



**ECONOMIC
POLICY**



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**REGIONAL
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GOVERNANCE

MONTHLY NEWSLETTER AUGUST 2021 EDITION

Newsletter Focus

- **The Undeniable Role of Local Government During a Crisis- as Covid**
- **Vocational Education in India**
- **Reviewing State Finances: Punjab's Debt Binge**

RECENT EVENTS

NATIONAL

- Foreign nationals now eligible for Covid-19 vaccination in India
- According to the central government, foreign nationals are now eligible to receive a Covid-19 vaccine in India. The passport of foreign nationals residing in the country will be accepted as identity proof for registration on the CoWIN platform.
- The Managing Director of Zydus Cadila has informed that the firm will now apply for COVID vaccine trials in children between the age of 3-12 years. The COVID vaccine rollout for children can begin by mid or the end of October 2021. Zydus Cadila's COVID vaccine for children aged 12 years or above has already received approval in India.
- India's first smog tower has been inaugurated by CM Kejriwal in Delhi. The technology of the smog tower has been imported from the US. The smog tower in Delhi is a 24-meter long structure and has been set up to improve the air quality. It will suck the polluted air and will purify it before re-circulating it back into the atmosphere.
- Swachh Survekshan 2021: Andhra Pradesh becomes first state with three 'Water Plus' certified cities
- Andhra Pradesh has now become the first state to have more than one 'Water Plus' certified city. The three cities awarded are Greater Vishakhapatnam Municipal Corporation (GVMC), Vijayawada Municipal Corporation, and Tirupathi Municipal Corporation. A total of nine cities across India were awarded 'Water Plus' certification. Earlier on August 11, 2021, Indore was declared as the first 'Water Plus' certified city of India under the Swachh Survekshan 2021.
- Government launches new portal to facilitate geospatial planning of MGNREGA assets
- The Central Government on August 23, 2021, launched a new geospatial planning portal, 'Yuktdhara'. As per Union Minister Jitendra Singh, the portal will help in facilitating the new MGNREGA assets (farm ponds, dams, plantation, roads, playgrounds etc.) using remote sensing and geographic information system-based data.
- For first time, Indian Army promotes five women officers to Colonel Time Scale rank
- The Indian Army's Selection Board for the first time promoted five women officers to Colonel rank, post their completion of 26 years of service.
- The women officers promoted to Colonel Time Scale rank are Lt Col Navneet Duggal and Lt Col Sonia Anand from the Corps of Electronics and Mechanical Engineers (EME), Lt Col Sangeeta Sardana from Corps of Signals, and Lt Col Ritcha Sagar and Lt Col Reenu Khanna from the Corps of Engineers.

INTERNATIONAL

- On 15th August, 2021 Taliban insurgents entered the Afghanistan capital Kabul thus, the Islamic Republic of Afghanistan's government fell. The President, Ashraf Ghani fled the country and Afghanistan was reinstated as the Islamic Emirate of Afghanistan. The Taliban takeover was followed by chaos at Kabul's airport as desperate Afghans tried to force their way into American planes to flee the country.

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- On 24th August, 2021 Boris Johnson is hosting a virtual summit of G7 where he will urge President Joe Biden to extend the August 31 deadline to complete the Kabul evacuation mission.
- Managing Director of IMF, Kristalina Georgieva, announced that the IMF will distribute about \$650 billion in new Special Drawing Rights to its members on Monday, providing a "significant shot in the arm" for global efforts to combat the COVID-19 pandemic.
- Asia's robust economic recovery from last year's coronavirus low is losing momentum as a surge in COVID-19 cases sees shops empty again and factories close, dimming prospects for corporate profit growth after a blockbuster half year.

SOURCES:

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- https://www.business-standard.com/article/international/delta-variant-blow-knocks-wind-out-of-asia-s-economic-recovery-121082400588_1.html
- <https://www.jagranjosh.com/current-affairs/august-1501565137-catlistshow-1>
- India Today News Headline
- The Telegraph dated 24th August, 2021

THE UNDENIABLE ROLE OF LOCAL GOVERNMENT DURING A CRISIS- AS COVID

Tanvi Singal



Image Source: The Economic Times

In any country, the role played by government at ground level is pivotal in the overall governance system. A country which follows a decentralized federal system with power sharing arrangement witnesses people's aspirations and expectations from government better met. The underlying reason for this is that the local government constitutes of the people of a particular geographical area and is representative of the diversity of communities at that level. They either have a first-hand experience or still better experience and are well aware of the problems at the ground level, which gives them an upper hand in terms of bringing about the required policy changes.

The purpose of these governments becomes the cynosure during a crisis. It is self-evident as worldwide the country's grapple with the covid pandemic; and it is the local government which has come to the succor of the people. The epidemic has exacerbated the need for greater citizen involvement in decision making and amplified the importance of local participation in dealing with a catastrophe. In a federal set-up below clinical emergency situation, it will become the legal responsibility of the federal and country governments to cooperate and iron-out variations for the prevention of ailment outbreaks. The defined purpose of a local government is to provide an organized system through councils which work in sync and exercise their power and responsibilities to work together for peace, order and good governance of the area of their jurisdiction. During the time of the pandemic, when covid 19 has taken a toll on life and property, it behoves on the government to gear its efforts for improving the social, economic and environmental viability and sustainability for the benefit of their people. Investment in health infrastructure becomes pertinent and re- allocation of government budget acquires utmost importance. Its duties also entail carrying out proper health policies which includes spreading awareness, working towards prevention and equipping for curation. Since covid has had its ravaging impact on all sectors of life, holistic approach towards development through policy formulation becomes significant. This delineates the government's duty to promote appropriate business and employment opportunities for citizens. Effective local governments provide overall quality of life for the people who reside in their communities. Effective local governments offer general fine of lifestyles for the individuals living in their communities.

The story of Kerala's local government, the BMC (Bombay Municipal Corporation) model of Mumbai government is a case in point of good governance in effectively dealing with the covid outbreak.

Certain key lessons that need to be drawn from covid pandemic with regards to local governments to boost their capacity in carrying out an effective response system can be:

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Eliminating institutional overlaps: There needs to be a clear department of capabilities among countrywide and nearby governments, among special social sectors in addition to numerous hands of nearby governments. Responding to crises calls for readability on who's doing what, who controls the price range and who makes crucial decisions. Previous outbreaks display that country wide governments need to devise overarching crises-reaction techniques with nearby governments aligning their plans to it. This is essential in order that vital aspects together with meals chains, social safety and habitual fitness aspects are minimally disrupted in the course of a disaster.

Encouraging emergency preparedness: While many nations have intricate country wide catastrophe preparedness plans, the pandemic suggests that nearby governments too want sturdy emergency control structures with independent pool of funds to carry out effective response measures to demanding situations soon as they arise.

Enhancing integration and everyday resilience: There needs to be system for cross coordination and communicate between local government at various levels to have a proper database and understanding of the ground level situation to carry out effective policy formulation through allocation of resources accordingly. There also needs to be a coordination between government council, non-governmental organization, civil society and other groups to facilitate better implementation in yielding desired results.

As COVID-19 suggests, pandemics are complicated social and behavioral demanding situations and now no longer simply technocratic issues. Government group of workers and residents are grappling with the risk of contracting the contamination or managing private loss. Effective coordination mechanisms among country wide and nearby governments are crucial. There is a need to bolster local structures and construct the ability of local officers to manipulate the coverage reaction (from fitness to the economic system to social safety). Investment in local authorities might be key to a hit recuperation and long-time period resilience.

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Vocational education in India

Mehak Mahajan

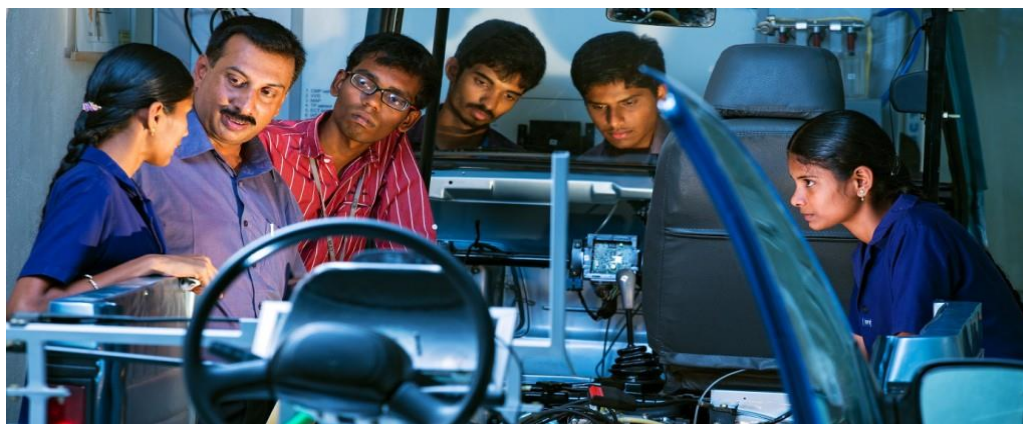


Image Source: TUV Rheinland

Vocational Education can be defined as the education based on occupation and employment. As the name suggests it aims to prepare students for a specific profession, vocation or trade. It is also known as career and technical education (CTE) or technical and vocational education and training (TVET). It involves various practical activities. It is sometimes referred as technical education because the trainee directly develops expertise in a particular group of techniques.

Vocational education is related to the age-old traineeship system of learning. Vocational courses involve less of the traditional academic learning and more of hands-on training. Such courses focus on applying the skills learnt and are the ideal stepping stone from the world of education to a stable career. These training courses are parallel to the other conventional courses of study (like B. Sc., M. Sc. Etc.). Time management and meeting deadlines play an important role in success in a vocational course and during their studies students normally produce a portfolio of evidence (plans, reports, drawings, videos, placements), which is taken as a demonstration of students' capabilities for a job. After finishing the courses, students are often offered placements in jobs.

Vocationalisation of education is helpful for the best and fullest utilisation of the human and natural resources of the country. It is also needed to enhance the efficiency of an individual in a particular vocation. It prepares an individual for life, for better economic and civic amenities. It can also open channels for self-employment. Most importantly it plays a very important in a country's growth and development.

The World economic Forum (WEF) quite recently stated that only 25 per cent of Indian professionals are considered employable by organised sector, demonstrating the need for higher quality vocational education to prepare today's youth for jobs. Vocational training is therefore the need of the hour in India to supplement formal education and improve the employability of young India.

Throughout the post-independence period there have been many attempts to reform the Indian vocational education system and make it more applicable. Education plays an important part in the task of nation-building. Therefore, providing the right knowledge and skills to the youth can ensure the overall national progress and economic growth. The Indian education system recognizes the role of education and particularly Vocational Education.

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Hence the National Education Policy (NEP) 2020 among various things suggests steps and changes that can potentially explosive growth of vocational education in the country since it requires all educational institutions to integrate vocational education into their offerings. This will bring in a very large number of schools, colleges and universities — a little over 280,000 secondary and higher secondary schools and more than 40,000 higher education institutions — into the fold of potential TVET providers during the coming decade, making TVET available to millions of students.

India has made enormous strides in the provision of TVET and the report describes the extensive infrastructure that has been set up for offering short-term training courses during the past decade. The main vehicle has been the National Skill Development Corporation set up in 2008, and its ecosystem of Training Providers and Sector Skills Councils. But the report published in NEP shows that these courses cater largely only to demand from industry for training and placement of youth in specialised, narrowly defined, entry level jobs. Longer-term training courses that are being offered through the ITIs and the polytechnics, the latter having existed since before independence, have grown much more slowly relative to the large capacity for short-term courses that has been created in just over a decade. Schools have also been engaged in the provision of vocational education at the higher secondary level since the early 1990s but the number of students being reached so far is still well below 10 percent of the cohort.

Vocational training has been successful in India only in industrial training institutes and that too in engineering trades. There are many private institutes in India which offer courses in vocational training and finishing, but most of them have not been recognized by the Government. Firstly, required steps should be taken to recognize appropriate institutes those fulfil the underlined criteria.

Vocational Higher Secondary schools are under MHRD in India. This need to be made strong as this is the base of Vocational Education. Through, the study of the prevalent Vocational Education System in India the following problem areas has been identified -:

1. There is a high drop-out rate at Secondary level.
2. Vocational Education is presently offered at Grade 11, 12th
3. Private & Industry Participation is lacking.
4. Less number of Vocational Institutes in the country.
5. Not adequate number of trained faculty.
6. Vocationalization at all levels has not been successful.
7. Lacking of new sectors of vocational education and skills training.
8. Acute shortage of skilled instructors and teachers in the country.
9. Lack of opportunities for continuous skill up-gradation.
10. Current education system is non-responsive to the skill demands of the existing and future industry, leading to a supply-demand gap on various counts.
11. Outside the school system, relevant vocational training centers are ill-equipped to handle the demand and are accessible to only a selected number of students who have passed at least level 10 and 10+.
12. Huge demand-supply skill gap. 90% of the jobs in India are “skill based”; entailing the requirement of vocational training. It is estimated that only 5% of the youth in India are vocationally trained.
13. Most of the Vocational Education Training Institutes are characterized by structurally rigid and outdated centralized syllabi that do not have much sync with the prevailing market conditions.
14. Absence of monitoring committee.

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For the successful implementation of the NEP the prevalent mind-set among the key stakeholders such as students and parents, that TVET is inferior to regular school and college education and suitable only for those youth who are unable to cope with mainstream education would need to be changed. Schools have not succeeded in overcoming this stigma during the past three decades for several reasons, including the fact that pathways into higher education were not created for students of vocational education. Other challenges to skill development would be to ensure inclusive access to TVET to all, particularly for women; the need to overcome the large digital divide and the need to create adequate opportunities for upskilling, reskilling, and lifelong learning. The importance and need of the vocational education need to be reiterated with time and again to make sure it is not looked down upon and given equal respect.

Vocational Education strengthens any country's employment and same way its economy. India being a developing country has come a long way to enhance and implement Vocational Education. It is an imperative need for national economic development and rapid social transformation. To make the programme a success additional resource should be provided. Making vocational education an integral part of the school curriculum at the Higher Secondary level is an excellent innovation. It has made our educational system multi-track instead of single-track. It has ushered a new era in our educational set-up. Although it is a beginning but together what we all can do is to participate together and play a part in its success.

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Reviewing State Finances: Punjab's Debt Binge

Sneha Chowdhury



Image Source: The Times of India

Punjab, popularly known as the 'Bread basket of India' led the first Green Revolution in the country. Approximately 82% of Punjab's land is under cultivation which is more than twice the national average of 40%. According to reports published by India Brand Equity Foundation, it is expected that by 2025, Punjab will be among the leading producers of non-food grains as well as exporter of various agri-products. Punjab has also emerged as a key hub for textile-based industries which has increased the opportunities for investment. Total merchandise exports from Punjab stood at US \$5.61 billion in fiscal year 2020 and US \$5.29 billion in fiscal year 2021. Moreover, the state's GSDP (in Rs.) increased at a CAGR of 6.78% between 2015-16 and 2020-21 but on the other hand a simple Google search using the keywords 'economy' and 'Punjab' reveals multiple articles discussing the worrisome condition of the state's financial situation with a massive debt burden, missed revenue targets, high committed expenditure, no tough decisions on already existing sops and low developmental expenditure making the headlines.

Burgeoning Outstanding Debt

Punjab's debt situation has been under scrutiny for many years now. Punjab is one of India's most indebted states with outstanding debt estimated to be 46.4% of GSDP for 2021-22. The outstanding debt has increased from 30.4% to 48.2% of the GSDP in the past decade. For the past four years, other deficit indicators like fiscal deficit and revenue deficit have also been on the rise. Moreover, there has been no improvement in the ratio of interest payments to revenue receipts during 2017-21 i.e., there has been no significant improvement in debt sustainability. Constant increase in public debt and interest payments diverts resources from productive purposes to debt repayment and interest payments. Interest payments, budgeted at Rs. 20,316 crores for 2021-22, make up over 21% of the state's revenue receipts. The final report prepared in July 2021 by a Group of Experts led by noted economist Montek Singh Ahluwalia described Punjab's fiscal practices as 'unsustainable'.

Varying Opinions on Economic Effects of Public Indebtedness

The economic effects of public indebtedness have remained a controversial issue still argued over by economists. For instance, classical economists believed government borrowings is invariably wasteful and detrimental to a country's wealth generating capacity (Tsoulfids, 2007) while on the other hand, the Keynesian theory mentions that increasing public expenditure via borrowings by the government will help to create effective demand during depression and even increase employment (Bilan, 2016). Further, Monetarist economists denied the Keynesian view and argued that promoting budget deficits

and financing them by more borrowings will prove to be a disruptive factor and cause instability. However, in the case of Punjab not much positive effects of high government borrowings are evident. Even unemployment has been on the rise. According to the Economic Survey 2021, in 2018-19 Punjab recorded a 7.4% unemployment rate (urban and rural) which was much higher than the all India ratio of 5.8%.

High Committed Expenditure: Huge Subsidy Burden

Committed expenditure in Punjab is very high and in 2021-22 the government is estimated to spend Rs. 59,976 crores on committed expenditure which is a 7% annual increase over 2019-20. Power subsidies given by the government accounts for a major part of committed expenditure. The government plans to continue to provide free power to over 14 lakh farmers that will cost Rs. 7180 crores in 2021-22. The Expert Group led by Ahluwalia also suggested ways to reduce the burden of power subsidy. The total subsidy payable for the financial year 2021-22 is Rs. 17,796 crores. Thus, with rising revenue expenditure the only way to reduce revenue deficit is to increase revenue receipts.

Increase in Revenue Receipts Uncertain

For 2021-22, the state has projected its revenue receipts to be Rs. 95,528 crores, an annual increase of 32% over 2020-21. Revenue receipts, thus, might rise to 15.7% of the GSDP which is much higher than the 10-11% seen in the previous years. Punjab's tax and non-tax revenue have been much lower than states such as Maharashtra, Madhya Pradesh, Uttar Pradesh, Karnataka, West Bengal, Tamil Nadu and Rajasthan. K. Yatish Rajawat, CEO of Innovation for Public Policy writes that such a high increase in revenue receipts "appear wishful as the revenue receipts in the pre-COVID fiscal 2019-20 rose to 18.79% on-year to Rs. 73,975." Also, it should be noted that 2021-22 won't be COVID-19 free either. Although Punjab's tax revenue so far has been much lower than certain states, the GST revenue up to the month of July 2021 is 85.28 percent higher than the corresponding period in the previous year. VAT and CST revenue up to the month of July 2021 is 88.36 percent and 125.51 percent higher, respectively, than the corresponding period in the previous year. Thus, it will be interesting to see if this increase in flow of tax revenue proves to be sufficient to achieve the projected annual growth in revenues.

Debt Deficit Spiral Might Worsen

If the revenue deficit rises higher than the budget estimate of 1.42% of GSDP, the fiscal deficit, which is the difference between total expenditure and total receipts, will also increase. Thus, if revenue receipts do not increase at the estimated rate, Punjab will have to borrow more than it has expected to in order to cover up the revenue gap. This would inevitably worsen the debt deficit spiral in the state. Note that borrowings are estimated to be Rs. 67,336 crores for 2021-22 which is 9.21% lower than what it had borrowed in 2020-21.

As it is with most budgets before an election, the Punjab Budget for 2021-22 is laced with various populist policies. Implementing these policies will increase expenditure. Capital Expenditure, money spent on development for 2021-22 is proposed to be Rs. 64,135 crores, which is an annual increase of 5% over 2019-20 and revenue expenditure is proposed to be Rs. 1,03,880 crores, an annual increase of 17% over 2019-20. Moreover, the Punjab government has unveiled a Rs. 1.68 lakh crore budget which has something for all, with no new taxes and levies. Punjab's fiscal situation has received much attention and with an upcoming state election all eyes will be on Punjab to see if the government is able to achieve its revenue target and keep the budget deficits within the estimated limits.

"A public debt is a kind of anchor in the storm; but if the anchor be too heavy for the vessel, she will be sunk by that very weight which was intended for her preservation." - Charles Caleb Colton

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The Centre of Policy Research and Governance (CPRG), India strongly believes that in the 21st century an India deprived of gainful opportunities, necessary for the flourishing of a young and emergent India, will prove to be an impediment in the development of human capital and preservation of global security. CPRG thus works towards providing gainful opportunities in an effort to promote the involvement of young people in policy making and politics.



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