

# Universal Basic Income alternative to State subsidies for poverty alleviation: Economic Survey

UBI is a powerful idea whose time even if not ripe for implementation, is ripe for serious discussion, says the Economic Survey.

The Economic Survey 2016-17 has recommended Universal Basic Income (UBI) as an alternative to the various subsidy focused social welfare schemes that aim to reduce poverty.

However, the Survey also pointed out that there are a “number of implementation challenges” due to which there is a risk that UBI would become an add-on to, rather than a replacement of, current anti-poverty and social programmes, which would make it fiscally unaffordable.

The Survey, which was tabled in Parliament on Tuesday, pointed out that “UBI is a powerful idea whose time even if not ripe for implementation, is ripe for serious discussion.”

Based on a survey on misallocation of resources for the six largest Central Sector and Centrally Sponsored Sub-Schemes (except PDS and fertilizer subsidy) across districts, the Economic Survey pointed out that the districts where the needs are greatest are precisely the ones where State capacity is the weakest. “This suggests that a more efficient way to help the poor would be to provide them resources directly, through a UBI,” it said.

It further stated that functional JAM (Jan Dhan, Aadhar and Mobile) system to ensure that the cash transfer goes directly into the account of a beneficiary and Centre-State negotiations on cost sharing for the programme, are

prerequisites for a successful UBI.

As per the Survey, UBI that reduces poverty to 0.5 per cent would cost between 4-5 percent of GDP, assuming that those in the top 25 percent income bracket do not participate. On the other hand, the existing middle class subsidies and food, petroleum and fertilizer subsidies cost about 3 percent of GDP.

“The survey juxtaposes the benefits and costs of the UBI scheme in the context of the philosophy of the Father of the Nation, Mahatma Gandhi. The Survey states that the Mahatma as astute political observer, would have anxieties about UBI as being just another add-on Government programme, but on balance, he may have given the go-ahead to the UBI,” an official statement said.

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# Economic Survey 2016-17

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## A step-by-step guide on how Union budget is formulated

The budget process in India, like in most other countries, comprises four distinct phases.

- Budget formulation: the preparation of estimates of expenditure and receipts for the ensuing financial year;
- Budget enactment: approval of the proposed Budget by the Legislature through the enactment of Finance Bill and Appropriation Bill;
- Budget execution: enforcement of the provisions in the Finance Act and Appropriation Act by the government—collection of receipts and making disbursements for various services as approved by the Legislature; and
- Legislative review of budget implementation: audits of government's financial operations on behalf of the Legislature.

### **Process starts August-September**

In the Union government, there is a budget division in the department of economic affairs under the Ministry of Finance. This division starts the process of formulation of the next financial year's Union budget in the months of August–September every year.

To start the process, the budget division issues an annual budget circular around the last week of August or the first fortnight of September every year. This annual budget circular contains detailed instructions for the Union government ministries/departments relating to

the form and content of the statement of budget estimates to be prepared by them.

### **Estimates, revised estimates and actuals**

It must be noted that the ministries are required to provide three different kinds of figures relating to their expenditures and receipts during this process of budget preparation. These are: budget estimates, revised estimates and actuals. Let us consider, for instance, the case of budget preparation in the second half of the calendar year 2011. The Union government would prepare the budget for 2012-13 during the time period of September 2011 to February 2012. In this case, the approval of Parliament would be sought for the estimated receipts/expenditures for 2012-13, which would be called budget estimates.

At the same time, the Union government, in its budget for 2012-13, would also present revised estimates for the ongoing financial year 2011-12. We may note here that the government would not seek approval from Parliament of revised estimates of 2011-12; but, these revised estimates would allow the government to reallocate its funds among various ministries based on the implementation of the budget for 2011-12 during the first six months of financial year 2011-12.

Finally, ministries would also be reporting their actual receipts and expenditures for the previous financial year 2010-11. Hence, the Union budget for 2012-13 would consist of budget estimates for 2012-13, revised estimates for 2011-12, and actual expenditures and receipts of 2010-11.

### **Planning Commission's role**

The ministries would provide budget estimates for plan expenditure for budget estimates for the next financial year, only after they have discussed their respective plan schemes with the Central Planning Commission. The Planning Commission depends on the finance ministry to first arrive at the size of the gross budgetary support, which would be provided in the budget for the next annual plan of the Union government. In principle, the size of each annual plan should be derived from the approved size of the overall Five-Year Plan (12th Five-Year Plan, 2012-13 to 2016-17, in the present instance). However, in practice, the size of the gross budgetary support for an annual plan also depends on the expected availability of funds with the finance ministry for the next financial year.

## **Call to reduce deficit**

In the past few years, the finance ministry has been vociferously arguing for reduction of fiscal deficit and revenue deficit of the Union government, citing the targets set by the Fiscal Responsibility and Budget Management Act and its rules. Hence, presently, the aspirations of the Planning Commission and Union government ministries with regard to spending face the legal hurdle of this Act, which has made it mandatory for the Union government to show the revenue deficit as nil (total revenue expenditure not exceeding total revenue receipts by even a single rupee) and the fiscal deficit as less than 3 per cent of GDP. This means new borrowing of the government in a financial year cannot exceed 3 per cent of the country's GDP for that year.

## **Final stages**

Also, during the final stage of budget preparation, the revenue-earning ministries of the Union government provide the estimates for their revenue receipts in the current fiscal year (revised estimates) and next fiscal year (budget estimates) to the finance ministry. Subsequently, usually in the month of January, more attention is paid to finalisation of the estimated receipts. With an idea about the total requirement of resources to meet expenditures in the next fiscal year, the finance ministry focuses on the revenue receipts for the next fiscal.

In the final stage of budget preparation, the finance minister examines the budget proposals prepared by the ministry and makes changes in them, if required. The finance minister consults the prime minister, and also briefs the Union Cabinet, about the budget at this stage. If there is any conflict between any ministry and the finance ministry with regard to the budget, the matter is supposed to be resolved by the Cabinet.

In the final stage, the budget division in the finance ministry consolidates all figures to be presented in the budget and prepares the final budget documents. The National Informatics Centre (NIC) helps the budget division in the process of consolidation of the budget data, which has been fully computerised. At the end of this process, the finance minister takes the permission of the president of India for presenting the Union budget to Parliament.

As per the Constitution, the Union budget is to be presented in the Lok Sabha on such a day as the president may direct. By convention, Union budget has been presented in Lok Sabha by the finance minister on the

last working day of the month of February every year.

The finance minister, by convention, makes a speech while introducing the budget. The annual financial statement is laid on the table of Rajya Sabha only after the finance minister concludes his budget speech in Lok Sabha. The budget documents are made available to the members of Parliament after the finance bill has been introduced in Lok Sabha, and the House has been adjourned for the day.

It may be noted that the budget process in India lacks transparency in one aspect: while enactment of the Budget by the legislature and the review of its implementation are reasonably transparent, the process of budget preparation by the government is carried out behind closed doors.

*Courtesy: Centre for Budget and Governance Accountability (CBGA), a non-profit working on public policies and governance accountability*

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## **Desalinating seawater can ensure water security**

India has been witnessing severe erosion of its water table. Increasing extraction of groundwater has also affected its quality. Back to back monsoon failure in parts of India has led to great hardship and drinking water had to be transported by rail to Latur in Maharashtra last summer. We are fortunate that India is endowed with vast seawater resources spanning over a dozen states and union territories. Ensuring supply of purified sea water through dedicated network in the region would help people immensely. However, there is no mention of harnessing sea water resources in the draft National Water Policy framework bill, 2016. It is

a common perception that conversion of sea water is costly, but this is changing with advancement of technology in the field. Thrust on research and technology upgradation has helped in reducing cost.

Water from the desalination process is suitable for most domestic, industrial and agricultural uses. Seawater desalination is increasingly becoming a vital option for alleviating severe water shortage around the world. Israel now gets 55 per cent of its domestic water from desalination and that has helped turn one of the driest countries into the unlikeliest of water giants (Scientific American: "Israel proves the desalination era is here" by Rowan Jacobsen July 29, 2016). Australia, North Africa, Caribbean Islands, Middle East, South Africa and USA are some of the other countries that have established desalination plans for domestic use. According to UN World Water Development Report, 2014 more than 17,000 desalination plants are now operating in 150 countries worldwide, and capacity can double by 2020. International Desalination Association claims that desalination produces 21 billion gallons of water per day supplying water in arid regions.

In India, a number of desalination plants have been established in states like Tamil Nadu, Puducherry and Andhra Pradesh. The largest seawater desalination plant through reverse osmosis (RO) process supplying 100 million litres of fresh water to Chennai has been established. As per Desalination Association of India, there are more than 1,000 membrane-based desalination plants of various capacities ranging from 20 cubic metre (cm) per day to 10,000 cm/day in the country.

### **Examples of technology across the world**

Desalination technologies are advancing rapidly and sea water can now be reclaimed by passing it through RO membranes. In reverse osmosis, water is singled from a saline solution with dissolved salts by flowing it through a water permeable membrane. The permeate (liquid flowing through water-permeable membrane) is encouraged to flow through the membrane by the pressure differential created between pressurised feed water and the product water. The major energy requirement is for the initial pressurisation of the feed water. Nanotechnology based solutions, especially nano-metal catalysts, are gaining prominence in providing solutions to alleviate water quality problems. Israel has come out with several state-of-the-art technologies. In the US, the largest plant in the Western Hemisphere with state-of-the-art RO facility has been built near San Diego. Researchers of Israel's Zuckerberg Institute for Water

Research have made breakthroughs in membrane technology making desalination much more efficient(Scientific American:ibid). India's Department of Atomic Energy (DAE) has developed indigenous desalination and water purification technologies. The country's RO desalination plants primarily intend to meet industrial and potable drinking water requirements.

### **Is it economically viable?**

The costs for desalination have decreased over the years. Water produced by desalination cost just a third of what it did in the 1990s. Israel's Sorek plant, which is the largest in the world, can produce a thousand litres of drinking water for 58 cents (Scientific American:Ibid). According to Desalination Association of India's estimate, production cost for sea water desalination plant varies between Rs 40 to 50 per cubic metre and the production cost of desalted water from effluent varies from Rs 15 to 50 per cubic metre. Similarly, the production cost of a brackish water desalination plant ranges between Rs 10 to 15 per cubic metre. According to DAE, on an average, the cost of conversion of sea water into desalinated water is about 10 paise per litre water produce. (Source: Reply given by Minister of Science and Technology in Rajya Sabha 23.7.2015). The energy cost which is a major component could be brought down further if solar, wind or tidal wave are utilised.

### **The way forward**

National water policy should include utilisation of sea water resources for holistic development of country's water resources. The cost of sea water conversion plants may be shared by Centre, states, local bodies and private companies. Under the government's Sagarmala project where setting up of major development projects have been contemplated in coastal states, groundwater based development should be discouraged. Instead, treated sea water should be used. Ministry of Urban Development plans to develop 100 smart cities in the country. Desalination plants can be crucial for ensuring regular water supply. Thane Municipal Corporation, which has been selected for the smart city project, has proposed to desalinate creek water and use it for drinking purposes. The desalination plant is reported to be established during the year 2017 and on public private partnership mode. This will ensure water security to the people on a long term basis.

Source: xaam.in



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# Relevance of Gandhian environmentalism [ DTE ]

In the post-Gandhian era, environmental problems surfaced at a breakneck speed with large-scale and indiscriminate industrialisation leading to environmental hazards and degradations. Mahatma Gandhi's critique of modernity reveals his concern about the emergence of a social order that exploits nature for short-term gains. He had written widely about the need for human beings to exercise restraint with respect to the use of natural resources. His "counter-thinking" is now increasingly becoming a mainstream thought with greater awareness of the environmental problems.

Troubled by unrestricted industrialism and materialism, Gandhi had foreseen a time when the resources of the earth will not be enough to meet the growing demands of the people. On the 69th death anniversary of Mahatma Gandhi, Down To Earth tries to understand the man and what value his vision brings to the contemporary discourse on environment conservation.

## Understanding Gandhi

*GANDHI'S Vision and Values* is meant to be a serious exploration into the contemporary meaning of Hind Swaraj and the kind of possibility it indicates for agricultural practices in rural India. Hind Swaraj herein refers to Gandhi's text and also to India's last 50 years as an independent country.

In recent times, the significance of Hind Swaraj for an understanding of Gandhi's thought has come to be widely recognised. Vivek Pinto's book is perhaps among the first few to attempt a serious and comprehensive examination of the significance of Hind Swaraj for agriculture and life in rural India. For that, it merits serious attention.

The principal concern, in the words of the author, is to see if it would be possible to reconstruct a "harmonious, poverty-free, non-violent and self-reliant society" on the basis of ethical principles marked by

Gandhi's Hind Swaraj and his experiments with the agricultural communities. Pinto's argument unfolds at three related planes. The first section explores the cognitive significance of Hind Swaraj as a text. Another section seeks to clarify the significance of Gandhi's own attempts, as also of various individuals, to work out in practice the basic principles marked in Hind Swaraj. The third section is a "Gandhian critique" of the experiment with planned agricultural development in independent India.

If one were to present Pinto's work as a coherent argument, one could begin by saying that the third section is really the starting point of the argument. It spells out in distressing detail the worsening condition of agriculture in India. Most of the people still depend on agriculture and nearly 40 per cent of them live below the poverty line.

After Independence, India chose to adopt the path of planned development. It was seen as a more humane and speedier way of securing a decent living for the millions of poor in the country. But, 50 years later, agricultural productivity still remains low.

Most of these grim details about peasant life and agriculture are fairly well-known. What is relevant is to see how the author proceeds to establish a kind of link between Gandhi's text, his experiments and the present state of agriculture in the country.

Gandhi, while rejecting modern civilisation as a mode of life and work, invoked agriculture, charkha and the village as metaphors for sane human living. Pinto seeks out the implications of Hind Swaraj for agriculture as it could be practised in India. The citations from Gandhi's writings on swadeshi as an idea of service and sensitivity to the needs of proximate communities is appropriate. The varied range of writings and case studies make interesting reading. However, all that still does not yield a coherent argument, or even a set of propositions.

Pinto's work suffers from a recurrent confusion regarding the implications of the variety of arguments he seeks to harness. Take for instance the author's endorsement of the castigation of the prevalent price structure as an expression of dominant class interests. True, Hind Swaraj does not exclude class interests and the exploitation it engenders, but the essential point about agriculture it seeks to make belongs perhaps to a different order of insight and moral judgement.

To Gandhi, the practice of agriculture signified a promise of limitless

reach. The act of breaking and tending the soil carried within it an ageless quality. It signified a mode of work and being which, while sustaining life, could nurture an ultimate sense of meaning and worth. At this point, one could perhaps question the Hind Swaraj principles on two accounts:

– What is one to read into the fact that Gandhi, the creator of institutions, never sought to create one devoted specially to the practice and science of agriculture; and

– What about Gandhi's silence on the practice of shifting cultivation, which at several levels is so close to the fundamental principles of Hind Swaraj?

## Gandhian model of development

Mahatma Gandhi never used the words environment protection. However what he said and did makes him an environmentalist. His writings are replete with remarks on the excesses of industrial society. Political psychologist and social theorist **Ashis Nandy** has written extensively on Gandhi. In a freewheeling chat with **Kaushik Das Gupta** he spoke on Gandhi's vision of social change, his critique of industrialisation and the way movements draw inspiration from Gandhi.

**We often talk of two visions of development, the Gandhian vision and the Nehruvian vision. What is the fundamental difference between the two?**

The Nehruvian concept is the dominant concept of development. Gandhi never used the word development. The word was first used by the US president Harry S Truman in 1949. Yes, people often talk of the Gandhian model of development. But if such a model is genuinely Gandhian then it is not about development. And if it's about development, then bringing in Gandhi is an exercise in legitimising something alien to Gandhi's vision.

Social change is possible without development. Society did not stop changing before the idea of development was coined. President Truman was not such a great thinker that the concept he enunciated is indispensable to human societies.

**Many activists who are against big developmental projects talk of**

## **following the Gandhian way. Your comments**

Yes. They draw inspiration from Gandhi to resist aspects of development that does not tally with the Gandhian vision. In one way they are humanising Gandhi. All social change is not development. The fundamental aspects of development—for example unending industrialisation, unending urbanisation, unending consumption—are not justifiable according to the Gandhian way.

Gandhians have tried to take head on some major assumptions of development. When Medha Patkar protests against dams she is following the Gandhian way. Those who challenge key aspects of development are doing us a service. They are resisting the framework in which we are caught.

**Many of the solutions to the current environmental problems are actually within the purview of industrialised society. But there are others who talk of a path other than that of industrialisation. Is Gandhi's vision in sync with such alternatives?**

Gandhian vision is now seen as an inspiration, as a source, for many enterprises that offer alternative to industrialisation. These movements began in the 1980s.

None of the greatest Gandhians of today belong to India. In fact, the greatest Gandhians of our times have not read Gandhi that carefully. They perhaps read his works after people started calling them Gandhians. Lech Walesa, the Polish shipyard trade unionist who later headed Poland's non-Communist government, read Gandhi after people started calling him Gandhian. So did Benito Aquino. Gandhism has become a part of the process that offers alternatives to industrialisation. There are as many varieties of Gandhians as Marxists or liberals. I think that's a very healthy development. Gandhi is a contemporary hero who is accessible—he was not a religious leader, yet religion has a big part in his politics, he was an ascetic but open to practical ways.

**A lot of the de-growth movement, which believes progress is possible without economic growth, takes inspiration from Gandhi. Your comments?**

I won't use the word 'progress' because that is a contaminated word. The colonisers used the word progress. But yes, positive social change is possible without economic growth. And Gandhi has been an inspiration for such movements. However, we should also remember that most of the de-growth movement has taken place in societies which are over-consuming,

exploiting nature and over-arming themselves—all these are hardly markers of good life.

I don't think the hedonism associated with globalised capitalism is conducive to human happiness. Many communities have lived in poverty—but not destitution—and they haven't been unhappy about it.

**There are alternative visions but there is little by way of putting them into practice—except the endeavours of a few grassroots organisations. Your comments?**

They have not been put into practice because our regimes are technocratic. Our solutions are technocratic. Technocrats go by the development textbooks. They do not keep elbow room for alternatives.

Yes, many with alternative vision keep away from the party-based political system. But they are part of the political process. The movement against dams is part of our political process. I feel that Arvind Kejriwal would have done well to have not become part of the party system. We need a group outside party politics to rate parties, rate individual candidates on yardsticks of honesty. We need an impartial agency to do that. For example, Uttar Pradesh has a system where bureaucrats vote on who the most corrupt bureaucrat is.

Source: xaam.in

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## **All you need to know about the H1-B visa programme Bill [IR ]**

Donald Trump had promised to end the misuse of visa programmes by companies to undercut American workers, referring to an incident that involved Indian companies and IT professionals on H1-B visas.

A Bill backing key changes in the H1-B visa programme that allows skilled workers from other countries to fill jobs in the U.S. has been reintroduced in Congress by two lawmakers. The Bill comes after a number of companies – Disney, SoCal Edison and others – have come under fire for abusing the programme.

Here is a look at the Bill and what it proposes.

What is a H1-B visa?

The H1-B visa is a non-immigrant visa given by the United States to employ skilled workers from other countries for various specialised fields of occupation for a certain period of time.

What is the H1-B visa programme Bill?

– The Bill prohibits companies from hiring H1-B employees if they employ more than 50 people and more than 50 per cent of their employees are H1-B and L-1 visa holders.

– The Bill encourages companies to recruit American workers. This provision would crack down on outsourcing companies that import large numbers of H-1B and L-1 workers for short training periods and then send these workers back to their home country to do the work of Americans, the Senators who introduced the Bill had said.



– It explicitly prohibits replacement of American workers by H1-B or L-1 visa holders.

– The Bill seeks to give the Department of Labour enhanced authority to review, investigate and audit employer compliance as well as to penalise fraudulent or abusive conduct.

– The Bill seeks to increase the minimum salary of H1-B visa holders to \$1,00,000 per annum

– Currently, firms need not go through extensive paperwork if the potential H1-B employee has an equivalent of a Master’s degree or higher and he or she is paid at least \$60,000 annually. The Bill aims to do away with the Master’s degree exemption (as “they are easily obtained by foreign workers”).

What is President-elect Donald Trump’s stand on the issue?



Donald Trump promised to end the misuse of visa programmes by companies to undercut American workers, referring to an incident that involved Indian companies and IT professionals on H1-B visas. Mr. Trump did not name India or the particular visa category. However, it was clear that he was referring to HCL Inc. and Cognizant Technology Solutions that hired Indian IT professionals on H1-B visas for contracts obtained from Disney World in Orlando, Florida. “My administration will follow a simple rule – buy American, hire American. Years earlier we used to take pride in buying things ‘Made in America’. We love our companies, but we don’t love them when they go out of our country. There will be consequences,” Mr. Trump said at an event.

How will the Bill affect Indian companies?

The Indian IT industry believes that this Bill does not address the root cause of the problem – shortage of STEM skills (or those in the areas of Science, Technology, Engineering and Math) in the U.S. “There is a perception that companies pay low salaries to people who are sent to work on these visas...High-skilled IT workers on temporary visas earn competitive salaries and cost their employers as much or more than their American counterparts. There are various studies which point this out,” said Shivendra Singh, Vice President and Head, Global Trade Development at Nasscom. Apart from the visa curbs, the U.S. had also recently hiked the visa fee for certain categories of the H1-B and L1 visas which has had an

impact on Indian companies.

Source: xaam.in

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# India Japan WTO Issue (Mains, G.S-2, International Relations)

## **Why in news?**

Japan is threatening to take India to the WTO over the trade restrictions placed by India.

## **What were India's restrictions?**

- India imposed duties of up to 20% on some steel imports in 2015.
- It set a minimum import price in 2016 for steel product imports to deter countries such as China, Japan and South Korea from undercutting local mills.
- Undercutting means selling cheaper than the local mills and eventually removing them from the competition.

## **Why Japan wants to move to WTO?**

- Japan is the world's second-biggest steel producer after China.
- It exports nearly half of its products.
- The move by India nearly halved Japan's steel exports to India over the past year. India dropped down from sixth-largest buyer in 2015 to 11th-largest in 2016.
- Japan usually tries to settle disputes through bilateral talks.
- But currently it wants to move to WTO as it accuses India's move to be against WTO rules.
- This is not just to oppose India's move but also against the growing protectionism worldwide. e.g The new administration in US also signalled similar protectionist moves, China's steel exports dropped by 3.5% in 2016 due to similar moves by Vietnam, Malaysia and South Africa.
- Therefore Japan wants to send a clear message of open and fair international markets and to stop unfair trade actions from spreading.
- India is of the view that it is following the WTO guidelines.

## **What is the dispute settlement mechanism in WTO?**

- The request for consultations is the first step.
- It is followed by discussions under the dispute settlement system to find a satisfactory solution.
- If the consultations fail, the complainant can move for adjudication by a panel after 60 days.
- It further takes around a year to submit the final report.

Source: xaam.in