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STRENGTHENING LOCAL GOVERNANCE: THE ROLE OF THE FIFTEENTH FINANCE COMMISSION GRANTS"

WHY IN THE NEWS?

The Centre announced on Tuesday that it has disbursed the 15th Finance Commission grants for FY25 to rural local bodies in Kerala, amounting to Rs 266.8 crore. Additionally, Rs 27 crore has been allocated to rural local bodies in Meghalaya for FY22 to address location-specific needs.

This release marks the second instalment of untied grants for Kerala. The funds will be distributed across all eligible local bodies in the state, including 14 district panchayats, 152 block panchayats, and 941 gram panchayats, as per the Ministry of Panchayati Raj.

WHAT IS A FINANCE COMMISSION?

A **Finance Commission** is a constitutional body in India tasked with recommending the distribution of financial resources between the central government and state governments, as well as among state governments themselves. It ensures equitable allocation of funds for the smooth functioning of government operations and supports fiscal decentralization. The Finance Commission is appointed every five years by the President of India.

CONSTITUTIONAL MANDATE:

1. Article 280: the Constitution of India mandates the establishment of a Finance Commission. It outlines the Commission's primary responsibility to recommend the distribution of financial resources between the Union and State governments. The article also empowers the Finance Commission to suggest measures to improve the financial health of the states and address issues related to fiscal imbalances.

2. First Finance Commission: The First Finance Commission was constituted in 1951 under the chairmanship of K. C. Neogy. It aimed to define the financial relations between the Centre and the states after the adoption of the Constitution. The Commission's recommendations helped establish a framework for revenue sharing and resource allocation between the different levels of government in India.

Recent Finance Commissions

Fourteenth Finance Commission (14th FC):

Chairman: Dr. Y.V. Reddy

Period: 2015-2020

Key Recommendation: The 14th FC increased the share of states in the central tax pool from 32% to 42%, marking the highest-ever allocation for states.

Fifteenth Finance Commission (2020-2025)

Chairman: N.K. Singh

Key Recommendations:

1. 41% share of central taxes for states.
2. Focus on grants to local bodies (rural and urban).
3. Performance-based grants for fiscal management and governance.
4. Increased allocation for disaster relief.
5. Special grants for Jammu and Kashmir post-Article 370 abrogation.
6. Fiscal deficit limit of 3% for states.

Major Recommendations of the 15th Finance Commission

1. Devolution of Taxes: The 15th FC recommended that 41% of the divisible pool of taxes be given to states, with adjustments based on the criteria of population, income, and fiscal discipline.

2. Grants to Local Bodies: It proposed untied grants to empower rural local bodies and urban local bodies, with a focus on addressing location-specific needs for better governance and service delivery.

3. Performance-based Grants: The Commission introduced performance-based grants to incentivize states for better fiscal management, improved governance, and achieving milestones in sectors like health and education.

4. Disaster Management: The 15th FC suggested a higher allocation for disaster relief, with an emphasis on a more transparent and effective system for managing natural disasters, particularly in states prone to such events.

5. Special Grants for Jammu and Kashmir: Given the unique circumstances of Jammu and Kashmir post-abrogation of Article 370, the 15th FC recommended special grants for the region.

SIGNIFICANCE OF FINANCIAL COMMISSIONS IN STRENGTHENING FISCAL FEDERATIONS:

1. Resource Allocation: Recommends a fair distribution of central tax revenues, ensuring states have sufficient funds for development and governance.

2. Equity and Fairness: Uses criteria like population and income disparity to reduce regional imbalances and support weaker states.

3. Empowering Local Bodies: Allocates grants for local governments (panchayats and municipalities), strengthening decentralized governance.

4. Fiscal Discipline: Sets guidelines on fiscal deficits and borrowing, promoting responsible financial management by states.

5. Disaster Management: Ensures financial preparedness for states to handle natural disasters and unforeseen events.
6. Incentivizing Good Governance: Awards performance-based grants to states demonstrating improved fiscal management and governance.
7. Financial Autonomy: Increases states' financial independence, reducing reliance on central funding.

REASON FOR THE INEFFECTIVENESS OF THE FINANCE COMMISSION:

1. Political Interference: Political pressures often influence the Finance Commission's recommendations, especially when the Centre and states are governed by different parties. This can lead to biased recommendations or delays in the implementation of key suggestions.
2. Limited Implementation Power: While the Finance Commission can recommend resource allocations, it lacks enforcement power. Its recommendations are not binding on the government, and their actual implementation depends on political will and administrative capacity.
3. Inconsistent Fiscal Discipline: Many states struggle to adhere to the fiscal discipline guidelines set by the Commission. Despite recommendations on managing fiscal deficits and public debt, many states continue to overspend or fail to improve revenue generation, leading to fiscal imbalances.
4. Lack of Flexibility: The Finance Commission's framework is often rigid, based on specific criteria such as population and income disparities, which may not fully capture emerging fiscal challenges or the dynamic needs of states.
5. Unequal Resource Distribution: Despite efforts to reduce disparities, resource allocation between states remains unequal. Poorer states may still receive insufficient funds to bridge the development gap, especially when revenue generation and local capacity are weak.
6. Implementation Gaps at Local Levels: The devolution of funds to local bodies (panchayats, municipalities) often faces challenges such as inefficiency, lack of capacity, and corruption at the grassroots level, undermining the intended benefits of financial devolution.

SUGGESTION/RECOMMENDATION TO IMPROVE THE EFFECTIVENESS OF THE FINANCE COMMISSION:

1. Stable and Predictable Resource Allocation: Establish a more consistent and long-term formula for resource allocation to reduce uncertainty and provide states with a clearer financial roadmap. This can help states plan better and ensure sustainable development.
2. Enhanced Focus on Local Bodies: Increase the share of grants and devolution for local bodies (panchayats and municipalities) to ensure grassroots-level governance is effectively funded. This would help decentralize governance and improve service delivery at the local level.
3. Performance-Based Incentives: Introduce stronger performance-based grants to incentivize states to improve fiscal management, governance, and public service outcomes. This can encourage states to prioritize reforms and optimize public expenditure.
4. Greater Role in Inter-State Disparities: The Finance Commission should place a stronger emphasis on addressing inter-state fiscal disparities by allocating more resources to poorer and underdeveloped states, thereby ensuring a more equitable distribution of wealth and resources.
5. Simplified Tax Devolution Formula: Simplify the tax devolution formula to make it more transparent and based on easily measurable indicators, such as poverty levels, demographic characteristics, and fiscal performance. This will make the process more accountable and understandable.
6. Support for Fiscal Reforms: The Finance Commission should actively promote fiscal reforms at the state level, including encouraging states to adopt GST (Goods and Services Tax) reforms, implement taxation efficiency measures, and improve tax compliance.

7. Increased Financial Autonomy for States: Empower states with greater financial autonomy by reducing their reliance on Centre-controlled grants and encouraging them to generate their own revenue through tax reforms and better management of state resources.

CONCLUSION:

The Finance Commission is pivotal in ensuring fiscal federalism by recommending the distribution of resources between the Centre and states. However, its effectiveness is often limited by political interference, lack of enforcement powers, and implementation gaps at the local level. To improve its impact, the Finance Commission should focus on stable resource allocation, increase support for local bodies, and introduce performance-based incentives. Simplifying the tax devolution formula, promoting fiscal reforms, and granting greater financial autonomy to states will further strengthen governance and equitable development.

PRELIMS QUESTION:

Q. Which of the following is the primary responsibility of the Finance Commission as per Article 280 of the Indian Constitution?

A. To recommend the allocation of the central government's budget among various ministries

B. To suggest measures for the distribution of financial resources between the Centre and the states

C. To manage the financial affairs of the Reserve Bank of India

D. To set up a system for the collection of income tax in India

Answer: B

MAINS QUESTION:

Q. In the context of the Fifteenth Finance Commission's recommendations, evaluate the strengths and weaknesses of the formula used for the devolution of taxes to states. How could it be modified to better address the needs of poorer and underdeveloped states?

(250 words, 15 marks)

Ritik singh

PRELIMS BITS: PRESIDENTIAL ELECTIONS IN THE UNITED STATES

WHY IN THE NEWS?

In the 2024 presidential election, Donald Trump emerged victorious against Kamala Harris, marking a significant political event. Trump won several key swing states that were previously held by Biden in 2020. Notably, he flipped states such as Wisconsin, Michigan, and Pennsylvania, which were critical to his success.

PRESIDENTIAL ELECTIONS IN INDIA AND THE UNITED STATES:

Aspect	India	United States
Electoral Body	Election Commission of India	Concerned State authorities
Mode of Election	Indirect election	Indirect election
Electoral System	Proportional Representation through a Single Transferable Vote (STV)	Electoral College system (winner-takes-all in most states)
Voters Involved	Elected members of Parliament (MPs) and Legislative Assemblies (MLAs)	Electors chosen by voters in each state
Representation	Votes are weighted based on the population of states and Union Territories	Each state's electors are equal to the total of its Congressional representation (Senators + House members)
Total Number of Voters	Approx. 4,896 (Elected MPs & MLAs)	538 electors in the Electoral College
Method of Voting	Single transferable vote (STV)	A plurality (winner-takes-all system in most states)

Term Length	5 years	4 years
Eligibility Criteria	Must be a citizen of India, at least 35 years old, eligible to be a member of Lok Sabha	Must be a natural-born citizen, at least 35 years old, resident for 14 years
Role of Voter	Voters cast a vote for one candidate; the value of votes differs by state population	Voters choose electors who then vote for the president
Candidates	Nominated by political parties, but independent candidates can also stand	Nominated by political parties; Independent candidates are also possible
Election Frequency	Every 5 years	Every 4 years
Result Declaration	After counting the votes and declaring the winner based on majority (after transfer)	After the Electoral College vote, officially certified by Congress
Involvement of Popular Vote	No direct role of public votes	Indirectly through electors, though popular vote may influence the outcome
Constitutional Reference	Articles 54 to 67 of the Indian Constitution	Article II of the U.S. Constitution and the 12th Amendment

PRELIMS QUESTION:

Q. With reference to the constitutional qualifications for the President of India, consider the following statements:

1. The President is elected by a direct popular vote.
2. The Electoral College consists of electors from each state based on its congressional representation.
3. The President serves a term of six years without the possibility of re-election.

How many of the above-given statements are correct?

A. Only one
B. Only two
C. All three
D. None

ANSWER: D

Munde Dhananjay Navnath

PRELIMS BITS: SOUTH ASIAN TELECOMMUNICATION REGULATORS' COUNCIL (SATRC) AND NTN TECHNOLOGY

WHY IN THE NEWS:

Minister Jyotiraditya M. Scindia recently inaugurated the 25th South Asian Telecommunication Regulators' Council (SATRC) meeting, emphasizing the need for collaborative efforts to build a transparent, secure, and standards-driven future in telecommunications. This meeting focused on strengthening regional cooperation among South Asian nations to address emerging challenges and foster sustainable digital growth.

WHAT IS SATRC?

The South Asian Telecommunication Regulators' Council (SATRC) is a collaborative platform that operates under the Asia-Pacific Telecommunity (APT) to address regulatory and policy issues related to telecommunications and information and communication technology (ICT) in South Asia. Established in 1997, SATRC aims to facilitate cooperation among telecommunication regulators in the region.

ORIGIN

SATRC was formed as a result of an initiative by the Asia-Pacific Telecommunity (APT) and the International Telecommunication Union (ITU) Regional Office for Asia and the Pacific. Its establishment was driven by the need for a coordinated approach to address common regulatory challenges faced by South Asian countries in the rapidly evolving telecommunications landscape.

MEMBERS

The council comprises the heads of regulatory bodies from nine South Asian countries:
Afghanistan
Bangladesh
Bhutan
India
Iran
Maldives
Nepal
Pakistan
Sri Lanka

MAJOR AREAS OF FUNCTIONS

Regulatory Coordination: Discussing and coordinating common regulatory issues among member countries.
Radio Frequency Coordination: Addressing issues related to the allocation and management of radio frequencies.
Standards Development: Promoting the establishment of standards in telecommunications to ensure compatibility and interoperability.
Regulatory Trends and Issues: Analyzing current regulatory trends and addressing emerging challenges in the telecommunications sector.
Telecommunication Development Strategies: Formulating strategies to enhance telecommunication infrastructure and services across the region.
International Affairs: Engaging in discussions related to international telecommunications policies and agreements.
Capacity Building: Facilitating seminars, training, and workshops to enhance the skills and knowledge of regulatory personnel.

NON-TERRESTRIAL NETWORKS (NTNS)

WHAT IS NTN?

Non-Terrestrial Networks (NTNs) are advanced wireless communication systems that operate above the Earth's surface. They utilize various platforms, including satellites in low Earth orbit (LEO), high-altitude platform stations (HAPS), and uncrewed aircraft systems (UAS). NTNs are designed to provide seamless connectivity, especially in remote and underserved areas where traditional terrestrial networks may not reach.

KEY FEATURES OF NTNS

Global Coverage: NTNs extend wireless communication capabilities globally, ensuring connectivity over land, sea, and air, which is crucial for IoT applications and emergency services.
Integration with Terrestrial Networks: NTNs are not meant to replace terrestrial networks but to augment them, providing a hybrid solution that combines the strengths of both satellite and terrestrial communications.

DIVERSE APPLICATIONS:

IoT Connectivity: Enabling global IoT deployments for asset tracking, environmental monitoring, and smart agriculture.

Emergency Services: Providing critical communication capabilities during disasters when terrestrial networks may be compromised.

Maritime and Aviation: Enhancing connectivity for vessels and aircraft, improving navigation and operational efficiency.

EVOLUTION OF NTNS

NTN-IoT and NTN-NR: The NTN framework includes two main aspects:

NTN-IoT: Focused on expanding IoT coverage, primarily operating at geostationary (GEO) and low Earth orbit (LEO) altitudes.

NTN-NR: Aimed at linking smartphones and 5G devices directly to satellite networks, facilitating low-data services, voice, and messaging.

Technological Advancements: The development of NTNs is supported by advancements in satellite technology, artificial intelligence, and software solutions that enhance connectivity and network management.

BENEFITS OF NTNS

Seamless Connectivity: NTNs provide uninterrupted access to communication services, regardless of geographical barriers, benefiting individuals and businesses alike.

Support for Emerging Technologies: NTNs are expected to play a significant role in the future of 6G, enabling new services and capabilities such as high-precision location services and integrated sensing.

Economic Growth: By improving connectivity in remote areas, NTNs can drive economic development, enhance public safety, and support critical infrastructure projects.

FUTURE OUTLOOK

Growth Potential: The market for NTNs is anticipated to grow significantly, driven by increasing demand for global connectivity and advancements in satellite technology.

Strategic Importance: As nations invest in NTNs, they will play a crucial role in shaping the future of telecommunications, particularly in the context of national security and global competitiveness.

CONCLUSION:

Non-terrestrial networks represent a transformative approach to telecommunications, offering innovative solutions to connectivity challenges and paving the way for a more interconnected world.

PRELIMS QUESTIONS:

Q.1. Which of the following are applications of Non-Terrestrial Network (NTN) technology?

1. Global IoT connectivity
2. Emergency communication services
3. Terrestrial broadband internet
4. Maritime and aviation communication

Select the correct answer from the options below:

A. Only one

B. Only two

C. Only three

D. All four

ANSWER: C

Q.2.Consider the following countries:

1. Afghanistan
2. Iran
3. Myanmar
4. Maldives
5. Bhutan

How many of these countries are members of the council comprising the heads of regulatory bodies under SATAC?

Only two

Only three

Only four

All four

ANSWER: C

Munde Dhananjay Navnath