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1. Curbing the growth of large cities – Not the right approach
2. Changing Dynamics of Dalit Movement in India

### General Studies - 2

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1. Importance of government interventions to reduce economic impact of COVID-19
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4. Issue of Data protection in the backdrop of ban on Chinese apps
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Source – [Indian Express](#)

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1. Leadership in times of Covid

# General Studies Paper - 1

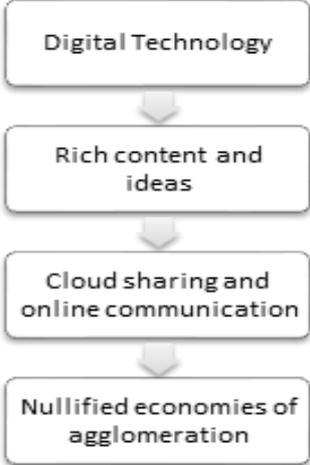
**General Studies - 1**

**Syllabus – Urbanization, their problems and their remedies**

**1. Curbing the growth of large cities – Not the right approach**

**Source** – [Financial Express](#)

**Context** – Considering a limited model that aims to curb the growth of large cities has its repercussions.

Parameters which affect growth of cities	Limited size of cities	No restriction on size of cities
<p><b>Economies of agglomeration</b> – It refer to the benefits from concentrating output and housing in particular areas.</p> <ul style="list-style-type: none"> <li>• If an area specializes in the production of a certain type of good, all firms can benefit from various factors such as:                             <ol style="list-style-type: none"> <li>a. Good supply networks</li> <li>b. Supply of trained workers</li> <li>c. Infrastructure built specifically for the industry</li> <li>d. Good transport links.</li> </ol> </li> </ul>	<p><b>Digitization eroding benefits of economies of agglomeration</b></p>  <pre> graph TD     A[Digital Technology] --&gt; B[Rich content and ideas]     B --&gt; C[Cloud sharing and online communication]     C --&gt; D[Nullified economies of agglomeration]                     </pre>	<p><b>Not all urban areas are digitized</b> - The part of India’s urban economy that is ‘digitized’, while economically important, is small in demographic terms.</p> <p><b>Population increase-Digitization</b> is just one of the many factors that contribute to determining a country’s urban structure, the prime factor being the population increase.</p>
<p><b>Diseconomies of scale</b> – Beyond 1 million population rise, there is increase in per unit cost of goods and services.</p>	<p><b>U-shaped cost curve</b> - It hypothesized that the unit cost of supplying infrastructure and services tended to be high in small cities, costs tended to decline over a range of intermediate-sized cities, and to rise with cities attaining certain sizes.</p> <p><b>4<sup>th</sup> Five-year plan</b> - The social and economic costs of servicing large concentration of population are prohibitive. Beyond a certain limit, unit costs of providing utilities and services increase rapidly with increase in the size of cities.</p>	<p><b>The U-shaped cost curve didn’t apply to India</b> – Research in Indian cities on 1960’s proved that although unit cost of supplying infrastructure and services tended to be high in small cities, costs tended to decline over a range of intermediate-sized cities, but concluded that the cost curve did not rise as stipulated with the expansion in the size of cities.</p> <p><b>Research work in 1980’s outlined that-</b> Changing the size distribution of cities was a long-term and a costly exercise Well-managed cities were</p>

		central to economic growth and poverty reduction—city size was of no consequence.
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**Way Forward-** According to the United Nations (2018), India's rural population will begin to decline in absolute numbers from about 2027 onwards, where after population growth in India will wholly be an urban story. The task, thus, is to accept the inevitable and work on making the process of urbanization sustainable, resilient, inclusive and productive, rather than to consider a model that aims at curbing the growth of large cities.

### **Syllabus: Social empowerment**

#### **2. Changing Dynamics of Dalit Movement in India**

**Source:** [The Hindu](#)

**Context:** Dalit issues are submerged in the broader discussions on economic vulnerabilities highlighted by COVID-19.

#### **Who is a Dalit?**

- The term Dalit was firstly used by Jyotirao Phule for the oppressed classes or untouchable castes of the Hindu.
- Dalit (broken down) is a social term for depressed class. Whereas schedule caste is a constitutional term mentioned in article 341 for depressed class.

#### **Demographic Profile of Scheduled Castes**

1. According to 2011 Census of India, Scheduled Caste communities comprised 16.6% of the country's population,
2. Uttar Pradesh (21%), West Bengal (11%), Bihar (8%) and Tamil Nadu (7%) have the highest Scheduled Caste population.
3. **Literacy Rate:** The literacy rate of SC women, about 42% in 2001, increased to 56.5% in 2011. Among SC males it went up from 66.6% to 75.2% in the same period.

#### **Current Dalit movement in India**

At present Dalits are more organised and connected and see themselves as a part of an assertive movement of social justice. The main concern is caste is getting reinforced, rather than annihilated and there are rising Dalit atrocities.

However, **there are challenges to the current Dalit movement:**

- **Focus on caste-based issues:** Caste-based issues have either become invisible or are only visible as part of the wider discourse.
- **Poor representation of concerns:** There are a large number of Scheduled Castes and Scheduled Tribes among the migrant labourers. However, during the Covid-19 pandemic, Dalit leaders have not been able to represent the concerns.
- **Poor agendas:** The movement is facing a crisis of agendas and social programmes.
- **Poor leadership:** There is a crisis with leadership. In States such as U.P., Bihar, Punjab and Rajasthan, Dalit assertions are mostly centred around the electoral politics of Dalit-Bahujan political groups and parties.
- **Undermining reservation:** The implementation of reservation policy has been a function of the political clout of Dalits and OBCs. The backward castes and classes gained when caste-based parties were in a position to put pressure on the governments.

**Conclusion:** The Dalit movement has to evolve new social strategies for its expansion in order to keep up with the changing times.

# General Studies Paper - 2

## General Studies - 2

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**Syllabus: Welfare schemes for vulnerable sections of the population by the Centre and States and the performance of these schemes; mechanisms, laws, institutions and Bodies constituted for the protection and betterment of these vulnerable sections.**

### 1. Importance of government interventions to reduce economic impact of COVID-19

**Source:** [The Indian Express](#)

**Context:** The Pradhan Mantri Garib Kalyan Yojana targeting 800 million people for free rations through the Public Distribution System has been extended until November.

#### **Background:**

- 1. For vulnerable population:** The government is taking a massive effort to minimize the economic impact of COVID-19 on our most vulnerable population.
- 2. Reach:** Schemes such as Jan Dhan, PM Kisan and PM Ujjwala aim to transfer Rs 532 billion to 420 million people.
- 3. Danger:** Many people in danger of slipping into poverty. It is imperative to create a regime, even with a sunset clause, of universal benefits.

The writer has commissioned a multi-round survey of 47,000 households of which mostly are below poverty line across 15 states. The surveys explore whether relief schemes have been working as intended, who is missing out and what more is needed.

#### **Impact of COVID-19:**

1. Primary income earners in two-thirds of the households have lost their jobs or wages.
2. The average family has lost more than 60 per cent of its pre-crisis income and is now making just Rs 4,000/month.
3. Twenty-four per cent of low-income households have run out of money and supplies.
4. Forty per cent families are in debt.
5. In some states, as many as one in five primary income earners do not expect to find work in the near future.
- 6. Government relief:**
  - a. Ninety-four per cent of eligible families had received extra PDS rations by end May and 80 per cent had received cash entitlements averaging close to Rs 2,000.
  - b. About five million households could have both run out of savings and not received any cash transfer from the government.
- 7. On workers:**
  - a. **Estimation:** Over 55 million workers who were earning above poverty line incomes have lost jobs during this crisis.
  - b. The scale of current urban-rural migration makes this challenge worse.

#### **Steps to improve conditions of vulnerable:**

##### **1. Shifting to universal benefits:**

- a. To minimize a situation where millions miss out on critical relief.

##### **For example:**

- Whoever turns up to a ration shop needing free/subsidized rations should be able to get it.
- People should be able to sign up for a cash relief transfer with minimal paperwork.
- **Digitalization:**
- It has created efficiencies that can be leveraged to expand the welfare net.

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- **Reducing leakages:** The vast amount of leakage in the welfare system was not due to fraud by citizens but because of fraud and inefficiency by those delivering the benefits.
  - b. JAM trinity has helped:
    - **Lower transaction costs**-Aadhaar can prevent identity frauds.
    - **Reduce leakages**-Our sophisticated payments infrastructure enables DBT.
    - **Reach beneficiaries quickly**
  - c. Pilots for the One Nation-One Ration Card project have shown that inter-state portability is possible.
- 2. State models:**
- a. Several states have experimented with a more universal approach with positive results.
  - b. For example:**
    - Tamil Nadu's PDS system has strong coverage and equitable pricing, delivering 20 kg of rice at Rs 1/kg every month to all families who need it.
    - Chhattisgarh universalized PDS to provide for their returning migrants with encouraging results.
    - MGNREGA has always been open to all rural households.
- 3. Voluntary opt-outs:**
- a. Reducing burden on exchequer:** The well-off could be inspired to give up their own benefits by highlighting the real intended targets of the relief effort and the adverse impact on millions of people.
  - b. For example:** The "Give up LPG Subsidy" campaign.

### Way Forward

- During a crisis like COVID-19, the emphasis needs to be on including those who really deserve the help rather than making sure the wrong people are kept out.
- It's precisely because the current systems are largely working that we can contemplate a universal benefits approach. This approach can be discontinued once the pandemic ends and the economic shocks abate.

### Syllabus – Government policies and interventions for development in various sectors and issues arising out of their design and implementation

#### 2. Smart Cities – No focus on public health infrastructure

Source – [The Hindu](#)

Context - The novel coronavirus pandemic has largely been an urban crisis so far, with megacities such as Delhi, Mumbai, Bengaluru and Chennai accounting for most of the COVID-19 positive cases.

**Smart cities mission** - The Mission had sought to make 100 selected cities "smart", primarily through an "Area-Based Development" model under which a small portion of the city would be upgraded by retrofitting or redevelopment. It had the stated aim of improving the quality of life of urban residents.

#### Issues Indian cities are facing amidst the pandemic

- Public health crisis with rising number of case in urban areas.
- Economic issues and loss of livelihood faced by urban residents as well as migrant workers.

#### Issues related to smart city mission

- **Lack of focus on public health infrastructure** - An analysis of the smart city projects under the Mission shows that only 69 of over 5,000 projects undertaken

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under the Mission were for health infrastructure. These projects are for an estimated cost of ₹2,112 crore, amounting to just around one per cent of the total mission cost

- **No capability building of local bodies** - As per the 12th Schedule of the Constitution, introduced by the 74th Amendment, “public health” is one of the 18 functions that are to be devolved to the municipalities. Centralised programmes such as the ‘Smart Cities Mission’ have driven local governments away from their core responsibilities.

### Suggested solutions

- **Empowering local bodies** – The functionaries of local bodies need to be trained for better implementation of schemes and handling of crises such as covid. Greater financial devolution can be considered by state government and focus need to be on mobilising revenue by increasing property tax base.
- **Restoring economy health** - Introduction of a national urban employment guarantee programme that assures jobs for urban residents and strengthens the capacities of urban local bodies is needed.
- Kerala has been running such a scheme since 2010 and States such as Odisha, Himachal Pradesh and Jharkhand have also recently launched similar initiatives in the wake of the COVID-19 crisis.

**Way Forward** - As Indian cities face an unprecedented challenge, it is important to get the priorities of urban development right and invest in programmes that improve the health and livelihoods of its residents.

### 3. Reviving economy – Focussing on Infrastructure

**Source** – [Financial Express](#)

**Context** – The Covid-19 pandemic has brought global economic activity to a virtual halt. While the world was long expecting a recession, the pandemic has surely pulled the trigger.

### Components of aggregate demand



### Challenges in increasing Consumption, Exports and Investment

- **Sharp deceleration in credit supply** - The NBFC sector, which played an important role in fueling India’s consumption growth, suffered from funding crunches, leading to further squeeze in credit supply and impacting consumption demand.
- **Job loss due to covid** - Industry-wide job/pay-cuts with a growing sense of uncertainty over the future may limit consumer spending to non-discretionary items and force people towards precautionary savings.
- **Underutilization of existing capacity** - Deteriorating economic scenario across the world with upcoming recession and underutilization of existing capacity will bring down the investment in new capacities by firms
- **Net-exports and trade war**- Global trade has been undergoing several disruptions since 2009. Heightened trade tensions between the US and China, with the onset of the pandemic only makes matters worse. As for India, our limited share in global

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trade, along with a battered domestic and global outlook, provide little room for exports to contribute towards growth.

### Suggested solution for revival of economy – Government Expenditure

- **Boosts Real growth** - A study by S&P Global estimates 1% GDP spend on infrastructure can boost real growth by 2% while creating 1.3 million direct jobs.
- **Historic evidence** - Historically, countries have used infrastructure to provide countercyclical support to the economy. Some of the most remarkable references are the New Deal in the US, Germany's expansion post WWII debt reduction (1953) and more recently with China in the wake of the Global Financial Crisis.

**Way Forward – Restructuring the** existing institutions for infrastructure development purposes - IIFCL, IRFC, NIIF into one organization and floating special infrastructure bonds through this organization to accelerate the funding of the National Infrastructure Pipeline could aid a speedier recovery.

### 4. Issue of Data protection in the backdrop of ban on Chinese apps

**Source:** [Financial Express](#)

**Context:** The recent ban on 59 apps by the Indian government amidst political tensions between India and China marks the watershed moment of 'data nationalism' in cyberspace.

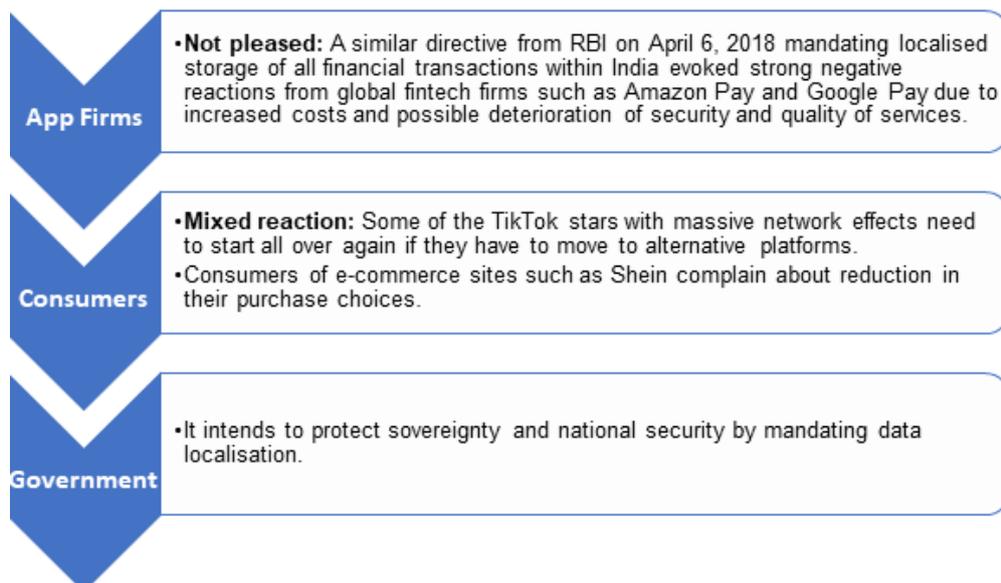
#### Data protection:

- **Data localization measure:** The requirement for all mobile application firms to prove that data is not exported out of the country.
- **Data nationalism:** It is not just a short-term political phenomenon which is subject to flows of protectionist sentiments. It is the expression of a profound unease with the increasing globalization due to infinite internet.
- The Snowden and Cambridge Analytica episodes have prompted even democratic countries like Brazil, Germany and India to undertake data localization measures which include regulations and rules on storing data within the territorial jurisdiction of the country.

**Performance in data localization:** According to a recent study by the European Centre for International Political Economy.



**Reactions of all stakeholders to data localization restrictions:**



The ban on Chinese apps have different meanings for every stakeholder.

**Implications for Chinese app ban:**

- **For local manufacturers:**
  - There is some evidence that stricter restrictions on cross-border data flow provide advantages to local firms to serve their clientele better in terms of both price and quality. For example- Indian start-ups such as Chingari have upped their ante indicating they are well positioned to replace Chinese apps.
  - **Cost advantage for local:** Data compliance costs imposed due to the data localization rules increase cost and reduce the quality and features of services provided by global firms to their consumers in those regions.
  - **Capturing market share:** Local firms tend to benefit and often compete well in garnering the market share of their local consumers.
- **Consumers:**
  - This leads to consumers clustering around their local producers of services and often have limited choices for purchase
- **Government:**
  - Data fiduciaries argue that data localization provides local governments easier access to data of her residents.
  - Data localization may give domestic intelligence agencies of the home country increased data collection powers over their residents' data through even coercion of residents.

**Way Forward:**

- There is a need for internet firms and governments to be transparent and respect the data protection and privacy laws of data.
- It's time India enacts the data protection Bill to enforce lawfully the property rights of our residents and penalize deviators.

**5. Equalization levy – Taxing the digital space**

**Source** – [Live mint](#)

**Context** – The USTR is initiating a probe into the imposition of digital taxes on firms like Facebook, Netflix and Google in the EU and nine countries, including India.

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### Equalization levy

- Equalization Levy is a direct tax, which is withheld at the time of payment by the service recipient. The two conditions to be met to be liable to equalization levy:
  - The payment should be made to a non-resident service provider;
  - The annual payment made to one service provider exceeds Rs. 1,00,000 in one financial year.
- Currently the applicable rate of tax is 6% of the gross consideration to be paid.
- Collection of tax - The burden of paying the equalization levy, which is often called the 'Google tax', to the central government, falls upon the Indian company or a non-resident company with a physical establishment in India.

### Rationale for introducing equalization levy

- **Foreign firms with permanent establishments vs. digital companies** - Foreign firms with permanent establishments are taxed at the rate of 40%. But the digital companies did not have any permanent establishment in India, so their income could not be taxed.
- **Digital growth in India** - Tech giants or e-commerce companies such as Google and Facebook benefit from growth of digital sector in India by generating revenue from outside the country of residence.
- **Level playing field for domestic companies** - It aims to equalize tax component between the domestic e-commerce company which is taxed under corporate tax and foreign non-resident e-commerce company which was not under Indian tax jurisdiction.

### Issues associated with equalization levy

- **Discourage startups** - Since the burden is shouldered by local start-up's and SMEs who advertise on these platforms, Indian start-ups, other stakeholders are requesting cancellation or reduction in the equalization levy on the advertising revenue that overseas firms generate from India.
- **Double taxation** - It also discourages foreign firms from indulging in activities in India as they might not be liable for a tax deduction in their home country and can face double taxation.
- **Additional 2% levy** - 2% equalization levy imposed this fiscal year on any purchase by an Indian or India-based entity through an overseas e-commerce platform is not clearly worded. Companies fear that all kinds of online transactions including hotel bookings, software purchase and even buying certain components from overseas could come under the gamut of the 2% levy introduced this year due to the way the law has been worded.

**Way Forward** - The 2% equalization levy in its current form is too widely worded, needs clarity and could be challenged as lacking constitutional validity as it brings thousands of transactions made online under its scope. The government needs to clearly decide what transactions it wants to tax or whether there is a need for this levy when India is becoming investment hub of digital companies.

**Syllabus: Important aspects of governance, transparency and accountability, e-governance applications, models, successes, limitations, and potential; citizens charters, transparency & accountability and institutional and other measures**

### 6. Police Reforms – Now or Never

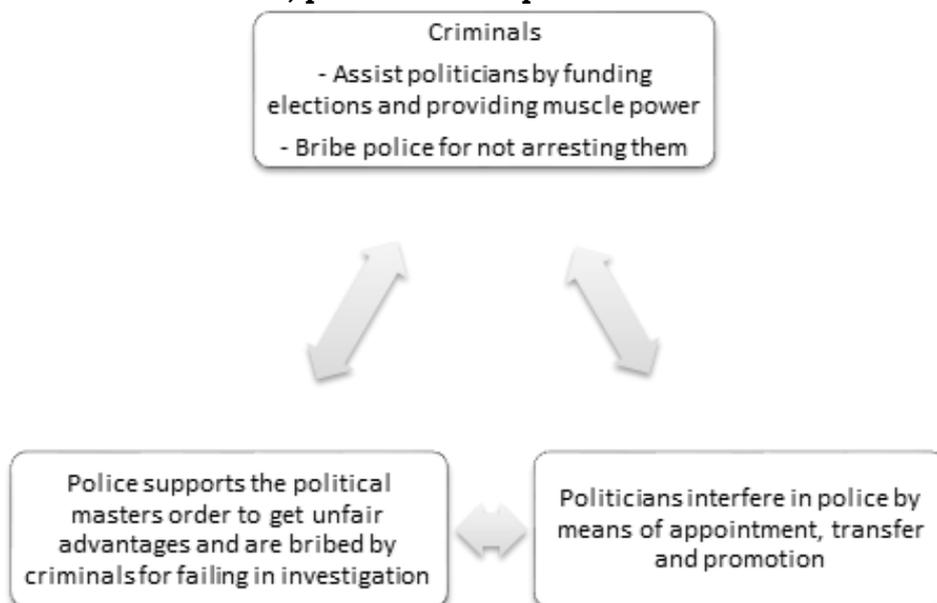
Source – [Indian Express](#)

## 9 PM Compilation for the Month of July (Third week), 2020

**Context** – The brutal treatment of a father and son in police station in Tamil Nadu, resulting in their death and an encounter in Kanpur where a criminal wanted for the murder of eight policemen was killed by UP Police under strange circumstances have raised uncomfortable questions regarding policing in India.

Reasons for violation of laws by law upholders (Police) –

### a. Nexus between criminals, politicians and police



**b. Criminalisation of Politics** - The number of members of parliament with criminal background has been going up with every successive election. It was, according to the Association of Democratic Reforms, 30 per cent in 2009, 34 per cent in 2014 and 43 per cent in 2019.

### Suggested solutions

- 1. Preventing entry of criminals in legislature** – A law which debars persons with serious criminal cases from entering the assemblies and the Parliament is the need of the hour.
- 2. Legislation against organized crime** - A Central act on the lines of MCOCA should be enacted to curb the activities of organised criminal gangs.
- 3. Federal crime** - The concept of federal crime, as recommended by the Second Administrative Reforms Commission, should be accepted and offences which have all-India ramifications or are trans-national in character, like those of terrorism and organised crimes, should be brought within its ambit.
- 4. Monitoring the activities of the mafia and criminal syndicates** - An institution comprising representatives of the police/CBI/NIA, Intelligence Bureau, Income Tax department, Revenue Intelligence and Enforcement Directorate should be set up to monitor the activities of the mafia and criminal syndicates in the country and ensure stringent action against them.

**Way Forward** - We must, without further delay, build an environment where police become an instrument of service to the people so that security of people is ensured and any public protest against police can be prevented.

## 7. Need of governance by the people

Source: [The Hindu](#)

**Context:** Analyzing the stress occurred at the governance at all the levels i.e. global, national and local due to COVID-19 pandemic.

**Background:**

- 1. Complexity of handling many subsystems:** Breakdowns have occurred in many subsystems that had to be managed at the same time like health care, logistics, business, finance and administration.
- 2. Solutions for one subsystem backfired on other subsystems:** For example, lockdowns to manage the health crisis have led to economic distress.
- 3. Stress on institutions for global governance:** They have been put through a severe stress test by the global health and economic crises. The test has revealed a fundamental flaw in their design.

There is a mismatch in the design of governance institutions at the global level (and also in India) and the challenges for management by them.

### How to handle such challenges of governance?

#### 1. Interconnected issues:

- a. Systemic challenges:** As listed in the global challenges in the 17 Sustainable Development Goals (SDGs) of the UN.
- b. Interrelated:** Environmental, economic and social issues cannot be separated from each other and solved by experts in silos or by agencies focused only on their own problems. A good solution to one can create more problems for others.
- c. Requirement:** The solutions must fit the specific conditions of each country and of each locality within countries to fit the shape of the environment and the condition of society there.
- d. For example:** Solutions for environmental sustainability along with sustainable livelihoods cannot be the same in Kerala and Ladakh or in Mumbai and Tokyo.
- e. The knowledge of different experts like the environment, the society and the economy must come together to fit realities on the ground.

#### 2. A case for local systems:

- a. Local solutions:** The local people must believe that the solution is right for them and not a solution thrust upon them by outside experts for the local people to support the implementation of solutions.
  - b. Active contributors:** The local people must be active contributors of knowledge for, and active participants in, the creation of the solutions.
  - c. Governance by the people:**
    - For example- Gandhiji and his economic advisers developed their solutions of local enterprises through observations and experiments on the ground (and not in theoretical seminars in capital cities).
    - Elinor Ostrom, the first woman to win the Nobel Prize in Economics, had developed the principles for self-governing communities from research on the ground in many countries including India.
- **Scientific explanations for the need of local systems solutions:** The writer got an insight that several IAS officers who seemed to have more compassion for communities than their colleagues were involved at some time in their careers with the evolution of community-based public health and the self-help group movements. They had begun to see that the role of government is perhaps to 'enable governance'.
  - **Role of district Collector:** They are key IAS functionary in India's governance.

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- **Pre-independence:** To collect revenues and to maintain law and order.
- **d. Post-independence:**
  - India took up a large welfare role and they became the District 'Deliverer' of government largesse.
  - **Role became complicated:** When the numbers of government schemes multiplied of which some were designed by the central government and others by the State government.
  - The schemes were managed by their own ministries and departments in the capitals, with local functionaries of those departments as the points of contact with citizens.
  - **Reasons for schemes not producing enough benefits:** There are a large number of schemes that are operational. The citizens did not know about many schemes and it is hard to disentangle the schemes.

### Way Forward

- **Reason:** A hypothesis is that those States and countries in which local governance was stronger like Kerala, Taiwan have done much better than others. This is worthy of research for insights into design principles for good governance systems.
- The government has to support and enable people to govern themselves to realize the vision of 'government of the people, for the people, by the people'.

### 8. Need of National Curriculum Framework for police education and training.

**Source:** [The Indian Express](#)

**Context:** The custodial deaths in Thoothukudi and the killing of eight policemen in an ambush in Uttar Pradesh has brought the country's police force under scrutiny.

#### Background:

- There are question marks on Vikas Dubey's encounter.
- **Killing of George Flyod in USA:**
  - It led to a series of protests against police atrocities in the US culminating into the Black Lives Matter campaign.
  - The Minneapolis council has drafted a plan to abolish the police and replace it with a department of community safety and violence prevention.
- **No such outrage in India:** Some people justify police violence in Kashmir and the Northeast as the only solution to the insurgency.

**Maintenance of law and order:** It is primarily the responsibility of the states.

- **Training:**
  - **Place of training:**
    - **IPS:** They head the Police departments providing the system an anchor at the Central level. These officers are trained at the Lal Bahadur Shastri National Academy for Administration, Mussoorie and Sardar Vallabhbhai Patel National Police Academy (NPA) at Hyderabad.
    - **Lower-level officials and constables:** They are trained at different state police academies. Most of the force uses strong arm tactics that date back to the colonial era at the lower level.
  - **Training time:**
    - An IPS officer is trained for about two years, an inspector-level officer receives a year's training and a constable is trained for nine months.
  - **Quality of training:**

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- It varies according to state. Generally, the officials at the lower rungs only receive basic training for field challenges and human rights issues are not an essential part of their training.

**Fact:** There are also two police universities in the country and the home ministry has recently approved the creation of a national police university.

- **Qualification:**

- One needs to be a graduate to become an IPS officer.
- **For recruitment at the lower levels of the force:** Only the physical agility of the candidate is tested.

**Issues of police:**

- Police officials work 10 to 16 hours and seven days a week which takes a toll on the health of several officers.
- **The “Status of Policing in India Report 2019”:**
  - It points out that 70 police stations across 20 states do not have wireless facilities and 214 police stations do not have a telephone.
  - More than 40 per cent of police stations in the country cannot avail the help of forensic technology.
- **Politicizing issue:** The “depolicing society” needs to be discussed on its nature and scope.
- **Need of modernization:** The Bureau for Police Research and Development was established in 1970 for the “modernization” of police. The institution has rarely engaged with human rights issues.
- Only a few states have in-service training for lower level officers and the constabulary.

All this is bound to affect the functioning of the police and reflect in the ways they engage with the public.

**Need of NCF and Way Forward**

- It is high time that we address the infrastructural and organizational issues and concerns related to the police.
- There is a need to evolve a National Curriculum Framework (NCF) for police education and training like that for teachers and medical and engineering services.
- The curriculum must be informed by discussions at different levels — universities, NPA and the society itself.
- A progressive and democratic society and an aspiring economic superpower cannot be policed by a regressive system.

An NCF can help the police act according to its motto-“With you, For you, Always”.

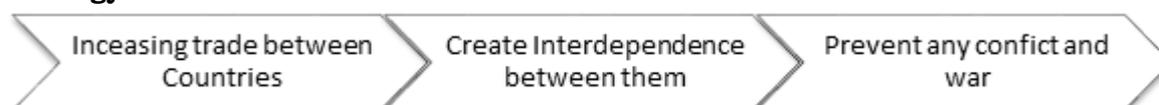
**Syllabus – GS 2 - Effect of policies and politics of developed and developing countries on India’s interests**

**9. India – Changing paradigm in every dimension**

**Source – [Indian Express](#)**

**Context** - India needs a new paradigm for trade, industry, and development which is needed not only to strengthen India vis-à-vis China, but to make the economy good for India’s poorer citizens too.

**Ideology of Neoliberal School of Economics**



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### Issues ignored by Neoliberal School of Economics

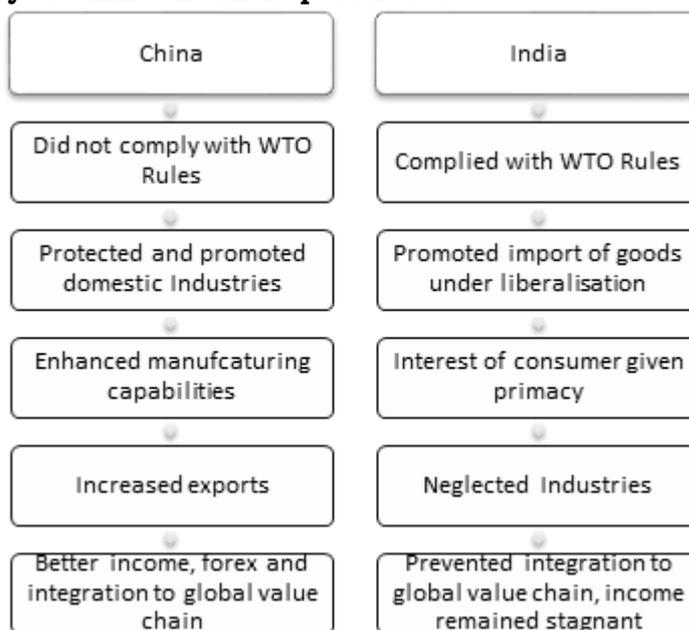
**Pattern of trade** – It involves which good are being exported and imported by respective nations.

For instance – India exports raw material to China and imports intermediate and final goods from China.

**Volume of trade** – It involves the Balance of payment concept which focuses on how much import and export is taking place between the two nations.

For instance – India and China has trade deficit of which presents India's larger import from China compared to our export to China.

### Growth trajectory of China and India post 1990s



### Suggested solution

- Promoting labour-intensive industries** - The success of India's industrial policy must be measured by the number and the spread of jobs created which can be done by laying focus on labour- intensive industries like MSME's.
- Skilling labour** – Workforce has to learn while earning. To earn they must be engaged in industries that will employ them with whatever capabilities they presently have. And, to learn at the same time, they must stay on the job and they must be trained while they work.

**Way Forward** - Atmanirbhar Bharat is, thus, essential. Otherwise, “interdependence” with China will be a colonial-like interdependence which will make India not only economically weaker but also strategically vulnerable.

### Syllabus – GS 2 - Effect of policies and politics of developed and developing countries on India's interests

#### 10. China reshaping Asia and Indo-pacific

**Source** – [The Hindu](#)

**Context** - China's coronavirus “mask diplomacy” has given way to tense geopolitical confrontations with a growing array of its neighbours, from stand-offs with Vietnam and Malaysia in the South China Sea to threatening Australia.

#### Steps taken to stop Chinese aggression

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### Top-Down solutions

- **Limiting economic exposure** - The Indian, Japanese, Malaysian, and Australian governments have all taken concrete steps to reduce their economic exposure to Beijing, spanning investment, manufacturing, and technology. For example – India’s Atmanirbhar Bharat is aimed at promoting domestic capabilities in India and reducing dependence on China.
- **Recognizing Chinese aggression in South China Sea** – The Association of Southeast Asian Nations (ASEAN) Foreign Ministers issued one of their strongest statements to date on the South China Sea, insisting that maritime disputes must be resolved in accordance with the UN Law of the Sea treaty.
- **Strengthening strategic relations** - India and Australia recently inked a new military logistics agreement in the “virtual summit” between Prime Ministers Narendra Modi and Scott Morrison. The Quadrilateral Dialogue between Australia, India, Japan, and the United States is growing stronger and even expanding.

### Bottom-up solutions

- **Mobilising people in digital space** - A new “Milk Tea Alliance”, named after the popular beverage, is aimed at forging solidarity between Taiwanese, Hong Kongers, and Southeast Asians on online platforms against China’s - ‘One China’ principle.

### Steps that can be taken by USA

- **Supporting regional institutions** - U.S. policy needs to start supporting, rather than attempting to commandeer, regional efforts to build a less China-centric future for the Indo-Pacific. U.S. leadership would be far more effective if it worked with Indo-Pacific partners on the issues that they prioritise and provided them significant space for independent action.
- **Coercion vs cooperation** - China certainly has the power to coerce, it also has a tremendous ability to be its own worst enemy by pushing too hard on its neighbours. Washington should avoid repeating Beijing’s mistakes and offer a clear alternative in word and deed to China’s “Wolf Warrior” diplomacy.  
**For instance** - Moves such as demanding that a G-7 communiqué refer to COVID-19 as the “Wuhan virus” and blocking mask shipments to close allies are the kind of coercive actions that the U.S. should leave to China.

**Way Forward** - As Beijing’s confidence in its growing material and military power solidifies, its neighbours as well as USA will need to think carefully about the long-term decisions necessary to preserve an open regional order.

**Syllabus: Bilateral, regional and global groupings and agreements involving India and/or affecting India’s interests.**

#### 11. India should believe in the EU

**Source:** [The Hindu](#)

**Context:** Analyzing the partnership between India and EU in the backdrop of the current fragmented world.

#### Relationship between India and EU:

##### Common between them:

- Both aim to enhance strategic autonomy and their global standing.
- **Urgent need to address climate change:** Diversifying strategic value chains is also a common interest.

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### On Economic terms:

- **Investments in India:** The EU is India's first trading partner and the biggest foreign investor with €67.7 billion worth of investments made in 2018 which is equal to 22% of total FDI inflows.
  - **Room for improvement:** EU investments amounted to €175.3 billion in China in the same year.
  - Enhanced business cooperation can help both diversify their strategic value chains and reduce economic dependency especially on China.
  - India could succeed in attracting EU investment that might be moving out of China but to do it must address the mutual trust deficit.
  - Facilitating people's mobility and connectivity is a good way to improve mutual understanding and create opportunities for innovation and growth.

The EU and India must tackle the issue of Free Trade Agreement (FTA) negotiations.

### Talks on FTA:

#### Impact:

- **Significant gain for India:** A new study from the European Parliament assesses the potential impact of an EU-India trade agreement at between €8 billion and €8.5 billion gains from increased trade for both sides.
- **Additional potential gains:** From enhanced coordination on the provision of global public goods such as environmental standards.

#### On climate change:

- The EU is building on its ambitious target to render the continent carbon-emission neutral by 2050 through its new industrial strategy, the Green Deal.

#### In geopolitical terms:

- **Increasing rivals for India:** The Indo-Pacific region is increasingly the focus of attention and hence India should capitalize on its geopolitical leverage there.
- Stronger cooperation with like-minded and democratic powers can support this effort especially towards assertive competitors like China.
- Even India's strongest bilateral relations with individual EU member states do not come close to the potential of dealing effectively with the EU as a whole. New Delhi must learn how to maximize benefit from this strategic partnership.

#### Ruptures caused by COVID-19 and Way Forward:

- **Occasion for the EU to prove its worth:** The measures put in place at supranational level show a strong willingness to buttress the fundamental pillars on which the EU is built.
- **Next generation EU proposal:** It was submitted by the European Commission and has surprised many by its bold approach.
- **Game changer:** It allows the EU to take on debt in its financial implications. It shows that the ties that bind the EU extend well beyond treaties and individual members' self-interest.
- The EU champions the rules-based international order which is being increasingly challenged by the proliferation of exceptionalism.
- The EU and India must join forces to promote sustainable reform of multilateral institutions, with the World Trade Organization (WTO) first in line.

A strong partnership would help both the EU and India become global decision-makers.

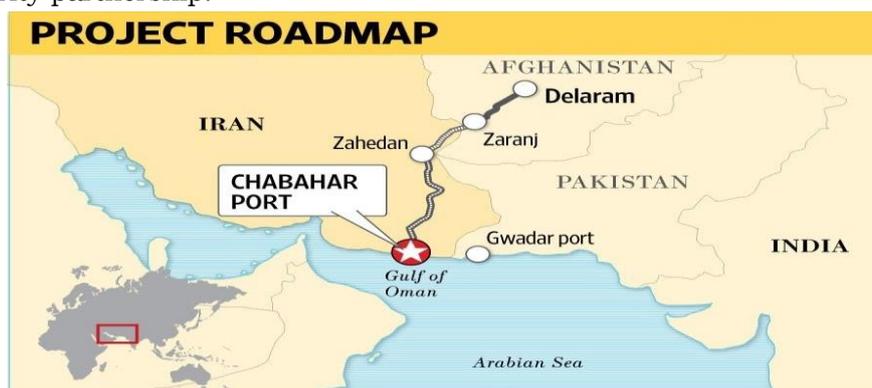
## 12. Concerns of India in growing China-Iran ties

Source: [The Hindu](#), [The Indian Express](#)

**Context:** Analyzing the relationship between India and Iran in the backdrop of increasing proximities between Iran and China.

### Background:

1. **Exclusion of India from project:** There are reports that Iran had launched the track laying programme for the 628 km long rail link between Chabahar and Zahidan.
2. **Clarification:** Iran has since clarified that India could join the project at a later stage.
3. China and Iran are also close to sealing an ambitious deal on an economic and security partnership.



### The Chabahar project:

1. Chabahar port on Iran's Makran coast just 1,000 km from Kandla is well situated. There is a need to build road and rail links from Chabahar to Zahidan and then 200 km further on to Zaranj in Afghanistan.
2. **Role of India:** IRCON had prepared engineering studies estimating that the 800 km long railway project would need an outlay of \$1.6 billion. India concentrated on the 220 km road to connect Zaranj to Delaram on the Herat highway which was completed in 2008 at a cost of \$150 million.
3. **Progress on project:**
  - a. **During sanctions on Iran (2005-2013):** There was little progress.
    - o **After sanctions were eased on Iran after 2015:** A MoU was signed with Iran during Indian PM's visit to Tehran in 2016 to equip and operate two terminals at the Shahid Beheshti port as part of Phase I of the project.
    - o Another milestone was the signing of the Trilateral Agreement on Establishment of International Transport and Transit Corridor between Afghanistan, Iran and India.
    - o In addition to \$85 million of capital investment, India also committed to provide a line of credit of \$150 million for port container tracks.
    - o Phase I was declared operational in 2018 and India's wheat shipments to Afghanistan have been using this route.
    - o A special economic zone (SEZ) at Chabahar was planned but re-imposition of U.S. sanctions has slowed investments into the SEZ.
4. **Delays to project:**
  - a. Time is taken by the U.S. Treasury to actually clear the import of heavy equipment such as rail mounted gantry cranes, mobile harbour cranes, etc.
5. **The rail-track project:**

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a. A financing MoU was signed under which India undertook to provide \$500 million worth of rolling stock and signalling equipment including \$150 million of steel rail tracks.

**b. Iranian responsibility:** It was for local works of land levelling and procurement.

### 6. Ambitious plans by Iran:

a. To extend the railway line from Zahidan to Mashad (about 1,000 km) and then another 150 km onwards to Sarakhs on the border with Turkmenistan.

b. Another plan is to link it with the International North-South Transport Corridor towards Bandar Anzali on the Caspian Sea.

### Importance of China for Iran:

#### • The nuclear programme:

○ **1980s-90s:** China provided direct assistance to Iran's nuclear and missile development programmes.

○ **After 1997:** China stopped further assistance to the programme and sales of complete missiles but Iran by then had progressed sufficiently to carry on the project.

• **Partnership:** After sanctions were eased in January 2016, Chinese President Xi Jinping visited Tehran and proposed a long-term comprehensive, strategic partnership programme. It would involve Chinese investment in Iranian infrastructure and assured supplies of Iranian oil and gas at concessional rates.

#### • Tensions in the region:

○ It has been growing since last year with missile strikes in Saudi Arabia claimed by the Houthis and a U.S. drone strike in January killing Islamic Revolutionary Guard Corps (IRGC) chief Gen. Qassim Soleimani.

○ The U.S. announced that it wanted the UNSC to continue the ban on Iranian acquisition of conventional weapons.

○ UNSC Resolution 2231 was adopted in July 2015 by consensus to endorse the JCPOA and contains a five-year restriction on Iran's importing conventional weapons that ends on October 18.

○ **Unilateral quitting by US from JCPOA:** It is threatening to invoke the automatic snapback of sanctions provisions of JCPOA.

### Stakes for India:

#### • Alarming for India:

○ China is also concluding a security and military partnership with Tehran. It calls for "joint training and exercises, joint research and weapons development and intelligence sharing".

○ Initial reports in Iran have suggested China will deploy 5,000 security personnel to protect its projects in Iran.

#### • Growing Chinese presence in Iran:

○ India is concerned about its strategic stakes around the Chabahar port project that it has been developing, and for which it committed Rs 100 crore in the last Budget.

○ **Importance:** The port is close to Gwadar port in Pakistan, which is being developed by China as part of its CPEC that links it to the Indian Ocean through BRI.

### Tehran's balancing act:

1. **Difficult balancing act:** To manage the hardliners at home while coping with Trump administration's policy of 'maximum pressure' which was vetoed by Russia and China.

- 2. Domestic politics:** Hard liners have accused Foreign Minister of undue secrecy surrounding the agreement amid rumours that China may be taking over Kish island in the Persian Gulf and that Chinese troops would be stationed in Iran to secure Chinese companies and investments.

#### Way Forward

1. India needs to improve its implementation record of infrastructure projects that it has taken up in its neighbourhood.
- 2. Expansion of Chinese footprints:** Indian cooperation projects in Nepal, Bangladesh, Sri Lanka, Myanmar suffers from delays and cost overruns.
3. The key is to continue to remain politically engaged with Iran so that there is a better appreciation of each other's sensitivities and compulsions.

#### Syllabus: Education

##### 13. Issues with Higher Education

**Source:** [The Hindu](#)

**Syllabus:** GS-2- Education

**Context:** Government-oriented bureaucratic centralization in higher educational institutions has intensified with the outbreak of the COVID-19 pandemic.

##### Issues with Higher Education in India

- **Access:** According to the All India Survey on Higher Education, the Gross Enrolment Ratio (GER) in higher education in India is 25.8% in 2017-18. The Kasturi Ranjan Committee identified lack of access as a major reason behind low intake in higher education. It is much behind that of USA (85.8%) and China (43.39%)
- **Poor investment in research and innovation:** According to Economic Survey 2017-18, only 0.6-0.7% of GDP has been spent on research in India in the last two decades. This is very low as compared to 2.4% of USA, China-2.1%, Japan-3.58% and South Korea-4.29%
- **Curriculum and Employability:** The curriculum remains outdated, theoretical in nature with low scope for creativity. There is a gap between industry requirements and curriculum leading to low employability of graduates. The government noted in 2017 that 60% of engineering graduates remain unemployed, while a 2013 study of 60,000 university graduates in different disciplines found that 47% of them were unemployable in any skilled occupation.
- **Bureaucratic centralization and Lack of autonomy:** Universities lack institutional and academic autonomy. The university administration has been replaced by the Education Minister and his bureaucratic apparatus. The imposition of the 'cafeteria system' associated with the Choice Based Credit System and renewed attempts to privatise higher education linked to an emphasis on rankings are prime examples of bureaucratic centralization.

##### Government Initiatives in Higher Education:

- **Revitalizing Infrastructure and Systems in Education (RISE):** It aims to increase investments in research and related infrastructure in premier educational institutions.
- **IMPRINT India:** It is a joint initiative of IITs and IISc to address major and science and technology challenges in India.
- **Study Webs of Active-Learning for Young Aspiring Minds (SWAYAM):** E-education platform

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- Ucchar Abhishek Abhiyaan: To promote industry-specific need-based research
- Institution of Eminence: It aims to develop 20 world-class teaching and research institutions

### Way Forward:

- It is important for Higher educational institutions restore the fertile academic space where ideas are discussed and debated rather than suppressed and dismissed.
- The higher education curriculum should focus on industrial demands and skill development to increase the employability of Indian graduates.

A National Research Foundation (NRF) should be set up as an autonomous body of the Government of India to boost investment in research and innovation.

### Syllabus – Salient features of the Representation of People’s Act

#### 14. Migrant workers – Right to vote

Source – [Indian Express](#)

**Context** – B R Ambedkar emphasized that, a democratic government was inseparable from the right to vote, and it was voting that would prove to be (one of) the harbinger(s) of political education.

Migrant workers - According to the latest 2011 Census, the number of internal migrants stand at 450 million (45 crore), a 45 per cent surge from the 2001 census.

#### Challenges associated with exercising voting rights

**1. Social caste and economic class-** Migrant laborers mostly hail from most poverty-driven rural areas and from among the most marginalized sections (SC/STs and OBCs, and other minorities, including Muslims). They are mostly uneducated, and lack assets including land.

- Economic constraints disable a majority of them from voting as they cannot, in the midst of harsh work cycles, commute to their home states on the polling day

**2. Section 20 , Representation of People Act** - Migrants are not permanent/long-term residents in host cities and do not satisfy the requirements of being an “ordinary resident” under Section 20 of the Representation of People Act, (RP Act), in the host state, to obtain voter cards.

#### Suggested solution

**1. Section 60(c), Representation of People Act** - The Election Commission of India has under Section 60(c) of the RP Act the power to notify a certain class of persons to vote via postal ballot system. The Indian migrant worker deserves the secured right to have access to vote through a similar system.

**Way Forward** - The Supreme Court has interpreted the right to vote as an extension of the fundamental right of the freedom of expression. This brings with it a positive obligation on the ECI to ensure optimal conditions for the exercise of this freedom.

### Syllabus – Issues relating to development and management of Social Sector/Services relating to Health, Education, Human Resources

#### 15. Fighting COVID in Rural India

Source – [Down to Earth](#)

**Context** - The World Health Organization’s chief scientist, Soumya Swaminathan, has expressed her concern, stating that rural India is the next corona virus hotbed.

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**1. Pre-lockdown phase** - The pre-lockdown phase saw cases emerging in urban epicenters such as Mumbai, Delhi, Ahmedabad, Chennai, etc. These are the cities where much of the migrant population is concentrated.

**2. Post-lockdown phase** - post-lockdown, when urban migrants started moving and restrictions began to be eased, cases started emerging in many rural areas, including North Eastern states.

A total of 684 out of 736 districts have reported confirmed coronavirus positive cases in double digits, according to recent data.

### Dismal rural healthcare infrastructure

**1. Shortage of medical staff** - There is chronic shortage of medical professionals including doctors, nursing staff, paramedics as well as hospital beds.

**2. High burden of other diseases** - There are high levels of non-communicable diseases (for instance diabetes, hypertension, etc.), infectious diseases (tuberculosis, diarrhea, etc) and malnutrition in rural areas.

**3. Non-accessibility of services** - Data from the National Family Health Survey-4 in terms of accessibility of rural primary health centers (PHC) / rural hospitals and community health centers or CHC (key delivery points that can be utilized for testing and treatment for COVID-19) is only 25 per cent.

**4. Vulnerability of rural population** - According to the Census of India, rural populations are comparatively older, placing them at a higher risk of contracting the COVID-19 infection.

**5. Absence of WASH** - More than 60 per cent households in rural areas of Bihar, Madhya Pradesh, Jharkhand, Chhattisgarh and Odisha do not have access to water and soap. These are also the states which are major destinations of returnee migrants.

### Strengthening the National Rural Health Mission

**1. Developing referral system** - Since more than 12 percent of India's rural population accessed PHCs or outreach health service delivery points, there is a need to rapidly develop a robust referral system from PHCs to CHCs / rural hospitals and the nearest COVID-19 testing and treatment facilities.

**2. Strengthening the testing outreach**- The strategy may include clustering and increased coordination among four-five CHCs / rural hospitals accessible by road to strengthen testing outreach, with one of them being the COVID-19 RT-PCR testing node.

**3. Equipping health personnel** - Training of health personnel in CHCs needs to be provided at the nearest COVID testing centers.

### Decentralized governance

**1. Participative approach** - The Gram Panchayats should be equipped with measures for handling breakouts. Quarantine centers need to be established and managed efficiently, private and local doctors should be trained for COVID-19 handling and management.

**2. Awareness campaigns by local bodies** - Adequate measures should also be in place to ensure that there is no stigma and discrimination against COVID-19 patients or their families. Awareness campaigns should be organized to increase awareness regarding self-care and sanitation facilities.

**Way Forward** - The pandemic presents an opportunity to realize the true potential of the existing National Rural Health Mission (NRHM) and its associated budget allocation. A holistic approach needs to be adopted by the administration if the spread of corona virus to rural areas has to be curtailed.

# General Studies Paper - 3

## General Studies - 3

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### Syllabus: Infrastructure- Energy

#### 1. Sure power: On India's solar strategy

Source: [The Hindu](#)

**Context:** Prime Minister recently inaugurated Rewa Solar plant set up at Rewa, Madhya Pradesh. It is Asia's largest solar power project and has a total solar installed capacity of 750 MW

#### Solar Sector in India

- As on April 30, 2020, the installed renewable energy capacity in India stood at 87.26 GW, of which, solar comprised 34.81 GW.
- India has set a target of achieving 175GW of renewable energy capacity by 2022. This includes:
  - 60 GW from wind power,
  - 100 GW from solar power (100GW = 60 GW of utility-scale projects (both solar PV and CSP) like solar parks + 40 GW of rooftop solar applications for commercial users and households)
  - 10 GW from biomass power
  - 5 GW from small hydro power

#### India's Nationally Determined Contribution:

The GoI in its submission to the UNFCCC on Intended Nationally Determined Contribution (INDC) has stated that India will achieve 40% cumulative Electric power capacity from non-fossil fuel-based energy resources.

#### Issues and Challenges in the Solar Sector

##### 1. Dependence on Imports:

- Lacks manufacturing base for solar components and systems
- Heavy dependence on imported solar cells and modules, mainly from China

**2. Issue of Renewable Purchase Obligation (RPO):** There is lack of enforcement of RPO regulations and absence of penalties when obligations are not met. Many of the state DISCOMs (distribution companies) do not comply fully with their RPO targets.

**3. Rooftop Solar:** Homeowners at large have not been installing solar panels at roof top. This is because small deployments naturally cost more than grid-scale farms. Homeowners do not generally consume all the energy it generates and are being unable to sell it.

**4. Investment:** Issues such as uncertainty around import duties and future tax rates around purchasing power agreements (PPAs) have hampered investment

**5. Technological challenges-** e.g. temperature sensor failures in PV cells, grid instability

**6. Land scarcity** hindering establishment of large solar parks

#### Government Initiatives to Promote Solar Power

**1. National Solar Mission:** Launched in 2010, it aims to achieve 100GW capacity by 2022. It is aimed at reducing the cost of solar power generation in the country through

- long term policy;
- large scale deployment goals;
- aggressive R&D;

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- domestic production of critical raw materials, components and products, as a result to achieve grid tariff parity by 2022
- 2. Grid Connected Rooftop and Small Solar Power Plants Programme:** It aims at installation of grid connected roof top solar systems from 1 kWp to 500 kWp capacity in residential, commercial, institutional and industrial buildings.
- 3. Sustainable Rooftop Implementation for Solar Transfiguration of India (SRISTI) Scheme:** Financial Incentives to be provided to the beneficiary for installing solar rooftop projects.

### International Solar Alliance (ISA)

- ISA is partnership of solar resource rich countries to address their special energy needs and provide a platform to collaborate on development of solar energy resource.
- It is an intergovernmental body registered with the United Nations under Article 102 of the UN Charter.
- It was jointly launched by the Prime Minister of India and the President of France in 2015 at UNFCCC CoP 21 Paris, France.

- India should plan a green deal, on the lines of what the EU has committed itself to: that future growth and employment should align itself to environmental and sustainability objectives, particularly in energy production.
- India needs to enhance domestic manufacturing of solar components by having integrated policies and providing low cost financing to industries.
- India should look at emerging trends in deploying solar innovatively. These include newer technologies such as aesthetic photovoltaic window and roof tiles for buildings, multi-role urban structures, and greater use of residential and commercial buildings to deploy more panels

### Syllabus: Indian Economy and issues relating to planning, mobilization, of resources, growth, development and employment.

#### 2. Revival of MSMEs

Source: [The Indian Express](#)

**Context:** Analyzing the government initiative announced in the stimulus package towards helping MSMEs for maintaining liquidity and ensuring greater credit availability.

#### Background:

- **Aatma Nirbhar package:** Government announced the emergency credit line, the subordinate debt provision and the equity infusion measure and the long-awaited reform to the MSME definition.
- **MSMEs:** There are approximately 6.3 crore MSMEs that employ 11 crore people.

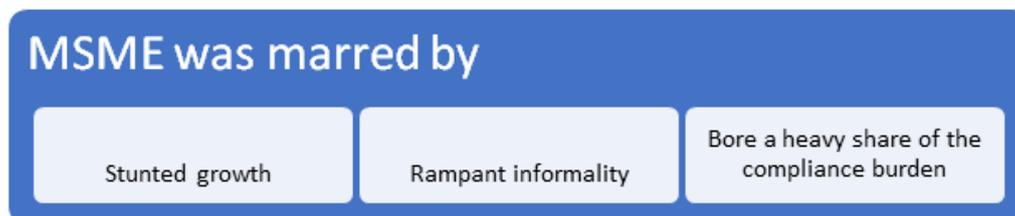
#### Expectation of industry:

- A recent nationwide survey was conducted by the All India Manufacturing Organisation (AIMO):
  - 78% of small companies' owners were not satisfied with the implementation of the package.
  - It also suggests that transmission on the ground is slow and moreover 85% of the sector may not benefit from it.
- In another survey carried out by FICCI-Dhruva Advisors:

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- 79% of respondents believed that the Emergency Credit Line Guarantee Scheme (ECLGS) has not yielded the desired results and 70% say that they haven't availed the benefits of loans and interest moratorium.
- As of July 4, Rs 1.14 lakh crore worth of loans have been sanctioned but only close to half has been disbursed.

- **Before COVID:**



- It is important to periodically assess and identify measures that could ease these challenges that have been exacerbated by the pandemic and provide relief to these businesses.
- There is a clear operationalization and implementation gap despite financial and regulatory support offered to the sector.
- The Global Alliance for Mass Entrepreneurship's (GAME) National Task Force on MSMEs recommendations hold the promise of not just short-term survival but also of helping MSMEs thrive.

- **Decline in credit growth to MSMEs:**

- A clear sign of risk-averse bank lending that has only become worse. Lending to micro and small enterprises has contracted 3.4% and to medium enterprises has contracted 5.3%
- The RBI has clarified that Member Lending Institutions (MLIs) shall assign zero percent risk weight on credit facilities extended under the scheme since these are backed by an unconditional and irrevocable guarantee by the government. Still a lag in loan disbursals is seen,

In light of these trends and drawing upon the GAME-sponsored task force recommendations, certain changes are needed.

### Changes to the current system of credit support proposed:

- **Set aside credit for new-to-credit MSMEs:**

- **Conditions:** The current scheme is open only to MSMEs who have a Rs 25-crore loan outstanding and a turnover of up to Rs 100 crore.
- **Formalization:** This implies that fresh borrowers cannot avail of this scheme. Such MSMEs need to be targeted to bring them into the formal credit ecosystem.
- The Task Force has recommended that Rs 1 lakh crore be set aside for disbursing small ticket size loans of Rs 1 lakh to first-time MSME borrowers.

- **Mandate a definite percentage of credit guaranteed loans to be released to micro and small businesses:**

- **Micro-enterprises:** They are Ninety-nine per cent of enterprises in the MSME sector which are largely informal. These 6.3 crore micro-enterprises comprise of one-person businesses/self-employed persons and units that employ less than 10 workers.
- **Small enterprises:** They come next highest at an estimated 3.3 lakh.
- A greater number of enterprises will be eligible for benefits enlisted for this sector after the upward revision in turnover limits of medium enterprises.
- **For ensuring these enterprises are not crowded out:** Mandating a certain percentage of credit guaranteed loans to micro and small enterprises could offer them necessary succour.

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- **Bridging gap:** Between the amounts sanctioned and disbursed by banks under the ECLGS.
  - **Need disbursements:** State-owned banks may be under pressure to show that the scheme has received a good response and hence are giving automatic sanctions to all eligible borrowers. Disbursements will depend on the actual credit needs of the borrower.
  - Another reason could be that a borrower can avail only 20 per cent of the outstanding loan amount. For those MSMEs that have repaid their loans, the window of fresh loans is very small. Such prescriptions need to be examined to ensure that MSMEs in genuine need of credit are not left out.
- **Simple conveyance of scheme:**
  - Scheme eligibility, application processes and benefits need to be conveyed more simply.
  - Though the CHAMPIONS portal has a comprehensive information base and exhaustive FAQs, these need to be disseminated in multiple languages through various channels.

### 3. Post-corona world – India needs Skill, scale and speed

**Source** – [Indian Express](#)

**Context** – The effects of the pandemic are expected to have a lasting impact on every sphere of activity, even as various nations are trying to revive their economies and protect livelihoods.

**Atmanirbhar bharat** – The twin objectives of the campaign are -

1. In-short run - Reviving different spheres of the economy.
  - Insulating India from any future global economic downturn.
2. In the long run - It seeks to build capacities across sectors and promote local products. It seeks to make the Indian economy robust in the long run by scaling up manufacturing, accelerating infrastructure development, attracting investments and promoting a consumption-led growth.

#### Impact of Pandemic

1. **On workplaces** - Offices straddling multiple domains, particularly IT, are functioning with minimum staff strength. The uncertainty created by the pandemic is being seen by many as an opportunity to upgrade their knowledge and acquire new skills.
2. **On laborforce** -It has led to the worldwide closure of technical and vocational education and training (TVET) institutions, threatening the continuity of skill development, especially those needed for self-employment.

#### Suggested solution to complement AtmaNirbhar Campaign

1. **Collaboration of PSU and private sector** - PSUs and the private sector must not only play a complementary role in building a self-reliant India but collaborate wherever feasible. While, the private sector must massively step up investments R&D. PSUs too need to modernise in terms of technology.
2. **Increasing Manufacturing's share in GDP** - In areas like hi-tech medical devices, equipment and labour- intensive goods India has to drastically increase manufacturing to cut down imports and save precious foreign exchange. This will also result in non-interdependence on other countries for critical goods.
3. **Skilling youth** - A host of skill sets — listening and communication, cross-cultural sensitivity, adaptability to changing work environments, emotional intelligence and

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social etiquette along with a good academic record — are important for those seeking employment in the emerging job scenario.

**Way Forward** - This is the time for 130 crore Indians to showcase the country's collective resolve to overcome the setbacks caused by the pandemic. We need to forge ahead by harnessing India's human resources and technological capabilities.

### 4. Problems with unlocking of economy

**Source:** [The Indian Express](#)

**Context:** Analyzing the effects of unlocking the economy due to COVID-19.

#### **Lockdown:**

1. It was based on the assumption that lives were more important than livelihoods.
2. **Impact:** It led to the impoverishment of enterprise and has not halted the spread of the epidemic.
3. The decision to unlock the economy in phases poses a major conundrum for the government.

#### **Issues that will arise due to Unlocking:**

##### **1. Steps involved in unlocking the economy:**

- a. **About public services:** This is probably the most crucial element of unlocking the economy. There are questions on how does the government agree to allow public transport to function.
- b. The truncated services have complex "standard operating procedures"(SOP) which deter travel. After opening up, the SOPs will lead to chaos as there would be millions of people on the move every day.

##### **2. Food Grains:**

- a. The PM announced extension of the free food grains to the poor for another three months which would cost the exchequer Rs 90,000 crore.
- b. **After 3 months:** There are some question marks on the scheme such as Can one really withdraw the scheme given that most sectors in the economy would be getting back on their feet rather than walking?
- c. **Pressure to fiscal deficit:** Retaining the scheme will add another Rs 90,000 crore or 0.45 per cent of GDP every three months.

##### **3. Moratorium provided by the RBI to borrowers for six months beginning in March:**

- a. **Rising debt:** The first-quarter corporate results were abysmal with negative growth in sales and a sharp drop in profits. This will get reflected in their ability to service their debt commitments. It is improbable that those who took the moratorium can actually start servicing their debt.
- b. There is an increase in unemployment or under unemployment. The questions remain for how long this facility can be extended.

##### **4. Tweaking of NPA classification norms by RBI:** It is in conjunction with the moratorium.

- a. **Restructuring:** There are talks of restructuring loans but which part of the asset portfolio would qualify for the same. Whether it should be only the SMEs and also sectors that have been deeply impacted especially in the services sector such as hospitality, airlines, and entertainment.
- b. **Rising NPAs:** Restructuring is a short-term measure and rising NPA is problematic for the system and the government because it would mean the provision of more capital to support public sector banks.

**5. Outcome of lending based on guarantees given by the government for SMEs and NBFCs.**

Defaults in the region of 10-20% cannot be ruled out and hence an SME package of Rs 3 lakh crore of guarantees may have to be forgiven (waived off) and paid through the budget.

**6. Provision of liquidity to the system by central bank.:**

- a. To ensure liquidity:** Central banks in the West have opted for quantitative easing in different forms while the RBI has used long-term repo operations and measures like facilities for NABARD, SIDBI, targeted long-term repo operations and open market operations.
- b. Higher inflation expectation:** Due to subdued production (supply) even in 2021-22 and the generation of excess demand across the world.
- c. Affecting economic viability:** There are question marks on loans that have been taken today at a variable rate, which will become more expensive in future.

**Way Forward**

- The government will find itself fiscally strained and could collect revenue through more taxes like the dividend distribution tax, surcharges on higher incomes or a COVID cess but this will be intrusive.
- The RBI will have to move away from the accommodative stance and rein in inflation.

**5. Opening economy for sustainable revival**

**Source – [Indian Express](#)**

**Context** – India has had little option but to open up the economy. That has led to some improvement in economic activity towards the latter part of the April-June quarter — but this is unlikely to sustain.

Improvement in economic activity towards the latter part of the April-June quarter

In the July-September quarter, the pace of improvement is expected to slow down or even stagnate and fall in some cases because of following reasons:

- 1. Reintroduction of containment measures** - In some regions, where the spread has been faster, have reintroduced containment measures, which will adversely impact economic activity.
- 2. Hiccups for logistics** - The partial unlocking of the economy and the back and forth on containment measures will continue to pose a hindrance to supply chains, transportation and logistics.
- 3. Most effected sectors** - It will take time to restore normalcy in the services sector, particularly in hospitality, travel, sports and entertainment.
- 4. Failure of monetary policy** - The problem is that the monetary measures announced after the pandemic do not have the heft to trigger a recovery because of rising financial sector stress and lack of fiscal space.

**Suggested solutions for revival of economy**

- 1. Promoting ease of doing business** – Business environment need to be promoted for firms to utilize their underutilized capacity for fulfilling demand in economy.
- 2. Reforming financial sector** – For monetary policy to work effectively for reforming economy, financial sector has to be reformed on priority basis with new provisions for lockdown affected firms under IBC code.

**Way Forward** – Opening the economy gradually in phased manner along with increasing fiscal space for states are the needed solution to curb lockdown’s impact on livelihood of millions.

**6. Discom loan package: A boon for the power sector?**

**Source:** [Financial Express](#)

**Context:** Analyzing the Rs 90,000 crore loan package announced by the Centre for discoms.

**Background:**

- **Benefit:** Improvement in their cash-flows will help their credit rating and enable fresh funding.
- State government guarantees against the loans to the discoms will help PFC and REC to treat the loans as standard assets.
- There is no assurance against default in debt-servicing and historically no lender has invoked a state government guarantee.

Over the years, the Centre has formulated various schemes to help the ailing state power sector.

**No real improvements for Discoms:**

- **Increase in liabilities with no creation of assests:** Diversion of funds meant for capital expenditure to meet interest liability is rampant.
- No significant investment has been seen in terms of strengthening sub-transmission and distribution, systems improvement or separation of agriculture feeders.

<p><b>The Accelerated Generation &amp; Supply Programme (AGSP)-Late 1990s</b></p>	<ul style="list-style-type: none"> <li>• It subsidised the interest on loans from PFC by 3-4%.</li> <li>• Around Rs 38,000 crore was securitised under the Ahluwalia Committee model of One-Time Settlement to make SEBs bankable.</li> <li>• Interest/surcharge of Rs 8,300 crore was waived and Net outstandings were converted into tax-free bonds at 8.5% pa with a repayment period of 15 years.</li> </ul>
<p><b>The Accelerated Power Development Reforms Programme (APDRP)-2002-03</b></p>	<ul style="list-style-type: none"> <li>• It envisaged a six-level intervention for reform with a budget of Rs 40,000 crore.</li> <li>• <b>Objectives:</b> To improve the financial viability of discoms and bring aggregate technical &amp; commercial (AT&amp;C) losses down to 10%.</li> <li>• <b>Funding:</b> The Centre funded 25% of the cost and 75% was arranged by the discoms from financial institutions or internal resources.</li> <li>• <b>Failure of APDRP:</b> As NTPC and PGCIL imparting consultancy to the discoms, fell short of expectations. They had little knowledge or experience of the constraints and complexity of distribution systems.</li> <li>• Delayed release of funds by states to the discoms, and even diversion of funds to other sectors compounded the problem.</li> <li>• In the XII plan, the Restructured APDRP was introduced with changes in the scope and revised terms and conditions with an outlay of Rs 51,000 crore.</li> </ul>
<p><b>The Integrated Power Development</b></p>	<ul style="list-style-type: none"> <li>• For strengthening of sub-transmission and distribution, metering of distribution transformers/feeders/consumers and IT enablement.</li> </ul>

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<b>Scheme (IPDS)-2014</b>	<ul style="list-style-type: none"><li>• The scope extended to 4,041 towns.</li><li>• An outlay of Rs 32,612 crore and R-APDRP scheme cost of Rs 44,011 crore, including a budgetary support of Rs 22,727 crore, was earmarked.</li><li>• The latest information on the ministry of power's website shows a sanctioned amount of Rs 32,500 crore, and Rs 12,500 crore released.</li></ul>
<b>UDAY scheme-2015</b>	<ul style="list-style-type: none"><li>• <b>Aim:</b> At financial turnaround, operational improvement, reduction in cost of generation, development of renewable energy, energy efficiency and conservation.</li><li>• State governments took over 75% of the debt of discoms and issued low-interest bonds.</li><li>• <b>In return:</b> Discoms were given a deadline (2017-19) to meet efficiency parameters such as timely tariff revisions and elimination of the gap between the average cost of supply (ACS) and average revenue realised (ARR) by 2019.</li><li>• The turnaround envisaged by UDAY hasn't materialised, with several targets missed.</li></ul>

### Other issues in power sector:

- **Overruns:** Power projects in India suffer from cost and time overruns.
- **Tariffs issue:** Many private players quoted unworkable tariffs in making successful bids for projects.
- Many naphtha/gas-based stations were built but the absence of gas supply and import of costly naphtha added to their woes. Most of these plants are either shut or some lucky few which got into long term PPAs are getting paid fixed charges but are not operating.
- **Role of banks:**
  - **Banks took considerable time in approving revised project costs:** This affects many private power plants as it accumulates interest during construction.
  - **'Evergreening' the loans to remain standard assets:** Additional assistance by the banks was adjusted against their dues. No disbursements went towards completing the project.
  - **Defaults:** As there is no cash flow. It resulted in many of the private projects today facing IBC proceedings or liquidation.
- **Role of regulators:** Despite APTEL order mandating electricity regulatory commissions to initiate suo-motu proceedings for discoms tariff revision, no tangible action is visible.
- Pendency of litigation has increased and sometimes commissions have been reduced to safe havens for retiring bureaucrats.

### Role of private sector:

1. The FM's announcement regarding privatisation of discoms in the Union Territories is a welcome step.
2. Private players like Torrent Power with their successful experiences in distribution can even be retained on an agency basis, on a profit-sharing model.

### Way forward:

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- **Need of discoms' cash-flow and efficient collection:** By the introduction of prepaid metering (complemented by smart metering and remote reading), separation of agriculture feeders, metering and measurement of agriculture consumption, direct transfer of subsidy and write-off of all state government loans to discoms.
- It is important to establish benchmarks for efficiency in operations, develop MIS and use data analytics for continued improvement.
- Professionals can be appointed for managing the discoms and delegate operational authority can be given to them.

### **Syllabus: Environment**

#### **7. Carbon financing can boost rural infrastructure development in India**

**Source:** [Financial Express](#)

**Context:** Climate financing has been one of the most effective tools in incentivising and scaling clean energy projects.

#### **What is climate finance?**

Climate finance refers to local, national or transnational financing—drawn from public, private and alternative sources of financing—that seeks to support mitigation and adaptation actions to address climate change.

#### **Clean Development Mechanism (CDM):**

- It comes under the Article 12 of the Kyoto Protocol and seeks to reduce the concentration of GHG emissions in the atmosphere in a cost-effective way.
- It allows developed countries to use carbon credits generated from clean energy projects in developing countries to meet a part of their emission reduction targets under the Kyoto Protocol.
- The Adaptation Fund is financed by a 2% levy on certified emission reduction (CERs) issued by the Clean Development Mechanism (CDM).

#### **Ongoing and upcoming interventions that have the most potential in enabling low carbon development in India's rural areas:**

#### **UJALA 2.0:**

- Launched in 2015, the Unnat Jyoti by Affordable LEDs for All (UJALA) aims at promoting efficient usage of energy consumption, energy savings and efficient lighting for all. Under the scheme, Electricity Distribution Company distributes LED bulbs at subsidized rates to every grid-connected customer with a metered connection.
- 36 crore LEDs have been distributed till date; the rural household penetration has been about 20%. The learnings from the scheme could be used to further spur adoption of LEDs in the rural areas, thus creating a thriving market.

**Decentralised solar plants:** The government is in the process of establishing decentralised solar plants of 0.5 to 10 MW in Maharashtra on unused government land near rural substations.

- Using carbon finance, additional solar capacity can be added to provide public lighting in rural areas, and batteries can be installed to provide clean peak power in the evening.
- This would enable the proliferation of clean energy and increase power access.

**Gram Panchayat street lights:** Using carbon financing and innovative business models, almost 3.5 crore streetlights can be installed in rural areas. This would lead to a significant infrastructure upgrade for the villages.

**Conclusion:** Carbon financing can be used to strengthen rural infrastructure cleanly and sustainably, and create a resilient and sustainable rural community.

### 8. Covid-19, Climate Change and Inequality

**Source:** [Down To Earth](#)

**Syllabus:** GS-3- Environment

**Context:** The COVID-19 pandemic and associated health and economic crises have revealed the loopholes in our economic and political systems, which are producing intertwining crises of inequality, climate change and environmental destruction.

#### Climate Induced Disasters during Covid-19 pandemic:

Climate-induced disasters and extreme weather have continued to adversely affect Global south during Covid-19 pandemic. Examples include:

- Cyclone Nisarga that struck western India in early June
- Cyclone Amphan that struck eastern India and Bangladesh in May
- Locust swarms, exacerbated by rising temperatures that raged Global South, devastating crops and threatening food security and livelihoods. In May, the Red Cross warned that East Africa faced a complex 'triple threat' from the impact of the pandemic, locusts and flooding.

#### Commonality between COVID-19 and climate crises

The commonality between Covid-19 Pandemic and Climate crises is that both have unequal impacts, which exacerbate racial, gender, socio-economic and other inequalities. The impacts of both COVID-19 and climate change have revealed both vertical inequality (between individuals) and horizontal inequality (between status groups).

- The plight of persons living in poverty during the pandemic, such as those living in informal settlements, in over-crowded homes is a stark reminder of vertical inequality. Poor and marginalised communities are also more likely to live near polluting and extractive projects which cause respiratory health issues and make them more vulnerable to COVID-19.
- Similarly, climate-induced disasters and extreme weather disproportionately harm poor communities, especially in the Global South, who have contributed the least to the climate crisis.

#### What needs to be done?

- Recognise health, water, food, housing, social protection and education as rights, not commodities
- Invest in inequality-busting public services; tackling systemic discrimination and taking ambitious rights-respecting climate action
- build transformative solutions based on rights and dignity to realise a just and equitable world for present and future generations.

#### Syllabus – Disaster and disaster management

### 9. Assam Floods – In need of long-term solution

**Source** – [Indian Express](#)

**Context** - Floods are a recurrent feature during the monsoons in Assam. Still, the Centre and state governments have not found ways to contain the toll taken by the raging waters.

#### Reasons of flood in Brahmaputra valley

### Natural Reasons

- 1. High sedimentation and changing course of river** – River Brahmaputra is in its youth stage in valleys of Assam which leads to frequent changes in course causing flood as water swells up. Further, the river comes from a high slope (Tibet) to a flat plain in Assam, its velocity decreases suddenly and this results in the river unloading the sediment.
- 2. Monsoonal rainfall** – India receives ~80% of rainwater from monsoon and that too is erratic and uneven in nature. High concentrated rain in parts of north-east leads to heavy rainfall in short time causing flood.
- 3. Topography of region** - Guwahati's topography — it's shaped like a bowl — does make it susceptible to water logging which is exacerbated by flooding.

### Anthropogenic reasons

- 1. Unplanned expansion of the cities** – Lack of scientific approach in planning has led to severe encroachments in the wetlands, low lying areas, hills and shrinkage of forest cover. This also contributes in higher sedimentation of the areas. The denuded hills and loss of wetlands lead to artificial floods.
- 2. Lack of cooperation among basin states** – The rainwater from Meghalaya and the surrounding hills often causes flash floods in Guwahati. However, recognition of the problem has not led to any meaningful conversation between the two states on flood control.
- 3. Overreliance on embankments** - The state has primarily relied on embankments to control floods since 1950's. The pressure of the surging water and frequent changes in course of river takes a toll on these walls and they need constant reinforcement — by all accounts, that hasn't happened in Assam.

### Suggested solutions

- 1. Preventing encroachment in green cover** – State needs to bring in public domain the bye-laws associated with constructing building, implement the environment impact assessment in letter and spirit and mobilize people for participative approach in preventing loss of green cover.
- 2. Refocusing on traditional methods** – Traditional methods of water harvesting used by ethnic communities of northeast need to be practiced to prevent flooding with low-cost sustainable model.

**Way Forward** - “Integrated basin management” - one that needs all the basin sharing (China, India, Bangladesh and Bhutan) countries to come to an understanding about taking measures in the catchment areas is the only long-term solution. For that, interstate relationships, political cooperation and the role of the government are important.

# General Studies Paper - 4

## General Studies - 4

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### Syllabus - Empathy, tolerance and compassion towards the weaker-sections

#### 1. Leadership in times of Covid

Source – [Financial Express](#)

Context - Placebo leadership is need of the hour in India

**Placebo** – The placebo effect is defined as a phenomenon that influences beneficially in illnesses, failures, despair, etc. It is attributable to the brain-mind responses to stimuli we receive from some people or some objects in our life.

**For instance** - People follow some gurus and some follow soothsayers because they get the placebo effect.

**Placebo leaders-** They are empathetic. Empathy is ability to accurately hear out and understand the thoughts, feelings and concerns of others, even when these are not made explicit. There is no feeling of pity.

#### Importance of placebo leaders:

**Understand need of others** - Empathetic leaders understand the needs of others; they are aware of not only their own feelings but also people's feelings.

**Encourage people** - They maintain communication and show up during periods of uncertainty. Even when there is not much to say, keeping a regular pulse of communication, especially face to face, provides reassurance and consistency.

For instance - Seven countries including Germany and Iceland, where women are heading the nations have tackled Covid-19 tactfully. Their empathetic leadership has cautiously tackled the situation.

- Mumbai 2008 Terrorist Attack - Ratan Tata went all out to care for each and every employee of the hotel to help them recoup from the shock.

**Way Forward** – Covid has caused distress across the world. This is aggravated by rumours, misinformation which is travelling faster than verified information. Thus, need of the hour is to promote placebo leadership at all levels so that people feel comfortable in panic stricken world.