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General Studies - 2

1. 15th Finance commission: Reforming financial governance of India's municipalities

Source: [Indian Express](#)

Syllabus: GS 2- Issues and Challenges Pertaining to the Federal Structure, Devolution of Powers and Finances up to Local Levels and Challenges therein.

Synopsis: The reforms suggested by the 15th Finance commissions (interim report) can improve the financial governance of India's municipalities.

Background:

- The 15th Finance Commission submitted an interim report for FY 2020-21.
- Now, the final report for **FY 2021-22 to FY 2025-26** is expected to be tabled along with the forthcoming Budget 2021-22.
- The Interim report for 2020-21 talks about raising the standards of **financial governance** of India's municipalities in four specific ways.
- Implementation of the suggested 4 changes can be a **watershed moment** in the **financial governance reforms of India's municipalities**.

What are the four changes suggested by the 15th Finance commission?

The 15th Finance commission in its interim report has suggested the following changes to bring reforms to the financial governance of India's municipalities.

1. **First, increasing the overall financial disbursement for municipalities** (including panchayats) from the existing 30 per cent to 40 percent, in phases. This will result in increased financial resource for the municipalities over the five years.
2. **Second**, it has set **two very important conditions** for all municipalities, for receiving grants. **First**, Publication of audited annual accounts. **Second**, notification of floor rates for property tax. It will result in financial accountability and increased revenue of municipalities.
 - Moreover, an Additional **borrowing limit** has been set for states (Rs 50,000 crore). It is linked to reforms in **property taxes** and user charges for water and sanitation.
3. Third, **100 percent outcome-based funding** to 50 million-plus **urban agglomerations** (excluding Union Territories). Conditions emphasize specifically air quality, water supply, and sanitation.
 - Note: India has **4,500 municipalities** out of which approx. 250 municipalities are urban agglomerations with 53 million-plus population. It contains 44 per cent of the total urban population.
 - Whereas, the remaining 4,250-plus municipalities comprise 56 per cent of the total urban population.
4. Fourth, it has recommended a **common digital platform for municipal accounts**. This will give a consolidated view of municipal finances and sectoral outlays at the state level.

What are the suggestions?

Constitutional bodies like the finance commission can only prepare the grounds of reforms. The ultimate responsibility **for municipal finance reforms** remains with the state governments. Thus, State governments need to enact municipal legislation towards following 5 Objectives:

1. Fiscal decentralisation by strengthening **state finance commissions**.
2. **Revenue optimisation** to enhance their own revenues.
3. Fiscal responsibility and budget management to accelerate municipal borrowings.

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4. Strengthening **institutional capacities** by an adequately skilled workforce.
5. Facilitate **transparency and citizen participation** for democratic accountability.
 - Also, State governments need to shift from the present **discretionary grants** practice to **predictable fiscal transfers** to municipalities.

2. India- Myanmar relations after Coup

Source: [click here](#)

Syllabus: GS – 2- India and its neighborhood- relations

Synopsis: India has a deep security relationship with the [India Myanmar military](#). It is not in India's interest to intervene in Myanmar's politics.

Introduction

Military rule has returned to Myanmar after a coup. Aung San Suu Kyi along with other political leaders have been detained by the Military.

Similar events had taken place in Myanmar 30 years ago. But this time, India's reaction is going to be very different from its stand in 1989-90.

Why is India's reaction going to be different this time?

India gave a statement of deep concern over the developments in Myanmar. However, its reaction is going to be different from the past because of the following reasons:

- **First, India has a very close security relationship with the Myanmar military.** Myanmar military assists India in securing the North East borders from insurgent groups.
 - In a recent visit to Myanmar, Indian counterparts met with both State Councillor Suu Kyi and Gen. Min Aung Hlaing. It signifies the equal importance of both for India.
- **Second, The image of Ms. Suu Kyi as a democratic icon** and Nobel peace laureate has been damaged. It is the result of her failure in stopping the Army's pogrom against Rohingya. Moreover, she defended the Army's action.
- **Third, India has initiated numerous infrastructure and development projects** with Myanmar. India sees this as the "**Gateway to the East**" and ASEAN countries. For example, the India- Myanmar-Thailand trilateral highway and the Kaladan multi-modal transit transport network.
- **Fourth, India wants to resolve the issue of Rohingya refugees** that fled to Bangladesh and some of them still live in India.
- **Fifth, There was a public uproar in India, in 1990, to take a strong stand against Myanmar.** This is not the case in the present scenario.

Till now, India enjoyed a balanced relationship with both civil and military establishments of Myanmar. But after this coup, India's capacity to maintain a balanced relationship on both sides has diminished.

3. Budget 2021: Continues with fiscal conservatism

Source: [The Hindu](#)

Syllabus: GS 2-Parliament and State Legislatures- Budgeting

Synopsis: A close analysis of Budget 2021 reveals that the Government is following the principle of fiscal conservatism. The policy of Fiscal spending was the need of the hour.

Why the government resorts to fiscal conservatism?

Falling revenues had forced the government to restrict its aggregate spending. Some of the issues that contributed to falling revenues are,

- A sharp reduction in corporate tax rates in September 2019,
- The under-performance of Goods and Services Tax regime.

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- Failure of government's ambitious disinvestment agenda. The government was only able to collect ₹32,000 crores last year, compared to the plan of ₹2.1-lakh crore.
- The mandate of **Fiscal Responsibility and Budget Management (FRBM) Act** to reduce **the fiscal deficit**.

Because of the above reasons the total expenditure for 2021-22 is projected to rise only by just 0.95% compared to revised estimates for 2020-21.

What are the signs of a continuation of Fiscal conservatism in Budget 2021?

1. First, Allocation to MGNREGA and Food subsidies:

- According to the Budget 2021-22, the allocations for the **MGNREGA programme**, is drastically reduced from the ₹1,11,500 crore spent in 2020-21 to ₹73,300 crores in 2021-22.
- Similarly, the allocation for food subsidies has been reduced from ₹4,22,618 crore in 2020-21 to ₹2,42,836 crore in 2021-22.
- MGNREGA and food subsidies supported the vulnerable sections in a big way, to survive during lockdowns.
- Experts see this as neglect of responsibilities by the government to **support the vulnerable and marginalized people**.

2. Second, Allocation to health and wellbeing

As per the Budget, the government has increased its spending on health and **capital expenditure**.

- Health spending increased by 137% compared to the previous year. (From ₹94,452 crore in 2020-21 to ₹2,23,846 crore in 2021-22)

However, closer scrutiny of budget allocations for health suggests otherwise. For example,

- The expenditure on the **Jal Jeevan Mission** is included as a part of **'Health and Wellbeing' expenditure**. It has magnified the figures on Health expenditure.
- Also, an increase in Budget spending on Health is not reflected equally in the allocation for the **Department of Health and Family Welfare**. For example, the Budget estimate of Department of Health and Family Welfare for 2021, shows a mere increase of 9.6% compared to last year.

3. Third, the allocation for infrastructure investment

As per the budget, Capital spending is increased by 35% compared to the previous year. (from ₹4.12-lakh crore in 2020-21 to ₹5.54-lakh crore in 2021-22)

But the Budget estimate for infrastructure will also not be adequate. Because of the following reasons,

- The government is planning to finance new investments in infrastructure through **disinvestments of equity, strategic sale, and privatization** of the public financial sector. It is expected to yield ₹1.75-lakh crore in 2021-22.
- However, after looking at the past performance of disinvestment targets, it seems to be an overambitious target.

Even before the pandemic recedes, the government seems to restore the old normal. i.e., **Fiscal Conservatism. It is still continuing with the same path.**

4. Evaluation of Budget 2021

Source: [The Hindu](#)

Syllabus: **GS 2-Parliament and State Legislatures- Budgeting**

Synopsis: **The evaluation of Budget 2021** is done on three parameters. First, on the credibility of the Budget. Second, it's potential to deliver adequate domestic output and jobs. Third, on how the Budget raises resources.

What is the Credibility of the Budget 2021?

- Budget 2021 scores high on credibility. Because, unlike previous budgets, Budget 2021 has taken into account the real estimates of **revenue receipts**. **Moreover, it** has recognized the **'off balance sheet' expenditures**.
- This has resulted in arriving at **real fiscal deficit numbers** that are much higher than expected. It is 9.5% of the GDP for FY21 and 6.8% of the GDP for FY22. But disclosing real fiscal deficit has the following significance
 1. One, realistic revenue budgets will reduce the pressure on tax authorities to engage in tax terrorism.
 2. Two, it will allow governments to release payments and refunds on time.
 3. Three, focus on the 'real' numbers will help in informed decision-making and planning to improve our fiscal balance.

Steps taken to provide adequate domestic output and jobs

1. Budget 2021 signals a shift away from the **revenue expenditure towards Capital Expenditure**. **Capital expenditure** in FY22 is budgeted to increase by 26% over FY21 due to increased focus on areas such as infrastructure, roads, and textile parks.
2. The budget also promises to improve health, education, nutrition and urban infrastructure.
3. Along with this, efforts are being made to increase domestic jobs. It includes **reform of labour laws, corporate tax rate cuts, and production-linked incentives**.

What steps were taken to raise resources and improve investment?

- The Budget focuses to raise resources through **disinvestment and asset sales**, rather than via additional taxes. It reduces the tax burden on people.
- The Finance Minister also announced the creation of a **new Development Financial Institution** to facilitate and fund infrastructure investments.
- There were also efforts to revive our stressed financial services ecosystem. The Finance Minister announced the creation of a **government Asset Reconstruction Company, or 'bad bank'**, to reduce the non-performing assets throughout the industry.

Way forward

- The government should also help to revive other sectors that are suffering from **chronic stress**. Examples are financial services, power, real estate, telecom, airlines and shipping, contact-based services, and micro, small and medium enterprises.
- Also, taking lessons from the **global financial crisis 2008**, the government should not assume that a revival in consumption and government spending would automatically result in durable growth. Hence, Government needs to make efforts to ensure adequate growth in domestic output and jobs.

5. Coup in Myanmar: Derailment of Democracy

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

Syllabus: Gs 2-India and its Neighborhood- Relations.

Synopsis: Coup in Myanmar is an outcome of many unresolved differences between the democratically elected government and the army. It has many consequences.

Background

1. Myanmar is a partially democratic country. The democratic government led by **Aung San Suu Kyi** shared half of its power with Myanmar's Military.
2. On February 1, the Myanmar army captured power by declaring an emergency.

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3. The military justified its action by citing the reason that there was “terrible fraud in the voter list” in the recently held Parliamentary election. Since the Election Commission failed to settle the matter, the army declared an emergency.
4. Similar incidents of overtaking the democratic government by forcing military rule has taken place in 1962, 1988 and 1990.

Is it a military coup or an Emergency?

The following arguments prove that the incident that took place on Feb 1 is a military coup and not an emergency.

- First, electoral issues needed to be addressed and resolved by relevant authorities, not by the military leadership.
- Second, Myanmar Constitution empowers the President to proclaim an emergency, in consultation with the National Defence and Security Council. However, neither the Council met nor the Presidential consent was obtained.

What were the reasons behind this Coup?

Many unresolved differences between the democratic government and Myanmar’s army, led to this coup.

- **First, Ideological differences:**
 - The army feels that it’s power should not be undermined. As it is the one that secured independence, defended the country against secession, and ensured stability and development.
 - Whereas the government has been a strong supporter of democracy. In this system, the army should be completely apolitical.
- **Second, Differences over different socio-political- economic issues.** For example, differences over ethnic reconciliation, constitutional reform, the Rohingya issue, and the China policy.
- **Third, Fight for power:**
 - Senior General Min Aung Hlaing was willing to become Myanmar’s President. He was also about to retire in July.
 - However, Ms. Suu Kyi was opposed to it, and she did not want to extend his tenure. Presumably, the coup guarantees an indefinite extension of tenure. It will also help him to retain the Power in his hands.
- **Fourth, Role of China:** The Chinese Communist Party shares a very close association with the Myanmar army for decades. The increasing popularity of the Democratic government over Myanmar army would have been detrimental to Chinese interest in Myanmar.

What are the Consequences?

Impact on Rohingya’s:

- **Rohingya’s** are a Predominantly Muslim population who are facing **Ethnic violence** in Myanmar.
- Currently, a million of them are living in Bangladesh as **refugees** due to persecution in Myanmar, and are waiting to be repatriated.
- Though the Myanmar army was against **repatriation**, recently the democratic government of Myanmar and Bangladesh held talks for repatriation. These efforts, will definitely be impacted by the current coup.

Impact on Democracy:

- With great efforts the Suu Kyi’s administration has nurtured the growth of democracy even in the deeper roots of Myanmar. Now the coup is a step back for Myanmar’s democracy.

Way forward for India

Though India is a torch-bearer of democracy, the government is also committed to the policy of **non-interference** in another state's internal affairs. Therefore, India should cautiously balance its principles, values, interests while dealing with Myanmar based on **geopolitical realities and national interest**.

6. Sri Lanka Writes Off Strategic Colombo Port Deal With India & Japan

Source: [click here](#)

Syllabus: GS 2- India and its neighborhood- relations

Synopsis: Sri Lanka's has pulled out of a 2019 Colombo Port deal with India and Japan. The agreement was for developing the strategic East Container Terminal (ECT) at the Colombo Port.

Introduction

India and Sri Lanka signed a Memorandum of Understanding(MoU) for cooperation on economic projects in 2019. **A container terminal at the Colombo Port was one of the projects under MoU.**

However, Sri Lanka has pulled out from the deal after opposition from trade unions.

What was the agreement?

- The ECT deal was important as between **60 and 70 percent of transshipment that takes place through it is India-linked.**
- As per the agreement, India and Japan would have 49 percent ownership of the ECT, Whereas **Sri Lanka would have 51% stake.**
- A 40-year loan at an interest rate of 0.1% from Japan was expected to fund the development of the ECT.

What went wrong?

1. India-Sri Lanka relations are cordial in general. But India's involvement in the civil wars of Sri Lanka still affects India's interest there.
2. Colombo Port Trade Union has strongly opposed the 49% stake of India and Japan. They are demanding 100% ownership of Sri Lanka of the ports.
3. Big projects by India have always faced opposition in Sri Lanka. Due to this, India brought Japan in at least two of the projects listed in the MoU.
4. **But the relationship between Japan and Sri Lanka has also changed over the years,** because of Colombo's closeness to China. Therefore, including Japan in the project didn't prove to be fruitful.
5. The protests ended after the announcement of the Sri Lanka government. Now, the ECT would be developed and operated as a "wholly-owned container terminal of the Sri Lanka Ports Authority (SLPA).

What happens now?

India has asked **Colombo not to take a unilateral decision on an existing tripartite agreement.** Japan has called the **decision regrettable.**

As a compensation offer, Sri Lanka has given a **proposal to India and Japan for the development of the west terminal in partnership.**

- Sri Lanka assures that the West terminal is **commercially better than the east terminal.** The developers could hold up to **85 percent stake instead of 49 percent stake** in the West terminal.
- **The unions agreed to this proposal** to invite India and Japan to participate in the development and operation of the west terminal.
- However, India has not yet responded to the offer.

7. Protest in India and US: Similarities and differences

Source: **The Hindu**

Syllabus: **GS 2: Indian Constitution-Significant Provisions and Basic Structure.**

Synopsis: The violence that took place in the US and India has some similarities. It highlights the erosion of democratic values in the world's oldest (US) and largest democracies (India).

Background

- Recently, In the US, a violent mob attacked **the U.S. Capitol building**. **This mob** vandalized public property and threatened lawmakers in Congress.
- Similarly, India witnessed violence on **Republic Day**. A rally planned to protest against **three farm laws**, broke off from the planned parade. Protesters entered the premises of the **Red Fort** by breaking the gates. It later led to a Police crackdown.
- These two episodes witnessed in the **world's oldest (US) and largest democracies (India) have few** similarities and differences.

What are the similarities between the two mass rallies?

First, in both countries, the aggrieved parties challenged the political developments.

In America,

- Following the victory of **Joe Biden** in the 2020 **presidential election**, Mr. Trump raised questions on the electoral process. It was despite having no proof for that.
- He even spread misinformation on **social media**. This led to the incitement of violence in the US.

In India,

- The anger was against the three laws passed by the Parliament to reform the **mandi system**. It was felt that the farm laws can endanger the **minimum support price system** that has been the economic backbone of small-scale farmers.
- The farmers protested peacefully for months baring the cold winter. Yet, the **lack of political will** to negotiate with the protesting farmers triggered the violence on Republic day.

Second, social media played an important role to show the darker side of mass rallies, in both examples.

In America,

- Social media telecasted an invading mob holding zip ties (zip ties imply a threat to the lives of lawmakers in the building).
- A truck filled with guns and bombs near the site of the attack that was discovered by law enforcement agencies was also telecasted.

In India,

- Social media was flooded with images of the religious flag of the Sikhs (**Nishan Sahib**) being hoisted at the Red Fort. This gave an impression that the protest was politically motivated.

What are the differences?

US mass rally was in support of Trump's call for nativist populism and racist ethos i.e. in support of white supremacy. It created a sharp division among the US population and will have long-term impacts.

Whereas the farmer's protest in India is against the law enacted by a powerful government. They are resisting the neoliberal economic policy of the government.

Issues with democratic models of Polity

- The above incidents clearly give a picture that Democracy is a contested topic in the world. It favours a religious or social majority through democratic processes like elections.
- Moreover, democracies are inherently capable of turning into a power structure that overtakes democratic processes. It is evident in the rise of fascism in the pre-World War Europe.
- The ongoing events in the US and India clearly explain that Democracy has been wrongly understood as the rule of the majority leading to the undermining of Democracy.

8. Vaccine battle among countries

Source: [Click here](#)

Syllabus: GS 2 – Health related issues

Synopsis: Countries should refrain from engaging in vaccine battles and focus on global cooperation.

Introduction

Almost all countries across the globe are in need of access to vaccines. But the developed countries are mindlessly collecting approved vaccines.

Only the countries in the global south like China and India are helping out other countries.

How are rich countries engaging in vaccine battles?

As per few reports, the advance purchase contracts made by some countries for potential vaccine procurement are way above their need. It would **vaccinate their population many times**.

- **For example**, the EU population can be vaccinated two times, the US and the UK four times, and Canada six times.
- 82% of Pfizer's production in 2021 and 78% of Moderna's have already been **advance purchased by leading countries**.

Advanced countries are engaged in **vaccine battles as they believe that an early vaccination will bring back normalcy in their countries**. Concepts of Public good and global cooperation are missing from the scene.

What is India's stance?

On the other hand, India is exporting a **major percentage of the approved doses**. Its initial shipment to the least developed countries will be free of cost.

Exports from India are helping other nations, especially its neighbouring countries. For example, Brazil has received 2 million doses of vaccine from India.

India's approach needs **coordinated international efforts to bring COVID-19 under control**.

Solutions

The COVAX project is a program based on funding from high and middle-income countries. It is a global risk-sharing mechanism of **fair distribution** of COVID-19 vaccines.

This project aimed to deliver 2 billion doses by the end of 2021. But it is facing challenges from rich countries due to their excessive vaccine procurement, directly from suppliers.

But now, as the U.S. President **Joe Biden has decided to join the COVAX project**, expectations from the project are high. India, which is a hub of cost-effective vaccines, would be instrumental in its success. **For example**, Covishield, the Oxford University-AstraZeneca vaccine produced in India costs only \$3 per dose; Covaxin is priced at \$4.2.

Way forward

The development of vaccines should have shown global cooperation between the North and the South. But the democratic world is suffering from increasing nationalist tendencies.

9. Lessons from the past for the future of Myanmar

Source: [The Hindu](#)

Syllabus: GS 2-Effect of Policies and Politics of Developed and Developing Countries on India's interests, Indian Diaspora

Synopsis: The international community needs to plan according to the ground realities of Myanmar before making any effort to restore Democracy.

Background:

- Following the recent **military coup** in Myanmar, many countries have voiced their concern to restore the Democracy in Myanmar.
- However, it is important to understand the present situation from experiences. It will save the efforts of the international community to restore **democracy, from failing**.

What are the Lessons from past Military coups of Myanmar?

First, the Myanmar military lacks any apathy towards its civilians. It is evident from past examples. For instance, during the 2008, **Cyclone Nargis disaster**, it refused to allow **foreign aid** from other countries to support relief works.

- Moreover, instead of **Prioritizing the Disaster relief work**, it announced a pre-scheduled **referendum** on the military-scripted constitution to make use of the situation.

Second, imposing **Economic sanctions** against Myanmar will not bring any major **political change**. It will do more harm to Myanmar's Poor people. For example, during the western sanctions before 2010, the military was able to economically withstand sanctions by striking deals with Asian countries.

Third, the Military has been emboldened by the absence of punishment for **crimes against humanity**. **For example**, ex-Myanmar military general Than Shwe was able to escape without punishment. He was on the watch list of the international community for perpetuating a crime of human rights abuses during his rule from 1992 to 2011. Brutality against **Rohingyas is also an example**.

Fourth, Myanmar's military will try to exploit the ethnic and religious divide among its citizen. So, **engagement of the international community** with domestic stakeholders, including **ethnic minorities**, especially from the north is highly critical.

Suggestions

- The international community has to make use of China's multi-layered influence on Myanmar. China has been working on Myanmar-related issues since 2013.
- Before 2015, many mechanisms were planned by Western and Asian countries for coordinating strategies on Myanmar. These initiatives were discontinued after the restoration of democracy in Myanmar. International communities need to revive and bring this mechanism under a common platform.
- International communities should make efforts to punish those individuals responsible for committing **crimes against humanity**.

10. U.S foreign policy: The road ahead

Source: [The Hindu](#)

Syllabus: GS 2- Effect of Policies and Politics of Developed and Developing Countries on India's interests, Indian Diaspora

Synopsis: Evaluation and analysis on Impact of Mr. Biden's foreign policy on various regional blocs.

Background

- President Biden is an idealistic, supporter of multilateralism and is deeply committed to democratic values and principles.
- He is taking a series of policy decisions to restore the prestige of America's democracy.
- However, President Biden needs to plan a lot more as the global environment today is very different from the erstwhile Obama-era.
- He needs to give a fresh look at many contentious foreign policy issues.

What are the contentious foreign policy issues under Biden administration?

Relations with China:

- Rising China poses a diplomatic, economic and technological threat to the U.S. Hence old school strategies such as **inclusive security architecture** in Asia would not be productive.
- Also, given the current situation, few countries in Asia are willing to oppose China. In this context, Biden administration needs to rethink whether the U.S. should persist with confrontation or attempt conciliation.

Relations with Russia:

- Strategic ties between Russia and China is growing. It has widened the gap between the two countries (the U.S. and Russia).
- Further, considering the Russia's growing interest in Eurasia, the U.S. need to come up with new policy directives to balance their interests.

Relations with Europe:

- Europe was once a close ally of U.S. but not anymore. They have started pursuing their Strategic autonomy. Germany has risen as Europe's new Power centre. It dictates Europe's relations with countries such as China and Russia. For example, Germany, despite U.S objection wants to go ahead with **Nord Stream 2**, the Russia-led gas pipeline project.
- The **EU-China Comprehensive Agreement** on Investment, despite the U.S.'s objections, is another indication of Europe's new independent thinking.
- Hence it would be a tough task of repairing America's ties with Europe.

Relations with West Asia:

The U.S under Mr. Biden administration has to tackle variety of problems while dealing with West Asia. Such as,

- The U.S.'s efforts to find a political settlement to end the civil wars in Syria and Yemen.
- Dealing with Saudi Arabia that is on a Biden 'watch-list', adds to the complexity of dealing with West Asia.
- Another larger problem is finding a solution to deal with the Iran nuclear problem.
 - The **'Abraham Accord'** between US, UAE and Israel, signed during the last days of the Trump Administration. It has further complicated the situation for the coming Biden government.
 - Returning to the **JCPOA, or the Iran nuclear deal** framework, may not be a realistic option after signing 'Abraham Accords'.

How Mr. Biden's Policy will Impact India?

1. Biden's administration could have both positive and negative impacts on India-U. S bilateral relation.
2. **The India-U.S. strategic partnership, defence and security cooperation** between India and the U.S. are likely to be further stepped up. Also, **Regional security cooperation** will be further enhanced.
3. However, considering Mr. Biden's strong commitment to human rights, he will be far less supportive of India on several issues. Example: Kashmir issue, treatment of NGOs.
4. A more concerning issue for India is that under Mr. Biden, countries such as Japan, South Korea and Taiwan are likely to play a more critical role than India in achieving **security in the Indo-Pacific**.
5. Another upset for India will be Mr. Biden's **Afghanistan policy**. There is only little room for India under U.S **Afghanistan policy** if Pakistan is playing the role of mediator for the new arrangement.
6. This will have two major impacts on India.
 - One, India's efforts of the past two decades to restore democracy in Afghanistan would not be recognized.
 - Second, Pakistan would also gain a degree of legitimacy that will encourage it to carry out terror strikes on India with greater impunity.

11. Urban Mass transport needs policy reform

Source- **Down To Earth**

Syllabus: GS 2-Devolution of Powers and Finances up to Local Levels and Challenges therein.

Synopsis: The Budget allocation for improving Urban Mass transport is welcome. Yet much is needed to be done to achieve inclusive **urbanisation**.

Background:

- In the recent budget, Finance Minister announced fund allocation for improving the Urban mass transport system.
- A sufficient amount has been allocated for the Kochi, Chennai, and Bengaluru Metro projects.
- Budget allocation for the Metro projects in the three cities is commendable. It provides greater certainty for these cities to meet their targets.
- However, the budget allocation for improving bus transport will not be adequate.
- The budget allocation for expanding the bus transport system is (₹18,000 crore) under the PPP model.

Issues in the Budget proposal for Bus Transport system?

- India's ratio of buses to population is a low- **1.2 (per 1,000 people)** compared to 8.6 in Thailand and 6.5 in South Africa. Some states like Karnataka are exceptions with the above national ratio.
- Moreover, Private bus service is a politically sensitive matter in some states with government monopolies in bus services.

What further needs to be done to improve Public transport in Urban India?

The challenge of urbanization needs multiple interventions apart from supplying grants to metro and bus system.

1. **First**, State governments control the Urban development instead of city administrations. They have failed to operationalize the nodal authorities to regulate transport.

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2. **Second, Common mobility cards** are still in pilot mode. It would help citizens, use bus, train, and feeder networks seamlessly.
3. **Third**, Metro and bus services are expensive compared to the per kilometer cost of a two-wheeler.
4. **Fourth**, Census 2011 identified no. of **Census towns**. But Urban local bodies are not yet established here. They lack access to funding, infrastructure, and capacity to meet the needs of large populations. Hence, the **Recognition of census towns as urban bodies** will provide the flow of necessary funds to these growing urban conglomerations.

Way forward

In this context, the Centre should start working with State governments to integrate key areas with its transport vision. Such as affordable **inner-city housing**, access to civic services and health care, and enhanced sustainability, greenery, and walkability. Only integration can bring about **inclusive urbanisation**.

12. Sri Lanka has pushed India and Japan out from the Colombo Terminal Project

Source- **The Hindu**

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

Synopsis – Sri Lankan government has been forced to revoke a 2019 deal with India and Japan. The deal was to build the East Container Terminal (ECT) at Colombo Port. They cancelled the deal after facing intense resistance from trade unions across the region.

Background-

- Sri Lanka, Japan and India signed an agreement [MoC] to jointly develop the East Container Terminal at the Colombo Port in 2019.
- The MoC stated that the Sri Lanka will own 51 per cent stake. India and Japan will jointly own the remaining 49 per cent.
- However, Sri Lanka unilaterally made a decision on an existing tripartite agreement.

Significance of the ECT Project for India –

- **First**, the involvement of India and Japan is being seen as a big development. It was also seen as a **counter to the growing influence of China**.
- **Second, Important trading link-** The Colombo Port is an important port for transshipment of goods coming to India.
- **Third**, it is seen as a collaboration between two Indo-Pacific partners [India-Japan]. It could prove to be better funding and development in the South Asia region.

What made Sri Lanka break the tripartite agreement on ECT project?

- **First, pressure from Colombo port trade unions** –The government of Sri Lanka was under intense pressure. Because the trade unions opposed port's privatization and demanded cancellation of the 2019 agreement.
- **Second, China's involvement** – there were reports the Chinese had played a role in inducing port unions to protest against India's interest.

However, Sri Lanka has approved another proposal to develop the **West Container Terminal [WCT] of the Colombo port** with Japan and India. India has not commented on the proposal.

Way forward-

- The Sri Lankan government should be cautious that no international government or financial institution would like to make major investments if they cancel the deal due to pressure.

General Studies Paper - 3

General Studies - 3

1. Indian cricket team's success can be a model for country's manufacturing sector

Source: [Indian express](#)

Syllabus: GS 3-Indian Economy and issues relating to Planning, Mobilization of Resources, Growth, Development and Employment.

Synopsis: The good practices behind the success of Cricketing standards can be used in the Indian manufacturing sector. It will make Manufacturing in India more competitive

Background

- India achieved a remarkable victory in Australia recently. It is a result of high-quality governance instituted by the BCCI over the years, to make India's cricket team a global champion.
- Due to this systemic effort, India was able to compete so well against Australia, with a third-choice Indian team.
- Similar practices can be adopted by policymakers for the Manufacturing sector. It can develop India into a globally competitive '**champion manufacturing sector**'.

What are the good practices that policy makers can use?

- First, Institutionalisation of IPL facilitated the inclusion of Overseas players. Competing against the world's best players** has led to a significant rise in the skills of domestic cricketers.
 - Similarly, allowing foreign industries in India will raise the standards of the domestic manufacturing sector and make them more competitive. For example, Foreign competition in the food sector (McDonald's) has increased the standard and competitiveness of Indian players (Haldiram's).
- Second, the mandatory rule for the preferential treatment for locals. It** limits the number of foreign players, to be used in any team. (only 4 overseas players are allowed in any playing team).
 - This has led to an increasing number of domestic players. English Premier League (EPL) failed to create a world-class England football team due to this fact. EPL is dominated by overseas players without enough opportunities for local players in top teams.
 - So, considering this fact the policy makers should provide some limited protection from destructive competition from overseas. This move will facilitate the growth of Indian domestic manufacturers.
- Third, BCCI provided high-class infrastructure** by setting up top-class cricket facilities in non-traditional cricketing centers. It provided access, opportunity, and a level playing field to all talented cricketers.
 - Similarly, the Government should try to provide **high-class infrastructure in the manufacturing sector**. It includes plugging the existing gaps between Indian and global standards, particularly on logistics. This will make the manufacturing sector **cost-competitive** and enable a **level playing field** for every Indian entrepreneur.
- Fourth, Success of Indian cricket team** has ensured that every good cricketer pursues their dream during studies. This has led to the **retention of the best talent** in Indian cricket.
 - But, It is not the case in manufacturing due to the lack of success and the presence of obstacles. The best entrepreneurial talent of India looks for opportunities elsewhere either in the services (Flipkart) or overseas manufacturing (for example, textiles in Bangladesh).

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- For India, to create a robust manufacturing sector it needs to retain the best talent by removing the obstacles.

If policymakers learn the right lessons from cricket and implement those lessons with honesty, we can become globally competitive in the manufacturing sector. To be the best, we must be able to compete with and defeat the best.

2. The rising concern of India's ageing dams

Source: [Click here](#)

Syllabus: GS 3 – Infrastructure: Energy, Ports, Roads, Airports, Railways etc.

Synopsis: The ageing dams in India are threatening water security for the future, as the reservoir water is being replaced by soil, technically known as silt or sediment.

Introduction:

- In the race of building large dams, India ranks in the third position in the world.
- India has built over 5,200 large dams. Among which 1,100 large dams have crossed the age of 50 years. Some have even completed over 120 years.
- The number of such dams is going to reach 4,400 by 2050.

What are the issues in water reservoirs of India?

After a certain time period, the Silt or sediments start to replace the water in the reservoir due to Siltation. Therefore, the water storage capacity of the dam decreases with time.

Siltation reduces the capacity of some of India's largest dams. Due to Siltation, the functioning of the Bhakra dam has been reduced from 47 years to 88 years.

The medium and minor dams are even in the worst position. They are in such a dangerous position that they can collapse in the near future. This situation is because of their lower shelf life as compared to large dams.

The High siltation rate shows that reservoirs of India are designed with a poor understanding of sedimentation science.

What are the consequences of the siltation of dams for farmers?

1. **Firstly, it affects crop yield-** when soil replaces the water in reservoirs, water availability reduces. It results in less water for the cropped areas. It increases dependency of farmers on rains or groundwater which is already over-exploited. Reduced crop yield results in low Agri credit, crop insurance, and investment.
2. **Secondly, chances of flooding increases- Due to** low capacity, reservoirs cannot store extra water from rainfall. It will lead to an increase in flooding rates.

For Example, The flooding in Bharuch in 2020, Kerala in 2018 and Chennai in 2015

Way Forward

At present 80% of the India's large dams are in a situation of becoming obsolete. India needs to address the situation urgently. As eventually in 21st century, Nation will not be able to find sufficient water. It will not be able to grow abundant crops, feed the rising population by 2050, create sustainable cities, or ensure growth.

3. Budget 2021: Despite some hits, the Budget has crucial misses

Source: [click here](#)

Syllabus: GS – 3 – Economy

Synopsis: The recently released budget has got a few things right, but there are some issues as well.

Introduction - The government's response to distress in the economy was below expectations. Public spending was just over 1% of GDP. It was in a situation when GDP growth was in the negative zone and the unemployment rate was high.

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In this budget, the government has proposed increasing public investment by 34.5% in the upcoming fiscal year. It is a positive step for the economy.

However, the finances for investment depend upon several factors like tax revenue, disinvestment proceeds, sale of rail and road assets, etc.

How this Public Investment would be realized?

1. **First**, The government would **increase public investment** by borrowing. It will be an additional ₹80,000 crore for the purpose in the next two months.
2. **Second**, States will be allowed a higher fiscal deficit, in case of capital expenditure. If the capital expenditure plan outlined in the Budget speech is implemented with assured financial backing, it can revive the investment cycle.
3. **Third, The Development Finance Institution (DFI)** proposed in the budget. There was lack of long term credit for infrastructure in the last decade. The most successful industrializing economies have been utilizing DFIs for providing long-term credit.

What are the issues in the budget?

1. **First**, DFI mentioned in the budget will be financed by **foreign portfolio investments (FPI), which is a cause for concern**. FPI represents short term inflows with exchange rate risks. This investment will certainly lead to currency and maturity miss-match, increasing the cost of capital.
2. **Second**, The NFHS data for 2019-20 indicated that constructing **toilets in households is of no use unless adequate access to water** and sewage facilities are provided. Thus, the effectiveness of such investments depends upon coordination with other facilities.
3. **Third**, The Budget has **not mentioned the unemployment and migration crisis** due to pandemics which led to the rise in economic inequality. The budget did not consider a special tax on the super-rich.
4. **Fourth**, There is **no targeted employment program** to alleviate the immediate crisis is a matter of concern.

Way forward

There is a need to consider alternative long-term sources, preferably from domestic sources, or international development agencies to make DFI a success.

4. Proposal to establish Bad bank and Development Finance Institution [DFI]

Source- [The Indian Express](#)

Syllabus- **GS 3** – Indian Economy and issues relating to planning, mobilization, of resources, growth, development, and employment

Synopsis- **Budget 2021 proposed** the formation of bad banks to manage NPAs and DFI for raising funds.

Introduction

- **In Union Budget 2021 -22**, Finance Minister has proposed to set up an **ARC** (Asset Reconstruction Company)/**AMC** (Asset Management Company) for non-performing asset (NPA) management.
- Additionally, the government proposed a **development financial institution (DFI)**. **It will enable long-term funding worth Rs. 5 lakh crore in the next 3 years for infrastructure projects.**

What is the purpose of setting an ARC/AMC?

The COVID-19 disruption has already created a lot of stress in the banking system. The banks already have a gross NPA of around 7.5 percent, which is expected to rise to 13.5 percent by September 2021.

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Thus, setting up ARC/AMC has been proposed, which aims to buy bad assets of commercial banks. It will sell these assets at a discounted price in the market. This institution is commonly known as a **bad bank**. **Experts at bad banks attempt a resolution through a professional approach.**

It will enable banks to focus on fresh loans and investments. This will help clean up the balance sheets of commercial banks and thereby make available more funds for lending.

Challenges:

1. **First, Moral Hazard** – According to some experts, the formation of ARC/AMC can enable banks to continue **reckless lending practices**.
2. **Second, Mobilizing capital** – Finding buyers for bad loans in a pandemic hit economy will be hard.

What is the purpose of setting up DFI during Union Budget 2021-22?

Development Finance Institution [DFI] –The DFIs are organizations owned by the government or charitable institutions. They provide funds for infrastructure projects that are of national importance but may or may not conform to commercial return standards.

In Budget 2021-22, Development Finance Institution (DFI) has been announced with the following specifications.

- Capital base = Rs 20,000 crore
- Lending target = Rs 5 lakh crore in three years.
- **Aim**– The proposed DFI will be used to finance social and economic infrastructure projects identified under the **National Infrastructure Pipeline (NIP)**.

Challenges:

The earlier generation of DFIs ran into the problem of financing. The retail deposit access was cornered by commercial banks and the availability of long-term financing without government guarantees was limited.

Way forward

- The formation of ARC/AMC works as a relief for banks hit by soaring bad assets and a sluggish loan off-take amid the pandemic.
- The economy needs infrastructure investments more than ever to help it overcome the damage induced by the Covid-19 pandemic.

5. A need to enhance intelligence system in combating the Maoists

Source: [The Hindu](#)

Syllabus: GS 3- Linkages between development and spread of extremism.

Synopsis: **Casualties in** left-wing extremism (LWE)-affected States have not stopped. There is an urgent need to enhance the intelligence system in these areas.

Introduction

After the 2008 attack on CRPF, the massive deployment of security forces was witnessed in the left-wing extremism (LWE)-affected States.

With the improvement in the law and order situation in J&K, more security personnel have been deployed in the region.

The newly deployed personnel are undergoing intensive training and firing practices with the following objectives:

- To make them familiar with the terrain.
- To understand the modus operandi of the Maoists.
- To take precautionary measures.

Thus, the security forces have reduced the incidents of violence in LWE- affected States. The Maoists are either on the run or surrender.

However, casualties among security forces have not stopped.

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What more needs to be done?

The government must take the following measures to stop attacks on the security forces:

- Setting up and upgrading the **Intelligence systems in the region**.
- Inclusion of **Belgian Malinois Dogs** to timely detect IEDs.
- **Drones are useful** in accessing difficult areas.
- Security Personnel should stay in **pucca buildings** instead of huts. As temporary huts are more prone to attacks and destruction due to change in weather.
- **Increase in the allocation of funds**- For the construction of accommodation, an amount of Rs 114 crore was demanded against a project. However, only Rs 33 crore was allotted.

Way Forward

The LWE- affected States needs their own Commandos to control the LWE regions effectively. As for now, many districts have been declared free from LWE activities. But still, for some years Central Armed Police Forces will have to be stationed there until State relies completely on their own Commandos Such as Greyhounds and the Jharkhand Jaguars.

6. Budget 2021 paid less attention to Hunger and Malnutrition

Source: [Click here](#)

Syllabus: GS 3- Government Budgeting

Synopsis: Global pandemic and economic slowdown led to the health and economic crisis. But, the Union Budget 2021-22 did not pay attention to hunger and malnutrition.

Need of Food Security

- **High rate of child malnutrition- National Family Health Survey-5** showed that child malnutrition levels in 2019 were higher than in 2016 in most of the states.
- **COVID-19 effect**- A field survey conducted by Hunger Watch and the Azim Premji University. It found that food intake between Oct. 2020 and Dec. 2020, was low as compared to the Pre-lockdown levels.

Budget 2021-22 allocation

Policy/ Scheme	Budget Allocation	Required Allocation
1. Anganwadi Services	Rs 17,252.3 crore	Rs 24,810 crore
2. National Nutrition Mission (Poshan)	Rs 600 crore	Rs 3,700 crore
3. Pradhan Mantri Matru Vandana Yojana (Maternity Benefits)	Rs 1,300 crore	Rs 2,500 crore
4. Mid-day meal	Rs 11,500 crore	Rs 12,900 crore

Thus, this shows that there is not much allocation done towards nutrition schemes, even after the increase of prevalence of malnutrition.

What are the challenges faced by nutrition initiatives?

India's nutrition initiatives such as Anganwadi programme and school mid-day meals are crucial for the nutrition of children and pregnant and lactating women. However, these initiatives faced disruption during COVID pandemic. Moreover, they are suffering from the following shortcomings:

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- **Real-time data are** not available about stunted and wasted children in India.
- The initiatives also suffer from **under-utilization of allocated funds**.
- Many ministries and departments related to healthcare **often operate in isolation**.
- **Lack of capacity building** of Asha and Anganwadi working in ICDS centre.

Way Forward

Sustainable Development Goal to end poverty in all its forms everywhere & to end hunger, achieve food security and improved nutrition requires not only coordinated efforts but also funds to deliver services to the vulnerable sections of India.

7. Need of introspection among Media professionals

Source: [Click here](#)

Syllabus: GS 3- Role of media in internal security challenges

Synopsis: Media professionals need to introspect. Action against someone spreading fake news cannot be portrayed as a threat to freedom of the press.

Introduction

Fake news causes social disturbance not only in India but globally. One false news item can spark panic and even violence in society. Media is the fourth pillar of democracy, and it is their duty to be the upholders of free speech, honesty, and civil discourse.

Background:

The peaceful farmers' protest turned violent on January 26. Protestors changed the specified route for tractor march and went to Red fort. They hoisted a flag that was not tricolor.

- One of the **protestor died due to overturning of the tractor**. However, some media and political representatives claimed that **he died due to police shooting**.
- This **fake news was broadcasted** which incited violence. Half- hearted apologies were made later.
- Several FIRs have been filed against media personalities for spreading fake news. Now, it is being claimed as an attack on free speech and liberty.

Why should the media introspect?

It is the fundamental rule of journalism to verify the news before sharing it but no such verification was done.

1. **First**, there are many adverse consequences of spreading fake news. For example, it helps the nations who want to show India in poor light.
2. **Second**, fake news undermines the credibility of the beneficiary. For example, fake news in support of farmer's protests will only undermine their struggle.
3. **Third**, these professionals speak about media freedom, but only they choose to speak for themselves. They have alienated the common citizens and vernacular media.
4. **Fourth**, Using freedom of speech to cover every mistake makes the freedom redundant. Making mistakes once in a while is human but making errors daily and deleting them makes the intent suspicious.
5. **Fifth**, journalists also have a duty towards the nation which comes along with the right to free speech.

What should be done?

Media needs to introspect about the fake news within their space. Any action against an individual fake news spreader cannot be showcased as freedom of press is under threat.

- **First, Institutions must introspect** and have the ability to self-correct. Many healthy institutions display this characteristic.

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- **Second, a proper investigation** would be a learning for celebrity journalists that they too are subject to the law of the land.

8. 'Smart walls' for Indian borders

Synopsis: Concept of smart walls has been introduced in the US. India should also explore the possibilities of using smart walls to protect borders.

Syllabus – GS- 3 – Internal Security – Border management

Introduction

US president has stopped the construction of a “border wall” between the U.S. and Mexico. However, a new ‘smart’ wall will be placed on the borders, as an alternative.

The concept of a smart wall is not new. It was proposed under Trump administration to complement the physical barriers on the border.

What is a smart wall?

A ‘smart’ wall would use advanced surveillance technology instead of the physical wall and armed patrols.

It would make use of the following technologies to detect and stop border infiltration:

- For surveillance on the border, it would use radar satellites, computer-equipped border-control vehicles, control sensors, and underground sensors.
- Thermal imaging would be added for detection.

This technology is so precise that it can distinguish between animals, humans, and vehicles. Then, it will send updates to the forces.

Is this technology useful in India?

1. India is sharing a border with a **difficult neighborhood**. It is facing challenges of **terrorists and smugglers infiltrating** into the country. But due to the rugged topography on the borders, erection of fences or any physical structures have not been successful.
2. Smart walls can be useful as their systems can be easily used on rugged topographies. Moreover, these technologies are cost-effective, less harmful to the environment, and require a lesser amount of land.
3. Even if it is not feasible to cover all our borders under this technology, it can strengthen over existing border security infrastructure.

Thus, with the increasing tensions on the border of India, exploring such technologies would strengthen India’s security on borders.

9. A normal budget for abnormal times

Source: [Click here](#)

Syllabus: GS-3- Government Budgeting

Synopsis: The recently released budget appears to be fairly normal. Normal is not sufficient for abnormal times like the present.

Introduction

The economy contracted by 7.7% in India. The economic survey projects India’s real GDP growth to be 11% in 2021-22. However, this projection looks overestimated. India will have to surpass pre-covid-19 levels to achieve this growth; this will take at least two years.

- The budget required non-standard policy responses given the abnormal times for the economy. However, no such major changes were made to the budget.
- There is only a 1% increase in the overall expenditure of the government.

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What are the issues in the budget?

First, the increase in capital expenditure is expected to be channelized through Investment in infrastructure, However, it is linked with 2 types of risks;

- If there is a delay in the completion of projects, it will lead to more spending.
- It will not provide instant multiplier effects to lift the demand. As the life cycle of these projects is very long.

Second, there are no drastic reforms for the agriculture sector. For example, no announcements of rationalizing of the Public Distribution System issue prices of food grains.

- The cash transfers under the Pradhan Mantri Kisan Samman Nidhi Scheme (PM-KISAN) have not been increased.

Third, manufacturing growth would depend totally on private investments.

- **There is lack of concrete policies** towards export promotion in the textile sector. This can undermine the competitiveness of manufacturing exports.

Fourth, infrastructure provisioning has unaddressed issues such as execution risk and regulatory issues. The introduction of a development finance institution addresses only one issue.

Fifth, there is no proper plan to tackle urban unemployment. Employment and demand generation will depend on the impulses of growth cycles.

The target of reducing the fiscal deficit from 9.5% to 6.8% of GDP **depends upon**

hypothetical factors, such as:

- Total revenue might get some boost from better tax revenue.
- A renewed hope for better divestment revenues.

Although the Budget fixed some grand targets, it did not provide the precise mechanisms to achieve those.

10. Twitter might face penal action under IT Act

Source – [The Hindu](#)

Syllabus- GS 3 – Challenges to internal security through communication networks, the role of media and social networking sites in internal security challenges, basics of cybersecurity; money-laundering and its prevention

Synopsis- Twitter unilaterally restored accounts despite government order for blocking.

Background

- The Ministry of Electronics and IT ordered Twitter to block more than 250 tweets/Twitter accounts. The order was issued for making fake, intimidating, and provocative tweets.
- The development came in the wake of violence in Delhi on January 26 during a tractor parade of farmers, protesting against the three farm bills.
- Accounts included were linked to an influential magazine, members of an opposition party, and the protest movement such as Kisan Ekta Morcha.
- Many accounts were blocked after the order. However, the majority of them have been restored.

Under which Act Twitter was ordered to withhold the accounts?

Section 69(A) of the IT Act 2000 empowers the government to order an intermediary to block online content. The grounds for such order include sovereignty and integrity of India,

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defense of India, the security of the State, friendly relations with foreign states or public order, or for preventing incitement to the commission of any cognizable offense.

It is the same section, under which Chinese Apps have been banned in India. The content attached to the said hashtag had been found to be directly falling under Section 69A of the IT Act. Twitter may face penal action for not complying with directions issued.

This section has been criticized for the secrecy of its process. However, in *Shreya Singhal vs Union of India* (2015) SC upheld the validity of this section.

Way forward

The government's stand on farmer's protest is debatable. However, the inflammatory content and Incitement to genocide cannot be interpreted as freedom of speech as it is a threat to law and order.

This situation may lead to a face-off between the tech giant and the government.

11. Hurdles in the path of doubling farmer's income

Source- [Down To Earth](#)

Syllabus- GS 3 – Major crops-cropping patterns in various parts of the country– different types of irrigation and irrigation systems storage, transport and marketing of agricultural produce and issues and related constraints; e-technology in the aid of farmers.

Synopsis – Doubling farmer's income by 2022 is too ambitious target for the government.

Background-

- In 2016, the Government has set a target of doubling farmers' income by the year 2022.
- Doubling farmer's income [real income not the nominal income] till 2022-23 over the base year of 2015-16, requires annual growth of 10.41 percent in farmers' income.
- However, there is no roadmap or action plan to achieve this over-ambitious goal.

What are the constraints in the path of doubling the income of farmers?

The target of doubling farmer's income by 2022 seems too ambitious due to the following issues-

1. **First, data related challenges.** There is no official data on farmers' incomes after 2015-16. There is no report card of the current income levels of the farmers and no plan to achieve this target.
2. **Second,** no implementation level plan. ICAR prepared a plan for each state for doubling farmer's income. But no details were available on how states are going to implement the plan or how the government will analyze the progress.
 - **For Example- In 2017,** ICAR decided to adopt and develop two villages as models in each district of the country, so that state governments can follow. But it is found that there is no progress on this plan.
3. **Three,** many important schemes, such as **crop insurance, interest subvention subsidy, and even PM-KISAN are facing stagnation or decline in allocation under budget 2021.** Even Paramparagat Krishi Vikas Yojana received a lower allocation than last year.
4. **Fourth,** the procurement of wheat and paddy has gone up. But, it is only benefitting few states like Punjab, Haryana, Telangana, Madhya Pradesh, West Bengal, and Chhattisgarh.
5. **Fifth,** the agriculture credit portfolio is not equally distributed across the states and across farmers within the state.

Way forward

- The problem with respect to Agriculture in India is deep-rooted. It requires systemic solutions with a well-thought-out strategy and policy reforms.
- ICAR should develop models of farming system by combining all their technologies in a package with focus on farm income.
- Increase in crop intensity and diversification towards high value crops is also the key.

12. New Farm Laws and Labour Codes is the way forward

Source: [The Indian Express](#)

Syllabus: GS-3 Issues related to direct and indirect farm subsidies and Issues related to direct and indirect farm subsidies

Synopsis: The agriculture and labour reforms passed recently creates a condition for productivity and enhance growth. This benefits millions of small farmers and unorganised workers.

Farm Laws and the changes it brings:

In India, Farmers earn less than people engaged in the services sector. This difference is not common in all countries.

- An RBI study shows that a potato farmer only gets 28 per cent of the amount paid by the consumer. Across all crops, the farmgate price (the net price of the product when it leaves the farm) is 40-60 per cent less than the consumer price.

How the earlier existing laws were problematic to farmers? How the new farm laws are of help?

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The Green Revolution and subsidies have expanded India's agricultural production. But the farmers have not gained. This is because the mediators have taken 40-60 per cent of the profit. The problems with the earlier laws are,

- **First, the stock limits mentioned in the Essential Commodities Act.** The Act mention a certain amount of stocks to be maintained to satisfy the food security needs of India. This restricted large-scale processing units from running at full capacity. This led to the problem of **food wastage**.
 - 30-40 per cent of vegetables and fruits are lost due to inadequate storage, processing and transportation facilities.
 - **New Farm Law (The Essential Commodities (Amendment) Act, 2020):** The Act **removed the stock limits and introduction of the contract farming act**. This **will bring in new investments** to tap the wasted resource.
- **Second, earlier under the APMC Act**, only traders registered in APMCs can buy farmers' produce. This restricted the outsiders and favoured registered intermediaries. Intermediaries used this to make a profit instead of farmers.
 - **New Farm Law (The Farmers' Produce Trade And Commerce (Promotion And Facilitation) Act, 2020):** The new laws amend this provision that favoured the intermediaries. Farmers now will have an option. **Either sell to the traders registered or to the outsiders**.
 - Now private market/non-APMCs registered trader can also set up an agricultural market and compete with APMCs registered intermediaries.
 - **For example, Karnataka implemented the Uniform Market** portal in 2014, enabling trade across taluka APMC limits without APMC fees. This increased farmer's profit.

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Labour reforms and the changes it brings:

- Parliament has passed 3 labour code bills aimed at labour welfare reforms. These codes cover more than 50 crores unorganized and organized workers in India. This also includes platform or gig workers also. These three codes were

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- Industrial Relations Code, 2020
- Code on Occupational Safety, Health & Working Conditions Code, 2020
- Social Security Code, 2020.

First, multiple labour laws have not encouraged employment creation. These laws have created hindrances for job creation due to the high costs of compliance. For example, India's employment elasticity with respect to GDP growth is 0.2. China and Bangladesh have an elasticity of 0.44. And 0.38 respectively.

- New Labour Codes:** India's labour reforms will promote growth with higher employment elasticity. This is because these codes are the simplified comprising of many prior labour laws.

What is employment elasticity?

Employment elasticity is a measure of how employment varies with economic output. For example, An employment elasticity of 1 implies that with every 1 percentage point growth in GDP, employment increases by 1%.

- Second, the old labour laws protected existing jobs** at the cost of preventing new job creation.
 - New codes:** The new codes would incentivise the firms to create new jobs. It is also in line with the reforms being undertaken by our neighbouring countries.
 - For example, Bangladesh increased formal jobs** by legalising fixed-term employment and banning union activity in FDI industries. It raised the threshold for seeking prior permission for laying off workers.

Suggestions to improve further:

- India should bring in economic reforms. **Aadhaar-enabled social safety nets** and direct income transfer to the poor will pay off by enabling growth with a massive expansion in employment.
- The social safety nets have been created to ensure the right to food** and direct income transfers to farmers. This will protect incomes of the vulnerable even as competition increases productivity and growth.
- The government should continuously communicate with those unhappy** with the reforms. The government should explain how the current status quo is hurting farmers and informal workers.