

**9pm**

# **Compilation**

**7<sup>th</sup> to 13<sup>th</sup> September, 2020**

**General Studies - 2**

---

1. Chinks in the armour of the Supreme Court
2. Judiciary and Executive
3. Demographic dividend - Youth and atma nirbhar
4. India's confusing signals on India- China stand off
5. Reduce state-level regulation
6. India's democracy
7. Issues with implementation of schemes – Farmer
8. NAM and India's present alignment
9. India-China Border Conflict
10. India-China border standoff in Ladakh
11. Idea of block chain based voting
12. Issues with Health data collection
13. Question Hour in Parliament
14. Regulation of Online games
15. India-China conflict
16. 'Judiciary': Encroaching the housing rights of urban poor
17. Effective foreign policy of India
18. Chinese strategy towards India

**General Studies - 3**

---

1. Regional Conversation series on Building Back Better
2. India's Tax Charter
3. Indian economic recovery - Unlock phases
4. Complex Naga conflict
5. Consolidation of land holdings
6. RBI-Government Tango
7. The twisted track of Bt cotton
8. Aatmanirbhar bharat in toy making
9. GST council meeting

# General Studies Paper - 2

## General Studies - 2

---

### 1. Chinks in the armour of the Supreme Court

Source- [The Hindu](#)

Syllabus- GS 2- Structure, organization and functioning of the Executive and the Judiciary

Context- There were two significant developments in connection with the Indian judiciary: Prashant Bhushan's contempt case and the retirement of Justice Arun Mishra.

#### The Prashant Bhushan's case

- **Basis of contempt-** One of his tweets was about the role of the last four Chief Justices of India, and the other about the current CJI riding an expensive motorcycle while the court was in "lockdown".
- **Supreme court held him guilty of contempt of court-**
- In the display of generosity, it let off Mr. Bhushan with a fine of one rupee.
- In the alternative, it ordered for a three-month imprisonment term and three years debarment from practice.
- **Supreme Court's strange behaviour-** It appeared strange and also embarrassing on the part of the court, for it came across as a petulant bargaining.
- **Mr. Bhushan's reply-** With appropriate decorum and honesty, he admitted any apology in this circumstance would be insincere.

#### Justice Arun Mishra's issue

- **Master of roster system-** Justice Mishra's steps as a 'master of roster' has been questioned as most of the politically sensitive cases were assigned to the benches involving him.
- **Politically sensitive cases-** Many commentators have conducted detailed analyses and found that these were predictably in favour of the executive. Thus, his role clearly indicates his immoral decisions, notably with reference to the Justice Loya case.
- **Executive court-** It has been speculated on the marked drift of the Supreme Court away from rights- based court to an executive court.

#### The master of roster system

- It refers to the privilege of the **Chief Justice** to constitute Benches to hear cases. Be it the **Chief Justice of India** or **Chief Justice** of any high court it is he or she who heads the administrative side. It includes allocation of matters before a judge as well.
- **Reason of this privilege-** It was designed for a different era and judicial independence was rarely doubted.
- **Abuse of this privilege-** It has been misused by many courts to conclude the judgement in their favour. Example of such cases
- One of such examples was **Justice Dipak Misra's** tenure in which the assignment of work in the court 'remote controlled'.
- **National Judicial Appointments Commission (NJAC) Act** was struck down by the Court on grounds of excessive executive interference in the selection of judges. But surely, this judgment is of no use if executive interference is anyway possible in more subtle ways.
- **Justice Gogoi's** sexual harassment case.

### Action to be taken for a transparent judiciary

- **Random allocation-** A rules-based mechanism for allocation of cases is needed. Cases should be allocated randomly. A case allocation system that is neutral and rules-based will prevent bench packing, and demonstrate neutrality, impartiality, and transparency.
- **Unity in judges against unethical actions-** Any kind of rule can be implemented only if judges themselves take a stand and decide. There should be agreement that no discretion can be allowed, for that is the root cause of so many of our troubles.

### Way Forward

Thus, need is to ensure that courts are protected from outside interference; improves public confidence in the impartiality and independence of the judiciary; assures litigants of equality and fairness; and protects basic rights and freedoms by not compromising on them.

## 2. Judiciary and Executive

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

**Syllabus:** GS-2- Judiciary

**Context:** Supreme Court's unwillingness to question government on major issues affects its moral authority.

### State of affairs between the Supreme Court and the Government

- **None of Supreme Court's decisions have come as an embarrassment to the current government in the last 4 years.**
- The current government **blocked the elevation of Gopal Subramaniam as a judge of the Supreme Court** in 2014.
  - Subramaniam was the Court's impartial counsellor in **the Sohrabuddin case in which current Home Minister Amit Shah was the prime accused.**
- **The National Judicial Appointments Commission (NJAC):** The current government introduced a bill which would replace the Collegium system for appointing judges to high courts and the Supreme Court.
  - The NJAC Act was passed by Parliament in December 2014.
  - **The Commission would comprise the CJI, two senior judges and two "eminent personalities"** selected by a committee involving the CJI, the Prime Minister and the Leader of Opposition in the Lok Sabha.

**The SC struck down the NJAC Act.** It was the last time the SC opposed the government in a major case, stating that the NJAC Act would affect the independence of the judiciary.

### Vacancies in the Court

- In early 2016, **more than 40 per cent of posts in the high courts were vacant** while the backlog of pending cases amounted to over four million.
- **Pending appointments:** 170 proposals for appointments to the high courts were pending.
- According to then CJI T S Thakur, the Indian judiciary was too understaffed to fulfil its obligations.
- **The government returned 43 out of 77 names** recommended by the Collegium for HC judges and the number of **vacant posts had by then gone up to about 500 in 2016.**

**The role of the Supreme court in maintaining checks and balances:**

- **The court's reluctance to question the government:** Issues like the NRC, J&K, misuse of sedition law was not questioned by the apex court even when some of these are labelled by the BJP as its ideological projects.
- **The way the judiciary has addressed allegations against itself:** Allegations such as Kalikho Pul, Prasad Education Trust, sexual harassment affects the moral authority of the judges, especially when they fail to apply the basic principle of natural justice by being judges in their own cause.
- **The apex court's stance on controversial cases:**
  - The Court considered that **the Aadhaar Bill could be passed as a Money Bill.**
  - The **court validated the electoral bonds act.**
  - **The case of Special Judge Loya:** no additional investigation was ordered despite many grey areas that allegedly remains unresolved.
- **The independence of the judiciary is unavoidably affected by the acceptance of post-retirement jobs.**

**Conclusion**

- The court is indulging in judicial authoritarianism by trying to silence one of the few lawyers who have used the judicial arena to speak truth to power and convicting Prashant Bhushan of contempt.

According to Lynne Henderson, a court's jurisprudence appears "to manifest inflexibility, lack of compassion, and approval of oppression".

**3. Demographic dividend - Youth and atma nirbhar**

**Source:** The Hindu

**Syllabus:** GS-2- Youth

**Context:** India can achieve the goal of self-reliance (atmanirbharta) by enhancing the capability of youth.

**Are we investing in our youth?**

- **The Central government spends about ₹2,710 per youth on education, skill development, employment, health care and food subsidies,** according to the national youth policy report.
- **The 2014 National Youth Policy (NYP)** defined youth as persons between 15 and 29 years.
- Assuming that States spend an equal amount on the youth, even then **the total investment in our youth would be under 1% of the GDP.**
- **The youth unemployment rate** is at least 18.3% (3.47 crore youths) according to the 2018 State of Working India Report.
- About 30% of youth fall under the '**neither in employment nor in education**' category and 33% of India's skilled youth are unemployed.
- Post the COVID-19 lockdown, **the CMIE estimated a loss of 14 crore jobs in April alone of which 2.7 crore concerned youth,** when around 50 lakh youth are expected to be entering the workforce annually.

**Steps to be taken**

- India has just a decade's time to realise the youth demographic dividend. So, the country **should launch an Indian Youth Guarantee (IYG) programme.**

## 9 PM Compilation for the Month of September (Second week), 2020

- **The European Union Youth Guarantee (EU-YG) launched a similar programme** in 2010 at a time when youth unemployment rates were soaring above 20%.
- In order to **ensure gainful and productive engagement of youth**, functioning of an Indian youth Guarantee (IYG) initiative as an implementing framework with legal backing could help.
- **Youth Component Plan:** the plan could help in the allocating budgetary resources under a separate head on the lines of the **Special Component Plan for the Scheduled Castes and the Tribal Sub-Plan.**
- **IYG's goal:** young people graduating from college or losing a job either find a good quality job suited to their education and experience or acquire skills required to find a job through an internship within a fixed time period.
- The district administration and local bodies should be incorporated by IYG for more effective outcomes.
- Existing youth schemes and skilling infrastructure need to be merged and modernised.

### Learning from MGNREGA

- **The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)** has been very effective in providing rural livelihood security and social protection yet only about 4% of youth in the labour force have been impacted by it.
- Even though, an urban youth employment programme will be a new involvement, the rural youth employment should be instituted alongside MGNREGA.

### The youth development Index

- **The Youth Development Index (YDI)** in India serves as an advisory and monitory tool for youth development and helps recognise priority areas, gaps and alternative approaches specific to each State.
- YDI can be revisited and deployed to play a vital role in crafting a region-specific IYG.

### The way forward

- IYG needs to be implemented across the country to address youth unemployment particularly given the rapid structural changes in the economy.
- India should focus on the youth of the country in order to become self-reliant.

## 4. India's confusing signals on India- China stand off

Source- [The Hindu](#)

Syllabus- **GS 2-** India and its neighbourhood- relations

**Context-** The Indian government seem to be sending out confusing signals about the ongoing India-China stand-off on the Line of Actual Control (LAC).

### Contradictory stand of Indian Government

1. **Ambiguous about situation** - On the one hand, it has decided not to reveal the exact nature of the situation on the LAC. Prime Minister had claimed on June 20 that "neither has anyone intruded into the Indian territory nor has anyone captured any military posts.

2. **Bilateral measures to solve the ongoing dispute** - On the other hand, it is attempting to negotiate Chinese withdrawal from Indian Territory rather than using kinetic means or tit-for-tat measures to reclaim its territory.

**Reasons for such contradictory stand**

- **Domestic compulsion** - Acknowledging Chinese possession of Indian Territory is bad optics for a party whose hardcore supporters revel in the military bravado of the party.

**Implication of contradictory stand**

**Creation of 'Two-and-a half front situation' of India**

- A restive Kashmir
- An aggressive China
- A Pakistan that never misses an opportunity to get at India

Thus, all of this together forms a formidable national security challenge.

**Challenges to solve current stand-off**

- **Covid- 19 worries-** As all nations are preoccupied with the domestic political, economic and public health worries of COVID- 19, there is little enthusiasm to stand by India.
- **External support-** Due to India's inability to clearly articulate, identify and address the Chinese threat, no other nation or international system is able to stand by India in pushing back China.
- **Discrepancy within Indian strategic community-** Nations normally stand together and speak in unison, but this situation has not brought the country's political and strategic elites together unlike say during the Kargil crisis or the Mumbai terror attacks.

**Way Forward**

India needs to stand together in unity and present the actual facts on the LAC crisis. So that it can take action accordingly in forming political strategies and policies with China and other nations to save its national interest, territory and integrity as a democracy.

**5. Reduce state-level regulation**

**Source:** [LiveMint](#)

**Syllabus:** GS2: Government Policies and Interventions for Development in various sectors and Issues arising out of their Design and Implementation.

**Context:** There is need to reduce state-level regulation to aid job creation.

**Debate over roles of the state and central governments:**

1. The debate over role of state seeded by the **introduction of dyarchy in 1919**.
2. Later it became an important part for people who started drafting Constitution in 1946.
3. As per former Prime Minister Indira Gandhi, strong states lead to a weak nation.
4. As per former Andhra Pradesh CM N. T Rama Rao, the central government is a conceptual myth.

**Regulatory cholesterol for enterprises:**

- **Too rigid regulations:** The compliance burden imposed by states on enterprises is too thick for industries to flourish and generate formal employment.
- **Approximate number of regulations:** there are around 1,536 Acts that create 69,233 compliances and 6,618 filings every year.



## 9 PM Compilation for the Month of September (Second week), 2020

- Frequent changes in regulation leads to instability and reduce confidence of employers. For instance, regulations changed eight times a day last year.
- Massive, uncoordinated and punitive regulations made difficult for employers to create jobs.
- Adding to this, recently COVID-19 has challenged finances, guarantees and borrowing of States.
- **Centre- State share in increasing regulatory cholesterol:** 55% of the Acts, 63% of compliances, and 65 % of filings are at the levels of states. Both the Centre and states legislate on labour, these constitute almost 72% of all the state compliances. States account for a whopping 97.4% of the 2,721 labour registers, displays and returns demanded. On an average state has 50 different registers and 15 unique returns to be filed in a year.

### Possible implications of regulatory cholesterol:

- Breeds informalisation of workforce and create sub-scale and uncompetitive enterprises.
- The farm sector continues to employ 45% of our labour force.
- Reduce productivity of enterprises.
- **Dwarf enterprises:** due to complex rules India doesn't have large factories.
- Poor social security to workers and minimum wage is also not guaranteed to workers in such enterprises.
- **Less revenue to government:** India's 63 million enterprises only translate to 120 million GST registrants and only 70,000 of these have annual revenues of more than ₹5 crore.
- **Regulatory cholesterol hurts MSMEs:** they don't have the resources, time or skills to handle the complexity that supports a parasitic community of consultants, retired bureaucrats and inspectors whose services include "good relations".

### Significance of MSMEs:

- Account for 32% of India's gross domestic product (GDP), 24% of employment, 45% of exports, 33% of manufacturing, and 25% of services.
- They are the most vulnerable to the covid crisis, the least responsible for it, and the key to its solution.
- Jack Ma suggests Alibaba's biggest economic contribution is an ecosystem that helps Chinese small businesses grow.
- Angela Merkel suggests the backbone of Germany's industrial value creation is its Mittelstand, and Ronald Reagan believed small businesses embody American optimism.

### Steps that should be taken:

- **Rationalisation:**
  - **Form a compliance commission:** with a 90-day mandate to review all compliances and filings for relevance.
  - Redundant, duplicate and overlapping items should be identified and rescinded by way of an executive order.
  - For instance, there are at least four different formats of accident registers, seven formats for wage registers, four of inspection/visit books, and several formats of attendance records, employee records and advances. The number of registers and returns can be reduced by 90%.

## 9 PM Compilation for the Month of September (Second week), 2020

- **Simplification:**
  - Process of inspection of enterprises is highly manual and there is no coordination among inspectors.
  - **Digital interface:** States need to review these practices and introduce risk-based, consolidated, faceless, presence-less, and digital inspection processes.
  - **Telangana** has recently implemented such a process.
- **Digitization:**
  - **Introduce single interface:** States should catalogue all enterprise interfaces needed for one-time applications for licences, registrations, renewals, returns and payments.
  - **Build or upgrade existing digital platforms:** to ensure that no physical visit or meeting is required to conduct day-to-day business with enterprises.
  - **Reduce the need for third-party consultants:** Electronic document submission with unique tracking numbers, date and time stamps, service level agreements.
  - Reduce the need of physical office visits for submissions, follow up and payments.
  - **Establish a common portal:** to publish all regulatory changes, instead of multiple portals at the department, municipal, zila parishad and gram panchayat levels.

The time has come for States to rationalize, simplify and digitize employer compliances for India to attract factory refugees from China and create a fertile habitat for formal non-farm job creation.

### 6. India's democracy

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

**Syllabus- GS 2-** Parliament and State legislatures—structure, functioning, conduct of business, powers & privileges and issues arising out of these.

**Context-** Issues of the present Indian democracy.

**Indian anti-corruption movement, 2011-** A series of demonstrations and protests across India to establish a strong legislative regime against perceived endemic political corruption.

**Movement Lead by** - Anna Hazare.

#### **Aim and demand of the Anna Hazare movement-**

- The movement aimed to alleviate corruption in the Indian government through introduction of the Jan Lokpal Bill.
- Repatriation of black money from foreign banks.
- Electoral reforms and decentralization of power were essential.

**Nation's attention has moved away from weaknesses in institutions of governance to other major issue such as -**

1. Threats from china on the nation's borders.
2. To global problems caused by COVID-19 pandemic.

#### **Current electoral democracies issues-**

1. **Money power in politics** - The rise of illegitimate expenditure on vote-buying has become a matter of great concern as it is making only the rich to be more qualified.
2. **Paid Advertisement-** To influence vote-choice through election advertisement campaigns on social media and other propagandas has led to issue of paid advertisement.

3. **Alignment of views-** Too many parties and too many contradictory points of view are accommodated within a coalition, in the long run there can be break down in coalition and governance.
4. **Internal democratic-** If political parties are not internally democratic, they become means for self-aggrandizing politicians to amass power and wealth, and democratic nations suffer.

#### **Flaws in presidential and parliamentary system-**

##### **1. Parliamentary system-**

- a. **Unstable government.**
- b. **Dictatorship of the Cabinet-** When the ruling party enjoys absolute majority in the Parliament, the Cabinet becomes autocratic and exercises nearly unlimited powers.
- c. **Against separation of powers-** The legislature and the executive are together and inseparable.

##### **2. Presidential system-**

- a. Conflict between legislature and executive.
- b. Non- responsible government.
- c. May lead to autocracy.
- d. Narrow representation

#### **Possible solutions-**

1. **Resolving issues with reasons-** Complex issues, where many interests collide, must be resolved by reason, not settled by the numbers.
2. **Strong local governance-** Locals know bests how to balance local affairs democratically, so strengthening local governance structures such as Panchayati raj and municipalities.

#### **Way forward-**

Electoral funding must be cleaned up, and democracy within political parties improved to make representative democracy work better. Citizens must appreciate that they have to be the source of solutions, and not become only the source of problems for governments and experts to solve for them. Those with the most needs in the community must be enabled to participate, alongside the most endowed, in finding solutions for all.

#### **7. Issues with implementation of schemes – Farmer**

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

**Syllabus:** GS-2- Governance

**Context:** Issues with the implementation of the poverty alleviation programmes.

##### **The gap between policy and impact on the rural economy**

- **The PM Kisan scheme:** under this scheme, each **landowning farmer (landless are excluded) receives Rs 6,000 annually.**
- A farmer growing a combination of paddy and wheat utilises about **50 litres of diesel per acre** according to a Punjab Agriculture University study.
- Currently, **each litre of diesel gets taxed at about Rs 45** and the average country-wide **diesel usage per acre to 60 per cent is 30 litres.**
- The government is **virtually collecting a tax of Rs 1,200 per acre from farmers** and a small five-acre farmer could be paying **about Rs 6,000 as diesel tax, which is the same amount this scheme offers.**
- **The single-tax regime:** farmers **are now paying GST on purchase of inputs like seeds, pesticides, fertilisers, tractors and implements.** Farmers unlike other industries cannot claim input credit for this.

## 9 PM Compilation for the Month of September (Second week), 2020

- **The Ujwala scheme:** the under privileged were paying **Rs 503** for the subsidised cylinder when international crude price was at **\$60 per barrel in July 2019**.
- The crude prices fell to stabilise at about two-thirds the price at **\$40 during the pandemic** but the price of the subsidised cylinder increased by nearly a fourth to **Rs 611 in July 2020**.
- The government is collecting more per cylinder from the poorest sections of society when it is popularly perceived to be providing increased financial support to them.
- **Minimum support price:** The **CACP report** projected an increase of 5.1 per cent in the composite input price index for 2020-21 over 2019-20, indicating a higher cost of cultivation.
- The MSP for paddy was **increased by 2.9 per cent during the COVID lockdown**.
- The government generously **raised MSP for paddy by 12.9 per cent in 2018**. However, the increases in MSP have been minuscule **at 3.7 per cent in 2019** and 2.9 per cent in 2020.
- The MSP has changed from being the **minimum support price to becoming the maximum selling price**.
- **Subduing farm gate prices:** If a consumer can afford to eat a more expensive dal or a more expensive non-essential produce (say, onions), then they don't need to be subsidised by subduing farm gate prices.
- For instance, **75 per cent of the dal consumed in India is chana and arhar and both are selling below MSP**, import duties on masoor dal were reduced by two-thirds to 10 per cent because there was a demand for it in one part of India.

**Way forward** Instead of focussing on the urban consumer from becoming restless and find a common cause for protest, the government should focus on the poor farmers and solve the problem of subduing farm gate prices as a reset in approach to mitigating inflation is a must.

### 8. NAM and India's present alignment

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

**Syllabus-** **GS 2-** Bilateral, regional and global groupings and agreements involving India and/or affecting India's interests

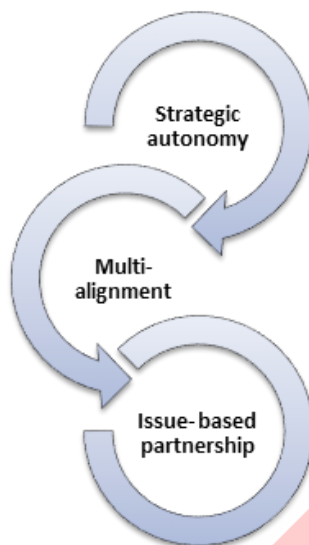
**Context-** From last few years, non-alignment has not been projected by the policymakers as a tenet of India's foreign policy.

#### **Non- Alignment Movement (NAM)**

- **Establishment-** It was established in 1961 through an initiative of the Indian Prime Minister Jawaharlal Nehru and some leaders of different nations formed during the cold war to retain autonomy of policy between two politico- military blocs.
- **Members -** Presently, 120 developing world nations are its members.
- **Objective -** It is to ensure the national independence, sovereignty, territorial integrity and security of non-aligned countries in their struggle against imperialism, colonialism, neo-colonialism, racism, and all forms of foreign aggression, occupation, domination, interference or hegemony as well as against great power and bloc politics.
- **Panchsheel principles-** It was based on the five principles, which were:
  - a. Mutual respect for each other's territorial integrity and sovereignty.
  - b. Mutual non-aggression.
  - c. Mutual non-interference in domestic affairs.
  - d. Equality and mutual benefit
  - e. Peaceful co-existence

### Successive foreign policies

Indian policymakers have not yet found a universally accepted successor as a signature tune for the foreign policy. Successive formulations have been coined and rejected. Such as-



### India's present foreign policy options

#### 1. Alliance strategy-

- In the wake of the current stand-off with China, there have been calls for India's foreign policy to shed its inhibitions and make a decisive shift towards the United States, as the only viable option to counter China.
- However, the government has been ambiguous in its approach. The External Affairs Minister clarified that a rejection of non-alignment does not mean a rush to alignment: India will not join an alliance system.

#### 2. Geo- strategy-

- It derives from both geography and politics. While politics is dynamic, geography is immutable.
- Two major imperatives flow from India's geography:
  - a. **Economic and security interests in the Indo-Pacific space** – It has inspired the Act East policy of bilateral and multilateral engagements in Southeast Asia and East Asia and the Pacific.
  - b. **The strategic importance of the continental landmass to its north and west** - Shared India-U.S. interests in dealing with the challenge from China in the maritime domain have been a strategic underpinning of the bilateral partnership since the early 2000s.

### Way Forward

In today's world order, India should see tie with U.S. and other potential nations as a joint venture in which they could pursue shared objectives to mutual benefit through bilateral relations.

### 9. India-China Border Conflict

Source: [The Hindu](#)

Syllabus: Gs2: India and its Neighborhood- Relations

Context: The ongoing border crisis with China calls for a strategic shift from punitive retaliation to prevention.

**Various factors involved for such incursions:**

- It was a clear mismanagement of the warning-intelligence system.
- Indian intelligence services did not collect sufficient data of Chinese intentions and early moves.
- The problem also lay in the Army's concepts for defending the country's borders.
- **Chinese incursion was not conventional:**
  - The Army expected that any Chinese bid to capture Indian territory would come as a major conventional invasion, as it did in 1962.
- **China's 'grey zone' tactics of quick land grabs:** China opted for quick land grab looks increasingly permanent, like an attempt to change the border without triggering war.
- **Miscalculation:** Indian army thought China would make its point like earlier stand offs with a temporary transgression and retreat after talks.
- **Army was not prepared for the type of security threat China presents:**
  - The Army's prevailing doctrine is designed **to deter and defend against major conventional invasions.**
  - **Organisation of Army:** what equipment it operates, and where it is deployed. The Army expects to win wars, against Pakistan or China, by launching its **own punitive offensives after an enemy attack**, to either destroy enemy forces or seize enemy land.
  - The Army's response includes large formations, with planning and command decisions made at the Corps headquarters or higher.
- **Improper response:** Indian side was instructed not to respond aggressively to avoid war.

**Way forward:**

- **Focus on prevention:** unconventional threats should be prevented instead of trying to reverse them.
- **Need to change fundamental shift** in the Army's doctrinal thinking.
  - For instance, from strategies revolving around punishing the adversary to strategies that prevent its adventurism in the first place.
- Increased investment in **wide-area surveillance to detect and track adversary moves.**
- Well-devolved command authority to respond to enemy aggression.
- Rehearsed procedures for **an immediate local response** without higher commanders' approval.
- **Capacity building and quick decision making:** local commanders must have the authority to take anticipatory action.
  - For instance, in chusul Indian Special Forces troops took position on previously unoccupied heights south of Pangong Tso.

India needs to learn the right lessons and be alert to similar tactics in other regions, like the Indian Ocean.

**10. India-China border standoff in Ladakh**

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

**Syllabus-** GS 2 - India and its neighbourhood- relations.

**Context** -With the recent shift by China from Line of Actual Control (LAC) to Claim Line, a new national debate on demarcating the border is needed.

**Border dispute**

## 9 PM Compilation for the Month of September (Second week), 2020

**Treaty of Amritsar** - In 1846, the British granted Kashmir to Gulab Singh without specifying its eastern boundary in Aksai Chin.

- According to Article 2 of the Treaty, the boundary was to be “defined by a separate engagement after survey”.
- **1st survey- The Johnson- Ardagh Line** surveyed in 1865, ran along the Kunlun Mountain, included Aksai Chin in Kashmir and it was not communicated to China.
- **2nd survey- The McCartney-MacDonald Line** ran closer to the Karakoram Range, treating the Indus watershed as the border. The later survey, officially sent by the British to China in 1899, was not followed up, and the border remained ‘undefined’.
- The dispute continues to be which watershed defines the actual boundary.

**1960's Indo- China border talk-** Between Jawaharlal Nehru and Chou-en-lai.

- **India's view-** Delimitation can take place by definition of high mountain areas and watershed.
- **China's view-**
  - i. China does not recognize the McMohan line but they were willing to take a realistic view with Burma and India.
  - ii. China would accept India's control over today's Arunachal Pradesh, which meant its de facto recognition of India's jurisdiction up to the McMahon Line, if India accepted China's control over Aksai Chin.

**The missteps by both countries have resulted in the current stalemate-**

- 1. Unacquainted experts-** Two civilizational states establishing their identity were ill-advised by poorly informed experts.
  - India issued new maps in 1954 removing the ‘un-demarcated territory’ tag.
  - China in 1957 also showed Aksai Chin with the only traffic artery between Tibet and Xinjiang in its new map.
  - A cartographic ambiguity was converted into clashing sovereignty, with unwarranted inherent notions of ‘concession’ and ‘aggression’.
- 2. Missing element of negotiation-** In 1960, the history and tradition of the area were to be examined by a joint expert group which could not produce an agreed report as earlier maps considered basin boundaries, and not who had exercised control over territory.
- 3. Strong military presence-** Militaries remain tasked with defending borders where ‘grey areas’ and maximum restraint in ‘face to face’ situations despite mutually acceptable adjustments to their respective position.
  - Infrastructure development increases the potential for armed action.

### Way forward

Boundaries can be defined by natural features such as rivers, watersheds and prominent landmarks or artificially by latitude and longitude reference. The government should audit the past, explain colonial ambiguity, establish the Himalayan watershed as border, and take a giant step for the \$5-trillion economy.

### 11. Idea of block chain based voting

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

**Syllabus:** GS-2- Governance

**Context:** The election commission of India is considering the idea of further digitising India's electoral infrastructure.

### Advent and rise of new applications

- **The election commission held an online conference in collaboration with the Tamil Nadu e-Governance Agency (“TNeGA”) and IIT Madras,**
- It explored the possibility of **using block chain technology for the purpose of enabling remote elections.**
- **A block chain** is a distributed record book of information which is replicated across various nodes on a “peer-to-peer” network for the purpose of ensuring integrity and verifiability of data stored on the record book.
- Block chain record books have traditionally been used as supporting structures for cryptocurrencies, such as Bitcoin and Ethereum.
- **‘Remote voting’** would appear to benefit internal migrants and seasonal workers, who account for roughly 51 million of the population (Census 2011), and who have, faced considerable difficulties in exercising their democratic right of voting.
- This process might be useful for some remotely stationed members of the Indian armed forces.

### Key issues and security concerns

- Electors would still have **to physically reach a designated venue in order to cast their vote.**
- Block chain solutions **rely heavily on the proper implementation of cryptographic protocols.** Any shortcoming could lead to **possibly unmasking of the identity and voting preferences of electors** or allow an individual to cast a vote as someone else.
- For instance, a Russian media outlet reported that it was possible to access and decrypts the votes stored on the block chain due to a flaw in cryptographic implementation.
- An attacker may be able to **clone the biometric traits** required for verifying as another individual and cast a vote on their behalf.
- **Software backdoors placed on an individual system** could allow attackers to collect and presume voting choices of individuals.
- **Prone to targeted Denial-of-Service attacks:** An attacker would be in a position to block traffic from the system and can effectively prevent or can delay the registration of votes.
- **Digitised systems** may also stand to exclude and disenfranchise certain individuals due to flaws in interdependent platforms, flaws in system design and general failures caused by external factors.

### Solutions to the problem

- **Solution to ballot portability:** Political engagement could possibly be improved by improving other existing methods such as postal ballots or proxy voting.
- Another proposed solution to this issue includes the creation of a **‘One Nation, One Voter ID’ system** which will allow citizens to vote out of their home state.

### Obsession with techno-solutionism

- **This optimism for technological solutions** poses a threat and could stand to hinder free and fair elections in the future, if carried out with poor management.
- Any solution to electoral problems must be **software independent and fault tolerable**, where failure or tampering of one method would not affect the integrity or transparency of the overall process.



### Way forward

Use of a new block chain system could maybe only be justified for lower level elections, and not for something as significant and politically binding as the general election.

### 12. Issues with Health data collection

**Source:** The Hindu

**Syllabus:** GS-2- Polity

**Context:** The national digital health mission is useful in delivering development outcomes, but technology has to be deployed carefully.

#### National Digital Health Mission (NDHM)

- Every Indian will get a **Health ID card and every time you visit a doctor or a pharmacy, everything will be logged in this card.**
- The NDHM seeks to **create an ecosystem under which health records will be digitised.**
- The government has clarified that this would be **voluntary, data will be stored locally and only anonymised data will be shared upwards.**

#### Technology and data collection

- The real intent of this policy is to **transform health outcomes, access and care, and not just separate data alone.**
- The U.S. has had this electronic health records initiative for a while.
- **Technology at the population level:** it can be used effectively to control the outbreak of a pandemic.
- **Accessibility:** NDHM provides accessibility to millions of people don't have access to quality healthcare.
- **Addressing connectivity issues:** Computing devices that can use 'store and forward' type architecture can overcome connectivity challenges.
- One can control digitised data through many methods such as **pattern matching and looking for trends, all real-time.**
- **Data protection:** AI algorithms can help in building layers of anonymisations to protect data and prevent theft.
- **Easy data collection:** The use of technology is the cheapest and easiest way forward, in collection of data and monitoring the quality. In the 1970s, it used to take years before Census data and family health survey data could be tabulated until the technology came in the 1990s.

#### Problems associated with demographic and health data and other issues

- Cost is a big factor in addressing **sampling size, sampling errors, non-sampling errors, how frequently we collect data.**
- The organisations that handle the **existing legal framework for protecting census and other survey data are not strictly independent regulatory authorities.**
- For example, the Census Commissioner of India has the power under the Indian Census Act to say no and so an independent commission is needed.
- **There is a risk of malicious action by state agencies or other private agencies** who might be able to access data for political, economic or ideological reasons.
- **Private data used for analysis and policy making:** With anonymised data, people have less of an issue but in some cases it may not be anonymised — for instance, in contact tracing.
- When you go beyond health, we have other interesting issues in this public health crisis, policy issues — pensions, loans that were given to businesses.

Created with love ❤️ by ForumIAS- the knowledge network for civil services.

Visit [academy.forumias.com](https://academy.forumias.com) for our mentor-based courses.

### Steps to be taken

- **A legal framework that acts as a warning for anybody who is caught stealing or misusing personal health data.** It must be independent of any political machinery. So, possibly, create an independent commission, like the Election Commission.
- There should be some provision to resolve the **conflict between private and public good.**
- **Improve the system of our birth and death and marriage registration** and registration of other statistics for real-time capture of demographic data.
- The other types of data which are also collected in the **Census regarding culture, language, economy could be collected at longer intervals.**
- **Traceable technologies:** Traceability here implies that you should be able to understand exactly what happened at the individual level in the use of the technology.
- **An independent agency outside of the government to ensure** quality of data and sharing of data only at the broader units such as the State or district level.
- Technology could make data capture and analysis possible in smaller units but at the same time, one has to be very judicious doing that.

### Way forward

Technology can do a world of good in delivering health, education and other development outcomes, but one has to be very careful and judicious in its organisation, and there should be an independent and healthy regulatory mechanism to oversee that process.

### 13. Question Hour in Parliament

Source- [The Indian Express](#)

**Syllabus- GS 2-** Parliament and State legislatures—structure, functioning, conduct of business, powers & privileges and issues arising out of these

**Context-** The Question Hour is the heartbeat of democratic accountability.

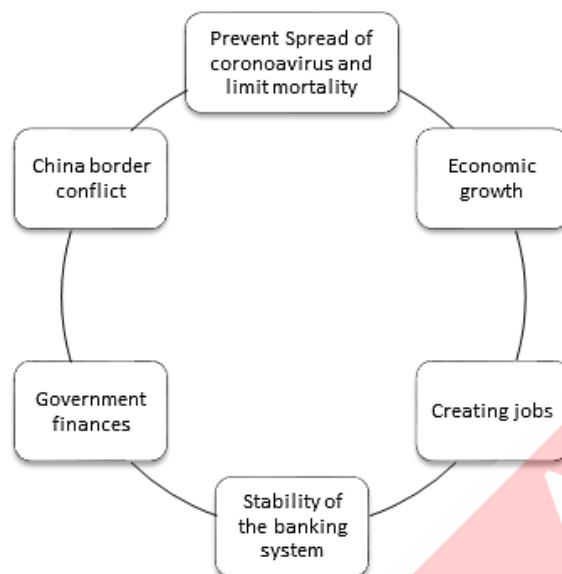
#### Democratic Government

- There are two type of democracy i.e. direct and indirect democracy.
- **Direct Democracy-** Nations which have direct democracy, people exercise their supreme power directly through the referendum, initiative, recall, plebiscite. Such as Switzerland.
- **Indirect Democracy-** Nations which have indirect democracy, the representatives elected by the people exercise the supreme power. Thus, carry on the government and make the laws. Such as Parliamentary and Presidential.
- India is an indirect democracy where the questions are asked from the civil society platforms, the mass media, community gatherings and ultimately within the highest temple of democracy, the legislature itself.

#### Working of Parliament during Covid- 19

- It will maintain physical distancing and reduce the necessity to touch surfaces.
- It has reduced the Zero Hour.
- It has cancelled Question Hour.

### Challenges in front of the Government



### The issue of Question Hour

#### Question Hour-

- It is the **first hour of a sitting session** of India's Lok Sabha.
- Members of Parliament raise questions to the concerned minister about matters of public interest and administrative activity whether domestic or foreign.
- The concerned Minister is **obliged to answer** to the Parliament, either orally or in writing.
- Copies of answers given are available to members at the Notice office before the start of the day's proceedings and on the websites.

**Issue with cancelling question hour** - Question Hour is one of the ways Parliament can hold the executive accountable. However, canceling it could damage our precedents and working of the parliament in future.

#### Way Forward

The test of a functioning democracy is its ability to face crises — social, economic, political — and seek correctives premised on institutions of democracy. A resort to what has been called 'the politics of avoidance' does not help the process. Executive accountability upfront cannot be allowed to become a thing of the past.

### 14. Regulation of Online games

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

**Syllabus:** GS-2- Polity

**Context:** Legalised online gaming will open up a revenue channel for governments.

#### More about the news

- **The Andhra Pradesh government banned online gambling by amending the AP Gaming Act 1974** amid the growing and alarming popularity of gambling websites among youngsters.
- **The Centre has banned 118 Chinese games and apps**, including the popular mobile game PUBG.
- Andhra Pradesh government's move was recommended by several other States which reportedly are **contemplating introducing similar clampdowns**.

### Potential of online gaming

- According to estimates of **consultancy KPMG which along with the Federation of Indian Fantasy Sports, which recently brought out a report on the potential of online gaming:**
- India's online gaming industry is a **minuscule \$1 billion in comparison with \$200 billion market** globally.
- There is an **influx of entrepreneurs** in sectors such as e-sports, utility apps, edutainment, and more because of the powerful chips that are made available at affordable rates.
- **Gaming and simulations are now used to impart complex lessons in the education** sector globally.
- There exists a thin and **blurred line between the legitimacy and the illegality of online gambling or betting.**
- **Over 400 start-ups are active in the e-gaming space in India.** Together, they have drawn nearly \$450 million in investments (2014-2020), and the pooled money is growing faster.

### Steps to be taken instead of a blanket ban on online gambling

1. **Governments can adopt a realistic approach** by setting up a body to **classify, legalise and regulate online gaming.**
2. Introduce a proactive and **transparent licensing regime to make sure online activities are monitored.**
3. **Reform the out dated Public Gambling Act, 1867,** to sync it with the digital context.
4. For instance, ***State of Andhra Pradesh v. K. Satyanarayana and ors and KR Lakshmanan vs State Of Tamil Nadu And Anr:*** The Supreme Court observations (1996) on horse-racing bets, which it has held as a game of skill.

### Way forward

1. Legalised online gambling will open up a revenue channel for governments, considering the exponential growth in the number of online gamers; like legalised liquor, it can be a sustainable source of revenue.
2. Online gaming calls for regulation with just the right sense of balance.

### 15. India-China conflict

**Source-** [The Indian Express](#), [The Indian Express](#)

**Syllabus-** GS 2- India and its neighbourhood- relations

**Context-** Government need to create a new equilibrium in its future relations with neighbours, including China.

#### What are the reasons for current tension between India-China?

1. **Non-demarcated border-** The root cause lies in an ill-defined, 3,440 km (2,100 mile) long border that both countries dispute.
2. **Strong infrastructure buildup near border-** The two nations are also competing to build infrastructure along the border. India's construction of a new road to a high-altitude air base is seen as one of the main triggers for border tension.
3. **China's fear-**
  - India's tilt toward United States amid US-China tensions.
  - China views India's assertions regarding Gilgit- Baltistan, as an implicit attack on the China-Pakistan Economic Corridor (CPEC), China's flagship programme.
  - Political and economic tension within China due to COVID- 19 pandemic.

Created with love ❤ by ForumIAS- the knowledge network for civil services.

Visit [academy.forumias.com](http://academy.forumias.com) for our mentor-based courses.

## 9 PM Compilation for the Month of September (Second week), 2020

- India being a growing power in Asian region.
- Potential threat to Chinese cultural hegemony in Tibet, because of the presence of the Dalai Lama in India.

### What are the challenges that lie ahead of India?

#### 1. Severe winter –

- The administrative challenge of maintaining troop accretions at this altitude, during the winter season, will be of serious concern.
- The armed forces need to ensure a high state of “operational readiness” until the onset of the severe winter.

#### 2. Political- diplomatic initiative-

- 1st challenge is to ensure that the current standoff is resolved without conflict. But in case of conflict, it must be localized to the Ladakh region.
- It is important to ensure that the country is not faced with a “two-front conflict” [with China and Pakistan].

### What has been Indian response to Chinese dilemma?

1. **Military-** India has moved in additional divisions, tanks and artillery across the LAC to match Chinese deployments.

#### 2. Economic-

- Citing the emergent nature of threats from mobile applications, the government has banned more than 200 Chinese applications.
- Recently, the Indian government tightened FDI norms coming from the countries which share land borders with India. Government approval has been made mandatory.

3. **Foreign pressure-** India must ensure continued US and international pressure at China’s other pain points like the South China Sea, Taiwan, Hong Kong and Tibet.

4. **Isolating china-** Need to continue to isolate China on its insidious role in starting the current pandemic.

5. **Reinforcing the alliance-** India need to strengthen the Quad and other multilateral regional groupings of like-minded countries.

6. **Reworking on bilateral agreement-** The need is to insist with an unequivocal “no war pact” with China and a categorical, time-bound resolution of all border issues.

### Way forward

The first priority has to be to restore the status quo ante at the border as it existed in April. India needs a new paradigm of foreign policy which safeguard India’s interests more assertively and where all options can be exercised. Resolving this conundrum will require not routine political guidance but great statesmanship on both sides.

### 16. ‘Judiciary’: Encroaching the housing rights of urban poor

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

**Syllabus-** **GS 2-** Issues relating to development and management of Social Sector/Services relating to Health, Education, Human Resources.

**Context-** The Supreme Court of India on August 31 ordered the removal of about 48,000 slum dwellings situated along the railway tracks in Delhi.

#### What are the directions of the Supreme Court?

A three- judge bench headed by Justice Arun Mishra, relying on an affidavit filed by the railways observed that

## 9 PM Compilation for the Month of September (Second week), 2020

- There is a predominant presence of slums in close vicinity of the 140 km- long railway line in Delhi.
- While the National Green Tribunal (NGT) had constituted a special task force for the removal of encroachments from railway property — “There seems to be some political intervention against removal of such encroachments”.

Thus the court ordered that:

- State authorities to remove the jhuggi jhopri clusters in the railway safety zone.
- Stated that “no court shall grant any stay with respect to removal of the encroachments”.
- In case any such interim order is granted “that shall not be effective”.
- These “encroachments” should be removed within three months and “no interference, political or otherwise, should be there”.

### What are the Fundamental flaws raised by the Residents?

The Fundamental flaws which are raised by the residents are that the Supreme Court has ignored:

1. **Principles of natural justice and due process of law-** Since the Court decided on the removal of jhuggi jhopris without hearing the affected party which are the jhuggi dwellers.
2. **Judicial precedents on the right to shelter-**The Court ignored its long- standing jurisprudence on the right to livelihood and shelter upheld in various judgments such as-
  - a. **Olga Tellis & Ors vs. Bombay Municipal Corporation & Ors. (1985)** held that the right to life also includes the “right to livelihood” and that no eviction shall take place without notice and hearing those affected.
  - b. **Chameli Singh vs. State Of U.P. (1995)** the Supreme Court recognised the “right to shelter” as a component of the right to life under Article 21 and freedom of movement under Article 19 (1) (e).
3. **State policies governing evictions-** The Court also failed to consider the policies and case laws on slum eviction and rehabilitation in Delhi. Such as-
  - a. **Sudama Singh & Others vs Government of Delhi & Anr. (2010)** The High Court of Delhi held that prior to any eviction, a survey must be conducted and those evicted should have a right to “meaningful engagement” with the relocation plans.  
The procedure laid down in this judgment formed the basis for the **Delhi Slum and JJ Rehabilitation and Relocation Policy, 2015**.
  - b. **Ajay Maken & Ors. Vs Union of India & Ors. (2019)**  
A case concerning the demolition of Shakur Basti on railway land, where the Delhi High Court invoked the idea of the “Right to the City” to uphold the housing rights of slum dwellers. This case led to the framing of a **Draft Protocol for the 2015 Policy** on how meaningful engagement with residents should be conducted.  
Therefore, all this represents a dangerous turn of PIL jurisprudence.

### Way Forward

The jhuggi residents need to employ a combination of political and legal strategies to protect their housing rights and ensure that no eviction or rehabilitation is conducted without their prior informed consent.

## 17. Effective foreign policy of India

Source: [The Indian Express](#)

Syllabus: GS-2- International Relations

Context: India's handling of the stand-off with China in the last few months along the LAC.

**How are china's relations with countries across the globe?**

- **President Xi Jinping has introduced an aggressive policy** with China's neighbours since 2013. It has involved expanding cultural influence, improving regional security cooperation and socialising in the region to make countries accept China's view of its core interests.
- In the South and East China Sea areas, **China has unilaterally enforced the Nine-Dash Line maritime boundary**, while neighbours like Japan, the Philippines, Vietnam, Malaysia and Indonesia watched helplessly.
  - **The UNCLOS tribunal decried** China's historical claims based on the Nine-Dash Line. But China simply rejected the verdict.
- Even the **Americans and the Japanese find it difficult to face the aggression of the PLA navy in the South and East China Seas**. Their ships are regularly confronted, many times by moving dangerously close, by PLA naval warships.

### India and China along the LAC

China's aggressive military exercises are met with stiff resistance from the Indian side.

- India's proportional response to the aggression came at **the Doklam tri-junction in North Sikkim in 2017**. Indian resistance forced the Chinese to backtrack.
- **The Indian response in the form of "active diplomacy and strong ground posing"** has forced China to alter its approach.

### How are the Indo-china relations in recent times?

- **India has isolated China at the UN Security Council on two occasions in the last one year** when it tried to push through a discussion over Kashmir at the request of Pakistan.
- **China couldn't secure support from any country** except Niger, when it tried to initiate a discussion on Kashmir and Pakistan's efforts to get some innocent Indians sanctioned by the UNSC as international terrorists too failed due to India's proactive diplomacy.
  - The US, several European nations like the UK and France came out in Indian support.

### What are the new challenges ahead for India?

- **The ECOSOC**, an important UN body on social and economic affairs, has Pakistan as the elected president.
- **On Kashmir, Turkey has largely sided with Pakistan** in the past and the country is taking over as the **Chair of the United Nations this month**.
- **Issues such as Islamophobia and Kashmir may return to dominate the international discourse** because China is raring to get back at India at all international forums and its efforts of supporting the Turkey-Pakistan-Malaysia leadership to counter the Saudi-led OIC.
- **India should be prepared for this new face-off at the UN** because the US will be less interested in these affairs for some time as US elections are around the corner.

### Way forward

- India needs to cultivate countries like Australia, Vietnam and Japan in the Indo-Pacific neighbourhood to tackle this new challenge, although its traditional allies in Europe will help.

### 18. Chinese strategy towards India

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

**Syllabus:** GS-2- International Relations

**Context:** In the standoff with China, India has two choices: either walk into the trap that has been laid or learns from the 1962 event.

#### Tensions at Indo-china border

- The **tensions along the Line of Actual Control (LAC)** are refusing to die down, despite the military and diplomatic-level talks.
- It is the **most serious situation” along the India-China border “after 1962”**.

#### What led to the war?

- In 1950s, **India accepted Chinese sovereignty over Tibet and signed an agreement with Peking over trade with Tibet.**
- In return it expected that **China would respect its given boundaries - the McMahon Line in the east and the frontier (based on the 1842 Tibet-Kashmir agreement) in the west.**
- **The first setback** to this position was **the Longju incident.** Within two months, an Indian police patrol team in Kongla Pass in Ladakh came under Chinese attack.
- **India’s proposal:** Indian prime minister asked Chinese troops to withdraw from Longju in return for an assurance from India not to reoccupy the area. He also proposed that both sides pull back from the disputed Aksai Chin, where China had already built (unilaterally) a strategic highway.
- **China’s proposal:** Chinese were ready to recognize the McMahon Line in the east in return for India’s recognition of Chinese sovereignty over Aksai Chin.
  - India rejected the Chinese offer because it would mean India abandoning its legitimate claims over Aksai Chin.
- After **the collapse of the Nehru-Zhou Enlai [Chou en Lai] talks in 1960** in Delhi, tensions escalated fast and China intensified patrolling along the border.
- In November 1961, Nehru ordered his **Forward Policy as part of which India set up patrol posts along the LAC.**
- India’s move was seen as provocation in Beijing and **Mao Zedong ordered the invasion in October 1962.**

#### How is the current border situation different yet similar in some ways?

- The overall current situation is different but the border conflict looks similar to what it was in the late 1950s and early 1960s.
  - **The boundary has still not been enclosed and fixed;**
  - China has not recognized the McMahon Line and India has not accepted China’s control over Aksai Chin.
- **Ceasefire which was maintained since 1988 has now been disrupted** with China first moving to block Indian patrolling in the Finger area of Pangong Tso and the Galwan Valley in eastern Ladakh during the summer.
- **India made a forward move on the southern banks of Pangong Tso last month, similar to the Forward Policy in 1961,** taking over the heights of the Kailash Range.



## 9 PM Compilation for the Month of September (Second week), 2020

- When the Forward Policy was ordered, the aim was to secure the vast border and prevent further incursions. Now, **despite the experience of 1962, India appears to be taking a calculated risk by making forward movements.**

### What are china's strategic policies?

- **“Unity and struggle” policy:** Mao had taken up this policy post 1962 war. It meant laying emphasis on unity with India on mutually agreeable matters while continuing the struggle over the border issue.
- **China's strategic dominance:** The strategy which would yield positive outcomes, irrespective of the strategies of the rival player. China saw itself as the most powerful force in Asia as Japan had been devastated by the war.

### Understanding China's moves

China considers that it has arrived on **the global stage as a military and economic superpower.**

- **The COVID-19 outbreak has injured China's economy,** but it is recovering fast. **India, on the other side, is in a prisoner's problem on how to tackle China.**
- India is a big, rising power, but is going through **short-term challenges.**
  - India's economy is weak right now.
  - Its geopolitical standing in the neighborhood is not at its best.
- India has cautiously moved toward the United States but still, **there is no guarantee that it would discourage China or if the U.S. would come to India's help in the event of a war.**
  - China believes that it can play **the game of strategic dominance once again.**

### Way forward

If India plays it on China's terms, there will be war and so India should learn from its past experience of 1962 and cautiously find a way to tackle with china.

# General Studies Paper - 3

## General Studies - 3

---

### 1. Regional Conversation series on Building Back Better

Source- [The Hindu](#)

Syllabus- **GS 3**- Disaster and disaster management

**Context**- To commemorate the 75th anniversary of the United Nations, the Economic and Social Commission for Asia and the Pacific (ESCAP) has launched the Regional Conversation Series on Building Back Better.

#### **Socio-economic impact of COVID-19**

**Uncertain Economy**- Countries in Asia and the Pacific have been experiencing sharp drops in foreign exchange inflows due to declines in export earnings, remittances, tourism and FDI. With continued lockdown measures and restricted borders, economic recovery seems uncertain.

#### **Comprehensive financing strategy to safeguard the Sustainable Development Goals-**

- To address the challenge of diminished fiscal space and debt vulnerability
- To ensure sustainable recovery
- Regional cooperation

#### **Measures to achieve Sustainable Development Goals by ESCAP**

**Regional Conversation series on Building Back Better** - United Nation Economic and Social Commission for Asia and the Pacific (ESCAP) has launched a large-scale, coordinated and comprehensive multilateral response to the COVID-19 emergency.

- **Building Back Better** - An approach to post-disaster recovery that reduces vulnerability to future disasters and builds community resilience to address physical, social, environmental, and economic vulnerabilities and shocks.
- **Parent organization** - United Nations Economic and Social Council.

#### **Regional conversation in the series has following components-**

- **Improving Fiscal space** - Central banks can continue to keep the balance of supporting the economy and maintaining financial stability with tax reforms and improving debt management capacities.
- **Environment Sustainability**- The aim is to enhance international cooperation to attain clean air. The policy paradigm must mainstream affordable, accessible and green infrastructure standards, while promoting social equality and environmental sustainability principles.
- **Regional Cooperation**- Regionally coordinated financing policies can restart trade, reorganize supply chains and revitalize sustainable tourism in a safe manner. Governments must pool financial resources to create regional investment funds.
- **Accelerating Digital Connectivity and Leveraging Innovation** - Pathways to digital inclusion and innovation drawing from the perspectives of a wide range of stakeholders.
- **Facilitating more MSME's** - Addressing the impact of the crisis and mitigating its implications require focused **support for micro, small and medium enterprises** and the informal economy.

#### **Way forward-**

Regional and sub-regional financial institutions and capacities should be harnessed to complement other financial sources. Existing institutional cooperation arrangements should be reformed and strengthened to enhance societal well-being and economic resilience of future pandemics and crises.

## 2. India's Tax Charter

Source: [Indian Express](#)

Syllabus: GS3: issues relating to Planning, Mobilization of Resources

Context: In the wake of pandemic and slowdown in the economy, tax system needs efficiency in case selection and consistency in assessment.

### Need of efficient tax system:

- **To improve tax collection:** An economic contraction this year will deal a severe blow to tax collections.
- **Rising uncertainty and reducing ability to pay:** With a shrinking tax base, any calibration of rates or the tax base is difficult since a hurried approach can have wider consequences.
- **Limited policy space:** the only tool available to the government to maintain its tax base is to urge voluntary compliance.
- **To increase compliance:** compliance is achieved through a fine balance between enforcement and encouragement. Compliance is also a function of the perception of the administration.
- **Enforcement-driven measures are less effective:** the taxpaying population has remained at a fraction (6 per cent) of the total population even after strict enforcement driven measures.
- **To encourage people:** complexity can discourage individuals from filing returns. For instance, complexity is reflected simply in the difference between the number of taxpayers and the returns filed — the former exceeds that latter by around 20 million.
- **To Build trust between the administration and the taxpayer:** the government has announced measures to usher in transparency in the system. This includes a **taxpayer's charter and faceless assessments.**

#### Taxpayer's charter:

- Countries such as the UK and Canada had introduced a charter in the 1980s, while India earlier only had a citizen's charter.
- The charter is a document that lists a taxpayer's rights and obligations. However, charter cannot be enforced, unless backed by legislation.

- **India's new charter includes:**
  - **Confidentiality, right to representation and fair treatment which** are in line with global practices.
  - India's citizen charter also specifies timelines for completion of different administrative processes.
- India's charter conveys a commitment to reducing compliance costs in administering tax legislation, holding its authorities accountable and publishing a periodic report of service standards.
- To end personal interface, e-assessment was introduced in 2019, wherein a taxpayer could digitally respond to any query related to their return.
- **Faceless assessment:** It seeks to automate the case selection and the distribution function of the assessing officer — assessment, scrutiny and drafting order — among various units located outside the jurisdiction of the taxpayer which will reduce corruption and delays.
  - This does not apply to search and seizure cases, and cases related to tax evasion and international taxation.

**Concerns:**

- **Poor Dispute resolution leading to poor success rate:** There is evidence of inconsistent and delayed decisions often culminating in the poor success rate of the tax department at various levels of dispute.
- Tax returns can be voluminous and the information contained therein can be unique. Therefore, taxpayers must ideally have an opportunity to explain their case in person.

**Way forward:**

- It is critical that the details of tax charter are spelt out concerning how these may be implemented in practice. There is urgent need of swift coordination for the implementation of the tax Charter.
- A tax ombudsman is needed to ensure that some of these standards are met.
- **Fair and impartial system and a time-bound resolution of matters:** the new processes, with reviews and anonymity, must ensure efficiency in case selection and consistency in assessment.

**3. Indian economic recovery - Unlock phases**

**Source-** [The Indian Express](#), [The Indian Express](#)

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

**Context-** India's economy shrank nearly 24 percent in first [April-June] quarter of 2020, the most drastic fall in decades.

**Reasons for GDP contraction**

- **Draconian lockdown-** India had the most intense lockdown starting from March 25, resulting in the unprecedented suspension of economic activity in the first quarter of this fiscal year.
- **Parsimonious fiscal response-** Fiscal response of the free food, subsidized credit and a handful of transfers to the most vulnerable not only limited the contribution of government spending to the economy, but was also insufficient to offset the drag caused by households and firms scaling back consumption and investment.
- **Low growth rate in consumption, investment and export** - GDP is contracted because Private consumption, investments by businesses and Import which account for over 88% of Indian total GDP, saw a massive contraction.

**Advantages of early lockdown-**

- Slowed down the spread of the virus to provide extra time to resist.
- Provided extra time to ramp up the health and testing infrastructure.
- Lower death count as compared to other affected countries.

**Figure regarding GDP decline due to COVID-19, economics green shoot and recovering economy in unlock phase-**

**Figure 1-**

- GDP being 23.9 per cent lower was primarily due to the pandemic-induced lockdown.
- India's death per lakh is an order of magnitude is lower.
- India's humane economic policy based on the principle that while GDP growth will recover but human lives that are lost cannot be brought back.

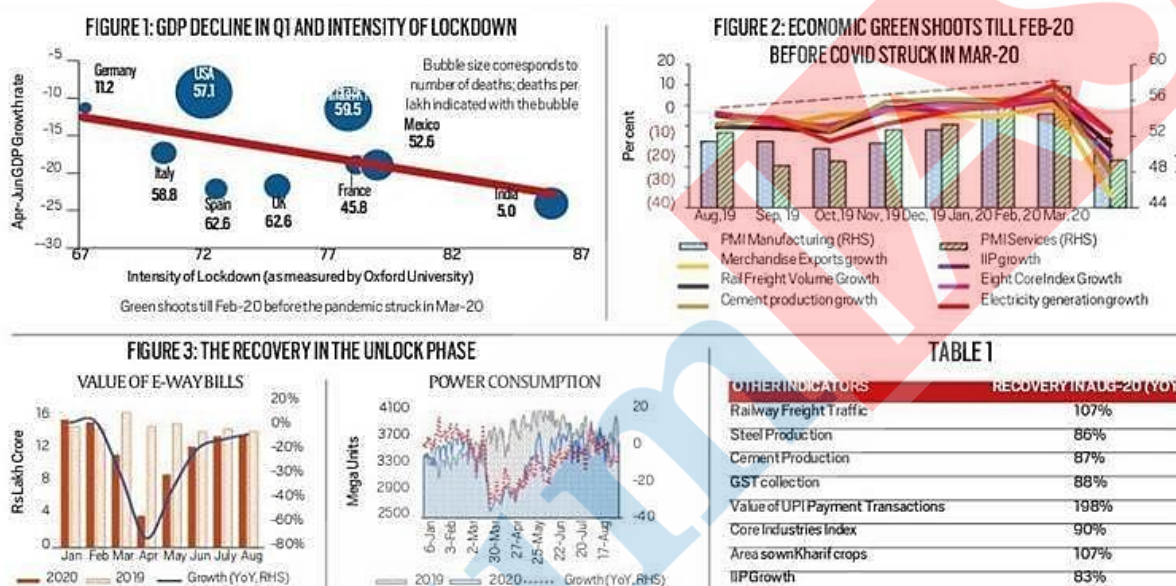
## 9 PM Compilation for the Month of September (Second week), 2020

**Figure 2-**

- The green shoots before the pandemic display that the government's policy thrust since July 2019 was having the desired impact.
- The services sector has been most affected by the need for social distancing and the lockdown.
- The purchasing managers index (PMI), had trended up sharply with Services PMI registering the best growth by February before dropping precipitously below 50 per cent in March.

**Figure 3 and table 1-**

- The V-shaped recovery in these indicators suggests that the government's measures are enabling a recovery in the unlock phase.



### Different Phases to return to normalcy-

- 1. Gradual unlocking** - Gradual process of unlocking, with supply-chain normalization and pent-up demand resulting in faster sequential momentum.
- 2. Exiting from the lockdown**- The post-lockdown pent-up demand typically fades, while operations plateau below the pre-pandemic levels
- 3. Exit path from the pandemic**- Going back to pre-pandemic levels either through the flattening of the curve, the emergence of vaccines or the development of herd immunity.
- 4. Post-pandemic new normal** - Fourth phase in which potential growth settles lower

### Way forward-

Coordinated fiscal and monetary policies are required to finance higher deficits. The RBI has focused on support via liquidity in secondary markets and other regulatory measures to bring yields down, flatten the yield curve, and incentivize banks to buy more government paper. Debt monetization, as Indonesia has already done, might be the second round of defence in coming months.

### 4. Complex Naga conflict

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

**Syllabus: GS3:** Linkages between Development and Spread of Extremism, Role of External State and Non-state Actors in creating challenges to Internal Security

**GS1:** Social Empowerment, Communalism, Regionalism & Secularism

**Context:** North east is strategically significant but it has largely remained marginal in the country's popular imagination as well as mainstream politics.

**Current scenario:**

- The region has witnessed multiple crises including bloody insurgencies.
- It lacks the emotional resonance of the Kashmir conflict due to geographical, cultural, and ethnic factors.
- Naga insurgency: culture of extortion and the collapse of general law and order situation in Nagaland.
- Organised armed gangs run their own parallel 'tax collection' regimes. Extortions in the name of taxes have been a thorny facet of the Naga issue.
- The 'taxes' levied by insurgent groups are intertwined in almost all developmental activities in Nagaland that any serious discussion of the issue has been conveniently avoided

**Features of Naga insurgency:**

- The Naga insurgency has defied a lasting solution due to
  - Politics of sub-nationalism.
  - complexities of regional geopolitics.
  - Evolving dynamics of counterinsurgency tactics,
- It is an extraordinarily complicated conflict whose management has involved a mix of violent response and bargaining.
- The current peace talks and resolution efforts only testifies the intractable nature of the conflict.
- The major aims of the NSCN-IM has been to acquire formal recognition to this informal practice of taxation and violence through negotiations.

**Reasons for continuation of Naga insurgency:**

- **Safe havens:** Naga insurgents were provided with 'safe haven' in Myanmar. China and Pakistan also provided them with vital external support at one point of time.
- **Multiple stakeholders:**
  - Government led talks are not negotiating table alone where various issues pertaining to the Naga problem are being discussed and addressed. The politics of its 'resolution' is taking place at multiple sites.
  - Various types of political systems are found among the Nagas—ranging from the pure democracy of the Angami to the autocratic rule of the Ahngs (tribal chiefs) of the Konyaks, from the gerontocracy (Tatar) of the Aos to the semi-republics of the Zeliangrongs.
  - The NSCN split into several factions, the Centre entered into peace negotiations with almost each of them.

**Peace efforts made:**

- A major accommodative tactic in the form of statehood to Nagaland in 1963 was not successful.
- **Shillong Accord (1975):** The Naga National Council (NNC) leadership agreed to give up arms. Its unacceptance by several sections led to the split of NNC, whose offspring was the National Socialist Council of Nagalim (NSCN).
- **The NNC Ceasefire Agreement (1997):** The NSCN-IM signed a ceasefire agreement with the government to stop attacks on Indian armed forces. In return, the government would stop all counter-insurgency offensive operations.

## 9 PM Compilation for the Month of September (Second week), 2020

- **Framework Agreement (2015) with NSCN (IM):** In this agreement, the Government of India recognised the unique history, culture and position of the Nagas and their sentiments and aspirations.

### Underlying issues:

- **Outcome of these ‘ceasefires’:** Creation and existence of unspoken ‘spheres of influence’.
- After framework agreement with NSCN (IM), Centre realised that privileging one insurgent group could eventually **distort the contours of the final peace accord.**
- **Non-inclusion of all Naga groups:** the NSCN- Khaplang, whose cadres are reported to be inside Myanmar, is still outside the formal process. Government subsequently enlarged the peace process by roping in seven other Naga insurgent groups under the umbrella of **Naga National Political Groups (NNPG).**
- NSCN (I-M) is opposed to the treatment of the Naga issue as a ‘law and order’ problem.
- **Varying interpretation of ‘sovereignty’:** Naga demand for a separate flag and a ‘constitution’ has been a key hindrance in building trust among the parties.
- **Disturbing regional peace through mobilisation of the Naga population:** Naga’s demand of Nagalim includes various parts of Arunachal Pradesh, Manipur, Assam and Myanmar as well.
- **Proliferation of weapons:** As a ‘ceasefire’ group, its cadres are supposed to retain their weapons inside the designated camps for self-defence only, but many influential cadres are seen moving with weapons in civilian localities.
- **Trust deficit:** NSCN (I-M) has alleged that the interlocutor has subtly manipulated the framework agreement.

The Centre must keep in mind that most of the armed insurgencies across the world do not end in either total victory or comprehensive defeat, but in a **grey zone called ‘compromise’.**

### 5. Consolidation of land holdings

Source: [Indian Express](#)

Syllabus: Gs3: Land Reforms in India

**Context:** In the last three decades, the issue of land and consequently land reforms was an important topic.

#### The elements of land reforms:

- The abolition of intermediaries.
- Regulation and stability of the tenurial system
- Ceiling on land holding.
- Consolidation of land holdings.

#### Background of land reforms:

- After Independence, **compulsory consolidation** was replaced by voluntary consolidation in almost all states. However, considering its utility, the **National Commission of Agriculture** recommended that consolidation schemes should be made compulsory across the country.
- **Land consolidation:**
  - As much as 120 lakh Ha had been consolidated by the end of the Fourth Plan, while 440 lakh Ha of land was consolidated by the end of the Fifth Plan.



## 9 PM Compilation for the Month of September (Second week), 2020

- Punjab and Haryana have almost completed the work of consolidation of landholdings.
- The Sixth Five Year Plan had targeted the completion of consolidation in 10 years. During its period, only 64.75 lakh hectare of land was consolidated. Progress was not uniform across the states.
- Rajasthan, Andhra Pradesh, Kerala and Tamil Nadu and other southern states have not even begun the task.
- Now, structure and composition of the economy changed, the importance of agriculture and consequently of land-related matters went down.
- In the last 15 years, land acquisition and computerisation of land records have become more important issue than land reforms.

### Current scenario:

- **Farmer crisis:** for instance, Rural debt waivers, farmers' agitations, farmers' suicides, migration and reverse migration in the wake of COVID-19.
- **Fragmentation of land:** The average holding size in 1970-71 was 2.28 hectares (Ha), which has come down to 1.08 Ha in 2015-16. The holdings are much smaller in densely populated states like Bihar, West Bengal and Kerala.
- **Uneven and skewed distribution:** Nagaland has the largest average farm size, Punjab and Haryana rank second and third respectively.
- **Rise in number of holdings:** the number of holdings is rising at almost the same pace as the population. These holdings are not in one chunk but in multiple sub-parcels located at different places in a village.

### Implications:

- **Poor investment:** fragmentation of land leaves no incentive for the farmer to invest in the farm land due to lack of productivity.
- **Subsistence farming:** Farmers are unable to raise plantations because the size is not substantial for them to invest in ancillary works like drip or appoint a caretaker.
- **Difficult to dispose of such fragmented land:** As there are number of landholders, that's why buyers do find it attractive to buy. It is difficult to deal with so many landholders and to arrange necessary infrastructure like road, water supply and electricity.
- Fragmentation of land and difficulty in disposing of such land leads to poor investment in rural areas.

### Significance of land consolidation:

- It helps farmers to make investments, enabled roads and irrigation channels to be laid.
- Reduced litigation.
- Allows farmers to formalise informal partitions
- Reduced inequity in landholdings to some extent.
- Enhance farmer's autonomy.
- Increased production and productivity.
- Promote rural investment.

### Way forward:

- Non-farm sector employment contributes about 60 per cent to the household income in rural areas. Therefore, policies conducive for the promotion of sectors such as small industries, education, health and other service enterprises need to be made.

Created with love ❤️ by ForumIAS- the knowledge network for civil services.  
Visit [academy.forumias.com](https://academy.forumias.com) for our mentor-based courses.

- **Encourage land consolidation:** consolidated holdings would make it easy for the government or private enterprises to acquire land, and for public agencies to lay the road, pipeline or electric supply.
- **Land leasing:** It is also proposed by NITI ayog. It should be adopted on a large scale to enable landholders with unviable holdings to lease out land for investment, thereby enabling greater income and employment generation in rural areas.
- **Promote use of technology:** information technology, drone technology, and land record digitisation can be used to consolidate land.

## 6. RBI-Government Tango

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

**Syllabus: GS3:** Indian Economy and issues relating to Planning, Mobilization of Resources, Growth, Development and Employment.

**Context:** In the wake of pandemic there is need of Coordinated inequilibrium strategy between RBI and govt as most effective policy response.

**More on news:**

- As the pandemic continues to ravage India, there is renewed discussion in policy circles on kick-starting the economy.
- There is a clear divide on when to unleash the second round of policy support.

**Need of policy inequilibrium:** India's recovery during 1957 shows that a coordinated in equilibrium strategy between the RBI and the government is the most effective policy response in the current pandemic.

**Options available:**

- Both the government and the RBI have two options between them — either a contraction or an expansion.
- Four policy options that can result in a **Nash Equilibrium**. A Nash equilibrium occurs when neither the government nor the RBI can increase its payoff by unilaterally changing its action.
- **There are four options:**
  - A fiscal policy expansion and a monetary policy contraction.
  - A fiscal policy expansion and monetary policy expansion.
  - A fiscal policy contraction and a monetary policy contraction.
  - A fiscal policy contraction and a monetary policy expansion.

**The payoff scenarios:**

- The government is assumed to favour an **expansionary policy** and gets maximum payoffs from a fiscal expansion, either with monetary expansion or contraction (the payoff is obviously maximum when the RBI also expands).
- The monetary authority (RBI) ideally wants to **contract the economy** to fight inflation and gets maximum payoffs from a monetary contraction, either with a fiscal contraction or expansion (the payoff is obviously maximum when government also contracts).

**What needs to be done:**

- **Echoing “procedural rationality”:** To promote fiscal expansion and a monetary expansion is the desirable outcome.
  - **“procedural rationality”:** the current pandemic is resulting in behavioural changes of individuals in terms of risk-taking. In the Indian context too,

## 9 PM Compilation for the Month of September (Second week), 2020

there is a massive jump in health insurance in the current fiscal, indicating behavioural changes in terms of risk-taking. In FY20, the behavioural change was to build up retirement products as households deleveraged.

- People are now preferring small and medium size compact cars to avoid public transport.
- For instance, many of the current companies were also born during the financial crisis, like Uber (2009), Microsoft (1975), Disney (1923), General Motors (1908) and General Electric (1890).
- **Effective communication by both the RBI and the government:** Government should manage market expectations with coordinated communication and leave matters of financing the fiscal deficit, through measures like monetisation, to the RBI.

### 7. The twisted track of Bt cotton

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

**Syllabus- GS 3-** Major crops-cropping patterns in various parts of the country

**Context-** The benefits of Bt cotton have been modest and short-lived.

#### History of Cotton

- **Origin-** Cotton fabric from around 3,000 BCE has been excavated from the ruins of Mohenjo-daro, and archaeological findings in Mehrgarh, Pakistan, show that cotton was used in the subcontinent as far back as 5,000 BCE.
- **Domination in world trade-** Indian cotton fabrics dominated the world trade during the succeeding millennia and were exported to many places, including Greece, Rome, Persia, Egypt, Assyria and parts of Asia.

#### Indigenous Varieties that have been lost

- **Desi cotton-** Much of the cotton cultivated until the 20th century was of the indigenous 'desi' variety, **Gossypium arboreum**.
- **Hybrid cotton-** From the 1990s, hybrid varieties of **G. hirsutum** were promoted. These hybrids cannot resist a variety of local pests and require more fertilizers and pesticides.
- **Damage due to infestation-** Cotton suffers from plenty of infestation from **moth pests** (Lepidopteran) such as the **Pink Bollworm (PBW)** and **sap-sucking** (Hemipteran) pests such as **aphids and mealy bugs**.
- **Man-made resistant pests-** The increasing use of synthetic pyrethroids (group of man-made pesticides) to control pests and the rising acreage under the American long-duration cotton led to the emergence of resistant pests. Resistant Pink and even American Bollworm (ABW), a minor pest in the past, began increasing, leading to a growing use of a variety of pesticides.
- **BT Cotton-** In 2002 genetically modified (GM) cotton, the plant containing the pesticide gene from the bacteria *Bacillus thuringiensis* (BT), has been grown in India. This pesticide ought to protect the plant from bollworm. Thus, increasing yields and reducing insecticide spraying on the cotton plant.

Thus, with the increasing pressure to buy hybrid seeds, the indigenous varieties have lost out over the years. Rising debts and reducing yields, coupled with increasing insect resistance, worsened the plight of cotton farmers.

#### The use of BT cotton-

1. **Maharashtra-** Yields climbed in the decade after 2000, with no change in the rate of increase when Bt cotton was introduced.

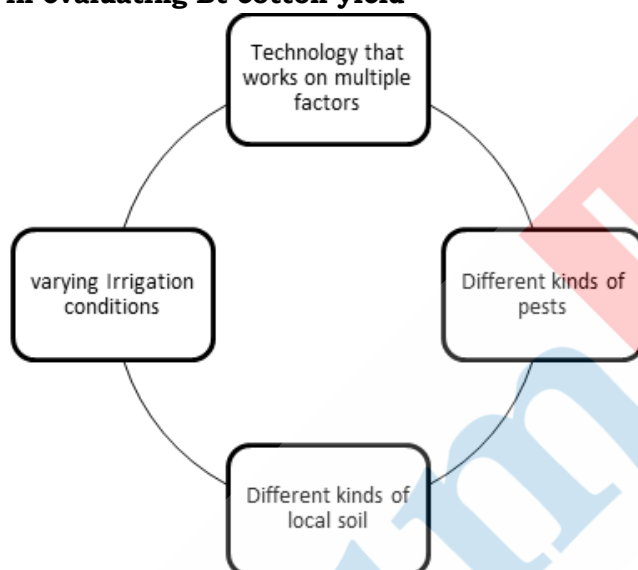
**2. Punjab, Haryana and Rajasthan-** Yield increase in inappropriate with the spread of Bt cotton.

**3. Gujarat, Andhra Pradesh and Madhya Pradesh-**

- There are no correlation between the adoption of the variety and increase in yields. For instance- Gujarat's surge in cotton yields was 138% in 2003, even as Bt cotton was used only for 5% of land under cotton.
- However, in Gujarat due to improvement in irrigation rise in cotton yields was observed as from 98 kg/ ha in 2003 to 224 kg/ha in 2013.

Thus, there is a strong correlation between the rise in use of fertilizers in individual states and yields, and this bias increases when it is combined with improvements in irrigation.

#### Challenges in evaluating Bt cotton yield



#### Way Forward

India should yield 'desi' varieties as they resist many pests and don't present the problems faced with hybrids. With the pure- line cotton varieties, high density planting and short season plants, cotton yields can be good and stand a better chance at withstanding the vagaries of climate change. Also government should make policies regarding backing for resources, infrastructure and seeds to scale up 'desi' varieties.

#### 8. Aatmanirbhar bharat in toy making

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

Gs3: Changes in Industrial Policy and their Effects on Industrial Growth

**Context:** Prime Minister Narendra Modi wants India to attain 'aatmanirbharta' in Toy manufacturing sector and called upon the country to become a global toy hub.

#### Need:

##### Famous Indian toy making centre

- **Chennapatna – Bengaluru**
- **Chitrakoot - Uttar Pradesh**
- **Kondapalli - Andhra Pradesh**

## 9 PM Compilation for the Month of September (Second week), 2020

- **High Domestic demand:** India is home to 25 per cent of world's children aged between 0 and 12 years.
- **Inherent capacity:** India possess a rich history and culture in the field of toy making.
- **Economic value:** India's share in the global toy is just 0.5 per cent (\$500 million) whereas real market, estimation stood at \$90 billion.
- **Reduce import dependence:** 80 per cent of the toys sold in India are imported from China.
- **Labour intensive:** It offers large-scale employment to semi-skilled/unskilled workers and, especially, women.

### China's Story-the toy supplier to the world

**Infrastructure:** Huge factories were built that can employ as many as 30,000 workers.

**Flexible labour laws:** Workers were paid on an hourly or per piece basis.

#### **Result:**

- Produced huge volumes which reduced the cost of production.
- Now, China manufactures almost 70 per cent of all the toys sold globally.

### **Challenges in Toy making Industry**

- **Seasonal:** Shelf life of a toy is limited. **For example**, a Transformer Toy sells good during the movie releases and slows down soon thereafter.
- **Inflexible Labour laws:** Indian laws do not permit recruitment or retrenchment based on demand thereby reducing the potential of the firms to grow big.
- **Small firms:** Hamper the advantage of economies of scale make it less attractive in market.
- **Shying away by big players:** Unfriendly business laws prevented large corporate player to emerge in the sector.
- **Inefficient supply chain:** Owing to fragmented nature of the sector.
- **Input Dependence:** Every time a new toy is to be made it needs different tooling but tooling in India is costly leading to over dependence on China.

#### **Way forward:**

- **Flexible labour laws:** Government should allow companies to hire and retrench employees based on demand and to protect workers the government can fix minimum wages.
- **Labour pooling:** It can allow women to work at night with adequate safeguards.
- **Leveraging technology:** The domestic toy sector needs to tap into India's expertise in information technology to offer games that capture the imagination of the children.
- **Ensure quality:** A large-scale skilling programme is key to ensure of global quality
- **Branding:** Producing toys in an eco-friendly manner will help Indian toy making industries to command a premium for their toys

## 9 PM Compilation for the Month of September (Second week), 2020

The ₹5,000-crore **toy cluster at Koppal** in Karnataka is a step in the right direction. For India to become a toy hub, the government needs to create large scale special economic zones focussed on toys with plug-and-play infrastructure.

### 9. GST council meeting

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

**Syllabus-** GS 3- Government Budgeting

**Context-** Union Finance Minister, after the 41st GST Council meeting, proposed two options to states to resolve the issue of compensation cess shortfall under the GST regime.

#### Distinction in shortfall

1. **Pending payment-** GST compensation payments to states have been pending since April, with the pending amount for April-July estimated at Rs 1.5 lakh crore.
2. **GST revenue gap** - The GST compensation requirement is estimated to be around Rs 3 lakh crore this year, while the cess collection is expected to be around Rs 65,000 crore – an estimated compensation shortfall of Rs 2.35 lakh crore

#### GST [Compensation to States] Act, 2017

- States are guaranteed compensation for loss of revenue on account of implementation of GST for a transition period of five years (2017-22).
- The compensation is calculated based on the difference between the states' current GST revenue and the protected revenue after estimating an annualized 14% growth rate from the base year of 2015-16.

#### Outcome of the 8th GST council meeting

- In case the amount in the GST Compensation Fund fell short of the compensation payable, the GST Council shall decide the mode of raising additional resources (including borrowing from the market). It could be repaid by collection of cess in the sixth year or further subsequent years.

#### Challenges for the Centre

- **Borrowing challenge-**
- **Hike in interest rate-** Borrowings by the Centre would push up the bond yield rates, which in turn would push up the bond yield of the states setting off a spiral leading to hike in the interest rates for businesses and individuals.
- **Borrowing limit** -The Centre has already breached the budgeted borrowing limits for the current year in the first four months.
- **According to Attorney general statement-** Compensation gap cannot be bridged using the Consolidated Fund of India [CFI].

#### Options made by the Centre

##### Option 1 –

- To provide a special borrowing window to states, in consultation with the RBI, to provide Rs 97,000 crore at a “reasonable” interest rate and this money can then be repaid after 5 years by extending cess collection.
- A 0.5 percent relaxation in the borrowing limit under the Fiscal Responsibility and Budget Management [FRBM] Act would be provided.

##### Option 2-

- To meet the entire GST compensation gap of Rs 2.35 lakh crore this year itself after consulting with the RBI.

## 9 PM Compilation for the Month of September (Second week), 2020

- No Fiscal Responsibility and Budget Management Act relaxation has been mentioned for this option.

### Possible solution-

1. **Low borrowing rate for the States-** The single window under option-1 being arranged by the Centre and the entire debt being serviced from future cess receipts will ensure that the cost remains close to the G-sec rate.
2. **Attorney General suggestion-** Compensation cess levy can be extended beyond 5 years, to meet the shortfall.

### Way forward

Center needs to renege on its promise to find ways to compensate the state for loss of revenue. States should come forward and work with the Centre in the true spirit of cooperative federalism that the Council has come to be known for these past few years.