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7 PM COMPILATION

1st to 15th March, 2023

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Centre-State relations and Punchhi Commission – Explained, pointwise

Introduction

Recently, the government's reply to an unstarred question revealed that the Union Ministry of Home Affairs (MHA) has decided to start the process of seeking the states' comments on the Punchhi Commission's report on Centre-state relations. This is to obtain updated comments of the State Governments/ UT Administrations on the recommendations.

About Punchhi Commission

India's federalism has been shaped by the complex interactions between the political actors at the Centre and the state level. Sarkaria Committee and the Punchhi Commission were the most important commissions established to reduce the government's complexity and streamline its operations.

In April 2007, the government set up a three-person commission led by former Chief Justice of India M.M. Punchhi to look at the roles and responsibilities of different levels of government and how they work together. In 2010, this group submitted its report to the then-Home Minister.

What is the reason behind the non-implementation of the recommendations of Punchhi Commission on Centre-State relations?

The central government wants to implement the recommendations, but before that, it wants to develop consensus among the states. The standing committee of the Inter-State Council(ISC) met three times in 2017 and once in 2018 to talk about the Punchhi commission's suggestions.

The recommendations of the Standing Committee were finalized in the two meetings. But, the Centre has now decided to go back to the states for another round of feedback on the report. Hence, the implementation will be delayed further.

What are the challenges at present in Centre-State relations?

Political federalism:

- The **Inter-State Council** has met only once in the last seven years, while the **National Development Council** has not met at all.
- The constitutional **office of the governor** has come under scrutiny several times for encroaching on the powers of state executive and legislature.
- Many **important and politically sensitive decisions** are taken without reference to, and consultation with, the concerned states. For instance,
  - **Article 370** was removed without consulting the state legislature.
  - **Parliament legislated on "agriculture"**, entry no. 14 in the state list, to enact the three contentious farm laws, overstepping its jurisdiction and imposing a law on the states.
  - The **BSF's jurisdiction was extended** in Assam, West Bengal and Punjab without any consultation with the concerned states.
  - The **New Education Policy** has been flagged as encroaching on the federal nature of the polity.
  - Students in Tamil Nadu have committed suicide over the discriminatory nature of the **NEET examination**. Other centralised examinations are also indifferent to languages spoken in different parts of India and education boards of different states.
  - Recently, the **rejection of the Republic Day tableaux** of Kerala, Tamil Nadu and West Bengal by the Centre prompted protests by the respective states.

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> **Must Read: Issues Related to the Office of Governor – Explained, pointwise**

Economic federalism:

1. **Revenue sharing concern**: When it comes to sharing revenue, the states are upset with the Center. In an effort to provide economic relief and fulfil the GST shortfall, the Centre announced in 2020 two alternatives for borrowing to be returned through an extension of the compensation cess beyond June 2022. Some states agreed to look at the ideas, but others didn't want to "borrow from the market at a higher interest rate.

2. **Vertical and horizontal revenue imbalances**: Two main challenges in the fiscal transfer system pertain to tackling the vertical (transfer of Union taxes to states) and horizontal (distribution between countries) imbalances. So far, the share of the states emanating from the combined revenues has remained more or less stable, thus taking care of the vertical balance. As far as horizontal balance is concerned, some Finance Commissions have addressed the issue of equalisation.

3. **GST concern**: The GST has already taken away much of the autonomy available to states and has made the country's indirect tax regime unitary in nature.

4. The **tenure of the 15th Finance Commission** was mired in controversy, and many states expressed apprehensions about devolution.

5. **NITI Aayog witnessed a boycott**: The recent meeting of the Governing Council of NITI Aayog witnessed a boycott and mounting criticism from some states.

Environmental federalism:

The **State Action Plans on Climate Change (SAPCCs)** have suffered from a lack of specificity in design and inadequate financial support from the Centre, and rank low among governance priorities in state capitals.

The Centre controls the major part of national revenue (in 2018-19 it raised 62.7% of the aggregate resources of the Centre and states) and plays a large normative role in defining state priorities, only the states can assess and respond to the political and physical implications of climate impacts and local energy transitions.

What are the major recommendations of the Punchhi Commission on Centre-State relations?
Issue related to Governor:

- **Appointment**: The appointment of the Governor must be done by a panel which among others also has the State Chief Minister.
- **Removal of Governor**: The doctrine of pleasure should end and should be deleted from the constitution. Governors should not be removed at the whim of the central government. Instead, a resolution by the state legislature should be there to remove Governor. There should be provisions for the impeachment of the Governor by the state legislature along the same lines as that of the President by Parliament.

On Inter-State Council (ISC): ISC needs to be "substantially strengthened. The council must meet at least thrice a year on an agenda evolved after proper consultation with states.

On economic federalism

- Handling the issues listed in the Finance Commission's terms of reference should be done between the Center and the States. The States should be involved in the Finance Commissions' work to come up with the final terms of the contract.

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- The commission was worried about the growing amount of money that was being made through **cesses and surcharges**. It was suggested that the Central Government look at all of the current cesses and surcharges to lower the amount they add to the total amount of taxes collected.
- The Finance Commission and the Planning Commission (now NITI Aayog) should work much closer together.

On environmental federalism:

The Punchhi Commission was formed before major climate initiatives like the Paris Agreement (COP 21), the Sustainable Development Goals (SDGs), etc. However, the committee has a dedicated volume on environmental, resource, and infrastructural issues related to federalism. For example:

- **On water sharing**: The National Water Resources Council needs to play a greater role in integrating policy and programmes on a continuous basis.
- **On forest**: A National Policy on 'Compensation' should be put together through consultation and consensus.
- **On mineral**: To determine royalty rates an independent statutory body comprising experts and representatives from Central, State, and industries and utilities need to be set up. The Central Government, if it differs from the recommendations or modifies them, would need to lay its reasons for the same, before Parliament.

What should be done to improve Centre-State Relations further?

Apart from implementing the recommendations of the Punchhi Commission recommendations,

The government should also work on **economic federalism** and a **coordinated reform process** at all levels of government to speed up growth, reduce poverty, get rid of inequality, and make sure that people develop. This will help make up for the disadvantages and problems that come with new and smaller states.

There is a **need to find a workable solution** by making big changes to the way resources are given out. The **Finance Commission's structure** can also be changed so that it has more members and advisory bodies.

The **GST Council's job could be expanded** so that it could talk about how resources should be used and make suggestions, even though these suggestions are not binding.

In China and Indonesia over the last 20 years, having a strong political centre was good for everything except the economy. China had to split up its economy and change how it handled money with the states. When it comes to how to handle economic issues with the states, India can learn from how a strong Union government runs a decentralised economy.

There is a **need to evolve institutional mechanisms** that will not only align resources, competencies, and capabilities of the governments at all levels but also engage civil society, non-governmental organizations (NGOs), and the private sector in the policymaking implementation process.

There is a need to **go beyond the concept of cooperative federalism and create a new federal architecture** for collaborative engagement of the appropriate levels and actors in the policy-making and implementation process.

Sources: **Indian Express**, **The Print**, **The Hindu**, **Economic Times**, **Research Gate**.

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Clean Energy Transition of States and their challenges – Explained, pointwise

Introduction

The Institute for Energy Economics and Financial Analysis (IEEFA) and Ember has recently released a report titled "**Indian States' Energy Transition**". The report highlighted the glaring inequality in the Clean Energy Transition of States. As per the report, Karnataka now has the best-equipped power systems to convert its electricity system from fossil-powered to renewable energy sources, followed by Andhra Pradesh and Gujarat. On the other hand, Bihar, Haryana, and Uttar Pradesh did the worst.
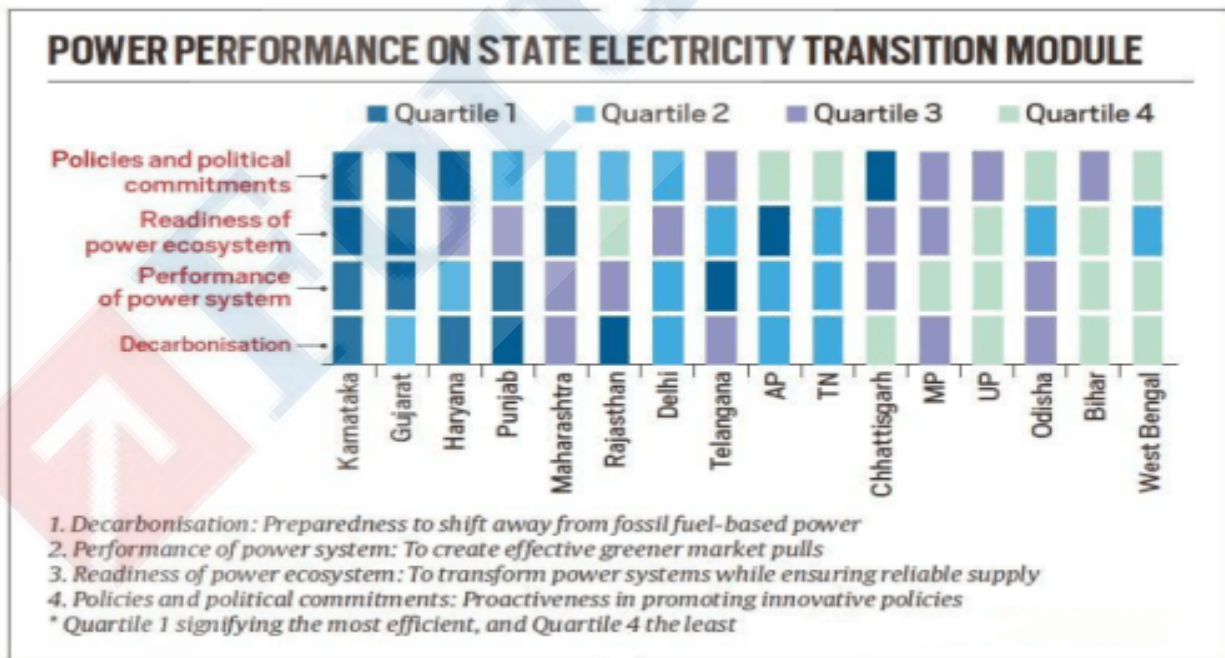
What is a clean electricity transition?

This refers to the shift from fossil-based power production and consumption to renewable energy sources by transforming the electricity sector through innovative policies, efficient technologies, and greener market pulls while ensuring reliable supply with effective closed-loop systems in place.

An effective clean electricity transition requires a timely switch towards a clean power-fuelled, economically feasible, politically viable, and secure system that can create value for business and society.

> **Must read: Energy Transition: Challenges and Solutions – Explained, pointwise**

What are the report's key highlights on the Clean Energy Transition of States?

The report analyses 16 states that account for 90 percent of India's yearly power demand. Their scores were calculated based on states' performance on four major dimensions. Such as Decarbonisation, Performance of the Power System, Readiness of the Power Ecosystem, and Policies and Political Commitments.

POWER PERFORMANCE ON STATE ELECTRICITY TRANSITION MODULE

■ Quartile 1   ■ Quartile 2   ■ Quartile 3   ■ Quartile 4

Rows: Policies and political commitments; Readiness of power ecosystem; Performance of power system; Decarbonisation

States: Karnataka, Gujarat, Haryana, Punjab, Maharashtra, Rajasthan, Delhi, Telangana, AP, TN, Chhattisgarh, MP, UP, Odisha, Bihar, West Bengal

1. *Decarbonisation: Preparedness to shift away from fossil fuel-based power*
2. *Performance of power system: To create effective greener market pulls*
3. *Readiness of power ecosystem: To transform power systems while ensuring reliable supply*
4. *Policies and political commitments: Proactiveness in promoting innovative policies*
* *Quartile 1 signifying the most efficient, and Quartile 4 the least*

Karnataka:

• Karnataka ranks first in all four dimensions of the clean energy transition.

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- The state fared the best in decarbonizing its power sector and has the highest share of renewables in its power supply mix (48%).

Only Delhi's power sector's emission intensity of GSDP is lower than that of Karnataka (2.2 kgCO2eq/Rs1,000).

Haryana has the lowest installed capacity of older, more polluting coal power plants.

Maharashtra:
- It has the biggest power demand in India and was found to be in the mid-range. This is mostly because the state is slow to use renewable energy and can't shut down older, more polluting coal power plants.
- Its renewable energy share (11%) is lower than most other states.

Chhattisgarh has the highest emissions intensity of GSDP (43 kgCO2eq/ Rs1,000). Its renewable energy share in the power supply mix (1%) is better than only Bihar.

Bihar, UP, and West Bengal:
- These states must work more to improve their clean energy transition performance.
- These states should maximize their renewable energy generation potential, and at the same time increase commitment to moving away from fossil fuels-based electricity.

What is the need for the Clean Energy Transition of states?

India's clean electricity transition requires all states and Union Territories to transform their power sectors. More specifically, **progress in states with high power demand** is not only crucial but also **urgent for India's power sector** to achieve a clean electricity transition.

The transition needs Indian states to work together and take the lead to fight the problems that make it hard to reach India's goals, such as fulfilling Nationally Determined Contribution (NDC), India's net-zero commitments, and the implementation of the ambitious climate action at the national level.

What are the challenges faced by states in their clean energy transition?

Under utilisation: Renewable energy-rich states are not utilizing their renewable energy generation potential. Potential hurdles, such as land conflict, technology upgrades, and lack of transmission infrastructure, could come in the way of the clean energy transition of states.

For instance, even the top performer Karnataka has utilized only 11% of its total renewable energy potential.

Ignoring other possibilities: While the states are focusing on large-scale renewable power projects, mainly utility-scale solar, they are ignoring other possibly viable options, such as rooftop solar, small hydel plants, etc.

Different priorities between the centre and states: The national (central) government and sub-national (state) governments in India often have different priorities with respect to the energy sector. For example,

The Centre's perspective is informed by macroeconomic stability, economic growth and geostrategic issues. On the other hand, states are driven more by local and state-level concerns. Further, the State's political-economic realities are affected by factors such as energy access, affordability, local jobs and economies.

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Energy Transition at the State Level and Fiscal Impact: Many coal-producing states naturally rely heavily on fossil fuels for revenues as they benefit from both coal-related royalties from mining but also tax revenues from sales of oil and natural gas.

The transition and its impact on the state's employment: As the country moves away from fossil fuels, there will be negative effects on jobs all along the value chain. This includes employment across mining, transport and storage, processing and manufacturing, and trade.

> **Read More**: India's Strategy for Net Zero – Explained, pointwise

What steps have been taken by the Indian states towards the clean energy transition?

Initiatives of the central government to facilitate clean energy transition of states

- **Intra-State Transmission System** – **Green Energy Corridor Phase-II** for laying the infrastructure for connecting electricity generated from renewables with the power grid in seven states. This scheme would receive 33% central financial assistance. This is crucial to create green market mechanisms for inter- and intra-state renewable energy trading.
- The scheme for **"Development of Solar Parks and Ultra Mega Solar Power Projects"** has a target of generating 40GW capacity by March 2024. So far, the central government has sanctioned 50 solar parks with a combined capacity of 33.82GW in 14 states.
- Progressive policies like net metering, banking of power and feeder segregation are implemented under the '**Kisan Urja Suraksha evam Utthaan Mahabhiyan Yojana (KUSUM)' scheme**.
- **The green day ahead market (GDAM)**: The Power Ministry has launched GDAM to enable India to achieve green targets and facilitate the integration and expansion of green energy in an efficient, competitive, sustainable, and transparent manner.
- The government has **permitted foreign direct investment up to 100 per cent under the automatic route** and has **wavered Inter-State Transmission System (ISTS) charges and losses** for the inter-State sale of solar and wind power for projects.
- Indian Renewable Energy Development Agency Ltd (IREDA), as of November 2020, has financed more than 2,700 renewable energy projects in India with cumulative loan disbursements to the tune of ₹ 57,000 crore.

Initiatives of state governments to facilitate clean energy transition

The **Interstate Clean Energy Procurement Program (ICEPP)** was launched in India by the U.S. Trade and Development Agency (USTDA). ICEPP will **help eight Indian states build up their clean energy infrastructure** by giving public procurement officials training on best value and life-cycle cost analysis. USTDA is funding ICEPP through its Global Procurement Initiative (GPI).

Various states also have many initiatives. Such as,

- **Rajasthan**: Rajasthan Wind Solar Hybrid Policy 2019 and Rajasthan Electric Vehicle Policy 2022 helped accelerate the capacity addition.
- **Karnataka**: It was the first southern state in India to notify a renewable energy policy, the Karnataka Renewable Energy Policy 2009-14 to harness green, clean, renewable energy sources for environmental benefits and energy security. Recently, the state released the Karnataka Renewable Energy Policy 2022-2027.
- **Tamil Nadu** has a dedicated solar energy policy 2019 and EV Policy 2019
- Several states have announced their EV Policy to complement the national scheme and to address state-specific needs.

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What should be done to ensure the clean energy transition of states?

In order to enhance the state's clean energy transition, the "Indian States' Energy Transition" report has recommended the following,

Focus on offshore wind energy: India has the potential to generate 140GW of electricity from offshore wind along its 7,600km coastline. However, there is a need to **develop local supply chain, logistics and port infrastructure** to utilise offshore wind's full potential.

Pay attention to coal plants: State energy departments need to closely monitor their coal plants and retire older plants, unless needed as peaker plants during high-demand months.

Increase green market participation of states: States need to focus on increasing participation in green market mechanisms like GDAM, GTAM, open access, corporate PPAs etc. In addition, states also need to focus on innovative bilateral financial markets mechanisms like Virtual Power Purchase Agreements (VPPA) and Contracts for Difference (CfD).

Introduce private sector participation: The introduction of private sector participation and competition shall bring more capital and management expertise into the electricity sector. This will help enhance operational efficiency, and increase accessibility and affordability.

Focus on feeder segregation: Reliable state-level data on feeder segregation needs to be made available for more robust analysis. States with large agriculture loads need to focus more on feeder segregation.

Develop a circular approach: States need to develop a holistic and circular approach towards handling solar panel, battery, and electric vehicle waste. This is even more crucial as India sets up new manufacturing units under the Atmanirbhar Bharat scheme.

The **other recommendations** include, **a)** Data transparency and availability at the state level needs an enhancement for robust analysis, **b)** Robust transmission infrastructure is necessary to better evacuate renewables at the state level, **c)** Initiatives like 'Time of Day tariff' and 'Direct Benefit Transfer' need more focus for state-level implementation in addition to regular tariff revisions by the state regulators.

India's Sustainable Development Goals | SDGs – Performance So Far – Explained, pointwise

Introduction

Recently, the Lancet journal published a report titled "Progress on Sustainable Development Goal Indicators in 707 districts of India: A quantitative mid-line assessment using the National Family Health Surveys, 2016 and 2021". The report has highlighted India's SDGs performance is not up to the mark and mentioned that India may not be able to achieve at least 19 of the United Nations Sustainable Development Goals by 2030.

What are SDGs?

The SDGs are a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. There is a total of 17 interlinked goals; interlinked because they recognize that action in one area will affect outcomes in others and that development must balance social, economic, and environmental sustainability.

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Source: UNDP

They were adopted by a **UN General Assembly Resolution** in September 2015 (Agenda 2030). Through the resolution, the global leaders pledged to set the world on a new trajectory to deliver meaningful progress for people and the planet through domestic actions in the next 15 years.

Must read: [Need for Public-private partnerships in achieving the Sustainable Development Goals (SDG)](#)

About the Lancet survey

The study was conducted by collecting data on children and adults from two rounds of the National Family Health Survey (NFHS) conducted in 2016 and 2021. It identified 33 indicators that cover 9 of the 17 official SDGs.

It used the goals and targets outlined by the Global Indicator Framework, Government of India and World Health Organisation (WHO) to determine SDG targets to be met by 2030."

What is the status of India's SDG performance according to the Lancet study?

- India is not on-target for 19 of the 33 SDGs indicators (Sustainable Development Goals) of the United Nations, which is more than 50% of the indicators.
- Among the 19 off-target indicators, the situation has worsened for three of the off-target goals including those relating to anaemia among women, pregnant and non-pregnant women, between 2016 and 2021.
- The critical off-target indicators include access to basic services, wasting and overweight children, anaemia, child marriage, partner violence, tobacco use, and modern contraceptives.
- Off-target districts are concentrated in the states of Madhya Pradesh, Chhattisgarh, Jharkhand, Bihar, and Odisha,
- The performance of aspirational districts is also not satisfactory.
- Many districts will never meet the targets on the SDGs even after 2030 due to a worsening trend observed between 2016 and 2021.

What are the positive aspects of India's SDG performance highlighted in the Lancet survey?

The study found some good things about India's SDG performance. These include

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- At the all-India level, the **one SDG indicator that has already been achieved** is related to **adolescent pregnancy** in the age group of 10–14 years.
- India is also **On-Target to meet 13 out of the 33 indicators,** including Internet use, women having a bank account, full vaccination (card), improved sanitation, multidimensional poverty, birth registration, skilled birth attendants, electricity access, tobacco use (women), child marriage of girls less than 15 years of age, under 5 mortality, teenage sexual violence, and neonatal mortality.
- If efforts continue, India may meet the target of improved water access by 2031, clean fuel for cooking by 2035, lowering teenage pregnancy age by 2039, and partner sexual violence by 2040.
- Another 11 off-target indicators, including access to basic services and partner violence (physical and sexual), may be met between 2041 and 2062.

> **Read more: [[Yojana May Summary] Sustainable Economic Growth – Explained, pointwise](#)**

What is the reason for India's poor SDG performance?

General reasons responsible for India's poor SDG performance

Slow world growth rate: To reach the SDGs, the world needs to grow by 2.5 percentage points every year. But the world has only grown by 0.36 percentage points up to 2021. This is almost seven times slower than the United States.

The covid pandemic stopped all progress around the world from 2019 to 2021.

Linear extrapolation: To illustrate the gap between expectations and delivery, one can use linear extrapolation to project a future date when the world will achieve perfection. This is merely a generalisation since countries that are getting near completion will probably start focusing on and funding other goals.

Unrealistic promises: Some of the promises, such as ending the war, poverty, climate change, hunger, and disease, are unrealistic.

Impossible to focus: Having 169 aims is like having no priorities, so promising everything makes it impossible to focus. Most countries are either not able or not willing to set aside enough money to keep all their promises.

India-specific reasons:

Worsening period: According to the Lancet report many districts will never meet the targets on the SDGs even after 2030 due to a worsening trend observed between 2016 and 2021.

Financing SDGs: SDG targets like zero hunger, poverty, etc requires significant investments to eliminate them. Being home to one-third of the world's 1.2 billion extremely poor, the Indian government alone cannot fund these SDG targets.

Monitoring & Ownership of Implementation Process: Although NITI Aayog is expected to play an important role, the members of the Aayog have expressed their concerns time and again about the limited manpower they have to handle such a Herculean task.

What are the initiatives taken by India to achieve SDG Targets?
- **[JAM trinity](#)**: Jan Dhan, Aadhaar and mobile proved to be helpful in forming the Digital Public Goods (DPGs) and Digital Public Infrastructure (DPI) which would be helpful in

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driving financial inclusion and helping improve benefits targeting which have been crucial to India's progress on SDG 1, namely No Poverty.

- The **Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA)** is being used to give unskilled workers jobs and raise their standard of living.
- The **National Food Security Act** is being used to make sure that food grains are subsidised.
- **Healthcare sector initiatives** which are helpful in achieving sustainable development goals are – The Rashtriya Kishor Swasthya Karyakram, Ayushman Bharat, National digital health mission (NDHM), etc.
- The government of India has taken several steps to mitigate the effects of climate change, like – National Action Plan on Climate Change (NAPCC), National Clean Air Programme (NCAP), National Cyclone Risk Mitigation Project (NCRMP), The Net Zero Commitment.
- The government also supports the 10-Year Framework Programme on Sustainable Consumption and Production. For that the Ministry has published a **draft notification of regulation on Extended Producer Responsibility (EPR)** for Waste Tyre for receiving comments from the public and 'Guidelines on the EPR for Plastic Packaging' under Plastic Waste Management Rules, 2016 has been notified.
- Apart from the above-mentioned initiative, other initiatives include the Swachh Bharat mission, Beti Bacho Beti Padhao, Pradhan Mantri Awas Yojana, Smart Cities, Pradhan Mantri Jan Dhan Yojana, Deen Dayal Upadhyay Gram Jyoti Yojana and Pradhan Mantri Ujjwala Yojana, among others.
- **NITI Aayog "SDG India Index"**: It is the world's first government-led sub-national measure of SDG development. It was launched in 2018 and has been developed to capture the progress of all states and union territories (UTs) in their journey towards achieving the SDGs. This index is based on the idea of cooperative and competitive federalism, which says that action needs to be taken at all levels. The index shows how the Global Goals of the 2030 Agenda cover a wide range of issues while also taking into account national priorities.

Must read: India's efforts to achieve SDGs

What can be done to improve India's SDG performance?

This Lancet report has suggested the following steps to improve India's performance on the SDGs:

Appraisal of the policies and programs: India needs to urgently conduct an appraisal of the policies and programs that relate to SDGs, especially those that relate to four SDG targets relating to no poverty, zero hunger, good health and well-being and gender equality.

Identifying and prioritizing districts: On critical indicators of health and social determinants of health, there is a need for a greater degree of precision in identifying and prioritizing districts for intervention. Meeting these goals will require prioritising and targeting specific areas within India

Inter-ministerial initiatives: Since the different SDGs fall under tightly organised ministries, there is a need to establish inter-ministerial initiatives, with clear governance structures under the Prime Minister's Office. Similar structures could be developed at the state level under the respective chief minister's office.

Conduct economic cost-benefit analysis: This will aid in setting priorities and directing more resources to the policy that offers the greatest return for each additional rupee spent.

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Along with other initiatives, India should also **create a strategic road map** that will help make sure that the SDGs are met successfully.

Changes to the process of selecting election commissioner: Significance and challenges – Explained, pointwise

Introduction

In the case of **Anoop Baranwal v. Union of India**, a five-judge Constitution Bench of the Supreme Court ruled unanimously that a powerful committee must choose the Chief Election Commissioner (CEC) and Election Commissioners. This committee has the Prime Minister, the Leader of the Opposition in Lok Sabha, and the Chief Justice of India as members (ECs).

About the case

What the Supreme Court said

Key highlights of what the apex court said in two separate, but concurring judgments that revamped the selection mechanism to appoint CEC and ECs.

1 "The right to vote is not just a statutory right but a constitutional right."

2 "The ballot is more potent than the most powerful gun."

3 "Parliament never intended the Executive to have absolute power to appoint CEC and ECs."

4 "Democracy is inextricably linked to the power of the people. Power of the ballot is supreme, capable of unseating the most powerful parties."

5 "A party in power will have an insatiable quest to continue in the saddle."

6 "An EC that does not guarantee rule of law is against democracy."

7 "Complete independence of ECs is paramount to ensure purity of electoral processes."

Read here: President to appoint CEC, ECs on advise of committee comprising PM, LoP, CJI: Supreme Court

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What are the changes introduced by SC regarding selecting Election Commissioner?

What the order says

■ The CEC and the election commissioners shall be appointed on recommendations by a three-member committee comprising PM, leader of the Opposition/leader of the largest Opposition party in the Lok Sabha, and CJI

Existing practice

■ The President makes the appointments on the advice of the Union Council of Ministers headed by PM

■ Election commissioners have a tenure of 6 years or up to the age of 65 years, whichever is earlier

Source: Business Standard

There are just five Articles (324-329) in Part XV (Elections) of the Constitution which deals with CEC and ECs. The Constitution does not lay down a specific legislative process for the appointment of the CEC and ECs. Currently, the President makes the appointment on the advice of the Union Council of Ministers headed by the Prime Minister.

The SC has now given the Opposition and the judiciary a say in the matter, ruling that the CEC and ECs must be appointed by the President on the advice of a committee comprising the PM, Leader of Opposition in Lok Sabha, and the Chief Justice of India.

Other observations made by SC in respect of the election commission are:

Secured Tenure: The SC noted that the conditions of service of Election Commissioners, after appointment, should not be "varied to their disadvantage". These directions hold that the tenures of the Election Commissioners should not be disturbed in any way. The Election Commission (Conditions of Service of Election Commissioners and Transaction of Business) Act, 1991 requires that the CEC and Election Commissioners must hold the post for a period of six years.

Expenses from the Consolidated Fund of India: The court has made an appeal to the Parliament and the Union Government to set up a permanent secretariat which draws its expenses directly from the Consolidated Fund of India and not the government.

What is the need for the change in selecting Election Commissioner?

To uphold the constitution: Article 324(2) of the Constitution stipulated that the Chief Election Commissioner and Election Commissioners shall be appointed by the President subject to the

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provisions of any law made on that behalf by Parliament. It may not have happened in the last 70 years. This change will help make the constitutional requirement happen.

To ensure free and fair elections: As a constitutional body vested with plenary powers of superintendence, direction and control over elections, the ECI is a vital component of the republic that requires functional freedom and constitutional protection to ensure free and fair elections.

To end monopoly: To end the government monopoly and "exclusive control" over appointments to the highest poll body.

To bring uniformity: The judgment also brings a certain uniformity in appointment procedures across institutions and statutory bodies responsible for independently maintaining democracy and institutional autonomy.

To fulfil the historical demand: The demand for an independent system for the appointment of members of the Election Commission goes back nearly 50 years. It has been repeatedly recommended in various committees such as the **Justice Tarkunde committee 1975**; the **Dinesh Goswami committee, 1990**; the **second administrative reforms commission**, **2007**, and by the **Law Commission of India in its 255th report, 2015**.

> **Read more: [Supreme Court verdict will ensure a more independent Election Commission](#)**

What are the advantages of the changes to the process of selecting election commissioners?

The advantage of the neutral selection committee for selecting election commissioners are **a)** It **addresses the conflict of interest** inherent in the current selection process for election commissioners, **b) Enforces the EC's credibility** and insulates the EC from political attacks, **c)** Can act as a constitutional lesson in India's troubled times, and **d)** Recognises the fine distinction between conventional democracy and constitutional democracy.

> **Read more: [Supreme Court calls out Centre over short tenures of Chief Election Commissioners](#)**

What are the challenges associated with the changes to the process of selecting election commissioner?

Highlights "judicial activism": According to the government, "in the absence of a law, the President has the constitutional power." Hence, Judiciary's committee guidelines are seen as the era of judicial activism by some experts. Even the government has also asked the court to exhibit judicial restraint.

Note: The ruling cites past instances of the Court stepping in to fill a gap in the law, including the Vishaka guidelines to curb sexual harassment in the workplace, and the interpretation of the process of appointment of judges.

Against the "doctrine of separation of power": The constitution has given powers to the Parliament to frame the law with respect to the appointments of the election commission. The Supreme Court's intervention in this domain is regarded as a disregard for the doctrine of separation of powers. This is also against the "basic structure" of the Constitution.

Against the idea of "constitution is supreme": The words "subject to the provisions of any law made on that behalf by Parliament" mentioned in Article 324(2) have been included only after prolonged discussions in the Constituent Assembly. This highlights that the government can decide and frame any law.

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The debates made clear that **a)** The Parliament will step in and provide norms to govern the appointment of the Chief Election Commissioner and the Election Commissioners, **b)** A law by Parliament is final and not the executive who exclusively calls the shots in the matter of appointments to the Election Commission.

At this juncture, the involvement of the Court in the selection process has highlighted that the judiciary is the sole impartial body capable of ascertaining the best interests of the country.

Success is uncertain: For the Central Bureau of Investigation (CBI), a similar panel for making appointments has been set up. There is no clear proof that the CBI Director maintains independence.

Also, having the CJI on appointing committees could give all appointments extra legitimacy and make it harder for judges to look objectively for mistakes or flaws in the process.

What should be done forward?

- **Extend safeguards to other Election Commissioners**: The procedural safeguards in place for effecting the removal of a Chief Election Commissioner (CEC) should be extended to the Election Commissioners under the first proviso to Article 324(5) of the Constitution. A CEC, like Supreme Court judges, can be removed from office only by way of a parliamentary process. However, no such protection of tenure is available to the Election Commissioners.
- The **retired member** of the Election Commission shall be **prohibited from taking any office of profit** under the state.
- Similarly, he shall be **prohibited from joining any political party** for at least 10 years after relinquishing his office.
- Constitutional functionaries have to be not just appointed fairly, but also held to account thereafter. So, the EC and other regulatory bodies should be **made autonomous of the executive** and **held answerable to designated committees of Parliament or committees of legislators**.

The SC's attention to the functioning of EC is timely. The ruling examined a number of provisions in the Constitution, including the ones relating to the powers of the Supreme Court and High Court; establishing the SC, ST and Backward Classes Commissions, etc. But the judgement also raises questions about the selection process for the judiciary. The selection process for the judiciary to needs reform.

New e-waste rules and India's e-waste challenge – Explained, pointwise

Introduction

Ministry of Environment and Forests has recently notified a new set of e-waste rules. The rules will replace the previous E-Waste (Management) Rules, 2016 and the rules will come into force from April 01, 2023. Despite many positives, many experts are also cautioning against the new e-waste rules due to India's increased e-waste generation.

What is E-waste?

Electronic waste, or e-waste, is a term for electronic products that have become unwanted, obsolete, and have reached the end of their useful life. It refers to all items of electrical and

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electronic equipment (EEE) and its parts that have been discarded by its owner as waste without the intent of re-use.

> **Read more:** [Government initiatives to curb e-waste and health impacts of e-waste](#)

About India's e-waste generation
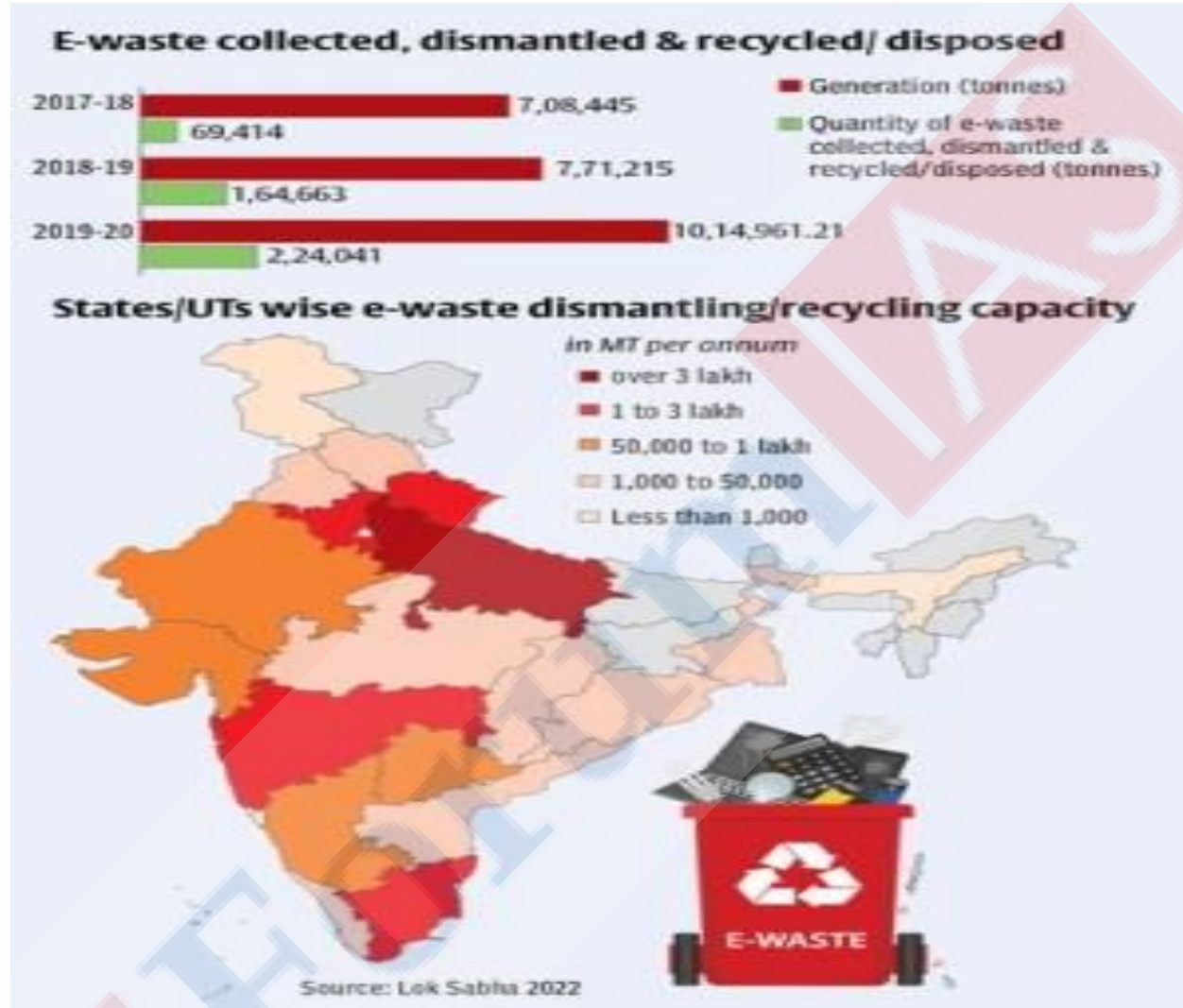
Source: Lok Sabha

- • India ranks 3rd in terms of producer of e-waste after China and the United States of America.
- • Only 22.7 per cent of the total e-waste generated in 2019-20 in India was collected, dismantled, and recycled or disposed off.
- • 95% of e-waste in India is recycled by the informal sector.
- • The Associated Chambers of Commerce and Industry of India (ASSOCHAM) and KPMG joint study on Electronic Waste Management in India released on 2017 identified that computer equipment accounts for almost 70 % of e-waste, followed by phones (12%), electrical equipment (8 %), and medical equipment (7 %) with remaining from household e-waste.
  - • Uttar Pradesh, Uttarakhand, Tamil Nadu, and Haryana are among the States that have a bigger capacity to dismantle and recycle e-waste.

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- Maharashtra has the highest number (116) of authorised dismantlers and recyclers.

What are the New e-waste rules-2022?		
Parameter	**2016 rules**	**2022 rules**
Scope	Dealer, consumer, bulk consumer and collection centres were covered.	It has been restricted to manufacturers, producers, refurbishers, dismantlers and recyclers of e-waste ('MPRDR')
Definition of the term 'e-waste'	Restricted definition	The definition of term 'e-waste' has been widened to include solar photo–voltaic modules or panels or cells.
Schedule 1	Only 21 EEE have been under the EPR regime.	106 EEE have been included.
EPR mechanism	It focused more on the producer's responsibility to collect back the e-waste and provided collection targets.	It provides annual e-waste recycling targets to the producers.
Registration requirement	It mandates 'MPRR' to obtain authorization from the concerned State Pollution Control Board,	MPRR of e-waste has to obtain registration on the portal ('Portal') to be developed by Central Pollution Control Board ('CPCB').

New additions to the 2022 e-waste rules:

EPR recycling certificate: Producers can purchase online EPR recycling certificates from registered recyclers to fulfilling their recycling target. Such a recycling certificate issued by CPCB will be valid for two years.

Refurbishing certificate and deferred liability: The concept of deferred liability has also been incorporated. Producers can purchase refurbishing certificates from refurbishers to defer their EPR vis-à-vis the corresponding quantity of e-waste in a particular year.

Incorporation of penal provisions and widened scope: The rules expressly introduced provisions related to environmental compensation and prosecution under section 15 of the Environment (Protection) Act, 1986 ('EPA').

Further, environmental compensation can also be imposed on an entity which aids or abets the violation of the 2022 Rules.

Must read: Centre issues e-waste management rules

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What is the need for the New e-waste rules?

TOP 10 INDIAN CITIES FOR WASTE GENERATION ANNUALLY
(in lakh tonnes))

City	Value
Delhi	30.6
Greater Mumbai	24.9
Chennai	18.3
Greater Hyderabad	16.4
Bengaluru	12.8
Ahmedabad	12.1
Pune	6.2
Surat	6.2
Kanpur	5.5
Jaipur	5.4
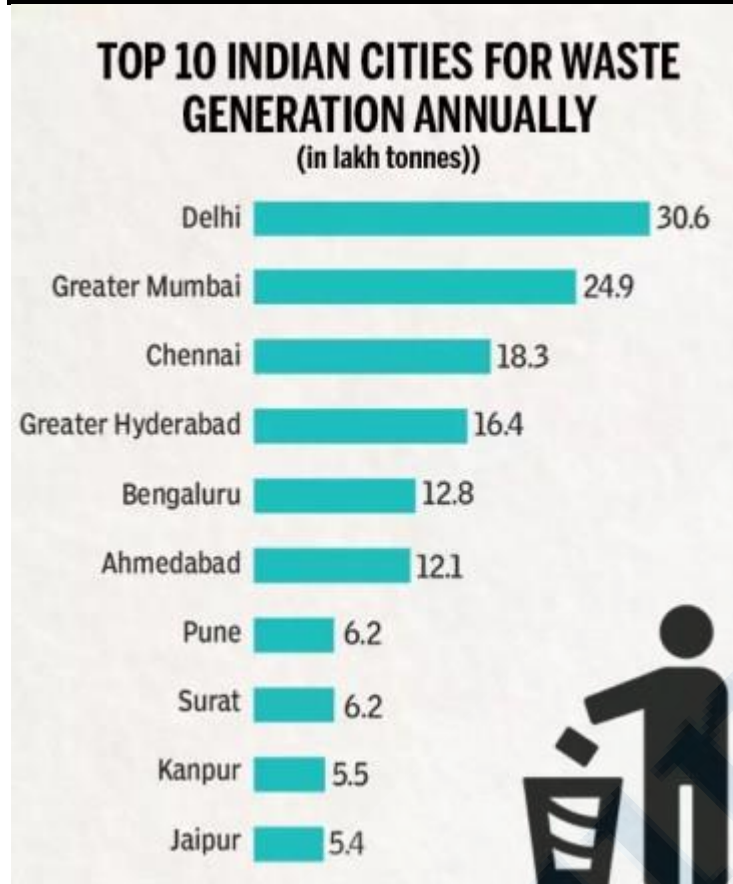
To address the "Tsunami" of e-waste: A report titled 'Waste-Wise Cities: Best Practices in Municipal Solid Waste Management' by NITI Aayog and Centre for Science and Environment, states that the use of electrical and electronic equipment has witnessed explosive growth and so is e-waste. The UN has termed this phenomenon a "tsunami" of e-waste.

Building a circular economy: According to the UN report, lowering the amount of electronics entering the waste stream and improving end-of-life handling are essential for building a more circular economy.

Recycling rare metals: India doesn't have a lot of valuable mineral resources, but untreated e-waste ends up in landfills. By making sure that recycling rules are followed correctly, the new rules will help increase availability of rare metals. For instance, recycling can increase the availability of cobalt, which is in great demand for laptop, smart phone and electric car batteries.

Employment generation: By adopting the best practices for e-waste recycling India can generate jobs as well as viable business prospects for locals.

To achieve SDG: A better management of e-waste will contribute to the achievement of several goals of the 2030 agenda for sustainable development.

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What are the advantages of the rules 2022 in handling India's e-waste?

Restricted the use of hazardous substances: Every producer of EEE and their components have to ensure that their products do not contain lead, mercury and other hazardous substances beyond the maximum prescribed concentration.

Annual E-Waste Recycling targets: Producers of notified EEE, have been given annual E-Waste Recycling targets based on the generation from the previously sold EEE or based on sales of EEE as the case may be.

Standardising the e-waste value chain through a common digital 'portal': It may ensure transparency which is crucial to reduce the frequency of 'paper trading' or 'false trail', i.e., a practice of falsely revealing 100% collection on paper while collecting and/or weighing 'scrap' to meet targets.

Extended Producer Responsibility (EPR) Framework: If a product does not comply with the e-waste management rules, the manufacturer will have to withdraw all samples from the market. It is the responsibility of the manufacturer to collect e-waste generated during manufacture and to ensure its recycling or disposal. Environmental compensation is to be provided by companies that don't meet their target.

Responsible state government: The State governments have been given the job of setting aside industrial space for e-waste disassembly and recycling facilities, developing industrial skills, and coming up with ways to protect the health and safety of workers at e-waste disassembly and recycling facilities.

What are the challenges associated with new e-waste rules-2022?

Unorganized sector left behind: The informal sector draws no acknowledgement in the new guidelines which could be on account of its 'illegality'.

Not ensuring 'recovery tangent': The rules briefly talk about "component recovery" and "residual disposal," which are two important steps in "efficient" e-waste recycling, but they don't make it clear what needs to be done to make sure the "recovery tangent" happens.

Not ensure double verification: Rules do away with 'Producer Responsibility Organisation' (PRO) and dismantlers and vest all the responsibility of recycling with authorised recyclers. PROs acted as an intermediary between producers and formal recyclers by bidding for contracts from producers and arranging for 'certified and authorised' recycling.

Fresh challenges might emerge as companies are no longer required to engage with PROs and dismantlers, who partially ensured 'double verification' in terms of quantity and quality of recycling.

> **Read more: [About the Draft E-waste Management Rules, 2022: Right intent, confusing content](#)**

What should be done to reduce India's e-waste?

Move towards Circular economy: There is an urgent need to move from a Linear & Reuse economy to a Circular economy. The linear economy focuses on profitability, irrespective of the product life cycle, whereas the Circular economy targets sustainability.

Market-based incentives: This will promote both demand and supply-side variables to voluntarily adopt e-waste recycling.

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Increase government support: The government should encourage new entrepreneurs by providing the necessary financial support and technological guidance.

Integration of the informal sector into a transparent recycling system: It is crucial for better control of environmental and human health impacts.

Multi-stakeholder consultation: While producers are responsible for e-waste management (EPR), consumers, retailers, state governments, municipalities, NGOs, CSOs, Self-Help Groups (SHGs), local collection agencies and others need to play an appropriate role in collection, facilitation, and creation of infrastructure to make e-waste management a success.

Digitally connecting stakeholders: It will open opportunities for industry collaborations and participation by stakeholders will result in implementing robust waste segregation – collection – disposal best practices.

Creating awareness: Non-governmental organisations (NGOs) and Self-Help Groups (SHGs) need to be provided with funding and incentives to create information campaigns, capacity building, and awareness among key stakeholders including end consumers by educating them on their role in e-waste management.

Providing the right information: In order to ensure the efficient implementation of the law, stakeholders must have the right information and intent to safely dispose of e-waste.

Renaming places in India: Rationale and Challenges – Explained, pointwise

Introduction
The Supreme Court has recently dismissed a PIL that sought a renaming commission focussed on "ancient India". The court issued a strong statement in favour of the "rule of law, secularism, and constitutionalism" and warned against intolerance.

About the SC ruling on renaming places in India
A PIL has been filed and sought the Court's intervention in restoring the "original names" of places "renamed by barbaric invaders". The petitioner had contended that several roads, public places and cities in the country are named after "foreign looters" and argued that the "benevolent nature of Hinduism had resulted in wiping out of it from Pakistan and Afghanistan".

However, the court dismissed the PIL and said that the "country cannot remain a prisoner of the past". The bench criticised the petitioner for going by the playbook of those who "invoke history selectively" to create "schisms in society".

> **Must Read:** **Listen to the court – SC warning against renaming places by abusing history, and invoking it selectively, is valuable and timely**

What are the constitutional provisions for renaming places in India?
- The Constitution of India provides for the renaming of a state under Article 3.
- Article 3 provides for the formation of new States and the alteration of areas, boundaries or names of existing States.
- The procedure of renaming the state can be initiated by either the Parliament or the State Legislature.

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How has India renamed places since Independence?

RENAMING SPREE

Old Name	New Name
Allahabad (UP)	Prayagraj
Faizabad district (UP)	Ayodhya
Mughalsarai (UP)	Deen Dayal Upadhyay Nagar
Osmanabad (Maha)	Dharashiv
Aurangabad (Maha)	Chhatrapati Sambhajinagar
Hoshangabad (MP)	Narmadapuram
Habibganj Rly Stn (MP)	Rani Kamlapati Rly Stn
Khizrabad (Haryana)	Pratap Nagar
Miyan Ka Bada (Rajasthan)	Mahesh Nagar Halt

Source: TOI

Renaming soon after Independence

In India, Kingsway became Rajpath (now renamed Kartavya Path), and Queensway Janpath, in an effort to wipe out the colonial past. Names of well-known freedom fighters – Mahatma Gandhi, Maulana Azad, Pandit Nehru has replaced those of viceroys and British royalty in statues or institutions.

Renaming places for the sake of linguistic correctness: Names of towns or places which had become anglicised were restored to their original colloquial usage. Thus, Bombay became Mumbai, Calcutta became Kolkata, Madras became Chennai, and Bangalore became Bengaluru, to name but a few.

Renaming places to project pride in a regional hero: For example, to celebrate Shivaji, Victoria Terminus became Shivaji Chatrapati Terminus. Other well-known landmarks named after him like the Prince of Wales Museum.

Renaming places since the reorganisation of states on linguistic lines

Memorialising leading members of the political party made for another wave of renaming places: For example, Connaught Place – named Rajiv Chowk, Mughalsarai (UP) named Deen Dayal Upadhyay Nagar, etc.

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By 2022, an estimated 57 cities and at least nine states were renamed, among them United Provinces becoming Uttar Pradesh and Madras state becoming Tamil Nadu.

What is the rationale behind renaming places in India?

India's rapid development: India is expected to add another 416 million people to its cities by 2050, taking the urban population share to 50%. This will be associated with major infrastructure expansion. Each new project, street, or square will need a new name.

Sense of 'Indian identity': Changing colonial names has been done ostensibly to give a sense of 'Indian identity'. For example, Waltair was the name given by the Britishers to the city of Visakhapatnam, quite evident by the etymology.

Admired for generosity and kindness: For example, the renaming of Aurangzeb Road to Dr APB Abdul Kalam road for universally admired generosity and kindness.

Communal pride and identity politics: Renaming places consider as a powerful tool for promoting a particular brand of identity politics. For example, Faizabad district (UP) was renamed as Ayodhya.

Political changes: Renaming places can become a testing ground for political changes that go beyond symbolic politics.

> **Read more: [Why terming medieval rulers as "invaders" and "outsiders" is wrong?](#)**

What are the advantages of renaming places in India?

Preserving culture: For example, Gurgaon was changed to "Gurugram" because that was the name of the city in the past. "Gurugram" comes from the Mahabharata story of Guru Dronacharya. A similar reason is given for renaming Allahabad as "Prayag".

Renaming can **help to revive civilisational consciousness and restorative justice** in India, which has been the victim of invasions and colonialism.

Control the values inscribed into the public space: Renaming places contributes to the construction of a "natural order of things" it continues to be important for governments to control the values inscribed into the public space.

Economic benefits: Words have power, and names can act as economic multipliers. For instance, US data indicates homes on 'Lake' streets average 16% more than the national median home value.

What are the challenges in renaming places in India?

Sows confusion: In a global economy, changing names after they have gained universal recognition sows confusion. Many places recognise and respect this fact and have maintained dual identities for centuries — one, in the language of their peoples and another, which is directed at a global audience.

Only tangible changes: Renaming results in tangible changes, but several intangible aspects of places continue to be associated with the lived reality of communities. For example, Varanasi may today be the official name of the historical city, but culturally, its idea will always be "Banarasi".

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Cultural genocide: The renaming of places and "reclaiming" of monuments are part of a large and long process of cultural genocide. A community feels diminished if it is made to think that it has not made any genuine, original contribution to the life of a nation of which it is a part.

The economic cost associated with a name change: All the name change costs public money, from revisions in signage to official documents and assorted data sets.

Read more: **Our urban spaces need renewal, not new names**

What should be done while naming or renaming places in India?

The court's warning against misusing history and its command to uphold "the concept of fraternity established in the Constitution's Preamble" must be heeded.

Re-educate present societies: The remedy for the historical guilt of a leader or a community does not lie in renaming a few buildings or removing statues but in the re-education of present societies in the wrongs they represented.

Revamp philosophy of naming: With India's projected urban development and infrastructure expansion, India needs a revamped philosophy of naming to avoid wasting social capital and the court's scarce time.

Keep politics out of it: Need to get out of the cross-party obsession with history when naming streets, squares, and airports. Political parties should not use popular belief as a political stunt, making the situation worse.

Prioritise growth: Lawmakers should prioritise growth rather than prolong social division and fragmentation.

Follow global protocol: Top airports around the world and most have straightforward geographical titles. For instance, Amsterdam, Beijing, Dubai, Incheon, Los Angeles, and Munich.

Similarly, in many countries, streets are named by their simple number and direction. All of this is both user-friendly and conflict-reducing.

Can pay homage to nature: Singapore Changi Airport has been permitted to be named after a legendary tree, and around 300-odd streets named after Oak in California. India can follow a similar approach.

The government and civil society need to make sure that cultural landscapes include names, symbols, languages, and scripts from all of India's different castes, religious communities, and other groups so that all Indians can truly feel at home in their own country.

Sources: The Hindu, The Wire, Hindu Business line, Indian Express.

Internal Migration in India and associated challenges: Explained, pointwise

Introduction

Recently, a fake video was found in Tamil Nadu that showed images of locals beating up migrant workers. Representatives from Bihar and Jharkhand have been to Tamil Nadu to check out the situation. The issue once again stirred the debates on issues of Internal Migration in India.

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What is the Internal Migration?

Migration is the geographic movement of people across a specified boundary for the purpose of establishing a new permanent or semi-permanent residence. The term "in migration" and "out migration" are used for movement between areas within a country (internal migration).

Note: The terms "immigration" and "emigration" are used to refer to moves between countries (international migration).

What are the constitutional provisions that facilitate Internal migration?

- Migration within the country for work is a fundamental right of a citizen as upheld by **Article 19** of the Constitution of India.
- The fundamental rights further **prohibit human trafficking and guarantee freedom from discrimination based on place of birth**, equal opportunities for employment, and protection from forced as well as child labour.
- Interstate migration comes under the seventh schedule of the Constitution, **List I (Union List)**, entrusting the authority to the central government.

What is the status of Internal Migration in India?

Figure 1. Internal Migrants in India, 1981–2011
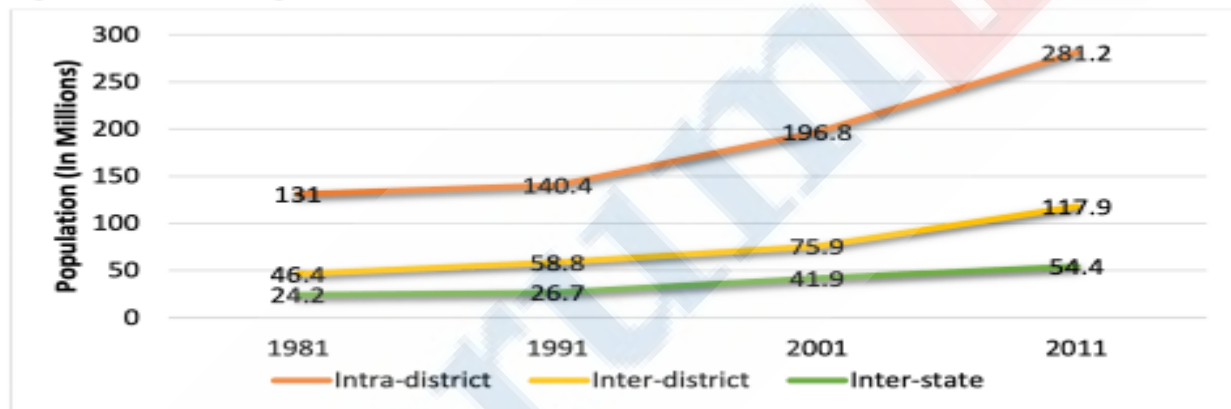
Source: Census of India 1981–2011.

Source: Census

According to the 2011 Census, India had 45.6 crore migrants in 2011 (38% of the population) compared to 31.5 crore migrants in 2001 (31% of the population). In 2011, 99% of total migration was internal and immigrants (international migrants) comprised just 1%.

In 2017, the Ministry of Housing and Urban Poverty Alleviation stated that 17 districts accounted for the top 25% of India's total male out-migration.

According to the Economic Survey of 2022-23, **Tamil Nadu** has the highest number of interstate migrants – over 25 lakh people – engaged in factories in India. States like Jharkhand and Bihar are amongst the lowest.

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What are the benefits of Internal Migration in India?
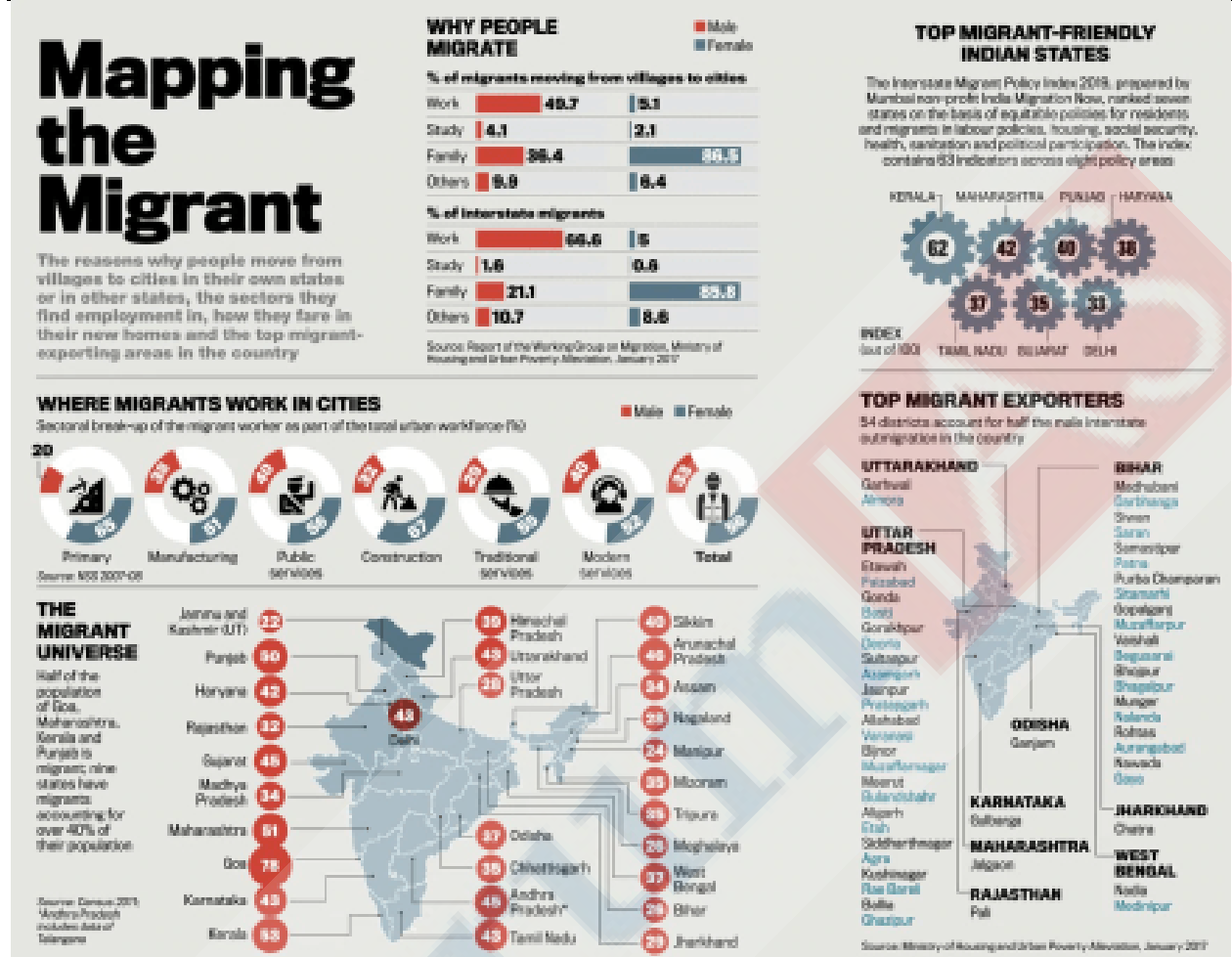
Source: MoHUA

Match labour demand and supply: Migration fills gaps in the demand for and supply of labour, efficiently allocates skilled labour, unskilled labour, and cheap labour.

Availability of cheap labour: Internal migration offers a competitive environment for manufacturing especially the availability of cheap labour.

Improve inequity: Due to internal migration, wages in rural areas increase. The people from the poorer section get the job, and inequality improves. Some migrate for seasonal work, and then they come back with remittances. There are two channels that work to improve inequalities in the areas of origin areas.

Reap the demographic dividend: Migrant workers can help the economy reap the demographic dividend when quality jobs, adequate healthcare and nutrition and universal social protection are provided.

Circular migration or repeat migration: It is the temporary and usually repetitive movement of a migrant worker between home and host areas, typically for the purpose of employment. circular migrants are the backbone of our economy and contribute at least 10% of India's gross domestic product (GDP).

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Improve Quality of Life: Migration enhances chances of employment and economic prosperity which in turn improves quality of life.

Social Remittances: Migration makes migrants' social lives better because they learn about new cultures, customs, and languages. This helps people get along better with each other and makes sure that people are more equal and tolerant.

Help India reach Sustainable Development Goal 8 (SDG-8): It will "Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all."

What are the challenges faced by Internal migrants?
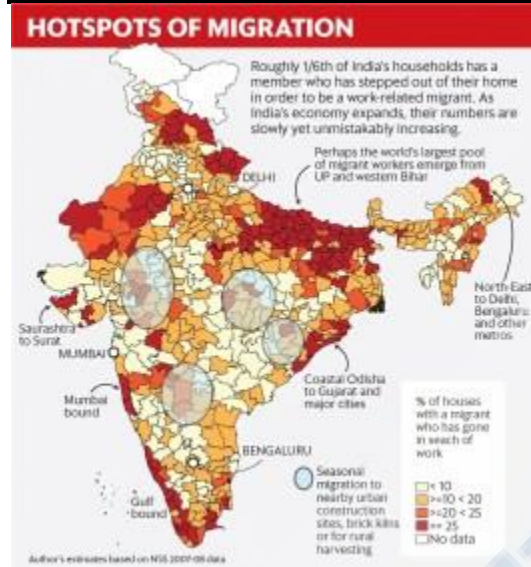
Lack of social security and health benefits and poor implementation of minimum safety standards law.

Lack of access to affordable housing and basic amenities in urban areas.

Exclusion from Political Rights: Migrant workers are deprived of many opportunities to exercise their political rights like the right to vote.

Language, food and other cultural barriers: Most of the internal migrants come from rural areas. They mostly speak only their mother tongue and cannot converse sufficiently well in other regional language.

Neither the local people are conversant. Hence, communication with local people and employers, travelling, accessing government benefits, medical facilities, reading and writing and integration with the local culture and food habits are major challenges for migrants.

Exploitation, discrimination and non-payment of wage: The vulnerability of the migrants is vivid, especially when it comes to working hours, safety measures, hazardous jobs and low wages compared to the local workers.

Sexual abuse and gender violence: Women migrants are the most vulnerable. Women face double victimisation, wages are lower than that of men, and they are sexually abused and harassed.

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Trafficking and bonded labour: Migrant workers are susceptible to human trafficking and become bonded labourers.

Health hazards, accidents and deaths: Migrant workers are vulnerable to health hazards and infectious diseases due to deplorable living conditions often provided by the employer at the work sites.

Xenophobia: Some examples of xenophobic tendencies are the anti-lungiwalas movement of the 1960s, the anti-bhaiya movement of the 1980s in Maharashtra, the "sons of the soil" movement in Assam, and similar anti-migrant agitations and attacks in Gujarat, Karnataka, etc.

Vulnerability to crises and disasters: Migrant workers are highly vulnerable to disasters and often migrate to cope with droughts, floods, landslides, earthquakes or cyclones.

What are the challenges in addressing internal labour migration issues in India?

No policy framework: There is a lack of a policy framework for the inclusion of internal migrant workers in India. There is inadequate coordination among states on a formal exchange of information on migrant workers.

Invisible workers: Migrant workers are not covered by protective law since India has not ratified the International Labour Organization's Domestic Workers Convention, 2011.

Little to no emphasis on migration: A latest report observes that there has been little to no emphasis on migration within the country.

Informal arrangements: The lack of policy focus on internal migration within the country has been attributed to the presence of informal arrangements in which migrants work and due to the absence of reliable estimates on migrants.

Absence of reliable databases: Migrant workers remain un-enumerated and unrecognized at the local, regional and national levels. It is challenging for local self-governments (LSGs) and labour departments to engage with high labour mobility as it is characterized by informality and lack of documentation.

Employers incur no liability: Employers use recruiters to find and manage workers and thereby absolve themselves from any responsibility for protecting their rights and providing decent working conditions.

What are the government policies taken to protect internal migrants?

Central government Initiatives:

A Policy for Integrating Migrants with Development: The Ministry of Housing and Urban Poverty Alleviation (MHUPA), constituted the "Working Group on Migration" in 2015 and it submitted a report in 2017. The report made a number of recommendations and provides a roadmap for the better inclusion of migrants at their destinations.

Legislative arrangement: The Interstate Migrant Workmen's Act, 1979 has been the only legislation governing the conditions of migrant workers in India. However, migrant workers have been governed by various labour laws with no focus on migration status such as the Contract Labour (Regulation and Abolition) Act, 1970; the Unorganized Workers Social Security Act, 2008. In 2020, different labour laws were amalgamated into four labour codes.

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Draft National Migrant Labour policy: In 2021, NITI Aayog has prepared a draft National Migrant Labour policy.

Other arrangements: Some of the other projects are the One Nation One Ration Card (ONORC) project, the Affordable Rental Housing Complexes (ARHC), the PM Garib Kalyan Yojna scheme, and the e-Shram portal.

State government Initiatives:
- In 2012, with the help of the International Labour Organisation, an MoU was signed between Odisha and Andhra Pradesh to track labourers migrating from 11 districts of Odisha to work in brick kilns in then-united Andhra Pradesh.
- Kerala has set up facilitation centres for migrant workers whom the state refers to as "guest workers".

Read more: Migrants Are All Of Us

What should be done to protect internal migrants?

Bring different sections together: There is a need to bring together different sectoral concerns related to migration, including social protection, housing, health and education.

Streamlining recruitments: This is to eliminate occupational vulnerability and strive towards humane working conditions in the various sectors.

Introduce outreach methods: This is to provide information, education and communication support to migrant workers.

Separate management bodies for interstate migration: This will helpful in improving the data on migration, especially data on seasonal and circular migration.

The other necessary reform include **a)** Ensuring financial inclusion for the migrants, **b)** Moving towards a universal social protection system; **c)** Guaranteeing dignified, safe and healthy living and working conditions; **d)** Enabling workers' collectivisation and organisations, **e)** Bringing in technology and design innovations to address the nutrition, housing, water and sanitation needs of migrant workers, **f)** Conducting research and training to improve policy and practice.

Conclusion

In the next ten years, migrant workers in India could be the key to the country's growth and progress. For this reason, the government and the private sector need to take more long-term steps.

Sources: Live Mint, PRS, DTE (Article 1 and Article 2) and ILO.

India-Australia relations: Challenges and Significance – Explained, pointwise

Introduction

The Australian Prime Minister (PM) is on a trip to India. During his visit, India and Australia signed an Audio-visual co-production agreement. The two Prime Ministers also discussed a range of domains to improve India-Australia relations. But to realise the full potential of India-Australia relations few concerns have to be addressed.

What are key discussions in the recent Australian Prime Minister (PM) visit to India?

– Australia wants to work with India and build a relationship in the areas of culture, economics, and security.

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-Both countries signed memorandums of understanding (MoUs) for sports and audio-visual co-production agreements, and they also talked about the terms of reference for the Solar Taskforce between India and Australia.

India was worried about the damage done to Hindu temples in Australia by people who support the Khalistani government. In reply, Australia agreed to protect and keep safe the Indian community in Australia.

About the evolution of India-Australia relations in the past

Source: MEA

Pre-Independence ties: India and Australia's relations started immediately after European arrival in Australia in 1788. All trade to and from the penal colony of New South Wales was controlled by the British East India Company through Kolkata.

Both established diplomatic relations in the pre-Independence period, with the establishment of the **India Trade Office in Sydney** in 1941. The end of the Cold War and simultaneously India's decision to launch major economic reforms in 1991 provided the first positive move towards the development of closer ties between the two nations.

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Post-Independence ties: With the passage of time, the relationship gained momentum towards a strategic relationship, alongside the existing economic engagement.

Since the elevation of the relationship in 2020, the countries have advanced practical actions on cyber and critical technologies, maritime affairs, defence ties, economic and business links and Quadrilateral cooperation.

The countries have also signed **India-Australia Economic Cooperation and Trade Agreement (India-Australia ECTA)** in 2022. It is a path-breaking trade agreement for both countries and is expected to enhance bilateral trade.

What is the significance of Australia to India and vice versa?

Indo-Pacific Stability: Both nations aspire to a free, open, inclusive, and prosperous Indo-Pacific. The establishment of QUAD grouping and active participation by both is necessary to counter China's actions in the region.

Gateway to Pacific Countries: The growing cooperation would help India get better access to Pacific Island nations like Kiribati, Solomon Islands etc. as Australia enjoys a high degree of influence over them.

Indian Diaspora: As per the Australian Bureau of Statistics' 2016 census, 619,164 people in Australia declared that they were of ethnic Indian ancestry which made 2.8% of the Australian population. This huge number induces India to work in tandem with Australia for ensuring their well-being and development.

Upholding International Law: Both nations have a firm commitment to a rule-based international order. They believe in sovereign equality of nations and progression based on mutual respect and understanding.

Geo-Strategic Considerations: Considering Australia's proximity with the Indian Ocean, active engagement is desired for maintaining India's strong position in the Indian Ocean region. Further, Australia's support is desired for getting **membership in the Nuclear Suppliers Group and bringing reforms to UNSC**.

Energy security: Australia's long-term and secure LNG supply can help diversify India's current highly concentrated import supplies from the Middle East.

Defying China: Australia is fully aware of China's desire to become the dominating force in the Indo-Pacific region. They are also aware of China's use of economic coercion and its goal to restore the Middle Kingdom. All of this is causing other countries like Australia to balance and restrain China. And India is seen as a key component in these initiatives.

> **Read more: India-Australia Bilateral Relationship – Explained, pointwise**

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What are the areas of cooperation in India-Australia Relations?

Source: MEA

Comprehensive strategic partnership: In 2020, the Prime Ministers of both the countries elevated bilateral relationship from "strategic partnership" to "comprehensive strategic partnership" during the India-Australia Leaders' Virtual Summit.

Defence Cooperation:
- The **2+2 Ministerial Dialogue** between India and Australia took place in 2021. The **Mutual Logistics Support Agreement (MLSA)** was signed during the Virtual Summit in 2020 to enhance defence cooperation.
- **Joint military exercises**: In 2023, India, Japan, and the US will all take part in the **"Malabar" exercises**, which will be held in Australia. India has been invited to join the **Talisman Sabre** exercises in 2023.

Educational cooperation:
- The Australia-India education qualification recognition mechanism was signed in 2023. This new mechanism will mean that degrees obtained in Australia will now be recognised in India, and, vice-versa.
- Two Australian government universities, Deakin University and University of Wollongong, will be the first foreign education institutions to set up campuses in GIFT City, Gujarat

Economic Cooperation:
- Bilateral trade between the two countries stood at about US$ 27.5 billion in FY 21.
- **India-Australia Economic Cooperation Trade Agreement (ECTA)** was in force since 2022. This has resulted in an immediate reduction of duty to zero on 96% of Indian exports to Australia in value (that is 98% of the tariff lines) and zero duty on 85% of Australia's exports (in value) to India.

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Security Cooperation: India and Australia are both members of the Quad (Quadrilateral Security Dialogue) along with the US and Japan. Further Australia participated in the 2020 and 2021 editions of the Malabar Naval exercise.

Energy Cooperation:

- A Civil Nuclear Cooperation Agreement between the two countries was signed in 2014. The agreement provides the framework for substantial new trade in energy between Australia and India.
- In 2022, both countries signed a Letter of Intent on New and Renewable Energy for cooperation to reduce the cost of renewable energy technologies, including ultra low-cost solar and clean hydrogen.
- India announced Australian Dollars(AUD) 10 million for Pacific Island Countries under the **International Solar Alliance (ISA)**.

Multilateral cooperation:

- Both are members of the Quad, Commonwealth, Indian Ocean Rim Association (IORA), ASEAN Regional Forum, and Asia Pacific Partnership on Climate and Clean Development, and have participated in the East Asia Summits.
- Both countries have also been cooperating as members of the Five Interested Parties (FIP) in the World Trade Organization context.
- Australia is an important player in Asia Pacific Economic Cooperation (APEC) and supports India's membership in the organisation.
- Supply Chain Resilience Initiative (SCRI): India, Australia, and Japan collaborated to strengthen Indo-Pacific supply chains.

Science and Technology: Australia-India Strategic Research Fund (AISRF) is a pillar of collaboration on science, technology and research. Both countries successfully conducted the 2021 India Australia Circular Economy Hackathon. Australia is also supporting India's Gaganyaan Space Program.

People to People Ties: Australia is investing in India's talented young people through a new Future Skills Initiative between education and training providers and industry. This complements the Australian government's significant new Maitri scholarships and fellowships which gives Indian students and researchers the chance to experience Australia's world class education system.

Cultural Cooperation: Australia's Indigenous peoples are custodians of the oldest continuing civilisation in the world. This is the reason the Australian government returned 29 culturally significant artefacts to India.

What are the challenges in India-Australia Relations?

Coal mine controversy: There was controversy over the Adani coal mine project in Australia, with some activists protesting against it, which created a strain in the relationship between the two countries.

Visa issues: There have been concerns over visa restrictions for Indian students and professionals seeking to work in Australia.

India's stand on the Russia-Ukraine crisis: Australia has criticized the Russian invasion of Ukraine and sided with the U.S. and western countries. However, India has refrained from

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criticizing Russia over the issue. This can create differences in bilateral discourse and the functioning of QUAD.

No Free Trade Agreement: Both nations have been interacting and communicating with each other for decades but have failed to create a consensus on a Free trade agreement.

China's Discontent: China is unhappy with the growing security cooperation between Australia and India. The Chinese government responded to the Quadrilateral dialogue by issuing formal diplomatic protests to its members, calling it "**Asian NATO**".

Lack of Uranium Supply: The progress on uranium supply has been very low, despite efforts from both sides. In 2017, Australia had sent its first uranium shipment to India but that was cited as "a small sample of uranium" transferred "purely for testing purposes".

Violence with Indian Diaspora: Attacks on Indian Diaspora and temples in the recent past by Khalistan supporters have been an issue of strain.

What can be done to strengthen India-Australia Relations?

Focus on economics competitiveness: India would have to work on improving its competitiveness, as in most trade sectors, it would be competing with China, ASEAN, Chile, Japan, Korea and New Zealand, which have already-functional FTAs with Australia. Australia has 16 FTAs under operation.

Reduce religious polarisation in India: Like India raised objections about Khalistani groups and their attack on temples in Australia, India should reduce religious polarisation within the country.

Active diplomatic engagement: It would be required to make Australia fulfil its promise to amend its domestic tax law in order to stop taxation of the offshore income of Indian firms providing technical services to Australia.

Collaborate on Science & Technology: India and Australia have a strong track record of collaborating in research and innovation. The Australian Government's $1.1 billion National Innovation and Science Agenda presents new opportunities to engage with India. The agenda resonates well with India's 'Start-up India' and 'Make in India' campaign.

Encourage cooperation in Space: India can provide commercial Space applications to Australia for several of its Space initiatives.

Focus on common interests: Regular strategic dialogue should focus on common interests, including those relating to China, Pakistan, Afghanistan, terrorism and maritime security. A bilateral security declaration is needed between Australia and India. India should reciprocate Australia's overtures to engage as a priority maritime partner.

> **Read more: Indo-Australian relationship. How bilateral relations among two nations can be strengthened?**

Sources: DFAT, MEA, Indian Express (Article 1 and Article 2), The Hindu(Article 1 and Article 2)

Syllabus: GS 2: International Relations – Bilateral, regional and global groupings and agreements involving India and/or affecting India's interests.

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Silicon Valley Bank crisis: Reasons and Impacts - Explained, pointwise

Introduction

Recently, the California-based Silicon Valley Bank (SVB), a cornerstone of the US technology and startup industries, has failed. This marks the biggest bank failure since the 2008 financial crisis. The Silicon Valley Bank crisis has resulted in the subsequent seizure of SVB assets by regulators has generated a global wave of risk aversion, particularly among start-ups, including Indian startups.

About the Silicon Valley Bank Crisis

Source: ET

- After the pandemic in 2021, the US Federal bank adopted the easy money policy and pump huge money into the market. During this period SVB deposits also increased.
- Subsequently, SVB decided to heavily invest in the bond market, where bonds had been issued at lower interest rates.
- After a period of record low-interest rates during the pandemic, central banks around the world, led by the US Federal Reserve, started raising key rates aggressively to tackle inflation. This has dampened investor sentiments and also hit the businesses of tech and start-up-focused lenders like SVB.

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- This is because investors do not like to take risks when the money available to them becomes expensive due to higher interest rates. As a result of the higher interest rates, investors in technology start-ups became reluctant to take risks.
- As higher interest rates led to a funding crunch for technology start-ups, SVB's clients started pulling out their money to meet their liquidity needs.
- Under this pressure to meet customer withdrawals, SVB sold a $21 billion portfolio consisting mostly of US Treasuries at a huge loss of $1.8 billion.
- Moody's immediately downgraded the bank's credit rating to Baa1 negative outlook from A3.
- This was followed by further losses to SVB. To fill this loss, SVB announced it would sell $2.25 billion in common equity and preferred convertible stock. This sudden announcement triggered concerns about its balance sheet and its shares plummeted 60%.
- SVB also failed to find alternative sources. Hence, it ended up being shut down by regulators, following which it was handed over to the FDIC.
- The FDIC has added that it would seek to sell SVB's assets, adding that future dividend payments may be made to uninsured depositors.

What is the reason behind Silicon Valley Bank Crisis?

Source: SVB, ET Research

Source: ET

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Aggressive raising interest rates:

- Global borrowing costs have risen at the fastest pace in decades over the last year as the Federal Reserve lifted U.S. rates by 450 basis points from near zero, while the European Central Bank hiked the eurozone by 300 bps.
- Due to this, the value of existing bonds that were issued at lower interest rates has fallen. Banks, which bought these bonds are sitting on steep unrealised losses.
- Another facet of the rising interest rates was the decline in funding for startups as the venture capital ecosystem don't want to take risk.

Heavy investment in long-term government bonds: SVB's invest heavily in US government bonds. A spike in interest rates has led to a sell-off in bonds, leaving banks exposed to potential losses on the securities they hold.

A downturn in technology stocks: Silicon Valley Bank was hit hard by the downturn in technology stocks over the past year.

"Run on the bank": The bank failed after depositors — mostly technology workers and venture capital-backed companies — began withdrawing their money in panic, creating a "run on the bank".

Soft Regulations: In 2018, regulations were loosened for regional banks like SVB – among other things, it reduced the amount of potential loss reserves mandated for these banks.

What will be the potential impact of the Silicon Valley Bank Crisis on the World Economy?

Impacts on small businesses: According to a petition to the US government, around 10,000 small businesses with accounts in Silicon Valley Bank may be unable to pay their employees in the next 30 days, and approximately 1 lakh jobs are anticipated to be affected as a result of the collapse.

Impact the technology industry: It will immediately impact the US technology industry and US competitiveness worldwide and ultimately set back US competitiveness by a decade or more.

Can trigger a run on the bank: Its collapse has already instilled fear among founders and management teams to look for safer havens for their remaining cash, which can trigger a bank run on every other smaller bank.

Vulnerability to the rising cost of money: The SVB crisis spread concern about hidden risks in the banking sector and its vulnerability to the rising cost of money.

What will be the potential impact of the SVB Crisis on India?

According to some experts, India is **unlikely to be affected** by any contagion effects. This is because:

- Indian banks have minimal exposure to US lenders.
- In its **2022 Financial Stability Report (FSR)**, the Reserve Bank of India (RBI) said that macro-level stress tests for credit risk showed that domestic banks would be able to comply with minimum capital requirements even under severe-stress scenarios.
- **Improved capital-to-risk-weighted-assets ratio (CRAR)**: The system-level CRAR in 2023, under baseline, medium and severe stress scenarios, is projected at 14.9%, 14% and 13.1%, respectively, the RBI said.

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Note: *The minimum regulatory requirement for CRAR for scheduled commercial banks is 9%. Adding on a counter-cyclical buffer, the requirement is 11.50%.*

- **Improvement in NPA**: Banks have stepped up efforts to clean up asset quality and their profitability has also improved. Further, gross NPAs were at a seven-year low of 5% as of September 2022.
- The increase in the 10-year yield has been less than the policy rate hikes by the RBI.
- Banks have sharply reduced the modified duration of their bond portfolios over the last six years, according to the latest RBI data.

Note: *Modified duration refers to the change in the value of a bond when interest rates change. The higher the modified duration of the bond portfolio, the more the risk of incurring losses when bond yields rise.*

Benefits for the Indian economy from the SVB crisis:

- **Boom for emerging markets**: A fall in US bond yields typically improves the appeal of higher-yielding fixed-income assets in emerging markets.
- **Bring corporates back to India**: Falling US dollar rates coupled with SVB Crisis might bring back big corporates in India, who had shifted to overseas lending due to depreciation in Indian National Rupee (INR) against the US dollar."

Impacts on Indian start-ups:

- Most of the named Indian startups got money from SVB, they are not depositors. SVB either lent them money (as venture debt) or invested in them in the form of equity. It realised its profits via a sale or got repaid by the companies, depending on the structure. Therefore, there is no impact on the start-ups themselves.
- However, some start-ups with deposits in SVB are impacted. For example, among its most notable funding was an investment of a total of $1.7 million in One97 Communications, the parent company of Paytm. Other start-ups that had received funding from SVB include Bluestone and Carwale.

What should be done to prevent big bank failures?

Maintain constant vigil: All the stakeholders, including bank boards, auditors and the regulator have to maintain constant vigil, given the high stakes for safety and stability.

Indian banks should keep capital as measured under the current Basel regime (international standards set by bank regulators).

Ensure Cooperation and coordination: Cooperation and coordination among all central banks will be helpful in bringing transparency and accountability and also help in minimising the spillover effect of bank failure.

Ensure proper selection: The selection of the board of directors has to be prudent. The auditors' selection has to be done with care.

Board members of banks usually spend most of their meeting time on governance issues, business updates, and "problem children." They should focus instead on the businesses that use the most capital.

Strict actions from central banks: The central bank has to continuously monitor the lending institutions on various parameters including fit and proper. While supervising the banks, the

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Central bank should not avoid any loopholes in the management and should take strict action against them.

Sources: Live Mint (**Article 1** and **Article 2**), Economic Times (**Article 1** and **Article 2**), **The Hindu**, **Business Standard**, and **Times of India**.

Syllabus: GS – 3: Economic development – Effects of liberalization on the economy.

[Yojana March 2023 Summary] Towards cooperative fiscal federalism – Explained, pointwise

Introduction

India is moving towards cooperative fiscal federalism by giving more money and power to state governments and decentralising its finances. Now, states get their share of taxes based on a formula instead of a grant, which gives them more spending freedom and flexibility.

In the 2023–24 Union Budget provided an Effective Capital Expenditure of INR 13.7 lakh crore (This includes provision made for the creation of capital assets through Grants-in-Aid to States). This move shows that the Union government is serious about cooperative fiscal federalism and giving states financial freedom.

What is fiscal federalism?

Fiscal federalism refers to fiscal relations between various government units, which in the Indian context means the Union Government and the State Governments. Both tiers of government need to possess adequate financial resources to discharge their respective responsibilities enshrined in the Constitution effectively.

What are the constitutional provisions that encourage cooperative fiscal federalism?

- Article 246, Article 246A and the Seventh Schedule of the Constitution delineate taxation powers between the Centre and the States.
- But the distribution of fiscal power has a centripetal bias with more buoyant tax areas assigned to the Union. The State governments, on the other hand, have more expenditure responsibilities for providing core public services.
- However, the resources mobilised by the Union Government are not meant to be used exclusively for Union activities.
- In India, the Union and the States together form an organic whole for the utilisation of these resources. So, the Constitution makers have very intelligently provided a mechanism to correct the fiscal imbalances through the Finance Commission.
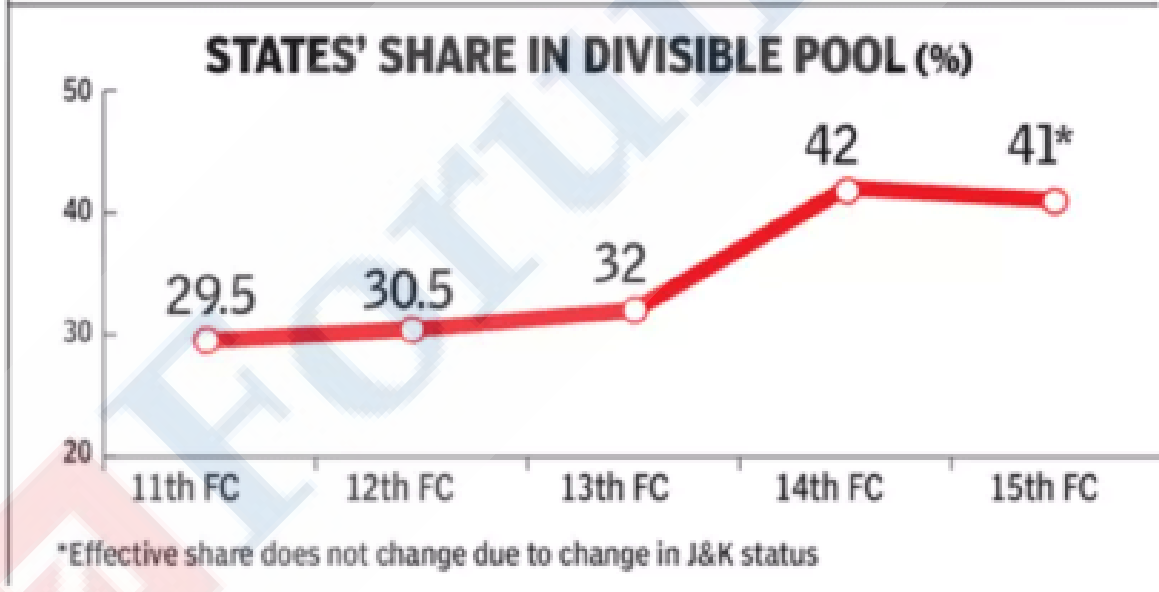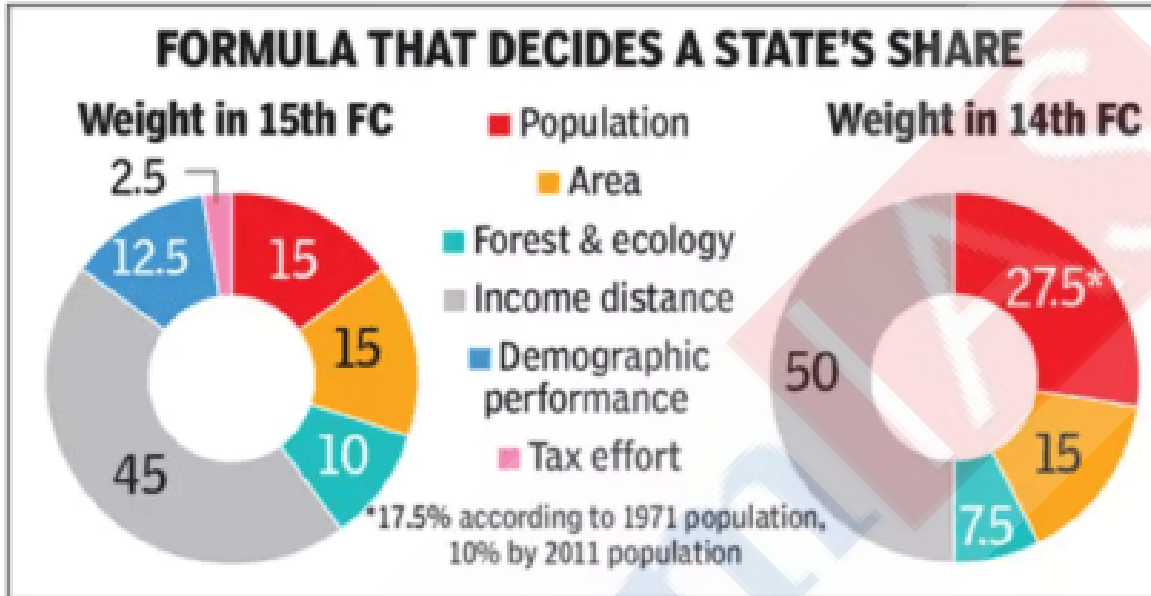
Finance Commission

The President of India establishes a Finance Commission after every five years under Article 280 of the Constitution. The Commission makes recommendations on distribution of net proceeds of central taxes between the Centre and the States.

The Commission can also **a)** suggest the principles on which grant-in-aid of revenues, out of the Consolidated Fund of India, should be given to the States, **b)** corrects the horizontal fiscal imbalances due to States' varying capacities, costs needs, and efficiency in delivering services. Fifteen Finance Commissions have been constituted so far.

Read more: Finance Commission

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What are the recent steps taken to promote cooperative fiscal federalism?

HOW THE BOOTY IS DIVIDED

FORMULA THAT DECIDES A STATE'S SHARE

Weight in 15th FC

- Population
- Area
- Forest & ecology
- Income distance
- Demographic performance
- Tax effort

2.5
12.5
15
15
45
10

Weight in 14th FC

27.5*
50
15
7.5

*17.5% according to 1971 population, 10% by 2011 population

STATES' SHARE IN DIVISIBLE POOL (%)

11th FC	12th FC	13th FC	14th FC	15th FC
29.5	30.5	32	42	41*

*Effective share does not change due to change in J&K status

Source: Yojana

The new India is ushering in a radical shift towards cooperative fiscal federalism. After 2014, the government of India repeatedly emphasized the pivotal role of state governments, calling them **"drivers of transforming India"**. States are advised to "imbibe the spirit" of cooperative federalism. To encourage cooperative fiscal federalism, the Indian government has taken a number of steps.

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Marked shift in fiscal decentralisation:

- Following the recommendations of the 14th and 15th Finance Commissions, the Indian government gradually increased the amount of money transferred from the Union to the States each year. Annual transfers from the Union to the States, for example, have climbed from 4.7% of GDP in the fiscal year 2013-14 to 6.7% of GDP in updated forecasts for the fiscal year 2021-22.
- Now, the States have access to the higher central resources. This gives individual states more freedom and liberty in spending expenses based on their priorities.
- Changes in fiscal architecture have also resulted in significant changes in the style of planning and design of fiscal transfers.

NITI Aayog, a harbinger cooperative fiscal federalism:

- The Government of India, in 2015, abolished the Planning Commission and constituted NITI Aayog. The Aayog has become a proponent of cooperative federalism.
- It has provided a platform where States act together in the national interest and thereby fostering cooperative federalism.
- A corollary to the abolition of the Planning Commission was removing the distinction between Plan and Non-Plan expenditure from 2017-18. This was replaced by the universally accepted practice of classifying expenditure as revenue and capital.

Read more: [NITI Aayog](#)

Rationalisation of Centrally Sponsored Schemes:

- This was done based on the recommendations made by a Sub-Group of Chief Ministers constituted by NITI Aayog. The Union Government in 2016-17 effected a major rationalisation of the Centrally Sponsored Schemes (CSS). The rationalisation was a long pending demand of the States.
- The number of CSS was reduced to twenty-eight umbrella schemes, consisting of six core of the core' schemes, twenty core schemes and two optional schemes.
- Further, the medium-term framework for CSS and its sunset dates were made co-terminus with the Finance Commission cycle.

Read more: [Rationalisation of Centrally Sponsored (CS) schemes mooted](#)

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Source: Yojana

Introduction of GST:

- The implementation of the Goods and Services Tax (GST) was one of the most significant structural adjustments in the indirect taxation system, substantially redefining federal fiscal relations. The GST has promoted cooperative fiscal federalism since its inception (July 1, 2017).
- States and governments have been awarded a weighted average of two-thirds of the total GST Council votes.
- India has chosen a dual GST framework. Hence, goods and services are subject to two levies: the central GST and the state GST. GST has subsumed several central and State taxes.
- It has also increased the states' taxing ability, providing them with a larger revenue base.

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> **Must read: Five years of Goods and Services Tax (GST)**

Cooperation to boost capital expenditure in States:

- The COVID-19 pandemic had a devastating impact on economies globally. This has led to a decline in state revenue collection and a surge in demand for revenue expenditure. This has resulted in a decline in state capital expenditure, which is essential for economic growth.
- So, in the true spirit of cooperative fiscal federalism, the Union government developed an innovative scheme called "**Special Assistance to States for Capital Expenditure**" in 2020–21, which provided interest-free loans to States for capital projects, ongoing capital projects, and clearing pending bills, with full flexibility in project selection.
- On the demand of states, the scheme continued in 2021–22 with an allocation of Rs 15,000 crore, and in 2022–23, it was expanded and renamed the "Scheme for Financial Assistance to States for Capital Investment," with an allocation of Rs 1 lakh crore, including Rs 20,000 crore for citizen-centric reforms.
- The state chief ministers and finance ministers demanded the continuation of the scheme in the pre-budget consultations for 2023–24.
- The Union Government not only accepted their demand but also surprised them by proposing a huge allocation of Rs 1.3 lakh crore under the scheme for the financial year 2023–24.
- The guidelines of the scheme not only aim at pushing capital expenditure in the States but also endeavour to facilitate citizen centric reforms and achieve certain national priorities.
- These include urban planning reforms, financing reforms in Urban Local Bodies, incentives for scrapping of old vehicles, construction of a "Unity Mall" in each state, augmenting the housing stock for police personnel, and setting up physical libraries in each gram panchayat and municipal ward.

Strong federal fiscal shield during the pandemic:

- During the COVID-19 pandemic, the Union Government followed cooperative fiscal federalism to provide resources to states to fight the contagion, boost economic activity, and maintain public services.
- The **Scheme for Financial Assistance to States for Capital Investment** was introduced, along with other measures to provide sufficient resources to states.
- The borrowing limit for states was increased by 2% of the gross state domestic product (GDP) in 2020–21, making financial resources of up to Rs 4.27 lakh crores available.
- A special window for borrowing was set up in 2020–21, which allowed states to borrow an amount of Rs 1.10 lakh crore as a back-to-back loan to meet the shortfall in GST compensation.

Conclusion

The Union Government of India is committed to advancing cooperative fiscal federalism in India, as seen by the announcements made in the Union Budget 2023-24 and a variety of initiatives implemented in previous years.

In the coming years, India is likely to move faster along this path. With more freedom and space in their budgets, states will be able to grow more quickly and in more ways, turning India into the "Amrit-Kaal."

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Saudi-Iranian normalisation and implications for India – Explained, pointwise

Introduction

Saudi and Iranian officials recently agreed to revive the 2016 Saudi-Iran peace deal. China-initiated two-way discussions in Beijing resulted in the Saudi-Iranian normalisation. The rivalry between these two countries has long been a source of instability in the region, and the potential normalisation deal has been a topic of speculation in recent years.

Although this deal could be complex and challenging to implement, it could have significant implications for global stability and economic growth, including India.

What are the conflicts between Iran and Saudi Arabia?

The conflict between Iran and Saudi Arabia has several root causes and has been ongoing for decades. Some of them are:

Religious differences: Iran is a predominantly Shiite Muslim country, while Saudi Arabia is predominantly Sunni Muslim. The two sects have different beliefs and practices, and this has led to tensions and conflicts between the two countries.

Political influence: Both Iran and Saudi Arabia are major powers in the Middle East and have sought to increase their political influence in the region. This has led to competition and conflicts over issues such as control of oil resources, support for different political factions and proxy wars in countries like Yemen, Syria and Iraq.

Ideological differences: Iran is an Islamic republic with a revolutionary government, while Saudi Arabia is an absolute monarchy with conservative religious values. These ideological differences have contributed to tensions between the two countries.

Historical grievances: Iran and Saudi Arabia have a long history of animosity, dating back to the early days of Islam. They have been involved in conflicts and power struggles for centuries.

Oil Prices: Iran and Saudi Arabia are both major oil producers, and their competition for market share has led to disagreements over production levels and prices. This has further strained relations between the two countries, particularly as oil prices have fallen in recent years.

The assassination of a famous Saudi journalist: The killing of a Saudi journalist and dissident in 2018 was allegedly carried out by Saudi agents. This has further soured relations between the two countries. Iran has condemned the killing and accused Saudi Arabia of human rights abuses.

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**About the Saudi-Iranian normalisation deal**

Towards a new dawn

Two of West Asia's major powers, Iran and Saudi Arabia, have agreed to restore diplomatic relations in an agreement brokered by China. This map shows the range of influence each power has in the region through their allies or proxies

- Iran has direct influence in Iraq (through political parties and Shia militias), Syria (through the regime of Bashar Assad), Lebanon (Hezbollah), Yemen (Houthis) and Gaza (Islamic Jihad)

- Saudi Arabia has direct influence in Yemen (through the government of Hadi Mansour) and Lebanon (through the Sunni parties). Saudi Arabia used to support some rebel factions in Syria during the Civil War, but it's not active any more. They are trying to reach out to different Shia factions in Iraq but are not very successful

For stability: Saudi Minister of State and National Security Adviser Musaad bin Mohammed, meets the Iranian Rear Admiral Ali Shamkhani, the secretary of the Supreme National Security Council, in Beijing, China on March 10. REUTERS
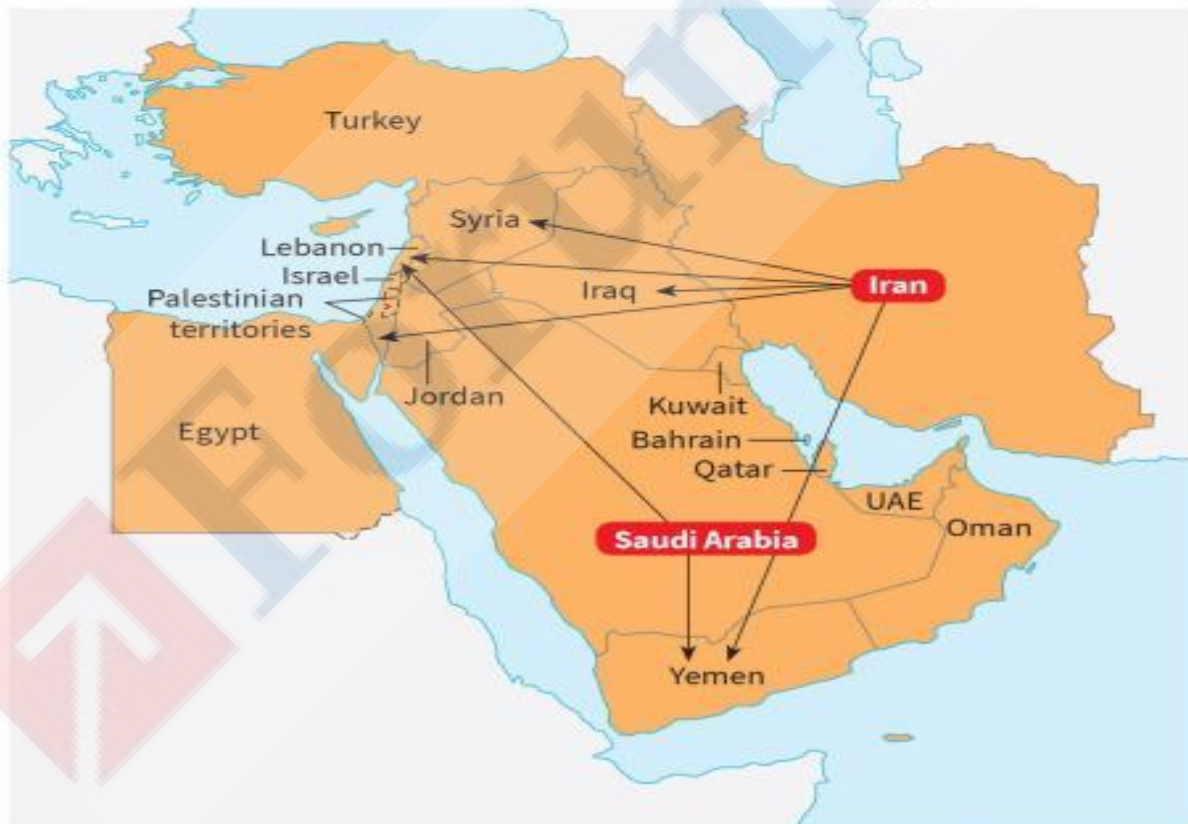
Source: The Hindu

The key outcomes of the Saudi-Iran peace deal are, **a)** Both countries plan to reopen their embassies in Riyadh and Tehran, **b)** Both countries will respect the sovereignty of other countries

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and not get involved in each others business. For example, Saudi Arabia agreed to rein in Iran International, a satellite news channel. On the other hand, Iran has agreed to curb cross-border attacks on Saudi Arabia by Houthi rebels in Yemen, **c)** Agreed to implement a security cooperation agreement signed in 2001 and a general economic, trade, and investment agreement signed in 1998.

Apart from these measures, both countries will also get together to work out the details of the peace deal.

China will organise a conference between Iran and the six Gulf monarchies to help maintain peace in the region.

What are the various diplomatic challenges in implementing the Saudi-Iranian normalisation deal?

Reviving the Resolving regional tensions: There are ongoing rivalries and conflicts in the region, particularly between Saudi Arabia and Iran, that require diplomatic efforts to manage and reduce tensions.

Reviving the JCPOA: The **Joint Comprehensive Plan of Action (JCPOA)**, a nuclear agreement with Iran, needs to be revived and renegotiated to ease sanctions and address concerns about Iran's nuclear program. However, domestic politics in the US and Israel could pose challenges to this process.

Managing Israel's aggressiveness: Israel's actions in the region, particularly its hostility towards Iran, need to be managed to ensure regional stability.

Engaging with China: China's growing role in West Asian affairs poses challenges for Indian diplomacy. India needs to engage with China in the region and work together to further mutual and regional interests while also prioritizing the management of its ties with China.

What are the Global Implications of Saudi-Iranian normalisation?

Some of the potential implications of Saudi-Iranian normalisation are:

Regional stability: The two nations are involved in conflicts in Syria, Yemen, and Iraq, among other places. Normalisation could lead to a de-escalation of these conflicts and a reduction in regional tensions.

Global energy markets: Saudi Arabia and Iran are two of the world's largest oil-producing nations, and their relationship impacts global energy markets. Any agreement between the two nations could affect the price of oil and gas globally.

Religious divide: The Sunni-Shia divide has been a source of tension between Saudi Arabia and Iran, and it has fueled conflicts in the region. The Saudi-Iran peace deal could help ease this divide and reduce religious tensions.

Relationship with U.S.: Saudi Arabia and Iran have different relationships with the United States, and normalisation could affect the U.S. policy towards the region. For example, The US, which traditionally held significant power in the region, has deprioritised West Asia due to bigger foreign policy challenges such as Russia's war in Ukraine and China's rise in the Indo-Pacific.

Geopolitical balance: Saudi Arabia and Iran are two of the most influential countries in the Middle East, and their normalisation could shift the balance of power in the region.

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China "quasi-mediation diplomacy": China has signaled a shift in its approach towards the Middle East. It is moving away from hard security concerns towards "quasi-mediation diplomacy". The strategy aims to promote China's commercial, diplomatic and political interests. The recent Saudi-Iran accord is the first manifestation of this approach, reducing regional tensions and paving the way for further dialogue.

Good for Afghanistan: The successful completion of the Chabahar-Helmand-Kabul-Termiz railway line will open the vast and resource-rich Central Asian region to the Global South.

What are the Implications of Saudi-Iranian normalisation for India?

Energy security: India is one of the biggest oil consumers in the world. Most of the oil imports come from the Middle East, especially Saudi Arabia and Iran. The Saudi-Iran peace deal could help reduce tensions in the region and could lead to a more stable oil market. This will be good for India's energy security.

Apart from this, discussions for the transportation of Iranian gas to India and Turkmen gas to Afghanistan, Pakistan, India, and Bangladesh could be restarted.

Trade and Investment: Improved relations between Saudi Arabia and Iran could lead to increased trade and investment opportunities for India, as both countries are important trading partners for India. This could result in greater economic growth and job creation in India.

Regional stability: The normalisation of relations between these two countries could lead to a reduction in tensions and potentially help resolve some of the conflicts in the region. This would be beneficial for India as it has a significant interest in maintaining regional stability. For example, India support for **International North-South Transport Corridor (INSTC)**, and Iran is also part of India's extended neighbourhood.

Geopolitics: India has good relations with both Saudi Arabia and Iran and has been trying to maintain a balance between the two countries. The normalisation of relations between Saudi Arabia and Iran could change the dynamics of the region, and India will need to navigate the new realities to maintain its interests in the region.

China angle: India may face difficulties as a result of China's efforts to mediate tensions between Iran and Saudi Arabia.

What can be done to fully reap the benefits of the Saudi-Iran peace deal?

Confidence-building measures(CBM): Both countries could take steps to build confidence and demonstrate their commitment to reducing tensions. This could include diplomatic gestures, such as opening embassies or exchanging visits between officials, as well as practical steps, such as reducing military deployments or easing economic sanctions.

Diplomatic negotiations: After CBM, both could engage in formal negotiations to work out the details of a potential normalisation deal. This could involve mediation from third-party countries or international organizations to help bridge the gap between the two sides.

For example, India can play a constructive role in promoting dialogue and cooperation between these two countries, which can help in achieving regional stability.

Addressing sensitive issues: A normalisation deal between Saudi Arabia and Iran would likely require both sides to address sensitive issues, such as regional security arrangements and Iran's

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nuclear program. These issues would need to be tackled in a way that addresses the concerns of both sides and promotes mutual trust and cooperation.

Building public support: A normalisation deal between Saudi Arabia and Iran would need to be supported by both societies, as well as by the broader international community. Therefore, efforts to build public support and engage civil society actors would be critical to the success of any potential deal.

India will need to carefully monitor the situation and adapt its policies accordingly to maintain its interests in the region.

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

Sources: Aljazeera, MEPC, The Hindu, Indian Express, and Eurasian Times.

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