

**DAILY  
CURRENT  
AFFAIRS  
ANALYSIS**



LAKSHYA ACADEMY®

**29 MAY 2024**

# 1 - MEA's Assistance for Development:

## GS II

### Government Policies and Interventions

- **How Are the Countries Allotted Development Aid?**

- In contrast to the expenditure of Rs 18,050 crore last year, the ministry has allotted a total of Rs 22,154 crore for the 2024–25 fiscal year in the Interim budget.
- Consistent with India's 'Neighbourhood First' policy, Bhutan has been allocated the largest portion of the assistance portfolio, with Rs 2,068 crore, as opposed to Rs 2,400 crore in 2023-24.
- As the front-runner, Bhutan gets a sizable portion of the aid portfolio.
- According to budget papers, the development assistance to the Maldives has been maintained at Rs 600 crore, down from Rs 770 crore in the previous year.
- A financial grant of Rs 200 crore has been set aside for Afghanistan as part of India's ongoing special relationship with its people.
- Bangladesh will receive development assistance of Rs 120 crore, while Nepal will receive Rs 700 crore.
- Development assistance totaling Rs 75 crore would go to Sri Lanka, Rs 370 crore to Mauritius, and Rs 250 crore to Myanmar.
- For African nations, an additional sum of Rs 200 crore has been set aside.
- A total of Rs 4,883 crore has been allocated for development aid to several nations and areas, including Latin America and Eurasia.
- Additionally, the budget for Chabahar Port has remained at Rs 100 crore, demonstrating India's commitment to connecting projects with Iran.

- **Which other MEA development partnerships are there?**

- **Humanitarian Support:**

- In times of catastrophes, pandemics, and natural disasters, the MEA provides humanitarian aid to its partner countries.
- In an effort to combat the Covid-19 pandemic, India has sent medical teams, relief supplies, financial aid, and medical equipment to over 150 nations in addition to providing financial support to numerous others.

- **Collaboration between Culture and Heritage:**

- With partner nations, the MEA fosters collaboration in cultural and heritage matters. Over fifty cultural and heritage projects have been completed under India's assistance programme. These

projects include the restoration of Ananda Temple, the Shwedagon Pagoda in Myanmar, the Indian Gallery at the Sacred Tooth Relic Temple in Kandy, Sri Lanka, the renovation of Bala Tiripura Sundari Temple, and the building of the Dharamshalas-Pashupathinath temple in Nepal.

- Currently, about 25 cultural and historical projects are being carried out throughout several nations.
- **Building Capacity and Providing Technical Support:**
  - Building capacity is given top priority in India's development cooperation, which also provides military and civilian training, on-the-ground programmes, and professional delegation to friendly countries.
  - The Indian Technical and Economic Cooperation (ITEC) programme was started in 1964 and currently includes 160 partner nations. It offers short-term training in a variety of fields, and by 2019–20, it will have significantly increased from 4,000 to 14,000 seats.
  - Courses addressing topics including women's empowerment, health, engineering, and climate change contribute to the global development of comprehensive skill sets.
- **Credit Lines for Development Initiatives:**
  - Through the Exim Bank of India, India provides development aid in the form of concessional Lines of Credit (LOCs) under the Indian Development and Economic aid Scheme (IDEAS).
  - A total of 306 Letters of Credit totaling USD 30.59 billion have been given to 65 nations. Critical infrastructure sectors like transport, electricity production, manufacturing, healthcare, education, and capacity building are all covered by the projects funded by LOCs.
- **What makes Bhutan significant to India?**
  - Bhutan acts as a buffer state between China and India, two enormous Asian nations with complicated diplomatic ties. Because of Bhutan's advantageous location, India is further protected from any northern attacks.
  - Bhutan was instrumental in enabling Indian forces to enter its territory in 2017 during the Doklam conflict between India and China in order to stave off Chinese invasions.
  - India's commitment to supporting Bhutan's socioeconomic growth is predicated on its goals of enhancing cross-border connectivity and growing trade, infrastructural, and energy relations.
  - In Bhutan's 12th Five Year Plan (2018–2023), the Indian government has pledged Rs. 45 billion, of which Rs. 28 billion is for Project Tied Assistance (PTA).
  - Projects in the fields of health, education, culture, livestock development, and infrastructure are all included in the PTA programme.
  - India has committed to the Small Development Projects (SDPs) and High Impact Community Development Projects (HICDPs) for grassroots development throughout Bhutan.

- These are tiny, quickly developed projects that are located in isolated areas of Bhutan with the goal of building infrastructure such as farm roads, livestock facilities, irrigation and water delivery systems, and local capacity building.
- One of the main tenets of bilateral economic cooperation is mutually beneficial hydropower collaboration with Bhutan. The development of hydropower is a crucial driver of socio-economic progress in Bhutan.
- The 2006 bilateral cooperation agreement and its Protocol, signed in 2009, govern the ongoing cooperation between India and Bhutan in the hydropower sector.
- India is now receiving power from four hydroelectric projects (HEPs) in Bhutan, which have a combined capacity of 2136 MW.
- In August 2019, the 720 MW Mangdechhu was put into service, and in December 2022, it was turned over to Bhutan.
- Two HEPs in the Inter-Governmental form, 1200 MW Punatsangchhu-I and 1020 MW Punatsangchhu-II, are being implemented in different phases.
- The 600 MW Kholongchhu hydroelectric plant, the first joint venture project ever, was put into service by the two nations. The project's goal is to produce excess hydroelectricity for Bhutan, which will be sold to India in order to help the country's economy and create jobs.
- India is Bhutan's principal trading partner in terms of both imports and exports.
- The two neighbours have a centuries-old, deep cultural and civilizational affinity. Since Buddhism, the religion practiced by the majority of Bhutanese, began in India, Bhutan regards India as gyagar, or the holy land.
- **The Neighbourhood First Policy of India:**
- India's strategy to managing its relations with the nations that make up its immediate neighborhood—Afghanistan, Bangladesh, Bhutan, Maldives, Myanmar, Nepal, Pakistan, and Sri Lanka—is guided by its "Neighbourhood First Policy."
- Increasing trade and business as well as people-to-people, digital, and physical connectivity within the region are among the goals of the Neighbourhood First policy.

*Source → The Hindu*

## 2 – Guidelines on State Guarantees for Borrowings:

### GS II

#### Government Policies and Interventions

- **What Does a Guarantee Include?**

- A "guarantee" is a legal duty on the part of a State to fulfil payments and shield a lender or investment from the possibility of a borrower defaulting.
- A contract to "perform the promise, or discharge the liability, of a third person in case of his default" is referred to as a guarantee under the Indian Contracts Act of 1872. The main Debtor, the Creditor, and the Surety are the three parties involved.
- Creditor: The organisation that receives the guarantee. This is the party who is entitled to payment and who is covered by the guarantee.
- Principal Debtor: The organisation that receives the guarantee on its behalf. This person is the one with the obligation or accountability.
- Surety: The organisation offering the guarantee (in this case, the state governments) that makes the commitment to carry out the promise or release the principal debtor from liability in the event of default.
- The surety assumes a legal duty to fulfil the commitment or release the principle debtor from liability in the event of default.
- A guarantee is not the same as a "Indemnity" contract, which shields the lender against losses brought on by the promisor's (or principal debtor's) actions.

- **As an example:**

- If A provides B with particular products or services and B fails to pay A as agreed, B is in default and may face legal action for the debt.
- C intervenes and declares that B will be covered by him/her. A grants the request for a forbear. The assurance is constituted by C's activity.

- **Why Issue a Guarantee?**

- Three scenarios are where guarantees are frequently utilised at the state level.
- Concessional Loan Request: A sovereign guarantee is frequently needed in order to obtain concessional loans for public sector firms from bilateral or multilateral organisations.

- To Improve Project Viability: Projects that offer substantial social and economic advantages are made more viable by using guarantees.
- To Secure Resources at Lower Interest: Guarantees can be used by public sector organisations to obtain resources on more advantageous conditions or at lower interest rates.
- **Danger Combined With the Promises:**
  - Although useful in prosperous times, using guarantees carries financial dangers.
  - The fact that guarantees typically do not demand an upfront monetary payment is one of the reasons the instrument has been utilised so extensively, according to the working group's study.
  - Because guarantee triggers and related expenses are frequently difficult to estimate, this technique may result in unanticipated cash outflows and increasing state debt.
  - In order to get loans from commercial banks or financial institutions, state governments are frequently required to provide guarantees on behalf of a variety of entities, including state-owned companies, cooperative institutions, and urban municipal authorities.
  - These organisations give the state government a guarantee commission or fee in exchange.
- **What are the RBI Working Group's Principal Recommendations for Guarantee?**
- **What a guarantee is defined as:**
  - Any instrument that imposes a duty on the guarantor (State) to pay the borrower on behalf of itself at a later time should be included in the broader definition of "guarantee."
  - In order to evaluate the fiscal risk, it must additionally distinguish between unconditional and conditional guarantees, as well as financial and performance guarantees.
  - These are contingent obligations that could eventually pose a risk.
- **Exclusively for the Principal Loan Guarantees:**
  - It is not advisable to use government guarantees to secure funding through state-owned businesses that act as a substitute for state government financial resources.
  - They shouldn't be permitted to establish de facto or direct culpability against the State either.
  - The Government of India's guidelines, which provide that guarantees should only be provided for the principal amount and regular interest portion of the underlying loan, should be followed.
  - Guarantees cannot be granted for external commercial borrowings, cannot be extended for more than 80% of the project financing (according to the lender's requirements), and cannot be given to institutions and businesses in the private sector.
  - The right preconditions must be stated, including the duration of the guarantee, the amount of the guarantee fee used to cover risk, the representation of the government on the borrowing entity's management board, the right to an audit, etc.

- **Determining Risk, Charge, and Ceiling:**

- The Group advises States to classify guarantees as high, medium, or low risk based on the entity's prior default history when evaluating the risk attached to them.
- Transparency and disclosure regarding the technique employed to calculate these risk weights are crucial.
- The minimum guarantee charge must be determined at a minimum of 2.5% annually based on the risk assessment.
- The research highlights that the state government may face significant financial burdens if it were to invoke a guarantee.
- The Group suggests capping guarantees at 5% of revenue receipts or 0.5% of the gross state domestic product (GSDP), whichever is less, in order to reduce any stress.

- **Disclosures and Resolved Issues:**

- The Group advises that the RBI advise banks and non-bank financial institutions to reveal the loans extended to state-owned companies that have guarantees from the state government.
- The paper highlights the necessity of an extensive database to monitor extended assurances and suggests setting up a unit at the state level specifically for this purpose.
- The study acknowledges the potential risks and emphasises that the State government's reputation could be harmed and legal problems could arise if commitments are not honoured promptly.
- States are advised to exercise caution when lending money to organisations that have a track record of defaulting on loans.
- The research also stresses how crucial it is to fulfil promises on time in order to keep your trust with lenders and investors.

- **What Kinds of Guarantees Does the Government Offer?**

- guarantees provided to RBIs, other banks, and financial institutions (such as IFCI, LIC, UTI, and others) for working capital support for businesses, corporations, cooperative societies, and cooperative banks; principal repayment and interest payment; cash credit facility; and financing seasonal agricultural operations.
- guarantees provided in accordance with contracts the Indian government engaged into with foreign financial institutions about principle repayment, interest payments, etc.
- In exchange for the banks giving foreign suppliers letters of authorization to provide goods and services on credit in the companies' or corporations' favour, the banks are providing counter-guarantees to the banks.
- guarantees provided by businesses/corporations for the timely and proper payment of freight charges and other obligations to state electricity boards and railroads. (Nil during the previous few years)



- Performance guarantees provided for the completion of projects or contracts granted to foreign or Indian businesses abroad. (Nil during the previous few years)

*Source → The Hindu*

### **3 - Enigma of Humboldt:**

#### **GS III**

#### **Environmental Conservation**

- **About:**

- The diversity of plant, animal, and microbiological species worldwide, along with its associated genetic variants, constitute biodiversity, which is the foundation of all life on Earth.
- Biodiversity is quantified using two main factors: species evenness and species richness.
- A community's species richness is a measure of how many species are there.
- The highest level of species richness can be found in tropical rainforests on land and coral reefs in the ocean.
- A measure of the relative abundance of the many species that contribute to an area's richness is called species evenness.
- Few species predominate at sites with low evenness.
- India's biodiversity: With around 7–8% of the world's known species found there, India is one of the world's mega-diverse nations.
- Of the 36 hotspots for biodiversity acknowledged worldwide, four are located in India (Himalaya, Indo-Burma, Western Ghats and Sri Lanka, Sundaland).
- Approximately 91,200 animal species and 45,500 plant species have been identified so far across the nation's 10 biogeographic zones.

- **What is the mystery of Humboldt?**

- Humboldt's Enigma: Prompted by observations made by Alexander von Humboldt, it challenges the widely accepted belief that tropical regions, with their abundance of sunlight, serve as the principal hubs of biodiversity on Earth.
- It argues that even though they experience lower temperatures and less sunlight, mountain ecosystems demonstrate remarkable biodiversity, which contradicts accepted ecological ideas and calls for further research into this oddity.
- Humboldt's Observations: Humboldt proposed a connection between species occurrence patterns or biodiversity and temperature, height, and humidity on the one hand.



- The Chimborazo mountain in Ecuador, which is now a significant example of mountain diversity, was his choice of example.
- **Elements That Affect Mountain Biodiversity:**
  - Diverse Topography: From snow-capped peaks to protected valleys, mountains offer a tapestry of microclimates.
  - Different ecological niches that are appropriate for a greater variety of species are created by this diversity.
  - Isolation: Because mountains function as solitary "islands" in the sky, they foster special evolutionary paths and endemic species that are unique to them.
  - For instance, a large number of endemic plant and animal species that have developed in isolation from the mainland can be found in the Hawaiian Islands.
  - Dynamic landscapes: Landslides and glacier retreats are examples of geological processes that continuously alter the topography of mountains, allowing for the colonisation and evolution of new species.
  - India's Mysterious Mountains: The varied mountain ranges of India, particularly the Himalayas, particularly the Eastern Himalayas, provide excellent environments for examining Humboldt's mystery.
  - The Eastern Himalayas are home to hundreds of species, including approximately 10,000 plant species, 900 bird species, and 300 mammal species, according to the World Wildlife Fund. of which a large number are severely endangered or endangered.
  - The densest populations of Asian elephants, one-horned rhinos, and Bengal tigers can be found in its grasslands.
  - Snow leopards, red pandas, takins, Himalayan black bears, and golden langurs can be found hiding in its mountains, while the rarest dolphins in the world can be found in its rivers (Gangetic).

**Source → The Hindu**

## 4 - Initial Human Neuralink Implant:

### GS III

#### Science and Technology

- **The Brain-Computer Interface: What Is It?**
- Using non-traditional neuromuscular channels, such as nerves and muscles, a Brain-Computer Interface (BCI) is a technology that facilitates direct communication between the brain and external devices, such as computers or prostheses.
- With BCIs, people can control equipment or communicate with the outside world by thinking. Typically, sensors are used to detect brain activity, which is subsequently translated into orders or actions.
- **What Possible Uses for Brain-Computer Interface Exist?**
- **Medical Interventions:**
- **Neurological Disorders:** By directly interacting with the brain, diseases such as epilepsy, Parkinson's disease, and neurodegenerative disorders are monitored and treated.
- **Stroke Rehabilitation:** Supporting the recuperation and restoration of motor function following a stroke.
- With the use of assistive technology, people who are paralysed or have motor disabilities can operate prosthetic limbs, wheelchairs, or other devices by thinking.
- regaining communication for people suffering from illnesses such as locked-in syndrome, which leaves a person paralysed except for the muscles controlling their eye movement.
- **Monitoring mental health conditions:** supplying up-to-date information for tracking and treating mental health issues like anxiety or depression.
- **Virtual and Augmented Reality Interaction:** Improving users' experiences in virtual and augmented reality by enabling mental interaction with digital settings.
- **What Ethical Issues Concerning Brain-Computer Interfaces (BCI)?**
- **Privacy Concerns:** Thoughts and emotions may be decoded by BCIs. Cognitive privacy is an issue when this information is accessed without authorization.

- There is a chance of hacking and unauthorised access to the brain data, just like with any device that collects and stores sensitive data. This could result in identity theft or other nefarious purposes.
- Neurosecurity: There is a chance that a person's thoughts or actions could be unintentionally controlled or managed by BCIs.
- Equity and accessibility: BCIs' detractors claim that if only certain socioeconomic groups can afford the expensive technology, it will worsen already-existing social disparities and create a "cognitive divide."
- Medical and Therapeutic Applications: It can be difficult to distinguish between risks to normal cognitive function and therapeutic applications of brain-computer interfaces.
  
- **The Way Ahead:**
  - In the direction of neuroethics and neuroprivacy: developing frameworks for ethics that characterise the therapeutic and helpful uses of BCI while addressing concerns about consent, privacy, and security.
  - Transparency and Informed Consent: To guarantee that users are well-informed, promote open communication regarding the potential hazards, limitations, and capabilities of BCIs.
  - Equitable Access: Take steps to close the gaps in digital and cognitive literacy so that people from a variety of backgrounds, including those with physical or mental limitations, can use BCIs.
  - Education and Awareness: To guarantee ethical practices, give researchers, medical professionals, and the general public education and training.

*Source → The Hindu*