



VEDHIK
IAS ACADEMY
The New Learning Mantra



VEDHIK

DAILY NEWS ANALYSIS

24 - JUNE - 2022

FOREWORD

We, at Team Vedhik is happy to introduce a new initiative - "Daily Current Affairs_The Hindu" compilations to help you with UPSC Civil Services Examination preparation. We believe this initiative - "Daily Current Affairs_The Hindu" would help students, especially beginners save time and streamline their preparations with regard to Current Affairs. A content page and an Appendix has been added segregating and mapping the content to the syllabus.

It is an appreciable efforts by Vedhik IAS Academy helping aspirants of UPSC Civil Services Examinations. I would like to express my sincere gratitude to Dr. Babu Sebastian, former VC - MG University in extending all support to this endeavour. Finally I also extend my thanks to thank Ms. Shilpa Sasidharan and Mr. Shahul Hameed for their assistance in the preparing the compilations.

We welcome your valuable comments so that further improvement may be made in the forthcoming material. We look forward to feedback, comments and suggestions on how to improve and add value for students. Every care has been taken to avoid typing errors and if any reader comes across any such error, the authors shall feel obliged if they are informed at their Email ID.

CONTENTS

- Editorials - Pakistan's economic muddling and the IMF challenge GSP 02 A
- News -India promises Sri Lanka 'fullest support' GSP 02 A
- News -Put border issue in appropriate place Wang Yi GSP 02 A
- News - BRICS supports dialogue between Russia, Ukraine Part I GSP 02 B
- News - BRICS supports dialogue between Russia, Ukraine Part II GSP 02 B
- News -India is central to Australia's world view Deputy PM Marles GSP 02 C
- News - AI can add \$500 bn to GDP by 2025 Nasscom GSP 03 A
- News -Govt. said to aim to keep deficit at 6.7% GSP 03 A
- Editorials -The problems plaguing thermal power generators GSP 03 D
- Editorials -Will Agnipath energise or demoralise the military GSP 03 T

EXPLAINER

Pakistan's economic muddling and the IMF challenge

The falling rupee, depleting foreign exchange reserves, energy shortage, increasing fuel prices and a complicated external support highlight the contemporary economic crisis Pakistan is in. Will Islamabad find a way out?

THE GIST

■ Pakistan's foreign exchange reserves have been depleting during the last one year and it has come down to \$8.9 billion in June 2022.

■ The IMF is willing to support but it wants Pakistan "to address high inflation and the elevated fiscal and current account deficits, while ensuring adequate protection for the most vulnerable."

■ Pakistan's economic and energy situation is serious and the situation will worsen in the short term before it gets better, but this has been the nation's history in the last 75 years.

D. SUBA CHANDRAN

The Pakistani rupee (PKR) has been falling continuously; from 150 in April 2021 to 213 against the dollar on 21 June, an all-time low. Pakistan's foreign exchange reserves have been depleting during the last one year. According to State Bank of Pakistan data, from \$17.2 billion in June 2021, the net reserves with the SBP have come down to \$8.9 billion in June 2022.

The new government has already increased the fuel price – in late May and early June. Besides, the new budget has proposed resuming the petroleum development levy. This would mean increased oil and electricity prices, which has the potential to bring people to the streets. Earlier this month, citing "heightened external vulnerability risk" and the "ability to secure additional external financing," the rating agency Moody's downgraded Pakistan's outlook to negative.

The government-International Monetary Fund (IMF) talks have remained complicated.

Will the IMF bail out Pakistan?

The immediate future of Pakistan's economy would depend on IMF resuming its support. Despite an intense discussion between the two, there has not been a breakthrough until now. Pakistan's relationship with the IMF has remained complicated. Though Islamabad has been negotiating with the IMF repeatedly, there has been an economic nationalism, mostly jingoistic, against approaching the IMF in recent years. Imran Khan, the former Prime Minister made statements and fuelled the sentiments against the IMF. After becoming the PM in 2018, he preferred approaching friendly countries (China and Saudi Arabia) and avoiding the IMF. The new government is now back to the IMF; it expects the IMF to release the payments, expand the support programme, and give a longer rope to repay.

The IMF is willing to support Pakistan but has some conditions regarding

macroeconomic reforms. This was highlighted in the IMF statement after the last meeting in May 2022. The IMF wants Pakistan "to address high inflation and the elevated fiscal and current account deficits, while ensuring adequate protection for the most vulnerable." The IMF would also not want any deviations from what has been agreed to, especially concerning fuel and power subsidies. Besides, the IMF wants Pakistan to be transparent about its debt situation, including what Islamabad owes to China, as a part of the China-Pakistan Economic Corridor (CPEC).

Subsidies are politically sensitive; with elections ahead, it would not be an easy decision. The new budget also has proposed resuming the petroleum tax levy. With the above, the new government expects that the IMF will consider resuming its package.

The IMF may agree to support after a few more promises by the government. But the relief may be less than what Pakistan would hope for. Without macroeconomic reforms, the IMF is less likely to expand its support programme, or provide a longer rope to Pakistan, that Islamabad wants.

Will Pakistan pursue macroeconomic reforms?

This has been a million-dollar question. Economists within Pakistan and elsewhere have been arguing for macroeconomic reforms, including the independence of financial institutions. It is a political question that the successive governments led by the Pakistan Peoples Party (2008-13), Pakistan Muslim League-N (2013-18) and Pakistan Tehreek-e-Insaf (2018-22) were unwilling to address. Instead, all governments continued to borrow from global institutions and friendly countries.

The budgets have remained populist; the economic governance declined due to corruption, lack of financial institutions' independence, and the export decline. The subsidies in the energy sector – fuel, oil and electricity – remain high. With the present government led by the PML-N and PPP

combine facing elections, they are less likely to take any further bold decisions. Successive governments, especially the previous one, would instead look for external bailouts and support from "friendly" countries.

Will "friendly countries" support Pakistan without preconditions?

Saudi Arabia and China have been supporting Pakistan. Immediately after becoming the Prime Minister, Shehbaz Sharif visited Saudi Arabia to secure a loan. In early May 2022, Riyadh agreed to provide \$8 billion; in December 2021, Imran Khan secured a \$3 billion support. A similar understanding was reached in October 2021. However, Riyadh's support was not unconditional. An editorial in *Dawn* in November 2021 highlighted that Riyadh can ask Pakistan "to return the money at any time if the two countries have divergent views regarding their relationship or ties with a third country, or some other issue."

China has been another significant source for Pakistan. Islamabad has been regularly seeking loans from China within and outside the CPEC projects. While the CPEC projects kept expanding and was projected as a panacea for Pakistan's economic problems, there are many questions over the hidden costs. Pakistan also had to raise the security for the CPEC projects after a series of militant attacks. Pakistan has created a Special Security Division to provide security exclusively for the CPEC projects, increasing the cost further. A larger question is whether Pakistan would divert external aid to pay its debts to China? This has been one of the questions raised by the IMF, way back in 2018, and remains relevant even today.

During the latest Financial Action Task Force (FATF) meeting, there was an understanding that Pakistan has met its requirement. The FATF has agreed to explore the possibilities of removing Pakistan from the grey list.

However, when Pakistan was on the grey list, the IMF had been holding talks with



Islamabad. The big two – China and Saudi Arabia – were not constrained by Pakistan's listing in the FATF. So, the relaxation is less likely to open gates for big investments.

Will Pakistan go the Sri Lankan way?

The situation was similar in Sri Lanka – the falling value of rupee, declining foreign exchange reserves, differences with the IMF, and rising fuel prices. All of them led to public protests in Sri Lanka against the government. The economic and energy crises in Pakistan have not snowballed into a political storm as it had happened in Sri Lanka during April-May. Will there be one?

Politically, unlike in Sri Lanka, there is a coalition at the federal level; the main partners – the PML-N and the PPP – have a strong presence and control over the two big provinces, Punjab and Sindh.

To conclude, Pakistan's economic and energy situation is serious and demands bold decisions. The situation will worsen in the short term before it gets better, but this has been Pakistan's history in the last 75 years. With a relief from the IMF, after a protracted negotiation, a few band aids, and the U.S. intervention, Islamabad may muddle through this time as well, until the next crisis.

D. Suba Chandran is Dean, School of Conflict and Security Studies at the National Institute of Advanced Studies (NIAS), Bengaluru.

Activists display placards and shout slogans during a demonstration against inflation and fuel price hike in Karachi. •AFP

India promises Sri Lanka ‘fullest support’

Colombo has sought a further \$500 million from New Delhi to import fuel and is awaiting a response

MEERA SRINIVASAN
COLOMBO

India on Thursday assured Sri Lanka of its “fullest support” to help the island tide over its unprecedented economic crisis while “considering further financial assistance”, the Sri Lankan President’s office said.

A delegation from New Delhi led by Foreign Secretary Vinay Kwatra, and including Ajay Seth, Secretary, Department of Economic Affairs; V. Anantha Nageswaran, Chief Economic Adviser; and Kartik Pande, Joint Secretary to the Indian Ocean Region Division at the Ministry of External Affairs, visited Colombo on Thursday.

During the visit, spanning barely half a day, the Indian officials met President Gotabaya Rajapaksa and Prime Minister Ranil Wickremesinghe, and held discussions on New Delhi’s ongoing assistance, of over \$3.5 billion since January 2022, to the island nation. Indian assistance so far has been extended by way of currency



Staunch backing: The Indian delegation led by Foreign Secretary Vinay Kwatra meeting Sri Lankan President Gotabaya Rajapaksa on Thursday. ■ SPECIAL ARRANGEMENT

swaps, loan deferments and credit lines for essential imports.

Colombo has sought a further \$500 million from New Delhi to import fuel and is awaiting a response, Prime Minister Ranil Wickremesinghe recently told *The Hindu* in an interview.

IMF talks

The Sri Lankan government is currently holding talks with a visiting delegation of the International Monetary Fund (IMF), on a debt restructuring programme, but is

also urgently looking for bridging finance to cope with the acute shortages of essentials that have left citizens struggling.

“Sri Lanka has already received essential food items, fuel, medicine, and fertilizer under the Indian credit line facility... The Indian delegation stated that the Government of India and the political authorities are committed to provide continued support to Sri Lanka,” President Gotabaya’s office said in a statement.

“Both parties discussed

on the future course of action of the Indian aid programme to stabilize and revive the Sri Lankan economy, at length,” it further said, adding that the Indian delegation arrived in the island “to consider further financial assistance” to Sri Lanka. A statement from the Indian High Commission said: “Both sides highlighted the importance of promoting India-Sri Lanka investment partnership including in the fields of infrastructure, connectivity, renewable energy, and deepening

economic linkages between the two countries.”

External Affairs Minister S. Jaishankar, who’s in Rwanda to attend the Commonwealth Summit, met his Sri Lankan counterpart G.L. Peiris. “Talked about Commonwealth issues as well as India’s support for Sri Lanka at this time,” Mr. Jaishankar tweeted about the meeting.

From the beginning of this year, India has signed key bilateral agreements with Sri Lanka, to jointly develop the Trincomalee Oil Tank Farm and set up (through the National Thermal Power Corporation), a solar power plant in Sampur.

Both are located in the Eastern Province. In the renewable energy sector, India’s Adani Group signed an agreement to execute projects in Mannar and Pooneryn in the Northern Province, sparking a controversy over its entry into the island’s energy sector, outside of any known competitive bidding process. Colombo has defended the \$500 million deal.

Put border issue in appropriate place: Wang Yi

China's Foreign Minister meets Indian envoy, highlights Jaishankar's 'disapproval' of European criticism on Ukraine

SPECIAL CORRESPONDENT

China's Foreign Minister Wang Yi on Wednesday held talks with India's envoy in Beijing, Pradeep Kumar Rawat, with both sides exchanging views on the boundary situation and broader bilateral ties.

The meeting, which was Mr. Rawat's first with the Chinese Foreign Minister since his arrival in Beijing in March, came ahead of Thursday's BRICS leaders' summit. Mr. Wang pointedly referred to External Affairs Minister S. Jaishankar's remarks earlier this month, during a security conference in Slovakia, that "Europe has to grow out of the mindset that Europe's problems are the world's

problems but the world's problems are not Europe's problems."

Mr. Jaishankar said India was "perfectly capable of managing" the border situation with China and rejected Western attempts to draw a connection between Russia's invasion of Ukraine, which India has been urged to condemn, and the Line of Actual Control (LAC) crisis with China.

China-India relations

Mr. Wang said, "Recently, External Affairs Minister Subrahmanyam Jaishankar publicly expressed his disapproval of European centralism and objections to external forces meddling in China-India relations. That



Diplomatic ties: Indian Ambassador to China Pradeep Kumar Rawat meets China Foreign Minister Wang Yi. ■PTI

reflects India's tradition of independence."

He added that "common interests between China and India far outweigh the differences", and called upon

both sides to "work in the same direction to maintain the warming momentum in China-India relations and bring them back to the track of stable and sound develop-

ment at an early date."

Both sides, however, framed the border situation differently. Mr. Rawat, the Indian Embassy in Beijing said, "emphasised the criticality of maintenance of peace and tranquillity in the border areas for realising the full potential" of relations.

'Positive energy'

Outlining a "four-pronged perseverance", Mr. Wang called upon both sides to "persevere in putting the boundary issue in an appropriate place in bilateral relations" as well as "persevere in the important strategic consensus reached by the leaders of the two countries that China and India are partners rather than rival-

s...persevere in continuously injecting positive energy into bilateral relations... [and] persevere in expanding multilateral cooperation, joining hands to revitalize Oriental civilizations [and] coping with the complicated world together."

The Indian Embassy quoted Mr. Wang as saying the Chinese side "attached importance to the Indian side's concerns regarding return of Indian students", who have been waiting two years to resume their studies in China.

Both also discussed resumption of direct flights, although students have not yet been offered a timetable of when they may be able to return.

BRICS supports dialogue between Russia, Ukraine

PM hails ‘practical’ cooperation of group

SUHASINI HAIDAR
NEW DELHI

Blaming “selfish actions” by western countries for the economic crisis due to sanctions, Russian President Vladimir Putin called for the strengthening of BRICS (Brazil, Russia, India, China and South Africa) at a virtual summit of leaders of the grouping hosted by China on Thursday. Prime Minister Narendra Modi and the other leaders discussed the situation in Ukraine and Afghanistan.

While Mr. Modi focussed on the importance of BRICS in the post-pandemic global economic recovery, Chinese President Xi Jinping called upon members to reject the “Cold War mentality” and oppose what he called “unilateral sanctions” by the U.S. and the European Union.

Meeting point

Mr. Modi said the BRICS countries had a “very similar view of the governance of the global economy”. He hailed “practical” coopera-



Narendra Modi addressing the BRICS summit in New Delhi on Thursday. ■PTI

tion in a number of areas, including the New Development Bank, a satellite agreement, a COVID Research and Development Centre set up in South Africa, and the mutual recognition of pharmaceutical products, including COVID vaccines and medicines.

The Beijing summit declaration said that BRICS countries recalled their national positions as expressed at the United Nations over the past few months.

CONTINUED ON ► PAGE 12

BRICS supports dialogue between Russia, Ukraine

“We support talks between Russia and Ukraine. We have also discussed our concerns over the humanitarian situation in and around Ukraine and expressed our support to efforts of the UN Secretary-General, UN Agencies and ICRC to provide humanitarian assistance in accordance with the basic principles of humanity, neutrality and impartiality,” the BRICS declaration said.

While discussing terrorism and terror cooperation, the BRICS countries said that only the UN Security Council has the authority for imposing sanctions.

While Mr. Modi has held no direct bilateral talks with Chinese President Xi since the PLA transgressions in April 2020, India and China have together attended several multilateral meetings of the BRICS, SCO and G-20. The PM also made no mention of cooperation against terrorism in his opening remarks, which is significant given China’s decision to block an India-U.S. proposal to designate LeT deputy chief Abdul Makki at the UN

Security Council last week.

This was the first such meeting of the leaders since the invasion of Ukraine on February 24, and comes just days ahead of the G-7 summit in Germany, which Mr. Modi and South African President Ramaphosa will attend, where western countries are expected to deliberate on tighter sanctions against Russia.

In his remarks, Mr. Putin made a veiled attack on the U.S. and European countries for “using financial mechanisms”, and to “shift their own mistakes” in economic policies to the rest of the world. “Only on the basis of honest and mutually beneficial cooperation can we look for ways out of this crisis situation, which developed in the global economy,” he said.

Mr. Xi said that the BRICS grouping of emerging economies should encourage “true multilateralism” in the world and “urge the world to reject the Cold War mentality and bloc confrontation, oppose unilateral sanctions and abuse of sanctions.”

India is central to Australia's world view: Deputy PM Marles

'China seeking to shape world in a way like never before'

DINAKAR PERI
NEW DELHI

Australia sees India as "completely central" to its "world view", Deputy Prime Minister and Minister for Defence Richard Marles said here on Thursday. Stating that China was seeking to shape the world around it in a way that "we have not seen before", he said Australia and India had a shared objective to try and protect the global rules-based order.

"For Australia, China is our largest trading partner, That's the same for India. For Australia, China is our largest security anxiety and so is for India," Mr. Marles said while talking to a select group of journalists before concluding his India visit.

Responding to questions on China, he said it was seeking to shape the world around it in a way that we have not seen before and that has really evolved in the past decade. "Especially in the last few years, we have seen a more assertive Chinese behaviour with respect to that," he said stating it was seen with India along the Line of Actual Control (LAC) and in the South China Sea (SCS).

"We have seen that with respect to the LAC, and the incident that occurred a couple of years ago where there was appalling behaviour against Indian soldiers, and we stand in solidarity with



Richard Marles

India in respect of that incident," he said. "For us, we are experiencing that in the South China Sea."

With India on LAC

Elaborating, he said when Australia looked at what happened at the LAC, it was seeing one country seeking to deal with its disputes not against a set of rules but with power and through force. "That's a concern," he said.

In the SCS too, "we are seeing greater assertiveness on the part of China", he said pointing to the construction of artificial islands and assertion by China on the sovereignty which he said was inconsistent with the United Nations Convention on the Law of the Sea (UNCLOS). "When we look at Chinese behaviour, what we are seeing is an assertive behaviour which seeks to challenge the established rules-based order," Mr. Marles said.

"That's where Australia and India have a shared ob-

jective of establishing that global rules-based order," he said.

Talking of shared values between India and Australia, the Deputy PM said both were democracies, had rule of law applicable within their countries, and were seeking to build and respect a global rules-based order that was fundamentally important. We also share geography and Australia is an Indian Ocean country, he said. "In that respect all roads lead to India."

Defence and security cooperation between the two countries had seen a significant expansion in recent years. On this, Mr. Marles said they wanted to see greater frequency of activity in operations and exercises and also "greater frequency and complexity" to increase interoperability.

He said the Indian Air Force would take part in Exercise Pitch Black to be hosted by Australia in August.

Talking of the Quad, the Deputy PM said it was not a security alliance, and defence and security was not part of it. Similarly, the AUKUS trilateral initiative was not a security alliance. "It is technology sharing between Australia, the U.S. and the UK," he said. On the war in Ukraine, Mr. Marles reiterated that the position India took on Ukraine was a matter for India.

AI can add \$500 bn to GDP by 2025: Nasscom

Investments may touch \$881 mn by '23

SPECIAL CORRESPONDENT

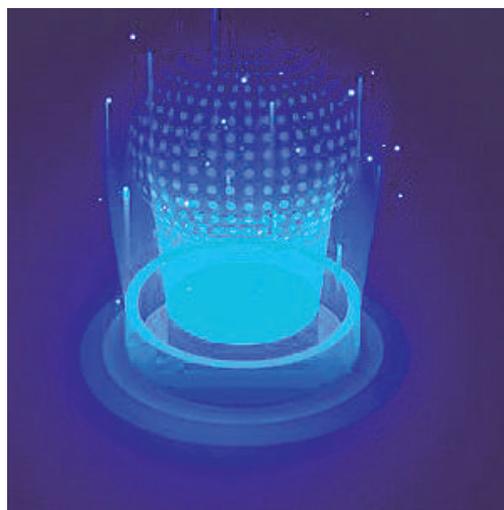
BENGALURU

Nasscom has introduced “AI Adoption Index” in a bid to assess trends of AI adoption in India.

The index was the first detailed assessment of AI adoption, beginning with four key sectors of banking, financial services and insurance (BFSI), consumer packaged goods (CPG), retail, healthcare and industrials and automotive.

These sectors could cumulatively contribute more than 60% of AI’s potential value-add of \$450 to \$500 billion to the country’s GDP by 2025, said Nasscom in a media conference.

The apex body said global investments in AI had more than doubled over the



last couple of years, from \$36 billion in 2020 to a high of \$77 billion in 2021.

Though AI investments in India were growing at a CAGR of 30.8% and poised to touch \$881 million by 2023, it would still represent just 2.5% of the total global AI investments of \$340 billion. This would mean a massive opportunity for Indian enterprises to drive investments and adopt AI.

Govt. said to aim to keep deficit at 6.7%

Centre to miss Budget deficit goal of 6.4%, will seek to cap fiscal slippage within last year's level: officials

REUTERS
NEW DELHI/MUMBAI

India's government will not be able to cut its budget deficit this fiscal year as previously projected, officials said, but will seek to cap the shortfall at last year's level to prevent a major deterioration in public finances.

Efforts to maintain fiscal discipline reflect New Delhi's concern around risks to its sovereign credit rating but will likely limit the government's firepower to check inflation and provide relief to households and businesses.

In February, the government set a fiscal deficit target of 6.4% of GDP for the year to March 2023, compared with a deficit of 6.7% in the last financial year.

The sources said that while increased spending to



Kid gloves: Government is wary of the risks fiscal slippage poses to its sovereign credit ratings, borrowing costs. ■ REUTERS

provide relief from inflation meant the government would miss this year's target, policymakers would seek to limit the deviation to 30 basis points.

"We will try to contain the

slippage to last year's levels," one of the officials, who declined to be identified, told Reuters.

Surging costs forced India in May to cut fuel taxes and change duty structures, hit-

ting revenues by about \$19.16 billion, while added fertiliser subsidies lifted expenditure.

The government and central bank have scrambled to contain prices through fiscal measures and monetary tightening after inflation jumped to multi-year highs.

Risks of slippage

The government is wary of the risks fiscal slippage poses to its sovereign credit ratings. Its debt to GDP ratio, which stands at about 95%, is significantly higher than the 60-70% levels for other, similarly rated economies.

That leaves the government little room to provide additional relief, as the May measures are already expected to drive up the deficit by more than 30 basis points if revenue collection does not

exceed the budget target.

"The government can definitely do more but at what cost? If more steps are taken, it will require additional market borrowing and that will drive up yields and eventually cause higher inflation," said a second source who is aware of the discussions.

The government is reluctant to expand its record market borrowing programme of ₹14.31 lakh crore this fiscal, both officials said.

"From here on, monetary policy will bear the larger burden of initiating inflation-growth corrective balance," said Shubbada Rao, senior economist and founder of QuantEco Research. "The first quarter has been good in terms of tax collection, but... the excise cut could neutralise it," she added.

The problems plaguing thermal power generators

With a coal-supply demand gap, and international coal prices rising, cash-strapped thermal power generators are left with critical stocks

JASMIN NIHALANI

On June 10, India's power demand touched a record high of 211 MW even as the coal shortage continued with coal stocks available only for eight days. In the last two months, as temperatures soared and the economy recovered, the power demand breached the 200 MW level on several occasions. But the coal stock position at power plants remained worrisome. Consequently, the Ministry of Power sprang into action. To bridge the gap between shortage in domestic supply and increasing demand, power-generating companies or 'gencos' were directed to use imported coal for 10% of their requirement, failing which their domestic supplies would be cut.

How did India get here?

India is the second largest producer of coal, with reserves that could last up to 100 years. Despite that, year after year, the shortage of coal supplies continues to be an issue. Why does India have a recurring power crisis? As seen in chart 1, the domestic production of coal stagnated between FY18 and FY21, but revived in FY22. The power demand too surged owing to economic recovery and hotter weather conditions. In a press release published on May 27, the Ministry of Power noted that "despite efforts to increase the supply of domestic coal, there is still a gap between the requirement of coal and the supply of coal".

Until FY20, domestic sources contributed to about 90% of the power sector's coal receipts; the remaining was filled by imports. But by FY22, the reliance on imports dwindled to 3.8% which built pressure on domestic supplies. As chart 2 shows, the coal imported by power plants declined to 27 MT in FY22 from 66.06 MT in FY17. Coal imported for blending purposes by power plants that run on indigenous coal declined to 8 MT in the last financial year, from 19.7 MT in FY17. Past data show that importing coal for blending has always seen few takers. A bulk of imports was made by power plants designed for imported coal. Notably, their share of imports too saw a decline of 60% in FY22 since FY17. Out of 15 such import-based power

plants in India, five had little or no coal stock as of June 15.

This dip in imports can be attributed to the skyrocketing prices of coal in the international markets (chart 3). The price of imported coal is nearly 5-6 times higher than domestic supply. It is in this scenario that the Power Ministry asked the gencos to import coal. However, States are wary of using imported coal as it would raise the cost of power substantially. The short-fall in domestic supplies and the rising cost of imports have put power plants in a precarious situation (chart 4). About 79 of the 150 plants that depend on domestic coal had critical stocks (<25% of the required stock) as of June 15. Eight import-based coal plants were also at critical levels.

Perennial bottlenecks

The use of imported coal will also push up the price of power supply to the power distribution companies or 'Discoms,' often dubbed as the weakest link in the power sector chain. Discoms owe long-standing dues to the tune of ₹1.16 lakh crore to the gencos. Delays in payments by discoms create a working capital crunch for generating companies which in turn inhibits them from procuring an adequate quantity of coal.

According to the 2019-20 report by the Power Finance Corporation, discoms had accumulated losses up to ₹5.07 lakh crore and were therefore unable to pay generators on time. Discoms in Tamil Nadu, Rajasthan and Uttar Pradesh are the most financially stressed (see chart 5).

Discoms are bleeding because the revenue they generate is much lower than their costs. This is evident from the gap between the average cost of supply and average revenue realised (see chart 6). Tamil Nadu, Jammu and Kashmir, and Rajasthan have the widest gap between revenues and expenses of discoms. Apart from providing power at cheaper rates, some State governments do not revise tariffs periodically. Further, the delay in getting compensation from the government also compounds the woes of cash-strapped discoms.

nihalani.j@thehindu.co.in

Chart 1 | The chart shows India's total domestic coal production in million tonnes (left-axis) and energy requirement in billion units (right-axis) in the past 12 years

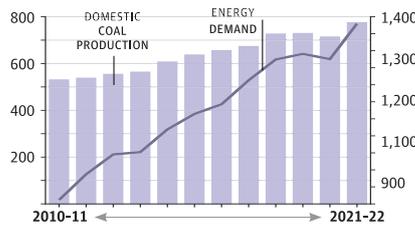


Chart 2 | The chart shows the quantity of coal imported (million tonnes) by imported coal-based power plants (●) and by domestic coal-based plants that use imported coal for blending (●). In the recent years, the usage of imported coal has dwindled across both types of plants

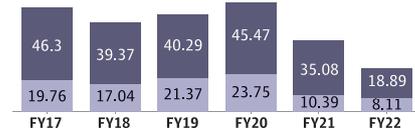
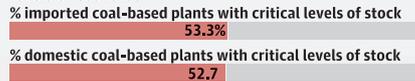


Chart 3 | The chart shows the quarter-wise domestic and international coal prices (₹ per tonne). The price of coal in international markets was on a steep rise while the domestic price remained relatively stable as of Q2FY22



Chart 4 | The chart shows the share of power plants that had critical coal stocks as of June 15, 2022. About 53% of power plants that depend on domestic coal and a similar share of imported coal-based plants had critical levels of coal stock



Source: CEA, PFC, Ministry of Coal, Ministry of Power, RBI, POSOCO

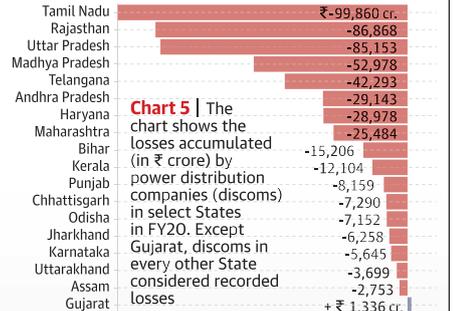


Chart 5 | The chart shows the losses accumulated (in ₹ crore) by power distribution companies (discoms) in select States in FY20. Except Gujarat, discoms in every other State considered recorded losses

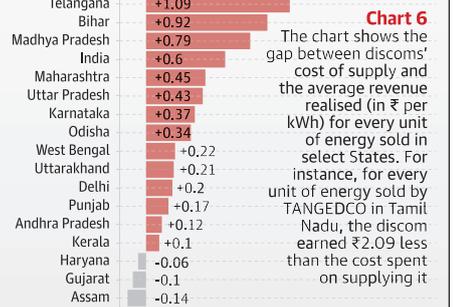


Chart 6 | The chart shows the gap between discoms' cost of supply and the average revenue realised (in ₹ per kWh) for every unit of energy sold in select States. For instance, for every unit of energy sold by TANGEDCO in Tamil Nadu, the discom earned ₹2.09 less than the cost spent on supplying it

In chart 6, a positive value indicates that supply costs are higher than revenues and so the utility is making a loss. A negative value indicates that the utility is making a profit

Will Agnipath energise or demoralise the military?

PARLEY

The scheme is too massive a change and first needs to be put through a testbed

On June 14, the government announced the Agnipath scheme, which fundamentally transforms the process of recruitment of soldiers, sailors and airmen into the three services. Agniveers, the recruits, will be employed for four years, after which 25% of them will be selected for enrolment in the regular cadre, while the rest will be given a certain amount of money and be shown avenues to get back to civilian life. The scheme has generated a lot of debate, and protests against it have been violent in several parts of the country. To discuss and understand the nuances of the issue, Dinakar Peri spoke to Lt Gen D.S. Hooda (Retd) and AVM Manmohan Bahadur (Retd). Edited excerpts:

Can you provide an overview of Agnipath and put things in context, given the concerns?

Lt Gen D.S. Hooda (DSH): Let me try and take a very dispassionate view and look at both sides. Just like any scheme, there are advantages and concerns. Let me briefly cover both. The advantages, as have been brought out by the government and the military leadership... they've been talking about a younger military, the average age going down from 32 to 26. The rapid turnover of Agniveers in the system, they are hoping, will attract people who are more technologically savvy and are therefore more capable of handling new kinds of modern equipment. That is why they're also hoping to exploit some people from the Industrial Training Institutes (ITIs) and other technical institutes. What has not been stated by the military and the government, but which is obviously a big factor for the adoption of this scheme, is the fact that at some stage, maybe not immediately, Agnipath is going to help reduce the salary and pension budgets. That could go into capital expenditure and for the modernisation of the three forces. Also, by picking 25% of the whole lot of Agniveers, you will possibly get people who can then be trained as non-commissioned officers (NCOs), etc. And with our shortage of officers, it is essential that we have better NCOs in the military.

There are genuine concerns. Will people who join only for four years, and who are possibly looking at the military as a stepping stone for a future career, have the same levels of morale and motivation that you find among soldiers who are permanently in the military? Is the scheme going to, in some ways, impact unit cohesion, which is absolutely essential? Is the shortened training period good enough to turn a recruit into a soldier who can fit in and function well within a unit?

There are also, in my view, different aspects of different services. Everybody is not going to face the same conditions. Someone in a technical service in a peace station is obviously not going to face the same conditions as someone who is going to spend two-three years deployed along the borders with an infantry unit. So, how will these different conditions impact the Agniveer? Some are saying it could have an impact, while some are saying it will not have an impact on operational effectiveness and readiness. I think it's too early to tell. My suggestion would be that the scheme be put through a testbed. See how it works. Then we can adopt whatever lessons we learn from the testbed.

About treating it as a testbed, wouldn't that have been a better way to begin? And then the scheme could have been rolled out on a larger scale?

DSH: The government has said that we are not going to roll it back, that we are going to implement it. So, even if you do it in this manner, use the first four years as a testbed. The argument that is being made is that the Defence Minister has the authority to make changes where required. But I think the approach to what we are doing currently, and to a testbed, would be different. If we say this is a testbed, I think we will be more open to major modifications wherever required. I am glad the Vice Chief of Army Staff did say something similar, that they are looking at it for the first four-five years as a pilot project.

With respect to the Navy and



Air Force, which are highly technology-intensive, what is going to be the impact, given the short tenure of the scheme and only six months of training?

AVM Manmohan Bahadur (MB): When you're talking about technology, and you have studied something in your school or college or an ITI, and then you're absorbed into a military formation, the systems there are totally different. The basis may remain the same. And it takes a lot of time – in my experience, at least four-five years – for people to be trusted to work on systems in their own individual capacity. For four-five years, you're actually under the tutelage of a senior person. No airman, no air warrior signs for his trade in the clearance form for an aircraft going for flight. It is similar for radars, anti-aircraft missile systems, and so on. I'm sure a similar thing goes for the naval systems too. So, at the ripe time of four years, when they are ready to be exploited to their full potential, you're asking 75% of the people to go. And then you get a new lot coming in and you have to start from scratch. A person who would become a supervisor after five-six years of service leaves. A lot of money and, more importantly, effort and knowledge as well as wisdom are going out of the system. This is something that has to be catered for.

And since we've talked of a trial period, in my opinion, the initial lot who come in should go into non-critical streams of the Air Force and Navy. The same goes for the Army too. Let's see how the people respond. And thereafter, in the next lot, or maybe from the third lot, you tweak the system and modify it to

The numbers are not that high that we're looking at huge militarisation in society. If we are able to give them (Agniveers) some decent, honourable second career, that to a large extent would help allay these fears.

LT GEN D.S. HOODA (RETD.)

take into account the issues that may have arisen. For example, we've done this with the Short Service Commission. It was initially for five years. It was increased thereafter to 10 years, etc.

The terms and conditions state that Agniveers will form a distinct rank and will sport distinctive insignia on their uniform during the duration of their service before some of them come back into the regular cadre. This is a clear demarcation. How is that from the point of view of motivation, especially where there is close camaraderie?

DSH: I wish they had not done this. There is absolutely no difference in the kinds of jobs that they will do in units, there is no difference in how they will be treated. Having a separate insignia sort of signifies two classes of soldiers in a unit. You shouldn't make any sort of distinction at this stage... Because when you do that, even individuals within the unit will look at each other as a separate class, which is not good. As I mentioned, one of the key factors is unit cohesion. That comes in with a sense of common purpose. Everybody feels that everybody is equal.

MB: A different rank or a unique insignia actually hits at the very basis of unit cohesion. The armed forces are a classless lot. You wear a uniform, whether in school or in college or in the armed forces, to remove all economic and societal disparities, and say all are one. And here you have two people fighting, say in the trenches, the enemy is in front, and you have one person wearing one type of uniform and the other one has an insignia signifying him to be somebody who is different. That is not right. I feel the government can do a simple modification, which is to remove this clause. In any case, when the Agniveer leaves after four years, you may call him Agniveer, but he's not an ex-serviceman. The rule says he's not an ex-serviceman.

A major concern that has been expressed on social media is the issue of national security as young military-trained men will be going back to civil society in large numbers every year.

DSH: I don't think it's as much a concern as it is being made out to be... militarisation of society. First, the numbers are not that high that we're looking at huge militarisation in society. There could be some who could be exploited [by anti-social elements], yes. And I think to allay these fears, if we are able to give them some decent, honourable second career, that to a large extent would help overcome these issues about how these armed forces-trained people will behave once they're out in society.

MB: When we are talking in terms of militarisation, the pressures of a jobless existence weigh against the ethos, or the morality, that you may have learned in those four years. That really stretches the elastic, the malleability of one's character, and some may, unfortunately, fall for it. So, the point is, it is not such a big problem – but to say that there is no problem, I think that too would be incorrect. And the way out is we have industry falling head over heels saying that we will give them jobs. I like former Navy chief Admiral Arun Prakash's reply to a tweet from one of the industrialists, where he said, what have you been doing till now, please give us num-

bers? Even now as we speak, ex-servicemen are looking for jobs. We have to move beyond the optics and statements, and do something on the ground to help these people.

What would you say in conclusion?

DSH: I want to reiterate what I said in the beginning. This is a massive change that we have brought about in the recruitment process. I am not sure there has been enough discussion and debate even within the services on how we are going to take people, train them, inculcate in them the ethos of the military, and how long they will serve. I know the service chiefs and service headquarters have been discussing it. There have been discussions with the political leadership. But has it been debated enough within the organisation, at the level of commanding officers and company commanders who are actually going to be bearing the brunt of what is going to happen? My suggestion again is to put the scheme through some kind of a testbed and be open to major changes, if and when required. As AVM Bahadur has also said, you will probably find that there are certain areas, certain pockets, certain traits that are more suited for Agniveers, and some are not. So, this across-the-board option could also be changed a little bit.

MB: We need to look beyond four years. The issue – and rightly so – is that the decisions have been taken by people at the top. When you're talking of the armed forces, the top brass would have retired in four years. And the fallout, if any, good and bad, will be faced by the next set of leadership within the military. I think they need to be taken on board in all the decisions that are going to be taken now – the way this scheme is going to be rolled out and implemented on the ground – because they're going to face the proverbial music.

Additionally, do we need to set up another organisation to look after the people who go out? We have the Department of Ex-Servicemen Welfare, and there are enough [complaints] from the existing ex-servicemen that nothing much has been done. Now we have a larger mass going out every year, a younger lot.



Lieutenant General D. S. Hooda (Retd) is a former Northern Army Commander



Air Vice Marshal Manmohan Bahadur (Retd) is former additional director general of Centre for Air Power Studies



Scan the QR code to listen to the full interview online

General Studies Paper I	
A	History of Indian culture will cover the salient aspects of art forms, literature and architecture from ancient to modern times;
B	Modern Indian history from about the middle of the eighteenth century until the present-significant events, personalities, issues;
C	Freedom struggle-its various stages and important contributors / contributions from different parts of the country;
D	Post-independence consolidation and reorganization within the country;
E	History of the world will include events from 18 th century such as industrial revolution, world wars, re-drawing of national boundaries, colonization, decolonization,
F	Political philosophies like communism, capitalism, socialism etc.-their forms and effect on the society
G	Salient features of Indian Society, Diversity of India;
H	Effects of globalization on Indian society;
I	Role of women and women's organization;
J	Social empowerment, communalism, regionalism & secularism
K	Salient features of world's physical geography;
L	Geographical features and their location- changes in critical geographical features (including water bodies and ice-caps) and in flora and fauna and the effects of such changes;
M	Important Geophysical phenomena such as earthquakes, Tsunami, Volcanic activity, cyclone etc.
N	Distribution of key natural resources across the world (including South Asia and the Indian subcontinent);
O	Factors responsible for the location of primary, secondary, and tertiary sector industries in various parts of the world (including India);
P	Population and associated issues;
Q	Urbanization, their problems and their remedies
General Studies Paper II	
A	India and its neighbourhood- relations;
B	Important International institutions, agencies and fora- their structure, mandate;
C	Effect of policies and politics of developed and developing countries on India's interests;
D	Bilateral, regional and global groupings and agreements involving India and/or affecting India's interests.
E	Indian Constitution, historical underpinnings, evolution, features, amendments, significant provisions and basic structure;
F	Comparison of the Indian Constitutional scheme with other countries;
G	Functions and responsibilities of the Union and the States, issues and challenges pertaining to the federal structure, devolution of powers and finances up to local levels and challenges therein; Inclusive growth and issues arising from it;
H	Parliament and State Legislatures - structure, functioning, conduct of business, powers & privileges and issues arising out of these;
I	Structure, organization and functioning of the executive and the judiciary, Ministries and Departments;

J	Separation of powers between various organs dispute redressal mechanisms and institutions;
K	Appointment to various Constitutional posts, powers, functions and responsibilities of various Constitutional bodies;
L	Statutory, regulatory and various quasi-judicial bodies;
M	Mechanisms, laws, institutions and bodies constituted for the protection and betterment of these vulnerable sections;
N	Salient features of the Representation of People's Act;
O	Important aspects of governance, transparency and accountability, e-governance- applications, models, successes, limitations, and potential;
P	Citizens charters, transparency & accountability and institutional and other measures;
Q	Issues relating to poverty and hunger,
R	Welfare schemes for vulnerable sections of the population by the Centre and States, Performance of these schemes;
S	Issues relating to development and management of social sector / services relating to education and human resources;
T	Issues relating to development and management of social sector / services relating to health
General Studies Paper III	
A	Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment;
B	Effects of liberalization on the economy, changes in industrial policy and their effects on industrial growth;
C	Inclusive growth and issues arising from it;
D	Infrastructure Energy, Ports, Roads, Airports, Railways etc. Government budgeting;
E	Land reforms in India
F	Major crops, cropping patterns in various parts of the country, different types of irrigation and irrigation systems;
G	Storage, transport and marketing of agricultural produce and issues and related constraints;
H	e-technology in the aid of farmers; Technology Missions; Economics of Animal-Rearing.
I	Issues of buffer stocks and food security, Public Distribution System- objectives, functioning, limitations, revamping;
J	Food processing and related industries in India – scope and significance, location, upstream and downstream requirements, supply chain management;
K	Issues related to direct and indirect farm subsidies and minimum support prices
L	Awareness in the fields of IT, Space, Computers, robotics, nano-technology, bio-technology;
M	Indigenization of technology and developing new technology;
N	Developments and their applications and effects in everyday life;
O	Issues relating to intellectual property rights
P	Conservation, environmental pollution and degradation, environmental impact assessment
Q	Disaster and disaster management
R	Challenges to internal security through communication networks, role of media and social networking sites in internal security challenges, basics of cyber security;
S	Money-laundering and its prevention;

T	Various forces and their mandate;
U	Security challenges and their management in border areas;
V	Linkages of organized crime with terrorism;
W	Role of external state and non-state actors in creating challenges to internal security;
X	Linkages between development and spread of extremism.
General Studies Paper IV	
A	Ethics and Human Interface: Essence, determinants and consequences of Ethics in human actions;
B	Dimensions of ethics;
C	Ethics in private and public relationships. Human Values - lessons from the lives and teachings of great leaders, reformers and administrators;
D	Role of family, society and educational institutions in inculcating values.
E	Attitude: Content, structure, function; its influence and relation with thought and behaviour;
F	Moral and political attitudes;
G	Social influence and persuasion.
H	Aptitude and foundational values for Civil Service , integrity, impartiality and non-partisanship, objectivity, dedication to public service, empathy, tolerance and compassion towards the weaker sections.
I	Emotional intelligence-concepts, and their utilities and application in administration and governance.
J	Contributions of moral thinkers and philosophers from India and world.
K	Public/Civil service values and Ethics in Public administration: Status and problems;
L	Ethical concerns and dilemmas in government and private institutions;
M	Laws, rules, regulations and conscience as
N	sources of ethical guidance;
O	Accountability and ethical governance; strengthening of ethical and moral values in governance; ethical issues in international relations and funding;
P	Corporate governance.
Q	Probity in Governance: Concept of public service;
R	Philosophical basis of governance and probity;
S	Information sharing and transparency in government, Right to Information, Codes of Ethics, Codes of Conduct, Citizen's Charters, Work culture, Quality of service delivery, Utilization of public funds, challenges of corruption.
T	Case Studies on above issues.