

NEWS ITEMS ON CAG/ AUDIT REPORTS

1. **UDAN is slogan-worthy but in need of a rethink** (*livemint.com*)
22 Aug 2023

India's air map has hardly expanded, flying remains out of reach for most and this scheme has shown how tough it is to defy market forces. We must weigh its costs and benefits closely

India's Ude Deshka Aam Naagrik, a subsidy scheme launched in 2016, was cleverly named in Hindi to mean 'the country's common citizen shall fly' and also yield the acronym UDAN ('flight'). As it captures an aspiration, it isn't a literal misnomer. Our vast majority still cannot afford air travel, but it could yet happen someday. The scheme's aim was to pin many more airports on our map of air-links by offering airlines funds to plug viability gaps for a bunch of unserved—or under-plied—routes they were asked to bid for. A recent report by the Comptroller and Auditor General (CAG) says 2.5 million passengers took these UDAN routes in 2022-23. This is a sliver of our domestic air traffic, which, placed at 136 million fliers that year, shows a distinct big-city skew. Only 260 UDAN flights are in operation today, a fraction of those cleared for take-off, going by government data. The CAG audit offers a dismal picture of steep drops, as if this outreach project hit one air-pocket after another. Of the 774 routes awarded in its first three phases, more than half could not make a start; of those that did get off the ground, less than a third lasted all three years of the deal's period; and of these, less than half kept going. Although covid dealt aviation a heavy blow, the later phases of UDAN are unlikely to have fared any better, a reason the ministry of civil aviation has initiated a relook at the package.

The fault, though, may not lie in UDAN's nitty-gritty. Weak demand for flights to reach remote places with wobbly facilities for air services is seen as a key force that pushed carriers off profit paths. In response, the Centre could pull a big lever to angle the project up. It could double down on its thrust by raising payouts, easing the price caps that apply to half the seats, and investing more in airport back-up and helipad support. Indeed, it would not be a surprise if the Centre opts to sweeten the deal in an effort to attract more takers. With a long patch of weak competition in Indian skies expected to give way to an air-capacity boom as a new era of rivalry gets underway, a relaunch will have its advocates. What comes of it will remain a guess, though, as we don't know what success might take.

This is a complex sector. As unsold seats go waste, it is a market of perishables, one marked by such supply rigidities that prices—which vary by demand—tend to be volatile. This effect is amplified on sparsely travelled routes, whose ticket sales swing too wildly for seats to be aptly committed. Under stiff pressure to contain costs and optimize operations, airlines would need an outsized lure to devote their precious resources to such services. At times of aircraft scarcity, that incentive would have to go even further up. Over time, it would also have to pay for the brand-image risk of service instability, which is a put-off for customers. All added up, achieving a map of air coverage idealized by the state could prove far more expensive than its benefits can justify. It will not be anytime soon that most Indians can afford air-fares anyway, even with out brisk economic emergence, and the sky may turn out to be the limit for what it costs to reshape a market that's given to evolving its own way. Policy tools used as

air traffic signals expose an old conceit of the command economy: that market forces can cheaply be swayed to serve a central agenda. As seen in the past, it's a losing bet more often than policymakers like to admit. Interventions like UDAN should be subject to rigorous cost-benefit analysis. <https://www.livemint.com/opinion/online-views/udan-is-slogan-worthy-but-in-need-of-a-rethink-11692718298494.html>

2. UDAN's flights of fancy (*newstrailindia.com*) August 22, 2023

That there was so much of hot air about UDAN has been exposed by the report of the Comptroller and Auditor General of India (CAG) tabled in the Parliament session that concluded recently.

The report is telltale evidence of the exaggeration and fakery deployed by the ministers of Mr Narendra Modi government in claiming success of the UDAN scheme in bringing about the regional air connectivity during the last six years since the scheme was launched in 2017.

UDAN, acronym for Ude Desh Ka Aam Naagrik in Hindi, was launched in 2017 under the National Civil Aviation Policy formulated in 2016.

It was aimed at enhancing regional air connectivity through fiscal support and infrastructure development.

The Ministry launched it under Regional Connectivity Scheme (RCS) with the objective of promoting affordability of regional air-connectivity through a series of measures.

Surprisingly, Prime Minister Narendra Modi has often bragged about the success of the scheme during his second tenure of rule even while castigating the previous governments of failing to measure up to the aspirations of the aam naagrik (common citizens) to fly.

But as could be learnt through the CAG report, as well as reply to a Lok Sabha query by the Civil Aviation Ministry and the RTIs, of the 74 airports claimed to have been built during the period, only 11 were built from scratch while another 15 fell in disuse due to cancellation of operation by the airlines.

Included among these 15 are Sikkim's Pakyong, Adampur and Ludhiana in Punjab. The CAG report says, up to UDAN-3, out of the 139 airports, heliports and water aerodromes identified for revival or development, 83 airports, heliports or water aerodromes were unutilized or underutilised as on March 2023 either due to discontinuance of flights or non-commencement of operations.

The two waterdromes built in Gandhinagar and Kevadia, the site of the tallest statue (of Sardar Patel), were junked immediately after Mr. Modi had inaugurated them in October 2020.

Similar has been the fate of the air services. Upto UDAN3, 52 per cent, (403 out of 774 routes) of the awarded routes could not commence operations.

Furthermore, the 371 routes on which the flights commenced, only 112 routes (30 per cent) completed the full concession period of three years.

Out of these 112 routes, only 54 routes (i.e., 7 per cent) connecting 17 RCS airports could sustain the operation beyond the 3-year concession period, as of March 2023.

As many as 97 routes shut down after completing the 3-year period during which the government provided the support.

In the final analysis, out of the 774 routes awarded upto UDAN-3, only 54 or 7 per cent have proved to be sustainable during the 3-5 years.

This being the end outcome, it is worth asking if air travel can be the sustainable mode of travelling to tier-II and tier-III cities in an India where people can barely afford high cost of living. This being the sad reality, the future of the expensive infrastructure such as airports, landing equipment and connecting roads could be imagined.

It is also illustrative of the Modi Government's priorities and the tendency to succumb to glitz and glamour of the fanciful projects rather than addressing the bread and butter issues of the masses. <https://newstrailindia.com/inner.php?id=15620>

3. **Headline-Hunting and Diversion of Safety Funds Are Hurting Indian Railways (*thewire.in*) August 22, 2023**

The Railways not only failed to provide sufficient funds for safety but also diverted safety funds to project execution.

Indian Railways, considered to be a resilient railway system, got adverse publicity due to the accident near Balasore, but it has brought down accidents from 131 to 34 in the last decade by continuous investments in safety-related work. But this unwavering attention by the top management appears to have been missing in recent years.

Indian Railways is a very dynamic organisation where operational and safety instructions are implemented within 24 hours across the system, when the top management decrees it. Normally, the Railway Board sets policy guidelines and the zones function almost independently to implement them. Except in safety and operations, the Board's intervention is the exception.

Operations and safety are routine but onerous tasks. They neither get visibility nor publicity. A smoothly running system is not newsworthy. However, it takes enormous dedication of field staff and the unwavering attention of the management.

Changed style of working

The government and the Minister of Railways (MoR) set organisational priorities. Like prior governments, this one also prioritised operations and safety. In addition, it added a number of other priorities — faster execution of projects, fund mobilisation for them, 100% electrification, solar power generation, higher speeds, rapid replacement of coaches, rapid introduction of Vande Bharat trains, upgrading research facilities and setting up educational institutions. While most are highly commendable, the focus was misplaced and the style of functioning inappropriate.

Before 2014, MoRs rarely intervened in day-to-day running. After 2014, that changed slowly but palpably. MoR was assisted by a set of well-read consultants who nevertheless had no experience in running a large organisation like IR. While policy interventions are a minister's prerogative and they can overrule the advice of a bureaucrat, the environment was such that free discussion became very difficult. Decision-making became highly centralised.

MoRs and the 'MoR cell' started intervening actively, first at the Board level, and then in zones and divisions. While monitoring by policy makers is welcome, it's a problem when the focus is exclusively on their pet themes, at the cost of routine operations.

Belittling and putting down officers has become the norm. When the MoR publicly rebukes officials, it's made viral on social media. Plus, compulsory and voluntary retirements have been forced on the officers. It became difficult to express a professional opinion. The pet themes of the 'MoR cell', selected to ensure constant visibility in the press and on social media, became the organisational obsession. Anecdotal evidence suggests a steady reduction in time spent on operational safety in review meetings.

While all this can be brushed aside as biased perception, the deployment of funds nails it.

Inadequate funding for safety

IR wanted to accelerate investment rapidly but operations offered inadequate surpluses and government grants were low. So it increased market borrowings and sought Public-Private Partnership projects. Regrettably, safety funds were also diverted to projects.

To ensure that sufficient amounts are allocated exclusively for specified purposes, IR maintains separate funds. It has three funds for safety — Depreciation Reserve Fund (DRF), Railway Safety Fund (RSF), and Rashtriya Rail Sanraksha Kosh (RRSK).

DRF was set up to replenish operational assets and is crucial for safe running. Additions to DRF, which were around Rs 8,000 crore in 2013-14 and 2014-15, dwindled to Rs 1,540 crore in 2017-18, to Rs 200 crores in 2020-21, and finally to zero in 2021-22. CAG reports have observed that such inadequate provisioning is affecting safety.

The Railway Safety Fund, created in 2001, was primarily meant to finance the conversion of unmanned level crossings and for the construction of over/under bridges, and its main source is transfer of funds from the Central Road Fund (CRF). The fund has large additions of over Rs 10,000 crore every year. Its scope has been enlarged in 2016-17 to include new lines, electrification and gauge conversion. Thus, the safety fund is now partially a project fund.

IR started the Rashtriya Rail Sanraksha Kosh (RRSK) in 2017 with a corpus of Rs 1 lakh crore and an annual contribution of Rs 15,000 crore from the government and Rs 5,000 crore from internal resources. However, as internal surpluses were not available in the five-year period ending 2022-23, IR contributed only Rs 4,225 crore instead of Rs 25,000 crores. The government also defaulted on the Rs 15,000 crore promised every year.

So the Railways not only failed to provide sufficient funds for safety but also diverted safety funds to project execution. As per CAG estimates, assets worth Rs 95,000 crore were due for replacement up to 2020-21. Assets don't fail overnight, but a debilitating effect is visible in the long term.

Unless safe operations are adopted as an abiding theme, both in terms of focus and funds, we could be looking at a spiralling problem in years to come. The top management should realise this. <https://thewire.in/government/headline-hunting-and-diversion-of-safety-funds-are-hurting-indian-railways>

4. What Is the Health and Education Cess Being Spent On? (*thewire.in*) August 22, 2023

After a long wait to see the CAG's audit report on the Union government's Finance Account for the fiscal year which ended on 31st March 2022, it was tabled in Parliament on August 10. Once again, it has indicted the Finance Minister for promising to create a special purpose fund and then swiftly forgetting to create an accounting procedure, and letting the funds be merged with Gross Budgetary Support, killing the very idea of special purpose funds.

One more, a fiscal year has passed when the government failed to make sure that the long-awaited Pradhan Mantri Swasthya Suraksha Nidhi gets the funds from the 4% Health and Education Cess that was announced in the budget speech of 2018. The CAG has once again voiced its criticism in the strongest possible words:

“Non-transfer of funds to Reserve Funds (during fiscal 2021-22) amounted to INR 23,874.85 crore. This includes reasons like non-transfer of entire provision for transfer to Pradhan Mantri Swasthya Suraksha Nidhi (PMSSN); Madhyamik and Uccharat Shiksha Kosh (MUSK) and due to non-finalisation of accounting procedure. It is recommended that the accounting procedure may be finalised prior to levy of cess/duty to ensure compliance with Article 114(3). When specified Reserve Funds are not created, the receipts earned for such funds are utilised as Gross Budgetary Support (GBS) in violation of [principles of] Parliamentary Authorisation”.

Since FY2018-19, citizens have dutifully paid the Health and Education Cess, but the government has conveniently let the money remain within the Consolidated Fund of India, in the absence of a special purpose fund (Reserve Fund).

The cabinet had cleared the creation of the Madhyamik and Uccharat Shiksha Kosh in July 2017, and cabinet approval for creating the Pradhan Mantri Swasthya Suraksha Nidhi came through in March 2021. However, neither was operational as of March 2022, “due to non-finalization of their accounting procedures”.

So, what's the implication?

During FY2021-22, Rs 52,732 crore was collected towards Health and Education Cess, out of which Rs 31,788 crore or 60% was transferred to the Prarambhik Shiksha Kosh. The CAG found that as per revised estimates for FY2021-22, Rs 25,000 crore and Rs 21,499 crore were approved for transfer to MUSK and PMSSN respectively.

The natural fallout of not transferring the cess receipts into designated funds maintained under Public Accounts is that the cess receipts get merged into the general purpose fiscal pool. They can be spent on purposes other than the stated purpose.

This is not the first time that the CAG has voiced such criticism. The national auditor has consistently stressed upon the basic principle of fiscal accountability and transparency by indicting the Finance Ministry for delays in opening a separate accounting head in Public Accounts, for not transferring cess collection in initial years, citing the non-availability of designated reserve fund in Public Accounts, as well as for continued short transfers into the designated reserve fund in Public Accounts.

Despite audit observations, such non-transfers and short transfers of cess receipts have gone on for so long that now, this practice of the Finance Ministry looks like what Shakespeare called ‘method in madness’ in Hamlet.

In May 2023, when the CAG brought this methodical madness to the Finance Ministry’s attention, it stated, “The funds (MUSK and PMSSN) are expected to be operationalised during FY2022-23”.

So let’s park our worries about what happens to the Health and Education Cess, at least until 2024, when yet another CAG report shall be tabled in Parliament. <https://thewire.in/economy/what-is-the-health-and-education-cess-being-spent-on>

5. Bharatmala project: Adani-led consortium, BJP donors, firm with BJP links get tenders in breach of norms (newslaundry.com)
22 Aug, 2023

At least one Adani Transport-led consortium, one firm with alleged BJP links, and four companies that donated to the BJP have been awarded road construction projects under the first phase of the central government’s Bharatmala Pariyojana.

And a recent report by the Comptroller and Auditor General found irregularities in the awardments to all these companies.

For example, the consortium led by Adani Transport is Suryapet Khammam Road Private Ltd. It was awarded a project to four-lane the national highway between Suryapet and Khammam in Telangana under the hybrid annuity model. The company did not fulfil the requisite condition of having experience in construction work in the highway sector.

Then there’s the case of PNR Infotech, an infrastructure company promoted by Naveen Jain, a BJP leader. PNR Infotech was awarded the contract of package 1 of Lucknow Ring Road in August 2019 at 17.44 percent higher cost than originally estimated. The bid cost even exceeded the revised estimates by 2.02 percent. At the time, Jain was mayor of Agra.

Similarly, the CAG report documents irregularities with four companies – IRB Infrastructure Developers, J Kumar Infraprojects, Larsen & Toubro, and MKC

Infrastructure Ltd – that had donated a cumulative amount of over Rs 77 crore to the BJP between 2013 and 2021.

Here’s what we found.

The Adani Transport consortium

According to the CAG report, the lead member of Suryapet Khammam Road Private Ltd had submitted the experience certificate of “some other company”. This “other company” didn’t even work in the highway construction sector, it worked in power.

Additionally, the report said the lead members chartered accountant certificate on its net worth – which is required to be Rs 304.33 crore – was in the name of a third party.

While the Adani firm had a lion’s share of 74 percent in the consortium, it did not “fulfil the condition of Request for Proposal regarding experience of five years in construction works in highway sector”. The company had never performed any construction works “directly or indirectly” as per the list of works submitted by the bidder.

However, the National Highways Authority of India “for no reasons on record declared the bidder technically qualified” at a bid project cost of Rs 1,566.30 crore in March 2019.

Under the hybrid annuity model, the NHAI paid 40 percent of the total expenditure on the project. The remaining 60 percent was to be arranged by the road developer, which usually financed around 20-25 percent of the project cost and took a debt for the remaining amount.

Newslandry contacted a spokesperson for the Adani Group to ask about the allegations contained in the CAG report.

The spokesperson said, “We strongly reject any suggestion that Adani Group and its businesses have not acted as per the regulations and accounting standards of the jurisdictions.” The spokesperson added that the condition in the request for proposal document regarding the threshold technical capability was satisfied by the “other consortium member” and that it met its minimum net worth requirement by “considering the net worth of its associate – Adani Enterprises.”

A company related to BJP leader

On March 7, 2019, the bids for package 1 of Lucknow Ring Road were floated at an estimated project cost of Rs 904.31 crore.

Strangely, PNC Infotech was awarded the contract for Rs 1,062 crore – 17.44 percent higher than the original estimate.

The NHAI’s original estimates were based on the scheduled rates of 2016-17. The project’s estimated cost was subsequently revised based on the rates of 2019. But even then, as detailed in the CAG report, the bid by Jain’s company exceeded bid estimates by 2.02 percent.

IRB Infrastructure donated Rs 65 crore to BJP

IRB Infrastructure Developers, which won the NHAI contract for Hapur Bypass Moradabad highway project at 68 percent lower premium, has donated about Rs 65 crore to BJP since 2013.

The NHAI had invited bids for the project with an anticipated annual premium of Rs 97.77 crore and a 22-year concession period. However, in March 2018, the government agency accepted IRB Infrastructure's bid at an annual premium of only Rs 31.50 crore. According to the CAG report, the NHAI explained its decision by citing traffic forecast and wholesale price index by the detailed project report consultant.

Meanwhile, IRB Infrastructure's website said the project was worth Rs 3,345 crore. The CAG report noted: "Change in NHAI's perception occurred within a week of the project's bid due date. NHAI accepted the error in estimation without any justified reasons on record and without going for re-tendering."

Notably, NHAI had opened the bid for the highway on a toll basis, known as BOT mode, under which private players are responsible to design, build, operate and earn revenue from the facility during the contracted period, and eventually transfer the facility back to the government.

IRB Infrastructure donated Rs 20 crore to the BJP in 2020-21, while three of its related companies donated about Rs 45 crore to BJP between 2013 to 2021.

J Kumar Infraprojects donated Rs 6.46 crore to BJP

In December 2018, J Kumar Infraprojects won the Rs 1,349 crore contract for Dwarka Expressway package 1. This was despite the company failing to fulfil the request for proposal condition, the CAG report said. The proposal said a winning bidder must have completed construction of at least "one deep or shallow tunnel consisting of single or twin tubes".

Between 2013 and 2018, J Kumar Infraprojects donated about Rs 6.46 crore to the BJP. It gave Rs 5.25 crore to the party in 2017-18, Rs 1 crore in 2015-16, and Rs 21 lakh in 2013-14.

The company's independent directors include Raghav Chandra, a former IAS officer who had been the chairman of the NHAI between 2015 and 2016. Chandra is also additional director of GR Highways Investment Manager, a GR Infraproject subsidiary, and an independent director with Adani Group's business partner Welspun Enterprise. Adani Group and Welspun Enterprises have a gas exploration joint venture called Adani Welspun Exploration.

J Kumar Infraproject also has business ties with Michingun Engineers, a company with 50.10 percent ownership of Welspun Enterprise.

Significantly, J Kumar Infraproject was blacklisted by the Brihanmumbai Municipal Corporation in 2016 in connection with a 2015 road scam. In 2021, it made news when a flyover it was constructing collapsed in Mumbai. At the time, the opposition had strongly criticised the BJP government in Maharashtra for awarding the project's tender to the company.

Donations by MKC Infrastructure and Larsen & Toubro

In connection with the Delhi-Vadodara expressway, the CAG report flagged anomalies in the NHAI awarding contracts for packages 17 to 25 to a joint venture comprising JiangXi Construction Engineering Corporation, MKC Infrastructure, GR Infraprojects, Larsen & Toubro, and GHV India.

Newslandry found that Larsen & Toubro had donated Rs 5 crore to BJP in 2014-15 and MKC Infrastructure Limited had donated Rs 75 lakh between 2018 and 2020.

The CAG report said the estimated civil cost of Delhi-Vadodara expressway was Rs 32,839 crore, while the pre-construction cost was Rs 11,209.21 crore – both divided across 31 projects. The eight projects that recorded irregularities were awarded between May 2019 to June 2020. It was observed that the bids for these projects were invited based on incorrect estimates, resulting in undermining “fair request for proposal conditions” on which bids could have been invited and analysed.

The NHAI determined “incorrect civil cost estimates based on old schedules of rates”, even though updated rates were available before the notice for inviting tenders was floated.

Out of these eight projects, five were executed by GR Infraproject, one by GHV India Infrastructure, one by L&T, and two by MKC Infrastructure.

GR Infraproject had come under public scrutiny in June last year after its under construction bridge in Bihar’s Kishanganj collapsed. The CBI had also raided its offices after employees were accused of allegedly bribing NHAI officials for clearing road project bills.

GHV India Infrastructure is also under a cloud, accused in an NHAI bribery case last year.

‘Falsified docs, tenders issued before final DPRs’

The CAG report also flagged a contract awarded by NHAI to KRC Infraprojects for a four-km stretch of the Gwalior-Shivpuri highway. The contract of Rs 18.39 crore was awarded in 2018.

Meanwhile, for the Lucknow Ring Road package 3B, the NHAI proceeded with the bidder despite the evidence of falsified bid documents.

In the Churachandpur-Tuivai project package 2B, the bidder won the bid despite failing to fulfil required bid capacity. “The assessed bid capacity of the bidder was Rs 101.48 crore as against the required bid capacity of Rs 240.01 crore. Despite this, the work was awarded to the contractor in clear violation of the prescribed procedure of bidding,” said the CAG report.

It said that in Churachandpur-Tuivai and Chittoor-Mallavaram projects, the notices inviting tenders were issued before the finalisation of the detailed project reports, ostensibly resulting in a lack of clarity in project specifications and scope of work.

No details were available on the companies awarded the contract for Lucknow Ring Road package 3B, Churachandpur-Tuivai package - 2B and Chittoor- Mallavaram projects. NewsLaundry filed an RTI in this regard, and also sent questionnaires to the companies. This report will be updated if they respond. <https://www.newsLaundry.com/2023/08/22/bharatmala-project-adani-led-consortium-bjp-donors-firm-with-bjp-links-get-tenders-in-breach-of-norms>

6. JMM attacks Centre on financial irregularities surfaced in CAG report (*dailypioneer.com*) August 23, 2023

Ruling party in the State, Jharkhand Mukti Morcha (JMM) attacked Prime Minister, Narendra Modi and the Central Government, on Tuesday, irregularity of crores of rupees that came to fore in Comptroller and Auditor General (CAG) Report released recently.

Addressing a press meet JMM General Secretary cum Spokesperson, Supriyo Bhattacharya said that there were irregularities of crores of rupees in the PM's supervised Bharat Mala Project, in his favourite Minister, Smriti Irani's department, in the health ministry, in finance department and railway ministry. "The disclosure has been made by his own Gujarat cadre officer in the CAG report. But the Central investigative agencies are not seeing this. This proves that on whose behest and for whose benefit the central investigative agencies work," he added.

The party general Secretary said that wherever a formed government has to be brought down or it has to be brought into its fold before the elections, investigative agencies are set up against it. "The biggest proof of this is Maharashtra, where tainted leaders were brought under their wing through investigative agencies. He was even made the Deputy Chief Minister," he added.

Bhattacharya said that the Prime Minister had said a 'jumla' in 2014, 'Na khaunga na khane dunga'. "Like every year, this year also many types of lies and deceit were presented to the public from the Red Fort. The PM says that every day development work is being done in the Country. 250 km of road is being built daily. One medical college is opening every month. Every month an AIIMS is being built. But the PM and the BJP should tell how irregularities of crores and billions of rupees happened in the name of Ayushman Bharat. How did corruption happen in the department of PM's favourite Minister, Smriti Irani, who tells lie after lie. Not only this, huge irregularities in the Ministry of Finance and Railways have also been revealed in the CAG report," he added.

The party Spokesperson said that the interesting thing is that corruption is taking place in the project which is being monitored by the PM himself and the Ministers of Group. "Till now the reports of only three ministries have come. If the report of all the ministries comes, then the whole Central Government will be seen involved in corruption. Did this development happen for 9 years? These are all questions that the BJP will have to answer in the days to come," he added.

Bhattacharya also targeted Babulal Marandi on the pretext of the CAG report and said that he has gone to Dumri on Tuesday. "Is there a CAG report on reducing OBC reservation from 27 to 14 per cent during his reign, Raghubar Das who made the local

policy in 1985 and Chandraprakash Chowdhary, the former minister of AJSU who supported him, and the amendment in the CNT-SPT Act by the Raghubar government Babulal who is going to be furious will say something. The people of Dumri and the entire State are waiting for this. He said that the BJP has given Babulal the contract to sink the party. It will start in Dumri and end in the 2024 elections. This time the margin of victory in Dumri can cross 1 lakh,” he added.
<https://www.dailypioneer.com/2023/state-editions/jmm-attacks-centre-on-financial-irregularities-surfaced-in-cag-report.html>

STATES NEWS ITEMS

7. CAG exposes ₹1,078-cr excise duty evasion by Radico Khaitan *(thehindubusinessline.com) August 22, 2023*

The Comptroller and Auditor General (CAG) of India has detected excise duty evasion of ₹1,078.09 crore by leading liquor manufacturing company Radico Khaitan Ltd over a period of seven years beginning 2013-14.

The auditors have also cast aspersion on the Assistant Excise Commissioner, Rampur, for allegedly overlooking Radico’s attempt to avoid paying excise duty to the State. “Failure of the Assistant Excise Commissioner, Radico Khaitan Limited, Rampur, failed to monitor consumption of input excise material shown in excise records vis-a-vis returns filed in Income Tax Department (ITD) resulted in not detecting understatement of consumption of input excise material involving excise revenue of ₹1,078.09 crore (including interest of ₹482.34 crore) during the period 2013-14 to 2019-20,” read the CAG’s Compliance Audit Report on Revenue Sector of UP government.

Clarifying on the CAG observations, Radico Khaitan stated that the company has complied with all legal requirements, including revenue laws of the country. Radico Khaitan said it has not received any notice of any irregularity in the matter.

The CAG has recommended to UP government to recover excise revenue from Radico Khaitan after analysing its records and take “appropriate action” against assessing officers who failed to discharge their duty in detecting duty diversion.

According to the CAG findings listed out in Chapter V, titled ‘Other Tax Receipts (B) State Excise,’ the auditors examined records available with the excise department of Rampur in March of 2022, related to ingredients such as molasses, grain and barley malt used for the manufacture of liquor.

The CAG also noticed variation in the data Radico Khaitan declared for the same period to excise department as well to the Income Tax department. This the auditors arrived on comparing the excise data with the consumption figures of molasses, grain and barley malt the liquor firm submitted through statutory returns to the Income Tax department with the respective quantities depicted in the records of the Assistant Excise Commissioner (AEC), Radico Khaitan Limited, Rampur, said the report.

“The variations found in the consumed material indicate that the assessee (company) had understated the consumption of inputs items in excise records, involving excise revenue of ₹595.75 crore on which interest of ₹482.34 crore was leviable,” the CAG said. Section 28 of United Provinces Excise Act, 1910 provides that excise duty at the such rate fixed by state government shall be imposed on article manufactured in any distillery.

“This resulted in understatement of consumption of input excise material involving excise revenue amounting to Rs 1,078.09 crore to the government of,” said the report. The UP government, pointed out the CAG, did not respond to their audit findings till June of 2022 though it was submitted to them two months before that. <https://www.thehindubusinessline.com/companies/cag-exposes-1078-cr-excise-duty-evasion-by-radico-khaitan/article67223926.ece>

8. Radico Khaitan underpaid Rs 1,075 crore excise duty to UP govt: CAG (*business-standard.com*) Aug 22, 2023

The Comptroller & Auditor General (CAG) of India has said that liquor major Radico Khaitan underpaid excise duty to the tune of Rs 595.75 crore from 2013-14 to 2019-20 by not accurately reporting the inputs used to produce alcohol.

The duty after an interest of Rs 482.34 crore has now stood at Rs 1,075 crore, CAG said in its report on the state revenues tabled in the assembly earlier this month.

Interest is computed at the rate of 18 per cent per annum for delay in payment.

The CAG also found assessing officers guilty in this regard and recommended appropriate action against them.

The audit agency recommended the recovery process to be initiated against the company as this is tantamount to loss of revenue to the public exchequer.

CAG also reported this anomaly to the government of Uttar Pradesh in April 2022 and was still waiting for the response till the report was published.

While comparing the figures of Radico Khaitan’s income-tax returns (ITR) for the period under review, CAG noticed a difference of Rs 595.75 crore.

The consumption quantity of inputs was shown less in the documents submitted to the excise officials compared to those in ITRs.

Molasses, grains, and malt used as input material are fermented and distilled to obtain wash/spirit as an intermediate product, which is redistilled, compounded, blended, processed, and diluted to produce final products like liquors and other intoxicants. https://www.business-standard.com/companies/news/liquor-major-radico-khaitan-underpaid-over-rs-1-000-cr-tax-to-up-govt-cag-123082200747_1.html

9. CAG report detects ₹1,078cr tax evasion by liquor Company (*timesofindia.indiatimes.com*) Aug 23, 2023

Lucknow: The Comptroller and Auditor General (CAG) of India has reported an evasion of excise duty by prominent liquor manufacturing company Radico Khaitan Ltd which caused a loss of Rs 1,078 crore, including interest, to the state exchequer between 2013-14 and 2019-20.

The report, tabled in UP assembly recently, has held assistant excise commissioner of Rampur, where the company is based, for the alleged evasion. While senior executives of the company deputed at the Rampur distillery declined to comment on the matter, excise department officials say that they would explain their side to the government and counter the claims made by the CAG. The assistant excise commissioner, Rampur, failed to monitor the consumption of input excise material shown in excise records vis-a-vis returns filed in Income Tax Department (ITD) resulted in not detecting understatement of consumption of input excise material," the CAG's Compliance Audit Report says. The CAG estimated that the underreporting resulted in losses of Rs 596 crore to the exchequer while an additional amount of Rs 482 crore could not be collected as interest over the accrued amount during the said period of six years.

A senior state government official said that a response to the observations made by CAG would be presented before the assembly. "A different methodology and approach is followed by the department which needs to be understood. The government is going to explain the entire procedure that is followed to the public accounts committee (PAC) of the state assembly," said the official.
<https://timesofindia.indiatimes.com/city/lucknow/cag-report-detects-1078cr-tax-evasion-by-liquor-company/articleshow/102964352.cms?from=mdr>

10. Radico Khaitan refutes CAG report on excise duty underpayment (*fortuneindia.com*) Aug 23, 2023

Liquor producer Radico Khaitan refuted a recent report by the Comptroller and Auditor General of India (CAG), saying the company has complied with all legal requirements including revenue laws of the country.

The CAG report alleges underpayment of excise duty by Radico Khaitan. "Failure of the Assistant Excise Commissioner, Radico Khaitan Limited, Rampur to monitor consumption of input excise material shown in excise records vis-à-vis returns filed in Income Tax Department resulted in not detecting understatement of consumption of input excise material involving excise revenue of ₹1,078.09 crore (including interest of ₹482.34 crore) during the period 2013-14 to 2019-20," the CAG says in its compliance audit report on revenue.

The CAG audit examined the records pertaining to various materials such as molasses, grain and barley malt used to manufacture liquor.

"Audit compared the consumption figures of molasses, grain and barley malt submitted by the assessee through statutory returns to the Income Tax Department (ITD) with the respective quantities depicted in the records of the Assistant Excise Commissioner

(AEC), Radico Khaitan Limited, Rampur and noticed variations in the quantities disclosed in the records/returns submitted to the Income Tax Department with those available in State Excise Department. The variations found in the consumed material indicate that the assessee had understated the consumption of inputs items in excise records, involving excise revenue of ₹595.75 crore on which interest of ₹482.34 crore was leviable," the CAG report says.

This resulted in an understatement of consumption of input excise material involving excise revenue amounting to ₹1,078.09 crore to the government.

The CAG says this matter was reported to the government in April 2022 but a response is still awaited.

The auditor suggested the government may analyse the understatement of input excise material by the assessee and take action to recover the excise revenue.

"Appropriate action should be initiated against the assessing officers who failed to discharge their duty and could not detect understatement of consumption of excise material," the report says.

Responding to the allegations, Radico Khaitan, the maker of Magic Moments vodka, says it has not received any notice of any irregularity in the matter.

"Henceforth, we find lack of accuracy in the information presented in these media articles," it says while referring to the "purported" CAG report.

Shares of Radico Khaitan fell 2% in intraday trade on Wednesday to ₹1,225 apiece on the National Stock Exchange (NSE). The stock has dropped 5% in the last two trading sessions. The liquor maker's market capitalisation has slipped to ₹16,469 crore.

On August 3, the company reported a 10% jump in its consolidated net profit at ₹68.26 crore for the quarter ended June as against ₹61.99 crore in the corresponding quarter of the previous financial year. Revenue of the company stood at ₹4,023.31 crore, up 26.3% compared with ₹3,183.80 crore in the year-ago quarter. <https://www.fortuneindia.com/enterprise/radico-khaitan-refutes-cag-report-on-excise-duty-underpayment/113820>

11. CAG points out at underpayment of excise duty to UP govt by Radico Khaitan (*moneylife.in, canindia.com*) 22 Aug 2023

The Comptroller and Auditor General (CAG) of India has pointed out at reported underpayment of excise duty worth Rs 1,078.09 crore, including taxes, to the Uttar Pradesh government by Radico Khaitan Ltd.

Radico Khaitan is the manufacturer of 8 PM whiskey and Magic Moments vodka.

According to the CAG report, "the assistant excise commissioner, Radico Khaitan Limited, Rampur failed to monitor consumption of input excise material shown in excise records vis-a-vis returns filed in Income Tax Department (ITD) resulted in not detecting understatement of consumption of input excise material involving excise

revenue of Rs 1,078.09 crore (including interest of Rs 482.34 crore) during the period 2013-14 to 2019-20”.

Records related to molasses, grain and barley malt used for the manufacture of liquor, were examined by the auditor.

It also compared the consumption figures of molasses, grain and barley malt submitted by the assessee through statutory returns to the (ITD) with the respective quantities depicted in the records of the Assistant Excise Commissioner (AEC), Radico Khaitan Limited, Rampur, where variation in quantities disclosed in the records and returns submitted to the income tax department compared to those available with the state excise department, were reportedly noticed.

“The variations found in the consumed material indicate that the assessee had understated the consumption of inputs items in excise records, involving excise revenue of Rs 595.75 crore on which interest of Rs 482.34 crore was leviable,” the CAG said.

Radico Khaitan contributes about 30 per cent of the excise revenue of the state. <https://www.moneylife.in/article/cag-points-out-at-underpayment-of-excise-duty-worth-rs107809-crore-by-radico-khaitan-to-up-govt/71757.html>

12. UP News: यूपी सरकार को रेडिको खेतान लिमिटेड ने लगाया 1,078 करोड़ का चूना, कैग रिपोर्ट से हुआ खुलासा (*abplive.com*) 22 Aug 2023

CAG Report: उत्तर प्रदेश (UP) में कैग रिपोर्ट को लेकर एक बड़ा खुलासा हुआ है. कैग रिपोर्ट के मुताबिक रेडिको खेतान लिमिटेड (Radico Khaitan Ltd.) ने यूपी सरकार (UP Government) को 1078.09 करोड़ की एक्साइज ड्यूटी सहित टैक्स का भुगतान कम किया है. रेडिको खेतान लिमिटेड कंपनी 8 पीएम व्हिस्की और मैजिक मोमेंट्स वोदका बनाती है. कैग रिपोर्ट के अनुसार रेडिको खेतान लिमिटेड, रामपुर (Rampur) के सहायक आबकारी आयुक्त आबकारी रिकॉर्ड में दिखाई गई इनपुट एक्साइज सामग्री के उपभोग की निगरानी करने में विफल रहे.

कैग रिपोर्ट के मुताबिक इससे इनपुट एक्साइज सामग्री के कंजंप्शन में अंडरस्टेटमेंट का पता नहीं चल पाया, जिसमें 2013-14 से 2019-20 की अवधि के दौरान 1,078.09 करोड़ रुपये (482.34 करोड़ रुपये के ब्याज सहित) का एक्साइज राजस्व शामिल है. शराब बनाने में इस्तेमाल होने वाले मोलासेस, अनाज और जौ माल्ट से संबंधित मटेरियल्स की जांच ऑडिटर की ओर से की गई. इसने मोलासेस, अनाज और जौ के माल्ट के कंजंप्शन (उपभोग) के आंकड़ों की तुलना करदाता की तरफ से आयकर विभाग को दिए गए वैधानिक रिटर्न और सहायक आबकारी आयुक्त (ईसी), रेडिको खेतान लिमिटेड, रामपुर के रिकॉर्ड में मौजूद मात्राओं के साथ की थी.

उत्पाद शुल्क राजस्व में लगभग 30% का योगदान देती है कंपनी

इसमें सामने आया कि आयकर विभाग को दिए गए रिकॉर्ड और राज्य आबकारी विभाग में उपलब्ध रिकॉर्ड में फर्क था. कैग की रिपोर्ट में कहा गया है कि उपभोग की गई सामग्री में पाई गई भिन्नताएं दर्शाती हैं कि टैक्स निर्धारिती ने उत्पाद शुल्क रिकॉर्ड में इनपुट वस्तुओं की खपत कम बताई थी, जिसमें 595.75 करोड़ रुपये का उत्पाद शुल्क राजस्व शामिल था, जिस पर 482.34 करोड़ रुपये का ब्याज लगाया गया था. रेडिको खेतान कंपनी राज्य के उत्पाद शुल्क राजस्व में लगभग 30 प्रतिशत

का योगदान देती है। <https://www.abplive.com/states/up-uk/radico-khaitan-limited-defrauded-up-government-of-1078-crore-rupees-revealed-in-cag-report-2479265>

13. कैग रिपोर्ट में खुलासा- रेडिको खेतान लिमिटेड ने यूपी सरकार को लगाया 1,078 करोड़ का चूना (newsnationtv.com) 22 Aug 2023

कैग (सीएजी) की रिपोर्ट में खुलासा हुआ है कि रेडिको खेतान लिमिटेड ने उत्तर प्रदेश सरकार को 1078.09 करोड़ की एक्साइज ड्यूटी सहित टैक्स का भुगतान कम किया है।

रेडिको खेतान लिमिटेड कंपनी 8 पीएम व्हिस्की और मैजिक मोमेंट्स वोदका बनाती है।

कैग रिपोर्ट के अनुसार, रेडिको खेतान लिमिटेड, रामपुर के सहायक आबकारी आयुक्त आबकारी रिकॉर्ड में दिखाई गई इनपुट एक्साइज सामग्री के उपभोग की निगरानी करने में विफल रहे।

इससे इनपुट एक्साइज सामग्री के कंजप्शन में अंडरस्टेटमेंट का पता नहीं चल पाया, जिसमें 2013-14 से 2019-20 की अवधि के दौरान 1,078.09 करोड़ रुपये (482.34 करोड़ रुपये के ब्याज सहित) का एक्साइज राजस्व शामिल है।

शराब बनाने में इस्तेमाल होने वाले मोलासेस, अनाज और जौ माल्ट से संबंधित मटेरियल्स की जांच ऑडिटर द्वारा की गई। इसने मोलासेस, अनाज और जौ के माल्ट के कंजप्शन (उपभोग) के आंकड़ों की तुलना करदाता द्वारा आयकर विभाग को दिए गए वैधानिक रिटर्न और सहायक आबकारी आयुक्त (ईसी), रेडिको खेतान लिमिटेड, रामपुर के रिकॉर्ड में मौजूद मात्राओं के साथ की थी।

इसमें सामने आया कि आयकर विभाग को दिए गए रिकॉर्ड और राज्य आबकारी विभाग में उपलब्ध रिकॉर्ड में फर्क था।

कैग की रिपोर्ट में कहा गया है कि उपभोग की गई सामग्री में पाई गई भिन्नताएं दर्शाती हैं कि टैक्स निर्धारिती ने उत्पाद शुल्क रिकॉर्ड में इनपुट वस्तुओं की खपत कम बताई थी, जिसमें 595.75 करोड़ रुपये का उत्पाद शुल्क राजस्व शामिल था, जिस पर 482.34 करोड़ रुपये का ब्याज लगाया गया था।

रेडिको खेतान कंपनी राज्य के उत्पाद शुल्क राजस्व में लगभग 30 प्रतिशत का योगदान देती है। <https://www.newsnationtv.com/india/cag-point-out-at-underpayment-of-excie-duty-to-up-govt-by-radico-khaitan-398916.html>

14. व्हिस्की बनाने वाली कंपनी का कारनामा, डकार गई उत्तर प्रदेश सरकार के 1,078 करोड़ रुपए, CAG की रिपोर्ट में पर्दाफाश (zeebiz.com) Aug 22, 2023

Radico Khaitan Limited: शराब बनाने वाली कंपनी रेडिको खेतान लिमिटेड ने उत्तर प्रदेश सरकार को 1078.09 करोड़ की एक्साइज ड्यूटी सहित टैक्स का भुगतान कम किया है। CAG की रिपोर्ट में इस बात का खुलासा हुआ है। रेडिको खेतान लिमिटेड (Radico Khaitan Limited) कंपनी 8 पीएम व्हिस्की और मैजिक मोमेंट्स वोदका बनाती है। CAG की रिपोर्ट में बताया गया है कि रेडिको खेतान लिमिटेड, रामपुर के सहायक आबकारी आयुक्त आबकारी रिकॉर्ड में दिखाई गई इनपुट एक्साइज सामग्री के उपभोग की निगरानी करने में विफल रहे।

1078 करोड़ रुपये का एक्साइज बकाया

इससे इनपुट एक्साइज सामग्री के कंजप्शन में अंडरस्टेटमेंट का पता नहीं चल पाया, जिसमें 2013-14 से 2019-20 की अवधि के दौरान 1,078.09 करोड़ रुपये (482.34 करोड़ रुपये के ब्याज सहित) का एक्साइज राजस्व शामिल है।

इनकम टैक्स डॉक्यूमेंट्स में अंतर

शराब बनाने में इस्तेमाल होने वाले मोलासेस, अनाज और जौ माल्ट से संबंधित मटेरियल्स की जांच ऑडिटर द्वारा की गई। इसने मोलासेस, अनाज और जौ के माल्ट के कंजप्शन (उपभोग) के आंकड़ों की तुलना करदाता द्वारा आयकर विभाग को दिए गए वैधानिक रिटर्न और सहायक आबकारी आयुक्त (ईसी), रेडिको खेतान लिमिटेड, रामपुर के रिकॉर्ड में मौजूद मात्राओं के साथ की थी। इसमें सामने आया कि आयकर विभाग को दिए गए रिकॉर्ड और राज्य आबकारी विभाग में उपलब्ध रिकॉर्ड में फर्क था।

CAG की रिपोर्ट में कहा गया है कि उपभोग की गई सामग्री में पाई गई भिन्नताएं दर्शाती हैं कि टैक्स निर्धारिती ने उत्पाद शुल्क रिकॉर्ड में इनपुट वस्तुओं की खपत कम बताई थी, जिसमें 595.75 करोड़ रुपये का उत्पाद शुल्क राजस्व शामिल था, जिस पर 482.34 करोड़ रुपये का ब्याज लगाया गया था। रेडिको खेतान कंपनी राज्य के उत्पाद शुल्क राजस्व में लगभग 30 प्रतिशत का योगदान देती है। <https://www.zeebiz.com/hindi/companies/radico-khaitan-underpayment-of-excise-duty-1078-crore-to-uttar-pradesh-government-cag-report-140102>

15. City of slums? Why it's time to reimagine Mumbai (indiatoday.in) Aug 22, 2023

As motorists zip off the Bandra-Worli Sea Link, they are greeted by a signboard announcing "South Mumbai". The arrow on it actually points north. Vehicles must drive the wrong way for about 150 metres before taking a U-turn at a traffic circle that sets them back in the direction they need to be heading. Since it was opened in 2009, Mumbai residents of a certain class and disposition have come to celebrate the bridge as a symbol of their city's possibilities. As it turns out, the sea link is a more literal metaphor for Mumbai than they realise.

The bridge cost five times more than estimated and took 10 years to build—five years longer than anticipated. But it isn't just the awkward engineering, inordinate delays and financial inefficiency that make this bridge a reliable indicator of the foolhardy path the city authorities have chosen. Of the 12.5 million people who live in Mumbai, 7.2 million take the overburdened local train each day. Only 40,000 vehicles use the sea link every work day. Privileging infrastructure for private vehicles over public transport is both flawed urban policy and undemocratic politics.

Despite the enthusiasm affluent Mumbaikars express for the bridge, they refuse to put their money where their mouths are. When the sea link opened, the traffic was so thin that the authorities were forced to reduce the toll. Unmindful of this, the authorities are still planning to extend the sea link to Nariman Point, the city's southern tip.

Though the signage at the Bandra end of the bridge is more accurate, the neighbourhood's socio-economic indicators don't offer much cause for cheer. While one survey suggests that approximately 40 per cent of households in four clusters in the area have incomes of more than Rs 1 million, an astonishing 78 per cent of the residents

of the H (West) municipal ward, of which Bandra is a part, live in slums. Mumbai defenders often point out that all great cities are characterised by extremes of experience. But extremities are, by definition, the most intense ends of the spectrum. According to the 2001 Census, 54 per cent of Mumbai residents live in slums. In India's commercial capital, a life on the margins is actually the predominant condition.

It wasn't always like this. For much of the last century, Mumbai was the city that loomed largest in India's imagination. For decades, the city's population growth was driven by a flood of migrants who came mainly from other parts of Maharashtra, and also from across India. In the rhetoric of myth makers, migrants flocked to Mumbai to get rich. In reality, they were more pragmatic; they were seeking steady work in one of the city's many factories or enterprises associated with them. In 1951, the organised sector provided jobs for 72 per cent of Mumbai's workers. This began to change dramatically with liberalisation: Formal sector employment declined by 0.83 per cent between 1981 and 2007. As a result, the stream of migration—a sound marker of a city's attractiveness—has dwindled. Natural increase has become the largest factor in Mumbai's growth.

The informal sector now accounts for two-thirds of the city's jobs. The compulsions of 'labour flexibility' that accompanied liberalisation resulted in a massive expansion in subcontracting, contract jobs and casual employment. This informalisation in the sphere of work has imprinted itself on the city's physical landscape. Mumbai is the embodiment in steel and curtain glass, blue tarpaulin and corrugated metal, of the inequalities of neoliberalism.

Contributing to Mumbai's woes has been a mind-boggling level of corruption in deals relating to the city's scarcest resource: Land. The permit raj of the last two decades has encouraged the formation of alliances between politicians who make the rules, bureaucrats who implement them and real estate developers seeking to bend them. Only occasionally do they get exposed, as in the case of the Adarsh apartment complex in Colaba. The building was sanctioned for "the welfare of serving and retired personnel of the defence services" but the families of several politicians and bureaucrats also obtained apartments, allegedly at prices that were below the market rate. The scandal has already forced one chief minister out of office, placed two others under investigation, and resulted in the arrests of three IAS officers: Jairaj Pathak, a former municipal commissioner, Ramanand Tiwari, a former urban development secretary, and Pradeep Vyas, a former district collector who was in charge of the city's land records.

But many other similar violations have failed to capture the attention of investigating agencies or the public. Among these are several construction projects proceeding under the city's Slum Rehabilitation Scheme, which offers developers generous incentives for building free homes to slum dwellers. However, the intended beneficiaries of many projects have complained that their consent letters have been forged, that developers have been granted rights over large plots on which slums occupy only a tiny portion, and that developers have inflated the number of slum dwellers on several plots in order to build more units than they're entitled to.

Last year, Medha Patkar, the leader of the National Alliance of People's Movements, went on a fast to draw attention to alleged violations in a slum rehabilitation project in

Golibar, a 140-acre stretch of slum in Khar East. She withdrew her strike after the state government agreed to appoint two committees to investigate her charges, but the chief minister disbanded the panels only a few weeks later. When the Slum Rehabilitation Authority (SRA) was passed in 1995, the Maharashtra government estimated that around eight lakh tenements would have to be built. This April, more than a decade and a half later, the Comptroller and Auditor General reported that only 1.27 lakh units had actually been constructed, even as the number of slum dwellers had grown enormously. Besides, even slum dwellers' organisations have emphasised that the idea of providing free homes to more than half the city's population is bad economics, which has completely distorted Mumbai's property market.

Clearly, the scheme doesn't seem to be working for anyone—except for the developers, bureaucrats and politicians who allow it to continue. The SRA, it's obvious, is an efficient mechanism for transferring public land into private hands. Along with the land acquisition strategies for Special Economic Zones and mining projects, social scientists have begun to describe the SRA as another example of “capital accumulation by dispossession”.

Mumbai's problems would seem to be so gargantuan as to be unique. But another subcontinental city faces challenges that are just as intense. Like Mumbai, Karachi is a city by the sea that has been overwhelmed by migration and urban sprawl. While the jhopadpattis of Mumbai's Dharavi neighbourhood are thought to form the second-largest slum in Asia, the katchi abadis of Karachi's Orangi are even more numerous. The two mega-cities even share a political undercurrent: Some Maharashtrais are as uneasy about the cultural distinctiveness of multiethnic Mumbai as Sindhis are with the migrant-filled city on the edge of their province.

Though beleaguered Karachi may not seem like an obvious place to look for solutions, the Sindh Local Bodies Ordinance it adopted in 2001 presents an approach Mumbai could adopt if it wants to decentralise decision-making about urban issues. As a result of the ordinance, Karachi was divided into 18 towns and 178 union councils, headed by a nazim (mayor) and naib nazim (deputy mayor). Until the system was abandoned last year because the provincial government felt threatened by it, these elected bodies took city planning, financial management and project execution to the grassroots. Now that, it seems, would be a step in the right direction. <https://www.indiatoday.in/india-today-insight/story/from-the-india-today-archives-2012-city-of-slums-why-its-time-to-reimagine-mumbai-2424915-2023-08-22>

16. BMC to Implement Reforms in Medicine Procurement to Address Shortages (*freepressjournal.in*) August 23, 2023

Mumbai: To address the challenges faced by civic hospitals in the procurement of medicine through the Central Purchase Department (CPD), the Brihanmumbai Municipal Corporation (BMC) has planned to make changes in the tendering processes and increase manpower for the fast and smooth procurement of medicine.

The state government had initiated an inquiry into the matter, which revealed a significant shortage of basic medicines, forcing patients to seek external sources for their medical needs. The Additional Municipal Commissioner, Dr Sudhakar Shinde,

acknowledged the hurdles and loopholes in the procurement process that contributed to the shortages, causing inconvenience to patients.

Need for uniform medicine supply

In response, an urgent meeting was held with all stakeholders and CPD officers to streamline the process, and keep the dean out of non-clinical work. Dr Shinde emphasised the need for a smooth supply of medicines, as well as the exploration of multiple vendors or stakeholders instead of relying on a single company.

The corporation intends to reduce tendering costs and encourage the involvement of more distributors to prevent monopolies. "We need more vendors to show interest for medicine supply so that the civic hospitals don't have to depend on one vendor. We will expedite tenders to streamline the medicine procurement process through CPD in three months," said Dr Shinde.

However, a recent report by the Comptroller and Auditor General (CAG), titled 'Public Health Infrastructure of Health Services in Maharashtra' from 2019-20 to 2021-22, highlighted that there is a delay in finalising rate contracts for various schedules of medicines, ranging from four to 35 months.

Corruption allegations in central purchase department

The All Food and Drugs License Holder's Foundation alleged corruption within the central purchase department, resulting in a revenue loss of over ₹100 crore for the BMC. They also pointed out the presence of over 500 pharmaceutical manufacturers and 1000 distributors across India supplying medicines to civic and state-run hospitals. <https://www.freepressjournal.in/mumbai/mumbai-news-bmc-to-implement-reforms-in-medicine-procurement-to-address-shortages>

SELECTED NEWS ITEMS/ARTICLES FOR READING

17. Government losing revenue due to GST: Bibek Debroy (*economictimes.indiatimes.com*) Updated: Aug 22, 2023

Economic Advisory Council to the Prime Minister (EAC-PM) Chairman Bibek Debroy on Tuesday said the government was losing revenue due to the GST, which should be revenue neutral with a single rate. Speaking at an event organised by the Calcutta Chamber of Commerce here, he however said that GST has led to a lot of simplification.

"The ideal GST is one that has a single rate, and it was meant to be revenue neutral. When it was introduced, there were some calculations by the Ministry of Finance then that said, in order to be revenue neutral, the average GST rate must be at least 17 per cent.

"The average rate now is 11.4 per cent. So because of GST, the government is losing revenue," the eminent economist said.

Debroy said the public as well as members of the GST Council want the 28 per cent tax rate to come down, but "no one wants the 0 per cent and 3 per cent tax rates to go up".

"That way, we will never have a simplified GST," he said at the 'Special Session on Resilient and Self-Sufficient India'.

A "lot of abuse" of the GST provisions was also taking place, he said without elaborating.

On direct taxes, the EAC-PM chairman said the eventual goal of tax reforms should be the complete elimination of all exemptions.

Any exemption makes life more complicated, increases compliance costs and leads to litigations, he said.

"If the government needs to spend, it needs revenue... 10 per cent of GDP must be spent on health and education, 3 per cent on defence and 10 per cent on infrastructure. However, we as citizens pay around 15 per cent of GDP as taxes. What this means is we pay taxes at 15 per cent, but our demands and expectations from the government are to the extent of 23 per cent," Debroy said.

"So, whether we like it or not, either we must be prepared to pay more as taxes or our expectations cannot be like - we get airports like in the West or get railway stations like in China," he said.

The renowned economist also said the rate of population growth in India was slowing down sharply, and the burden of the aged will be a challenge for the country after 2035.

Social security for the aged can be managed if there is a balanced population pyramid, with young people coming into the labour force and their contributions financing the social security needs of the old, he stated.

"The annual rate of population growth now is 0.8 per cent. Beyond 2035, India will age very rapidly... Here is an example of a country like China, which will become old before it becomes rich... I want to mention that for India this is going to be a huge challenge. There are already states like Kerala where the burden of aged is exerting a very heavy toll," Debroy said.

He said there is a cause for concern about the nature of jobs being created in the country, and the lack of correlation between skills and education.

"We need to create about 8 million jobs per year, we are creating about 5 million. The big issue is about the nature of these jobs, which are not productive enough and of low value,"

Debroy added.

<https://economictimes.indiatimes.com/news/economy/finance/government-losing-revenue-due-to-gst-bibek-debroy/articleshow/102951018.cms?from=mdr>

18. Natural disasters in Himachal a wake-up call for policymakers (*tribuneindia.com*) Aug 23, 2023

AS early as 1901, the then Viceroy of India Lord Curzon had cautioned the Public Works Department with regard to the kind of buildings that could be constructed in Shimla. The city got a railway connection in 1903; within a year, it added 1,400

buildings. By 1905, Shimla's summer population had touched about 38,000. This was shocking by the standards of the times. Shimla's overcrowding has been a concern for over 120 years now.

I joined a boarding school in Shimla — Bishop Cotton School (BCS) — as a six-year-old in 1961 (passing out in 1970). My first view of the once-beautiful town is fresh in memory even today. As one crossed the then small hamlet, Tara Devi, the train track moved west of the hill and the motor road to the east. The moment one crossed Tara Devi by road was when one got the first glimpse of the town. In 1961, just a handful of buildings were actually visible on the drive to the town. The buildings that stood out in the dense deodar forests included the church, the Western Command premises, the General Post Office, a part of The Mall and the Middle Bazaar and, perhaps, a few others. The rest of Shimla appeared as dots of little green and red roofs.

Bishop Cotton School was surrounded by apple orchards and strawberry fields. It was common to trek down to the streams that abounded in the area. Waters were crystal clear. The place where New Shimla stands today was where we tested our paper planes that would glide over the fields into the valley. Just below the heritage Secretariat building (Chhota Shimla) was the Tibetan school, which we often visited to assist refugee children.

Just a few sundry shops and the police station made up Chhota Shimla. The walk from our school to Chhota Shimla was through the dense deodar forests. The annual school marathon had Sanjauli as the starting point. Either side of the road was forested — deodars clinging to the cliff, right down to the St Bede's crossing. The narrow road that led to The Mall from St Bede's was so densely forested that it carried along several ghostly stories.

The area of Summer Hill that recently saw a tragic and devastating landslide, too, was a dense forest. We used to return to school in March and the train passed through the forest, often with the last residues of snow.

The stories of Kullu, Manali and even the then 'lowly regarded' Solan have unfolded on a common path. Himachal Pradesh has been taking the wrong road mainly because of corruption and greed or simply lack of vision. In the 'The dying deodars of Naldehra' (The Tribune, August 18, 1996), I wrote about the ravages of the excessive footfall and also the unfortunate decision of handing over Himachal Tourism's prime property (after a fire mysteriously burnt it down) to the Oberoi chain — where stands Wildflower Hall today. I had also written: "The magnificent deodars appear to be crying for attention....The roots of most trees have been exposed due to the erosion of the top soil... the grass on the hill side has withered."

In 'Shimla: Another age, another time' (The Tribune, May 26, 2001), I had said: "For those who have seen Shimla in its prime, its state today leaves them with a sad and hollow feeling. Shimla is a good example of what so-called development and progress can do to nature and its beauty."

If we observe carefully, it is not difficult to note that the basic architectural character of the town has undergone dramatic and disastrous changes. The British usually used stones/bricks to build where land was flat and there was no possibility of any slipping

soil. On the slopes of eligible gradient, it was wood that was always used. The roofs were almost of wood frames and tin. Not one old building had RCC slabs. The idea, obviously, was to keep the weight of the buildings on the slopes as low as possible. The concept of erecting multi-floor buildings on steep slopes with the support of stilts or columns was unthinkable.

It is obviously unfair to suggest that multi-floor buildings are the result of the work being done by 'Bihari' architects and masons. How can we forget that it is these 'Biharis' who travel long distances to come to this part of the country to help in our agricultural tasks, build our roads and buildings, and so much more? Most of the tasks of building roads and tunnels at high altitudes are being done by these hardworking people. Travel to any construction site in Himachal Pradesh, Jammu & Kashmir and even Ladakh, and the role and importance of the migrant labour would strike a right-thinking mind.

The building spree that is now putting stress on the slopes is the result of high demand. Himachal is primarily an agrarian state and it is only natural for people to aspire to own a home in places that have decent educational, medical and other facilities. Shimla has been attracting people from other states as well. Some years ago, there was talk of a new township being developed, not far from Shimla. The idea was to decongest the town and strictly restrict new construction.

It makes me shudder to imagine what could happen to towns like Shimla as a result of even a low-intensity earthquake. What has happened in the past few weeks in Himachal and Uttarakhand is just the beginning, unless governments take the crisis seriously. It is a wake-up call. <https://www.tribuneindia.com/news/comment/natural-disasters-in-himachal-a-wake-up-call-for-policymakers-537356>