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FOR UPSC CIVIL SERVICE EXAMINATION

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1. Economic Survey 2025-26: Domestic Resilience vs. Global Fragility

The Economic Survey 2025-26, authored by Chief Economic Adviser V. Anantha Nageswaran, presents a "decoupling" narrative where India's domestic fundamentals remain robust despite a deteriorating international economic climate.

Key Highlights and Summary

- **Medium-Term Growth Upgrade:** The Survey has revised India's medium-term growth outlook upward to **7%** from the previous estimate of 6.5%, citing strengthened reform momentum.
- **Growth Projections:** For the current fiscal (FY26), growth is estimated at **7.4%**, while the forecast for FY27 is pegged within a range of **6.8%-7.2%**.

Risk analysis	SCENARIO 1	SCENARIO 2	SCENARIO 3
The Economic Survey outlined three scenarios for the world economy that could unfold in 2026	The best-case Probability: 40%–45%	Multipolar breakdown Probability: 40%–45%	The worst-case Probability: 10%–20%
	■ Described as "business as in 2025," where global conditions remain integrated but become less secure	■ Systemic breakdown is no longer just a "tail risk"	■ A major correction in AI-infrastructure investments occur
	■ Existing frictions do not lead to a total collapse, but create volatility	■ Strategic rivalry prevails and the Russia-Ukraine conflict remains unresolved	■ The correction triggers intense risk aversion
	■ Minor shocks will require governments to intervene to stabilise market expectations	■ Trade becomes explicitly coercive, leading to a proliferation of sanctions and counter-measures	■ If this coincides with geopolitical escalation, it could weaken capital flows and contract global liquidity
Spelling out strategy: Chief Economic Adviser V. Anantha Nageswaran addressing the media in New Delhi on Thursday. SUSHIL KUMAR VERMA	■ High levels of policy uncertainty will persist	■ Supply chains are realigned under political pressure	■ The macroeconomic fallout could be worse than the 2008 global financial crisis

- **Global Pessimism:** The document warns of an "increasingly darker world," assigning a 10%-20% probability to a global crisis potentially more severe than the 2008 Great Recession.
- **Drivers of Domestic Growth:** Upside risks are supported by improved capital growth, higher labor force participation, and enhanced efficiency in factor productivity.
- **Structural Reform Impact:** Growth is bolstered by the Production-Linked Incentive (PLI) schemes, FDI liberalization, and massive public investment in physical and digital infrastructure (DPI).
- **Corporate Health:** The "Twin Balance Sheet" advantage persists, with both corporate and financial sectors showing cleaner books, aiding credit flow and formalization of the economy.

Important Keypoints for Examination

- **Probabilistic Global Scenarios:** The Survey outlines three global scenarios for 2026, ranging from "fragile stability" to "extreme crisis," emphasizing that India must remain vigilant against external shocks.
- **Factors of Production:** There is a specific focus on the "efficiency of deployment" of labor and capital, moving beyond just raw accumulation to productivity-led growth.
- **Fiscal Consolidation:** The Survey underscores that improved tax administration and formalization are creating the fiscal space necessary for sustained public investment.



- **MSME & Credit:** Targeted measures for MSMEs have successfully eased credit constraints, which is vital for employment generation and decentralized growth.

Definitions of Key Terms

- **Nowcast:** A technique used to estimate the current state of the economy (e.g., current quarter GDP) before official data is released, using high-frequency indicators.
- **Potential Growth:** The maximum rate of growth an economy can sustain over the medium term without generating excess inflation.
- **Production-Linked Incentive (PLI):** A government scheme providing financial incentives to companies based on incremental sales from products manufactured in domestic units.
- **Medium-Term Outlook:** Typically refers to an economic projection spanning the next 3 to 5 years.

Constitutional and Legal Provisions

- **Article 112:** While the Constitution mentions the "Annual Financial Statement" (Budget), the Economic Survey is a precursor document that provides the analytical backbone for the Budget.
- **FRBM Act, 2003:** The Fiscal Responsibility and Budget Management Act mandates the government to ensure long-term macro-economic stability; the Survey assesses the effectiveness of these fiscal targets.
- **Tabling Tradition:** The Survey is traditionally presented by the Finance Minister in Parliament one day before the Union Budget, though this is a convention rather than a constitutional mandate.

Conclusion

The Economic Survey 2025-26 serves as a testament to India's internal structural resilience. By upgrading the potential growth rate to 7%, the government signals confidence in its supply-side reforms. However, the stark warning regarding the "darker world" suggests that India's external sector—including exports and capital flows—remains the primary vulnerability in an otherwise bright domestic landscape.

UPSC Relevance

- **GS Paper III (Indian Economy):** Crucial for questions on growth and development, mobilization of resources, and the impact of global economic trends on India.
- **GS Paper II (Governance):** Relevant for understanding government policies and interventions for development in various sectors like manufacturing and MSMEs.
- **Prelims:** Essential for factual data on growth rates, terminology (Nowcasting), and the role of the Chief Economic Adviser.

2. Judicial Oversight of Campus Equity: SC Stay on UGC 2026 Regulations

The Supreme Court of India has recently intervened in the implementation of the University Grants Commission (Promotion of Equity in Higher Education Institutions) Regulations, 2026. By keeping these rules in abeyance, the Court has highlighted the delicate balance between affirmative action and the principle of universal protection against discrimination within academic spaces.

Key Summary Points

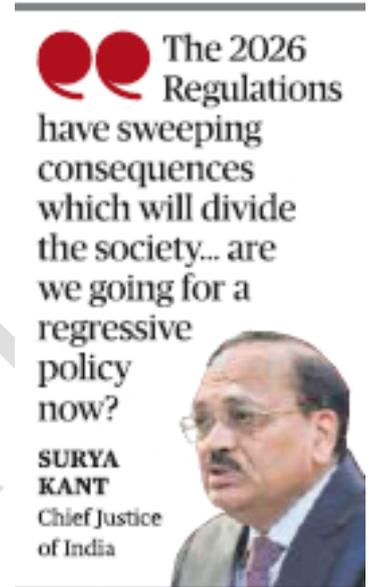
- **Stay on 2026 Regulations:** The Supreme Court has stayed the UGC's new equity rules, describing them as "too sweeping" and potentially divisive for the student community.



- **Narrow Definition of Discrimination:** The primary legal contention lies in Regulation 3(c), which defines 'caste-based discrimination' exclusively as acts committed against SC, ST, and OBC members, excluding protections for general category students.
- **Restoration of 2012 Status Quo:** During the period of the stay, the older 'UGC (Promotion of Equity in Higher Educational Institutions) Regulations, 2012' will remain operational to ensure no regulatory vacuum exists.
- **Judicial Concern on Social Division:** Chief Justice Surya Kant observed that the regulations could inadvertently divide society rather than fostering an inclusive, casteless academic environment.
- **Counter-Arguments:** Intervenors argued that staying the regulations is a regressive step that undermines the progress made toward social justice over the last 75 years.
- **Central Government Notice:** The Court has formally sought responses from the Union Government and the UGC regarding the constitutional validity of the specific definitions provided in the 2026 draft.

Important Keypoints for UPSC

- **Substantive vs. Formal Equality:** The case brings to light the debate between formal equality (treating everyone the same) and substantive equality (providing extra protection to historically marginalized groups).
- **Scope of Regulatory Power:** The UGC, as a statutory body, must ensure that its regulations do not exceed the mandate provided by the parent UGC Act or violate the fundamental rights enshrined in Part III of the Constitution.
- **Institutional Autonomy:** The implementation of such rules impacts the internal grievance redressal mechanisms of Higher Educational Institutions (HEIs).



Constitutional & Legal Provisions

- **Article 14:** Guarantees equality before the law and equal protection of the laws within the territory of India.
- **Article 15:** Prohibits discrimination on grounds of religion, race, caste, sex, or place of birth, while Article 15(4) and 15(5) allow for special provisions for the advancement of SC/ST/OBCs.
- **Article 17:** Abolition of Untouchability; provides the constitutional basis for laws preventing caste-based discrimination.
- **UGC Act, 1956:** The parent legislation that empowers the University Grants Commission to maintain standards and regulate equity in higher education.

Definitions of Key Terms

- **Abeyance:** A state of temporary disuse or suspension; in legal terms, it refers to a stay order where the law exists but is not currently enforceable.
- **Sweeping Consequences:** A legal phrase used to describe regulations that have an overly broad impact, often affecting rights or groups beyond the intended scope.



- **General Category:** Refers to individuals who do not belong to the reserved categories (SC, ST, or OBC) and are typically evaluated on merit-based criteria without affirmative action benefits.

Conclusion

The Supreme Court's stay on the UGC 2026 Regulations underscores the judiciary's role as a sentinel on the qui vive. While the intent of the UGC was to strengthen protections for marginalized groups, the Court's intervention suggests that equity frameworks must be inclusive enough to prevent new forms of social friction. The final adjudication will likely determine the extent to which protective legislation can be exclusive to specific castes without violating the broader mandate of a "casteless society."

UPSC Relevance

- **GS Paper II:** Functions and responsibilities of the Union and the States; Statutory, regulatory, and various quasi-judicial bodies; Mechanisms, laws, institutions, and bodies constituted for the protection and betterment of vulnerable sections.
- **GS Paper IV (Ethics):** Issues of social justice, equity versus equality, and the ethical implications of affirmative action in educational institutions.
- **Essay Paper:** Topics related to social harmony, the role of education in social engineering, and the evolution of the Indian reservation and equity system.

3. India's Diplomatic Support for Gaza Peace Efforts at the UN

In a significant statement at the UN Security Council (UNSC), India expressed its appreciation for the United States' mediation in the Gaza crisis. Addressing an open debate on the Middle East on January 28, 2026, India's Permanent Representative, Ambassador Parvathaneni Harish, highlighted the progress in implementing the UN-backed peace framework.

Key Summary Points

- **Appreciation for US Mediation:** India formally noted and appreciated the role of the United States in facilitating the 'Comprehensive Plan to End the Gaza Conflict,' particularly following recent implementation progress.
- **Support for Resolution 2803:** The statement underscored India's backing of UNSC Resolution 2803 (adopted in November 2025), which provides the international legal framework for the current peace process and the cessation of hostilities.
- **Two-State Solution:** India reaffirmed its long-standing and consistent support for a sovereign, independent, and viable State of Palestine living in peace and security within recognized borders alongside Israel.
- **Condemnation of Terrorism:** Amb. Harish emphasized that terrorism is unacceptable in civilized societies, calling for its condemnation in all forms while simultaneously urging the alleviation of Palestinian humanitarian suffering.
- **Transitional Governance:** India noted the establishment of the 'Board of Peace' (BoP), a transitional administration designed to oversee Gaza's redevelopment and its journey toward becoming a "deradicalized, terror-free zone."





- **Humanitarian Imperative:** Highlighting the scale of destruction—estimated at 60 million tonnes of rubble—India called for sustained international commitment to the reconstruction and economic recovery of the region.

Important Keypoints for UPSC

- **Resolution 2803 (2025):** A pivotal UNSC resolution that endorsed a 20-point peace plan. It authorizes an **International Stabilization Force (ISF)** to assist in demilitarization and security.
- **The Board of Peace (BoP):** A novel transitional body with international legal personality, chaired by the U.S. President, intended to manage Gaza until a reformed Palestinian Authority can take control.
- **India's Historical Role:** India was the first non-Arab state to recognize the Palestine Liberation Organization (PLO) as the sole representative of Palestinians (1974) and the State of Palestine itself in 1988.
- **De-radicalization and Redevelopment:** The current peace plan focuses on structural changes in Gaza to ensure it no longer poses a threat to neighbors, coupled with massive economic investment.

Definitions of Key Terms

- **International Legal Personality:** The status of an entity (like the Board of Peace) that allows it to exercise rights and incur obligations under international law, such as entering into treaties.
- **Two-State Solution:** A proposed framework for resolving the Israeli-Palestinian conflict by establishing two separate states for two peoples.
- **Deradicalized Zone:** A territory where systemic measures are taken to remove extremist ideologies from governance, education, and social structures.
- **Open Debate:** A UNSC meeting format where non-member states of the Council are invited to participate and express their views on a specific subject.

Constitutional & Legal Provisions

- **Article 51 (Directive Principles):** The Indian Constitution mandates the State to promote international peace and security, maintain just and honorable relations between nations, and foster respect for international law and treaty obligations.
- **UN Charter, Chapter VII:** While Resolution 2803 uses language similar to Chapter VII (action with respect to threats to peace), its specific legal trigger was debated to balance international authority with regional sovereignty.
- **Recognition of States:** Under international law, recognition is a political act with legal consequences. India's 1988 recognition of Palestine forms the bedrock of its current diplomatic stance.

Conclusion

India's stance at the UNSC reflects a calibrated balance: appreciating U.S. leadership and the pragmatic necessity of the 'Board of Peace' while maintaining its traditional support for Palestinian statehood. By emphasizing both the condemnation of terrorism and the "herculean task" of reconstruction, New Delhi positions itself as a constructive partner in West Asian stability, advocating for a transition from conflict to a "viable" and "sovereign" reality for the Palestinian people.



UPSC Relevance

- **GS Paper II (International Relations):** Bilateral, regional, and global groupings involving India; effect of policies of developed countries on India's interests; and the role of the UN Security Council.
- **Prelims:** Specifics of UNSC Resolution 2803, the "Board of Peace" mechanism, and India's historical milestones in Israel-Palestine diplomacy.
- **Current Affairs:** Understanding India's "Link West" policy and its evolving relationship with the U.S. in the context of Middle Eastern security.

4. Geopolitics and Capital Volatility: Strategic Sobriety in the Economic Survey 2025-26

The Economic Survey 2025-26 presents a "Paradox of 2025," noting that while India's internal macroeconomic fundamentals are at their strongest in decades, the global financial system has ceased to reward this success with stability. The document cautions that India must prepare for a "disorderly multipolar breakdown" where geopolitics dictates capital movement more than economic efficiency.

Key Summary Points

- **Strategic Sobriety over Pessimism:** The Survey advocates for "strategic sobriety"—a state of being clear-eyed about global risks without falling into alarmism—emphasizing that India must run a "marathon and a sprint simultaneously" to build resilience.
- **Capital Disruption Risks:** A primary concern is the potential contraction of global liquidity and the disruption of capital flows, which may manifest with a lag despite India's current growth.
- **Rupee Underperformance:** The Survey notes that the Rupee is "punching below its weight." While its current undervaluation helps offset high American tariffs, it stems from a global environment that no longer guarantees currency stability for well-managed economies.
- **New Threats to Liquidity:** The advent of US stablecoins and leveraged AI-infrastructure investments are flagged as emerging channels for potential "capital flight" and financial stress.
- **The Entrepreneurial State:** To navigate this "darker world," the Survey calls for a shift from a risk-averse, compliance-driven State to an "entrepreneurial state" that can structure risk and adapt quickly to non-linear global outcomes.
- **External Buffer Strategy:** India is advised to prioritize the generation of foreign currency through manufacturing exports and to maintain significant external capital and liquidity buffers to withstand systemic shocks.



Global Scenarios for 2026

The Survey outlines three probabilistic paths for the world economy, all of which pose varying degrees of risk to the Indian Rupee:

1. **Scenario I (40-45%):** "Business as in 2025" but increasingly fragile; minor shocks can cause large reverberations.



2. **Scenario II (40-45%):** "Disorderly Multipolar Breakdown" where trade becomes coercive, sanctions proliferate, and supply chains are realigned under political pressure.
3. **Scenario III (10-20%):** A "Systemic Shock Cascade" involving a collapse of AI-led tech bubbles and geopolitical escalation, potentially worse than the 2008 Financial Crisis.

Important Keypoints for Examination

- **Stablecoins Risk:** The Survey highlights that decentralized digital assets pegged to the dollar could facilitate rapid capital outflows, bypassing traditional banking safeguards.
- **Power Gap Index:** References the Lowy Institute's index to show that India's strategic potential is still catching up to its economic size, necessitating a "disciplined Swadeshi" approach.
- **Import Dependence:** Even with indigenization, rising domestic incomes will lead to higher imports; hence, "strategic indispensability" in global value chains is the only way to cover the import bill.

Definitions of Key Terms

- **Strategic Sobriety:** A policy stance characterized by realistic assessment of external threats combined with purposeful action, rather than reactive or defensive policy-making.
- **Disorderly Multipolar Breakdown:** A breakdown of the global rules-based order where multiple power centers (US, China, EU, etc.) act unilaterally, leading to fragmented trade and finance.
- **Stablecoins:** Digital currencies designed to have a stable value relative to a fiat currency (like the USD), which the Survey views as a potential risk for unauthorized capital flight.
- **Systemic Shock Cascade:** A situation where failures in one sector (e.g., Technology/AI) trigger a chain reaction across financial and geopolitical systems.

Constitutional & Legal Provisions

- **Article 246 (Seventh Schedule):** Entry 36 of the Union List gives the Parliament exclusive power over "Currency, coinage and legal tender; foreign exchange." This underpins the RBI and Government's mandate to manage the Rupee.
- **FEMA, 1999:** The Foreign Exchange Management Act is the primary legal tool used to regulate capital flows and maintain the external value of the Rupee.
- **RBI Act, 1934:** Grants the Reserve Bank the authority to manage liquidity and intervene in the forex market to prevent "disorderly" movements in the exchange rate.

Conclusion

The Economic Survey 2025-26 acts as a warning that domestic brilliance is no longer a shield against global turbulence. By identifying the Rupee's slide as a symptom of a fractured global order rather than domestic failure, the Survey shifts the policy focus toward building "redundancy and buffers." The transition from a services-led economy to a manufacturing powerhouse is presented not just as an economic goal, but as a strategic necessity to ensure currency and national stability.

UPSC Relevance

- **GS Paper III (Economy):** Essential for topics on "Effects of liberalization on the economy," "Indian Economy and issues relating to planning, mobilization of resources," and "Growth."
- **GS Paper II (IR):** Important for "Effect of policies and politics of developed and developing countries on India's interests" and "Global groupings and agreements."



- **Essay/Ethics:** The concept of the "Entrepreneurial State" and "Strategic Sobriety" provides excellent conceptual framework for essays on governance and national resilience.

5. Conservation Milestone: Gujarat's Strategic Roadmap for Tiger Habitation

After 33 years of being "tiger-free," Gujarat has regained its status as a tiger-bearing state following the confirmed residency of a male Royal Bengal Tiger in the Ratanmahal-Jambughoda corridor. This development marks a rare ecological achievement, making Gujarat the only state in India where tigers, Asiatic lions, and leopards coexist.

Key Summary Points

- **Reclamation of Tiger Status:** The National Tiger Conservation Authority (NTCA) has formally recognized Gujarat as a tiger-present state for the 2026 All-India Tiger Estimation (AITE), restoring a status lost in 1992.
- **Habitat Residency:** Unlike previous transient sightings (e.g., 2019), the current four-year-old tiger has established a stable ten-month territory in the Ratanmahal Wildlife Sanctuary, signaling a viable ecosystem.
- **Prey Base Augmentation:** The State Forest Department has initiated the relocation of herbivores like **Chital (Spotted Deer)** and **Sambar** to the Jambughoda breeding centers to ensure a sustainable food chain for the apex predator.
- **Strategic Monitoring:** Advanced surveillance, including CCTV networks and the **M-STrIPES** (Monitoring System for Tigers - Intensive Protection and Ecological Status) platform, has been deployed for 24/7 tracking.
- **Corridor Protection:** Efforts are focused on securing the interstate corridor connecting Gujarat with the tiger-rich landscapes of Madhya Pradesh (Kathiwada-Jhabua) to facilitate natural migration.
- **Future Prospects:** The state government has signaled intent to declare Ratanmahal a **Tiger Reserve**, which would institutionalize conservation funding and legal protection under the Wildlife Protection Act.



Important Keypoints for UPSC

- **The "Three Big Cats" Unique Feature:** Gujarat's unique biodiversity now encompasses the **Asiatic Lion** (Saurashtra), **Leopard** (pan-state), and **Tiger** (Central/Eastern belt), requiring diversified conservation strategies.
- **Natural Recolonization:** The migration highlights the importance of "Non-Protected Area" (Non-PA) forests and interstate corridors in the long-term survival of wide-ranging carnivores.
- **Community Participation:** The NTCA and State Board for Wildlife are prioritizing training for local forest-dwelling communities to mitigate potential human-wildlife conflict and promote eco-tourism.

Definitions of Key Terms

- **Tiger-Bearing State:** A formal classification by the NTCA denoting a state where the permanent residency of tigers is scientifically verified through camera traps and direct sightings.



- **Prey Base:** The population of herbivorous animals (like deer, wild boar) available in a habitat to support the nutritional needs of carnivores.
- **M-STrIPES:** A software-based monitoring system used by Indian forest guards for patrolling and recording ecological data to improve the management of tiger habitats.
- **Corridor:** A strip of natural habitat that connects separated populations of wildlife, allowing for genetic exchange and migration.

Constitutional & Legal Provisions

- **Article 48A (DPSP):** Mandates the State to protect and improve the environment and to safeguard the forests and wildlife of the country.
- **Article 51A(g) (Fundamental Duties):** It is the duty of every citizen to protect and improve the natural environment, including forests and wildlife.
- **Wildlife (Protection) Act, 1972:** Provides the legal framework for the declaration of Wildlife Sanctuaries and Tiger Reserves; Section 38L established the NTCA.
- **Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006:** Crucial for managing tiger habitats where traditional communities reside, ensuring conservation is inclusive.

Conclusion

The return of the tiger to Gujarat is more than a biological homecoming; it is a validation of the state's habitat restoration efforts. By shifting focus from "defensive protection" to "active habitat management" (including prey-base augmentation), Gujarat is preparing to transition from a single-tiger state to a sustainable tiger landscape. This adds a third pillar to the state's conservation identity, complementing its world-renowned success with the Asiatic lion.

UPSC Relevance

- **GS Paper III (Environment & Biodiversity):** Significant for topics on "Conservation," "Wildlife Protection," and "Project Tiger."
- **GS Paper I (Geography):** Relevant for "Distribution of Key Natural Resources" and "Biogeography" (Transition zones between the Aravallis and Vindhyas).
- **Prelims:** Specifics of the NTCA, status of **Tiger Census 2026**, and locations like **Ratanmahal** and **Jambughoda**.

6. Strengthening the West Asia Anchor: 2nd India-Arab Foreign Ministers' Meeting

The 2nd India-Arab Foreign Ministers' Meeting (IAFMM), held in New Delhi on January 30-31, 2026, marks a watershed moment in India's "Link West" policy. This gathering, occurring after a decade-long hiatus, brings together the 22-member League of Arab States (LAS) to institutionalize a strategic reset amidst a volatile global order and shifting regional dynamics.

Key Summary Points

- **Strategic Reset after a Decade:** Hosted in New Delhi for the first time, this summit revives the ministerial-level dialogue last held in 2016 (Bahrain), signaling India's elevation from a transactional trade partner to a strategic anchor in West Asia.



- **Economic Interdependence:** Bilateral trade has reached a historic **\$240 billion**, with the UAE and Saudi Arabia emerging as top investment sources. The meeting focuses on scaling this through the newly launched **India and Arab Countries Chambers of Commerce, Industry and Agriculture (IACCIA)**.
- **Energy Security 2.0:** Moving beyond the buyer-seller model, the partnership now includes strategic oil reserves (with UAE) and long-term LNG deals (e.g., the **\$78 billion** Qatar agreement), emphasizing joint ventures in refining and petrochemicals.
- **Connectivity & Infrastructure:** Discussions center on the **India-Middle East-Europe Economic Corridor (IMEC)** and maritime security initiatives like **SAGAR**, aimed at securing vital trade routes through the Suez Canal and Gulf of Aden.
- **Digital & Financial Integration:** A major pillar is the expansion of India's **Digital Public Infrastructure (DPI)**, with UPI and RuPay integration expanding across the region, alongside the operationalization of the Rupee-Dirham settlement system.
- **Geopolitical Balancing:** India is navigating complex regional fault lines—including the Saudi-UAE rift and the Gaza reconstruction—by advocating for dialogue, de-radicalization, and a sustainable two-state solution for Palestine.



Important Keypoints for UPSC

- **The "Three-Axis" Approach:** India's engagement now balances three distinct axes: Energy security, Diaspora welfare (over **9 million** Indians), and Strategic-Defense cooperation (including exports of Tejas and BrahMos).
- **Observer Status:** India holds **Observer Status** in the Arab League (since 2002), a pan-Arab body that coordinates political and economic actions among its 22 members.
- **Vision Convergences:** Significant alignment exists between India's **Viksit Bharat 2047** and regional blueprints like **Saudi Vision 2030** and **UAE Centennial 2071**.

Definitions of Key Terms

- **League of Arab States (LAS):** A regional organization of 22 Arab countries in North Africa and Western Asia, formed in 1945 to promote political, economic, and cultural cooperation.
- **IACCIA:** The India and Arab Countries Chambers of Commerce, Industry and Agriculture; a permanent institutional bridge launched in 2026 to facilitate B2B engagement.
- **Strategic Partnership Council:** A high-level institutional mechanism (established with Saudi Arabia in 2019) to oversee functional cooperation in areas of security and economics.
- **Deradicalized Zone:** A post-conflict governance model proposed for Gaza focusing on removing extremist influences to ensure regional stability.

Constitutional & Legal Provisions

- **Article 51 (DPSP):** The constitutional directive for the State to promote international peace and security and maintain just and honorable relations between nations.



- **Article 253:** Empowers Parliament to make laws for implementing international treaties, agreements, and conventions, crucial for the various MoUs signed with LAS members.
- **FEMA & PMLA:** Legal frameworks that govern the rising FDI inflows and the cross-border financial integration (UPI/RuPay) between India and Arab states.

Conclusion

The 2nd India-Arab Foreign Ministers' Meeting underscores that India's "Look West" has evolved into a "Link West" strategy characterized by deep structural integration. As the world moves toward a "disorderly multipolar breakdown," India and the Arab League are leveraging their civilizational trust to build a resilient corridor of stability. By bridging digital technology, energy security, and maritime defense, this partnership seeks to transform the Arabian Sea from a barrier into a bridge of shared prosperity.

UPSC Relevance

- **GS Paper II (International Relations):** Bilateral, regional and global groupings and agreements involving India; effect of policies and politics of developed and developing countries on India's interests.
- **GS Paper III (Economy):** Energy security, infrastructure, and investment models.
- **Prelims:** Institutional history (IAFMM 2016 vs 2026), member countries of the Arab League, and specific connectivity projects like IMEC and Duqm port.

7. The End of Globalisation: From Liberalism to Neo-Mercantilism

The global economic order is undergoing a structural shift from a liberal, rules-based system of globalisation to a "neo-mercantilist" framework. In this new era, trade is no longer just an exchange of goods but a primary instrument of state power and geopolitical coercion.

Key Summary Points

- **Demise of the Liberal Order:** Globalisation is being replaced by a system where sovereignty and national interest take precedence over liberal values, multilateral cooperation, and free-market assumptions.
- **Return to Mercantilism:** Major powers now view trade through a zero-sum lens, where surpluses represent national strength and deficits are treated as strategic vulnerabilities.
- **Impact of "America First" and China's Model:** The shift is driven by U.S. protectionism (tariffs as a tool of coercion) and the success of the Chinese model, which accumulated wealth through global access while maintaining strict state control.
- **Fragmented Multilateralism:** Global institutions are losing their normative authority, making it harder for developing nations to negotiate collectively on critical issues like climate change or financial flows.
- **India's Vulnerability:** India faces a "demographic trap" where a lack of productive capacity and state capability in health and education prevents it from fully capitalising on its potential in a fragmented world.





- **Pathways to Relevance:** Despite global headwinds, India retains a competitive edge in selective domains such as **Digital Public Infrastructure (DPI)**, renewable energy, and the services sector.

Important Keypoints for UPSC

- **Strategic Autonomy:** In a mercantilist world, India must balance "multi-alignment" with "strategic sobriety," building domestic resilience while navigating unpredictable alliance shifts.
- **Productive Capacity vs. Demographic Dividend:** The transition from a services-led to a manufacturing-led economy is now a strategic imperative to avoid long-term irrelevance.
- **Digital Sovereignty:** India's success in DPI (Aadhaar, UPI, ONDC) serves as a template for the Global South, offering a non-exploitative alternative to big-tech monopolies.

Definitions of Key Terms

- **Neo-Mercantilism:** An economic policy that emphasizes state intervention to maximize exports, minimize imports, and control capital flows to build national power.
- **Digital Public Infrastructure (DPI):** A digital framework (like India Stack) that enables the provision of essential society-wide functions, such as identity, payments, and data sharing.
- **Zero-Sum Game:** A situation in which one participant's gain is exactly balanced by the losses of other participants; the opposite of "win-win" liberal trade theory.
- **State Capacity:** The ability of a government to administer its territory and execute policies effectively, particularly in providing public goods like education and healthcare.

Constitutional & Legal Provisions

- **Article 51 (DPSP):** Instructs the state to promote international peace and security; however, in a mercantilist era, the emphasis shifts toward "just and honourable relations" based on national interest.
- **Seventh Schedule (Union List):** Entry 41 (Trade and commerce with foreign countries) and Entry 10 (Foreign affairs) provide the legal basis for the Centre to impose tariffs and manage trade as an instrument of power.
- **FEMA, 1999:** The Foreign Exchange Management Act remains the primary legal tool for managing capital flows, which is critical during periods of "disorderly multipolar breakdown."

Conclusion

The era of "passive globalisation" is over. For India to avoid being a victim of this new geopolitical reality, rhetoric regarding "Vishwaguru" must be matched by a new social contract. Success in a mercantilist world demands a sharp increase in state capacity—specifically through massive public investment in human capital—to ensure that India's growth is shared and its strategic autonomy is backed by actual productive power.

UPSC Relevance

- **GS Paper II (International Relations):** Effect of policies and politics of developed and developing countries on India's interests; Global groupings and agreements.
- **GS Paper III (Economy):** Effects of liberalization on the economy; Changes in industrial policy and their effects on industrial growth.

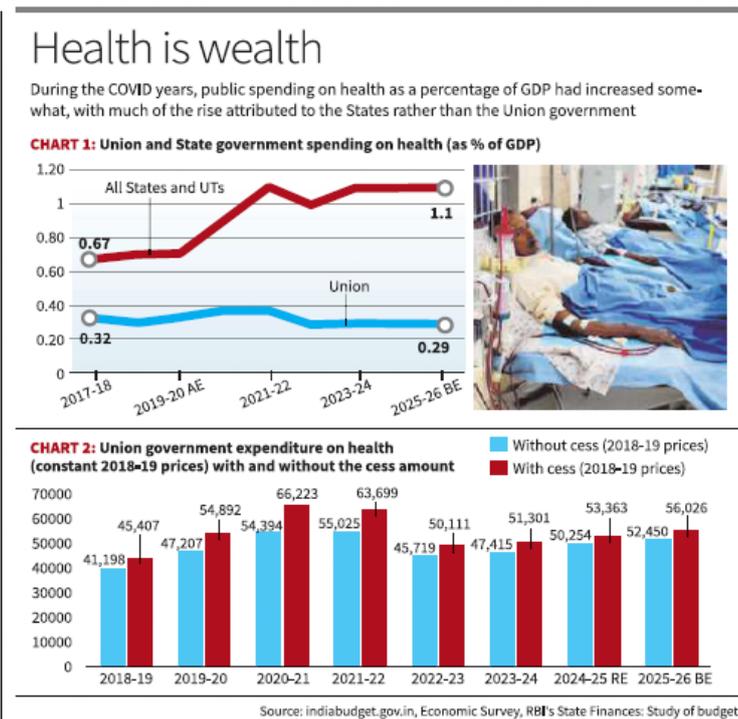
- **Essay:** Excellent fodder for topics on the "New World Order," "Self-reliance (Atmanirbhar Bharat)," and the "Changing Nature of Sovereignty."

8. Public Health Financing in India: Missed Targets and Fiscal Challenges

The National Health Policy (NHP) 2017 set an ambitious benchmark to elevate India's public health spending to 2.5% of GDP by 2025. However, as of early 2026, this goal remains elusive due to stagnant central allocations and real-term budget cuts, leaving the burden of healthcare largely on the shoulders of state governments.

Key Summary Points

- **Stagnant GDP Share:** Despite the 2025 deadline, government health expenditure remains around 1.2%–1.5% of GDP. The Union government's allocation has declined from 0.37% (2020-21) to approximately 0.29% in the 2025-26 Budget Estimates (BE).
- **State vs. Centre Disparity:** States have shown greater fiscal commitment, increasing health spending from 0.67% (2017-18) to 1.1% of GDP (2025-26 BE). Conversely, the Union's share in total public health spending has fallen far short of the NHP-recommended 40%.
- **Real-Term Budgetary Decline:** When adjusted for inflation, the Union health budget for 2025-26 is nearly 4.7% lower than the actual expenditure in 2020-21. This indicates a "post-pandemic withdrawal" of fiscal priority for the health sector.



- **Underutilization of Health Cess:** The 4% Health and Education Cess (HEC) intended to provide "top-up" funding is increasingly being used to substitute regular tax resources rather than expanding the net health budget.
- **Cuts in Critical Schemes:** Major flagship programs like the National Health Mission (NHM) and Pradhan Mantri Swasthya Suraksha Yojana (PMSSY) have faced real-term cuts. NHM spending declined by an average of 5.5% annually in real terms during recent years.
- **Hyper-Centralization of Resources:** While health is primarily a State subject, the share of Union health funds transferred to States for Centrally Sponsored Schemes has plummeted from 75.9% (2014-15) to 43% (2024-25), straining state capacities.

Important Keypoints for UPSC

- **NHP 2017 Recommendations:** Aimed to increase state health spending to >8% of their budget (current average is ~5.6%) and achieve 2.5% of GDP by 2025.
- **Global Comparison:** India's per capita health spending remains 10–15 times lower than other BRICS nations and significantly lags behind neighbors like Bhutan and Sri Lanka.
- **Out-of-Pocket Expenditure (OOPE):** While OOPE has declined from ~62% to ~39% due to schemes like PM-JAY, the decline in public infrastructure investment threatens to reverse this trend.



- **Human Resources Gap:** India continues to grapple with high patient-to-doctor ratios (~7,908:1 in public sector) and bed availability (~1,666 people per bed).

Definitions of Key Terms

- **Real Terms vs. Nominal Terms:** Nominal terms refer to the face value of the budget, while real terms account for inflation (purchasing power).
- **Health and Education Cess (HEC):** An additional tax-on-tax (4%) levied to fund specific social sectors. Unlike taxes, cess proceeds must be utilized only for the designated purpose.
- **Pradhan Mantri Swasthya Suraksha Nidhi (PMSSN):** A non-lapsable reserve fund created in 2021 to hold the health portion of the HEC.
- **Centrally Sponsored Schemes (CSS):** Schemes funded jointly by the Centre and States (usually 60:40) but implemented by State governments.

Constitutional & Legal Provisions

- **Seventh Schedule:** Health is primarily a **State Subject** (List II, Entry 6), though "Population Control and Family Planning" falls under the **Concurrent List** (List III, Entry 20A).
- **Article 47 (DPSP):** Mandates the State to regard the improvement of public health as among its primary duties.
- **Article 21:** The Supreme Court (Paschim Banga Khet Mazdoor Samity case) has interpreted the Right to Life to include the **Right to Health**.
- **Article 270 & 271:** Govern the levy of cess and surcharges by the Union, which are not part of the divisible pool of taxes shared with States.

Conclusion

The fiscal trajectory of India's health sector reveals a paradox: while policy documents advocate for Universal Health Coverage, the actual budgetary allocations show a trend of "de-prioritization" post-COVID-19. Achieving the 2.5% GDP target will require the Union government to triple its current allocation and restore the robustness of the National Health Mission to support the states, who are currently doing the heavy lifting.

UPSC Relevance

- **GS Paper II:** Issues relating to development and management of Social Sector/Services relating to Health; Federal challenges in resource sharing.
- **GS Paper III:** Government Budgeting; Inclusive growth and issues arising from it.
- **Prelims:** NHP 2017 targets, composition of PMSSN, and the 15th Finance Commission recommendations on health.

9. Fiscal Reset: Economic Survey 2025-26 on FRBM and State Finances

The Economic Survey 2025-26 presents a nuanced "calibrated fiscal strategy." While it lauds the Union government's post-pandemic fiscal discipline, it advocates for a shift away from rigid legislative targets toward "policy flexibility." Simultaneously, it sounds an alarm on the deteriorating fiscal health of several Indian states.



Key Summary Points

- **Targeting Flexibility over Rigidity:** The Survey suggests a delay in reinstating strict **FRBM** fiscal deficit targets (the traditional 3%), arguing that the Centre needs "policy freedom" to respond to a volatile and unpredictable global geo-economic environment.
- **Halving the Deficit:** The Centre is successfully on track to reach a fiscal deficit of **4.4% of GDP** in FY26. This fulfills the 2021 commitment to halve the pandemic-peak deficit of 9.2% within five years, even without a formal legislative mandate.
- **Fiscal Credibility & Trust:** The Survey notes that since the 3% target was achieved only once since 2003, rigid targets can erode credibility. It emphasizes that India's recent credit rating upgrades (e.g., **S&P upgrade to BBB**) were earned through "sustained commitment" rather than just meeting statutory numbers.
- **State Finances Warning:** A sharp deterioration is noted in state-level finances. The number of states with a **revenue surplus** dropped from 19 in 2018-19 to just 11 in 2024-25.
- **Rise of Revenue Deficit:** The collective revenue deficit of states has widened from 0.1% to **0.7% of GDP**. This is primarily attributed to lagging revenue growth and high "discretionary unconditional cash transfers" (populist spending).
- **New Medium-Term Anchor:** The government is shifting toward a debt-to-GDP target of **50% (with a ±1% leeway)** by March 31, 2031, as a more durable and credible fiscal anchor than a fixed annual deficit percentage.

Important Keypoints for UPSC

- **Quality of Expenditure:** The Survey highlights a "Golden Rule" shift: while revenue expenditure moderated from 13.6% (FY22) to 10.9% (FY25), **Effective Capital Expenditure** rose to **4.3% of GDP** in FY26, focusing on long-term asset creation.
- **Crowding Out Effect:** High state-level debt (averaging 27.5% of GDP) risks "crowding out" private investment as states borrow more to fund recurring expenses like salaries and subsidies.
- **Direct Tax Buoyancy:** A significant driver of central consolidation has been the widening direct tax base, with income tax filings rising to **9.2 crore** in FY25.

Definitions of Key Terms

- **Fiscal Deficit:** The difference between the government's total expenditure and its total receipts (excluding borrowings). It indicates the total borrowing requirements of the government.
- **Revenue Deficit:** Occurs when the government's "revenue expenditure" (current consumption/salaries) exceeds its "revenue receipts" (taxes/dividends). It implies borrowing for daily operations rather than asset creation.
- **Mercantilism (Modern Context):** A view where trade and fiscal policy are used as instruments of state power, focusing on building resource buffers and national self-sufficiency.
- **Glide Path:** A planned, gradual reduction of the fiscal deficit over several years to reach a sustainable level.

Constitutional & Legal Provisions

- **Article 292:** Empowers the Union Government to borrow upon the security of the Consolidated Fund of India within limits fixed by Parliament.



- **Article 293:** Empowers State Governments to borrow. Crucially, Clause (3) requires states to obtain the **Centre's consent** for borrowing if they have any outstanding loans from the Union.
- **FRBM Act, 2003:** A legislative framework to institutionalize fiscal discipline. The 2018 amendment (based on **N.K. Singh Committee**) recommended a debt-to-GDP ratio of 40% for the Centre and 20% for States.
- **SASCI Scheme:** "Special Assistance to States for Capital Investment"—a central scheme providing 50-year interest-free loans to states to incentivize capex and fiscal reforms.

Conclusion

The 2025-26 Survey marks a departure from "fiscal fundamentalism." By prioritizing a **Debt-to-GDP anchor** over a rigid 3% deficit target, the Centre seeks a "marathon" approach to stability. However, the widening revenue gaps in states serve as a reminder that "Cooperative Federalism" must be matched by "Fiscal Responsibility" at the sub-national level to prevent a systemic debt crisis.

UPSC Relevance

- **GS Paper III (Economy):** Government Budgeting; Mobilization of Resources; Fiscal Policy.
- **GS Paper II (Polity/Governance):** Centre-State Financial Relations; Role of Finance Commission.
- **Prelims:** Specific targets of the FRBM Act, Article 293(3) implications, and trends in Revenue/Fiscal deficits over the last five years.

10. Policy Evolution: Replacing MGNREGA with the Viksit Bharat Guarantee Act, 2025

The Economic Survey 2025-26 defends the Union government's landmark decision to repeal the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and replace it with the **Viksit Bharat - Guarantee for Rozgar and Ajeevika Mission (Gramin) (VB-G RAM G) Act, 2025**. This transition represents a fundamental shift from a demand-driven safety net to a structured, supply-driven infrastructure mission aligned with the national vision of *Viksit Bharat @2047*.

Key Summary Points

- **Legislative Reset for Modern Realities:** The Survey argues that while MGNREGA (2005) stabilized rural incomes for two decades, it reached its "structural limits." The new Act (2025) is designed to address deep-seated flaws such as the use of machinery in labor-intensive tasks and digital attendance bypassing.
- **Expanded Statutory Guarantee:** VB-G RAM G enhances the statutory employment guarantee from 100 days to **125 days** per rural household per financial year, aiming to provide greater income security.
- **Shift to Centrally Sponsored Scheme:** Unlike MGNREGA, where the Centre bore 100% of unskilled wages, the new Act adopts a **60:40 (Centre:State)** funding pattern (90:10 for Himalayan/NE states), turning it into a Centrally Sponsored Scheme (CSS) to ensure states share both cost and accountability.
- **Normative vs. Open-Ended Budgeting:** The transition replaces open-ended funding with **Normative Allocation**, where the Centre determines state-wise funds based on objective parameters. Any expenditure beyond this limit must be borne by the respective state.



- **Balanced Provision for Agriculture:** To prevent labor shortages during peak seasons, the Act allows states to notify a "pause" period (up to **60 days**) for public works during sowing and harvesting, ensuring agricultural productivity is not compromised.
- **Infrastructure Priority Verticals:** Works are now strictly restricted to four thematic areas: **Water Security, Core Rural Infrastructure, Livelihood-related Infrastructure, and Climate Resilience** (mitigating extreme weather events).

Important Keypoints for UPSC

- **Viksit Gram Panchayat Plans:** All works must now originate from locally prepared plans integrated with the **PM Gati Shakti National Master Plan**, ensuring assets are productive and not duplicated.
- **Viksit Bharat National Rural Infrastructure Stack:** A new digital repository where all assets created under the mission are mapped, promoting transparency and coordination across departments.
- **Administrative Strengthening:** The administrative expenditure ceiling has been raised from **6% to 9%**, providing more resources for staffing, technical training, and real-time monitoring.
- **Weekly Wage Disbursement:** The Act mandates that wages be paid on a **weekly basis**, or at most within a fortnight, to reduce the chronic payment delays seen in the previous regime.

Definitions of Key Terms

- **Normative Allocation:** A fixed budgetary allocation provided by the Centre to states based on pre-defined criteria (like poverty levels or population), rather than expanding automatically with demand.
- **Supply-Driven Approach:** A framework where employment is provided through pre-planned projects and allocated budgets, contrasting with the "demand-driven" nature of MGNREGA where any worker could demand work at any time.
- **Saturation-Based Delivery:** An approach aiming to cover all eligible beneficiaries and target infrastructure needs in a specific area completely, leaving no gaps.
- **Unemployment Allowance:** A compensatory payment (retained in the new Act) that the State must provide if employment is not offered within 15 days of an application.

Constitutional & Legal Provisions

- **Article 21 (Right to Life):** The judiciary has historically linked the "Right to Livelihood" to the Right to Life, a core principle behind statutory employment guarantees.
- **Article 41 (DPSP):** Directs the State to ensure the "Right to Work" within the limits of its economic capacity and development.
- **Section 37 of the VB-G RAM G Act, 2025:** Explicitly repeals the MGNREGA 2005, marking the end of the previous legal regime.
- **Schedule VII (List II - State List):** Since "Panchayati Raj" and "Agriculture" are state subjects, the new 60:40 funding pattern aligns with the federal responsibility of states to manage their rural economies.

Conclusion

The transition from MGNREGA to the Viksit Bharat Guarantee for Rozgar (VB-G RAM G) signals the government's pivot toward **asset-centric welfare**. By increasing the work guarantee to 125 days but



tightening fiscal and administrative controls through "normative allocations" and "seasonal pauses," the State aims to convert rural employment from a relief measure into a strategic tool for infrastructure creation. The success of this "legislative reset" will depend on whether states can absorb the increased financial burden without compromising the "right to work" for the most vulnerable.

UPSC Relevance

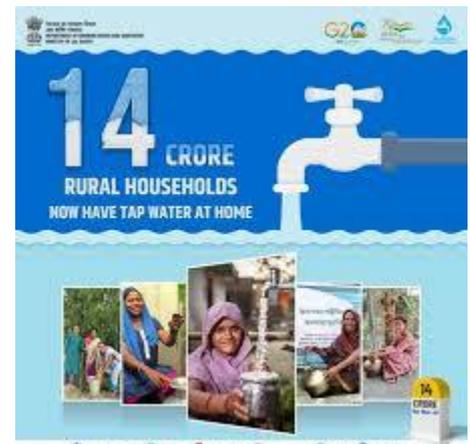
- **GS Paper II (Governance):** Issues relating to development and management of Social Sector/Services relating to Health, Education, Human Resources; Welfare schemes for vulnerable sections.
- **GS Paper III (Economy):** Issues relating to planning, mobilization of resources, growth, and employment; Rural infrastructure.
- **Mains/Ethics:** The shift from a "Rights-based" to a "Mission-based" approach in social welfare policy.

11. Universalizing Potability: Jal Jeevan Mission Reaches 81% Rural Milestone

The Jal Jeevan Mission (JJM), launched in August 2019, has significantly transformed India's rural landscape. As of late January 2026, the mission has crossed a vital psychological and logistical threshold, providing tap water to over four-fifths of rural India. This transition from "habitations" to "household" level service delivery marks a major shift in India's welfare architecture and public health strategy.

Key Summary Points

- **Historic Milestone:** Out of 193.6 million rural households, **157.9 million (81.56%)** now have functional tap water connections, a massive jump from 16.7% at the mission's inception.
- **Service Level Benchmark:** The mission ensures a minimum of **55 litres per capita per day (lpcd)** of potable water, adhering to Bureau of Indian Standards (BIS:10500) quality norms.
- **Gender and Social Impact:** By reducing the "drudgery" of fetching water, the mission has directly improved female labor force participation. Women also play a central role in governance, making up at least **50% of the members** in Village Water and Sanitation Committees (VWSCs) or *Pani Samitis*.
- **Institutional Coverage:** Beyond households, the mission has achieved near-saturation in public institutions, with over **9.3 lakh schools** and **9.6 lakh Anganwadi centers** provided with tap water.
- **Community-Led Governance:** JJM is a "Jan Andolan" (People's Movement) where local communities are empowered as "micro-utilities" to plan, implement, and manage their own water supply systems.
- **Technological Integration:** Extensive use of **Digital Public Infrastructure (DPI)**, including IoT-based sensors for real-time monitoring of water flow and quality, and the **JJM-WQMIS** portal for water sample testing.



Important Keypoints for UPSC

- **Funding Pattern:** As a Centrally Sponsored Scheme, the funding is shared between the Centre and States in a **50:50** ratio (90:10 for Himalayan and North-Eastern States; 100% for Union Territories).



- **Extended Deadline:** While the initial target was 2024, the mission has been extended to **2028** to ensure 100% saturation in difficult terrains and water-scarce regions (e.g., desert areas and JE/AES affected districts).
- **Source Sustainability:** The mission is not just about pipelines; it mandates "Source Sustainability" through greywater management, rainwater harvesting, and convergence with **MGNREGA** and the **Atal Bhujal Yojana**.

Definitions of Key Terms

- **FHTC (Functional Household Tap Connection):** A tap connection to a rural household that provides water in adequate quantity (55 lpcd) and prescribed quality on a regular basis.
- **Har Ghar Jal (HGJ) Village:** A village where every single household, school, and Anganwadi center has a verified tap connection, certified by a **Gram Sabha** resolution.
- **Greywater:** Wastewater generated from domestic activities like bathing and washing (excluding toilets), which JJM aims to treat and reuse for agriculture or groundwater recharge.
- **Pani Samiti:** A statutory sub-committee of the Gram Panchayat responsible for the operation and maintenance (O&M) of village water systems.

Constitutional & Legal Provisions

- **Article 47 (DPSP):** Directs the State to improve public health as its primary duty, which includes providing safe drinking water.
- **Article 21 (Right to Life):** The Supreme Court has repeatedly affirmed that the **Right to Clean Drinking Water** is a fundamental facet of the Right to Life.
- **Seventh Schedule:** "Water" is primarily a **State Subject** (List II, Entry 17). However, the Centre provides technical and financial assistance under its executive powers.
- **11th Schedule:** Under the **73rd Constitutional Amendment Act**, "Drinking Water" is one of the 29 subjects devolved to Panchayati Raj Institutions (PRIs).

Conclusion

The success of the Jal Jeevan Mission represents a paradigm shift in rural governance, moving from infrastructure creation to **service delivery**. While the 81% milestone is commendable, the final "last-mile" connectivity in drought-prone and mountainous regions remains the most challenging. Ensuring the long-term functionality of these assets through robust Operation and Maintenance (O&M) by *Pani Samitis* will be the true test of the mission's sustainability.

UPSC Relevance

- **GS Paper II (Governance):** Welfare schemes for vulnerable sections; issues relating to development and management of Social Sector/Services relating to Health.
- **GS Paper III (Infrastructure):** Energy, Ports, Roads, Airports, Railways, etc. (Water as a critical rural infrastructure).
- **Prelims:** Funding patterns, Nodal Ministry (Jal Shakti), target LPCD, and the role of VWSCs.



12. The Food-Fuel Dilemma: Ethanol Blending and India's Agricultural Strategy

The Economic Survey 2025-26 has highlighted a critical "emerging tension" between India's energy self-reliance and its food security. While the Ethanol Blended Petrol (EBP) programme has achieved historic milestones in reducing oil imports, the Survey warns that aggressive price incentives for maize-based ethanol are causing a structural shift in cropping patterns, potentially undermining the production of essential pulses and oilseeds.

Key Summary Points

- **Fuel Over Food Signals:** The Survey flags "early warning signals" as farmers increasingly shift land from pulses and oilseeds to maize to capitalize on high government-administered prices for maize-based ethanol.
- **Pricing Distortions:** Between FY22 and FY25, the price of maize-based ethanol rose at a CAGR of 11.7%, significantly outstripping the price growth of ethanol derived from rice or molasses, thus creating a "strong and persistent price signal" in favor of maize.
- **Crop Imbalance:** While maize production and acreage grew at CAGRs of 8.77% and 6.68% respectively between FY22 and FY25, pulses witnessed a decline in both output and acreage, risking India's long-term nutritional security.
- **Economic Gains:** As of August 2025, the EBP programme successfully saved over ₹1.44 trillion in foreign exchange and substituted approximately 24.5 million tonnes of crude oil, with blending rates reaching the 20% (E20) target.
- **Nutritional Risks:** Pulses and oilseeds are vital for India's protein and fat requirements. The shift toward maize could entrench India's dependence on edible oil imports and increase the volatility of domestic food prices.
- **Need for Recalibration:** The Survey calls for a "holistic roadmap" that balances energy and food security by boosting yields of pulses/oilseeds and avoiding market distortions that give undue advantage to specific ethanol feedstocks.



Important Keypoints for UPSC

- **Feedstock Diversification:** To reach E20, India transitioned from 1G (First Generation) sugar-based ethanol to grain-based sources. The Survey suggests moving toward 2G (Lignocellulosic) ethanol to reduce competition with food crops.
- **Yield Stagnation:** While maize yields jumped 48% since FY16 (reaching 3.78 tonnes/hectare in FY25), yields for oilseeds like sunflower and peanuts have remained stagnant, making them less competitive for farmers.
- **Regional Displacement:** The shift is most visible in states like Maharashtra and Karnataka, where maize is directly competing with pulses, soybean, millets, and cotton for land and water resources.

Definitions of Key Terms

- **E20 Fuel:** A blend of 20% ethanol and 80% petrol. It is the target for India's Ethanol Blending Programme (EBP) to reduce carbon emissions and oil imports.



- **1G vs 2G Biofuels:** 1G (First Generation) uses food crops like sugar and grains; 2G (Second Generation) uses non-food biomass like agricultural waste (paddy straw, corn cobs) and wood chips.
- **Administered Price Mechanism (APM):** The system where the government fixes the price of ethanol purchased by Oil Marketing Companies (OMCs) to ensure stable returns for producers and farmers.
- **Compound Annual Growth Rate (CAGR):** A measure of the mean annual growth rate of an investment or indicator over a specified period longer than one year.

Constitutional & Legal Provisions

- **National Policy on Biofuels, 2018:** The primary policy framework which was amended in 2022 to advance the 20% blending target from 2030 to 2025-26.
- **Article 39(b) & (c):** Directive Principles of State Policy (DPSP) requiring the State to ensure that the ownership and control of material resources are distributed to subserve the common good and prevent concentration of wealth.
- **Essential Commodities Act, 1955:** Used by the government to regulate the supply and distribution of food grains like maize and rice to balance the needs of the ethanol industry with food/feed requirements.
- **Seventh Schedule:** Agriculture is a **State Subject** (List II, Entry 14), but the regulation of "Oilfields and Mineral Oil Resources" and "Inter-state Trade" falls under the **Union List** (List I), necessitating federal coordination in ethanol policy.

Conclusion

India's ethanol journey is a success story of energy *Aatmanirbharta*, yet the Economic Survey's caution serves as a timely intervention. To prevent a "fuel vs. food" crisis, the government must pivot from price-led incentives for food grains to yield-led growth for pulses and oilseeds. Sustainable energy transition cannot be built on the foundations of nutritional insecurity; hence, the future of the EBP must lie in 2G technology and non-food feedstocks.

UPSC Relevance

- **GS Paper III (Economy & Environment):** Government Budgeting, Major cropping patterns, Energy security, and Biofuels as a tool for climate change mitigation.
- **GS Paper II (Governance):** Policy interventions for development and issues arising out of their design and implementation.
- **Prelims:** Feedstock types (1G, 2G), E20 targets, CAGR trends in maize vs pulses, and the role of the National Policy on Biofuels.