FINANCE COMMISSION

The constitution of the Finance Commission (FC) is governed by **Article 280 of the Constitution**. It spells out the manner and modality for the management of the finances of the Union and the States as well as the principles for governing the divisible resources.

FC – XV

- The **fifteenth Finance Commission** (FC-XV) was constituted on November 27, 2017. It submitted its report, titled '**Finance Commission in Covid Times',**to the President for the period 2021-26.
- The Finance Commission transfers are made under **Articles 270, 275 and 280** of the Constitution, which provides a **mechanism for sharing** of taxes and revenues **vertically** between the Centre and states; and **horizontally** among all states.
- FC-XV was additionally tasked with reviewing the design of fiscal principles for various grants that are typically provided alongside revenue shares. It was also asked to consider **performance-based incentives** to support and motivate the efforts of State and/or local governments.
- Another unique mandate given to it included **recommending funding mechanism for defence and internal security**.
- **Challenges faced by commission**: The difference-in opinion on the use of the population census of 2011, Non-lapsable defence fund, Use of certain parameters for performance incentives.

Recommendation of FC-XV

A. Vertical Transfer

- The constitution has assigned higher and more buoyant taxation and resource raising powers to the Union Government whereas higher responsibilities for incurring expenditure have been assigned to the States. For example, in 2018-19, the Union Government raised 62.7 per cent of the aggregate resources raised by both the Union and States, whereas the States spent 62.4 per cent of the aggregate expenditure of the Union and the States.
- This imbalance between revenues and expenditure responsibilities forms the basis of a fair vertical devolution. **FC-XV recommended this devolution to beat 41 per cent**.
- As compared to FC-XIV, this Commission has only made the required adjustment of about 1 per cent due to the changed status of the J&K into the new UT of Ladakh and J&K, as the resources for these Union territories will now be provided by the Union government.

B. Horizontal distribution

- Horizontal devolution of taxes is mainly driven by considerations of need, equity and performance. However, **balancing equity and efficiency is never an easy exercise**.
- FC-XV has given the **criterion for horizontal distributionof taxes** which is shown in the side table.
- Population, area and forest & ecology represents the **need-based principle**, while income distance criterion represents an **equity-based principle**. Tax and fiscal efforts and demographic performancehave been used as a **performance criterion**.

Criteria	Weight (Per cent)
Population	15.0
Area	15.0
Forest and Ecology	10.0
Income Distance	45.0

Which Census Year to be Used?

- All FCs since sixth one, used the population data of the 1971 Census.FC-XV was mandated to use the **population data of the most recent Census**.

- A sudden use of the latest Census data will be unfair to States which have performed well on the national objective of demographic management. Hence, **use of demographic performance as a criterion has addressed these issues**.
- FC recommended **relatively higher per capita tax devolution** to **States with lower per capita income**. This clarifies that the overall allocation to States as recommended by the Commission is progressive.

C. Grants-in-aid

- The second core function of the FC is to determine the principles which should govern grants-in-aid. The Commission has recommended **five different categories of grants**: Revenue deficit grants; Grants for local governments; Grants for disaster management; Sector-specific grants, and State-specific grants.
- FC-XV recommended grants aggregating to Rs. 10,33,062 crore, which is **19.65 per cent of total recommended transfers to States**.

Rationale behind Grant-in-aids

- The revenue deficit grants will allow states time to adjust to changes in the pattern of tax devolution recommended by FCs based on the evolving patterns of their assessed needs, ability and performance.
- Besides, grants-in-aid are more directly targeted and equalises the standards of basic social services to some extent. Some of these grants have been linked with performance-based criteria that seek to promote some sectors in furtherance of national goals.
- Also, attaching performance criteria to fiscal transfers may **enhance transparency, accountability, provide feedback** on improving policy formulation and implementation and lead to better monitoring of expenditures.

Revenue Deficit Grants

- No formula-based horizontal devolution can meet the needs of each of the twenty- eight States so vastly different from each other. Therefore, the Commission has recommended an allocation of 1.92 per cent of the gross revenue receipts of the Union as revenue deficit grants to specific States.

Local Government Grants

- The total size of the grant to local governments recommended by the Commission is Rs. 4,36,361 crore for the period 2021-26. A sum of Rs. 2,36,805 crore is earmarked for **rural local bodies,** Rs. 1,21,055 crore for **urban local bodies** and Rs. 70,051 crore for health grants through local governments.
- **Urban local bodies have been categorised into two groupsbased on population**. Basic grants are proposed only for cities/towns having a population of less than a million. For Million-Plus cities, 100 per cent of the grants are performance-linked through the **Million-Plus Cities Challenge Fund**.
- For rural local bodies, the FC-XV allocations cover all the three panchayati tiers—village, block and district—as well as the Excluded Areas exempted from the purview of Part IX and Part IX-A of the Constitution.
- The rural-urban distribution **gradually increases in favour of the urban local bodies** from 67:33 in 2021- 22 to 65:35 by 2025-26.
- The grants to local bodies, both rural and urban (less than a million category), contain a mix of basic, tied as well as performance grants such as sanitation, solid waste management and ease of breathing in the metro cities.

Disaster Management Grants

- The Commission recommended **Mitigation Funds to be set up** at both the national and State levels, in line with the provisions of the Disaster Management Act.

Other Sector-specific and State-specific Grants

- The Commission has also recommendedperformance-based grants and incentives for sectors like health, education, agriculture, PMGSY roads, judiciary, statistics and aspirational districts and blocks.
- The Commission laid special focus on health sector. It recommended total grants-in-aid support to the health sector over the five-year award period aggregating to Rs.1,06,606 crore which is 10.3 per cent of the total grants-in-aid recommended by the Commission.

Defence Fund

- It has been recommended that the Union Government may constitute in the Public Account of India, a dedicated non-lapsable fund, **Modernisation Fund for Defence and Internal Security** (MFDIS). The total indicative size of the proposed MFDIS over the period 2021-26 is Rs. 2,38,354 crore. This recommendation has been accepted by the government.
- This would make a significant difference in addressing the issue of adequacy of capital expenditure both for defence and internal security.
- In the formula given by the Finance Commission, whereas Rs. 40,000 crore per annum would be available for defence, Rs. 10,000 crore per annum would be available for home ministry to upgrade paramilitary forces. Finally, Rs. 1,000 crore per annum has been recommended as **Jawan Welfare Fund** given the enormous sacrifices of India's armed and paramilitary forces.

Conclusion

- Notwithstanding challenging times, the Commission believes that the distribution of resources between the Union and the States and for the third tier of government have been addressed in a manner which is fair, reasonable, rational and equitable.

"Never let the future disturb you. You will meet it, if you have to, with the same weapons of reason which today arm you against the present"- Marcus Aurelius

TOWARDS ATMANIRBHAR BHARAT

- Budget 2021-22 is a reformative budget towards a quantum leap into the future in the trying times of Covid-19 pandemic.
- Instead of taking an incremental approach in the Budget this time took a quantum leap towards the twin objectives to achieve a USD 5 trillion economy by 2024 and an Aatmanirbhar Bharat to accomplish India's growth despite serious fiscal challenges.

Budget 2021-22: Focus on Fiscal Transparency and Stimulate Faster Economic Growth

- It addresses core welfare issues like health and well-being which are very critical in the pandemic/postpandemic time.On the other hand, it defines dynamic roadmap along with potential course of action to **propel economy with disinvestment**, **privatisation of two PSU Banks** and **one General Insurance Company**, assets monetisation, huge spend on infrastructure to create capital assets, jobs and demands so much so that no one is left behind in the journey of development post pandemic.
- With assets monetisation, the budget also spells the Government's considered commitment on infrastructure spending so that their multiplier effect would help the economy as a whole.

- This budget which is the **first ever paperless budget** has many unique features including <u>realistic revenue projection, no tax rates tweaking and transparent fiscal accounting</u>.
- Without **increasing any tax burden** on the taxpayers, it **introduces a cess, just by adjusting a few duties**, to fund **Agricultural Infrastructure and Development**.
- The Government brought in landmark changes and structural reforms in tax administration and compliance processes, both for direct and indirect taxes to further enhance the ease of compliance for the taxpayers.
- Besides making the income tax department a **department-in-dialogue with taxpayers** that listens, trusts, believes and handholds them with new 26AS, pre-filled returns, quick refunds, etc., the Government introduced the **faceless system in assessment**, **appeal and now even in dispute resolution**.
- The aim was to establish a platform for *Transparent Taxation - Honoring the Honest* and thereby provide Faceless Assessment to all taxpayers except in cases of serious frauds and money laundering, etc.
- **Faceless Appeal**, launched in September 2020, provides a fully faceless procedure for appeals in tax dispute matters pending before the Commissioner (Appeals).

Highlights of Budget 2021-22 in respect of Indirect and Direct Taxes:

Indirect Taxes

A. Goods and Services Tax (GST)

- A number of changes have been made by way of amendments through the Finance Bill, 2021. A <u>mandatory requirement of getting annual accounts audited and reconciliation statements has been removed</u>.
- Further it has been provided that interest on delayed payments of GST shall be charged only on net cash liability with effect from the July 1, 2017.
- Certain measures have been taken to improve compliance. Now, input tax credit shall be allowed only when the details have been furnished by the supplier in the statement of outward supplies.
- **Unscrupulous traders are being identified** through extensive application of deep analytics and artificial intelligence. The results have been encouraging. *In January 2021, the GST collection stood at historic high of almost Rs 1.2 lakh crore*.

B. Customs

- As regards customs duty, Aatmanirbhar Bharat has been the guiding principle. The **import duty rate structure has been meticulously calibrated** to ensure adequate availability of raw materials to meet the requirements of the manufacturing sector.
- Initiatives of various ministries to encourage domestic manufacturing through various Phased Manufacturing Programmes and Performance Linked Incentive Schemes are laudable.
- Legislative changes have been proposed so as to mandate filing of bills of entry before the end of day preceding the day of arrival of goods.
- Changes have also been proposed to encourage paperless processing; it is proposed to recognise the use of a **common portal to serve notice, order**, etc., and the portal to act as a one-point digital interface for the trade to interact with the Customs.

- Significant changes have also been announced in respect of **trade remedial measures** for securing national economic interest against surge in imports, dumping of goods or export of subsidised goods to India by circumventing the trade.
- The budget also **proposes a cess** to be called **Agriculture Infrastructure and Development Cess**. This cess has been proposed on import of specified goods as well as a duty of central excise on petrol and diesel.
- Customs duty rates have been calibrated with the twin objectives of **making raw material available at lower cost** and also for **enhanced integration of India in the Global Value chain**.
- In sectoral highlights, the duties on metals (steel) have been significantly rationalised. This was necessitated as iron and steel prices have risen sharply in the last six months.Further, anti-dumping duty and countervailing duty on certain steel products have been temporarily revoked till September 30, 2021.
- Far reaching changes in duty rates has been made in other sectors, namely, New and Renewable energy.Customs duty rates have been reviewed to benefit the domestic value addition by MSME units. Certain long-standing exemptions on items that could be manufactured locally by MSME have been withdrawn.
- Similarly, certain key changes have been made for the benefit of farmers. Import duty is being raised on raw cotton and cotton waste from nil to 10 per cent, raw silk and silk yarn from 10 per cent to 15 per cent. End-use based concession is being withdrawn on denatured ethyl alcohol.

Direct Taxes

- The time-limit for **re-opening of assessmenthas been reduced** from the earlier 6 years to 3 years. The discretion in the re-opening of scrutiny has been done away with and replaced with a system-flagged approach.
- A **Dispute Resolution Committee** has been constituted for final settlement of their cases once they are served the draft assessment order.The **Appellate Tribunal** has also been made faceless and free of territorial jurisdiction while the **Settlement Commission** has been abolished.
- The senior citizen pensioners who are 75 years of age or above having only pension and interest income have been exempt from the requirement of filing an income tax return if the full amount of tax payable has been deducted by the paying bank.
- The rules for taxation of the retirement benefits payable by another country in the case of NRIs have also been aligned with the payee country to avoid undue hardship to them.
- Special focus has been given by the government to further the **goal of Housing for All**. The deduction on loans taken to purchase an affordable house has been extended by a year. Further, the **deduction on profits of the developers and builders** engaged in the construction of such affordable housing as well as affordable rental housing has also been extended to March 2022.
- With the objective of improving ease of doing business in India, relaxation has been provided to the criteria for claiming exemption by the Sovereign Wealth Funds, Pension Funds, etc. At the same time, relaxation has also been given to expand the business activities in the Gujarat International Finance Tec (GIFT) City, Ahmedabad.

Conclusion

- The Budget has envisioned a progressive quantum leap forward to propel India's growth trajectory and **V-shaped recovery** through asset monetisation, disinvestment, spending in public health and public infrastructure, thereby creating jobs and necessary demand.

CONDITIONAL BORROWINGS

- It is well-known that the pandemic had indeed dealt a severe blow to the revenue collection of the governments. To successfully overcome the formidable economic challenges, the PM had announced a series of economic stimulus packages and gave the clarion call of sustaining 'Aatmanirbhar Bharat' (a self-reliant India).
- An important component of the 'Aatmanirbhar Bharat Abhiyaan' packages **was an increase in the net borrowing limit of States** for 2020- 21 **by two per cent of GSDP**. The step made available additional financial resources to the tune of Rs. 4,27,302 crore to the States.

Borrowing by States: Constitutional Provision

- Borrowing by States in India is guided by provisions of **Article 293 of the Constitution**. States are permitted to borrow within the territory of India against the security of the Consolidated Fund of the State, subject to the limit fixed by the Legislature of the State.
- However, **according to Article 293(3)**, if a State is yet to repay any central loan extended to the State by the Government of India, it has to **obtain consent of the Government of India** before raising any such loan. Based on the recommendations of the Finance Commission, the central government had **fixed the net borrowing ceiling of States for the year 2020-21 at three per cent of GSDP**.

Borrowing and Future Sustainability: Creating a Balance

- Although the socio-economic situation had justified the raising of additional **debt of two per cent by the States**, hedging for future debt sustainability was equally important. Therefore, to alleviate the ill-effects of the current additional borrowings, **half of the additional borrowing permissions were used as an instrument to nudge the States to push reforms in various citizen-centric areas**.
- Four areas were identified for undertaking the much-needed reforms - *implementation of 'One Nation One Ration Card' system, reforms to promote ease of doing business, local bodies and public utilities reforms and reforms in the power sector*.
- Each area was assigned equal weightage and an incentive of additional borrowing ceiling of 0.25 per cent of the GSDP was linked to completion of reforms in each sector.

1. One Nation One Ration Card (ONORC)

- Concerted efforts of the govt. have led to increase in seeding of Aadhaar numbers in beneficiary data of the National Food Security Act (NFSA) and other welfare schemes. This had enabled biometric authentication of beneficiaries through electronic point of sale (e-PoS) devices installed at Fair Price Shops (FPSs). It had also prepared the ground for nationwide portability of ration card and realising the dream of ONORC.
- ONORC is a technology-driven reform which enables beneficiaries of NFSA and other welfare schemes to get their entitled monthly quota of food grains **from any e-PoS-enabled FPS of their choice, anywhere in the country**. The reform especially empowers the migratory population like temporary workers in organised and unorganised sectors, domestic workers etc.
- The reform also enables the States in better targeting of beneficiaries, elimination of bogus/duplicate/ineligible card holders resulting in enhanced welfare and reduced leakage.
- The yardsticks for assessing completion of this reform are: seeding of Aadhaar number of 95 per cent of the beneficiaries in the database, and automation of 100 per cent FPS in the State by installing e-PoS devices. Till February 8, 2020, govt. has certified that **12 States have completed** the ONORC reform.

2. **Ease of Doing Business**

- The reforms stipulated in this category are:

1. Completion of first assessment of 'District Level Business Reform Action Plan'.
2. Elimination of the requirements of renewal of registration certificates, approvals, and licences obtained by businesses.
3. Implementation of a computerised central random inspection system wherein allocation of inspectors for statutory inspections is done centrally, the same inspector is not assigned to the same unit in subsequent years, prior inspection notice is provided to the business owner, and inspection report is uploaded on the website within 48 hours of inspection.

- DPIIT has certified that till February 8, 2021, a total of 12 States have completed the ease of doing business reforms.

3. **Urban Local Bodies/Utilities Reforms**

- Reforms in the Urban Local Bodies are aimed at their financial strengthening to enable them to provide better public health and sanitation services, and create a good civic infrastructure. To get the endorsement of MoHUA for completion of this set of reforms, a State must achieve the following:

1. Notify - floor rates of property tax in ULBs; floor rates of user charges in respect of the provision of watersupply, drainage and sewerage which reflect current costs/past inflation.
2. Put in place a system of periodic increase in floor rates of property tax/user charges in line with price increase.

- By February 8, 2021, MoHUA has confirmed completion of these reforms by five States.

4. **Power Sector Reforms**

- Power Sector reforms are aimed at reducing losses, and creating a transparent and hassle-free provision of power subsidy to farmers. They also aim at improving the health of power distribution companies by alleviating their liquidity stress in a sustainable manner. States have been asked to undertake three reforms in the power sector

➢ 0.05 per cent of GSDP for reduction in Aggregate Technical & Commercial losses in the State as per prescribed targets.

➢ Another, 0.05 per cent of GSDP is allowed for reduction in the gap between Average Cost of Supply and Average Revenue Realisation (ACS-ARR gap) in the State as per prescribed targets.

➢ Finally, 0.15 per cent of GSDP of the State on introduction of Direct Benefit Transfer (DBT) to all farmers in the State in lieu of free/subsidised electricity.

- By February 8, 2021, Ministry of Power has reported that two States, **Andhra Pradesh and Madhya Pradesh, have achieved the reforms in the power sector partially**.

ENABLING THE SOCIAL SECTOR

- Budget is an instrument to convey not only the monetary allocations through fiscal provisions but it also reflects the national development priorities and growth strategies.
- Presented in a difficult setting of post-pandemic scenario, this budget has demonstrated a unique approach of providing a vision for long-term growth rather than mere annual account of expenditure. Another unique feature of this Budget is the introduction of several measures for extending inclusive development Strategies.

- The budget proposed an **increase in the capital expenditure to Rs. 5.54 lakh crore**, which would be 34.5 per cent higher than last year.

Health

- **Health and well-being is the first pillar** among the six pillars that the Finance Minister has stressed upon. Budgetary allocation of Rs. 2,23,846 crore for this sector as against Rs. 94,452 crore last year marks a growth of 137 per cent.
- The PM **AatmanirbharSwasth Bharat Yojana**, focuses on emergency response and preparedness with the objective of strengthening the health system. The focus is not just on Covid-19 management but also on disease burden as a whole and addressing infrastructure deficit. The **budgetary allocation of Rs. 35,000 crore for vaccines** is proposed to cover around 50 crore people.
- There is also a proposal to establish critical care hospitals and five regional branches of the **National Centre for Disease Control** (NCDC). Digitalisation of the health sector especially an **Integrated Health Information Portal** (IHIP) would assume importance.
- Apart from allocation for vaccines, the health issues are also linked with access to clean water (Jal Jeevan Mission) and nutrition. The idea to **merge Supplementary Nutrition Programme (SNP) and Poshan Abhiyan** and launch the **Mission Poshan 2.0 focussing on 112 aspirational districts** merits attention.
- Jal Jeevan Mission has got a jump of almost 335 per cent this year. Access to clean air and Swachh Bharat Mission, liquid waste management in 500 AMRUT cities have also seen an increased funding.
- The budgetary allocations for AYUSH Ministry and health research have gone up by 40 per cent and 25 per cent respectively. With growing focus on AYUSH and holistic health management, there is a proposal to set up **integrated public health labs in all districts**.
- With allocation of Rs. 4000 crore for the **National Medicinal Plants Board** (NMPB), budget has given clear indication for backward integration projects dealing with medicinal and aromatic plants.

Education

- **Reinvigorating human capital is another important pillar of this budget**. In 2021-22 education sector has received a boost of Rs. 93,224 crore, out of which Rs. 54,873.66 crore are for school education and Rs. 38,325.15 crore for higher education.
- The Budget has also announced partnership with NGOs and private sectors for setting up of **100 Sainik Schools in different States**. Similarly, in the tribal areas **750 Eklavya Model Residential Schools** are to be set up. The National post-metric scholarship scheme for students from scheduled caste till 2025-26 is a significant step.
- Human skills is adequately emphasised with the possible partnership with Japan and United Arab Emirates for new skills for the workforce in those countries.
- Schemes like the **National Digital Educational Architecture** (NDEAR) and the **National Initiative for School Heads and Teachers for Holistic Advancement** (NISHTHA) are actually gearing up the system towards what is enshrined in the Sustainable Development Goal (SDG)4: from **quantitative to qualitative education**.
- The Finance Minister has also reemphasised the commitment of the government to establish a **Higher Education Commission** (HEC). This umbrella body with four verticals would undertake standard setting, accreditation, regulation, and the funding of higher educational institutions.

Infrastructure

- Setting up of **a Development Finance Institution** (DFI), a much-awaited decision is one among those.
- Higher capital expenditure of Rs. 1.08 lakh crore for building highways is an important initiative. The total allocation for the highways is Rs. 1,18,101 lakh crore, which is up by 28 per cent. The railways and roads have attracted a huge attention of the government.

A BOOSTER SHOT FOR ECONOMIC GROWTH

- India's Union Budget 2021-22 is meticulous, inclusive, transparent and growth-oriented, reflecting government's commitment towards transformation of Indian economy, making it fundamentally strong and self-reliant.
- The significant outlay on health and well- being sectors in this budget is a huge positive. The launch of **AatmanirbharSwasth Bharat Yojana** will strengthen primary, secondary, and tertiary healthcare infrastructure and create new institutions, addressing huge gaps in healthcare facilities in the country.
- Further, initiatives announced towards cleaner environment namely Urban Swachh Bharat 2.0 Mission, Jal Jeevan Urban Mission and Mission Poshan 2.0 will also contribute towards better health and well-being of people.
- The second major takeaway from the budget is the impetus given to growth. By **prioritising growth over fiscal considerations**, the budget has paved way for faster economic recovery. A huge thrust has been laid on capital expenditure, with both physical and social infrastructure seeing a big push.

Deficit Trends (2021-22, BE)
Fiscal Deficit – 6.8 %
Revenue Deficit – 5.1%
Effective Revenue Deficit – 4.1%
Primary Deficit – 3.1 %

- This should help in reviving consumption and investment cycle. Higher public investment in infrastructure projects is expected to crowd-in private investments and will also create several jobs, leading to improved demand.
- Besides logistics infrastructure, the government has also announced **establishment of 7 Mega Investment Textiles Parks**.
- There has been a continued focus on agriculture, which is welcome. Steps have been taken to enhance productivity, bring efficiency in agri-supply chain and also to augment farmers' income. By linking **1000 more mandis with e-NAM and** availability of Agriculture Infrastructure Fund for augmenting infrastructure facilities of APMC, continuous efforts are being made to strengthen the farm ecosystem. To promote the idea of 'more crop per drop', **micro-irrigation corpus has been doubled**.
- The **introduction of 22 additional perishable crops under 'Operation Green Scheme'** will also help in increasing productivity and enable greater exports of perishables from the country. Enhanced agriculture credit target will help in meeting the financing needs of the farmers.
- The decision to **privatise two public sector banks** and **one public sector insurance company** underlines government's commitment to limit its presence even in the strategic sectors and give a larger role to be played by the private sector.
- The government's announcement to **set up an Asset Reconstruction and Asset Management Company** is a timely step. The aftermath of pandemic is expected to deteriorate balance sheet of

banks and such a mechanism will help banks to unlock stuck capital and use it for more productive purposes.

- The additional Rs. **20,000 crore for recapitalisation of Public Sector Banks** will also lend support to meet the credit requirements in the near term.
- There has been announcement of setting up of **Development Finance Institution** with seed money of Rs. 20,000 crore, targeting a lending portfolio of Rs. 5,00,000 crore over the next 3-4 years for financing the planned infrastructure outlay. The **increase in FDI limit in insurance** is another bold step that will bring in more capital into the system.

Conclusion

- The budget proposals also laid a renewed thrust on promoting the principle of 'minimum government, maximum governance' as well as improving the ease of doing business and ease of living in the country.
- Union Budget 2021-22 has brought in a new sense of optimism in the country, triggering hopes of better economic prospects going ahead.

STRENGTHENING THE AGRICULTURE SECTOR

- Government of India rolled out its budget for fiscal 2021- 22 with welfare of farms and farmers at the core. Agriculture and its subsidiaries demonstrated exemplary resilience amid Covid-19 pandemic by clocking a **growth rate of 3.4 per cent** whereas other economic sectors performed negatively.
- Despite many adversities due to Covid-19 induced lockdown, the total food production in the country is **estimated at 296.65 million tonnes** during 2019-20.

MSP, Mandis and Markets

- The two key departments under Ministry of Agriculture - Department of Agriculture, Cooperation and Farmers' Welfare and Department of Agricultural Research and Education, have been allocated a total amount of Rs. 1,31,531.19 crore.
- MSP regime has undergone a sea change to assure price that is at least **1.5 times the cost of production across all commodities**.
- Amid many speculations on future of Agriculture Produce Market Committee (APMC) mandis, Govt. signalled its intention by announcing that the agriculture infrastructure fund would also be made available to APMCs.
- Additionally, an **increase was announced in allocation to the Rural Infrastructure Development Fund**. This fund will help creation of agri-infrastructure mainly to support farm-gate processing and post-harvest facilities to reduce farm-to-farm wastage.
- Provision of the **Agricultural Infrastructure Development Cess of Rs. 2.5 per litre on petrol and Rs. 4.0 on diesel** will further add to the kitty to meet development targets. It is proposed to integrate **1,000 more mandis with e-NAM**.
- Budget proposed to enlarge scope of **'Operation Greens'** scheme. Currently, the scheme is applicable to tomatoes, onions and potatoes (TOP) only, but now **22 perishable products will also be brought under the ambit** of the scheme. Under the scheme, as a shortterm price stabilisation measure, there is a provision for 50 per cent subsidy on cost of transportation and storage for evacuation of surplus production from producing area to the consumption centres during the glut situations.

Credits, Corpus and Caring

- The agricultural credit flow for 2020-21 was fixed at Rs. 15 lakh crore and till November 30, 2020 a sum of Rs. 79.73 lakh crore was disbursed. Govt. has enhanced the agricultural credit target to Rs. 16.5 lakh crore in the proposed budget.
- Micro-irrigation is being promoted in farms with subsidies for which a corpus of Rs. 5,000 crore was created under NABARD. Govt has proposed to double it by augmenting it by another Rs. 5,000 crore.
- Early this year, the PM launched a unique scheme, the **Survey of Villages and Mapping with Improvised Technology in Village Areas** (SVAMITVA) to provide a record of right to property. The scheme lets villagers use their property as a financial asset for taking institutional loans and other financial benefits. In the current budget its extension to all States and Union Territories is proposed.

Financing Fisheries and Allied Sectors

- Animal Husbandry and Dairying sector has been allocated a sum of Rs. 3,289 crore, which is 18 per cent increase.
- India is the **second largest fish producing** country in the world with **7.58 per cent share in global production**. In its continuous efforts to modernise and make fishing sector more profitable, the Govt has now proposed substantial investments in the **development of fishing harbours and fish landing centres**.
- In the initial Phase, five major fishing harbours will be developed at ***Kochi, Chennai, Vishakhapatnam, Paradip and Petuaghat***, as hub of economic activity. Apart from marine fisheries, inland fishing harbours and fish landing centres will also be developed along the banks of major rivers and waterways.
- **Seaweeds farming is a sunrise sector** with potential to transform lives of coastal communities. Earlier, India was not very keen to cultivate seaweeds though it is bestowed with a coastline of more than 7500 km and over 800 species of seaweeds.
- But now, its economical potential is recognised as a renewable source of food, energy, chemicals and most importantly as source of medicines. The Government intends to support seaweed cultivation by proposing to establish a **Multipurpose Seaweed Park in Tamil Nadu**.

What is MSP?

- Minimum Support Price (MSP) is the guaranteed price of notified crops as declared by the Government of India for public procurement purpose. It acts as a safety net to farmers by protecting their business interest from the uncertainties of market.
- Government notifies MSP **for 23 'Kharif' and 'Rabi' crops** at the start of each cropping season. The group comprises **seven cereals** (paddy, wheat, maize, sorghum, pearl millet, barley and ragi), **seven oilseeds** (groundnut, rapeseed, mustard, soybean, sesamum, sunflower, safflower and nigar seed), and **four commercial crops** (copra, sugarcanes, cotton and raw jute).
- MSP is fixed by the Government of India on the recommendations of the **Commission for Agricultural Costs and Prices** (CACP) which is a statutory body. CACP submits its recommendations to the Government in the form of **price policy reports twice a year separately for Kharif and Rabi seasons**.
- The National Commission on Farmers, headed by Prof. M. S. Swaminathan, had recommended in 2006 that MSPs must be at least 50 per cent more than the cost of production.
- To calculate cost of production, the Commission suggested three criteria:
  - ✓ A2 - It includes cost of various inputs, such as seeds fertilizers, labour, fuel, irrigation etc.

- ✓ A2+FL - It includes cost of unpaid family labour in A2 parameters.
- ✓ C2 - It includes the implied rent on land and interest on capital assets over and above A2+FL.

- Government implemented the recommendation during the marketing season of 2018-19 by fixing MSPs over and above the at least 50 per cent of the cost of production.
- Currently, the CACP reckons only **A2+FL cost for calculation of MSP**. However, C2 costs are used as a benchmark reference costs to see if the recommended MSPs cover these costs in some of the major producing states.

BUDGET FOR INFRASTRUCTURE

- The Union Budget 2021-22 has a welcome focus on infrastructure, **being part of one of the six pillars -** Physical and Financial Capital, and Infrastructure. The infrastructure allocations have gone up substantially.
- The capital allocation has gone up by over a third of the previous year's allocation to Rs, 5.5 lakh crore in keeping up with the plans of the National Infrastructure Pipeline (NIP).

About NIP

- The NIP envisages a capital spend of over *Rs. 100 lakh crore over six-year period, 2019-20 to 2024-25,* with 39 per cent to come from the Centre, that is about Rs. 40 lakh crore. In terms of scope, the NIP includes over 20 sectors and has recently been enhanced to 7400 projects.

Road & Railways

- The maximum allocation is for the Roads sector. While the class of roads may not easily attract PPPs in the BOT mode (like expressways and road segments where traffic volumes may not be commercially viable), the **Hybrid-Annuity-Model** (HAM) and **Toll-Operate-Transfer (TOT) models** have been more successful. Further, the government is in a position to monetise significant road assets of the NHAI.
- The e-tolling (FASTag) is finally falling into place, saving significant waits at toll booths. Another important outcome of the investments in the road capacity improvement is the **increase in the average kilometres per day** that trucks travel.
- The next level of allocation is for the Railways. Investments in Railways are driven both by capacity **creation and customer centricity**.
- The **Dedicated Freight Corridor** (DFC) and the **Bullet Train**, two of the big-ticket projects, have been delayed on account of land acquisition.
- The container train operations, one of the domains in which private parties were brought in, have not, yielded outcomes anywhere near what was envisaged. Lack of a level playing field with the Indian Railways (IRs') subsidiary, CONCOR, has been one of the reasons.
- A recent initiative of attracting private play into passenger train operations presents an uncertain picture of its attractiveness. A sorely lacking reform is the structural **need of an empowered regulator in the Railways sector**, to give better transparency in the currently bundled roles of IR as the policy maker, operator, monopoly supplier, sometimes monopsonic customer, and regulator.
- However, there has been a slow and steady push towards openingup to the private sector in various domains, including locomotive manufacturing, wagon manufacturing, special freight train operations and freight terminals.
- The real challenge for IR is how to give comfort to private partners who can bring in the much-required agility and focus on customer centricity.

- The recently launched **draft National Rail Plan** (NRP) visualise not only arresting the **declining rail share of traffic, but reversing it**, in the interest of climate impact and energy efficiency. In the freight segment, increasing the rail share from the current under **30 per cent to at least 45 per cent by 2050** is envisaged.
- Urban transport has been given a strong focus not only with allocations for extension of metro fines in major cities, but also for **Metrolite and Metroneo projects** and for bus transportation.

Telecom & Electricity

- The budget had a significant mention of the telecom sector where money has been allocated to complete the **Bharat Net project**. There is also an allocation to the Ministry of Defence for improving their network and equipment which will enable vacating their spectrum for potential commercial use.
- Another major allocation has been for the Electricity sector, to enable better performance at the Discoms level. This has been stated as an amount of Rs. 3 lakh crore to be spent over 5 years.

Other Sector

- A welcome ringfenced allocation is for the **Agri infrastructure sector**. This comes through a cess that is being levied on fuel. While it will not affect the price of fuel to the end customer, a price which already includes more than half towards taxes and duties, it **raises a Centre Vs State issue**. The government has reduced duties on fuel and transferred it as a cess amount. **While duties are shareable with the state, cesses are not**.
- Other sectors of infrastructure that found special mention were upgradation of some fishing harbours, the water supply schemes in urban local bodies, and bringing in PPPs in more existing airports. There is also a recent visioning exercise called the **Maritime India Vision for 2030** that provides a roadmap for significant growth in this sector.

Strategic Disinvestment and Asset Monetisation

- Public sector companies targeted for this purpose in the infrastructure sector include Air India, Shipping Corporation of India, CONCOR, Pawan Hans and BPCL.
- **Asset monetisation in the infrastructure sector** is focused on leveraging airports of the Airports Authority of India, roads of the National Highways Authority of India, transmission lines of the Power Grid Corporation of India, warehouses of the Central Warehousing Corporation, segments of the Dedicated Freight Corridor Corporation of India, pipelines and other assets of some of the companies in the petroleum sector.
- The budget highlighted a long-term policy of the government in the **Public Sector Enterprises Policy**. In this policy, it classified **various sectors as Strategic and Non-Strategic**. Strategic sectors would have 'bare minimum' presence of public sector enterprises, while all central public sector enterprises in the non-strategic sectors will be privatised.
- The **infrastructure domains in the 'strategic' classification** include Transport, Telecommunications, and Energy (Power, Petroleum and Coal).

Way Forward

- While there has been a lot on infrastructure in this budget, the **focus on 'Atmanirbharta' through research and development needs more attention**. It is time to develop a vision where not only India can develop such technologies, but even be a source of exports. The **development of the T18 train set demonstrated** our capabilities in one domain.
- The budget did provide Rs. **50,000 crore for the National Research Foundation** to strengthen the 'overall research ecosystem'. Structures have also been put in place earlier to create 'specialised

professionals' and focus on research through universities set up in the infrastructure sectors. It will take time and nurturing to realise their impact.

MAINTAINING MOMENTUM: EDUCATION SECTOR

- Budget 2020 was structured on the **overall theme of 'Ease of Living'** as its basic tenet.
- Moving a step forward, the FM has presented Budget 2021 **focusing on six pillars -** *Health and Well-Being; Physical and Financial Capital and Infrastructure; Inclusive Development for Aspirational India; Reinvigorating Human Capital; Innovation and R&D; Minimum Government and Maximum Governance* -for the purpose of energising Indian economy recently battered by the pandemic.
- The first-ever digital-only Budget was not only the first of its kind presented in the Indian Parliament but also had allocation of Rs. 3,768 crore for making the **upcoming census as India's first ever digital census**.

Education

- Education sector, in the first Budget presented after the announcement of the NEP 2020, was in need of greater allocation for its implementation.
- India, which boasts to have the highest in the world a total over 250 million school going students and roughly 500 million population in the age category of 5-24 years, sees huge demand and opportunities available in education sector.
- However, India could see the Budget proposing allocation of Rs. 93,224 crore. This **allocation is less by Rs. 6,087** crore (-6.1 per cent) than last year. The cut in expenditure is visible in the schemes such as '**Samagra Shiksha Abhiyan'** and **'National Scheme for Incentive to Girls for Secondary Education'**.
- This Budget has rightly proposed amendment in the initiative viz. the **National Apprenticeship Training Scheme** (NATS). The amendment aims at boosting apprenticeship opportunities for Indian youth. The focus of the Budget on the improvement of the employment opportunities in the higher education is reflected in the higher allocation for NATS so that post-education apprenticeship training to engineering graduates and diploma holders could be provided.
- The allocation to the flagship scheme of Ministry of Education **'Rashtriya Uchchatar Shiksha Abhiyan** (RUSA)' too has seen the rise.
- This Budget has proposed several new initiatives such as opening of **Bharatiya Bhasha Vishwavidyalaya** and **Institute of Translation, Indian Knowledge System**, **Academic Bank of Credit**, **PM e-Vidya**, and **Multidisciplinary Education and Research Improvement in Technical Education** (MERITE) in line with the recommendations in NEP.
- Some of the other major proposals like-setting up of a **Central University in Leh**, **Higher Education Commission** of India with four verticals to oversee standard setting-accreditation-regulation-funding, implementation of National Professional Standard for Teachers (NPST), implementation of a **unique indigenous toy-based pedagogy** for all levels of school education, and increasing collaboration with foreign institutions - have the potential to steer the aspirations of the people.
- The allocation to research activities promises to bring a cultural shift in higher education. It was in July 2019, the government had shared the aspirations of integrating the funds to the **National Research Foundation** (NRF). An outlay of **Rs. 50,000 crore** over next 5 years for NRF proposed in this Budget intends to give a major boost to Innovation and R&D.

- This Budget also showcases **international collaborations** such as an initiative with the UAE for benchmarking skilled qualifications-assessment-certifications accompanied by the deployment of certified workforce; and an **Indo-Japan collaborative Training Inter Training Programme** for facilitating the transfer of Japanese industrial and vocational skills, techniques and knowledge.
- Kendriya Vidyalayas (KVs) are set to have enhanced funds whereas Mid-Day Meal Scheme (MDMS) and Navodaya Vidyalayas (NVs) too are to have funds increased.
- It is a welcome step to establish **100 new Sainik Schools**. The proposal to establish **750 new Eklavya Model Residential Schools in tribal areas** for the learners of Scheduled Tribes may be extremely helpful in further enhancing the outreach of education to them.
- **Standardisation of Indian sign language** across the country and development of national and state curriculum materials for children with the hearing impairments is also
- The desired reforms have also been mooted in this Budget for **CBSE board exams** from the year 2022 in a phased manner to **move away from conventional rote learning approach** for school students transforming the educational system learning framework to an evolved and engaged pedagogical approach. The **holistic progress card** is another step taken in this Budget for providing learners with precious information related to their strength, interest areas, and required focus areas for helping them in making optimal career choices.
- Setting up of a **National Digital Educational Architecture** (NDEAR) for providing support to the teaching and learning activities through the digital architecture will be immense help in educational Planning, administration and governance.

FLATTENING THE CLIMATE CURVE

The Union Budget 2021-22 was **only the fourth that followed a contraction in the economy**. The Economic Survey 2020, argued that the economy would take merely two years to reach and go past the pre-pandemic level. Recent economic data indicates that the country has already **embarked on a V-shaped path of economic recovery**.

India's NDC & Need For Money

- In its Nationally Determined Contribution (NDC), India has committed to following a low carbon path to progress. It has sought to **reduce the emissions intensity of its GDP by 33 to 35 per cent** below 2005 levels by the year 2030; **achieve 40 per cent of cumulative electric power**- installed capacity from non- fossil fuel sources by 2030; and enhance forest and tree cover to create **additional carbon sink equivalent to 2.5 to 3 billion tons** of carbon dioxide by 2030.
- To achieve such ambitious targets, India's climate change actions till 2030 will require as much as USD 2.5 trillion (at 2014-15 prices). It is further estimated that the country will need around USD 206 billion (at 2014-15 prices) between 2015 and 2030 for implementing adaptation actions in agriculture, forestry, fisheries infrastructure, water resources and ecosystems. Additional investments will be needed for strengthening resilience and disaster management.
- The Union Budget 2021-22 captured this spirit in a number of provisions. It laid adequate emphasis on all the three pillars of sustainable development, namely, economic, social, and environmental.

Various Initiatives and Budget Proposals

1. **Clean Air –** Rs. 2217 crore have been allocated for 42 centres with a million plus population

2. **Scrapping Policy** – A voluntary vehicle scrapping policy to phase out old and unfit vehicles; Fitness tests in automated fitness centres after 20 yrs in case of personal vehicles, and after 15 yrs in case of commercial vehicles.
3. **Petroleum & Natural gas** – Ujjawala scheme which has benefitted 8 crore households will be extended to cover 1 crore more beneficiaries; A gas pipeline project to be taken up in UT of J&K; An independent Gas Transport System Operator to be set up
4. **Augmentation of City Bus Service**
5. **Expansion of Metro Rail network –** Govt. Is planning to deploy two new technologies – 'MetroLite' and 'MetroNeo'
6. **Non-conventional/Green Energy** – Govt. Has planned to – a) launch a Hydrogen Energy Mission in 2021-22 for generating hydrogen from green power sources; b) add 100 more districts in next three yrs. to the City Gas Distribution Network; c) Provide the additional capital infusion of Rs. 1000 crore to Solar Energy Cooperation of India and Rs. 1500 crore to Indian Renewable Energy Development Agency.
7. **Conservation of Deep-Sea Biodiversity –** The budget provides an outlay of more than Rs 4000 crore, over 5 yrs for the launch of Deep Ocean Mission. This will include: a) exploration of living and non-living resources through deep ocean survey; b) projects for the conservation of deep sea biodiversity

Way Forward

- There is a need to develop a **"Climate Budget Tagging (CBT)" tool**. This will help in identifying, classifying, climate relevant expenditures in the fiscal budget.
- Recently, Vice President M. Venkaiah Naidu proposed a detailed framework-based pre and post-Legislative Impact Assessment'. By incorporating a detailed account of social, economic, environmental, and administrative impact in every legislative proposal, the negative externalities certain policies can be minimised.

FOREIGN DIRECT INVESTMENT

With record levels of FDI, rapid deployment of technology that both hand-held investors and eased supplies of mission critical goods and services, **Invest India** has been at the forefront of fulfilling the vision of safety and security while maintaining business resilience.

Invest India

Invest India is the **national investment promotion and facilitation agency** under the Ministry of Commerce and Industry. It has won the **UNCTAD Investment Facilitation Award 2020**.

Invest India and FDI

- India received an unprecedented USD 35 billion in foreign investments between April and August 2020, the **largest ever in the first five months** of the fiscal year.
- In the financial year 2019-2020, **India received FDI worth USD 73 billion**, the highest ever in a single year. Invest India itself has facilitated over USD 166 billion of indicated investments and helped create more than 2.7 million new jobs since its inception.
- Invest India, launched its **Business Immunity Platform** (BIP). BIP was designed to inform, advise and support market players on the latest government rules, measures, and orders.
- Launched on March 21, 2020, the platform provided both local and foreign businesses the much-needed direction amidst evolving protocols, safety directions and lockdown limitations.

India Shines Through

- The pandemic exposed vulnerabilities of highly specialised supply chains and sent companies scrambling to ensure their supplies. This had two important outcomes. First, market players were **forced to revaluate their business models** right from sourcing the raw materials to manufacturing, shipping and last-mile deliveries. Many companies **became keen to onshore supply chains** or **at least bring them closer to their markets**. In this process, **India, which rests at important nodal points geographically and commercially, sprung up as a viable alternative**.
- Second, Indian MSMEs, with their quick**-to-adapt businesses and frugal innovation** helped India swim through the worst initial months of the Covid-19 crisis. India's robust pharmaceutical industry too displayed global leadership in quick supplies of generic medicines.
- A combination of these factors has contributed to making India a leading FDI destination and a foremost manufacturing hub of the world.

Making India Investor-Friendly

- Between 2014 and 2019, India witnessed a more than two-fold **enhancement in its ease of doing business measures**. A recent survey found that India is the leading choice for future investments for more than two-thirds of the multinational company respondents.
- Aside from our large talented workforce of millions of people, very soon India will have the single largest domestic market within one set of national boundaries.
- The Government has undertaken extensive revisions to existing land, labour, and insolvency laws. These reforms are also aided by the **very liberal FDI regime** instituted by the government even in key sectors like defence, electronics manufacturing, pharmaceuticals, and renewable energy.
- It is important to note that **over 90 per cent of all FDI we received last year was under the automatic route**, that is, it did not require government permissions. Nearly 50 per cent of those total Investments came into green-field projects further signalling the growing faith in india's future.
- **Our competitive tax rates** - 15 per cent for new projects - offer unprecedented opportunity to establish both business profitability and viability. Furthermore, the GST regime has brought overwhelming clarity to a tax system.
- There is also now a **land allocation system based on GIS-enabled tracking** which collates all industrial land resources in the country on a single platform and allows investors to explore available land across the country, providing them with all necessary details.
- The Government has expanded the highly successful **Production Linked Incentives** (PLI) **Scheme to 13 crucial sectors** to include energy, auto, textiles, pharma, and electronics, among others.

Developing a Robust Infrastructure

- The National Infrastructure Pipeline (NIP) launched in August 2020 will focus on this urgent national need. The NIP creates a fast-track institutional, regulatory and implementation framework for infrastructure projects.
- The idea is to improve citizens' ease of living and provide equitable access to infrastructure and make economic growth more inclusive.

India and the Path Forward

- Under the ambitious and timely Aatmanirbhar Bharat Abhiyan, India is envisaged as a crucial nodal point in global supply chains, with a vast, skilled, and growing workforce and a large domestic market.
- Backward integration of global supply chains with local manufacturers and retailers will also provide a boost to Indian MSMEs and foster overall growth in the economy.

- Most crucially, Aatmanirbhar India is about resilience and decentralisation. With its huge population, India presents a massive opportunity in terms of demand and consumer base.

DIPLOMACY IN COVID TIMES

Today, the world is facing the Covid-19 pandemic and is also passing through a phase of economic slowdown with an air of uncertainty. By adopting India-centric foreign policy, we have been able to send a message to the world that India has a will and a capacity to define the priorities of the international system.

Repositioning After Cold war

- During the Cold War, the world was divided in two blocks. Considering those India had opted for non-alignment which seemed a better option then. Fall of Soviet Union and breaking of Berlin Wall resulted in a collapse of bipolar world system.
- India started to change its traditional path and lay down a solid foundation for its foreign policy in accordance with the requirements in the new scenario. It added a **part of economic diplomacy in the traditional diplomacy** which had to traverse in the direction of globalisation.
- After "Pokharan-2" during Vajpayee government, a new element of power got added into India's foreign policy. Today, after about 22 years of Pokharan-2, India is being acknowledged **as one of the major Asian powers and as a global player.**

India and Its Immediate Neighbourhood

- India is the geo-political nucleus of South Asia. Immediate neighbouring countries can play an effective role in making India weaker or stronger, then the gulf countries and East Asian countries.
- Keeping this in mind, PM Modi started his first tenure with **"Diplomacy with Neighbourhood First"**. Under this policy he not only, tried to move ahead by taking along Bhutan, Nepal, Bangladesh, Sri Lanka and Maldives but also presented an example before the world through his "**Heart to Heart Diplomacy**" with Pakistan as well.
- After Pulwama, India not only gave a befitting reply to Pakistan's misadventure by carrying out a "surgical strike" in POK and also conveyed a message to the whole world that India would not desist from adopting the strategy of "physical response" against anti-India forces.
- **India under its Neighbourhood Policy** has been successful in moving ahead in the direction of improving connectivity, reviving of socio-religious relations, development and human assistance.

Idea of Extended Neighbourhood

- The Prime Minister had once said that neighbours are not only those countries with whom our geographical borders meet but also those nations with whom our hearts meet.
- With this in view, countries situated in Eastern and South East Asian regions are foremost followed by the countries of Middle East. Looking towards East, Trans-Pacific region comes first which is presently a part of **Indo-Pacific Strategy**.

Indo-Pacific Region

- In this region, on one side China is following the strategy of establishing monopolistic set-up on the strength of its defence power built on the basis of its economic strength and the US on the other side is trying to maintain its supremacy. **Russia is the third player** which wants to move forward on "Pivot to East" strategy.

- With this in mind, Russia had proposed to Japan sometime back to enter into an agreement on four controversial islands. However, Japan turned down the suggestion from Russia and now it is eyeing upon smaller countries in East Asia.
- Evaluating the whole situation, **India is stressing on inclusive action**. India has, therefore, tried to make an alliance with the US and Japan and also tried to maintain its traditional relations with Russia and China as well.
- For example, **India played an active role in setting up the Strategic Quadrilateral** (QUAD) in Indo-Pacific region on one hand and became a partner in BRICS and Shanghai Cooperation Organisation on the other hand.
- **Washington-Beijing-Moscow** triangle has been extremely important for India's foreign policy since the very beginning. One of the focal points of India's foreign policy is China as it keeps posing challenges before India by following an expansionist policy.

Hope From Europe?

- Having dominated as a super power for a long era, Europe is a victim of internal contradictions. It appears to be caught in challenges posed by refugee problem, economic imbalance, idealism versus nationalism clash and Islamic terrorism.
- The conditions developed in Europe after the **"Merkozy Effect"** (Angela Merkel and Serkozy economic theory) have weakened the bonding between France and Germany and a leakage in European Union have become visible now. Brexit has shown that European Union is **no more a reflection of optimum unity**.

India in Middle East & Africa

- Middle East which has always been the nucleus of geopolitical activism. India has succeeded in establishing comprehensive partnership relations with the countries of this region.
- India's trade and energy security is closely connected with the security of Hormuz Water Treaty and Bab-el-Mandeb strait. The Indo-Saudi Arabia relations touched a new height. Presentation of their highest civilian awards by Saudi Arabia and Bahrain to PM Modi stands a testimony to this.
- Inclusion of African continent in India's foreign policy is quite important. India has been following the policy of **Afro-Asian Brotherhood** for a long time and now India has cordial relations with the African Union.
- PM Modi's diplomacy with the **coastal countries** proved to be extremely decisive, especially with Seychelles. It is also possible that **Seychelles-Chabahar may emerge as an alternative to Gwadar-Djibouti Connect** and India may succeed in Blue Water Diplomacy.

India's position in global multilateral order

- Between the year 2014 to the year 2020, India might have not got entry into the Nuclear Suppliers Group but in **Missile Technology Control Regin Club (MTCR), India succeeded getting entry before China**.
- India's membership in MTCR was its first entry in any multilateral export control system after which India would be able to purchase higher level missile technology and its joint venture with Russia would also get a boost.
- After the US back out from Paris Agreement of 2017, India has emerged as an example for other developing nations in this regard. India is presenting standard of environmental policies along with development requirements before them.

- In this direction, **International Solar Alliance**, headquartered in Gurugram, is very important. The objective of this alliance is to aid in implementation of Paris Climate Agreement.
- This is a first agreement-based international intergovernmental organisation **which is fully or partly situated between Tropics of Cancer and Capricorn**.

Conclusion

The traditional conventional elements of India's foreign policy have become ineffective and stress on practical initiative in external affairs has increased. India needs to tell that she is in the process of becoming a world power and has a capability to define priority of international system.