



THE DESERVING INDIA

# WEEKLY EDITORIALS

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# INDIA'S

## NEIGHBOURHOOD POLICY



### INDIA'S NEIGHBOURHOOD POLICY HAS UNDERGONE SIGNIFICANT CHALLENGES AND CHANGES FROM 2008 TO 2024.

Between 2008 and 2010, India's neighbourhood saw epoch-making events, with India playing a catalytic role in promoting democracy in Bangladesh, Sri Lanka, and the Maldives. India's diplomatic efforts were instrumental in shaping positive outcomes, such as the defeat of the LTTE in Sri Lanka and stabilizing democracy in Bangladesh and the Maldives.

By 2024, however, the neighbourhood landscape has drastically changed. In Bangladesh, Sheikh Hasina's government collapsed amidst an economic downturn, while in Sri Lanka, President Gotabaya Rajapaksa's regime faced severe anti-government protests. Myanmar's military coup in 2021 further destabilized the region, and India's influence in these crises has been limited.

India's support to its neighbours has been generous but often overshadowed by China's assertive "chequebook diplomacy." The article points out the need for India to recalibrate its approach, taking into account the evolving geopolitical challenges and the rise of anti-India sentiments in these countries.

New Delhi's response to these developments has been criticized for being too reactive and lacking strategic foresight. As India faces increasing challenges in its neighbourhood, the need for a robust and proactive diplomatic strategy is emphasized, especially in the face of China's growing influence and the complex political dynamics in the region.

# ENHANCING GST OVERSIGHT

**The GST Council needs to enhance oversight and expedite reforms for a smoother tax regime.**

The GST Council, responsible for overseeing the seven-year-old indirect tax regime, will meet on September 9, marking its second meeting in under three months after a long hiatus. This meeting is crucial for addressing taxpayer challenges and setting policy direction. The Council, led by the Union Finance Minister and State representatives, is expected to review GST's complex multiple-rate structure, with progress on this front likely to be slow due to varying state interests. Additionally, the Council should consider reviewing the 18% GST levy on essential services like health insurance, which has drawn recent attention. Another critical issue is the inclusion of items such as electricity, petroleum, and alcohol in the GST net, a longstanding demand by economists. While state-Centre relations remain tense, greater attention to GST's day-to-day operations is necessary. Despite healthy revenue trends, the pace of taxpayer refunds has been uneven, indicating the need for closer monitoring. The Council should not overlook these issues, as they are vital for avoiding potential industry complications, whether related to registration or tax demands.





# AI GOVERNANCE **LEADERSHIP**

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**India must take a leadership role in shaping global AI governance through inclusive and equitable frameworks.**

The article discusses the importance of India's active participation in shaping global AI governance. As the Summit of the Future in September 2024 approaches, it presents a crucial opportunity for India to influence the international norms around AI. India, with its historical legacy and diplomatic strengths, should leverage platforms like the United Nations to advocate for a governance framework that aligns with the principles of equity and justice. India's diplomatic efforts, particularly in representing the Global South, have positioned it as a key player in international negotiations. The country should continue to push for AI governance that bridges the digital divide, ensures equitable benefits, and respects human rights. By advocating a balanced approach that considers the needs of both developing and developed nations, India can help create a more inclusive and fair digital future. The editorial stresses the need for India to address the challenges posed by the U.S.-China rivalry in AI, emphasizing India's role in building coalitions that promote an inclusive, secure, and transparent global AI governance framework.

# HEALTH AL

## LOCATION DISPARITIES

“ **Discrepancies between health budget allocations and outcomes persist across Indian states, highlighting inefficiencies and regional disparities.** ”

There is a significant mismatch between the health budget allocations and health outcomes in Indian states. Despite an increase in overall health spending, there is no uniform improvement in health indicators across states. States like Kerala and Tamil Nadu, with relatively better health outcomes, receive lower allocations, while states with poorer health indicators often see higher budgetary allocations but fail to translate this into better health outcomes. The reasons for this disparity include inefficiencies in health system management, variations in governance, and differing health priorities among states. Moreover, the centralization of health schemes and the lack of autonomy for states hinder the effective use of allocated funds. To improve health outcomes, it is crucial to address these inefficiencies, ensure better governance, and allow states more flexibility in utilizing health budgets according to their specific needs.

# FOOD SECURITY

## ACT AND PDS REFORMS



**The Food Security Act (NFSA) has significantly reduced leakages in the Public Distribution System (PDS), particularly in states that implemented early reforms.**

The introduction of the National Food Security Act (NFSA) in 2013 addressed concerns about the effectiveness of the Public Distribution System (PDS), which previously saw high leakages. According to National Sample Survey (NSS) data, leakages stood at 41.7% in 2011-12, but states that had implemented PDS reforms, such as Bihar, Chhattisgarh, and Odisha, saw dramatic reductions. The latest data from the Household Consumption Expenditure Survey (HCES) for 2022-23 shows that PDS leakages have dropped to 22%. The PDS reforms that expanded benefits to non-NFSA beneficiaries contributed to the reduced leakages. However, some states' success in reducing leakages may be underestimated due to the type of data collected. States like Chhattisgarh showed significant progress in their PDS systems through local procurement policies and door-to-door delivery. Additionally, the introduction of schemes like PMGKAY during the COVID-19 pandemic supported the system but later discontinued. Despite improvements, some states like Tamil Nadu have seen increased leakages, while others like Jharkhand still struggle with Aadhaar-related issues. Overall, the NFSA has transformed the PDS into a more reliable food security mechanism with ongoing challenges to address.

# FISCAL PRUDENCE STRATEGY

**Maintaining a controlled fiscal deficit is essential for sustainable economic growth and financial stability.**

Government expenditures exceeding revenue can lead to high deficits and economic challenges. The 2024-25 Union Budget emphasizes reducing the fiscal deficit to 4.5% of GDP by 2025-26, promoting a sustainable economic trajectory. While central government debt-GDP ratios are projected to decline with consistent GDP growth of 10.5%, fiscal discipline is key. Strict fiscal management targets aim to prevent rising interest rates and inflation, encouraging the private sector's role in economic investment.

The Twelfth Finance Commission stresses household savings and their potential to reduce the government's borrowing needs. India's fiscal responsibility measures have historically kept debt-GDP ratios manageable, but significant external challenges, such as the COVID-19 pandemic, have delayed some adjustments. It is crucial to increase investment in the private sector, which can be funded by the government's long-term debt management strategies.

While other countries have reduced interest payments relative to revenue faster than India, the central government must now ensure that fiscal deficits remain sustainable. Relaxation of current fiscal rules must be done cautiously, focusing on reducing debt while supporting growth.

