

08 July 2019: Comprehensive News Analysis

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B. GS 2 Related

Category:POLITY AND GOVERNANCE

1. Outlay for child welfare sees a meagre increase

Context:

In the Budget 2019-2020, the outlay for children has shown a marginal increase of 0.05%, going up from 3.24% in the last fiscal to 3.29% in the current fiscal year.

Details:

- HAQ Centre for Child Rights opined that the share is less than the low share of 5% that the National Plan of Action for Children, 2016, has recommended.
- Budgetary grant analysis carried out by Child Rights and You shows that the allocation for education and health has declined and that for the ambitious plan for nutritional development may be insufficient.
- The share of education has increased marginally to 68.54% from 68.2%, but has declined by more than 10 percentage points from the 79.02% of 2015-16. These include schemes such as Samagra Shiksha, National Programme of Mid-day Meal in Schools and Navodaya Vidyalaya Samiti.
- The Anganwadi services and the Poshan Abhiyan (Nutrition Mission) are among the most important government programmes aimed at reducing stunting, anaemia, low weight and low birth weight.
- While the former has registered an increase of 19% and the latter of 14% in this latest Budget announcement. However it is argued by experts that it is inadequate.
- There is also a cut back of 16% for the National Child Labour Project Scheme.

Category:INTERNATIONAL RELATIONS

1. U.S. ban lends support to Baloch fighters

Context:

The U.S.A has declared the Baloch Liberation Army (BLA) - a terrorist group, ahead of July 8-9, 2019 Taliban peace talks, blaming it for attacks on Chinese assets and Gwadar terrorist attack. The U.S. State department added the BLA in the Specially Designated Global Terrorist (SDGT) list also imposing economic sanctions on the group and anyone affiliated with it.

Baloch Liberation Army (BLA):

- BLA is an armed separatist group that targets security forces and civilians, mainly in ethnic Baloch areas of Pakistan.
- BLA has carried out several terrorist attacks in the past year, including
 - A suicide attack in August 2018 that targeted Chinese engineers in Balochistan
 - A November 2018 attack on the Chinese consulate in Karachi
 - A May 2019 attack against a luxury hotel in Gwadar, Balochistan.
- Pakistan has been battling the BLA, which fights for independence for Balochistan province, for more than a decade.

Issues:

- Following the U.S. ban on the Baloch Liberation Army (BLA), the militant organisation's support base has widened within the political spectrum of Balochistan.
- A prominent overground leader also has urged the U.S. to reconsider its decision.
- Hyrbyair Marri, one of the nationalist leaders living in exile, has come out with open support for the militant organisation. He is known as a leader for the Free Balochistan Movement and remains in exile but not in hiding.
 - The Marris are a family of traditional aristocrats of the Pakistani province whose hold on the movement is being challenged by the more aggressive BLA cadre.
 - Marri had in the past said he was not associated with the BLA and the latest social media message is a sign of acceptance of its growing popularity among all sections of the Baloch movement.

- The BLA activists have indicated that they oppose the traditional feudal sardars like the Marris and the Bugtis and want a social reform in the province alongside freedom from Islamabad.

Details:

- Pakistan has welcomed the move and hoped that the designation will ensure that BLA's space to operate is minimized.
- India believes that the move may have been an attempt to appease Pakistan, whose role in Afghanistan is considered important by the Donald Trump administration.
- It is viewed as a quid pro quo for ensuring Pakistan's assistance in the peace process in Afghanistan amid withdrawal of American troops ahead of the presidential election in the US.
- The BLA accuses Pakistan of rights abuses in Balochistan and of extracting the province's wealth without providing basic services to its people.
- Also, Balochistan is a key route of China's multibillion-dollar China-Pakistan Economic Corridor (CPEC), which is part of Beijing's Belt and Road Initiative (BRI). The project aims to connect China's Xinjiang province to Balochistan's Gwadar port through roads, railways, transport cargo and several other development projects.
- The BLA leader has urged the US and the European Union to analyse Pakistani brutalities against Baloch civilians and the expansionist and militaristic designs of China to find out the real terrorist in the region.

2. Indo-Afghan trade chokes on U.S. curbs

Context:

The government in its recent budget has decided to slash its allocation for Iran's Chabahar port by two-thirds.

Issues:

- Indo-Afghan trade is already hit by Pakistan's decision to ban airspace rights to most flights to and from India.
- Aside from trade, urgent travel for Afghan medical patients, students and businessmen has become virtually impossible, with most direct flights cancelled.
- Officials say that with trade through both air and sea routes restricted, as well as Pakistan's refusal to give Afghan trucks passage to the Wagah land route, trade may come to a standstill for now.
- The decision of budget cut is seen as a further blow to India-Afghan trade.

Background:

- Technically, the U.S. has issued India a waiver to develop Chabahar port, to promote trade with Afghanistan as a part of its South Asia strategy.
- In practice, however, the cancellation of all waivers for oil and crippling economic sanctions imposed by the Trump administration, have frozen all the deals.
- Afghan banks are hesitant to open credit lines for shipments, and shippers and cargo handlers are staying away from servicing the Iranian port.
- During the months of February-May, 2019, Chabahar had flourished for transportation of goods and commodities to Afghanistan and central Asia with the volume of loading and unloading twice as much as before.
- But the U.S. officials' hostile statements on Iran's sanctions has naturally and indirectly had negative impacts and led to worry amongst companies about working with Iranian ports including Chabahar.

Details:

- The government, which had been allocating ₹150 crore for the port each year for the past few years, has slashed its allocation to just ₹45 crore in the Budget for 2019-2020.
- The Ministry has defended the budget cut as a readjustment in the budgetary allocation based on a realistic assessment of likely expenditure to be incurred this financial year.
- The move is indicative of India's lack of interest in developing Chabahar port at the same pace as earlier.

Strategic importance of Chabahar Port for India:

- Operating Chabahar port will provide India with a foothold at the mouth of the strategic Straits of Hormuz, through which a third of all the world's sea-borne oil passes.
- China's presence in this region has grown rapidly in recent years, especially with Pakistan handing over Gwadar port, which is the gateway to the China-Pakistan Economic Corridor (CPEC), to China on a 40-year lease.
- India's participation in the Chabahar port project would enable it to keep an eye on Chinese activity at Gwadar, which is just 72 kilometers away.
- The Chabahar Port, inaugurated in December 2017, had opened a new strategic transit route between India, Iran and Afghanistan that bypassed Pakistan.
- The port is a gateway to an overland trade corridor through Iran to Afghanistan. It will enable India to play a larger role in Afghan reconstruction, which has been restricted hitherto by Pakistan's refusal to allow India overland access through its territory to Afghanistan.
- Situated at the mouth of the Gulf of Oman on Iran's Makaran coast, it gives Iran direct access to the Indian Ocean.

C. GS 3 Related

Category:ENVIRONMENT

1. Plan for district eco-panels draws fire

Context:

State-level officers tasked with environmental assessment have objected to several clauses in a draft law that proposes the creation of district-level environment impact assessment authorities.

Background:

- The central government had proposed to overhaul the Environment Impact Assessment notification 2006 which governs the environment clearance process for industries.
- The proposed changes recommend the local urban bodies or municipalities to give clearance to building and construction projects.
- The zero draft notification also sought the creation of a district level authority to consider the environment clearance rules related to the mining of minor minerals.
- The experts had opined that it would weaken the existing notification and favour the industry, without focusing on strengthening the monitoring and compliance mechanism of the environment clearance process.

Details:

- The EIA 2019 aims to be an update of the EIA 2006. Several provisions in the EIA 2006 over the years have been challenged in the National Green Tribunal (NGT) and led to the MoEF modifying rules. The EIA 2019 aims to be an update that accommodates all these revisions.
- This document prescribes the environment clearance process whereby developers of infrastructure projects that have the potential to significantly alter or impact forests, river basins or other ecologically sensitive regions seek permission from the Union Ministry of Environment and Forests (MoEF) and experts appointed by it.
- While expert committees constituted by the MoEF appraise projects, those below a certain size are appraised by State-level authorities called the State Environment Impact Assessment Authority (SEIAA).
- The proposed Environment Impact Assessment Notification, 2019, makes the District Magistrate (DM) the chairperson of an expert authority, or the District Environment Impact Assessment Authority (DEIAA), that will accord environment clearance for “minor” mining projects.
- The objections point to the fact that these authorities may have a conflict of interest and may not be technically competent.

Issues:

- District Magistrate (DM) in the State is also the ‘District Mining officer’ who is tasked with executing mining licence deeds.
- These officers usually had a “target” to collect revenues from mining activities.
- Making the DM the chairman (of the DEIAA) would be self-serving for grant of environmental clearance.

Way forward:

- It is opined that the district-level authorities need to be empowered to assess and monitor projects.
- The best possible solution, rather than doing away with district-level appraisal would be to have another appropriate competent expert.

Category: ECONOMY**1. Researchers fault Survey finding on UID-MGNREGS link****Context:**

Researchers and activists studying Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) data have refuted the positive causal impact of Aadhaar-linked payments (ALP) on the scheme as presented in the Economic Survey 2018-19.

Details:

- The Survey used the rural jobs scheme as a case study to show the benefits of the use of technology in improving targeting and efficiency in welfare schemes.
- People’s Action for Employment Guarantee, a network advocating for better implementation and accountability of the MGNREGS finds the assumptions made in the economic survey, faulty.

- It is argued that the state verifies the work done and the muster roll and generates a fund transfer order, and in the next stage, money is credited into the worker's bank account. Aadhaar could play a role only in the latter stage.
- Another area of contention is the Survey's comparison of MGNREGS performance in drought-affected and regular districts before and after the introduction of the Aadhaar-linked payments. In supply and demand for work as well as in worker attendance, the scheme's performance in drought-hit areas improved.
- However, it is contended that at around the same time that Aadhaar was introduced to the MGNREGS, a Supreme Court ruling mandated special measures for the scheme in drought-affected areas. Governments issued orders to comply with the ruling, leading to interventions influencing the situation at the same time as Aadhaar.
- Another assumption is that MGNREGS outcomes in drought and non-drought districts were parallel before and after the introduction of Aadhaar. But this assumption is not backed by proofs.

Conclusion:

- It is argued that the data is cherry-picked by choosing to use trends from only one year before the introduction of Aadhaar.
- Household-level outcomes are considered instead of individual level outcomes.
- It is also argued that widening the dataset would show different outcomes.

MGNREGS:

- Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS) also known as Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is an Act passed to guarantee the right to work by enhancing livelihood security in rural areas by providing at least 100 days of wage employment in a financial year to every household whose adult member volunteer to do unskilled manual work.
- This act was introduced with an aim of improving the purchasing power of the rural people, primarily semi or un-skilled work to people living below poverty line in rural India.
- MGNREGA guarantees hundred days of wage employment in a financial year, to a rural household whose adult members volunteer to do unskilled manual work.
- Individual beneficiary oriented works can be taken up on the cards of Scheduled Castes and Scheduled Tribes, small or marginal farmers or beneficiaries of land reforms or beneficiaries under the Indira Awaas Yojana of the Government of India.
- Within 15 days of submitting the application or from the day work is demanded, wage employment will be provided to the applicant.
- Right to get unemployment allowance in case employment is not provided within fifteen days of submitting the application or from the date when work is sought.
- Receipt of wages within fifteen days of work done.

2. Budget clear that Centre will keep tempo up on infra spending

Context:

The recently announced Union Budget 2019, makes it clear that the infrastructure segment will receive significant spending to ensure acceleration in the sector.

Details:

- The connectivity theme comes out strongly in the Budget presentation with emphasis on roadways and waterways.
- Aviation gets coverage through higher FDI, facilitating maintenance, repair and operations (MRO), One Nation One Power Grid, National Gas Grid and DISCOM reforms.
- Public-Private participation in railway infrastructure is also a welcome move. However, its success would depend upon building consensus on this sensitive topic.
- Emphasis on creating liquidity and capital raising is lauded. Given the global headwinds that India faces due to trade wars and the like, and the slowing domestic economy, liquidity is key to pump-priming the economy.
- NBFCs that play such an important role in the unbanked sector clearly need liquidity solutions.
- Deepening the bond market is a step in the right direction. This reduces corporate's dependence on banks for the corporate sector.
- Quality of life for all is another positive in the Budget. The target of two crore affordable houses by 2022, along with drinking water, electricity and gas for all is a much-needed infrastructure that has multiple benefits.
- Increasing interest subsidy for loans to purchase affordable houses will help to stimulate demand.
- These initiatives will positively impact employment besides providing stimulus to sectors such as cement, steel and the capital durables sector.

Conclusion:

The Finance Ministry is complimented for having conjured up a document that articulates the vision of the \$5 trillion economy that the Prime Minister has envisioned for India. The effectiveness of the budget, however depends upon implementation and building consensus on the way forward.

3. Road to agricultural and rural prosperity

Context:

It is opined that the Union Budget 2019-2020 is a truly agriculture and rural development-focussed Budget and that it has adequately met the twin objectives of growth and inclusiveness.

Details:

- An announcement of formation of 10,000 new FPOs over the next five years is a step towards sustainability.
- The crux of the Budget is sustainability in every aspect, be it agriculture practices or economic viability.
- With this, the economies of scale can be harnessed to achieve the goal of doubling farmer's income by reduction in input costs and assuring better price realisations by the farmers for their output.
- The incentives proposed for women SHGs will not only lead to livelihood generation and women empowerment, but also nurture first-generation entrepreneurs through the MUDRA loans of ₹1 lakh.
- With the proposed interventions, not only farmers, but also rural entrepreneurship will get the necessary boost.
- The government's impetus is to promote non-farm activities to boost economic viability of farmers.
- A new scheme — Pradhan Mantri Matsya Sampada Yojana — will give enough confidence to those who are in fisheries sector, to enhance their income with better fisheries management, infrastructure creation, increasing production and productivity, improved post-harvest management bringing economic viability of the sector.

- The government has shown that every person having potential to bring economic revolution will be given an equal opportunity. Another new scheme — Scheme of Fund for Regeneration of Traditional Industries (SFURTI) — is an attempt in this direction.
- Under Pradhan Mantri Gram Sadak Yojana, a road network of 1.25 lakh km will bring more villages to rural markets.
- Enhancing the prospects of agripreneurs, the ASPIRE scheme will create 50,000 skilled rural entrepreneurs, especially in the rural agriculture sector.
- To expand the income sources of our farmers, there is a proposal to enable them to take up power generation activities on their field to transform the Annadata to an Urjadata.
- In the dairy sector, cooperatives will be encouraged to create infrastructure for cattle field management, milk production, processing and marketing.
- For relieving farmers from uncertain prospects, the States will be forced to implement e-NAM mechanism for better operations under the APMC Act.
- The concept of zero-budget farming, which some farmers have exemplarily proved to be viable, will boost the confidence of farmers.
- The goal of “Har Ghar Jal” by 2024 shows the sensitivity to the issue of water availability and its scarcity, equally. Striking a balance between the demand and supply of clean water, we can see a robust infrastructure being created for tackling ground-water recharge, rain water harvesting, etc.
- However, a strong regulatory framework will be needed to implement this resolve.

4. A Budget for the masses

Context:

The Union Budget 2019-2020 is a budget for the masses. It is seen as budget that focuses on growth touching every aspect of the economy, especially job creation.

Details:

- The Finance Minister presented a budget that focuses on growth touching every aspect of the economy, especially job creation.
- The most reassuring aspect was the fiscal deficit target of 3.3% for FY20.
- The government’s focus on international borrowings will prevent crowding out the private sector borrowing in the domestic market as well as help establish sovereign yield curve.
 - The crowding out effect is an economic theory arguing that rising public sector spending drives down or even eliminates private sector spending.
- Lower borrowing in the domestic market should be positive for currency, interest rate, and therefore interest cost will come down.

Housing:

- Housing has been and continues to be a priority for the government.
- The budget speech reassured that the target of Housing for all by 2022 would be met. The Finance Minister said that the government had already built 1.5 crore houses and will build 1.95 crore houses under the Pradhan Mantari Awas Yojna (PMAY) - Gramin over the next two years.
- People buying affordable houses have been incentivised by increasing fiscal incentives on a home loan.
- The budget has provided for an increase of up to ₹1,50,000 deduction p.a. on the interest component of a home loan borrowed before March 31, 2020, provided the property value is under ₹45 lakh. With this, the total fiscal incentives on a home loan by way of interest deductions are ₹3.5 lakh p.a.

- This additional fiscal benefit also will lead to increase in the loan eligibility of the borrower.
- Apart from this there is already a tax benefit on repayment of principal of up to ₹1.5 lakh.
- This should provide a huge boost to affordable housing.

NBFCs:

- The ₹70,000 crore recapitalization plan will adequately bolster the PSU Banks' capital base and improve credit uptake.
- Acknowledging the role played by the NBFCs in the growth of the economy it has been said that the government will provide one-time six-month partial credit guarantee to PSU banks for first loss up to 10% for the purchase of high-rated pooled assets of financially-sound NBFCs. This will incentivise banks to lend to NBFCs.

Taxation:

- The tax rate has been cut to 25% for all the corporates with an annual turnover of up to ₹400 crore from the earlier ₹250 crore.
- Thereby, 99.30% of all corporates in India are covered.
- This is a step in the right direction to support the smaller companies as they have the ability to provide more jobs with the same amount of capital as compared to large corporates.

D. GS 4 Related

Nothing here for today!!!

E. Editorials

Category:POLITY AND GOVERNANCE

1. Quota Politics

Context:

The government in Uttar Pradesh has included 17 communities belonging to the Other Backward Classes in the Scheduled Castes list.

Details:

- It is the fulfilment of a 15-year-old demand by these 17 caste groups.
- This, incidentally, is the third time that the State government will be making an attempt on the issue.
- This move is claimed to be an attempt by the U.P government to provide these socially and economically backward classes with the benefits of reservation after removing legal irritants that have stalled the issue in the past. The move is expected to leave greater space in the OBC quota for the remaining OBC caste groups.

Concerns:

- The U.P government's latest attempt has no legal basis and appears to be aimed at making political gains ahead of a round of by-elections to the State Assembly.
- It is fairly well- known that Parliament alone is vested with the power to include or exclude any entry in the SC list under Article 341 of the Constitution.
- The Allahabad High Court had earlier quashed the decision declaring the move unconstitutional and void (When the Mulayam Singh Yadav regime brought a similar resolution in 2004).
- Another attempt was made in 2012 when Akhilesh Yadav came to power, only to be rejected by the centre.
- Though it is quite apparent that it is not a judicial directive, the State government has asked authorities in all districts to issue certificates to those from these castes.
- These 17 castes do comprise the most disadvantaged among the backward classes. Categorising the backward classes into two or three sections has been seen as one way to apportion the benefits of reservation among many social groups.
- In such an exercise, these castes may qualify for a compartment within the OBC quota. However, treating them as Scheduled Castes is beset with problems.
 - For one thing, they may not qualify to be treated as SCs because they may not have suffered untouchability and social discrimination.
 - Given the legal limitations on the State government's power to expand the SC list, it is not difficult to recognise a political motive behind any move to confer SC status on sections of the OBC.
- For the present regime, the move could help carve out a vote bank from the newly declared SC groups.
- The Bahujan Samaj Party, which has opposed the move both in Parliament and outside, understands that new additions would shrink opportunities for the existing castes in the SC list. That is why its leader, has hinted that the reservation pie can be shared among more claimants only if its size is increased.
- The U.P. government would be well-advised to avoid misleading vulnerable sections with the promise of SC status.

Category:INTERNATIONAL RELATIONS**1. Reclaiming the Indo-Pacific Narrative****Context:**

At the 34th summit of the Association of Southeast Asian Nations (ASEAN) in Bangkok in June, its member states finally managed to articulate a collective vision for the Indo-Pacific region in a document titled "The ASEAN Outlook on the Indo-Pacific".



Background:

- Though the “Indo-Pacific Region” has, for long been defined in geographical terms, Dr. Gurpreet S. Khurana – executive director of the National Maritime Foundation in New Delhi and a Captain in the Indian Navy is the one credited with the first use of the term “Indo-Pacific” in the context of strategic and geopolitical discourse in India.
- Even though the “Indo” in “Indo-Pacific” represents the Indian Ocean and not India, the global community expects India to play a major role, including in terms of ensuring a maritime environment that is conducive for economic growth and development.
- The long-prevalent “Asia-Pacific” construct was inadequate and ambiguous in terms of incorporating India in the affairs of the region.

Details:

- At a time when the geopolitical disputes between China and the United States are escalating, it has become imperative for the ASEAN to reclaim the strategic narrative in its favour in order to highlight its centrality in the emerging regional order.
- The document underlines the need for an inclusive and rules-based framework to help to generate momentum for building strategic trust and win-win cooperation in the region.
- An awareness of the emergence of a great power contest around its vicinity flows through the document as it argues that the rise of material powers, i.e. economic and military, requires avoiding the deepening of mistrust, miscalculation and patterns of behaviour based on a zero-sum game.
- Despite individual differences and bilateral engagements ASEAN member states have with the U.S. and China, it can now claim to have a common approach as far as the Indo-Pacific region is concerned.
- However, the approach should also complement existing frameworks of cooperation at the regional and sub-regional levels and generate tangible and concrete deliverables for the benefit of the region’s peoples.
- Japan had already unveiled its Free and Open Indo-Pacific concept in 2016, while Australia released its Foreign Policy White Paper in 2017, detailing its Indo-Pacific vision centred around security, openness and prosperity.

- Prime Minister Narendra Modi articulated India's Indo-Pacific vision at the Shangri-la Dialogue in 2018, with India even setting up an Indo-Pacific wing in the Ministry of External Affairs (MEA) earlier this year(2019).
- The release of the U.S. Free and Open Indo-Pacific (FOIP) strategy report in June focusses on preserving a free and open Indo-Pacific in the face of a more assertive China.
- This was perhaps the final push that was needed to bring the ASEAN discussion on the subject to a close.
- The final outlook that the ASEAN has come up with effectively seeks to take its own position rather than following any one power's lead.

Conduct in the South China Sea:

- ASEAN member states agreeing to push for a quick conclusion of a Code of Conduct in the South China Sea.
 - It is an increasingly contested maritime space which is claimed largely by China and in parts by the Philippines, Vietnam, Indonesia and Malaysia.
 - Tensions continue to rise over the militarisation of this waterway.
 - In June 2019, a Philippine fishing boat sank after it was rammed by a Chinese vessel.
- With these moves, the ASEAN is clearly signalling its intent to be in the driving seat as it seeks to manage the geopolitical churn around it.

The Framework:

- While the ASEAN outlook does not see the Indo-Pacific as one continuous territorial space, it emphasises development and connectivity, underlining the need for maritime cooperation, infrastructure connectivity and broader economic cooperation.
- The ASEAN is signalling that it would seek to avoid making the region a platform for major power competition.
- Instead its frame of reference is economic cooperation and dialogue.
- The fact that the ASEAN has gone ahead and articulated an Indo-Pacific outlook is in itself a seeming challenge to China which refuses to validate the concept.
- But the ASEAN's approach is aimed at placating China by not allowing itself to align with the U.S.'s vision for the region completely.
- India has welcomed the ASEAN's outlook on the Indo-Pacific as it sees important elements of convergence with its own approach towards the region.

Conclusion:

With the ASEAN finally coming to terms with its own role in the Indo-Pacific, the ball is now in the court of other regional stakeholders to work with the regional grouping to shape a balance of power in the region which favours inclusivity, stability and economic prosperity.

Category:ECONOMY

1. No Easy Answer to Economic Slowdown

Details:

- The most keenly watched number in the Union Budget is, perhaps, the ratio of fiscal deficit to GDP.
- A decline in the ratio is cheered by commentators and the markets.

- An increase is seen as a setback to reforms.
- The latest Economic Survey makes clear that private investment is the key driver of growth and jobs. It follows that the government must make fewer demands on public savings so that more of it is available for private investment.
- Going by the Survey's analysis, there is no escape from an even sharper focus on fiscal consolidation.

Issues:

- The Budget Speech 2019-2020, did not even mention the fiscal deficit figure, nor did it make any reference to a path towards the fiscal deficit target of 3.3% of GDP.
- The omission reflects the limitations imposed on the Finance Minister by trends in revenue and expenditure.
- The government has had some success in reining in traditional items of revenue expenditure. Major subsidies (food, fertiliser, petroleum), which used to claim 2% or more of GDP, have stabilised at 1.4% of GDP. But new items of expenditure have emerged.
- The PM-Kisan scheme, which provides ₹6,000 for each farming household per year, will cost the government ₹75,000 crore in 2019-20.
- The outlays on the National Rural Employment Guarantee Scheme have crept up with each passing year.

Tax-GDP Ratio:

- The big disappointment has been in respect of tax revenues.
- The expectation following demonetisation and the introduction of the Goods and Services Tax (GST) was that both direct and indirect taxes would rise. As a result, the tax to GDP ratio would move to a different trajectory.
- The shortfall in GST collections in 2018-19 seems to have set the clock back for fiscal consolidation.
- The major concern is balancing the fiscal numbers when the tax to GDP ratio is not coming up to expectations.
 - The Chief Economic Adviser has indicated that the government pins its hopes on capital receipts from disinvestment and the sale of land belonging to the government including public sector enterprises (PSEs).
 - Disinvestment in the sense of strategic sale of PSEs has not really taken off.
 - Much of disinvestment has involved the buying of equity in PSEs by other PSEs.
 - The sale of government land is bound to be a long-drawn-out process and one with fraught with controversy over valuation.
 - Moreover, the sale of government assets to balance the Budget merely defers fiscal problems to the future. It is not seen as the answer to the problem of fiscal sustainability by many experts.
- In the short term, the government's hopes must rest on the Bimal Jalan committee on the economic capital framework for the Reserve Bank of India (RBI).
- The government's intention in setting up the committee was to see whether some of the RBI's reserves could be used to mitigate the fiscal position.

Twin-balance sheet problem:

- Private investment is constrained not just by the crowding out effect of a high fiscal deficit.
- Earlier editions of the Economic Survey had identified the twin balance sheet problem, that is, high levels of debt in companies and high non-performing assets of banks, as an important constraint on private investment.
 - Twin balance sheet problem refers to the stress on balance sheets of banks due to non-performing assets (NPAs) or bad loans on the one hand, and heavily indebted corporates on the other.

- The Economic Survey of 2018-19 contends that reducing policy uncertainty can somehow overwhelm the drag caused by the twin balance sheet problem.
- Resolving the twin balance sheet remains the key to reviving private investment.
- This requires the government to provide adequate capital to public sector banks (PSBs).
- The Budget's biggest positive is the allocation of ₹70,000 crore towards capital for PSBs.
- However, the allocation is meaningful only if it is spent at one go in the current financial year, not staggered over several years.
- Only then will banks have enough capital to cover provisions for non-performing assets as well as provide loans to firms.

The liquidity problem at NBFCs:

- The Budget also makes an attempt to address the liquidity problem at NBFCs.
- It provides cover for loss of up to 10% on purchase of pooled assets of NBFCs of a total value of ₹100,000 crore during the current financial year.
- Many see it as a government bailout of private NBFCs.
- The loss cover is only for six months and is intended only for well-rated portfolios and NBFCs.
- Banks may be incentivised to buy more of the portfolios of the better NBFCs, not those of the weaker ones.
- The government expects that by boosting the flow of credit, the recapitalisation of PSBs will help revive private investment.

F. Tidbits

Nothing here for today!!!

G. Prelims Facts

Nothing here for today!!!

H. UPSC Prelims Practise Questions

Q1. Consider the following statements:

1. The Election Commission of India is a constitutional body
2. It acts as a court for arbitration of disputes related to granting of recognition to political parties.
3. It consists of members having a tenure of five years.

Which of the given statement/s is/are correct?

- a. 1 and 2 only
- b. 2 only
- c. 3 only
- d. 1, 2 and 3

Answer: a

Explanation:

- The Election Commission of India consists of members having a tenure of six years.

Q2. The Constitution of India empowers the Supreme Court of India to adjudicate disputes between the Centre and the States through:

- a. Original Jurisdiction
- b. Writ Jurisdiction
- c. Advisory Jurisdiction
- d. Appellate Jurisdiction

Answer: a

Explanation:

- Self-explanatory

Q3. Consider the following statements:

1. Vedanthangal Bird Sanctuary is the oldest bird sanctuary in India
2. It is located in Kerala

Which of the given statement/s is/are correct?

- a. 1 only
- b. 2 only
- c. Both 1 and 2
- d. Neither 1 nor 2

Answer: a

Explanation:

- Vedanthangal Bird Sanctuary is in Tamil Nadu.

Q4. "Apiculture" is the rearing of

- a. Fish
- b. Silk Worms
- c. Prawns
- d. Honey bees

Answer: d

Explanation:

- Beekeeping is also known as "Apiculture". Apiculture is the practice of keeping bees as well as the manufacturing of honey and beeswax.

I. UPSC Prelims Mains Questions

1. It is a matter of fact that religion deeply ingrained in Indian society. Would the intriguing suggestion in the Economic Survey on the use of moral suasion drawn from religious beliefs modify the behaviour of Indians? Critically analyse. (15 Marks, 250 Words)
2. What do you understand by Gender Responsive Budgeting (GRB)? GRB increases accountability towards women empowerment programs. Discuss. (15 Marks, 250 Words)

