



**TATHASTU**  
Institute of Civil Services

# DAILY CURRENT AFFAIRS



**22<sup>nd</sup> February, 2024**

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S.NO.	TOPIC
1.	DEVOLUTION OF TAXES TO STATES
2.	DRDO & K. VIJAYRAGHAVAN COMMITTEE
3.	PRELIMS POINTERS

## DEVOLUTION OF TAXES TO STATES

**SOURCE:** [THE HINDU](#)

**TAG:** GS Paper II- *Indian Constitution, Federalism, Fifteenth Finance commission.*

### **PRACTICE QUESTIONS**

#### Mains

Q. Examine the role of finance commission in maintaining fiscal federalism in India.

(150 words)

#### WHY IN NEWS?

- ❖ Recently, various states in southern India, have voiced concerns regarding what they perceive as an inequitable distribution of financial resources.
- ❖ The primary issue raised pertains to the alleged **disproportionality between the tax revenue** these states contribute and the share they receive in return.

#### DIVISIBLE POOL OF TAXES:

- ❖ The **divisible pool** is that portion of gross tax revenue which is distributed between the Centre and the States.
- ❖ Prior to the enactment of the **Constitution (Eightieth Amendment) Act, 2000**, the sharing of the Union tax revenues with the states was in accordance with the provisions of **articles 270 and 272**, as they stood then.
- ❖ The eightieth amendment of the Constitution altered the pattern of sharing of Union taxes in a fundamental way. Under the eightieth amendment, article 272 was dropped and **article 270 was substantially changed**.
- ❖ The new article **270 provides for sharing of all the taxes and duties referred to in the Union list, except the taxes and duties referred to in articles 268 and 269, respectively, and surcharges on taxes and duties referred to in article 271 and any cess levied for specific purposes.**
- ❖ Taxes included in this pool consist of:
  - Corporation tax
  - personal income tax
  - Central GST
  - Integrated Goods and Services Tax (IGST), among others.
- ❖ Distribution of these taxes is based on the **recommendations put forth by the Finance Commission (FC).**

#### CONSTITUTION OF THE FINANCE COMMISSION:

- ❖ The Finance Commission is constituted **every five years by the Union Government.**
- ❖ Comprising a **chairman and four members**, who are appointed by the **President**, the commission's qualifications and mandate are specified under the **Finance Commission (Miscellaneous Provisions) Act, 1951.**
- ❖ Notably, the **16th Finance Commission**, chaired by **Dr. Arvind Panagariya**, has been notified to make recommendations for the period of **2026-31.**



**RECOMMENDATIONS OF THE 15<sup>th</sup> FINANCE COMMISSION:**

The **15th Finance Commission**, chaired by **Mr. N. K. Singh**, is tasked with providing suggestions on **center-state financial relations**.

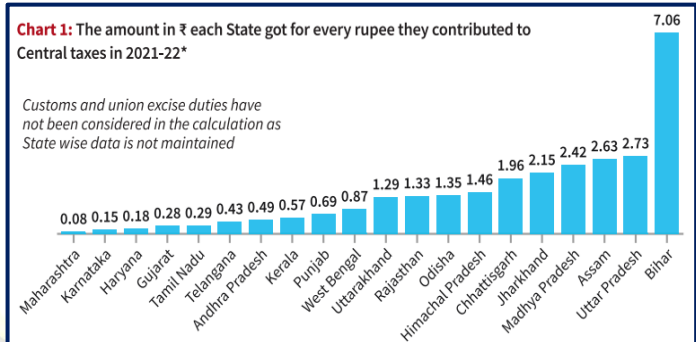
❖ **Vertical Devolution of taxes:**

- The Commission recommended maintaining the states' share in central taxes at **41% for the 2021-26 period**, similar to the previous period (2020-21).
- This allocation adjustment of **1%** is to accommodate the newly formed union territories of Jammu and Kashmir and Ladakh.

❖ **Horizontal Devolution among states:**

• The **Finance Commission proposed allocating:**

- **45% to income**
- **15% to population**
- **15% to area**
- **12.5% weight to demographic performance**
- **10% to forest and ecology**
- **2.5% to tax and fiscal efforts.**

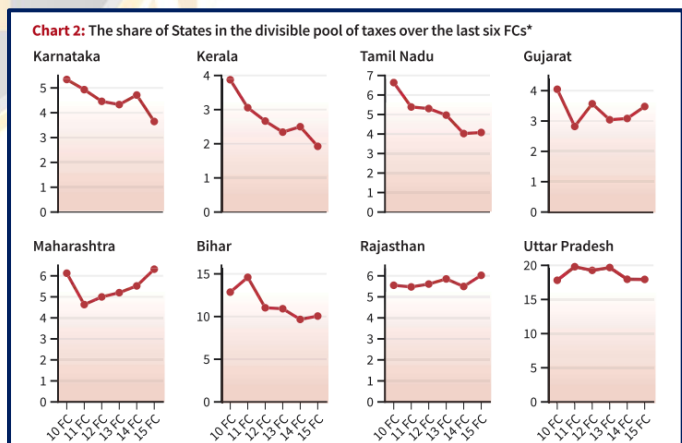


❖ **Grants Allocation:**

- Rs 2.9 lakh crore for **revenue deficit elimination** in 17 states.
- Rs 1.3 lakh crore for **sector-specific needs like health, education, and infrastructure.**
- Rs 49,599 crore for **state-specific requirements including social needs and tourism.**
- Rs 4.36 lakh crore for **local bodies**, with Rs 70,051 crore allocated for **health grants.**

**ISSUES RAISED:**

- ❖ Opposition-ruled States express discontent over the **exclusion of cess and surcharge** from the divisible pool, resulting in diminished revenue allocation.
- ❖ **Disparity in the returns to States** for every rupee contributed to Central taxes has been highlighted, showcasing significant variations.
- ❖ **Southern States** have experienced a **gradual reduction in their percentage share** of the divisible pool over successive Finance Commissions, posing concerns over equitable distribution.
- ❖ **Variation in grants-in-aid** among States, as recommended by the 15th FC, further exacerbates the disparity in resource allocation.



**WAY FORWARD:**

- ❖ Incorporation of cess and surcharge into the divisible pool to augment State revenue.
- ❖ A phased discontinuation of various cesses and surcharges by streamlining tax slabs.
- ❖ Advocacy for an increased weightage for efficiency criteria in horizontal devolution, potentially incorporating relative **GST contributions**.
- ❖ Formalizing State participation in the **constitution and functioning of the Finance Commission**, akin to the **GST council**, to enhance **transparency and inclusivity**.



- ❖ Implementation of the proposed reforms necessitates **comprehensive dialogue and consensus-building among all States** to ensure a balanced approach that upholds principles of **equity and federalism**.
- ❖ **Devolving adequate resources to local bodies** to foster vibrant and accountable development at the grassroots level.

*"We want to promote co-operative federalism in the country. At the same time, we want a competitive element among the states. I call this new form of federalism Co-operative and Competitive Federalism"* - Honourable Prime Minister





## DRDO & K. VIJAYRAGHAVAN COMMITTEE

**SOURCE:** [INDIAN EXPRESS](#)

**TAG:** *GS Paper – II Government Policies & Interventions*

*GS Paper III- Achievements of Indians in Science & Technology, Defence Technology, Indigenization of Technology*

### **PRACTICE QUESTIONS**

#### Mains

**Q.** Discuss the challenges faced by the Defence Research and Development Organisation (DRDO). Enumerate the various recommendations provided by the Vijay Raghavan Committee to address them.  
(150 words)

#### **WHY IN NEWS?**

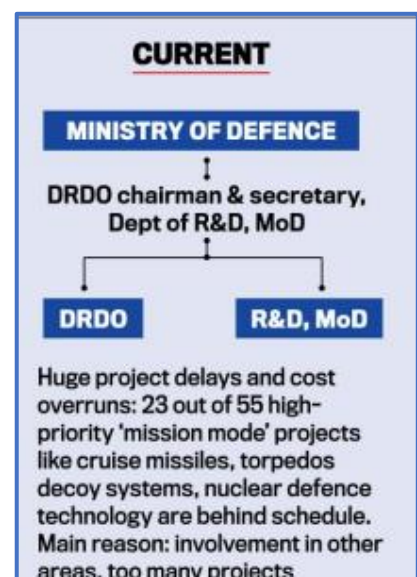
- ❖ The **Defence Research and Development Organisation (DRDO)** has faced persistent challenges leading to project delays and cost overruns.
- ❖ In response to these issues, the **K. Vijay Raghavan committee** was established to propose comprehensive reforms.

#### **VIJAY RAGHAVAN COMMITTEE:**

- ❖ This **nine-member committee** was established by the Government to assess the functioning of DRDO in response to delays in several projects.
- ❖ **Reasons for Constituting the Committee:**
  - Concerns were raised by the **Parliamentary Standing Committee on Defence** and the **Comptroller and Auditor General** about delays in completing DRDO projects.
  - The CAG highlighted that a significant number of projects failed to adhere to their proposed timelines, with multiple extensions hindering progress.

#### **KEY RECOMMENDATIONS OF THE COMMITTEE:**

- ❖ Proposal for a top-level body called the **Defence Technology Council (DTC)**, chaired by the **Prime Minister**, to determine the defence technology roadmap and oversee major projects.
- ❖ The DTC's executive committee, chaired by the **Chief of Defence Staff**, will include representation from the **service chiefs, the Principal Scientific Advisor, academia, and industry**.
- ❖ Emphasis on identifying **appropriate stakeholders** for specific defence technologies, with representation from academia and industry in the DTC.
- ❖ Creation of a **separate Department of Defence Science, Technology, and Innovation** under the Defence Ministry, led by a technocrat, to promote defence research and development.
- ❖ The department will serve as the **secretariat for the DTC**, drawing expertise from DRDO and academia for technology production decisions.
- ❖ **DRDO's Role:**





- DRDO is advised to focus solely on **original research and development for defence purposes** and to refrain from involvement in production tasks.
- Currently, DRDO is involved in all aspects of projects, from research to production, which the committee suggests should be handled by the private sector.

#### ❖ Private Sector Involvement:

- Strong resistance from the scientific community towards the increased importance given to private defence industry, startups, and academic institutions.
  - Proposal to set up **five national test facilities for private players** to test newly developed weapon systems raises concerns among DRDO scientists.
  - Introduction of a **national defence technology roadmap** and defence tech hubs in academic institutions proposed by the panel.
- ❖ The panel attributes nearly **60% of delays in DRDO projects to internal issues** and around **17-18% to armed forces' changing requirements**.
  - ❖ Shift from **direct recruitment to campus recruitment**
  - ❖ Emphasis on reviewing ongoing projects and retaining only viable ones for further development.
  - ❖ Proposal to **rationalize DRDO's manpower** through project-based hiring, critical performance reviews, and potential early retirement for non-performers.



#### DISAGREEMENTS:

**Disagreements have arisen over proposed alterations to DRDO's governance, recruitment procedures, and collaboration** with the private sector:

- ❖ The proposal to place DRDO under the oversight of the Prime Minister's Office (PMO) has encountered resistance from some quarters.
- ❖ There are disputes regarding the extent of involvement the armed forces should have in DRDO's technology development initiatives.
- ❖ Opposition is particularly strong against changes in recruitment strategies and the increased role of private defence enterprises.

#### CHALLENGES FACED BY DRDO:

- ❖ **Budget constraints:**
  - DRDO faced inadequate budgets for projects highlighted by the SCOD in 2016-17, but saw some relief with increased military expenditure under the NDA government by 2018.
- ❖ **ISRO vs DRDO:**
  - ISRO's successful missions at relatively low costs have outshone DRDO, partly due to DRDO's bureaucratic administration and the Ministry of Defence's slow adaptation to change.
- ❖ **Manpower shortage:**
  - DRDO suffers from a lack of manpower in critical areas and struggles to synergize effectively with the armed forces, leading to a reliance on imported defense equipment and impacting the economy.
- ❖ **Government support:**
  - ISRO receives greater government support compared to DRDO, further hindering DRDO's progress in defense and strategic affairs.
- ❖ **Innovation focus:**



- DRDO tends to prioritize improving existing technologies over pursuing innovative ideas and developing new cutting-edge technologies, limiting its ability to stay ahead in defense research and development.

#### WAY FORWARD:

##### ❖ **Innovation and Collaboration:**

- DRDO should continue to focus on innovation and collaborate with the private sector to devise solutions for defense needs.

##### ❖ **Restructuring and Commercialization:**

- Consider restructuring into a leaner organization, as suggested by a committee, and setting up a commercial arm to make it a profitable entity. This could involve outsourcing and forming long-term partnerships with private companies.

##### ❖ **Speeding up Projects:**

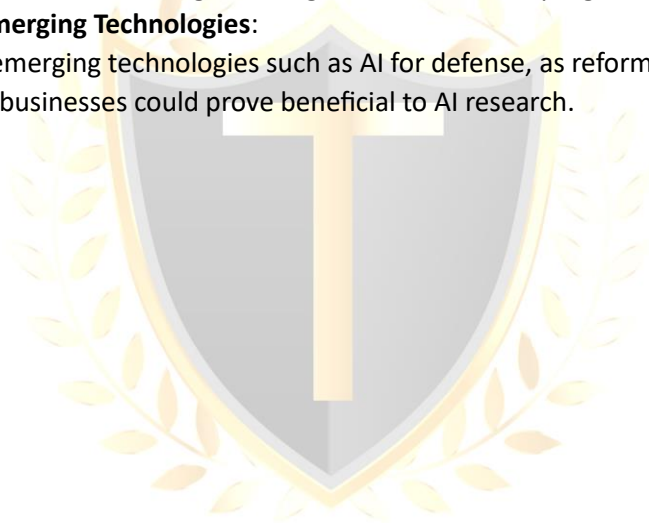
- Respond to the call from the Prime Minister to speed up projects and advance delivery schedules.

##### ❖ **Academic and Private Sector Participation:**

- Encourage greater participation from academia and the private sector in defense research, as demonstrated by the government's initiatives to expand the defense R&D ecosystem and stimulate participation in R&D through funding and collaboration programs.

##### ❖ **Utilizing AI and Emerging Technologies:**

- Embrace emerging technologies such as AI for defense, as reforms to create new links to academia and small businesses could prove beneficial to AI research.





**PRELIMS POINTERS:**

22<sup>nd</sup> February, 2024

TOPIC	DESCRIPTION
<b>Cabinet Approves 8% Increase in Sugarcane Fair and Remunerative Price (FRP)</b>	<p><b>WHY IN NEWS?</b></p> <ul style="list-style-type: none"> <li>❖ <b>Cabinet's 8% FRP hike to Rs 340/quintal for 2024-25 aids sugarcane farmers, aligning with income doubling pledge.</b></li> </ul> <p><b>WHAT IS THE FRP?</b></p> <ul style="list-style-type: none"> <li>❖ <b>Government Mandate:</b> <ul style="list-style-type: none"> <li>☞ FRP is the price set by the government for <b>mills to pay farmers for procured cane.</b></li> </ul> </li> <li>❖ <b>Payment Flexibility:</b> <ul style="list-style-type: none"> <li>☞ Mills can <b>opt for installment-based payments</b> via agreements with farmers.</li> </ul> </li> <li>❖ <b>Interest Penalties:</b> <ul style="list-style-type: none"> <li>☞ <b>Delays can incur up to 15% annual interest</b>, with unpaid FRP subject to property attachment.</li> </ul> </li> <li>❖ <b>Regulatory Framework:</b> <ul style="list-style-type: none"> <li>☞ <b>Governed by the Sugarcane Control Order, 1966</b>, mandating payment within 14 days of delivery.</li> </ul> </li> <li>❖ <b>Determining Authorities:</b> <ul style="list-style-type: none"> <li>☞ FRP is recommended by the <b>Commission for Agricultural Costs and Prices (CACP)</b> and approved by the <b>Cabinet Committee on Economic Affairs (CCEA).</b></li> </ul> </li> <li>❖ <b>Advisory Role of CACP:</b> <ul style="list-style-type: none"> <li>☞ <b>CACP provides non-binding recommendations on FRP</b> under the Ministry of Agriculture.</li> </ul> </li> <li>❖ <b>CCEA Oversight:</b> <ul style="list-style-type: none"> <li>☞ <b>Chaired by the Prime Minister</b>, CCEA approves FRP based on various reports, <b>like the Rangarajan Committee's findings.</b></li> </ul> </li> </ul>
	<p><b>RECENT DECISION OF CCEA</b></p> <ul style="list-style-type: none"> <li>❖ <b>Increase Decision:</b> <ul style="list-style-type: none"> <li>☞ The Cabinet Committee on Economic Affairs <b>approved raising the FRP of sugarcane to Rs 340 per quintal for the 2024-25 season.</b></li> </ul> </li> <li>❖ <b>Significance:</b> <ul style="list-style-type: none"> <li>☞ A significant 8% increase from the <b>previous season's FRP of Rs 315 per quintal.</b></li> <li>☞ Crucial for sugarcane farmers, <b>especially in Uttar Pradesh and Maharashtra.</b></li> </ul> </li> <li>❖ <b>Implementation:</b> <ul style="list-style-type: none"> <li>☞ The new FRP will be <b>effective from October 2024.</b></li> <li>☞ Aims to ensure prosperity for farmers <b>by providing them with fair prices.</b></li> </ul> </li> <li>❖ <b>Benefits:</b> <ul style="list-style-type: none"> <li>☞ Expected to <b>benefit over 5 crore sugarcane farmers.</b></li> </ul> </li> </ul>

**Cabinet Decision: 21 February 2024**

**'Fair and Remunerative Price' (FRP) of sugarcane payable by sugar factories for Sugar Season 2024-25**

- FRP fixed at Rs. 340 per quintal for a basic recovery rate of 10.25%
- FRP for season 2024-25 is about 8% higher than FRP for current season 2023-24
- Premium of Rs. 3.32 per quintal will be provided for every 0.1 percentage point increase above 10.25% in the recovery
- FRP for sugar factories having recovery of 9.5% or less fixed at Rs. 315.10 per quintal
- It will benefit more than 5 crore sugarcane farmers and their families





## GOVT. APPROVES 100% FDI IN SPACE SECTOR

- ☛ Contributes to fulfilling the government's **commitment to doubling farmers' income.**

### WHY IN NEWS?

- ❖ *India allows 100% FDI to attract investment, promote technology, and enhance global competitiveness, fostering economic growth.*

### THE KEY AMENDMENTS IN THE ENTRY ROUTE-

#### ❖ Satellites Activities:

- ☛ Manufacturing & Operation, Satellite Data Products, Ground Segment & User Segment.
- ☛ **Up to 74% investment** allowed under **Automatic route.**
- ☛ **Beyond 74%** requires **government route.**

#### ❖ Launch Vehicles and Spaceports:

- ☛ **Launch Vehicles and associated systems,** Creation of Spaceports.
- ☛ **Up to 49% investment** allowed under **Automatic route.**
- ☛ Beyond 49% requires government route.

#### ❖ Manufacturing of Components:

- ☛ Components and systems/sub-systems for satellites, ground segment, and user segment.
- ☛ **Up to 100% investment** allowed under **Automatic route.**



### ABOUT FOREIGN DIRECT INVESTMENT (FDI):

- ❖ **Definition:** FDI is when a **firm or individual invests in business interests** located in **another country.**
- ❖ **Investment Types:** Investors can **establish subsidiaries, acquire existing companies,** merge with them, or form joint ventures abroad.
- ❖ **Distinguishing Factor:** Unlike Foreign Portfolio Investment (FPI), **FDI provides control over the business.**

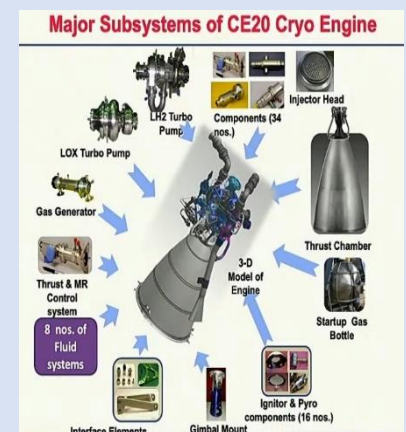
## ISRO'S HUMAN RATED CE-20 CRYOGENIC ENGINE

### WHY IN NEWS?

- *ISRO achieves a significant milestone in human-rating its **CE20 cryogenic engine,** which powers the **cryogenic stage** of the **human-rated LVM3 launch vehicle for Gaganyaan missions.***

### CE-20 CRYOGENIC ENGINE:

- It is developed by ISRO's **Liquid Propulsion Systems Centre (LPSC).**
- Powers the **Cryogenic Upper Stage** of the **LVM3 for Chandrayaan-3.**
- It is a key component for **India's Gaganyaan mission.**
- It utilizes **hydrogen fuel** for high performance.
- Employed in **LVM-3's third stage,** enabling payloads **up to eight tonnes** to low-earth orbit.
- Incorporates **gas-generator cycle,** simplifying design and testing.





## HELIUM RICH STARS

### CE-20, NOW - HUMAN RATED:

- CE20 engine designated for **first unmanned flight LVM3 G1 passes acceptance tests.**
- Final vacuum ignition test, conducted on February 13, concludes testing series at **Mahendragiri.**
- Four engines endure **39 hot firing tests, totaling 8,810 seconds**, surpassing **human-rating qualification standards.**

### WHY IN NEWS?

- ❖ *Recently, group of astronomers led by Prof. Maria Drout **found hot, helium-covered stars after a decade-long search.***

### NUCLEAR FUSION IN STARS:

- **Nuclear fusion in stars** prevents collapse by **balancing gravity** with outward pressure.
- Fusion reactions **generate heat**, maintaining equilibrium in **main sequence stars.**

### FORMATION OF HELIUM RICH STAR:

- Some **supernovae lack hydrogen**, indicating **stripping of outer layers** before explosion likely in binary systems.
- **Gravitational attraction** in binary systems can **peel hydrogen layers** off stars, leaving behind **helium-rich stars.**

### CLASS 1 STARS:

- The study revealed **three classes of stars: Class 1** (hydrogen-depleted, helium-rich), **Class 2** (both hydrogen and helium), and **Class 3** (hydrogen-rich, helium-depleted).



### FEATURES:

- **Hot, strongly gravitating, and part of binary systems.**
- Surface temperature roughly **20 times that of the Sun**, surface **gravity about 1,000 times that of Earth** and **strong magnetic sphere.**
- Predicted these stars would end as **hydrogen-poor supernovae**, leaving behind neutron stars that could merge, emitting gravitational waves.
- **Some examples: HD 14818, Nova Herculis 1934, Vega, Gliese 229 and Procyon.**

## PLACES IN NEWS – ‘AVDIIVKA’

### WHY IN NEWS?

- ❖ ***Avdiivka's capture by Russia** signifies a strategic gain, **weakening Ukrainian defences** and **exposing Western support vulnerabilities** in war.*

### ABOUT ‘AVDIIVKA’

- ❖ **Strategic Location:**
  - ☛ **Situated on Ukraine's eastern frontlines**, Avdiivka was a key **resistance hub**, hindering Russian advances since **2014.**
- ❖ **Gateway for Russia:**
  - ☛ Its capture paves an easier path for **Russia's further advancement into Ukraine**, posing a significant threat.
- ❖ **Proximity to Donetsk:**
  - ☛ Its proximity to Donetsk, an occupied city by Russia, **strengthens Russian control** and **weakens Ukrainian attempts** to reclaim territory.

