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Features :

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Wetlands as a National Public Good

UPSC Syllabus: Gs Paper 3- Ecology and environment

Introduction

Wetlands are shared natural systems that support water security, livelihoods, biodiversity, and social wellbeing. In India, wetlands have sustained communities through traditional knowledge that balanced use and conservation. They provide vital ecosystem services but remain under severe pressure due to development, pollution, and weak implementation of existing laws. Recognising wetlands as a national public good is necessary to protect ecological stability and long-term resilience.

Understanding Wetlands

1. **Definition and ecological character:** Wetlands are areas where water is the main factor shaping the environment and associated plant and animal life. They include freshwater, coastal, urban, riparian, natural, and high-altitude systems.

2. **Wetlands as productive and multiple-use ecosystems:** Wetlands are among the most productive environments. They provide food, water, fibre, groundwater recharge, water purification, flood moderation, erosion control, climate regulation, and support agriculture, fishing, drinking water, livelihoods, and biodiversity, which makes them valuable but vulnerable.
3. **Traditional wetland management:** Community-based systems managed water flow and storage for irrigation, drinking water, rituals, and festivals. Shallow wells in Wayanad, built over 200 years ago, and tank systems in southern India supported sustainable use.

4. **Cultural and social significance:** Wetlands function as ecology and economy, habitat and heritage. They are essential to social wellbeing and community identity across regions.

Status and Threats to Wetlands in India

1. **Scale of wetland loss:** Nearly 40% of India's wetlands have disappeared over the last three decades. Around 50% of the remaining wetlands show signs of ecological degradation.

2. **Encroachment and land conversion:** Natural wetlands have been replaced by infrastructure, real estate, and road networks. Altered catchments and mismatches between cadastral maps and ground reality worsen protection efforts.

3. **Hydrological disruption:** Wetlands depend on timing and flow of water. Dams, embankments, channelisation, sand mining, and groundwater over-extraction disrupt these flows and damage wetland character.

4. **Pressure on riparian and urban wetlands:** Floodplains are treated as spare land rather than active river space. Urban wetlands are burdened with flood control, storm runoff, and sewage inflows, often without legal buffers.

5. **Pollution and ecological collapse:** Untreated sewage, industrial effluents, agricultural runoff, and solid waste cause eutrophication. Biodiversity declines along with flood buffering and water purification capacity.

6. **Coastal and climate-related stress:** Sea-level rise, cyclones, and shoreline change combine with ports, tourism, aquaculture, and settlement growth. Mangroves and lagoons face pressure from both landward development and rising seas.

7. **Institutional capacity gaps:** State wetland authorities are understaffed and underfunded. Skill gaps in hydrology, ecology, GIS, legal enforcement, and community engagement weaken management.

Policy and Institutional Framework for Wetland Conservation

1. **Wetlands (Conservation and Management) Rules, 2017:** The rules provide a legal framework for identifying, notifying, and regulating activities in wetlands. Their strength depends on proper demarcation and enforcement.

2. **National Plan for Conservation of Aquatic Ecosystems (NPCA):** Updated NPCA guidelines promote structured planning, monitoring, and outcome-oriented management. They support science-based and monitorable wetland restoration.

3. **Coastal Regulation Zone framework:** CRZ aims to protect the ecological integrity of coastal wetlands. Effective enforcement is critical in areas facing development pressure.

4. **Ramsar Convention and international commitments:** The Ramsar Convention, signed in 1971 and in force in India since February 1, 1982, promotes wise use of wetlands. Over 170 countries are parties, with more than 2,400 Ramsar sites covering over 2.5 million square kilometres.

5. **Ramsar sites in India:** India has 98 Ramsar sites, the highest number in South Asia. These sites represent commitments to conservation and monitoring, not symbolic recognition.

6. **Montreux Record:** The Montreux Record tracks Ramsar sites facing ecological change. Keoladeo National Park in Rajasthan and Loktak Lake in Manipur are listed from India.

7. **Role of institutions and partnerships:** Site-based initiatives involving State governments, local communities, and institutions such as the M.S. Swaminathan Research Foundation support mapping, participatory planning, and livelihood-linked conservation.

Way Forward

1. **Shift in governance approach:** Wetland management must move from short-term projects to long-term programmes. Focus should shift from beautification to ecological functionality and from silos to watershed-scale governance.

2. **Notification and boundary protection:** Clear notification, demarcation, public maps, grievance redress, and participatory ground-truthing are essential for effective protection under the 2017 Rules.

3. **Wastewater management:** Urban and peri-urban wetlands must receive treated inflows. Wetlands cannot replace sewage treatment plants, though constructed wetlands can support treatment.

4. **Catchment and hydrological connectivity:** Wetlands should be managed as basin systems. Feeder channels must be restored, blockages removed, solid waste dumping stopped, and extraction regulated.

5. **Wetlands in disaster risk reduction:** Mangroves, floodplains, mudflats, and urban wetlands act as natural buffers. They should receive investment comparable to built infrastructure.

6. **Livelihood-sensitive coastal protection:** CRZ enforcement should protect ecological no-go areas while supporting coastal livelihoods.

7. **Capacity building and performance:** A national capacity mission is needed with accredited training and measurable performance indicators. NPCA investments should link conservation outcomes with livelihood benefits.

8. **Technology and community stewardship:** Satellite data, drones, and time-series analytics improve monitoring. Traditional knowledge should guide restoration and compliance when treated as evidence.

Conclusion

Wetlands sustain water, livelihoods, and ecological stability across India. Their decline shows a gap between strong policies and weak implementation. Treating wetlands as shared public assets requires coordinated action, better planning, and sustained monitoring. When science-based management works alongside community stewardship and traditional knowledge, wetlands can function as living ecosystems that strengthen environmental resilience and long-term water security..

Question for practice:

Examine how wetlands function as a national public good in India and analyse the key threats, policy responses, and measures needed for their effective conservation.

Source: [Hindu]

A cautious nudge: On the 16th Finance Commission's recommendations

Introduction

The **Finance Commission** is a constitutional body established under **Article 280 of the Constitution** to recommend tax devolution, grants-in-aid, and fiscal reforms to maintain balance in India's federal structure. The **Sixteenth Finance Commission**, constituted for the period **2026–27 to 2030–31**, submitted its recommendations amid growing fiscal stress faced by States due to post-GST revenue constraints and rising expenditure responsibilities, necessitating a recalibration of Centre–State fiscal relations.

16th Finance Commission

Period and leadership: The Sixteenth Finance Commission covers the five-year period from **2026–27 to 2030–31**. It is chaired by **Dr. Arvind Panagariya**, and its report was tabled in Parliament on **February 1, 2026.**

Recognition of State fiscal stress: The Commission acknowledges that States face **shrinking fiscal space under the GST framework.** It notes a growing mismatch between expenditure obligations and assured revenues, which has increasingly pushed States towards **market borrowings**.

Key recommendations of the 16th Finance Commission

A. Vertical Devolution

Devolution Continuity: The Commission recommends retaining the States' share in the divisible pool of Central taxes at **41% for the period 2026–31**, ensuring continuity with the Fifteenth Finance Commission.

B. Horizontal Devolution Criteria

1. **Income Distance:** Income distance is calculated using the gap between a State's per capita GSDP and the average of the **top three large States**, directing higher transfers to relatively poorer States.

2. **Population Weight:** Population share is based on **Census 2011 data**, with its weight modestly increased to reflect present expenditure and service delivery needs.

3. **Demographic Performance:** Demographic performance is measured using **population growth between 1971 and 2011**, aligning transfers with long-term demographic trends.

4. Forest Coverage: The forest criterion is expanded to include **total forest area, increase in forest cover, and open forests**, recognising ecological services provided by States.

5. **Economic Contribution:** The earlier "tax effort" criterion is replaced by a broader **"contribution to GDP"** parameter, with its weight increased to **10%**, rewarding productive and economically efficient States.

6. **Gradual Transition:** The Commission recommends that changes in horizontal devolution be implemented **gradually**, to ensure stability in inter-State fiscal transfers.

7. **Performance Recognition**
The revised formula provides **incremental gains to high-contributing States**, introducing a measured performance linkage in fiscal transfers.

C. Grants-in-Aid Structure

1. **Grant Allocation:** The Commission recommends **₹9.47 lakh crore** as grants-in-aid over five years, primarily for local bodies and disaster management.

2. **Grant Rationalisation:** Revenue deficit grants and sector-specific grants are discontinued to simplify and streamline the grants architecture.

3. Local Government Finance

- **Rural Support:** A total of **₹4.4 lakh crore** is recommended for rural local bodies to ensure predictable and stable funding.
- **Urban Support:** An allocation of **₹3.6 lakh crore** is recommended for urban local bodies.

- **Conditional Grants:** All local body grants will be made available upon fulfilment of three entry-level criteria: (i) constitution of he local bodies as per the Constitution, (ii) publication of provisional and audited accounts of the local bodies in the public domain, and (iii) timely constitution of the State

- **Basic Services:** 50% of the basic grant will be untied and the rest 50% will be tied to: (i) sanitation and solid waste management, and/or (ii) water management.

4. **Disaster Management grants:**

- The Commission has recommended **disaster management corpus of Rs 2,04,401 crore** for **State Disaster Relief and Management Funds (SDRF and SDMF).**

- The cost-sharing pattern between the centre and states is recommended to be: (i) 90:10 for north-eastern and Himalayan states, and ii) 75:25 for all other states. Centre's share in total will be Rs 1,55,916 crore.

D. Fiscal Roadmap:

- The Commission has recommended that the Centre should bring down fiscal deficit to 3.5% of GDP by 2030-31.

- It recommended the annual fiscal deficit limit for states to be 3% of GSDP.

- It also recommended strictly discontinuing the practice of off-budget borrowings for states and bringing all such borrowings onto their budgets.

E. Power-sector reforms: The Commission recommended that states should actively pursue privatisation of electricity distribution companies (DISCOMs).

F. Subsidy Reforms

- **Subsidy Review:** The Commission recommends States **review and rationalise subsidy expenditure**, particularly schemes involving unconditional cash transfers.

- **Targeted Delivery:** It advises setting **clear exclusion criteria** and adopting **rigorous review mechanisms** to ensure effective targeting.

- **Off-Budget Ban:** The Commission recommends **discontinuing off-budget borrowings** for financing subsidies.

- **Accounting Uniformity:** A **standardised framework for accounting and disclosure of subsidies and transfers** is recommended to address misclassification across States.

G. Public Enterprise Reforms

- **Inactive Closure:** The Commission recommends **review and closure of 308 inactive State Public Sector Enterprises (SPSEs)**.

- **Disinvestment Policy:** States are advised to formulate **State-level disinvestment policies** targeting inactive and underperforming SPSEs.

- **Loss Criteria:** State or Union PSEs incurring losses for **three out of four consecutive years** should be placed before the **respective Cabinet** for decision-making.

Major Concerns Related to the Sixteenth Finance Commission

1. Static Devolution: The States' share in the divisible pool remains at **41% for 2026–31**, despite States demanding **50%**, limiting fiscal autonomy.

2. GST Constraints: The Commission itself notes tighter fiscal space under GST, forcing States to rely increasingly on **market borrowings**.

3. Limited Signal: FC-16 avoided a phased rise in devolution, missing an opportunity to commit to a higher share, such as **45% by 2031**.

4. Restrained Incentives: The weight for **"contribution to GDP"** rose sharply from **2.5% (FC-15) to 10%**, yet gains for productive States remain modest.

5. Demographic Shift: Weight for demographic performance was reduced, while **population size weight increased**, diluting reform incentives.

6. Cess Shrinkage: Although it flags shrinking pools due to cesses and surcharges, FC-16 does not recommend their inclusion.

7. Centralised Transfers: Total transfers rise **12.2% (2025-26 RE to 2026-27 BE)**, but **₹1.2 lakh crore (42%)** comes via Centrally Sponsored Schemes, reinforcing Centre-led control.

Conclusion

Overall, the Sixteenth Finance Commission combines continuity with calibrated reform. While it strengthens performance-linked transfers, local government financing, and fiscal discipline, it adopts a cautious approach on vertical devolution and structural federal reforms. The recommendations seek to balance equity, efficiency, and stability, even as concerns persist regarding State fiscal autonomy and centralisation of transfers.

Question for practice:

Discuss the key recommendations of the Sixteenth Finance Commission and the major concerns arising from its approach to Centre–State fiscal relations.

Source: The Hindu

Budget's Manufacturing Thrust

Source: The **Union Budget 2026–27,** places **manufacturing at the core of India's growth strategy** amid **global trade disruptions, tariff wars** and **geopolitical uncertainties.** Anchored in ***Make in India*** and ***Atmanirbhar Bharat***, the Budget seeks to **strengthen domestic manufacturing** in **strategic and frontier sectors** while maintaining fiscal discipline through a calibrated glide path**.**

Introduction

A key pillar of the Budget is its emphasis on scaling up manufacturing in **seven strategic** and high-value sectors**- semiconductors, biopharma, electronics components, rare earths, chemicals, capital goods** and **textiles.** This sectoral prioritisation is designed to **reduce import dependence, deepen domestic value chains, enhance technological capabilities** and improve India's global manufacturing competitiveness.

[Read More about Summary of Union Budget 2026-27](#)

Key Features of Budget's Manufacturing Thrust

Source: PIB

- **India Semiconductor Mission (ISM) 2.0** to develop equipment, materials, indigenous IP and resilient supply chains.
- **Biopharma SHAKTI** (₹10,000 crore) to position India as a global hub for biologics and biosimilars through regulatory and institutional strengthening.

Source: PIB

- **Electronics manufacturing** boost with outlay doubled to ₹40,000 crore, leveraging success in mobile and iPhone production.
- **Rare Earth Corridors** in mineral-rich states to secure critical inputs for clean energy, electronics and defence.
- **Chemical Parks** and **capital goods schemes,** including container manufacturing, to enhance industrial depth and productivity.
- **Integrated textile programme,** mega textile parks and support to khadi, handloom and handicrafts for employment and exports.
- **Dedicated sports goods** initiative to promote design, material sciences and export competitiveness.
- **₹10,000-crore SME Growth Fund** and customs duty rationalisation to improve MSME participation and cost competitiveness.

Challenges related to Manufacturing sector in India

- **Stagnant manufacturing** share in GDP despite a decade of Make in India.
- **Uneven outcomes** of PLI schemes, with limited domestic value addition in some sectors.
- **Technology and skill gaps i**n frontier sectors like semiconductors and biopharma.

- **Weak MSME integration** into global and domestic value chains.
- **Implementation bottlenecks** in cluster-based and Centre–State coordinated schemes.
- **Global trade uncertainties** and rising protectionism affecting export-led manufacturing.

Way Forward

- **Shift from incentive-led to innovation-led manufacturing,** with greater focus on R&D and design capabilities.
- **Deepen MSME linkages** through credit access, technology transfer and supply-chain integration.
- **Align skilling programmes** with advanced manufacturing needs and industry demand.
- **Promote state-specific i**ndustrial strategies via competitive federalism and challenge-based funding.
- **Encourage sustainable** and **green manufacturing** to meet global ESG standards.
- **Ensure policy stability and timely execution** to boost investor confidence.

Conclusion

The **Union Budget 2026–27** presents a strategic yet **fiscally prudent manufacturing roadmap,** aligning i**ndustrial ambition** with **macroeconomic stability.** Effective implementation and ecosystem development will be crucial to converting sectoral thrust into durable industrial transformation.

Question for practice

Source: [BusinessLine]

What does the Budget offer Urban India?

UPSC Syllabus: Gs Paper 3- Indian economy

Introduction

The Union Budget 2026 presents cities as engines of growth under the vision of *Viksit Bharat* and stresses capital investment and productivity. However, the actual budget numbers show a clear retreat from urban development. Central support for cities has reduced at a time when urban India faces rising pressure from migration, climate stress, job needs, and ageing infrastructure. This gap between vision and funding defines the core concern of the Budget for urban India.

Status of Urban Budgetary Support

1. **Decline in total urban allocation:** The central outlay for urban development has fallen from **₹96,777 crore to ₹85,522 crore**, a cut of **₹11,255 crore or 11.6%**. After accounting for inflation, the real reduction is even deeper.

2. **Mismatch between demand and support:** Cities are expected to manage migration, climate risks, infrastructure stress, and employment creation with reduced financial support. Urban India is being asked to do more with fewer resources.

3. **Urban development downgraded in priority:** While capital expenditure is highlighted at the macro level, urban development is treated as a residual sector. It is adjusted after other fiscal priorities, not seen as a growth-critical investment space.

Recent Budgetary Arrangement for Urban Development

1. **Metro rail dominance within a shrinking budget:** The allocation for metro and mass rapid transit projects declined from **₹31,239.28 crore to ₹28,740 crore**, a reduction of **₹2,499.28 crore**, or about **8%**. Despite this cut, metro projects continue to dominate urban spending.

2. **One-mode concentration of urban funds:** Out of the total urban outlay of **₹85,522 crore**, metro rail alone accounts for **₹28,740 crore**, which is **33.6%** of total central urban spending. Nearly one-third of the urban budget is absorbed by a single transport mode.

3. **Bias towards visible capital projects:** Metro systems are capital-intensive, spatially limited, and socially selective. They mainly serve dense corridors in large cities and benefit formal, middle-class commuters more than the urban majority.

Major Concerns Arising from Recent Urban Budgetary Support

1. **Cuts in affordable urban housing:** The allocation for **Pradhan Mantri Awas Yojana–Urban (PMAY-U)** declined from **₹19,794 crore to ₹18,625 crore**, a reduction of **₹1,169 crore or nearly 5.9%.** This weakens efforts to address housing shortages, worsening affordability, and the expansion of informal settlements.

2. **Sharp rollback in urban sanitation funding:** The allocation for **Swachh Bharat Mission–Urban (SBM-U)** was reduced from **₹5,000 crore to ₹2,500 crore**, a **50% cut**. Urban sanitation requires sustained investment in waste processing, sewage treatment, faecal sludge management, and worker safety, not one-time spending.

3. **Reduction in water and sewerage support:** Funding for the **Atal Mission for Rejuvenation and Urban Transformation (AMRUT)** fell from **₹10,000 crore to ₹8,000 crore**, a **20% reduction**. This affects cities already facing groundwater depletion, unequal access, ageing pipelines, and climate-induced water stress.

4. **Neglect of inclusive urban mobility:** There is no proportional investment in bus-based transport, non-motorised transport, or last-mile connectivity. These modes carry most urban trips and offer higher social returns than metro systems.

5. **Weak fiscal position of urban local bodies:** The contraction in central support is not offset by fiscal devolution or new municipal financing frameworks. Urban local bodies remain dependent on tied transfers and lack the capacity for long-term planning.

6. **Timing of these cuts matters:** These reductions come when cities are absorbing large-scale migration and demographic churn. Urban India is also facing rising unemployment, informalisation of work, and frequent climate shocks such as heat waves, floods, and water scarcity, making the fiscal rollback particularly damaging.

What Should Be Done

1. **Recognise cities as growth engines:** Urban India generates the bulk of GDP, absorbs labour, and supports innovation. Budget priorities should reflect this economic role.

2. **Expand and rebalance urban spending:** Urban allocations must increase in real terms and move beyond metro-centric planning. Everyday urban systems need priority.

3. **Strengthen inclusive urban systems:** Greater investment is required in buses, non-motorised transport, housing, sanitation, and water services to improve equity and resilience.

4. **Empower urban local bodies:** Cities need predictable, untied funding and stronger fiscal autonomy to plan and deliver long-term infrastructure and services.

Conclusion

The Union Budget 2026 celebrates cities in words but constrains them in finance. An 11.6% cut in urban allocations, deep reductions in housing, sanitation, and water, and one-third of funds locked into metro projects show a retreat from inclusive urban development. Without expanded, diversified, and decentralised urban financing, the promise of *Viksit Bharat* risks resting on underfunded cities and deferred futures.

Question for practice

Examine how the Union Budget 2026 reflects the government's approach towards urban development in India, with reference to fiscal allocations, spending priorities, and their implications for inclusive and sustainable cities.

Source: The Hindu

Union Budget 2026 bets big on Industrial Growth

UPSC Syllabus: Gs Paper 3- Indian economy

Introduction

Union Budget 2026–27 is presented during a rare goldilocks phase of high growth and low inflation. India has become the fourth-largest economy and remains one of the fastest-growing. However, global geopolitical tensions and tariff conflicts pose risks to long-term growth. The Budget tries to balance optimism with realism. It focuses on continuity, long-term vision, and capital-led growth while avoiding short-term stimulus-driven policies.

India's Fiscal Status and Strategy

1. **Macroeconomic context and fiscal approach:** The Budget is framed during a rare phase of strong growth and price stability. It recognises underlying risks that can weaken future growth if not managed carefully.

2. **Capex-led growth continuity:** Capital expenditure has been raised to ₹12.2 lakh crore for FY27 from ₹11.2 lakh crore in the current year. Public infrastructure spending continues to be the main engine of growth.

3. **Fiscal deficit and consolidation path:** The fiscal deficit target is set at 4.3% of GDP for 2026–27. This signals continued commitment to fiscal discipline while supporting growth through capital spending.

4. **Debt and borrowing profile:** Fiscal numbers indicate a medium-term path toward a debt-to-GDP ratio of 50%, though it stands at 55.6% in the current year. Gross borrowing is ₹17.2 trillion, while net borrowing is ₹11.7 trillion.

5. **Borrowing pressure and interest rate limits:** Although net market borrowing remains unchanged, higher gross borrowing reduces space for further rate cuts. Large borrowing requirements can keep interest rates firm.

6. **Growth and inflation assumptions:** Nominal GDP growth is assumed to be above 10%, which appears realistic. Real GDP growth is expected at 6.8–7.2%, with a GDP deflator inflation of 2.9–3.2%.

7. **Inflation outlook risks:** These assumptions suggest CPI inflation closer to 4% or higher in the coming year. Inflation outcomes may change once the new GDP series is introduced.

Industrial and Manufacturing Push

1. **Early focus on manufacturing:** The Budget places manufacturing at the centre of its strategy from the beginning. This marks a clear shift from earlier Budgets.

2. **Support across sectors and firm sizes:** Industrial growth is targeted across emerging sectors, legacy industries, and MSMEs, including khadi and handicrafts. This widens the base of industrial expansion.

3. **Strategic and frontier sectors:** Support is expanded for seven sectors such as semiconductors, electronics components, biopharma, chemicals, capital goods, and textiles. The intent is to move beyond incentive-only schemes.

4. **Electronics and semiconductor initiatives:** The Electronics Component Manufacturing Scheme outlay is raised to ₹40,000 crore. India Semiconductor Mission 2.0 aims to deepen domestic chip production and reduce supply chain risks.

5. **Logistics and container manufacturing:** ₹10,000 crore is allocated for a new container manufacturing scheme. Investment in freight corridors and transport strengthens export competitiveness.

6. **Response to global trade disruptions:** The Budget addresses disruptions from the China–US tariff conflict, which has restricted access to critical minerals. These minerals are vital for electronics, defence, EVs, and renewable energy.

Support to Exports and MSMEs

1. **Relief for export-oriented sectors:** Targeted measures are provided for export sectors affected by higher U.S. duties. Textiles, leather, and seafood receive specific attention.

2. **Shift in MSME financing approach:** The focus moves toward structural strengthening of MSME finance rather than short-term credit support.

3. **SME Growth Fund:** A ₹10,000 crore SME Growth Fund is proposed to address equity gaps for scalable firms. It is expected to complement bank lending.

Key Surprises and Policy Contradictions

1. **Disinvestment revenue expectations:** Despite weak execution, the Budget continues to expect disinvestment receipts. Last year's target was ₹47,000 crore, but only ₹8,768 crore was realised.

2. **Extended tax concessions for cloud services:** Global cloud service providers using Indian data centres are offered zero tax until 2047. A 22-year exemption is unusually long.

3. **Employment expectations in services:** Higher employment generation is expected from the services sector. This contradicts low employment elasticity and rising job displacement due to AI.

4. **Data centres and power mismatch:** The push for more data centres is not matched by a clear increase in power generation. Data centres have high electricity demand.

5. **Silence on rupee volatility:** Despite recognition of a volatile rupee alongside strong growth, the Budget does not address this issue.

Gaps and Structural Challenges

1. **Need for a comprehensive industrial policy:** Manufacturing initiatives lack integration into a broader industrial policy. Without this, measures risk remaining fragmented.

2. **Weak focus on domestic demand:** Sustained industrial growth requires strong domestic demand. The Budget offers limited discussion on this aspect.

3. **Capex execution shortfall:** Effective capital expenditure for 2025–26 was budgeted at ₹15.48 lakh crore but actual spending was ₹14.03 lakh crore. This weakens demand multipliers.

4. **Dependence on volatile external demand:** Export-led growth remains vulnerable to global uncertainty. Domestic employment and income growth are critical to offset this risk.

5. **Inflation and income challenge:** Price pressures can weaken purchasing power. This may emerge as the weakest link for manufacturing expansion.

Conclusion

The Budget presents a strong industrial vision anchored in fiscal prudence and capital-led growth. However, gaps in demand support, execution, and policy coherence remain. Sustaining growth in 2026–27 will require managing short-term pressures while building long-term industrial strength. This demands speed and endurance at the same time.

Question for practice:

Discuss how Union Budget 2026–27 seeks to balance fiscal prudence with an industrial and manufacturing-led growth strategy, and highlight the key challenges that may affect its effectiveness.

Source: [The Hindu]

Heatwaves and lightning should be added to national disaster list

Source: The post **"Heatwaves and lightning should be added to national disaster list"** has been created, based on **"Heatwaves and lightning should be added to national disaster list"** published in **"Down to Earth" on 03rd February 2026.**

UPSC Syllabus: GS Paper-3-Disaster Management

Context: The 16th Finance Commission has recommended the inclusion of heatwaves and lightning as nationally notified disasters in view of their increasing frequency, intensity, and mortality. This step aims to strengthen India's disaster management framework by ensuring predictable funding and institutional support for climate-induced disasters.

Key Recommendations and Provisions

a. **Inclusion in National Disaster List:** Heatwaves and lightning are proposed to be added to the notified disasters, enabling states to access SDRF and NDRF funds without procedural delays and improving response efficiency.
b. **Financial Allocations (2026–27):** ₹1.4 lakh crore has been allocated as Finance Commission grants, including disaster management funds. ₹14,370 crore is earmarked for disaster-related expenditure for 2026–27.
c. **Five-Year Disaster Funding (2026–31):** A total of ₹2,04,401 crore is recommended for SDRF and SDMF, ensuring long-term financial stability for disaster response and mitigation.
d. **Fund Distribution:** 80% of funds are allocated to SDRF for immediate relief, while 20% to SDMF for preventive and mitigation measures, promoting a balanced approach.
e. **State-Level Flexibility:** States may continue using up to 10% of SDRF funds for locally severe disasters, ensuring flexibility and responsiveness to regional needs.

Rationale for Inclusion

1. Heatwaves: Heatwaves have become more frequent and intense due to climate change. Rising daytime and nighttime temperatures reduce human adaptability, increasing heat-related illnesses. Vulnerable populations such as elderly people, outdoor workers, and urban poor are most affected, making institutional support essential.

2. Lightning: Lightning incidents have increased sharply, especially in rural and agricultural areas. Lack of awareness, inadequate shelters, and dependence on outdoor work expose people to high risk, making lightning a major cause of disaster mortality.

Significance of the Recommendation

1. **Improved Access to Funds:** States will receive assured and timely financial support, enabling faster relief and rehabilitation.
2. **Strengthened Disaster Preparedness:** Recognition will promote systematic planning, training, and infrastructure development.
3. **Climate Change Adaptation:** It aligns disaster management with India's climate adaptation goals.
4. **Protection of Vulnerable Groups:** Focused interventions can be designed for farmers, labourers, slum dwellers, and elderly populations.
5. **Institutional Recognition:** Formal inclusion reduces dependence on ad-hoc measures and improves accountability.

Challenges

1. **Financial Stress:** Increased claims on disaster funds may reduce resources available for other calamities.
2. **Identification and Assessment:** Measuring heatwave-related losses and attributing deaths remains technically difficult.
3. **Implementation Capacity:** Many states and districts lack trained personnel and modern equipment.
4. **Data and Reporting Gaps:** Under-reporting and absence of real-time databases weaken planning and compensation.
5. **Urban and Rural Vulnerability:** Poor housing, lack of cooling facilities, and weak healthcare infrastructure increase risks.

Way Forward

1. **Strengthen Early Warning Systems:** Improve IMD forecasts and ensure last-mile dissemination through mobile and community networks.
2. **Heat Action Plans (HAPs):** All states and cities should prepare and implement integrated Heat Action Plans linked with health services.
3. **Infrastructure Resilience:** Promote cool roofs, green cover, shaded public spaces, and lightning protection systems.
4. **Capacity Building:** Regular training of officials, healthcare workers, and disaster volunteers is essential.
5. **Data and Technology Use:** Use satellite data, GIS mapping, and digital platforms for monitoring and evaluation.
6. **Community Awareness:** Conduct awareness campaigns on preventive measures, first aid, and emergency response.
7. **Climate-Resilient Policies:** Integrate disaster risk reduction into urban planning, agriculture, and social welfare schemes.

Conclusion: The inclusion of heatwaves and lightning as national disasters reflects India's evolving climate risks. While it will strengthen financial and institutional support, success depends on effective implementation, technological integration, and community participation. A preventive and resilience-based approach is crucial for sustainable disaster management.

Question: Discuss the recommendation of the 16th Finance Commission to include heatwaves and lightning in India's national disaster list. Examine its significance, challenges, and **suggest a way forward.**

Source: Down To Earth

What 2026 Delhi Declaration tells about India's approach to the Middle East

Source: The post **"What 2026 Delhi Declaration tells about India's approach to the Middle East"** has been created, based on **"What 2026 Delhi Declaration tells about India's approach to the Middle East"** published in **"Down to Earth" on 03rd February 2026.**

UPSC Syllabus: GS Paper-2-International Relations

Context: The 2026 Delhi Declaration was issued after the second India–Arab League Foreign Ministers' Meeting held in New Delhi. It reflects India's pragmatic, balanced, and stability-oriented approach towards a region facing multiple conflicts and power rivalries. The Declaration highlights India's preference for sovereignty, dialogue, and strategic autonomy in West Asia.

Key Features of the Delhi Declaration

1. Emphasis on Sovereignty and Territorial Integrity

a. The Declaration reaffirmed support for the unity and territorial integrity of Sudan, Libya, and Somalia.
b. It rejected foreign interference in the internal affairs of these countries.
c. It supported internationally recognised governments in these states.
d. It condemned atrocities committed against civilians in conflict zones.
e. This shows India's commitment to international law and regional stability.

2. Position on Major Regional Conflicts

a) Yemen Conflict: The Declaration explicitly condemned Houthi attacks on navigation in the Red Sea. It supported Yemen's unity and territorial integrity. This position aligns closely with Saudi Arabia's regional policy.

b) Syria Issue: The Declaration made only a limited reference to Syria, focusing on counter-terrorism efforts. This reflects India's cautious and low-profile engagement with post-Assad Syria.

c) Israel–Palestine Conflict: The Declaration reaffirmed support for the Arab Peace Initiative of 2002. It supported the Two-State Solution based on pre-1967 borders. It emphasised Palestinian sovereignty and rights. It avoided endorsing the US-led "Board of Peace" initiative.

d) Iran Issue: The Declaration did not mention the US military build-up near Iran. It reflects India's attempt to balance its relations with both the US and Iran. India continued diplomatic engagement with Tehran through high-level visits.

3. Strategic Silence on Sensitive Issues

a. The Declaration avoided direct references to major power rivalries in the region.
b. It remained silent on US pressure on Iran and intra-Gulf tensions.
c. This indicates India's use of strategic ambiguity to avoid diplomatic confrontation.
d. It helps India maintain working relations with all regional actors.

4. Focus on Economic and Institutional Cooperation: The Declaration reaffirmed cooperation in economy, energy, education, media, and culture. It highlighted bilateral trade of more than 240 billion US dollars. It strengthened the institutional framework established in 2002. This shows India's emphasis on economic diplomacy.

5. Balancing Rival Regional Camps: The Middle East is divided between Saudi-led and UAE–Israel–US aligned blocs. India maintained friendly relations with both camps. It avoided taking sides in conflicts in Sudan, Libya, Yemen, and Somalia. This reflects India's policy of multi-alignment in foreign affairs.

India's Broader Diplomatic Approach Reflected

1. Normative and Status Quo-Oriented Policy: India consistently supports territorial integrity and recognised governments. It opposes secessionism and violent regime change and promotes peaceful resolution of disputes.

2. Strategic Autonomy: India followed an independent policy on Palestine, Iran, and Yemen. It avoided joining US-led military or political initiatives and preserved decision-making autonomy in foreign policy.

3. Transactional and Issue-Based Engagement: India's regional relations are driven by trade, energy security, and diaspora interests. Political disagreements are kept separate from economic cooperation. Engagement is based on mutual benefit.

4. Risk-Averse and Cautious Diplomacy: India avoided controversial positions that could invite sanctions or pressure. The absence of budget allocation for Chabahar reflects this caution. India prefers gradual and low-risk engagement.

Challenges for India

1. India faces difficulty in balancing relations between the US and Iran.
2. It must manage rivalry between Saudi Arabia and the UAE.
3. It needs to ensure maritime and energy security.
4. It has to protect its large diaspora in conflict-prone regions.
5. Its influence in conflict resolution remains limited.

Way Forward

1. India should continue its policy of **strategic autonomy** while deepening diplomatic engagement with all Middle Eastern powers.
2. It should enhance **economic and energy partnerships** to safeguard trade and energy security.
3. India should actively participate in **regional multilateral platforms** to promote stability and conflict resolution.
4. It should invest in **intelligence and maritime security** to protect its strategic interests in the Gulf and Red Sea.
5. India should strengthen **cultural and educational ties** to maintain long-term influence and soft power in the region.

Conclusion: The 2026 Delhi Declaration reflects India's balanced, pragmatic, and stability-oriented approach to West Asia. It prioritises sovereignty, economic cooperation, and strategic autonomy. It avoids ideological alignment and regional entanglements. This approach strengthens India's image as a reliable and responsible partner in the Middle East.

Question: What does the 2026 Delhi Declaration indicate about India's approach to the Middle East?

Source: **Indian Express**

Twists and turns in our ties with America

Source: The post **"Twists and turns in our ties with America"** has been created, based on **"Twists and turns in our ties with America"** published in **"Business line " on 04th February 2026.**

UPSC Syllabus: GS Paper-2- International Relations

Context: India–US relations since Independence have displayed a repeated cycle of initial resistance followed by gradual compromise. This pattern indicates that India often begins with assertive posturing to protect strategic autonomy but later adjusts due to practical constraints. It reflects a gap between ideological aspirations and material capabilities. This recurring behaviour is influenced by domestic politics, economic limitations, historical experiences, and institutional weaknesses. These factors together shape India's cautious and sometimes contradictory foreign policy approach towards the United States.

Historical Pattern

1. From 1947 to 1962, India adopted non-alignment under Jawaharlal Nehru and avoided close engagement with the US. Nehru believed that moral leadership and independence from power blocs would enhance India's global standing. However, this idealism reduced strategic support during crises such as the 1962 China war.
2. After China's aggression in 1962, India had to seek American military and economic assistance. This demonstrated that complete distance from major powers was not feasible in times of national emergency. It marked the first major instance of adjustment after resistance.
3. During the 1960s and 1970s, India experienced severe economic stress and food shortages. In 1966, Indira Gandhi accepted currency devaluation under US and World Bank pressure to secure aid. This showed that economic vulnerability limited India's diplomatic independence.
4. In 1971, India signed the Treaty of Peace, Friendship, and Cooperation with the Soviet Union. This alignment reduced American trust and reinforced Cold War divisions. As a result, India–US relations remained strained for many years.
5. In the late 1980s, India rejected IMF assistance despite rising fiscal and external deficits. Leaders such as Rajiv Gandhi and V.P. Singh believed that accepting Western loans would compromise sovereignty. However, this delayed reforms and worsened the crisis.
6. In 1991, India faced a severe balance of payments crisis and had foreign exchange reserves for only a few weeks. The government was forced to approach the IMF and implement structural reforms. This clearly demonstrated the cost of prolonged defiance.
7. In 1998, India conducted nuclear tests to assert strategic autonomy and regional power status. The United States responded with economic sanctions and diplomatic isolation. India later engaged in negotiations to normalise relations.
8. By 2005, India signed the Civil Nuclear Agreement with the US. India accepted international safeguards and regulatory commitments to gain access to nuclear technology. This represented strategic accommodation after years of confrontation.

9. From 2016 onwards, India and the US strengthened defence and security cooperation through agreements like LEMOA and COMCASA. However, trade disputes and protectionist policies created tensions. India again adjusted its policies under economic and strategic pressure.

Reasons for the recurring Pattern

1. India's foreign policy is strongly influenced by the idea of strategic autonomy inherited from the non-alignment movement. Policymakers fear that close alignment may restrict independent decision-making. This mindset often leads to initial resistance to American initiatives.
2. Domestic politics plays a significant role in shaping India–US relations. Political parties and interest groups have frequently portrayed the US as imperialistic to mobilise popular support. This limits the government's diplomatic flexibility.
3. India's economy has historically suffered from low growth, limited reserves, and dependence on foreign capital. These weaknesses force India to seek Western assistance during crises. As a result, ideological resistance gives way to economic necessity.
4. Indian leaders have often overestimated India's strategic importance and bargaining power. They have assumed that the US needs India for regional stability and China containment. This belief has sometimes led to delayed compromise.
5. Institutional weaknesses in foreign policy formulation have also contributed to inconsistency. Decision-making is often concentrated in a few individuals without long-term planning mechanisms. This reduces continuity across governments.

Consequences of This Approach

1. Frequent shifts between resistance and cooperation have reduced India's credibility in international relations. Partners find it difficult to predict India's long-term commitments. This weakens trust.
2. Inconsistent policies have reduced India's negotiating leverage. When India ultimately compromises after prolonged resistance, it often does so from a weaker position. This limits favourable outcomes.
3. Delayed integration with global economic systems has slowed India's development. Hesitation in embracing reforms and trade liberalisation has reduced competitiveness. This has long-term economic costs.
4. Reactive diplomacy has prevented India from shaping international agendas. Instead of setting rules, India often responds to external pressure. This reduces its influence in global governance.

Exception: Indira Gandhi

1. Indira Gandhi followed a relatively consistent policy of maintaining distance from the United States.
2. Her alignment with the Soviet Union provided strategic security and diplomatic support. This reduced uncertainty in foreign policy.
3. However, excessive dependence on the Soviet bloc limited India's diplomatic flexibility.
4. After the collapse of the USSR, India had to rapidly reorient its foreign policy. This exposed the risks of one-sided alignment.

Contemporary Relevance

1. The rise of China and increasing geopolitical competition in the Indo-Pacific have made the US an important strategic partner for India.
2. Cooperation is essential for maintaining regional balance. This requires stable relations.

3. Access to advanced technology, defence equipment, and global markets depends heavily on relations with the US.
4. A confrontational approach can harm India's development goals. Therefore, pragmatism is necessary.

Way Forward

1. India must develop a realistic assessment of its capabilities and limitations. Foreign policy should be based on national interests rather than ideological symbolism. This will reduce unnecessary confrontation.
2. Issue-based diplomacy should be prioritised. India should cooperate with the US in areas of convergence and manage differences through dialogue. This will improve mutual trust.
3. Strengthening domestic economic capacity is essential. A strong economy reduces vulnerability to external pressure. This enhances strategic autonomy in real terms.
4. Institutional reforms are needed to ensure policy continuity. Strengthening the Ministry of External Affairs and strategic think tanks can improve long-term planning. This will promote consistency.

Conclusion

India's repeated cycle of defiance followed by accommodation reflects internal contradictions in policy thinking. It shows the tension between the desire for autonomy and the reality of dependence. This pattern has weakened India's strategic position. A mature foreign policy requires balancing ideals with pragmatism and autonomy with engagement. Through consistency, institutional strength, and economic resilience, India can build a stable and mutually beneficial partnership with the United States.

Question: "India's relations with the United States have followed a recurring pattern of initial defiance followed by eventual accommodation." Critically examine this pattern in the context of India's foreign policy since Independence.

Source: Business Standard

There is no case for scrapping MPLADS funds

Source: The post "**There is no case for scrapping MPLADS funds"** has been created, based on "**There is no case for scrapping MPLADS funds"** published in "Business line " on 04th February 2026.

UPSC Syllabus: GS Paper-2- Indian Economy

Context: The Members of Parliament Local Area Development Scheme (MPLADS), introduced in 1993, enables MPs to recommend works worth ₹5 crore annually to address locally felt development needs. Recent debates have questioned the relevance of MPLADS, citing misuse and role conflict. However, scrapping the scheme is neither necessary nor desirable.

Arguments in favour of continuing MPLADS

1. Addresses local and immediate needs: MPLADS allows MPs to respond quickly to grassroots issues such as drinking water, sanitation, schools, health facilities and community assets, which often remain unmet due to bureaucratic delays.

2. Complements local government efforts: The scheme does not replace Panchayats or municipalities but supplements their limited financial capacity, especially in backward and remote areas.

3. MP's role remains recommendatory: MPs only recommend works; execution and implementation lie with district authorities. Hence, it does not violate separation of powers between legislature and executive.

4. Proven utility during emergencies: MPLADS funds have been effectively used during natural disasters, pandemics and infrastructure gaps, showing its flexibility and relevance.

5. Issues are of implementation, not design: Problems such as under-utilisation, delays or misuse arise due to weak monitoring and administrative inefficiencies—not because the scheme itself is flawed.

Criticism of MPLADS

1. **Alleged violation of separation of powers**: Critics argue that MPLADS blurs the line between the legislature and the executive by allowing MPs to influence development works. This raises concerns about constitutional propriety.

2**. Under-utilisation and uneven spending:** Many MPs fail to utilise their full allocation, leading to accumulation of unspent funds. Utilisation levels also vary widely across constituencies and states.

3**. Delays in project execution:** Projects recommended under MPLADS often face delays due to administrative bottlenecks, weak coordination between MPs and district authorities, and slow tendering processes.

4. **Transparency and accountability concerns:** Instances of poor quality works, cost overruns and lack of public disclosure have raised doubts about financial accountability and monitoring.

5. **Overlap with local government functions:** It is argued that MPLADS undermines Panchayati Raj Institutions and urban local bodies by bypassing local planning processes.

6**. Risk of political patronage:** There is concern that MPLADS funds may be used selectively to favour certain areas or groups, leading to inequitable development.

Way Forward

1. **Strengthen monitoring and auditing mechanisms:** Regular social audits, third-party inspections and stricter Comptroller and Auditor General (CAG) oversight can address misuse and quality concerns.

2. **Enhance transparency through digital platforms:** Real-time online dashboards showing fund allocation, project status and expenditure can improve public accountability.

3. **Time-bound execution of projects:** Clear timelines with penalties for delays should be enforced to improve efficiency and utilisation.

4. **Better coordination with local governments**: MPLADS works should be aligned with district and local development plans to avoid duplication and strengthen cooperative federalism.

5. **Capacity building of district administration**: Training and technical support for implementing agencies can improve project planning, execution and monitoring.

6. **Clear role demarcation:** Reinforcing the recommendatory role of MPs and the executive role of district authorities will address constitutional concerns.

Conclusion

MPLADS serves as an important bridge between elected representatives and local development needs. Rather than abolishing the scheme, focused reforms and stronger oversight can enhance its effectiveness.

Question: Critically examine the arguments for and against the Members of Parliament Local Area Development Scheme (MPLADS). Do the concerns raised justify scrapping the scheme? Suggest reforms.

Source: The Hindu

India's next industrial shift — electrons over molecules

UPSC Syllabus: Gs Paper 3- Infrastructure (Energy)

Introduction

For more than a century, industry has depended on burning coal, oil and gas for heat and motion. This fuel-based model is now giving way to an electricity-based system. Clean and reliable power is becoming the main source of industrial competitiveness. Countries that move faster from molecules to electrons gain advantages in exports, jobs, capital flows and energy security. In this shift, **China** is far ahead, while **India** is still catching up.

Understanding the Electrons vs Molecules Shift

1. **Meaning of molecules and electrons:** Molecules include coal, oil, gas, LPG and biofuels that are burned directly in engines, boilers and furnaces. Electrons refer to electricity supplied through the grid to run machines and industrial processes.
2. **Shift in the role of coal:** Coal is increasingly used for centralised power generation instead of direct combustion at factory sites. This allows industries to rely more on electricity rather than fuel burning.
3. **Efficiency advantage of electrification:** Electric motors convert over 90% of input energy into useful work, while internal combustion engines convert less than 35%. Each rise in electrification replaces more fuel than raw energy numbers suggest.
4. **Ease of decarbonisation and control:** Electrification enables better automation, precise process control and easier integration of clean energy. This makes emissions reduction simpler over time.

Why China Is Ahead Through Strategic Industrial Electrification

1. **High industrial electrification levels:** Nearly half of China's industrial energy use comes from electricity. India's share is closer to one quarter, creating a large competitiveness gap.

2. **Leadership in green electrons:** China has the highest share of green electricity in industrial use. The **United States** and the global average stand near 12%, while India is around 7%.

3. **Strategic focus on industry:** At the economy level, China, the U.S. and the **European Union** are all near one-third electrification. China directs far more electricity into industry than its peers.

4. **Export-oriented design:** As a major manufacturing hub, China ensures reliable and cleaner power for factories. This strengthens export competitiveness where carbon intensity is closely examined.

China's Industrial Transformation Model

1. **Grid-first approach:** Since 2010, China has invested heavily in power generation, ultra-high-voltage transmission, flexible substations and grid-scale storage. This created a strong base for industrial electrification.

2. **Steel sector electrification:** Electric arc furnace (EAF) steel production rose from about 44 million tonnes in 2010 to 106 million tonnes in 2024. Even after this increase, EAF steel makes up only around 15% of China's total steel output.

3. **Role of policy incentives:** Scrap recycling support and preferential tariffs encouraged the shift to electric steelmaking. This shows deliberate policy direction.

4. **Cement sector measures and its limits:** Grinding mills, material handling and digital controls are electrified. Waste-heat recovery provides 30–35 kWh per tonne of cement, improving efficiency. However, Calcination emissions in cement cannot be avoided. This makes carbon capture, utilisation and storage pilots necessary.

India's Current Status and Industrial Electrification Roadmap

1. **Present level of electrification:** India has doubled grid capacity in a decade and leads in solar additions. Still, industrial electricity use is only about one quarter, with green electricity at 7–8%.

2. **Reasons for slow transition:** Legacy dependence on on-site fuel combustion locks industries into molecules. Power quality and reliability remain uneven. Policy attention focuses more on generation than industrial use.

3. **Steel sector opportunities:** Around 30% of India's steel is produced through electric arc furnaces, compared to about 70% in the U.S. Improving scrap collection and trading systems can raise this share.

4. **Trade pressure from carbon rules:** Renewable-linked incentives for electric steel are important due to carbon-based trade measures targeting steel exports.

5. **Cement sector pathway:** Support is needed for electrified kilns, large-scale waste-heat recovery and CCUS hubs. A 20% reduction in fuel use per tonne is targeted this decade.

6. **MSME transition needs:** Most MSMEs depend on coal boilers and diesel generators. Concessional finance, pooled renewable procurement and technical support are essential.

7. **Role of digitalisation:** Advanced controls in new industrial clusters reduce power waste, enable demand response and provide reliable carbon data for global buyers.

Why the Transition Matters

1. **Competitiveness in global markets:** Export competitiveness is shaped by carbon intensity, and green electrons embedded in supply chains influence contract outcomes.

2. **Energy security gains:** Electrification reduces exposure to imported oil and gas price shocks by shifting demand to domestically produced electricity.

3. **Industrial sovereignty:** Industries can locate based on skills and logistics rather than fuel availability, strengthening economic independence.

Conclusion

The global industrial race now depends on green electrons rather than fuel molecules. China's strategy shows that directing clean power into industry creates lasting manufacturing strength. Without a rapid rise in green industrial electricity, India risks trade penalties and lost export opportunities. Policy must focus on power flowing into factories, not just capacity addition. The next industrial phase demands fast and deliberate electrification.

Question for practice:

Discuss how the shift from fuel-based industrial processes to electricity-based systems affects industrial competitiveness and what lessons India can draw from China's experience.

Source: [The Hindu]

Visible Progress, Invisible Exclusion

UPSC Syllabus: Gs Paper 3- Indian economy

Introduction

Budget 2026–27 marks a clear shift in India's fiscal strategy. The focus has moved from crisis support to a borrowing-led, capex-driven growth model. High public investment and a controlled fiscal deficit project confidence and long-term intent. Infrastructure and MSMEs are now treated as permanent growth pillars. However, behind this visible progress lies a deeper concern. The link between rising capital investment and employment generation is weakening, creating growth without broad labour inclusion.

Capex as a Permanent Growth Doctrine

1. **Shift from counter-cyclical to core strategy:** Earlier, capital expenditure expanded only when revenues allowed and was cut during fiscal stress. After the pandemic, capex became the main pillar of fiscal policy and no longer a temporary tool.

2. **Scale and fiscal commitment:** The fiscal deficit is guided to 4.3% of GDP, while public capex is raised to ₹12.2 lakh crore. This signals a borrowing-heavy approach to finance long-term growth.

3. **Structural role of infrastructure and MSMEs:** Public infrastructure and MSME-led manufacturing are no longer framed as short-term stimulus. They are positioned as the structural backbone of the economy and the basis of the "Viksit Bharat" vision.

4. **Underlying growth assumption:** The strategy rests on the belief that public investment will crowd in private investment, raise productivity, and generate employment over time.

Breakdown in the Growth–Employment Transmission

1. **GDP growth without labour absorption:** Capital formation has succeeded in driving headline GDP growth. However, labour absorption has stalled, weakening the link between growth and jobs.

2. **Persistent youth exclusion:** The youth NEET rate for ages 15–29 remains between 23% and 25%. Nearly one in four young Indians stays outside education, employment, or training even as public investment rises.

3. **Employment as a residual outcome:** Employment is no longer treated as a variable that must be directly engineered. It is increasingly seen as an eventual by-product of growth.

4. **Manufacturing-led growth with weak jobs link:** Expansion in MSMEs, semiconductors, and biopharma has not translated into proportionate employment gains, making the growth–jobs mechanism fragile.

Sectoral Signals of a Structural Reversal

1. **Construction losing job intensity:** Construction, the sector most directly supported by infrastructure spending, shows declining employment elasticity despite record public investment.

2. **Elasticity decline despite higher spending:** Employment elasticity in construction fell from 0.59 in 2011–12 to 2019–20 to 0.42 in 2021–22 to 2023–24. Each unit of capex now creates fewer jobs than before.

3. **Agriculture reabsorbing labour:** Instead of releasing labour, agriculture is pulling workers back. Employment elasticity rose sharply from 0.04 to 1.51 across the same periods.

4. **Distress-driven fallback:** This reabsorption reflects distress rather than productivity gains. Workers return to low-productivity agriculture due to lack of alternatives.

5. **Structural U-turn:** India is expanding modern physical assets while its workforce moves back toward subsistence sectors, reversing expected development patterns.

Growth Without Absorption

1. **Capital-intensive production bias:** The current capex-led model favours capital intensity. Infrastructure supports efficiency but reduces the need for labour.

2. **Widening productivity–wage gap:** Net value added per worker has increased sharply, while average emoluments remain much lower. Efficiency gains flow mainly as profits, not wages.

3. **Industrial structure constraints:** Most factories remain small, employ fewer than 100 workers, and contribute little to output. They struggle to scale or compete.

4. **Large firms dominate value creation:** Big firms integrate better into new logistics and infrastructure networks. They drive output growth but remain relatively labour light.

5. **Two-layer economy:** A capital-intensive upper layer drives GDP growth with limited jobs. A vast lower layer absorbs labour through informality and self-employment with low productivity.

Conclusion

Fiscal strategy and labour outcomes together show a silent shift in priorities. Growth advances through capital, automation, and productivity rather than employment. Inclusion now depends on skills, location, and adaptability. Those outside this profile move into informality or agriculture. The economy continues to grow, but it no longer requires broad-based labour absorption.

Question for practice:

Examine how India's post-pandemic capex-led growth strategy has weakened the growth–employment linkage, leading to visible economic progress alongside rising labour exclusion.

Source: [The Hindu]

A Turning Point for Nuclear Deterrence

UPSC Syllabus: Gs Paper 2- International Relations

Introduction

Europe's security debate has reached a critical stage due to a breakdown of trust in the U.S. as a nuclear guarantor. Tensions over Greenland and the possible expiry of the last arms control treaty with Russia have exposed deep cracks in the transatlantic alliance. At the same time, renewed nuclear modernisation and strategic rivalry have forced Europe to reconsider its defence architecture and reassess the role of nuclear deterrence in ensuring its security.

NATO's Crisis and the Erosion of Alliance Trust

1. **NATO's original security role:** North Atlantic Treaty Organization was created in 1949 as a defensive nuclear alliance against the Soviet Union. The U.S. acted as the primary guarantor of security for Western Europe.

2. **Breakdown of alliance trust:** U.S. pressure over Greenland, a Danish territory under NATO jurisdiction, showed the alliance turning against itself. Bullying and economic coercion damaged trust, which is essential for a nuclear alliance to function.

3. **Impact on European security thinking:** Without trust in the U.S., NATO's nuclear guarantee loses credibility. Europe must now rethink its security structure, which will directly shape future nuclear deterrence debates.

4. **Risk of outdated nuclear thinking:** If Europe relies only on nuclear deterrence, it may repeat Cold War ideas shaped by the Nuclear Non-Proliferation Treaty, which divided the world into nuclear haves and have-nots.

Evolving Nuclear Deterrence From Arms Control to Rearmament

1. **Changing global threat landscape:** Since the NPT limited horizontal proliferation, major threats have shifted to terrorism, extremism, climate change, inequality, economic stress, and regional rivalries. Nuclear weapons cannot address these challenges.

2. **Persistence of nuclear centrality:** Despite this shift, nuclear weapons continue to be treated as the ultimate security guarantee. Deterrence thinking has remained largely unchanged and rigid.

3. **Certainty versus uncertainty in deterrence:** Early nuclear debates focused on whether deterrence rested on uncertainty or certainty. India and Pakistan relied on uncertainty between the 1980s and 1998, while Israel continues to rely on nuclear opacity.

4. **Stockpiles and proof of resolve:** Other nuclear powers pursued certainty through growing arsenals. Testing demonstrated intent, while the number of weapons signalled resolve.

5. **Strengthening of the nuclear taboo:** Even as stockpiles expanded, a strong taboo against nuclear use emerged. No nuclear weapon has been used since 1945, despite repeated threats and the development of tactical nuclear weapons.

6. **Role of arms control agreements:** Arms control between the U.S. and the Soviet Union and later Russia helped prevent nuclear use. However, core deterrence thinking did not evolve.

7. **Return of nuclear expansion:** China, Russia, and the U.S. are modernising their arsenals. China has added around 100 warheads per year since 2023, reaching about 600.

8. **Reversal of reductions by the U.K.:** The U.K. reversed its 2006 reduction decision in 2015 and now maintains about 225 nuclear warheads.

9. **End of treaty-based restraint:** The last remaining arms control treaty, New START, expires on February 5. If the U.S. and Russia expand beyond 5,459 and 5,277 warheads, it will clearly signal a return to Cold War-style deterrence.

Ukraine War and the Limits of Nuclear Coercion

1. **Nuclear threats without nuclear use:** Russia issued nuclear threats before invading Ukraine and again in October 2022. These threats did not lead to nuclear escalation.

2. **Deterrence through conventional certainty:** Deterrence worked through the certainty of a strong response, while the nuclear element remained deliberately unclear.

3. **Ukraine's non-nuclear resistance:** Ukraine, a non-nuclear state, has resisted a nuclear-armed neighbour. Despite support and territorial losses, it has not been defeated.

4. **Challenge to nuclear dominance theory:** The conflict shows that nuclear weapons do not guarantee success. Nuclear possession alone does not decide outcomes.

5. **Europe's emerging security options:** Earlier debates focused on relying even more closely on the U.S., but this approach now appears inadequate. Europe is exploring alternatives that reduce dependence on U.S. guarantees.

6. **New cooperative arrangements:** European states have formed the Coalition of the Willing to support Ukraine's security. Ukraine's experience now informs future European defence thinking.

Conclusion

Europe stands at a decisive moment in shaping its security future. It can pursue a replacement nuclear arrangement or build a defence model where nuclear weapons play a limited role. This choice will determine whether nuclear deterrence thinking adapts to post-Cold War realities or remains locked in outdated assumptions.

Question for practice:

Examine how the erosion of trust within NATO and the changing dynamics of nuclear deterrence are reshaping Europe's security choices in the post–Cold War era.

Source: [The Hindu]

The Budget and the imperative of fiscal consolidation

UPSC Syllabus: Gs Paper 3- Indian economy

Introduction

The Union Budget 2026–27 places strong focus on spending programmes to support the goal of becoming a developed country by 2047. It shifts attention towards advanced technology and long-term growth drivers. At the same time, it raises concerns about implementation capacity, revenue strength, Centre–State finances, and the slowing pace of fiscal consolidation, all of which shape the credibility of this development strategy.

How the government is changing its spending approach

1. **Shift from revenue to capital expenditure:** The share of revenue expenditure in total spending has declined from 88% in 2014–15 to about 77% in 2026–27, creating space for higher capital expenditure.

2. **Reduction in subsidies:** Central subsidies have fallen by about 7 percentage points of total expenditure, signalling tighter control over recurring spending.

3. **Capital expenditure as a growth tool:** Higher capital expenditure has supported GDP growth in the post-COVID period and remains a key policy lever.

4. **Slowing momentum in capital spending growth:** Capital expenditure growth peaked at 28.3% in 2023–24 but fell to 10.8% in 2024–25 and 4.2% in 2025–26, before being budgeted at 11.5% in 2026–27.

5. **Capital spending stagnation as share of GDP:** Capital expenditure remains nearly unchanged at about 3.1% of GDP in both 2025–26 and 2026–27, as the budgeted growth of 11.5% is only marginally higher than the assumed nominal GDP growth of 10.0%.

6. **Implementation gap in capital expenditure:** Although capital expenditure growth of 10.1% was budgeted for 2025–26, only 4.2% growth was actually achieved, raising concerns about implementation capacity.

Whether revenues are strong enough to support these priorities

1. **Cautious tax revenue projections:** Tax revenue estimates for 2026–27 appear realistic and are likely to be met, reflecting conservative budgeting.

2. **Weak overall tax buoyancy:** Gross tax buoyancy is projected at only 0.8, well below the benchmark of 1, raising concerns about revenue responsiveness to growth.

3. **Dependence on direct taxes:** Direct taxes show buoyancy of 1.1 and account for 61.2% of gross tax revenues, supporting collections.

4. **GST drag on indirect taxes:** Indirect tax buoyancy is only 0.3, with GST collections not expected to match GDP growth in 2026–27.

5. **Need to reform indirect taxes:** Given rising developmental and welfare spending, improving indirect tax buoyancy to at least 1 becomes essential.

What this means for States and federal finances

1. **No increase in States' tax share:** The Sixteenth Finance Commission retained the States' share in the divisible pool at 41%, unchanged from the previous period.

2. **Stagnant tax assignment to States:** States' assigned taxes remain at 3.9% of GDP in both 2025–26 and 2026–27, offering no additional fiscal room.

3. **Discontinuation of revenue deficit grants:** The absence of revenue deficit and sector-specific grants reduces overall transfers to States.

4. **Decline in Finance Commission grants:** Total Finance Commission grants fall from 0.43% of GDP in 2025–26 to 0.33% in 2026–27, contrary to the usual first-year increase.

5. **Pressure on State finances:** Lower transfers increase stress on State budgets and constrain their spending capacity.

Why fiscal consolidation and debt sustainability matter

1. **Slowing reduction in fiscal deficit:** The annual reduction in the fiscal deficit to GDP ratio has slowed from 0.7 percentage points in 2024–25 to just 0.1 point in 2026–27.

2. **Shift in targeting strategy:** Moving focus from fiscal deficit to debt-GDP ratio reduces clarity, as both indicators depend on nominal GDP growth.

3. **Need for a clear glide path:** A transparent five-year path for fiscal deficit and debt-GDP ratios, with growth assumptions, is required.

4. **Delayed FRBM targets:** The Budget does not clearly indicate when the FRBM targets of 3% fiscal deficit and 40% debt-GDP ratio will be achieved.

5. **Rising interest burden:** The effective interest rate on government debt is estimated at 7.12% in 2026–27, increasing steadily over recent years.

6. **Crowding out primary spending:** Interest payments consume nearly 40% of revenue receipts, squeezing funds for essential expenditure.

7. **Impact on private investment:** High combined fiscal deficits of the Centre and States reduce investible resources, discouraging private sector investment.

Conclusion

The Budget sets a clear development vision and identifies priority sectors for long-term growth. However, slower fiscal consolidation, weak indirect tax buoyancy, and reduced State transfers weaken its foundation. Sustained growth needs fiscal discipline, transparent targets, and stronger revenues. Re-aligning consolidation strategy is necessary to support stability, investment, and the 2047 development goal.

Question for practice:

Evaluate how the Union Budget 2026–27 balances development-oriented expenditure priorities with the need for fiscal consolidation and debt sustainability.

Source: [The Hindu]

16th Finance panel formula awards 'efficient' States

Source: The post **"16th Finance panel formula awards 'efficient' States"** has been created, based on **"16th Finance panel formula awards 'efficient' States"** published in **"Business line " on 05th February 2026.**

UPSC Syllabus: GS Paper-3- Indian Economy

Context: The 16th Finance Commission's award for the period 2026–31 seeks to balance equity and efficiency in Centre–State financial relations. It aims to reward better-performing States while ensuring fiscal discipline and strengthening cooperative federalism.

Key Features

1. Changes in Horizontal Devolution

a. The Commission has reduced the weight of income distance from 45% to 42.5% to limit excessive redistribution.
b. It has introduced the contribution to GDP as a new criterion to reward economically productive States.

c. It has reduced the weight given to demographic performance from 12.5% to 10% in view of the ageing population.
d. It has slightly reduced the weight assigned to area and other equity parameters.

Impact:

a. States such as Karnataka, Kerala, Gujarat, Andhra Pradesh, Punjab, and Haryana have emerged as major gainers.
b. States such as Bihar, Uttar Pradesh, West Bengal, Odisha, and Madhya Pradesh have relatively lost share.
c. However, poorer States continue to receive significant transfers due to population and poverty-related criteria.

2. Changes in Vertical Devolution

a. The Commission has retained the 41% share of States in the divisible tax pool.
b. It has abolished revenue deficit grants to promote fiscal discipline.
c. It has ended nearly ₹3 lakh crore worth of deficit grants provided by the 15th Finance Commission.
d. It has substantially increased grants to urban local bodies to ₹9.47 lakh crore.
e. It has encouraged States to meet their needs by rationalising expenditure.

3. Promotion of Fiscal Discipline

a. The Commission has discouraged unconditional cash transfers to States.
b. It has recommended stopping off-budget borrowings for financing subsidies.
c. It has emphasised the need for responsible budgeting and fiscal rectitude.
d. It has supported increasing the share of rule-based Finance Commission transfers over discretionary transfers.

4. Addressing Regional Imbalances

a. The Commission has recognised the concerns of southern and western States regarding declining shares.
b. It has rewarded them for better governance and economic performance.
c. It has acknowledged that their growth has been supported by migrant labour from northern States.
d. It has ensured that poorer States are not completely deprived of resources.

5. Approach Towards Cesses and Surcharges

a. The Commission has been less critical of cesses and surcharges compared to earlier panels.
b. It has urged States to maintain fiscal discipline.
c. However, it has not strongly recommended a limit on cesses and surcharges.
d. This weakens the divisible pool available for States.

Limitations of the 16th Finance Commission Award

1. The Commission has failed to impose strict limits on cesses and surcharges, which reduce States' fiscal autonomy.
2. The abolition of revenue deficit grants may hurt fiscally weaker States.

3. Performance-based criteria may disadvantage structurally backward States.
4. Rising responsibilities of States have not been fully matched with resources.
5. The formula still relies heavily on past data, limiting responsiveness to current realities.

Way Forward

1. The Centre should impose reasonable limits on cesses and surcharges to protect the divisible pool.
2. Special transitional support should be provided to fiscally weak States.
3. Capacity-building measures should be strengthened in backward regions.
4. Fiscal responsibility frameworks should be linked with incentives.
5. Periodic review of devolution criteria should be undertaken to reflect economic and demographic changes.
6. Greater transparency in Centre–State transfers should be ensured.

Conclusion: The 16th Finance Commission's award represents a balanced attempt to combine equity with efficiency in fiscal federalism. Despite certain limitations, it promotes responsible governance and cooperative federalism. With suitable reforms and safeguards, it can contribute to more balanced and sustainable development.

Question: What are the key features and limitations of the 16th Finance Commission (2026–31) award? Suggest a way forward.

Source: Business Line

Expert Explains: Why a conflict in Iran could be far more consequential than in Venezuela

Source: The post **"Expert Explains: Why a conflict in Iran could be far more consequential than in Venezuela"** has been created, based on **"Expert Explains: Why a conflict in Iran could be far more consequential than in Venezuela"** published in **"Indian Express" on 05th February 2026.**

UPSC Syllabus: GS Paper-2- International Relations

Context: Following weeks of escalating tensions and a noticeable build-up of American military assets, the U.S. and Iran are set to hold talks in Oman on Friday to address Iran's nuclear programme. A destabilising crisis in Iran could carry far more serious global consequences than one in Venezuela due to its **strategic location, abundant oil and gas reserves, and central role in global energy security**.

Reasons why Iran is considered more consequential than Venezuela

1. **Strategic Location and Energy Chokepoint**
    a. Iran is situated along the **Strait of Hormuz**, a critical waterway through which **nearly 20% of the world's crude oil and LNG** is transported.
    b. Any military escalation or blockade in this area could **disrupt energy flows from multiple Gulf countries** and cause a **sharp increase in global oil and gas prices**.
    c. In comparison, Venezuela does not control any major energy chokepoints, limiting the global impact of its oil sector.

2. Energy Resources and Market Impact

a. Iran holds the **third-largest oil reserves** and the **second-largest natural gas reserves** in the world.
b. The **South Pars gas field**, shared with Qatar, is the largest gas field globally, highlighting Iran's importance in natural gas supply.
c. Iranian crude oil is of **high quality and low extraction cost**, whereas Venezuela produces heavy crude that is **expensive and difficult to refine**.
d. Any disruption in Iran's energy supply can **immediately impact global oil prices**, while Venezuelan oil has a **more limited effect**.

3. Geopolitical and Great Power Considerations

a. The **United States**, as the world's largest oil and LNG producer, seeks to maintain **strategic dominance in West Asia**, prevent Iran from developing nuclear weapons, and reduce China's influence.
b. China imports over **1.5 million barrels of Iranian oil per day** and is Iran's **largest trading partner**, increasing the stakes for global geopolitics.

4. Internal Dynamics and Regional Stability

a. Iran has a **population of 90 million**, with a majority under 35, and faces **economic hardships**.
b. Historical experiences, such as the **1953 US-backed coup in Iran** and the **2003 Iraq invasion**, indicate that foreign intervention can create **long-term instability, power vacuums, and regional conflict**.

Way Forward:

1. **Diplomatic engagement:** The international community should actively support negotiations, such as the talks in Oman, to resolve Iran's nuclear issues through peaceful means.
2. **Energy diversification:** Global dependence on single chokepoints, particularly the Strait of Hormuz, should be reduced by diversifying energy supply routes and sources.
3. **Economic cooperation:** Iran should be encouraged to attract foreign investment by establishing a stable and transparent legal framework that ensures mutual benefits.
4. **Regional stability:** Multilateral dialogue involving Gulf states, the US, and China should be promoted to prevent escalation of conflicts and ensure long-term regional stability.
5. **Monitoring and contingency planning:** Countries should strengthen strategic petroleum reserves and develop robust mechanisms to respond effectively to potential energy crises.

Conclusion: Conflict in Iran could **disrupt global energy markets, raise oil prices, escalate geopolitical tensions, and destabilize West Asia.** Diplomatic engagement, negotiation, and peaceful resolution are essential to **ensure energy security and maintain regional stability**.

Question: A crisis in Iran is considered more serious for the world than a crisis in Venezuela. Analyse this statement in the context of the present geopolitical conditions.

Source: Indian Express

The fading of India's environmental jurisprudence

Source: The post **"The fading of India's environmental jurisprudences"** has been created, based on **"The fading of India's environmental jurisprudence"** published in **"The Hindu " on 06th February 2026.**

UPSC Syllabus: GS Paper-2- Governance

Context: India's judiciary has historically played a significant role in protecting the environment by expanding the scope of Article 21 and applying principles such as sustainable development and the public trust doctrine. However, in recent years, several judicial decisions indicate a gradual weakening of environmental safeguards in the name of development and economic growth.

Evidence of Dilution of Environmental Protection

1. The Supreme Court's 2025 decision on the Aravalli Hills accepted a height-based definition, which excluded large ecologically sensitive areas from legal protection.
2. This decision reversed the Court's earlier ecological approach adopted in 2010, which recognised the Aravallis as an integrated geomorphological system.
3. The recall of *Vanashakti vs Union of India (2025)* permitted retrospective environmental clearances, thereby weakening regulatory enforcement.
4. The Environmental Impact Assessment process has been undermined by allowing post-facto and conditional clearances.
5. Judicial approval for the destruction of mangroves in Mumbai and Raigarh has been granted on the basis of compensatory afforestation, which ignores ecological realities.
6. The Char Dham highway project was allowed despite scientific warnings about landslides and ecological fragility.
7. Courts have shown leniency towards mining and infrastructure violations by overlooking procedural lapses.

Constitutional Implications

1. The dilution of environmental protection weakens the right to a clean and healthy environment under Article 21.
2. Article 48A, which mandates environmental conservation by the State, is reduced to a symbolic provision.
3. Arbitrary classifications, such as height-based protection of hills, violate the principle of equality under Article 14.
4. The weakening of environmental governance undermines the citizens' duty under Article 51A(g).
5. Judicial approvals for resource exploitation weaken the public trust doctrine.

Ecological Consequences

1. The weakening of environmental safeguards leads to increased desertification and depletion of groundwater resources.
2. It contributes to the loss of biodiversity and degradation of wetlands and forests.
3. It increases vulnerability to floods, landslides, and extreme weather events.
4. It causes irreversible damage to fragile ecosystems such as the Himalayas and coastal regions.
5. It intensifies long-term climate change risks.

Issues of Governance and Fairness

1. Large corporations are able to obtain environmental clearances with relative ease.
2. Public hearings are often reduced to mere formalities without meaningful participation.
3. Environmental compliance is treated as a checklist rather than a substantive process.
4. Local communities and indigenous groups are marginalised in decision-making.
5. Such practices reduce public trust in environmental governance and institutions.

Way Forward

1. **Strengthening Judicial Commitment:** Courts must strictly apply the precautionary principle and public trust doctrine. Environmental protection should be treated as a constitutional priority.
2. **Reforming the EIA Process:** Post-facto clearances must be completely prohibited. Environmental assessments should be transparent, scientific, and location-specific.
3. **Establishing Regular Green Benches:** Permanent Green Benches should function in all High Courts. This will ensure specialised and consistent environmental adjudication.
4. **Greater Use of Scientific Evidence:** Judicial decisions must rely on independent expert studies. Scientific impact assessments should be mandatory before approvals.
5. **Enhancing Public Participation:** Public hearings should be conducted meaningfully in local languages. Community concerns must be given due importance.
6. **Strengthening Regulatory Institutions:** Pollution Control Boards and environmental authorities should be autonomous and well-funded. This will reduce political and corporate interference.
7. **Strict Enforcement and Penalties:** Environmental violations must attract heavy fines and criminal liability. Regularisation of illegal activities should be discouraged.
8. **Promoting Sustainable Development:** Projects must respect ecological carrying capacity. Green technologies and nature-based solutions should be prioritised.

Conclusion: There is a need to restore the judiciary's proactive role in environmental protection by strengthening the EIA process, prohibiting post-facto clearances, and ensuring strict enforcement of environmental laws. Regular functioning of Green Benches, greater transparency, and meaningful public participation are essential. Development must be pursued in harmony with ecological sustainability to uphold constitutional values and intergenerational equity.

Question: Discuss how recent judicial trends indicate a dilution of environmental jurisprudence in India. Examine its constitutional and ecological implications.

DISCOMs and the road ahead

Source: The post **"DISCOMs and the road ahead"** has been created, based on **"DISCOMs and the road ahead"** published in **"The Hindu " on 06th February 2026.**

UPSC Syllabus: GS Paper-3- Economy

Context: Power Distribution Companies (DISCOMs) play a vital role in supplying electricity to consumers and supporting economic growth. Although recent reforms have improved their financial and operational performance, many structural and governance-related problems still affect their long-term sustainability.

Recent Improvements in DISCOM Performance

1. Financial Turnaround: DISCOMs recorded a positive Profit After Tax in 2024–25 and reversed years of continuous losses. This reflects better revenue collection and improved financial management.

2. Reduction in Technical and Commercial Losses: Aggregate Technical and Commercial losses have declined significantly due to improved infrastructure and reduced electricity theft. Better billing systems have also enhanced revenue recovery.

3. Improved Cost Recovery: The gap between the Average Cost of Supply and the Average Revenue Realised has narrowed considerably. This indicates that DISCOMs are gradually moving towards financial self-sufficiency.

4. Impact of Government Reforms: Schemes such as the Revamped Distribution Sector Scheme and the Late Payment Surcharge Rules have strengthened financial discipline. These initiatives have modernised networks and reduced legacy dues.

5. Better Operational Efficiency: The adoption of smart meters, digital billing, and network automation has improved transparency and service delivery. These measures have reduced human errors and leakages.

Persistent Challenges Faced by DISCOMs

1. Dependence on Subsidies: Many DISCOMs continue to rely heavily on State government subsidies and loss takeovers to show profits. This creates fiscal stress and weakens financial autonomy.

2. Politically Determined Tariffs: Electricity tariffs are often kept below cost-recovery levels due to political pressures. Free power schemes further distort consumption and finances.

3. Weak Data and Metering: Unmetered agricultural supply and poor data systems prevent accurate assessment of losses and consumption. This limits effective planning and monitoring.

4. Rising Fixed Costs: Employee salaries, pensions, and future pay revisions increase long-term financial liabilities. These costs reduce operational flexibility.

5. Governance and Accountability Issues: Political interference and weak professional management reduce transparency and efficiency. Limited accountability affects long-term performance.

Way Forward for Sustainable Reforms

1. Tariff Rationalisation: Governments should gradually implement cost-reflective tariffs while protecting poor consumers through targeted subsidies. This will improve revenue stability.

2. Universal Metering and Feeder Segregation: Smart metering and feeder segregation should be expanded across all States. These measures will improve billing efficiency and loss control.

3. Promotion of Renewable Solutions: Solar pumps and decentralised renewable energy should be promoted in agriculture. This will reduce procurement costs and subsidy burdens.

4. Strengthening Regulatory Institutions: State Electricity Regulatory Commissions must be made independent and efficient. They should ensure timely tariff revisions and compliance.

5. Professional and Performance-Based Management: DISCOMs should adopt modern management practices and link incentives to performance. This will improve accountability and service quality.

Conclusion: Recent reforms have helped DISCOMs improve their financial health, but structural and governance challenges remain. Strong political will, regulatory independence, and technological adoption are essential to build financially viable and consumer-friendly power distribution utilities.

Question: Despite recent improvements, India's power distribution companies continue to face structural challenges. Examine the performance of DISCOMs and suggest measures for ensuring their long-term financial sustainability.

More money for defence, now fix the process

Source: The article *"More money for defence, now fix the process"* is an **editorial published in *The Hindu***. It analyses recent **Union Budget allocations for the defence sector**, focusing on procedural and structural issues beyond funding.

UPSC Syllabus: GS Paper-3- Indian Economy

Context: India's most recent defence budget signals a clear departure from years of stagnation, as it records the first sustained double-digit rise in allocations and brings defence spending to around 2% of GDP.

Key Features of the Defence Budget

- The total defence allocation stands at **₹7.84 lakh crore**, accounting for **14.7% of total government expenditure**.
- A major positive shift is the **rise in capital expenditure to 27.9%**, correcting years of over-reliance on revenue spending.
- The **Indian Air Force and Army** receive substantial hikes for platforms, heavy vehicles and weapons, strengthening deterrence across theatres.
- **Pension and salary shares have declined** compared to FY20, indicating gradual rebalancing away from manpower-heavy expenditure.
- **Boost to Indigenisation and Defence Industry**
    - Around **75% of capital acquisition** is reserved for domestic industry under *Aatmanirbhar Bharat*.
    - Defence production has risen sharply since 2014, and **exports have grown from ₹1,000 crore to over ₹23,000 crore**, reflecting industrial maturity.
    - Indigenous manufacturing in areas like mobility equipment and shipbuilding has strong **employment and growth multipliers**.

Structural Constraints and Risks

- A **weakened rupee** reduces the real purchasing power of capital allocations, especially for imported platforms.
- Persistent **bureaucratic delays**, rigid procurement norms like the *L1 rule*, and absence of assured demand discourage innovation and MSME participation.
- **Long-pending projects** (e.g., submarines, fighter aircraft) highlight chronic acquisition delays and result in **under-utilisation of funds**, with capital allocations often lapsing.

- The absence of a **Non-Lapsable Defence Modernisation Fund** continues to hinder long-term planning.
- **R&D and the Capability Gap**
  - While allocations to DRDO and allied institutions have increased, **research remains fragmented** and poorly integrated with production.
  - India's overall R&D spending remains low at **0.66% of GDP**, with minimal private-sector participation, limiting technological leapfrogging.
- **Reframing Defence Spending**
  - Viewing defence through a narrow **"guns vs butter"** lens is misplaced.
  - Defence investment supports **border infrastructure, manufacturing ecosystems, employment, and strategic autonomy**, aligning with the vision of a **$30-trillion Viksit Bharat economy**.

Way Forward

- **Streamline defence procurement processes** to reduce delays and cost overruns.
- **Strengthen indigenisation and defence manufacturing** under Atmanirbhar Bharat to reduce import dependence.
- **Prioritise capital expenditure and R&D** for modernisation and future warfare needs.
- **Enhance jointness and integrated planning** among the armed forces to ensure efficient utilisation of increased funds.

Conclusion
The FY27 defence budget reflects ambition, realism, and improved prioritisation. Yet, its success will depend on **process reform, faster acquisition, integrated R&D, and predictable funding mechanisms**. Without fixing structural bottlenecks, higher spending risks diminishing returns. If execution matches intent, India can convert this budgetary push into **durable military capability, industrial strength, and strategic autonomy** in an increasingly contested global order.

Question: Despite increased defence budget allocations, India faces several challenges in defence procurement and utilisation of funds. Discuss the key limitations and suggest a way forward.

16th Finance Commission (FC)- Recommendations for Strengthening Local Bodies (Mention challenges of financing faced by local bodies, recommendation of 16th FC, Sources of revenue of Local bodies)

Local bodies are constitutionally mandated institutions **under the 73rd and 74th Constitutional Amendments,** yet they continue to face severe fiscal constraints. Recognising the need for empowered grassroots governance, the **16th Finance Commission** has recommended a **total grant of about ₹7.9 lakh crore to Rural Local Bodies (RLBs)** and **Urban Local Bodies (ULBs)** for the period **FY 2026-27 to 2030-31,** along with key structural reforms to improve their financial autonomy and accountability.

Challenges in Financing of Local Bodies

1. **Structural Revenue Gaps**
   - **Poor property tax performance** due to incomplete and outdated property records, low coverage, undervaluation, and weak enforcement.
   - User charges often remain politically constrained and below cost-recovery levels.
2. **Overdependence on Union and State Governments**

- Panchayats derive **over 90% of their revenues** from grants, undermining fiscal autonomy and local accountability.

3. **Limited Access to Debt and Capital Markets**
   - Municipal borrowings ar**e less than 0.05% of GDP,** reflecting weak creditworthiness and shallow municipal bond markets.
4. **Institutional and Governance Issues**
   - Delays and irregularities in constitution of **State Finance Commissions (SFCs).**
   - **Data gaps,** weak accounting standards, and limited financial transparency.
   - Underdeveloped **bond markets** and **lack of pooled financing mechanisms** for small ULBs.

Key Recommendations of the 16th Finance Commission

1. **Substantial Grant Support**
   - Total grants of **~₹7.9 lakh crore** to local bodies for **five years (2026-31).**
   - **Rural–Urban split of 60:40** between RLBs and ULBs.
2. **Strengthening Property Tax Systems**
   - States to develop citizen-friendly, GIS-based property tax IT systems to enhance coverage, valuation accuracy, and collections.
3. **Urbanisation Premium**
   - **₹10,000 crore** earmarked to incentivise the merger of **peri-urban villages** into adjoining **large ULBs (population >1 lakh),** promoting planned urban expansion.
4. **Reforming Centre–State Fiscal Federalism**
   - Recommendation for a constitutional amendment to remove the requirement under **Articles 280(3)(bb)** and **(c)** that binds the **Central FC** to make recommendations **"on the basis of"** SFC recommendations, addressing chronic delays and quality issues of SFCs.
5. **Improving SFC Functioning**
   - **NITI Aayog** to study SFC processes across States and publish a compendium of best practices, fostering standardisation and timely devolution.

Sources of Revenue of Local Bodies

1. **Own Tax Revenue**
   - Empowered under **Article 243X.**
   - Includes property tax, profession tax, advertisement tax, entertainment tax (local level), etc.
2. **Non-Tax Revenue**
   - **User charges, licence fees,** permit fees, parking charges, rent from municipal assets, etc.
3. **Inter-Governmental Transfers**
   - **Finance Commission grants,** State government devolution, and scheme-specific transfers **(Centrally Sponsored Schemes).**
4. **Borrowings and Innovative Financing**
   - **Municipal bonds (including green bonds),** general obligation bonds.
   - Pooled financing mechanisms for smaller ULBs.
   - Land monetisation, PPPs, and value capture financing.

Way Forward

1. **Strengthen Own Revenues: Universal GIS-based property tax,** realistic valuation, and cost-recovering user charges.

2. **Fix Devolution Framework:** Timely, standardised SFCs and performance-linked transfers; reduce grant dependency.
3. **Unlock Market Finance:** Municipal bonds, pooled financing for small ULBs, credit enhancement mechanisms.
4. **Build Capacity & Data Systems:** Robust accounting, transparent audits, skilled municipal cadres, digital governance.

Conclusion

The **16th Finance Commission** marks a **shift from mere grant-based support to structural fiscal empowerment** of local bodies. By strengthening property taxation, incentivising urban consolidation, reforming SFC-FC linkages, and expanding access to market-based finance, its recommendations can transform local governments into self-reliant engines of grassroots development, aligned with the **vision of cooperative and competitive federalism.**

Question: How do the recommendations of the 16th Finance Commission attempt to address the structural weaknesses in local body financing in India?

The India-EU Trade Deal - A Strategic Turning Point

Source: The India–EU Free Trade Agreement was concluded on 27 January 2026 at the 16th India–EU Summit and has been officially announced by the Government of India and the European Union leadership. It has been widely covered in government releases and international economic commentary as a landmark trade and strategic agreement.

UPSC Syllabus: GS Paper-3- Indian Economy

Context: The India–EU FTA marks the culmination of nearly two decades of negotiations, reflecting renewed strategic trust between the world's fourth-largest economy and the EU, the second-largest. By creating a combined market of nearly 2 billion people and about 25% of global GDP.

Salient Features of the India–EU Free Trade Agreement (FTA)

- **Enhanced Market Access for Indian Exports**
  - **Over 99% of Indian exports** by trade value will receive preferential access to the EU market.
  - **Reduction of tariff and non-tariff barriers** will improve the competitiveness of Indian products and enable deeper integration into European supply chains.
- **Boost to Labour-Intensive Sectors**
  - The FTA provides **zero-duty access** to nearly USD 33 billion worth of labour-intensive exports, where earlier EU tariffs ranged from 4% to 26%.
  - **Key beneficiary sectors include:**
    - **Textiles and Apparel:** Zero-duty access across all tariff lines to the EU's USD 263.5 billion market.

    - **Leather and Footwear:** Removal of tariffs up to 17%.
    - **Marine Products:** Elimination of tariffs up to 26% on shrimp and processed seafood.
    - **Gems and Jewellery:** Zero-duty access across the entire trade value.
    - **Engineering Goods:** Preferential access supporting MSME-led industrial clusters.
  - These sectors are employment-intensive, particularly benefiting women, artisans, and youth.
- **Agricultural and Processed Food Exports**
  - Preferential access has been extended to products such as tea, coffee, spices, grapes, gherkins, dried onions, and processed foods, supporting farmers and agro-processors.
  - Sensitive sectors like dairy, cereals, poultry, and soymeal have been protected to safeguard food security and domestic interests.
- **Services, Digital Trade, and Professional Mobility**
  - The agreement places strong emphasis on services and digital trade, the fastest-growing segments of both economies.
  - The EU has opened 144 services subsectors to India, while India has opened 102 subsectors to EU firms, ensuring predictability and non-discriminatory treatment.
  - A structured professional mobility framework facilitates movement of Indian professionals, supported by a commitment to conclude Social Security Agreements within five years.
- **Strategic Sectors and 'Make in India'**
  - Automobile Sector: Gradual reduction of tariffs on EU car imports from 110% to 10%, with phased liberalisation protecting India's mass-market segment while supporting exports.
  - Pharmaceuticals and Medical Devices: Improved access to the EU's USD 572.3 billion market through tariff reduction and regulatory cooperation, while retaining a TRIPS-compliant framework to protect public health.
- **Sustainability and Climate Commitments**
  - Sustainability is a core pillar, with binding commitments under the Trade and Sustainable Development (TSD) chapter on environment, labour rights, and gender equity.
  - Under the Carbon Border Adjustment Mechanism (CBAM), India has secured Most-Favoured-Nation assurances and technical cooperation to support exporters in meeting compliance requirements.

Challenges Related to the India–EU Free Trade Agreement (FTA)

- **Regulatory and Compliance Burden:** Stringent EU standards on environment, labour, data protection, and product quality may increase compliance costs for Indian MSMEs and exporters.
- **Impact of CBAM:** The EU's Carbon Border Adjustment Mechanism could raise costs for carbon-intensive Indian exports such as steel, aluminium, and cement.
- **Domestic Industry Concerns:** Gradual tariff reduction in sensitive sectors like automobiles may create competitive pressure on domestic manufacturers.
- **Services Market Barriers:** Despite commitments, language requirements, recognition of qualifications, and domestic regulations in EU member states may limit real market access for Indian professionals.

Way Forward

- **Capacity Building for Exporters:** Strengthen institutional support to help MSMEs meet EU technical, environmental, and digital compliance standards.

- **Green Transition Support:** Invest in cleaner technologies and carbon accounting systems to mitigate CBAM-related risks and enhance sustainability.
- **Phased and Monitored Implementation:** Closely monitor sector-wise impact, especially in automobiles and agriculture, and use safeguard clauses where necessary.
- **Deeper Regulatory Cooperation:** Enhance mutual recognition of standards, professional qualifications, and digital regulations to realise services-sector potential.

Conclusion

The India–EU FTA is a transformative agreement that significantly expands India's access to one of the world's largest and most sophisticated markets. While implementation challenges remain, targeted reforms, institutional preparedness, and sustained regulatory cooperation can help India fully leverage the agreement for inclusive growth, global competitiveness, and long-term strategic partnership with the European Union.

Question for Practice
While India-EU FTA is a transformative agreement however it is marred by several challenges. Elucidate.

Source- The Hindu

In a fragmented global order, AI and energy will redefine the rules of power

About the Issue: AI and Energy in a Fragmented World Order

The contemporary world order is witnessing a shift from a rules-based multilateral system to a fragmented, power-centric and transactional framework. In this emerging order, Artificial Intelligence (AI) and energy security have become the primary determinants of national power, strategic autonomy, and geopolitical influence. Control over technology stacks, data, energy resources, and supply chains is increasingly shaping global alignments, replacing ideology-driven alliances.

Core Content: AI–Energy Nexus Reshaping Global Power

- **From Rules to Transactionalism:** Global governance is giving way to interest-based, hierarchical relations where power flows from military strength, economic capacity, and technological dominance.
- **Energy as the New Strategic Bottleneck:** Rapid expansion of AI data centres has sharply increased electricity demand, making reliable and affordable energy a critical input for technological leadership.
- **Rise of 'Sovereign AI':** Nations are prioritising domestic control over data, semiconductors, cloud infrastructure, and AI models, treating AI as a national security asset.
- **Shifting Alliances:** Global partnerships are increasingly organised around shared technology ecosystems (US-led, China-led, etc.) rather than shared political values.
- **AI as a Growth Engine:** AI is transitioning from experimentation to a driver of productivity, GDP growth, and state capacity.
- **Twin Transitions:** While AI intensifies energy demand, it is also being deployed to optimise grids, integrate renewables, and enhance energy efficiency.

Challenges Emerging from the AI–Energy Power Shift

- **Energy Stress and Infrastructure Gaps:** Existing grids are ill-equipped to handle AI-driven demand, risking energy shortages and economic slowdown.
- **Supply Chain Fragmentation:** Competition over semiconductors, rare earths, and critical minerals is deepening geopolitical and economic fragmentation.
- **Inequality Between Nations:** Countries lacking capital, technology, or energy resources risk becoming perpetual "rule-takers".
- **Weak Global Governance:** Absence of a cohesive global framework on AI ethics, data governance, and energy transition may increase instability.
- **Security Risks:** Concentration of AI and energy assets increases vulnerability to cyberattacks, sabotage, and coercive diplomacy.

Way Forward

- **Invest in Sustainable Energy Capacity:** Expand renewables, nuclear energy, and grid modernisation to meet AI-era power demands.
- **Develop Sovereign but Open AI Ecosystems:** Balance strategic autonomy with international collaboration to avoid technological isolation.
- **Strengthen Middle-Power Coalitions:** Countries like India should leverage data, talent, and digital public infrastructure to shape global norms.
- **Promote AI for Energy Optimisation:** Use AI to improve grid resilience, energy storage, and renewable integration.
- **Build Issue-Based Global Cooperation:** Foster flexible coalitions on AI safety, climate action, and critical minerals rather than rigid alliances.

Conclusion

In a fragmented global order defined by power rather than principles, AI and energy together constitute the new grammar of geopolitics. Nations that can secure sustainable energy, control AI ecosystems, and integrate both into their development strategies will shape the emerging world order. For India, this moment offers an opportunity to emerge as a rule-shaper by aligning technological ambition with energy security and strategic autonomy, while contributing to a more resilient and balanced global system.

Question for Practice
How in the fragmented global order, AI and energy will redefine the rules of power?

Source- The Indian Express

'Hop-on, hop-off' — the state of climate governance

Source: The post **"'Hop-on, hop-off' — the state of climate governance"** has been created, based on **"'Hop-on, hop-off' — the state of climate governance"** published in **"The Hindu " on 07th February 2026.**

UPSC Syllabus: GS Paper-3- Environment

Context: Global climate governance under the United Nations Framework Convention on Climate Change (UNFCCC) has been the primary mechanism for addressing climate change for more than three decades.

However, despite repeated Conferences of Parties and ambitious declarations, meaningful climate action remains inadequate and slow.

Present State of Global Climate Governance

1. Process-Oriented Negotiations: Climate negotiations under CMP and CMA focus more on procedures, platforms, and frameworks than on concrete outcomes. This creates an illusion of progress without corresponding action.

2. Political Dominance over Climate Urgency: National interests often override global environmental concerns in negotiations. The consensus-based decision-making system allows countries to block ambitious commitments.

3. Economic Short-Termism: Markets and corporations prioritise short-term profits over long-term ecological sustainability. Economic incentives do not adequately account for future generations.

4. Marginalisation of Common Citizens: Ordinary people focus on immediate livelihood concerns and remain disengaged from climate politics. This reduces public pressure on governments for strong climate action.

5. Weak Implementation of Scientific Evidence: Although scientific evidence on climate change is well established, political actors use uncertainty to justify inaction. Scientific warnings are often diluted in policy decisions.

Limitations of Recent Climate Conferences

1. Voluntary Commitments: Recent COPs, including COP30, have relied mainly on voluntary pledges without binding obligations. This weakens accountability and enforcement.

2. Failure to Meet Temperature Targets: The goal of limiting warming to 1.5°C has become unrealistic due to rising emissions. Global emissions reached record levels in 2024.

3. Inadequate Climate Finance: Developing countries require trillions of dollars annually for mitigation and adaptation. However, current financial flows remain far below actual needs.

4. Weak Adaptation Framework: Adaptation finance pledges lack clear baselines and funding sources. Monitoring indicators are disconnected from real financial support.

5. Limited Progress on Loss and Damage: Although a loss and damage fund has been created, its capitalisation remains insufficient. A large gap exists between disaster impacts and available support.

Way Forward for Effective Climate Governance

1. Strengthening Legal Obligations: Climate agreements must move from voluntary pledges to legally binding commitments. Clear timelines and enforcement mechanisms should be introduced.

2. Reforming Decision-Making Processes: Consensus-based veto mechanisms should be reviewed to prevent blockage of ambitious action. Qualified majority voting may be explored.

3. Scaling Up Climate Finance: Developed countries must fulfil their financial responsibilities under common but differentiated responsibilities. Predictable and time-bound funding mechanisms should be created.

4. Integrating Climate with Development: Climate action should be aligned with poverty reduction and employment generation. This will increase reliance and political acceptance.

5. Enhancing Public Participation: Governments should increase climate awareness and citizen engagement. Informed public pressure can strengthen political commitment.

Conclusion: Global climate governance today suffers from drift, inadequacy, and lack of leadership, with more emphasis on negotiation than action. While the UNFCCC remains the only legitimate global platform for climate cooperation, its effectiveness depends on political courage, financial responsibility, and institutional reforms. Since humanity cannot opt out of the planet, urgent and collective action is the only viable path forward.

Question: Critically examine the present state of global climate governance under the UNFCCC framework. Discuss the reasons for its limited effectiveness and suggest measures for improving climate action.

Source: [The Hindu]

Skills gap mismanaged

Source: The post **"Skills gap mismanaged"** has been created, based on **"Skills gap mismanaged"** published in **"BusinessLine " on 07th February 2026.**

UPSC Syllabus: GS Paper-2- Governance

Context: India faces a persistent skill gap, which has become more prominent due to emerging technologies like **artificial intelligence, cloud computing, data engineering, and cybersecurity**. Industry leaders often argue that **graduates are not job-ready**, while governments launch skilling missions and universities promise educational reforms. Skill gaps are **not a new problem**, and India historically addressed them more deliberately than it does today.

Historical Context

1. In the **1990s and early 2000s**, India's IT industry expanded rapidly despite a shortage of job-ready talent.
2. Companies such as **TCS, Infosys, and Wipro** recruited graduates based on their **learning potential**, not because they were fully skilled.
3. These companies provided **structured training programs lasting three to six months**, closely aligned with business needs.
4. Private institutions like **NIIT and Aptech** supported the effort, creating an ecosystem that bridged **industry demand and workforce supply**.

5. Many trained recruits **built long-term careers** within their organizations, demonstrating the **value of early-career skilling investments**.

Current Scenario

1. Today, most large organizations **show limited appetite for trainee hiring or long-term skilling programs**.
2. Expectations of **"day-one productivity"** dominate corporate hiring practices.
3. The **National Education Policy (NEP) 2020** encourages **industry-institute partnerships, flexible curricula, credit-based internships, practitioner-led courses, and applied learning**.
4. Universities are **revising syllabi, establishing innovation cells, inviting industry experts as adjunct faculty, and seeking collaborations**.
5. Industry engagement is often **transactional rather than deep**, which creates a **structural bottleneck** in improving employability.

Challenges to Industry–Academia Collaboration

1. **Complexity of Work:**
    a. Modern digital roles such as AI engineering, cloud security, and advanced analytics require **deep specialization**.
    b. Some emerging roles take **12–24 months to reach full productivity**, which increases corporate risk.
    c. Modular learning, apprenticeships, and **stackable credentials** co-designed with institutions can help **reduce risk while preserving entry-level access**.
2. **Attrition Concerns:**
    a. IT-sector attrition often ranges from **15–20 percent**, making firms cautious about training investments.
    b. Evidence shows that **early-career hires with structured growth pathways demonstrate higher long-term retention** than lateral recruits.
    c. Shared-cost training models can **reduce individual firm risk** while maintaining the talent pipeline.
3. **Higher Education Gaps:**
    a. India produces **over four million graduates annually**, but only about **half are immediately employable** for formal-sector roles.
    b. Outdated curricula and **limited industry exposure** reduce employability.
    c. Sustained **industry participation is crucial** for universities to receive **real-time feedback** on skill requirements.
4. **Corporate Responsibility:**
    a. Firms benefit from **publicly funded education, policy support, and demographic scale**.
    b. Historical IT growth succeeded because **shared investment in human capital** supplemented individual effort.

Policy Recommendations

1. The government should **incentivize corporate trainee and apprenticeship programs**.
2. Deep, meaningful **industry-institute partnerships should be rewarded**, not symbolic collaborations.

3. **Consortia-based training infrastructure** can reduce corporate risk while sustaining workforce development.
4. **Public funding should be aligned with employment outcomes** rather than merely enrollment statistics.

Conclusion: India faces a paradox of a **young population with rising educational aspirations** alongside persistent **graduate underemployment**. Skill gaps will **always exist**, but **structured, scalable, and modern entry-level skilling** can bridge this divide. India's historical IT success shows that **prioritizing potential over perfection**, supported by policy alignment and **shared investment in human capital**, delivers long-term economic benefits.

Question: How can industry–academia collaboration and corporate training address India's skill gap? Suggest measures to improve employability.

Source: BusinessLine