DAILY CURRENT AFFAIRS 03-02-2026

Mapping Perspective

1. **New Ramsar Sites**

Prelims Perspective

2. **CHAKRA - Centre of Excellance**
3. **Open Acreage Licensing Policy (OALP)**

Mains Perspective

4. **Shifting the Fiscal Anchor – India's Move from Fiscal Deficit to Debt-to-GDP Ratio**
5. **Why India's EV Battery Scheme Is Falling Short**

New Ramsar Sites

Syllabus: Prelims Bits – Ramsar Sites.

Context:

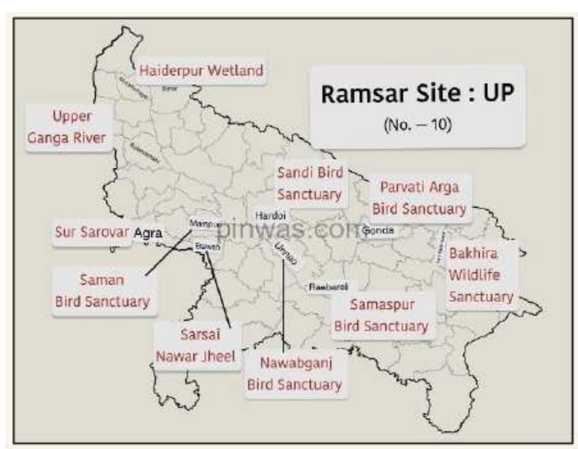
Recently, the Union Minister for Environment, Forest and Climate Change announced the **addition of two new wetlands** to **India's Ramsar network**, ahead of **World Wetlands Day** — strengthening India's commitment to wetland conservation.

What is a Ramsar Site?

- Wetlands of **international importance** designated under the **Ramsar Convention (1971, Iran)**
- Focus on:
    - Biodiversity conservation
    - Wise and sustainable use of wetlands
- India is among the **top countries globally** in terms of number of Ramsar Sites

Newly Added Ramsar Sites

1. Patna Bird Sanctuary



Location

- Uttar Pradesh

Ecological Features

- Freshwater marshes
- Woodlands and grasslands
- Surrounded by agricultural landscapes

Ecological Significance

- Mosaic of habitats → **high biodiversity**
- Designated as an **Important Bird and Biodiversity Area (IBA)** by BirdLife International

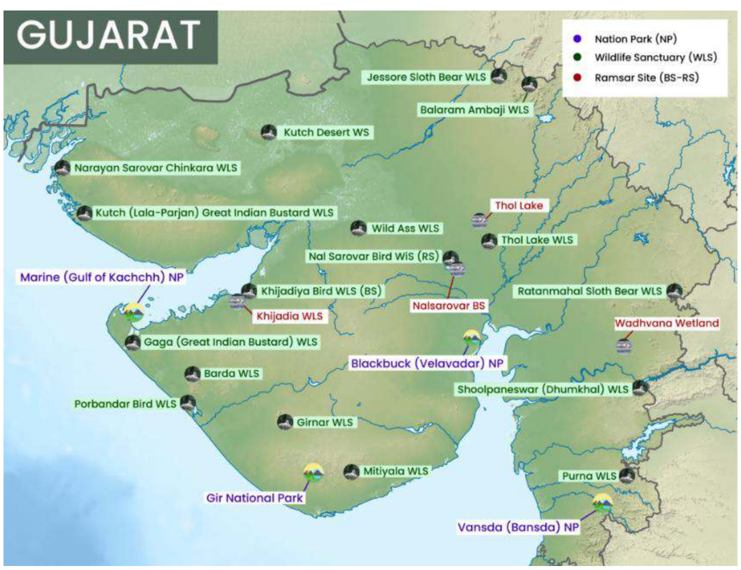
Biodiversity

- **Bird species:** 178
- **Plant species:** 252

UPSC Relevance

- Wetland–agriculture interface
- Bird conservation and migratory habitats

2. Chhari-Dhand Wetland



Location

- Kutch district, Gujarat

Type of Wetland

- **Seasonal saline wetland**
- Located between:
    - **Banni grasslands**
    - **Salt flats of Kutch**

Ecological Importance

- Major **wintering ground for waterfowl**
- Supports **threatened migratory bird species**

Key Faunal Highlights

- Critically endangered **Sociable Lapwing**
- Vulnerable **Common Pochard**
- Annual presence of **Common Crane (Grus grus)**

CHAKRA - Centre of Excellance

Syllabus: GS-3: Indian Economy – Banking

Context:

- **State Bank of India (SBI)** has launched **'CHAKRA' – Centre of Excellence (CoE)**.
- Objective: **Financing sunrise sectors** critical for **India's long-term economic transformation**, sustainability, and global competitiveness.

About 'CHAKRA' – Centre of Excellence (CoE)

Nature & Purpose

- A **knowledge-driven institutional platform** within SBI.
- Designed to:
    - Facilitate **structured financing**
    - Support **technology-led & sustainability-focused industries**
    - Act as a **think-tank + advisory hub** for project finance

Core Focus: Sunrise Sectors (8)

CHAKRA focuses on **eight high-growth sunrise sectors**:

1. Renewables

2. Data Centres
3. E-Mobility & Charging Infrastructure
4. Advanced Cell Chemistry / Battery Technology
5. Semiconductors
6. Green Hydrogen & Green Ammonia
7. Decarbonization Technologies
8. Smart Infrastructure

Economic Significance

- By **2030**, these sectors are expected to unlock:
  - **Cumulative capital expenditure > ₹100 lakh crore**
- CHAKRA aims to:
  - Enable large-scale investment
  - Integrate India into **Global Value Chains (GVCs)**
  - Accelerate progress towards **Net Zero commitments**

Functional Role of CHAKRA

1. Financial & Advisory Role

- Supports **SBI's Project Finance & Structuring teams**
- Provides **sectoral expertise**, risk assessment, and financing models

2. Technology & AI Enablement

- Promotes:
  - **AI-driven analytics**
  - Innovation in project appraisal and financing mechanisms

3.Ecosystem Engagement

CHAKRA will engage with:

- Policymakers & regulators
- Development Finance Institutions (DFIs)
- Multilateral agencies
- Banks & NBFCs
- Industry bodies & corporates

- Start-ups & academia
- Policy think tanks

Goal: **Robust manufacturing + investment ecosystem**

Strategic Relevance for UPSC

- Aligns with:
    - **Viksit Bharat 2047**
    - **Atmanirbhar Bharat**
    - **India's Net Zero targets**
- Reflects evolving role of **Public Sector Banks** in:
    - Climate finance
    - Technology-driven development
    - Long-gestation infrastructure funding

Open Acreage Licensing Policy (OALP)

Syllabus: GS-3: Industrial Policy – Petroleum Industry.

Context:

- **Oil India Limited** conducted **seismic studies** on blocks awarded under **OALP Round-IX**.
- Objective: **Data-driven bidding strategy** for **OALP Round-X**, leveraging subsurface insights.

About Open Acreage Licensing Policy (OALP)

Background

- Introduced on **30 March 2016** under **Hydrocarbon Exploration and Licensing Policy (HELP)**.
- **HELP replaced NELP** (New Exploration and Licensing Policy), ending an 18-year-old regime.
- Marks a shift from **government-driven block offerings** to **investor-driven exploration**.

Key Features

- **Open Access to Acreage**
    - Companies can **identify and propose blocks** of their choice.
    - No need to wait for government tender notifications.
- **Prospecting First, Bidding Later**
    - Companies may conduct **prospecting** (preliminary exploration) based on:
        - **Technical Feasibility Studies** indicating hydrocarbon presence.
    - On positive indications, companies seek approval from **Directorate General of Hydrocarbons (DGH)**.
- **Competitive Allocation**
    - If **multiple companies apply for the same area**, allocation is done via **auction**.
- **Access to Data**
    - Enables access to **National Data Repository (NDR)**:
        - Seismic survey data
        - Geological & geophysical maps
        - Well logs
        - Exploration history

Significance

- Encourages **private & foreign investment** in upstream hydrocarbons.
- Enhances **exploration coverage** of India's sedimentary basins.

- Promotes **ease of doing business** in the hydrocarbon sector.
- Aligns with **Aatmanirbhar Bharat** and **energy security** objectives.

OALP vs Pre-OALP (NELP)

Aspect	**NELP**	**OALP**
Block Identification	Govt-notified blocks	Company-driven
Timing	Fixed bidding rounds	Continuous
Data Access	Limited	NDR-enabled
Flexibility	Low	High

Shifting the Fiscal Anchor – India's Move from Fiscal Deficit to Debt-to-GDP Ratio

Syllabus: GS-3: Indian Economy – Fiscal Deficit & Public Debt.

Context:

- As **Nirmala Sitharaman** prepares to present her **9th consecutive Union Budget**, India's fiscal framework is undergoing a **structural transition**.
- **From FY 2026–27**, the Union government will **shift its primary fiscal anchor**:
  - **Earlier:** Annual *Fiscal Deficit (% of GDP)*
  - **Now:** Medium-term *Debt-to-GDP Ratio*
- Union Budget 2026–27 will operationalise this framework **for the first full financial year**.

What is a Fiscal Anchor?

- A **fiscal anchor** is a numerical rule guiding fiscal policy to ensure:
  - Debt sustainability
  - Macroeconomic stability
  - Policy credibility

Examples globally:

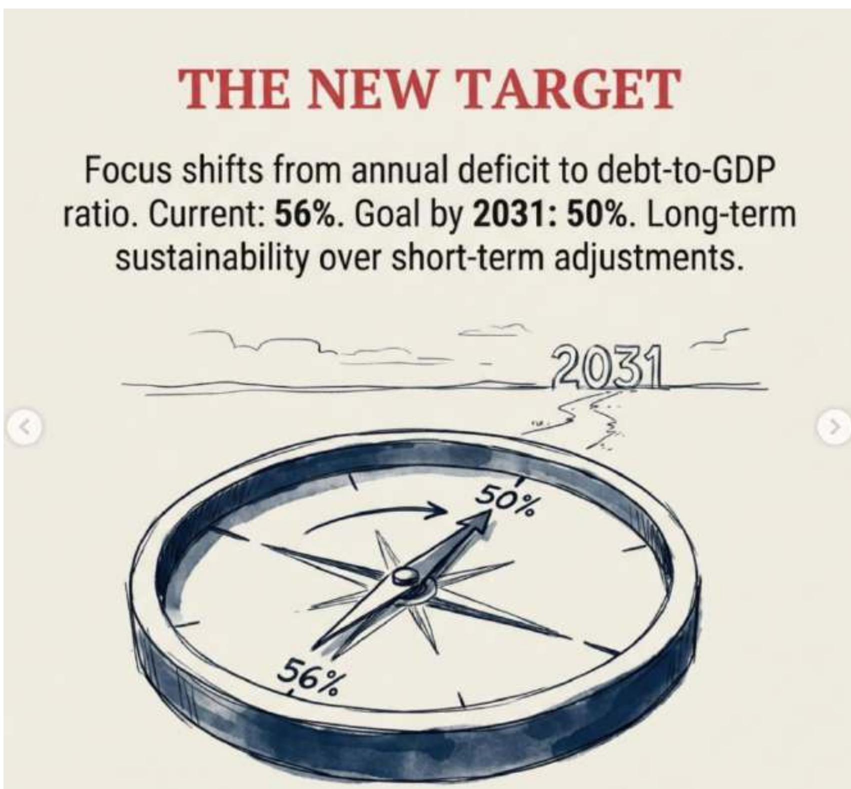
- EU: 60% debt-to-GDP
- UK: Falling public debt over medium term
- Japan: Primary balance targets

Nature of the Shift

Earlier Framework	New Framework
Annual fiscal deficit targets	Medium-term debt trajectory
Rigid, year-specific	Flexible, shock-absorbing
Focus on flow variable	Focus on stock variable

Rationale Behind the Shift

- **Greater counter-cyclical flexibility** during shocks (pandemics, wars).
- Enables **gradual fiscal consolidation**.
- Protects **growth-enhancing capital expenditure**.
- Aligns India with **global fiscal best practices**.
- Debt sustainability depends more on **growth–interest differential** than annual deficits.



Key Projections & Debt Trajectory

- **Centre's Debt-to-GDP Ratio**
  - March 2026: **~56.1%**
  - Target by March 2031: **50 ± 1%**
- **Implied adjustment**:
  - **~1 percentage point reduction per year**
- **FY27 expectation (economists' view)**:
  - Debt-to-GDP pegged at **~55%**

Fiscal Deficit Implications

- A 1% annual reduction in debt ratio implies:
  - **Fiscal deficit ~4.2% of GDP in FY27**
- Despite lower deficits, **gross borrowings remain high** due to:
  - Large redemption obligations
  - Future liabilities (e.g., **8th Pay Commission**)
  - Legacy debt structure

Determinants of Debt-to-GDP Ratio

- **Nominal GDP Growth (Denominator effect)** – most critical
- **Borrowing vs Repayment profile**
- **Interest costs**
  - Expected to soften with accommodative monetary conditions
- **Inference**:
  - High nominal growth can stabilise debt even with moderate deficits.

Validation by Economic Survey 2025–26

- **Economic Survey 2025-26** highlights:
  - General government debt reduced by **~7.1 percentage points since 2020**.
  - Achieved alongside **high public capex.**
- Endorses **50 ± 1% debt-to-GDP** as a **credible medium-term anchor**.

General Government Debt & Role of States

- **General Government Debt** = Centre + States

- This is the metric tracked by:
  - Global rating agencies
  - Multilateral institutions
- **Why States matter**:
  - Account for a **large share of public debt**
  - Rising off-budget and market borrowings

Emerging Consensus on State Finances

- Need for:
  - **Medium-term debt-to-GSDP glide paths**
  - Shift from annual deficit caps to **scenario-based debt trajectories**
- Avoid one-size-fits-all fiscal rules due to:
  - Asymmetric growth capacities
  - Varying expenditure responsibilities

Finance Commission & Federal Fiscal Architecture

- **16th Finance Commission** (FY 2026–27 to FY 2030–31) will clarify:
  - Tax devolution
  - Revenue-sharing
  - Possible fiscal parameters for states
- **V Anantha Nageswaran** emphasises:
  - Empirical, scenario-based fiscal analysis
  - Caution against premature uniform metrics for states

RBI's Concerns on State Debt

- **Reserve Bank of India** warns:
  - High debt crowds out private investment
  - Weakens growth prospects
- Trends:
  - States' debt declined from **31% (2021)** to **28.1% (2024)** of GDP
  - Expected to rise to **29.2%** in current fiscal
- RBI urges:

- Clear, credible debt consolidation glide paths for high-debt states

Rising State Borrowings: A Concern

- First half of current fiscal:
  - States borrowed **21% more** than same period last year
- Current quarter (ending March 31):
  - Borrowings expected at **₹5 lakh crore**
- Historical factor:
  - **UDAY reforms (2015–20)** → DISCOM debt absorption by states

Centre's Fiscal Position Going Ahead

- Centre committed to:
  - **Fiscal deficit < 4.5% of GDP by FY26**
- Headwinds:
  - Income tax reductions
  - GST rate rationalisation
- **FY27 expectations**:
  - Debt: **~55% of GDP**
  - Fiscal deficit: **4.3–4.4% of GDP**

Challenges

- High **gross borrowings** despite lower deficits
- Managing **future contingent liabilities**
- Ensuring **state-level fiscal discipline** without harming cooperative federalism
- Revenue pressures from tax reforms

Way Forward

- Institutionalise **debt-to-GDP ratio** as the primary fiscal anchor.
- Adopt **scenario-based fiscal planning**.
- Strengthen **Centre–State coordination** post 16th Finance Commission.
- Leverage:
  - Higher nominal GDP growth
  - Lower interest costs

- Balance development expenditure with long-term debt sustainability.

Conclusion

India's transition from a fiscal deficit-centric approach to a **debt-to-GDP-based fiscal anchor** reflects a **maturing fiscal policy framework**.

By emphasising **long-term debt sustainability** while retaining flexibility for growth-oriented spending, the new model aims to reconcile macroeconomic stability with developmental needs.

Its success, however, will depend on **robust growth, prudent borrowing, and disciplined state finances**, making **cooperative fiscal federalism** indispensable.

Practice Qs:

Q. "Shifting the fiscal anchor from fiscal deficit to debt-to-GDP ratio enhances fiscal flexibility but increases the importance of Centre–State coordination." Discuss. (250 words)

Why India's EV Battery Scheme Is Falling Short

Syllabus: GS-3: Indian Economy - Industrial Policy

Context:

Electric vehicle (EV) batteries are the **core component** of the EV ecosystem, accounting for nearly **35–40% of vehicle cost.**

India's rapid EV push, without domestic battery manufacturing, risks:

- Continued **import dependence**, mainly on China
- High EV costs for consumers
- Strategic vulnerability in energy transition

To address this, the government launched the **Advanced Chemistry Cell (ACC) PLI Scheme**.

What Are Advanced Chemistry Cells (ACC)?

- **Advanced Chemistry Cells** store electrical energy in chemical form and release it when required.
- **Lithium-ion batteries** are the most common ACCs today.
- India's scheme is **technology-agnostic**, allowing:
    - Lithium Iron Phosphate (LFP)

- Nickel Manganese Cobalt (NMC)
- Sodium-ion batteries

This flexibility was meant to future-proof the scheme and encourage innovation.

ACC PLI Scheme: Design and Objectives

- **Launched**: October 2021
- **Total Outlay**: ₹18,100 crore
- **Capacity Target**: 50 GWh by 2025

Intended Objectives

- Build **domestic battery manufacturing capacity**
- Reduce reliance on **Chinese imports**
- Lower battery costs → boost EV adoption
- Create jobs and attract large-scale private investment

How the Scheme Was Supposed to Work

- Companies selected via **competitive bidding**
- Minimum **5 GWh capacity commitment**
- Incentive of up to **₹2,000 per kWh** of batteries sold
- Mandatory **Domestic Value Addition (DVA)**:
    - 25% within 2 years
    - 60% within 5 years

Current Status: Performance vs Promise

Despite strong intent, outcomes remain weak.

Capacity Creation

- **Target**: 50 GWh
- **Actual (Oct 2025)**:
    - Only **1.4 GWh commissioned** (~2.8%)
    - Entire capacity from **Ola Electric**
- Remaining projects either **delayed** or **stalled**

Incentives & Investment

- ₹2,900 crore expected to be disbursed by now
- **No incentives released** (milestones unmet)
- Only about **25% of planned investment realised**

Employment

- Just **1,118 jobs created**, far below expectations

This gap highlights a serious **implementation failure**, not merely slow progress.

Why the ACC PLI Scheme Is Falling Short (Explained)

Unrealistic Timelines for Gigafactories

- Scheme assumed **2 years** is sufficient to build gigafactories.
- In reality:
    - Battery plants need land, clean rooms, precision machinery, and chemical handling systems.
    - Globally, such projects take **4–5 years.**
- Result: Companies miss deadlines → no incentives released.

Domestic Value Addition (DVA) vs Ground Reality

- India lacks:
    - Lithium, cobalt, nickel processing capacity
    - Advanced cathode/anode manufacturing units
- Even if cells are assembled domestically, **raw materials are imported**.
- Hence, firms fail to meet **25% DVA in 2 years**, stalling progress.

Policy expected localisation **before** the ecosystem existed.

Selection Criteria Favoured Inexperience

- Auction prioritised:
  - DVA commitments
  - Subsidy efficiency
- Less emphasis on **proven battery manufacturing experience**.
- Result:
  - Established battery makers were left out
  - New players underestimated complexity of cell manufacturing

Continued Dependence on China

- China dominates:
  - Battery-grade materials
  - Cell manufacturing equipment
  - Technical expertise
- Indian firms rely on Chinese engineers for commissioning.
- **Visa delays** and geopolitical tensions slowed plant execution.
- Domestic skilled manpower in battery chemistry is still limited.

Weak Foundational Capabilities

- Many selected firms are still developing:
  - Process know-how
  - Quality assurance systems
  - Stable supplier networks
- Indicates India jumped directly to **scale manufacturing** without first building **capabilities.**

Structural Policy Gaps Revealed

- PLI focused on **end-product manufacturing**, ignoring:
  - Critical mineral security
  - Refining and intermediate components
- Unlike electronics assembly, **battery manufacturing is deep-tech and chemistry-intensive**.
- Demand-side EV incentives moved faster than **supply-side readiness.**

How the Scheme Can Be Revived

Short-Term Corrections

- Extend commissioning timelines by **at least one year**
- Fast-track visas for foreign technical experts
- Allow phased achievement of DVA norms

Long-Term Ecosystem Building

- Develop **critical mineral refining capacity**
- Incentivise battery components (cathodes, anodes, electrolytes)
- Invest in:
    - Battery R&D centres
    - Skill development in cell chemistry
- Rebalance future selection criteria to reward **experience + capability**

Conclusion

The ACC PLI scheme reflects **policy ambition running ahead of industrial preparedness**.

Without parallel investments in **minerals, skills, and technology**, production-linked incentives alone cannot deliver strategic self-reliance.

India's EV transition needs an **ecosystem-first, phased approach**, not just capacity targets.

Practice Qs:

Q. "Despite significant fiscal incentives, India's Advanced Chemistry Cell (ACC) Production Linked Incentive (PLI) scheme has delivered limited outcomes."Critically examine the reasons for the underperformance of the ACC PLI scheme and suggest measures to make India's EV battery manufacturing ecosystem globally competitive. (15 marks, 250 words)