



DAILY CURRENT AFFAIRS 02-06-2024

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Siri fort

Syllabus: GS-1; Art and Culture

Context

- **100-year-old miniature paintings** *damaged as water enters museum in Siri Fort area*



About

- *Siri Fort, also known as Siri, is a historical fort located in New Delhi, India.*
- *It was built during the reign of **Alauddin Khalji**, the second Sultan of the Khalji dynasty of the Delhi Sultanate, in the early 14th century.*
- *The fort was constructed to defend the city from potential **Mongol invasions** and to protect the area around the **Qutub Minar** complex.*

Construction and Layout

- *Siri Fort was built between 1297 and 1307 AD.*
- *It is strategically located on the outskirts of Delhi and was designed as a military fortification with massive stone walls and bastions.*

Historical Significance

- *The fort played a crucial role during medieval times in defending Delhi from external threats.*
- *It also served as the headquarters for Alauddin Khalji's army.*

Architecture

- *The architecture of Siri Fort reflects the **Indo-Islamic style** prevalent during the Delhi Sultanate period.*
- *It includes a mix of defensive structures, gates, and residential quarters.*

Cultural Importance

- *Siri Fort is also known for its association with cultural events.*
- *The area around the fort hosts the annual "Siri Fort Auditorium", a renowned venue for performing arts and cultural events in Delhi.*

What is on the agenda for the 16th Finance Commission?

Syllabus: GS-2: Finance Commission and Municipalities.

Context:

- *The **16th Finance Commission (FC)** has begun its work, established under Article 280 of the Indian Constitution, primarily focusing on the devolution of the consolidated fund.*

- *Since the **73rd and 74th constitutional amendments**, local bodies have gained significant recognition within the federal system.*
- *These amendments introduced **sub-clauses 280(3)(bb) and (c)**, which mandate the FC to recommend measures to augment State consolidated funds for supporting panchayats and municipalities.*

Importance of Cities:

- *Cities are called "**engines of growth**" and contribute 66% of India's GDP.*
- *They provide about **90% of total government revenues**.*
- *Cities are crucial for **overall development in India**.*

Financial Challenges:

- *India's economic scale is not enough to meet the **rising needs of urban infrastructure**.*
- *The **World Bank estimates \$840 billion** is needed for basic urban infrastructure in the next decade.*

Inadequate Financial Support:

- *Financial support to cities has been insufficient despite efforts by five commissions since the **11th Finance Commission**.*
- *The **fiscal health of municipalities is poor**, affecting city productivity and quality of life.*

Comparison with Other Countries:

- ***Intergovernmental transfers (IGTs)** to Urban Local Bodies (ULBs) in India are about 0.5% of GDP.*
- *Other **developing countries allocate more**: South Africa 2.6%, Mexico 1.6%, Philippines 2.5%, Brazil 5.1%.*

Issues with IGTs:

- *IGTs make up about **40% of ULBs' total revenue**.*
- ***Problems include unpredictability**, lack of earmarking for vulnerable groups, and lack of horizontal equity.*
- ***IGTs are crucial for ULBs due to their financial state** and the need for stable support until their own revenues improve.*

GST Impact on ULBs:

- *The introduction of the **Goods and Service Tax (GST)** reduced Urban Local Bodies' (ULBs) tax revenue from about 23% in 2012-13 to around 9% in 2017-18 (excluding property tax).*

Low Intergovernmental Transfers (IGTs):

- IGTs from States to ULBs are very low.
- State Finance Commissions recommended **only about 7% of States' own** revenue in 2018-19.

Need for Increased IGTs:

- **Increasing IGTs as a percentage of GDP is necessary.**
- **The 74th constitutional amendment** aimed to financially strengthen ULBs, but progress over three decades has been insufficient.

Challenges from Parallel Agencies:

- The 13th Finance Commission noted that "**parallel agencies and bodies**" are weakening local governments both financially and operationally.
- Local governments **need support from Union and State governments** through funds, staff, and technical assistance.
- The **growth of parallel agencies** has distorted local governments' roles.
- Programs like the **Member of Parliament Local Area Development Scheme** and the **Member of Legislative Assembly Local Area Development Scheme** exacerbate this issue, distorting the federal structure.

Importance of the Census:

- **Without the 2021 Census**, relying on 2011 data is not enough for accurate financial decisions.
- **India has around 4,000 statutory towns, 4,000 Census towns, and about 23,000 villages** that are effectively urban.
- **The 16th Finance Commission (FC)** needs to capture these updated figures, including significant migration to smaller cities (Tier-2 and 3).

Revisiting the 15th FC's Principles:

- Some of the **15th FC's nine guiding principles** need revisiting, such as:
- **Enhancing property tax collection** alongside State GST.
- **Maintaining accurate accounts.**
- **Allocating resources for pollution control, primary health care, solid waste management, and drinking water.**

Urbanisation and Infrastructure Needs:

- The 16th FC must consider the dynamic urbanisation in India.
- It should ensure that **Intergovernmental Transfers (IGTs)** to urban areas are at least doubled.

- A McKinsey Global Institute report warns that if investment in urban infrastructure continues at current rates, there will be issues with water supply and untreated sewage.

Indian Government Bonds (IGBs) in the JP Morgan Government Bond Index

Syllabus: GS-3; Economy

Context

- The inclusion of Indian Government Bonds (IGBs) in JP Morgan's emerging markets bond indices have begun.
- The inclusion, which will be spread over 10 months until March 31, 2025, is likely to bring nearly \$20-25 billion into the country, according to various estimates.

What is JP Morgan Emerging Market Bond Index (EMBI)?

- EMBI was formed in the early 1990s which has various **high yielding local rates** indices like the **Government Bond Index-Emerging Markets (GBI-EM)** series and the **Corporate Emerging Markets Bond Index (CEMBI)** series and are considered standard benchmarks by many developed economies' investors, according to a press release by Mirae Asset Mutual Fund.

What is the eligibility criteria of Indian Bonds?

- Only Indian Government Bonds (IGBs) issued by the Reserve Bank of India (RBI) under the '**Fully Accessible Route (FAR)**' shall be included in the indices. All FAR IGBs maturing after December 31, 2026 will be eligible and minimum outstanding amount is beyond Rs 1 lakh crores.

What would be the impact of the bond inclusion?

- The move could lead to fresh active flows in the debt market, which remains underpenetrated on external financing.
- It will not only result in lower risk premia, but will also help India to finance its fiscal and **current account deficit (CAD)**, as well as enhance the liquidity and ownership base of government securities (G-secs; debt instruments issued by the central government to meet its fiscal needs), Arora said in a report in September 2023.

- *The country's current account balance recorded a surplus of \$5.7 billion, or 0.6 per cent of gross domestic product (GDP) in the January-March 2024 quarter, as against a current account deficit of \$1.3 billion, or 0.2 per cent of GDP, in the year-ago quarter.*
- *Global rating agency Fitch Ratings said that the inclusion of certain Indian sovereign bonds in key emerging-market bond indexes managed by JP Morgan will support a diversification of the investor base for Indian government securities.*
- *It could help lower funding costs slightly, and support further development of domestic capital markets, but direct positive effects on India's credit profile will be marginal in the near term.*

Will higher inflows be a concern for RBI?

- *While higher inflows will **boost the rupee**, inflation is likely to come under pressure.*
- *When the RBI mops up dollars from the market, it will have to release an equivalent amount in rupees, **putting pressure on inflation**.*

Project nexus

Syllabus: GS-3: Indian Economy – Payment systems.

Context:

- *The **Reserve Bank of India (RBI)** has joined Project Nexus, a multilateral international initiative to enable instant cross-border retail payments by interlinking domestic Fast Payments Systems (FPSs).*

About Project Nexus

- *Conceptualized by the **Innovation Hub** of the Bank for International Settlements (BIS).*
- *Aims to **enhance cross-border payments** by connecting multiple domestic instant payment systems (IPS) globally.*
- *It is the **first BIS Innovation Hub project** in the payments area to move towards live implementation.*

Reserve Bank of India's Role

- Collaborates bilaterally with various countries to **link India's Fast Payments System (FPS) – UPI**, with their **respective FPSs for cross-border Person to Person (P2P) and Person to Merchant (P2M) payments**.
- **Bilateral connectivity** benefits both India and partner countries.
- A **multilateral approach** can further expand the international reach of Indian payment systems.

Instant Payment Systems (IPS)

- Available in **over 70 countries** today.
- **Domestic payments** reach their destination in seconds at near-zero cost.
- Connecting IPS globally can **enable cross-border payments** within 60 seconds (in most cases), as per BIS.

Benefits of Project Nexus:

- **Standardization:** Provides a standardized method for instant payment systems (IPS) to connect with each other.
- **Single Connection:** Operators only need to create one connection to the Nexus platform, which then links them to all other countries on the network.
- **Efficiency:** Eliminates the need for custom connections for each new country, simplifying and speeding up the process.
- **Accelerated Growth:** Potentially boosts the growth of instant cross-border payments significantly.
- **Wider Reach:** Facilitates the ability of fast payment systems to connect with multiple countries through a single platform.

Countries that have joined Project Nexus:

- *Founding Members:* India, Malaysia, Philippines, Singapore, Thailand
- *Future Member:* Indonesia

Agreement Details: Signed by BIS and the central banks of the founding countries.

Participating central banks:

- Bank Negara Malaysia (BNM)
- Bank of Thailand (BOT)
- Bangko Sentral ng Pilipinas (BSP)
- Monetary Authority of Singapore (MAS)
- Reserve Bank of India (RBI)
- Agreement signed on June 30, 2024, in Basel, Switzerland.

Raimona National Park

Syllabus: GS-3; Biodiversity

Context

- *'Mainland Serow', a vulnerable mammal species, spotted in Assam's Raimona National Park.*



About

- *Raimona National Park is located in the **Kokrajhar district of Assam, India.***
- *It was established as a national park in 1996 and covers an area of approximately 422 square kilometers.*
- *The park is known for its rich biodiversity and is home to various species of flora and fauna, including elephants, tigers, leopards, deer, and various species of birds.*
- *Raimona National Park is part of the **Indo-Bhutan Manas Conservation Area**, which includes Manas National Park and the Royal Manas National Park in Bhutan.*
- *This conservation area aims to protect the diverse ecosystems and wildlife in the region.*
- *The park is significant not only for its ecological importance but also for its cultural and historical significance, as it is inhabited by indigenous communities such as the **Bodos.***
- *These communities have traditional knowledge and practices that contribute to the conservation and sustainable management of the park's resources.*

Mainland Serow

- *According to the International Union for Conservation of Nature, the mainland serow inhabits areas at altitudes of 200-3,000 metres.*
- *Its IUCN Status is **vulnerable**.*
- *The animal habitat is across the India-Bhutan border in **Phibsoo Wildlife Sanctuary** and the Royal Manas National Park in the Himalayan country.*
- *There are three other species of the animal – **Japanese serow, red serow (found in eastern India, Bangladesh, and Myanmar), and Taiwan or Formosan serow.***
- *The animal is distributed from the Himalayan belt to southern China and Sumatra but its populations are fragmented, isolated, and rapidly declining due to poaching and habitat loss.*
- *The lack of reliable data on the species makes it difficult to come up with conservation actions to ensure long-term survival*