Addressing a press conference in Bhopal on 2 September, party general secretary Randeep Singh Surjewala said he had told state Congress chief Kamal Nath, "Aap sahi waqt ka intezaar kijiye (wait for the right time)."

"Jab inke (BJP) haatho mein aachaar sanhita ki hathkadiya lag jayengi, fir uske baad Kamal Nath ji ka pitara khulega, Congress ka pitara khulega. Aur fir Madhya Pradesh ka bhavishya badlenge," said Surjewala, who is also the party's in-charge for the state.

(Once the handcuffs of the Model Code of Conduct are slapped on the BJP, then Kamal Nath ji will open his chest, the Congress will open its chest. And then the future of Madhya Pradesh will change for the better.)

The Congress's Tarun Bhanot, while addressing a press conference in Bhopal on 27 August, had circulated a list of 130 state schemes across 40 government departments, alleging that funds were allegedly not being released for these schemes owing to budgetary constraints. A former state finance minister, he had also alleged that the Chouhan government, via an order dated 21 August 2023, had deferred the disbursal of Rs 144.20 crore earmarked for the renovation of 6,696 elementary and 493 middle schools in the state.

Nearly 20 lakh beneficiaries of social security schemes, including widows and specially-abled individuals availing of pensions, have been affected as a result of not receiving monthly assistance of Rs 600 for the past two months, he alleged. https://theprint.in/politics/free-power-to-cheaper-lpg-its-freebie-season-in-mp-but-congress-hits-brakes-flags-deficit/1770318/

## 13. Vigilance uncovers irregularities in welfare projects meant for SCs *(newindianexpress.com)* Sept 21, 2023

THIRUVANANTHAPURAM: During a statewide inspection titled 'Operation Protector,' the Vigilance department has uncovered a multitude of irregularities in various welfare projects for Scheduled Caste (SC) individuals. The objective of this operation was to ascertain whether eligible SC beneficiaries were receiving various government schemes intended for their welfare. It specifically focused on schemes implemented by the state government for SCs, such as educational financial assistance for students, scholarships, and training initiatives, housing construction projects, and the establishment of study rooms, to ensure that deserving SCs were benefiting from these programmes.

The inspection commenced on Tuesday at 11 a.m. and covered 50 block panchayats, 10 municipalities, and five corporations. Irregularities were discovered in the beneficiary lists prepared by gramasabhas for the distribution of various SC benefits in several locations, including Kollam corporation, Thiruvalla municipality, Pathanamthitta municipality, Punalur municipality, Cherthala municipality, Ambalapuzha block panchayat, and Vaikom block panchayat.

In Erattupetta block panchayat in Kottayam district and Vettikavala block panchayat in Kollam district, financial assistance intended for the construction of classrooms was allocated to beneficiaries without adhering to the priority criteria. Further irregularities were observed in Pathanamthitta and Thiruvalla municipalities, where benefits were distributed to individuals not included in the beneficiary list.

At Ambalapuzha block panchayat, funds were allocated to eight individuals who were not on the list of 52 beneficiaries designated for infrastructure development. In Nedumangad municipality in T'Puram district, it was noted that four out of 34 laptops purchased for SC students were missing.

Additionally, it was discovered that 310 out of 344 beds designated for distribution to the elderly in Kollam Corporation during the 2018-2019 period had been distributed, with no information available regarding the remaining beds. In Vaikom block panchayat, the third installment payment for a study room was transferred to the bank account of an applicant, despite the applicant claiming that they had not received the funds.Vigilance Director T K Vinod Kumar urged the public to report instances of corruption to the department using the toll-free number 1064 or the WhatsApp: 9447789100.

**OTHER IRREGULARITIES**

In Erattupetta block panchayat in Kottayam district and Vettikavala block panchayat in Kollam district, financial assistance intended for the construction of classrooms was allocated to beneficiaries without adhering to the priority criteria. https://www.newindianexpress.com/states/kerala/2023/sep/21/vigilance-uncovers-irregularitiesin-welfare-projects-meant-for-scs-2616751.html