

**INDIAN ECONOMY****OIL BONDS**

The Finance Minister has said the government cannot bring down taxes and thus oil prices because it has to pay for oil bonds issued by the UPA.

**What are oil bonds?**

- **Meaning:** An oil bond is an IOU, or a promissory note issued by the government to the OMCs, in lieu of cash that the government would have given them so that these companies don't charge the public the full price of fuel.
- **Mechanism:** When fuel prices were too high for domestic consumers, governments in the past often asked oil marketing companies (OMCs) to avoid charging consumers the full price.
  - But if oil companies don't get paid, they would become unprofitable.
  - To address this, the government said it would pay the difference.
  - But again, if the government paid that amount in cash, it would have been pointless, because then the government would have had to tax the same people to collect the money to pay the OMCs.
- Oil bonds were issued by several governments in the past.
- **Significance of Oil Bonds:** Oil bonds are issued by the government to compensate OMCs to offset losses that they suffer to shield consumers from rising crude prices.
- **Issue with Oil Bonds:** These bonds do not qualify as statutory liquidity ratio securities, making them less liquid when compared to other government securities.

**Why were they issued only up to 2010?**

- **Deregulation of Petrol Prices in June 2010:**
  - The UPA government deregulated petrol pricing in 2010.
  - It ended under-recovery on the fuel.
- **No losses from Oct 2014:**
  - OMCs stopped suffering losses on every litre of diesel they sold from 2014 due to the deregulation of Petrol Prices.
- **Price difference between World Market and Domestic Supply was high till 2010:**
  - As per the Petroleum Planning & Analysis Cell (PPAC), during that 5-year period, the price of a barrel of crude oil averaged \$70.15.
  - The retail selling price of petrol ranged from a low of 37.99 to a peak of 50.62 (in July 2008) over the same period.

**Link between oil cost and retail fuel prices**

- **Elements of petrol prices delivered to consumers:**
  - The price of crude oil that is processed into the respective fuels,
  - Central and State levies and
  - Dealer commissions.
- **Price peaked in 2011-12 and then eased slightly by 2013-14:**
  - The price of the Indian basket of crude oil kept rising during the UPA years, starting at an annual average of \$39.21 in 2004-05.
  - They climbed to a high of \$111.89 in 2011-12.
  - Prices eased slightly thereafter to an annual average of \$105.52 in 2013-14, before the current government assumed office in May 2014.
- **Reducing Prices and Increasing Taxes since 2014-15:**
  - Since 2014-15, when a barrel on average cost \$84.16, crude prices have been on a downtrend and fell to \$44.82 in 2020-21.
  - Excise duty and related Central levies have, however, risen sharply
- They constitute almost a third of the pump price of petrol sold in Delhi as in August 2021, compared with just 14% in May 2014.
  - State taxes have increased at a more gradual pace and risen in Delhi to 23% of the pump price, from 17% in May 2014.

**Components of oil bonds that need to be paid off**

- There are two components of oil bonds that need to be paid off:
  - The annual interest payment
  - The final payment at the end of the bond's tenure.
- By issuing such bonds, a government can defer the full payment by 5 or 10 or 20 years, and in the interim just pay the interest costs.

**How much of fuel prices is tax?**

- There are two components to the domestic retail price:

- The price of crude oil itself
- The taxes levied on this basic price.
- Together they make up the retail price.
- The taxes vary from one product to another.
- As of now, taxes account for 50% of the total retail price for a litre of petrol, and 44% for a litre of diesel.

#### Issues raised by the Government

- **Ukraine crisis:** The ongoing conflict in Ukraine is to be blamed for higher crude oil prices.
- **Oil Bonds:** Taxpayers of today are paying for the subsidy which was dished out to consumers more than a decade ago in the name of oil bonds and they will continue to pay for the next five years as the redemption of bonds continues till 2026.

#### Is the amount large enough to restrict a reduction in taxes?

- Total payout was just 7% of the total revenues in 2014-15: As the years progressed, this percentage has come down because taxes generated from this sector have soared.
- Total revenue earned by the government (both Centre and states) between 2014 and 2022 from taxing petroleum products: This amount is more than Rs 43 lakh crore. That means the total payout by the NDA government till date on account of oil bonds is just 2.2% of the total revenues earned during this period.
- The total amount of revenue earned by the Centre from just one kind of tax Excise in just 2014-15 was more than Rs 99, 000 crore.
  - In other words, while the NDA government has had to pay for oil bonds, the payout is not big compared to revenues earned in this sector.

#### Way forward

- **In a relatively poor country like India, all** governments are forced to resort to the use of bonds of some kind: Take the current NDA government itself, which has issued bonds worth Rs 2.79 lakh crore (twice the amount of oil bonds) to recapitalise public sector banks.
  - These bonds will be paid by governments till 2036.
- **The present regime can easily pay back the bond debt:**
  - The Centre has consistently derived far higher returns from excise duty and other levies than the expenditure it has so far incurred in relation to the bonds.
- **Cut down the Central and Excise Duty:**
  - The exorbitant excise duty of around 1/3rd of pump price is too high seeing the COVID pandemic, poor economy, high unemployment and high inflation. Recently , but Solomon Islands pijin is the lingua franca. There are over 80 different local languages plus dialects.

### **IMPORTANT FACTS FOR PRELIM**

#### **1. Integrated Child Development Services (ICDS)**

The Maharashtra government has developed a website-based migration tracking system (MTS) application to map the movement of vulnerable seasonal migrant workers through individual unique identity numbers.

- It will maintain the continuity of the Integrated Child Development Services (ICDS)

#### **About ICDS**

- It was launched on 2nd October, 1975 (5th Five year Plan) in pursuance of the National Policy for Children in 33 experimental blocks.
  - Now the goal is to universalize ICDS throughout the country.
- The primary responsibility for the implementation of the programme is with the Department of Women and Child Development, Ministry of Human Resources Development at the Centre and the nodal departments at the state which may be Social Welfare, Rural Development, Tribal Welfare, Health and Family Welfare or Women and Child Development.

#### **Beneficiaries:**

- Children below 6 years
- Pregnant and lactating women
- Women in the age group of 15-44 years
- Adolescent girls in selected blocks

#### **Objectives:**

- Improve the nutrition and health status of children in the age group of 0-6 years
- Lay the foundation for proper psychological, physical and social development of the child
- Effective coordination and implementation of policy among the various departments
- Enhance the capability of the mother to look after the normal health and nutrition needs through proper nutrition and health education.

## **2. 'e-DAR' (e-Detailed Accident Report)**

The Ministry of Roads, Transport and Highways (MoRTH) has developed the portal named 'e-DAR' (e-Detailed Accident Report).

### **About 'e-DAR' (e-Detailed Accident Report)**

- A web portal designed by the government in consultation with insurance companies to provide instant information on road accidents with a few clicks and help accelerate accident compensation claims, bringing relief to victims' families.
- Digitalised Detailed Accident Reports (DAR) will be uploaded on the portal for easy access.
- The web portal will be linked to the Integrated Road Accident Database (iRAD).
- From iRAD, applications to more than 90% of the datasets would be pushed directly to the e-DAR.
- e-DAR portal would conduct multiple checks against fake claims by conducting a sweeping search of vehicles involved in the accident, the date of accident, and the First Information Report number
- The portal would be linked to other government portals like Vaahan and would get access to information on driving licence details and registration of vehicles.

### **Benefits**

- For the benefit of investigating officers, the portal would provide geo tagging of the exact accident spot along with the site map.
- This would notify the investigating officer on his distance from the spot of the incident in the event the portal is accessed from any other location.
- Integrated data and instant information on road accidents will bring relief to victims' families, check fake claims

## **3. Indian Navy Indigenisation Plan**

The Navy in 2014 promulgated the Indian Navy Indigenisation Plan (INIP) 2015-2030 to enable indigenous development of equipment and systems in weapons and aviation related items.

### **About INIP**

- Aim: It provides a flexible and accessible interface for academia and industry with Indian Navy capability development apparatus.
- The Navy has indigenised around 3400 items under INIP, including over 2000 machinery and electrical spares, over 1000 aviation spares and over 250 weapon spares.
- The existing Naval Aviation Indigenisation Roadmap (NAIR) 2019-22 is also under revision.
- All fast moving aircraft mandatory spares and high cost indigenous repairs are being included in the revised NAIR 2022-27.
- Since 2014, 78 % of Acceptance of Necessity (AoN), by value, and 68 % of contracts, by value, have been awarded to Indian vendors.
- The Navy has more than 20 Make I & Make II cases being progressed, under various domestic development routes of the procurement procedure.

### **Focus areas**

#### **Some of the focus areas include:**

- Indigenous design and development and production of Anti-Submarine Weapons and sensors.
- Satcom and electronic warfare equipment.
- Anti-Ship Missiles and Medium Range Surface to Air Missile.
- Combat management system.
- Software defined radios.
- Network encryption devices.
- Link II communication system.
- Main batteries for submarines.
- Distress sonar system.
- Components of missiles and torpedoes etc.

#### **What is the need?**

- This falls in line with the Government's push to cut down on defence imports and boost domestic manufacturing which has gained further urgency due to ingoing Russian war in Ukraine and the large scale dependency of Indian military on Russian arms and equipment.
- There is particular focus on the fight component (which is weapons) as there is still a long way to go compared to the float and move components.
  - Float consists of the ship, move comprises the propulsion and fight consists of weapons and sensors.
- Four in-house indigenisation committees have been formed to handle indigenisation of spares with respect to naval aircraft.
- The Naval Liaison Cells (NLCs) located at various places have been nominated as 'indigenisation cells'.

**DAILY ANSWER WRITING PRACTICE**

**Q1. The skill development ecosystem has undergone rapid changes and improvements after the launch of Skill India Mission but has many challenges to be addressed in order to make India the “skill capital” of the world. Analyse. (250 words)**

**Introduction**

Skill India mission was launched in 2015 with a target of training and skill development to 400 million by 2022, covering each and every village. The main goal is to create opportunities, space and scope for the development of the talents of the Indian youth. To identify new sectors for skill development. Various schemes are also proposed to achieve this objective.

**Body**

Since the inception of Skill India mission, there are many measures taken under it

- Pradhan Mantri Kaushal Vikas Yojana (PMKVY)
- Deendayal Antyodaya Yojana – National Urban Livelihoods Mission (DAY-NULM)
- Director General of Training – Modular Employable Skills (DGT-MES)
- Deen Dayal Upadhyaya Grameen Kaushalya Yojana
- National Skill Qualification Framework (NSQF)
- National Skill Development Corporation (NSDC)
- National Skill Development Agency
- Aajeevika – National Rural Livelihoods Mission (NRLM)
- Atal Innovation Mission
- Startup India

**The impacts of the above schemes are:**

- NSQF recognises prior learning, through which an estimated 20 million school dropouts can get a second chance.
- There is a substantial increase in the number of people who were skilled in FY17 and FY18. Notably, the rise is phenomenal, it has risen more than four times, from over 3.5 lakh people in FY17 to nearly 16 lakh people in FY18.
- About 30% of the skilled persons have found jobs under the mission in FY2018.
- With nearly 55 percent successful placements, the Short-Term Training Program (STT) under PMKVY (2016-20) has successfully trained over 13 lakh candidates.
- Approximately 76 percent of the candidates have been placed in wage employment and 24 percent placed in self-employment/ entrepreneurship.
- Recognition of Prior Learning (RPL) is designed for those who already have a job or are self-employed and require up-skilling and certification for better prospects. Till date, more than 4.5 lakh candidates have been certified under this component of PMKVY (2016-20).

**Challenges in Skill India**

- The targets allocated are very high and without regard to any sectoral requirement. Everybody was chasing numbers without providing employment to the youth or meeting sectoral industry needs.
- The focus of PMKVY has been largely on the short-term skill courses, resulting in low placements. There has been an over emphasis on this scheme and hence it is seen as the answer to all skill-related issues.
- The National Skill Development Agency (NSDA), created in 2013 for resolving the inter-ministerial and inter-departmental issues and eliminating duplicates of efforts of the Centre. However, it has been now subsumed as part of the National Council for Vocational Training (NCVT). This reflects not only discontinuity in the policy process, but also some obfuscation among policy makers.
- India's joblessness issue is not only a skills problem, it is representative of the lack of appetite of industrialists and SMEs for recruiting. Due to limited access to credit because of Banks' NPAs, investment rate has declined and thus has a negative impact on job creation.
- The Comptroller and Auditor General (CAG) has pointed out flaws in the design and operations of the NSDC and National Skill Development Fund which has resulted in falling short of skill development goals. Majority of them also could not achieve the placement targets for the trained persons.
- The Sharada Prasad Committee, held the NSDC responsible for poor implementation of the Standard Training Assessment and Reward (STAR) programme. It highlighted that only 8.5 per cent of the persons trained were able to get employment. That is what has been claimed by NSDC.
- The Report also cites “serious conflict of interests” in the functioning of the National Skill Development Corporation. NSDC has not been able to discharge its responsibilities for setting up sector skill councils (SSCs) owing to lots of instances of serious conflict of interest and unethical practices.
- The skilling courses are not in line with the Industrial Revolution 4.0 which is round the corner.

**Measures needed**

- A distinct disadvantage with India’s approach towards skilling has been to ignore the demands of the market.
- For the most part, skills have been provided in a top-down fashion.
- Thus, most skilling efforts focus almost solely on providing certain skills but fail to “match” them with the needs of the market.
- Experts argue that for skilling schemes to yield lasting results, even matching is not enough.
- Given the way market demands fluctuate — for instance, look at how Covid pandemic has upended supply chains, skilling efforts must try to anticipate the needs of the market.
- There is a need to end the artificial separation of the education system into formal and vocational shall end with such enabling frameworks allowing seamless integration.

**Way forward**

- “Learning should not stop with earning. Only a skilled person will grow in today’s world. This is applicable to both people and countries,” while exhorting the stakeholders to continuously skill, re-skill and up-skill.
- This needs to be expedited as there is going to be a huge demand for re-skilling due to fast changing technology.
- The skilled workforce has helped India in fighting an effective battle against the COVID-19 pandemic.
- India providing smart and skilled manpower solutions to the world should be at the core of our strategy of skilling youth.
- India needs to learn from technical and vocational training/education models in China, Germany, Japan, Brazil, and Singapore, who had similar challenges in the past, along with learning from its own experiences to adopt a comprehensive model that can bridge the skill gaps and ensure employability of youths.).

**DAILY QUIZ**

1. Consider the following statements regarding Chennakeshava temple
  1. It is a 12th-century Hindu temple in Tamil Nadu.
  2. Chennakesava is a form of the Hindu god Shiva.
  3. The temple artwork depicts pictorial narration of Hindu texts such as the Ramayana, the Mahabharata and the Puranas through numerous friezes.
 Which of the following statements is/are incorrect?  
 (a) 1, 2 and 3 only    (b) **3 only**    (c) 1 and 2 only    (d) only 1 and 3
2. Which of the following are Beneficiaries of Integrated Child Development Services (ICDS) ?
  1. Children below 16 years
  2. Pregnant and lactating women
  3. Women in the age group of 15-44 years
  4. Adolescent girls in selected blocks
 Select the correct answer using the code given below:  
 (a) 1, 2 and 4 only    (b) **2, 3 and 4 only**    (c) 1 and 4 only    (d) 1 and 3 only
3. Arrange the following countries surrounding Black Sea in clockwise order.
  1. Ukraine    2. Georgia    3. Romania    4. Bulgaria    5. Turkey    6. Russia
 Select the correct answer using the codes given below.  
 (a) 2-6-1-4-5-3    (b) 2-3-5-4-1-6    (c) **1-6-2-5-4-3**    (d) 1-2-3-4-5-6
4. With reference to Oil bonds, consider the following statements
  1. It is a kind of promissory note issued by the government.
  2. They are issued by the government to compensate Oil Marketing Companies (OMCs) to offset losses that they suffer to shield consumers from rising crude prices.
  3. These bonds qualify as statutory liquidity ratio securities making them highly liquid when compared to other government securities.
 Which of the following statements are correct?  
 (a) 1, 2 and 3    (b) 3 and 2 only    (c) **1 and 2 only**    (d) only 1 and 3
5. Which of the following are included in Non-Communicable Diseases (NCD)?
  1. Stroke    2. Cancer    3. Diabetes    4. Heart disease
 Select the correct answer using the code given below:  
 (a) 1, 2 and 3 only    (b) 2 and 4 only    (c) 1, 4 and 2 only    (d) **1, 2, 3, 4**
6. The term “Blue Economy” often seen in news
  1. The blue economy was conceptualised by recent BRICS summit
  2. It is about the sustainable use of ocean resources for economic growth, improvement, and development
 Choose the incorrect statement using the code given below  
 a) **1 only**    b) 2 only    c) Both    d) None of the above

