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Fifteenth Finance Commission

Why in news?

Recently Fifteenth Finance Commission holds meeting on issues of Environment, Forest and Climate change.

About 15th Finance Commission:

- The Fifteenth Finance Commission of India is an Indian Finance Commission constituted in November 2017 and is to give recommendations for devolution of taxes and other fiscal matters for five fiscal years, commencing 1 April 2020.
- The commission's chairman is N. K. Singh, with its full-time members being Shaktikanta Das, Ashok Lahiri and Anoop Singh. In addition, the commission also has a part-time member in Ramesh Chand.

Aim

- The commission was set up to give recommendations for devolution of taxes and other fiscal matters for five fiscal years, commencing 1 April 2020.
- The main tasks of the commission were to "strengthen cooperative federalism, improve the quality of public spending and help protect fiscal stability".
- Some newspapers like The Hindu and The Economic Times noted that commission's job was made harder because of the roll-out of goods and service tax (GST) regime in India, as, it had taken certain powers

concerning taxation away from the union and the states, and, had given them to the newly formed GST Council.

- The peer-reviewed journal, Economic and Political Weekly, further noted that even after the passage of the Fiscal Responsibility and Budget Management Act, 2003, some states still incur revenue deficits, so, the commission would have to either recommend the disbandment of revenue deficit grants, or, would have to recommend ways for further fiscal consolidation.
- The commission's chairman, N. K. Singh, said that the commission would need to define populism, as, the commission's terms of reference (ToR) had a provision for rewarding states which were successful in eliminating or reducing expenditure incurred on populist schemes.
- Singh added that the commission would need to reappraise the formula of devolution of revenue through the union's taxes, because of a provision in its ToR.
- Singh further said, in a lecture to Indian Institute of Management Ahmedabad students, that one of the commission's challenges was to find a balance between equity and efficiency, adding that urban and rural local bodies—the constitutionally-mandated third-tier of government in India—needed to be further empowered to stimulate added economic growth.
- Commission may need to function like the first finance commission because of an increased decentralisation and change in India; further suggesting to divide the tax devolution system into four pots – "return", "redistribution", "risk sharing" and "reward", while also saying that tax devolution was no more a north–south issue.

Functions:

The Finance Commission is required to make recommendations to the president of India on the following matters:

- The distribution of the net proceeds of taxes to be shared between the Centre and the states, and the allocation between the states of the respective shares of such proceeds.
- The principles that should govern the grants-in-aid to the states by the Centre (i.e., out of the consolidated fund of India).
- The measures needed to augment the consolidated fund of a state to supplement the resources of the panchayats and the municipalities in

the state on the basis of the recommendations made by the state finance commission.
- Any other matter referred to it by the president in the interests of sound finance.

Highlights of Meeting:

As per the terms of reference of the Fifteenth Finance Commission –

- The Commission may consider proposing measurable performance-based incentives for States, at the appropriate level of government, in following areas
- Achievements in implementation of flagship schemes of Government of India, disaster resilient infrastructure, sustainable development goals, and quality of expenditure;
- Progress made in sanitation, solid waste managementand bringing in behavioural change to end open defecation."
- Discussions were held on the proposed formula for Forest Sector Based Tax Devolution along with a proposed catchment area treatment and forest restoration grant.
- The meeting also discussed in detail the proposed recommendations for environment (pollution sector) and the proposed pollution abatement performance grant along with proposed formula for the purpose.
- The recommendations for climate change under the NDC Goal 5 were also discussed in the meeting. The Commission considered the proposed formula for climate change (NDC Goal 5 Grant) and the possibilities of climate change grant conditionality.

Aspirational Districts

Why in news?

Recently NITIAayog CEO chairs meeting with development partners and Central Prabhari Officers (via video conference) working in Aspirational

Districts.

About Aspirational District Programme:

- The Aspirational District Programme was launched by the Prime Minister on January 5, 2018.
- It aims to rapidly transform the districts that have shown relatively lesser progress in key social areas and have emerged as pockets of under-development, thereby posing a challenge to ensure balanced regional development.
- The broad contours of the programme are Convergence (of Central & State Schemes), Collaboration (of Central, State level 'Prabhari' Officers & District Collectors), and Competition among districts driven by a mass Movement.
- With States as the main drivers, this program will focus on the strength of each district, identify low-hanging fruits for immediate improvement, measure progress, and rank districts.
- To enable optimum utilization of their potential, this program focusses closely on improving people's ability to participate fully in the burgeoning economy.
- Health & Nutrition, Education, Agriculture & Water Resources, Financial Inclusion & Skill Development, and Basic Infrastructure are this programme's core areas of focus. After several rounds of consultations with various stakeholders, 49 key performance indicators have been chosen to measure progress of the districts.

FAME India Phase II

Why in news?

The government has announced an outlay of ₹10,000 crore for Phase 2 of the Faster Adoption and Manufacturing of Hybrid and Electric Vehicles, or FAME 2 scheme, to boost electric mobility and increase the number of electric vehicles in commercial fleets.

What are the salient features of FAME 2 scheme?

- The outlay of Rs. 10,000 crore has been made for three years till 2022 for FAME 2 scheme. The centre has sanctioned Rs.8,596 crore for incentives, of which 1,000 crore has been earmarked for setting up charging stations for electric vehicles in India.
- The government will offer the incentives for electric buses, three-wheelers and four-wheelers to be used for commercial purposes. Plug-in hybrid vehicles and those with a sizeable lithium-ion battery and electric motor will also be included in the scheme and fiscal support offered depending on the size of the battery.

How will FAME 2 scheme help improve charging infrastructure?

- The centre will invest in setting up charging stations, with the active participation of public sector units and private players.
- It has also been proposed to provide one slow-charging unit for every electric bus and one fast-charging station for 10 electric buses.
- Projects for charging infrastructure will include those needed to extend electrification for running vehicles such as pantograph charging and flash charging, says a notification by the heavy industries ministry. FAME 2 will also encourage interlinking of renewable energy sources with charging infrastructure.

What is the target?

The centre may incentivize the purchase of 7,090 electric buses with an outlay of Rs. 3,545 crore, 20,000 hybrids with Rs. 26 crore, 35,000 four-wheelers with Rs. 525 crore and 500,000 three-wheelers with Rs. 2,500 crore.

How will the incentives be offered?

- The centre plans to roll out an incentive of ₹10,000 per kilowatt (kW) for two-, three- and four-wheelers, based on the size of their batteries.

To encourage state transport units (STUs) to buy more electric buses, 20,000 per kW will be offered as incentive.
- The incentives may further be subject to bidding by original equipment manufacturers. A committee will review the incentives after a certain period. Electric buses will be offered incentives on the basis of the operational expenditure model adopted by STUs.

What steps are being taken to make electric vehicles more affordable?

- FAME 2 will offer incentives to manufacturers, who invest in developing electric vehicles and its components, including lithium-ion batteries and electric motors.
- The centre has asked states to frame their EV policy and provide additional fiscal and non-fiscal incentives to manufacturers and buyers. Only buses priced up to Rs. 2 crore, strong and plug-in hybrids under Rs. 15 lakh, three-wheelers under 5 lakh and two-wheelers under Rs. 1.5 lakh will be eligible for incentives.

Pradhan Mantri Kisan Samman Nidhi Yojana

- To provide an assured income support to the small and marginal farmers, the Government is launching the Pradhan Mantri Kisan Samman Nidhi (PM-KISAN).
- Under this programme, vulnerable landholding farmer families, having cultivable land upto 2 hectares, will be provided direct income support at the rate of Rs. 6,000 per year.
- This income support will be transferred directly into the bank accounts of beneficiary farmers, in three equal instalments of Rs. 2,000 each. This programme will be funded by Government of India.
- Around 12 crore small and marginal farmer families are expected to benefit from this. The programme would be made effective from 1st December 2018 and the first installment for the period upto 31st March 2019 would be paid during this year itself.
- This programme will entail an annual expenditure of Rs.75,000 crore.

PM-KISAN would not only provide assured supplemental income to the most vulnerable farmer families, but would also meet their emergent needs especially before the harvest season. PM-KISAN would pave the way for the farmers to earn and live a respectable living.