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PT 365

Classroom Study Material

ECONOMY

JUNE 2016 – FEB 2017

NOTE: March 2017 to 15th May 2017 current affairs for PT 365 economy will be updated on our website on third week of May 2017.

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1. BANKING AND MONETARY POLICY

1.1. COMMERCIAL BANKS AND BAD LOANS

1.1.1. INDIA POST'S PAYMENT BANK

Why in news?

- Union Cabinet has approved the setting up of **India Post's Payments Bank** at a total project cost of Rs 800 crore.

Significance

- **Financial inclusion**- extensive reach and spread of basic financial services to blocks, taluks and villages ensuring **last mile connectivity**.
- Provision of **debit facility in remote areas.**

What are payment banks?

- Payment banks are non-full service banks, whose main objective is to accelerate financial inclusion.
- Payments banks will mainly deal in transfer and remittance services and accept deposits of up to Rs 1 lakh.
- They will not lend to customers and will have to deploy their funds in government papers and bank deposits.
- They can accept demand deposit, issue ATM/debit cards but not credit cards.

1.1.2. MERGER OF SBI ASSOCIATED BANKS

Why in news?

The boards of State Bank of Bikaner & Jaipur (SBBJ), State Bank of Mysore (SBM), State Bank of Travancore (SBT), the unlisted State Bank of Hyderabad (SBH), State Bank of Patiala (SBP) and Bharatiya Mahila Bank approved the scheme of merger with State Bank of India.

Benefits of the Merger

- It would improve the **economies of scale** leading to reduction of cost on account of treasury operations, audit, and technology, among others.
- Help in meeting **BASEL-III norms**. Improvement in small banks in terms of technological know-how, international standards, innovative products, professional standards etc.

BASEL III

- BASEL III is an international banking regulatory accord released by the **Basel Committee on Banking Supervision.**
- It aimed to strengthen the global financial system post the 2008 crisis.
- It has been designed to improve the regulation, supervision and management within the banking sector.
- BASEL III norms were adopted in India in a phased manner since January, 2013.

1.1.3. DOMESTIC SYSTEMICALLY IMPORTANT BANKS (D-SIBS)

Why in news?

- The Reserve bank of India (RBI) has identified public sector lender State Bank of India (SBI) and its private sector peer ICICI Bank as **domestic systemically important banks (D-SIBs)** in 2016.

What is it?

- SIBs are perceived as certain big banks in the country. They enjoy a huge customer base and also engage in cross sector activities (insurance/pension). They are perceived as **'Too Big to Fail (TBTF)'.**
- As they command such a huge consumer base as well have NBFC subsidiary therefore they have expectation of government support at the time of distress.
- Due to this perception these banks may indulge in reckless practices. Therefore D-SIBS are required to maintain additional capital requirements as notified by the RBI.
- There are two types of SIBs:
  - ✓ **Global SIBs**; the identified by **BCBS.**
  - ✓ **Domestic SIBs**; by central Bank of the country.

1.1.4. EXIM BANK

- Export-Import Bank of India is a wholly owned Govt. of India entity setup in 1982 for financing, facilitating and promoting foreign trade of India.
- The EXIM bank extends Line of Credit (loC) to overseas financial institutions, regional development banks, sovereign governments and other entities abroad.

- Thus the EXIM Banks enables buyers in those countries to import developmental and infrastructure, equipment's, goods and services from India on deferred credit terms.
- The bank also facilitates investment by Indian companies abroad for setting up joint ventures, subsidiaries or overseas acquisitions.

1.1.5. SMALL FINANCE BANK

Why in News?

- Recently micro lenders, **Suryoday and Utkarsh**, have started **small finance banks (SFBs).**
- They are offering interest rates of more than 6% (as compared to 4% offered by commercial banks) for savings bank deposits.

What are Small Finance Banks?

- **SFBs was recommended by the Nachiket Mor committee on financial inclusion**
- They are **niche banks** (banks that focuses and serves the needs of a **certain demographic segment of the population).**The SGBs are scaled down versions of commercial banks, with **both deposit-taking and loan-making functions.**
- **They can** supply credit to MSMEs, agriculture and banking services in unbanked and under-banked regions in the country.

Characteristics of SFBs

- Resident individuals/professionals carrying 10 years of experience in banking and finance and companies and societies owned and controlled by residents will be eligible to set up small finance banks.
- **SFBs** have a minimum paid up capital of Rs.100 crore.
- **SFBs can** sell FOREX, mutual funds, insurance, pensions and can also convert into a full-fledged bank.

1.1.6. FIXING PSU BANKS

Background

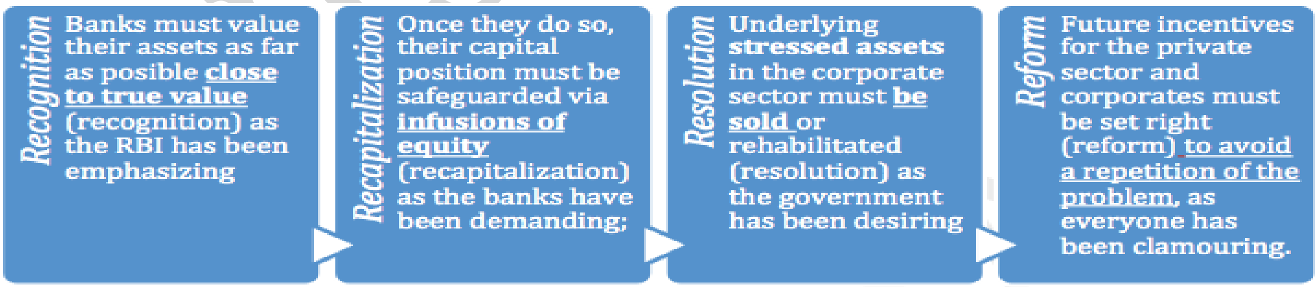
- Our banks are saddled with too many non-performing loans and credit expansion has slowed dramatically. It has been referred to as ***'Balance Sheet Syndrome with Indian characteristics'.***
- <u>Contracting credit conditions:</u> Corporate profits are low while debts are rising, forcing firms to cut investment to preserve cashflow **(twin balance sheet problem)**

Twin-balance Sheet Problem

- The twin balance sheet problem deals with the corporate balance sheet and the bank balance sheet.
- Delays in corporate projects leads to issues with loan repayments.

Solutions

- This requires action on 4 fronts or 4 ***R**s: Recognition, Recapitalization, Resolution, and Reform.*



Need for Recapitalization of public sector banks

- Both restructured assets and stressed assets are currently shown as performing, but a large part could well turn into NPAs in the next two years.
- ***Steps taken:*** *Recapitalization using* special declaration of dividends from the built-up reserves in RBI,
  - Implementation of Indradhanush Scheme.
- **Bad banks Steps taken**:

Indradhanush Scheme

- The scheme was launched in 2015 to revamp the PSU banks.
- The scheme has a 7 point which includes appointments, board of bureau, capitalisation, de-stressing, and empowerment, framework of accountability and governance reforms.

Banks Board Bureau

- It is entitled with the job of making executive appointments to PSU banks.
- It will also help banks in capital raising plans and business strategies.

- RBI has devised two schemes for the purpose of fresh capital from investors and new management. **Strategic debt restructuring (SDR) scheme** and **Scheme for Sustainable Structuring of Stressed Assets (S4A).**
- The proposed **National Infrastructure and Investment Fund (NIIF),** operating with private partners, will provide both equity and new credit to stressed infra projects going through the SDR mechanism.

What is NIIF?

- It is a fund created by the Government of India **for enhancing infrastructure financing in the country.**
- It is registered as a **category II alternative investment fund with the Securities and Exchange Board of India.**
- A sort of sovereign fund, for development of infrastructure projects, including the stalled ones. It is India's first sovereign wealth fund.

1.1.7. SCHEME FOR SUSTAINABLE STRUCTURING OF STRESSED ASSETS

Objective

To strengthen the lenders' ability to deal with stressed assets and put real assets back on track by providing an avenue for "reworking the financial structure" of big corporate entities "facing genuine difficulties".

Other steps taken by RBI

- **5:25 Scheme**: It allows banks to extend long-term loans of 20-25 years to match the cash flow of projects, while refinancing them every 5 or 7 years.
- Compromise settlement schemes.
- **Strategic Debt Restructuring (SDR)** - consortium of lenders converts a part of their loan in an ailing company into equity, with the consortium owning at least 51 per cent stake
- Corporate Debt Restructuring (CDR) mechanism and Joint Lenders' Forum.

Difference between NPAs and Stressed Assets

- **Stressed Assets** - It is a broader term and comprises of NPAs, restructured loans and written off assets.
- **NPAs (Non-performing Assets)** - A loan whose interest/instalment for more than 90 days.
- **Restructured Loans** - assets/loans which have been restructured by giving a longer duration for repayment, lowering interest or by converting them to equity.
- **Written off Assets** - assets/loans which aren't counted as dues. They are compensated through some other way.

1.1.8. INSOLVENCY AND BANKRUPTCY BOARD

- The Centre has constituted a **four-member Insolvency and Bankruptcy Board of India (IBBI)** under the **Ministry of Corporate Affairs.**
- The main activity of IBBI would be to regulate the functioning of insolvency professionals, insolvency professional agencies and information utilities under the **Insolvency and Bankruptcy Code 2016.**

Insolvency and Bankruptcy Code, 2016

- It was brought to reduce the delay in resolution of insolvency and bankruptcy due to multiplicity of laws - Companies Act, SARFAESI Act, **Sick Industrial Companies Act**, and so on.

Salient Features of the law

- A unified code for greater legal clarity.
- **Fixed a timeline of 180 days,** extendable by another 90 days, to resolve cases of insolvency or bankruptcy.
- A **new regulator** — The Insolvency and Bankruptcy Board of India (**IBBI**) to regulate professionals/agencies dealing with insolvency and informational utilities.
- **National Company Law Tribunal (NCLT)** to adjudicate bankruptcy cases over companies, limited liability entities while **Debt Recovery Tribunal (DRT)** to adjudicate cases over individuals and unlimited liability partnership firms.
- It allows the debtor itself to initiate the insolvency-resolution process once it has defaulted on a debt.
- Prioritization of claims by different classes of creditors and enabling provisions for solving cross border insolvency.

1.1.9. AMENDMENT TO SARFAESI AND DRT ACT

SARFAESI: was enacted to enable Banks and financial institutions to auction residential or commercial properties without the intervention of any court or tribunal to recover loans. It led to the formation of ARCs, enabling banks to take over the management of secured assets etc

Debt Recovery Tribunal: They are alternate to civil courts formed for enforcement and recovery of debts. It provided a faster and easier procedure for recovery.

Why in News?

- Parliament has passed a Bill that seeks to amend four Acts:
  - ✓ **SARFAESI Act, 2002,**
  - ✓ **The Recovery of Debts due to Banks and Financial Institutions Act, 1993,**
  - ✓ **The Indian Stamp Act, 1899; and**
  - ✓ **The Depositories Act, 1996.**

Main features of the bill

- SARFAESI
  - ✓ **Allows Banks to take possession of collateral security within 30 days**. This assumes importance in view of Vijay Mallaya controversy
  - ✓ **Expansion of regulatory powers of RBI over ARCs**;
    - RBI will get more powers to audit and inspect any ARC as well as the freedom to remove the chairman or any director and appoint central bank officials to its board.
    - RBI will be empowered to impose penalties for non-compliance with its directives, and regulate the fees charged by these companies to banks at the time of acquiring such assets.
- DRT
  - ✓ To move towards **online DRTs**- electronic filing of recovery applications, documents and written statements.
  - ✓ Establish a **time bound process**
  - ✓ Taking **interest of creditors**- 50% of the debt has to be deposited with DRT for filing an appeal.
- **ARCs:**
  - ✓ ARC take over the NPA's from banks for fixed cost which is less than the NPA amount.
  - ✓ NPA is transferred to ARC along with any security which is pledged while taking loan.
  - ✓ ARC issues security receipts for fixed interest rate and raises money.(These raised money can be invested in financial institutions)

1.2. PF CONTRIBUTION VIA PRIVATE BANKS

Why in news?

- Labour Ministry has allowed employers to make provident fund (PF) contributions to Employees Provident Fund Organization (EPFO) through scheduled banks (SCBs) in India including private sector banks.

What is EPFO?

- It is a **statutory body** under **Employees Provident Fund and Miscellaneous Provisions Act 1952.**
- It administers
  - ✓ The Employees Provident Fund scheme
  - ✓ The Employees' Pension Scheme
  - ✓ The Employees Deposit linked Insurance scheme for the workforce engaged in the **organized sector in India**.
- It is administered by a Board known as Central Board of Trustees (**headed by Labour Minister**).

1.3. CREDIT ENHANCEMENT GUARANTEE FUND

Why in News?

- Government has chosen **India Infrastructure Finance Co. Ltd (IIFCL)** as the lead promoter of a **Credit Enhancement Guarantee Fund**, announced in the Union budget 2016-17.

About Credit Enhancement Guarantee Fund

- It provides an additional **source of guarantee that the borrower will not default on their loan**.
- It also **helps borrowers raise loans at reduced interest rates**.

- It has a seed capital of Rs. 1500 crores and will be able to provide **guarantees for up to Rs 40000 crores worth of infrastructure projects**.

1.4. RBI

1.4.1. FUNCTIONS OF RBI

Why in News?

Questions on autonomy of RBI were raised after note-ban in November.

Monetary Policy Committee

- A 6-member committee to decide **key policy rates.**
- It will have three members from RBI. They are the **governor, deputy governor and another officer.**
- 3 members will be decided by the centre based on the recommendations of a panel headed by the **Cabinet Secretary**.
- The **RBI governor** will have a **vote in case of a tie**.

RBI and its Functions

- It was established in 1935 under the provisions of **RBI Act, 1934.**
- RBI has seven major functions:
  - ✓ **Print Notes**: RBI has the sole autonomy to print notes. GoI has the sole authority to mint coins and one rupee notes.
  - ✓ **Banker to the Government:** It manages government's deposit accounts. It also represents govt. as a member of the IMF and World Bank.
  - ✓ **Custodian of Commercial Bank Deposits**
  - ✓ **Custodian to Country's Foreign Currency Reserves**
  - ✓ **Lender of Last Resort:** Commercial banks come to RBI for their monetary needs in case of emergency.
  - ✓ **Central Clearance and Accounts Settlement:** As RBI keeps cash reserves from commercial banks therefore it rediscounts their bills of exchange easily.
  - ✓ **Credit Control:** It controls supply of money in the economy through its monetary policy.
- The power to appoint RBI Governor solely rest with the Centre and he holds office at the pleasure of Central Government (tenure not exceeding 5 years).

1.4.2. INFLATION TARGETING

Why in News?

- The government has notified an **inflation (Consumer Price Index)** target of **4% till 2021 with an upper/lower tolerance of 2 points.**

RBI will have to achieve 4% CPI inflation, +/- 2%

LOWER bound of 2%; upper bound 6%

TARGET applicable till March 2021

CONSUMER Inflation out of this range for 3 successive quarters will constitute monetary policy failure

RESERVE Bank will have to explain reasons and suggest corrective measures

What is it?

- **Inflation targeting** refers to the **monetary policy strategy** where an inflation target is set and policy formulation is done in a way to achieve that target.
- **RBI** officially adopted inflation targeting as a monetary policy strategy in **February 2015**.
- The inflation target is to be revisited once in **every five years.**
- In order to meet the inflation target, the RBI will **raise or lower interest rates.**

WPI

- It includes three components
  - Manufactured products = 65% approx
  - Primary articles = 20% approx
  - Fuel and power = 15% approx
- The WPI basket includes 676 commodities in total- all of these are only goods and whose prices are captured at the wholesale/producer level. The CPI considers inflation at the retail end, while also including services.
- It is measured by Ministry of commerce and industry with base year as 2004-05

CPI

- Apart from the WPI, inflation in India is calculated at the consumer level also by the mean of CPI. Because the wide disparities in the consumption baskets for different segment of consumers, India has adopted four CPIs
  - CPI (Industrial Workers):

- CPI (Urban Non- Manual Employees
  - CPI (Agricultural Labour):
  - CPI (Rural Worker)
- In India, RBI uses CPI (combined) released by CSO for inflation purpose with base year as 2012.
- The number of items in CPI basket include 448 in rural and 460 in urban.

PPI

- The Producer Price index (PPI) is a family of indexes that measures the average change in selling prices received by domestic producers of goods and services over time.
- It measures price change from the perspective of the seller and differs from other indexes, such as the Consumer Price Index, that measure price change from the purchaser's perspective.
- The PPI looks at three areas of production:
  - Industry-based,
  - commodity-based and
  - Commodity-based final demand-intermediate demand.

1.4.3. P2P LENDING

Why in news?

- Recently, the RBI released a consultation paper on developing regulatory norms for P2P lending.
- It has proposed 6 key areas to frame regulatory guidelines - permitted activity, reporting, prudential and governance requirements, business continuity planning and customer interface.

What is Peer-To-Peer Lending (P2P)?

- It is a method of debt financing that enables individuals to borrow and lend money - without the use of an official financial institution as an intermediary.
- The basic business model of an online P2P player is to provide a platform to connect lenders with borrowers. The lender will put their savings/investment into an account for it to be loaned out to borrowers and get a good rate of return.
- Two prominent online lending portals in the country are Faircent and ilend.

1.4.4. PROPOSED PAYMENT REGULATORY BOARD

Why in News?

- RBI has differed on opinions given by **Ratan Watal committee on payment regime** in India and especially on the recommendation of a new Payment Regulatory Board.
- Watal committee recommended constituting a **Payment Regulatory Board** (**independent of RBI**) **to promote competition and innovation** in the payment ecosystem in India.
- Presently **Board for Regulation and Supervision of Payment and Settlement Systems overlooks the payment ecosystem in India.**

Board for Regulation and Supervision of Payment and Settlement Systems

- It is a sub-committee of the Central Board of the RBI
- It is the highest **policy making body on payment systems**.
- It is empowered **to authorize, prescribe policies and set standards to regulate and supervise all the payment and settlement systems** in the country.
- It secretariat is at the Department of Payment and Settlement Systems of RBI.
- It is a **statutory body set as per Payment and Settlements systems Act 2007**.

1.4.5. RBI'S STEPS ON FCNR GET FSDC NOD

Background

- In 2013, the rupee was at an all-time low of 68.85 against the dollar and huge volatility in currency markets volatility on fears of tapering of quantitative easing by the US Fed.

- So RBI asked commercial banks to raise the foreign currency deposits (for ex: FCNR, offshore corporate loans etc.) to shore up reserves.
- Banks had raised about $34 billion through FCNR deposits.
- The central bank thereafter readied itself by buying forwards dollar.

What is a FCNR Account?
An FCNR account is a term deposit account that can be maintained by NRIs and PIOs in foreign currency. Thus, FCNRs are not savings accounts but fixed deposit accounts.

Financial Stability and Development Council (FSDC)

- To strengthen and institutionalize the mechanism for maintaining financial stability and enhancing inter-regulatory coordination.
- The Chairman of the FSDC is the Finance Minister of India and its members include the heads of the financial sector regulatory authorities (i.e., SEBI, IRDA, RBI, PFRDA), Finance Secretary and/or Secretary, Department of Economic Affairs (Ministry of Finance), Secretary.

1.4.6. MARKET STABILISATION SCHEME BONDS

Why in news?

The government increased the ceiling of market stabilization scheme (MSS) bonds to Rs.6 lakh crore, from the earlier Rs.30000 crore.

What is MSS scheme?

- MSS is a mechanism to give more powers to RBI to manage liquidity. It sucks out the over-liquidity from the market.
- It was first used in February 2004 when the country was flushed with dollar inflows, which needed to be converted into the rupee.
- Raised money goes to separate **Market Stabilization Scheme Account (MSSA)**, not for government expenditure.

1.5. DEMONETIZATION AND CASHLESS ECONOMY

1.5.1. DEMONETISATION OF RS 500 AND RS 1000 NOTES

Why in news?

- The 500 and 1000 rupee notes seized to be a legal tender from 8 November, 2016.

What is Demonetization?
- It is a financial step where in a currency unit's status as a legal tender is declared invalid.
- This is usually done when old currency notes are to be replaced with the news ones.

Implications of Demonetization

- **A parallel black economy** would collapse.
  - ✓ Of the Rs 17 lakh crore of total currency in circulation in the country, black money is estimated at mind-boggling Rs 3 lakh crore.
  - ✓ **Counterfeit currency:** Death blow to the counterfeit Indian currency syndicate operating both inside and outside the country.
- **On Employment**: a large part of the Indian economy is still outside the banking system. So, the cash shortage will hurt the informal sector that does most of its transactions in cash.
- **On elections:** It will reduce the Vote-for-Note politics making elections more clean and transparent.

A brief past
- Demonetisation was earlier done in 1978 When the government demonetised Rs. 1000, Rs. 5000 and Rs. 10000 notes.
- This was done under the **High Denomination Bank Note (Demonetisation) Act, 1978**.
- The difference between 1978 and 2016 Demonetisation is that the currency in circulation (of the higher denomination) is higher in 2016 than was in 1978.
- The current demonitization has been done by government under section 26(2) of the Reserve Bank of India Act.

- **On Economy:**
  - ✓ First, it will bring more borrowings to the exchequer, improve inflation outlook and increase India's gross domestic product (GDP).
  - ✓ Second, it will revive investment opportunities and give a fillip to infrastructure and the manufacturing sector.
  - ✓ Third, it will help reduce interest rates and lower income tax rate.
- **Real estate cleansing:** An unexpected dip in land and property prices.

- **On Higher Education:** will become more reachable as the black money from 'high capitation fees' is discouraged.
- **On security:**
  - ✓ **Terror financing:** Terror financing is sourced through counterfeit currency and hawala transactions.
  - ✓ **Kashmir unrest:** The four-month-long unrest in Kashmir valley is on a backburner
  - ✓ **North-East insurgency and Maoists:** Black money is the oxygen for Maoists collected through donations, levy and extortions. The illicit money is used to purchase arms and ammunition

1.5.2. SWACCH DHAN ABHIYAN

- The Income Tax Department launched Operation Clean Money for the e-verification of large cash deposits post demonetization till 31st December, 2016.
- The government has used Data Analytics to identify persons whose cash deposits are not in line with their income tax profile.

1.5.3. BHARAT QR CODE

- Bharat QR code has been developed jointly by **National Payments Corporation of India (NPCI), Visa, MasterCard and American Express under instructions from RBI.**
- It works as common interface for the **MasterCard/ Visa/RuPay platforms** and also **facilitate acceptance of Aadhaar-enabled payments and Unified Payments Interface (UPI).**
- It eliminates the need of using card swiping machines for digital payments.
- Interoperability- The merchants will be required to display only one QR code instead of multiple.

QR code (Quick Response code) is a two-dimensional (matrix) machine-readable bar code made up of black and white square. This code can be read by the camera of a smartphone.

- It is capable of 360 degrees (omni-directional), high speed reading.
- QR Code can store up to 7089 digits as compared to conventional bar codes which can store max 20 digits.
- It carries information both horizontally and vertically. It has error correction capability and data stored in it can be restored even if it is partially damaged or dirty.

1.5.4. BHIM APP

Why in News?

- PM launched a digital payments app known as BHIM (Bharat Interface for Money) App on 30th Decemeber 2016.

What is it?

- BHIM is a UPI-based digital payments app developed by the NPCI
- It works both on Smartphones and feature phones.
- The app can send money to other UPI accounts or addresses.
- It can also send money via IFSC (Indian Financial System Code) and MMID (Mobile Money Identifier Code) to users that do not have UPI.
- One can also generate a QR code for a specific amount. A merchant can deduct the said amount by scanning this QR code. Contrary to popular conception, it is not a mobile wallet like PayTM or Mobikwik.
- The BHIM app will support Aadhaar-based payments in future where transactions will be possible with just a fingerprint impression.

Major ways of digital transactions:

- National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement in India (RTGS) and – bank services.
- Utilising mobile wallet services provided by banks, UPI etc.,
- Others forms pertains to debit cards and credit cards which are referred as plastic money. These cards can be used in Point of Sale (PoS) machines maintained by vendors.

1.5.5. VITTIYA SAKSHARATA ABHIYAN (GO DIGITAL)

- An initiative launched by Ministry of Human Resource development to encourage, create awareness and motivate all people to use a digitally enabled cashless economic system for transfer of fund.
- It emphasized upon cashless economy and appealed to faculty of higher institutions to make their respective campus cashless.

1.5.6. UNIFIED PAYMENT INTERFACE

Why in news?

The indigenous payment system via smartphone was launched giving a boost to the efforts of the RBI in moving towards a 'less-cash' India.

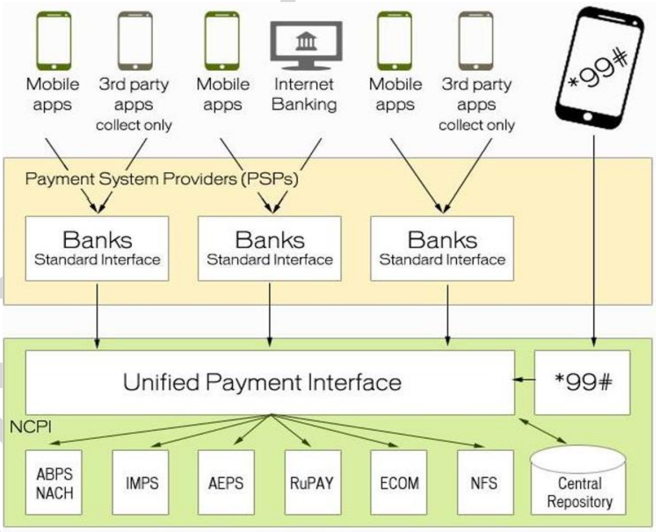
What is UPI?

- It is a common platform through which a person can transfer money from his bank account to any other bank account in the country instantly using nothing but his/her UPI ID.
- It is developed by the **National Payments Corporation of India (NPCI)** under the guidelines of the RBI.
- The interface will be based on the **Immediate Payment Service (IMPS)** platform.

NPCI

- Founded in 2008, it is a non-profit organization registered under section 25 of Companies act.
- It is an umbrella organization for all retail payment systems in India charged with a responsibility of guiding India towards being a cashless society.
- It is promoted by RBI.

How will it work?



- A customer can transfer money to another person through a **unique virtual address, or mobile number, or Aadhaar**. Therefore, customers do not need to know the payee's IFSC code, bank account details, etc. and this will make the process simpler.
- A customer can have multiple virtual addresses for multiple accounts in various banks. There is no account number mapper anywhere other than the customer's own bank. This allows the customer to freely share the financial address with others.

How is it better than existing payment methods?

- Apart from doing away with the need for account details, one can also raise payment requests and ask for money. Therefore, it is being expected that apart from consumers, even merchants and companies will widely use this platform.

1.5.7. AMITABH KANT COMMITTEE

- The government set up a high-level committee under the leadership of Amitabh Kant post demonetization to identify all possible modes of digital payments across sectors.
- The committee will identify infrastructural bottlenecks affecting the access and utility of digital payment options.

1.5.8. PROMOTING DIGITAL TRANSACTIONS

Why in News?

- The responsibility to promote digital transactions in India has been shifted from NITI Aayog to the Ministry of IT and Electronics (MEITY).

Significance

- By shifting the responsibility to promote digital transaction to MEITY, the government is trying to **utilize the core competence of specific ministries**.
- NITI Aayog would have a **role to monitor and recommend ways to improve government schemes** and growth of IT-enabled services.

1.6. BOND MARKET AND SEBI REGULATION

1.6.1. REITS AND OFFSHORE FUND MANAGERS

- SEBI has relaxed rules on Real Estate Investment Trusts (REITs) by allowing them to invest more in under-construction projects, rationalized unit holder consent on related party transactions and removed restrictions on special purpose vehicle (SPV) to invest in other SPVs holding the assets.
- **Real Estate Investment Trust**, is a company that owns or finances income-producing real estate. Modeled after mutual funds, REITs provide investors of all types regular income streams, diversification and long-term capital appreciation. REITs typically pay out all of their taxable income as dividends to shareholders. In turn, shareholders pay the income taxes on those dividends.

1.6.2. ANGEL INVESTORS

Why in news?

- Based on the recommendations of **NR Narayana Murthy headed Alternative Investment Policy Advisory Committee**, SEBI decided to amend the **SEBI (Alternative Investment Funds) Regulations, 2012.**

More Info

- **Angel Investors** – Angel investors invest in small startups or entrepreneurs. The capital angel investors provide may be a one-time investment to help the business propel or an ongoing injection of money to support and carry the company through its difficult **early stages.**
- **Venture Capitalists** – They are professional investors who invest other people's money in high growth potential start-ups and companies.
- They also own shares in the company and have a say in its running.

About SEBI

- It was established in 1992 in accordance with the provisions of the SEBI Act, 1992.
- The main objective is to protect the interest of investors, promote the development of stock exchange and regulate the activities of the stock market.

1.6.3. ALGORITHMIC TRADING

Why in news?

- The SEBI plans to further tighten the regulations for algorithmic trading.

What is Algorithmic Trading?

- An algorithm is a step-by-step procedure to accomplish a task.
- Algorithmic trading is the process of using pre-set computer programmes to execute trades at a speed and frequency that is impossible for a human trader.
- Algo-trading provides the following benefits:
  - ✓ Trades executed at the best possible prices
  - ✓ Reduced transaction costs
  - ✓ Simultaneous automated checks on multiple market conditions
  - ✓ Reduced risk of manual errors in placing the trades, also based on emotional and psychological factors

1.7. GOLD BOND

Why in news?

- The government recently issued 2016-17-Series IV sovereign gold bonds.

What are Sovereign Gold Bonds?

- SGBs are government securities denominated in grams of gold.
- They are substitutes for holding physical gold. Investors have to pay the issue price in cash and the bonds will be redeemed in cash on maturity.
- The Bond is issued by Reserve Bank on behalf of Government of India.

1.8. GREEN BONDS

Why in News?

- According to the **Climate Bonds Initiative**, $81 billion worth of labelled green bonds were issued in 2016, compared to $42.2 billion in 2015.
- The New Development Bank (NDB), established by the BRICS emerging nations sold its first yuan denominated green bond. Bond proceeds will be used to **finance green projects in BRICS countries**.

What is Climate Bonds Initiative?

- The Climate Bonds Initiative is an **international, investor-focused not-for-profit organization**.
- Its **objective is to develop** a large and liquid Green and Climate Bonds Market in developed and emerging markets.

Green Bond

- A bond is a debt instrument with which an entity raises money from investors.
- **The capital for green bond is raised to fund 'green' projects like renewable energy, emission reductions etc.**
- First Green Bond was issued by World Bank in 2007.
- There is no standard definition of green bonds as of now.
- **Blue Bonds:** It is a type of green bond which specifically invests in climate resilient water management and water infrastructure.

Different climate financing initiatives existing today

- **Global Environment Facility (GEF)** is a multilateral body of governments, civil society, banks etc. acting as a financial mechanism to environmental conventions like UNFCCC etc.
- **Green Climate Fund** was created by UNFCCC in 2011 as an operating entity of financial mechanism of the UNFCCC.
- Carbon taxes and cess by the national governments.
- **Clean Development Mechanism** – It involves investment by developed countries in emission reduction projects in developing countries
- **Joint Implementation (JI)** - JI enables developed countries to carry out emission reduction projects in other developed countries.
- **Perform Achieve Trade (PAT)** - It is a market-based trading scheme under National Mission on Enhanced Energy Efficiency (NMEEE). It involves trading in **energy efficiency certificates** to offset emissions.

1.9. INTERNATIONAL STOCK EXCHANGE

- **India's first** international exchange – **India INX** at the **International Financial Service Centre (IFSC)** of **GIFT (Gujarat International Financial Tech) City** was inaugurated at **Vibrant Gujarat Global Summit 2017.**
- **India INX – a subsidiary of Bombay Stock Exchange** is touted to be the world's most advanced technology platforms having an order response time of 4 micro seconds.
- This international exchange will operate 22 hours allowing international investors and NRIs to trade conveniently from anywhere across the world.
- INX will initially trade in equity derivatives, currency derivatives and commodity derivatives which will include index and stocks. It will offer depository receipts and bonds later.

1.10. MASALA BONDS

Why in News?

- **Housing Development Finance Corporation (HDFC)** has raised Rs. 3000 crore by issuing masala bonds. It is the first company to do so since **RBI cleared it in September 2015.**

What is it?

- **Masala Bonds** are **rupee-denominated bonds** sold by **Indian entities** in the **overseas market**.
- As of right now, these bonds are being traded at the **London Stock Exchange**.
- Masala bonds were named so by the **International Finance Corporation (IFC)**, an arm of the **World Bank** after it issued rupee denominated bonds worth Rs. 1000 crore to fund infrastructure projects.
- **Significance:** Masala Bonds can help Indian borrowers tide over exchange rate fluctuations and minimize losses. It will also help put rupee on the global map.

1.11. ROSE VALLEY CASE

Why in News?

- Two MPs from All India Trinamool Congress (TMC) party have been arrested by CBI in Rose valley case.

What is Rose valley case?

- It is a chit fund scam where two entities - **Rose Valley Real Estates and Constructions and Rose Valley Hotels and Entertainment**, garnered Rs 18000 crores from investors as instalments for property purchases promising extraordinary returns of 21%.

Chit funds:

- These are essentially saving institutions which have regular members who make periodical subscriptions to the fund.
- They are of various forms and lack any standardized form.
- Chit fund business is regulated under the Central Act of Chit Funds Act, 1982.
- However, registration and regulation of Chit funds are carried out by State Governments under the Rules framed by them under this Act.
- Functionally, Chit funds are included in the definition of Non- Banking Financial Companies by RBI.

> NBFCs are financial institutions that provides banking services with the following limitations.
> - They can accept only term deposits and not demand deposits.
> - They are not part of payment and settlement system and cannot issue cheques draw on themselves.
>
> Deposit insurance facility is not available to depositors of NBFCs.

Ponzi scheme

- It is an illegal investing scam promising high rates of return to investors.
- It has no underlying assets i.e. it **generates returns for older investors by acquiring new investors and not by earning returns/revenue by any aWssets like property etc.**

Pyramid Scheme is an illegal scheme similar to ponzi scheme.

- While in a Ponzi scheme, participants believe of earning returns from any asset, participants in a pyramid scheme are aware that they earn money by finding new investors.
- Pyramid schemes are banned under **Chits and Money Circulation Schemes (Banning) Act, 1978**

2. FISCAL POLICY

2.1. BUDGETARY REFORMS

2.1.1. RAILWAY BUDGET SCRAPPED

About

- The 92-year-old practice of presenting a separate Rail Budget came to an end from FY 2017-18, with the Finance Ministry accepting Railway Ministry proposal to merge it with the General Budget.
- The proposal for merger of the Rail Budget was given by a Committee headed by Bibek Roy.

Background

- The origin of the railway budget goes back to a report by British politician **William Ackworth** in 1924.
- He recommended a separate railway budget, given that most of the infrastructure spending by the British government went towards building railway lines.
- While the Union budget is a Constitutional requirement and is presented under **Article 112** of the Indian Constitution, which mandates an annual financial statement, **the Constitution does not talk about the railway budget in particular.**

Implications

- Post-merger, the issue of raising passenger fares, will be the Finance Minister's call.
- The merger would mean, Indian Railway will get rid of the annual dividend it has to pay for gross budgetary support from the government every year.
- There are delays resulting in cost overrun of Rs 1.07 lakh crore in respect of 442 on-going rail projects.
- The Indian Railways suffering from a massive revenue deficit, will pass on the burden to the finance ministry after the merger.
- Consequent to the merger, the appropriations for Railways will form part of the main Appropriation Bill

2.1.2. ADVANCEMENT OF BUDGET DATE

Why in news?

Presentation of the Budget was advanced by a month and moved to the last day of February.

Benefits

- This would pave the way for early completion of Budget cycle and **enable Ministries and Departments to ensure better planning and execution of schemes** from the beginning of the financial year.
- It would lead to **utilization of the full working seasons** including the first quarter.
- This will also **preclude the need for seeking appropriation through 'Vote on Account'** and enable implementation of the legislative changes in tax laws from the beginning of the financial year.
- This would **synchronize the transfer of funds to states** with their own state budgets.

2.1.3. MERGER OF PLAN AND NON-PLAN CLASSIFICATION

Why in news?

- Differentiation of plan and non-plan expenditures in the budget statement has been done away with.
- Earlier Planning Commission had an important role in determining the quantum of plan expenditure.
- However, with its abolition, the relevance of plan and non-plan expenditure is lost.

Plan and Non Plan Expenditure

- **Plan Expenditure** - Any expenditure that is incurred on programmes which are detailed under the current (Five Year) Plan of the centre or centre's advances to state for their plans is called plan expenditure.
- **Non Plan Expenditure**- This refers to the estimated expenditure provided in the budget for spending during the year on routine functioning of the government. Non- Plan expenditure is all expenditure other than plan expenditure of the govt.

Benefits

- The Plan/Non-Plan bifurcation of expenditure has led to a **fragmented view of resource allocation to schemes**, making it difficult to ascertain cost of delivering a service and also to link outlays to outcomes.
- The bias in favour of Plan expenditure by Centre as well as State Governments has led to a **neglect of essential expenditures on maintenance of assets** and other establishment related expenditures.

2.1.4. GENDER RESPONSIVE BUDGETING

- **Gender Responsive Budgeting:** It entails dissection of the Government budgets to establish its gender differential impacts and to ensure that gender commitments are translated in to budgetary commitments.
- Gender Responsive Budgeting was institutionalized in India in 2005.
- Apart from being prevalent at the national level, it has been adopted by 16 states.

2.2. PUBLIC FINANCIAL MANAGEMENT SYSTEM

Why in news?

As part of implementing GST, PFMS is being brought to improve the financial management. It is already universalized to cover all transactions/payments for the Central Sector Schemes.

What is PFMS?

- PFMS, administered by the department of expenditure, is an end-to-end solution for processing payments, tracking, monitoring, accounting, reconciliation and reporting.
- All Central ministries and departments have been directed to complete the full roll-out of PFMS by 31st October, 2016

2.3. CENTRE OWES RS. 80,000 CRORE TO STATES: CAG REPORT

Why in news?

- According the report, Centre owes the States over Rs. 80,000 crore from its net proceeds of the period.

Background

- According to **Article 279**, the CAG is "required to ascertain and certify the 'net proceeds' (any tax or duty the proceeds thereof reduced by the cost of collection), whose certification shall be final."
- The Finance Ministry had requested for CAG certification of net proceeds of taxes afresh ante-dated from 1996-97 because of the **80th constitutional amendment**.
- The amendment resulted from the recommendations of the 10th Finance Commission for an alternative way of sharing proceeds of union taxes and duties between Centre and States.

2.4. PUBLIC DEBT MANAGEMENT CELL (PDMC)

Why in news?

- The Finance Ministry has set up a Public Debt Management Cell.

What is it?

- It is an interim arrangement and will be upgraded to a statutory Public Debt Management Agency (PDMA) in about two years.
- Its main purpose is to allow separation of debt management functions from RBI to PDMA in a gradual and seamless manner, without causing market disruptions.
- PDMC will have 15 experienced debt managers from Ministry and RBI for the required expertise.
- A joint implementation committee chaired by Joint secretary (Budget) will oversee the transition process of PDMC to PDMA.

Key Functions of PDMC

- It will only have advisory functions.
- Plan government borrowings as well as manage its liabilities.
- monitor cash balances, foster a liquid and efficient market for government securities
- Advise government on matters related to investment, fixing interest rates on small savings etc.
- It will develop an **Integrated Debt Database System** as a centralised database for liabilities of centre.

About Public Debt Management Agency (PDMA)

Public Debt Management Agency (PDMA) is a proposed specialized independent agency that manages the internal and external liabilities of the Central Government in a holistic manner.

2.5. REGULATION OF PENSION PRODUCTS

Why in news?

- The Finance Ministry has set up a high-level committee to consolidate the regulation of pension products.
- Pension products floated by insurance companies come under the purview of the Insurance Regulatory and Development Authority (IRDA) while those sold by mutual funds are overseen by the SEBI.
- However, since their prime focus is on insurance and mutual funds/capital markets respectively, pension regulation done by them is only a piecemeal work.

About PFRDA

- The Pension Fund Regulatory and Development Authority (PFRDA) is a pension regulatory authority which was established in 2003.
- It is authorized by Ministry of Finance, Department of Financial Services.
- It promotes old age income security by establishing, developing and regulating pension funds and protects the interests of subscribers to schemes of pension funds and related matters.

2.6. FINANCIAL DATA MANAGEMENT CENTRE (FDMC)

Why in news?

- **Ajay Tyagi committee** constituted under the **Department of Economic Affairs** recommended the creation of statutory body called **Financial Data Management Centre.**
- GoI in budget 2016-17 announced the setting up of FDMC under FSDC to facilitate integrated data aggregation and analysis in financial sector.

Key functions of FDMC

- To establish, operate and maintain the financial system database, collect financial regulatory data and provide access to it.
- Standardize data from all financial sector regulators in a single database.
- To provide analytical support to the FSDC on issues relating to financial stability.

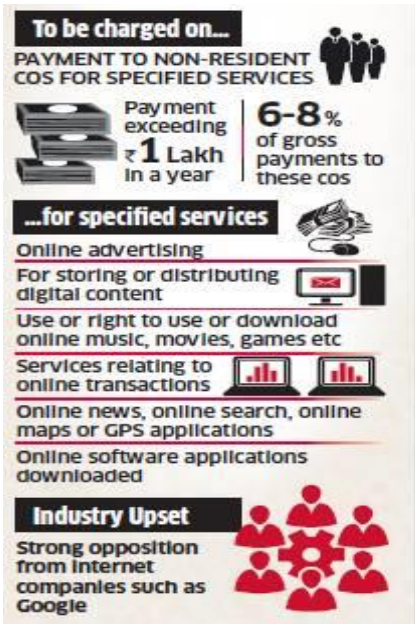
2.7. EQUALIZATION LEVY/GOOGLE TAX

Why in News?

- **Google Tax or Equalisation Levy** was announced by the Finance Minister in Budget 2017-18.
- It refers to the taxation of income accrued to a non-resident foreign e-commerce company. It comes into effect from 1 June, 2017.

How does it work?

- As of right now the services covered by the tax include **online advertising, provision of digital advertising space and any other service as notified by the government.**



2.8. SHANKAR ACHARYA COMMITTEE

- The Shankar Acharya Committee submitted its report on **desirability and feasibility of a new financial year from January 1st** to Finance Minster. The report is yet to be made public.
- The committee is said to have given merits and demerits of shifting the FY as well as its impact on various sectors and other stakeholders.
- India adopted the current FY of April-March post-independence as a colonial legacy.

2.9. FRBM COMMITTEE

Why in News?

- The **Fiscal Responsibility and Budget Management Committee** headed by N.K. Singh submitted its report to Finance Minister in January 2017.
- According to reports, the Committee has recommended expansionary fiscal consolidation policy and has said that there is no need to bring the fiscal deficit less to than 3% as of now.

Background

- The Committee was constituted in May 2016 to review the **Fiscal Responsibility and Budget Management Act.**
- The FRBM Act, 2003 was put in place to maintain fiscal discipline. It set fixed targets including **reduction of fiscal deficit and elimination of revenue deficit**.
- However, its targets have been breached time and gain and therefore the government thought it to be necessary to look into the act.

3. TAXATION

3.1. BANKING CASH TRANSACTION TAX

Why in News?

- The **Committee of Chief Ministers on Digital Payments** has recommended bringing back **BCTT (Banking Cash Transaction Tax**) in order to promote digital payments.

BCTT (Banking Cash Transaction Tax)

- BCTT is a type of tax that was levied on cash transactions above a **specified limit by an individual or HUF** from any non-saving account of a scheduled bank in a single day.
- The tax was first introduced in **2005** under the Finance Act, 2005. It was later rolled back from **1 April, 2009.** Cash transactions were taxed at 0.1%.
- The tax was introduced to track unaccounted money and trace its source and destination.
- **Tax Administration Committee headed by Parthasarathi Shome had** also recommended reinstating the BCTT in 2014.

3.2. RAJASVA GYAN SANGAM

Why in news?

- The PM has addressed the tax administrators of both Central Board of Direct Taxes (CBDT), and the Central Board of Excise and Customs (CBEC), at Rajasva Gyan Sangam.
- The **Central Board of Excise and Customs** is to be renamed as **Central Board of Indirect Taxes (CBIT**) under the GST regime.

CBDT (Central Board of Direct Taxes)

- It is a statutory body functioning under the Department of Revenue in Ministry of Finance.
- The board is functioning as per the provisions under the Central Board of Revenue Act, 1963.
- On one hand the board provides essential inputs for policy making regarding direct taxes, on the other, it also oversees administration of direct tax laws through the IT department.

CBEC (Central Board of Excise Customs)

- The **Central Board of Excise and Customs** came into existence when the Central Board of Revenue was split two under the Central Board of Revenue Act, 1963.
- The CBEC looks into Customs, Central Excise, Service Tax and Narcotics.
- The organizational structure of the board is set for an overhaul with the implementation of GST.

3.3. PLACE OF EFFECTIVE MANAGEMENT (POEM)

Why in News?

- The **Central Board of Direct Taxes (CBDT) (Ministry of Finance)** released the final guidelines for determination of Place of Effective Management (POEM) for business in India.

About POEM

- The Guidelines provide **a two-step approval process** in which the tax officer must seek the prior approval from a senior tax officer and approval of a three-senior officer board.
- POEM is broadly defined as the place where the management decisions are taken rather than the place where these decisions are implemented**.**
- **Impact of POEM guidelines:** It will help as an anti-avoidance measure and is thought to bring the passive income of foreign subsidiaries of domestic companies and Indian subsidiaries of foreign companies under tax net.

3.4. ADVANCE PRICING AGREEMENTS

Why in news?

- The Central Board of Direct Taxes (CBDT) announced signing of four more unilateral Advance Pricing Agreements (APAs) in February, 2017.
- With this, the total number of APAs entered into by the CBDT has reached 130. This includes eight bilateral APAs and 122 Unilateral APAs.

Related concepts

- The price at which divisions of a company transact with each other is called **transfer price.**
- A transaction in which buyers and sellers of any products act independently and have no relationship with each other is known as **Arm's length** transaction.

What are APAs?

An APA is a contract, usually for multiple years, between a taxpayer and at least one tax authority specifying the pricing method that the taxpayer will apply to its related-company transactions. **They can be classified as:**

- Unilateral APA- between taxpayer and tax authority of country where the taxpayer is located.
- Bilateral APA- between taxpayer, tax authority of host country and the foreign tax authority.
- Multilateral APA-between taxpayers, tax authority of host country and more than one foreign tax authorities.

3.5. TAXATION LAWS (AMENDMENT) BILL, 2016

Why in news?

- The Lok Sabha passed the Taxation Laws (Amendment) Bill, 2016, that seeks to amend the Income Tax Act, 1961, and Customs Tariff Act, 1975.

Features of the bill

Income Tax Act, 1961

- **Demerger of public sector companies:** The Companies Act, 1956 allows companies to demerge (split) into multiple companies.
- The Income Tax Act, 1961 takes into account these transfers from the parent company for taxation of resultant companies.
- The Bill clarifies that these provisions will apply in case a public sector company demerges, and the resultant company is no longer a public sector company.
- **Deduction in respect of employment of new employees:** The Income Tax Act, 1961 allows businesses to obtain a deduction on taxable income to the extent of 30% of the cost of recruiting a new employee.
- The Act requires that the employee should have been employed for a minimum 240 days in previous year.
- The Bill relaxes this limit to **150 days** for businesses which manufacture apparel.

Customs Tariff Act, 1975

- **Customs duty on marble and granite blocks and slabs:** Currently, the customs duty on imports of granite and marble used for certain purposes is charged at 10%.
- The Bill proposes to increase this to **40%.**
- The bill also proposes to introduce a scheme named the **'Pradhan Mantri Garib Kalyan Yojana, 2016'.**
  - ✓ Its aim is to use black-money collected post-demonetization in welfare schemes for the poor.
  - ✓ PMGKY will allow people to deposit previously untaxed money by paying 50% of the total amount: 30% as tax and 10% as penalty on the undisclosed income, as well as 10% as cess.
  - ✓ The declarant will also have to deposit 25% of undisclosed income in a deposit scheme to be notified by the RBI under the PMGKY Deposit Scheme, 2016.
  - ✓ If the declarant refuses this option, 85% of the amount will be deducted as taxes and penalties.
  - ✓ For money that is found in raids, taxes and penalties of nearly 90% of the amount will be levied.
  - ✓ Government had launched a similar Income Declaration Scheme in 2016 for undisclosed income.

3.6. BENAMI TRANSACTIONS (PROHIBITION) AMENDMENT ACT, 2016

Why in news?

- The Benami Transactions (Prohibition) Amendment Act came into force on November 1, 2016.
- Following this, the existing Benami Transactions (Prohibition) Act is renamed as the Prohibition of Benami Property Transactions Act (PBPT Act).

Background

- Benami Transactions (Prohibition) Act 1988 had several loopholes such as lack of proper implementation machinery, absence of appellate mechanism, lack of provision with centre for vesting confiscated property etc.

Features of the bill

- The main aim is to route the unaccounted money into the financial system and seize Benami properties and punish those who are involved in these properties.
- The Act **defines benami transactions**, prohibits them and further provides that violation of the PBPT Act is punishable with imprisonment up to 7 years and fine.
- It also prohibits recovery of the property held benami from benamidar by the real owner.
- Properties held benami are liable for **confiscation by the Government without payment of compensation**.
- An appellate mechanism has been provided under the PBPT Act in the form of **Adjudicating Authority and Appellate Tribunal**.
- The Adjudicating Authority and the Appellate Tribunal have been notified on similar lines from **Prevention of Money Laundering Act, 2002** (PMLA).

3.7. TAX-GDP RATIO

- The poor tax-GDP ratio and proliferation of black or parallel economy have caused government to push for 'less' cash economy with moves like demonetization.
- Tax-to-GDP ratio is the ratio of total taxes (both direct and indirect) collected to the Gross Domestic Product in a given financial period (typically one-year).
- According to the Economic Survey, India's ratio of tax-to-GDP (gross domestic product) is 5.4 percentage points below that of comparable countries.

3.8. TAX TERRORISM

Why in news?

- he term 'tax terrorism' was first used by the current Prime Minister to describe the adversarial approach adopted by tax authorities.
- Recently, tax was raised by IT dept. from a PSU by an incorrect tax demand. This they did in March to meet revenue collection targets of the fiscal year, which ends in March.
- But in April the demand was cancelled and tax refunded pushing the problem to next year.
- To mend this Revenue secretary as a penal measure has ordered transfer of certain officials, which led to a dispute.

What is Tax terrorism?

The tag of Tax Terrorism is used in the **context** of practices such as:

- <u>Retrospective taxation cases</u> such as: Vodafone pricing case, Cairn India-Vedanta group case.
- <u>Minimum Alternative Tax</u> – though with right intentions but wrong implementation.
- Enforcement of regulations relating to tax avoidance: GAAR (General Anti Avoidance Regulations) etc.,
- The practice of raising large unjustified tax demands followed up with
    a. Aggressive recovery procedures,
    b. Coercive methods
- Adjusting interest rate manually so that refund payable is reduced to zero.
- Many decisions taken by discretion without proper accountability.

3.9. PROJECT SAKSHAM

Why in news

Cabinet committee cleared the Rs 2,256 crore **back-end information technology (IT) project for the indirect tax department (CBEC).**

Significance

- **CBEC's IT structure needs to integrate with Goods and Service Tax Network (GSTN)** for processing of registration, payment and returns data sent to CBEC as well as act as a front-end for other modules like audit, appeal and investigation.
- This IT infrastructure is also **urgently required for**
  - ✓ Continuation of **CBEC's e-services** in Customs, central excise and service tax.
  - ✓ Implementation of taxpayer services such as scanned document upload facility.
  - ✓ Extension of Indian Customs **SWIFT initiative** and
  - ✓ Integration with government initiatives such as e-**Nivesh, e-Taal and e-Sign.**

Goods and Services Tax Network (GSTN)

- It is a **not for profit,** non-Government, private limited company incorporated in 2013.
- The **Government of India holds 24.5%equity** in GSTN
- **All States including NCT of Delhi and Puducherry**, and the Empowered Committee of State Finance Ministers (EC), together **hold another 24.5%.**
- **Balance 51% equity is with non-Government financial institutions.**
- The Company has been set up **primarily to provide IT infrastructure and services** to the Central and State Governments, tax payers and other stakeholders for implementation of the Goods and Services Tax (GST).

After rolling out of GST, the Revenue Model of GSTN shall consist of **User Charge to be paid by stakeholders** who will use the system and thus it will be a self-sustaining organization.

Key facts

- This new indirect tax network (systems integration) called Project Saksham will **help in smooth roll-out of goods and services (GST)** tax from April 1, 2017.
- It will be **developed with the help of Wipro,** whereas GSTN is developed by Infosys.
- Project Shaksham is back-end IT infrastructure of CBEC. GST **Network (GSTN), a private body, is developing the front-end infra with the help of Infosys.**

3.10. PROJECT INSIGHT

Why in News?

- **L& T InfoTech** has signed a contract with the **Income Tax** Department for the implementation of **Project Insight**. The IT department is set to launch an integrated platform for the same.

What is it?

- The platform will analyse the existing databases of IT returns, IT forms, TDS/TCS statements, Annual Information in order to track tax evaders.
- The IT firm will sync the income and spending data of taxpayers with their PAN details.
- The platform is set to play a key role in widening the tax base and data mining.
- The new platform will also be used for implementation of **Foreign Account Tax Compliance Act Inter Governmental Agreement (FATCA IGA) and Common Reporting Standard.**
- A new Compliance Management Centralized Processing Centre (CMCPC) will also be setup as part of the Project for handling preliminary verification, campaign management, generation of bulk letters/notices and follow-up.

FATCA IGA

- India and United States signed Inter Governmental Agreement (IGA) to implement the Foreign Account Tax Compliance Act (FATCA) to Promote Transparency on Tax Matters.
- The United States enacted FATCA in 2010 to obtain information on accounts held by U.S. taxpayers in other countries.
- It requires U.S. financial institutions to withhold a portion of payments made to foreign financial institutions (FFIs) who do not agree to identify and report information on U.S. account holders.
- As per the IGA, FFIs in India will be required to report tax information about U.S. account holders directly to the Indian Government which will, in turn, relay that information to the US.

3.11. FINANCIAL SECTOR SEARCH AND RECRUITMENT COMMITTEE

- The government set up the Financial Sector Search and Recruitment Committee- headed by the Cabinet Secretary- to choose the members and heads of the RBI, SEBI, IRDA - Insurance Regulatory and Development Authority.
- The RBI opposed the government's move to have Cabinet Secretary as the head of the search-cum-selection panel for the appointment of its Deputy Governor.
- Under the compromise, RBI Governor will have a greater say in the short-listing of the names. However, the Cabinet Secretary remains the head of the panel.
- The search committee can only recommend names, while the government makes the appointment.

3.12. PSU REFORMS: DISINVESTMENT POLICY

Why in News

- The **PMO gave approval to NITI Ayog's proposal for strategic sales in about 22 public sector companies** in September 2016. It is aimed at reducing government ownership to below 51 per cent.
- It has further approved closing certain loss-making PSUs as part of its PSU reforms measures.
- The government had earlier renamed the Department of Disinvestment as the Department of Investment and Public Asset Management (**DIPAM**).

What is Disinvestment?

- Disinvestment refers to the government selling or liquidating its assets or stakes in PSE (public sector enterprise). It is also referred to as **divestment or divestiture**.
- Disinvestment was popularized in India post the New Economic Policy of 1991. Disinvestment is mainly done when a PSU has been running in losses for years and becomes a burden on the government.
- Disinvestment proceeds can help the government fund its fiscal deficit.

National Investment Fund (NIF)

- It was created in 2005. All the proceeds from the disinvestment of Centre Public Sector Enterprises were to be channelized in this fund.
- 75% of the income of the NIF is used in social sector schemes such as those that promote education, health and employment while 25% is to be utilized in the revival of PSUs.
- This rule was relaxed during global economic slowdown and the govt. approved 100% NIF income utilization for social sector from 2009 to 2013.

3.13. MODEL SHOPS AND ESTABLISHMENT BILL 2016

Why in news?

The Union Cabinet recently cleared the Model Shops and Establishment (Regulation of Employment and Conditions of Service) Bill, 2016.

Highlights

- It only covers Shops and Establishments Employing 10 or more Workers except Manufacturing Units.
- The law provides freedom to operate 365 days a year and opening/closing time of establishment
- The law tries to boost the Employment Generation in general, especially for Women, as they will be permitted to work night shifts, with adequate safety and security provisions.
- It calls for better working conditions for employees such as drinking water, canteen, first-aid, lavatory and crèche facilities.
- The law also provides exemption to highly-skilled workers like those in IT and biotechnology from daily working hours (9 hours) and weekly working hours (48 hours).

4. EXTERNAL SECTOR

4.1. CURRENT ACCOUNT SURPLUS

Why in news?

India's current account moved in to surplus in the April-June quarter of the current fiscal year after a gap of 9 years.

What is Current Account Deficit?

- It means the value of imports of goods/services/investment incomes is greater than the value of exports. It is sometimes referred to as a trade deficit.
- The major contributor to India's Current Account Deficit (CAD) has been imports of Gold and Crude Oil.

Impact of CAD

- Sustained period of CAD has led to currency depreciation, high rates of inflation which further effects the incoming foreign investment.
- Fall in gold imports and lower oil import bill in recent time led to shrinkage in the deficit.
- A current account surplus means an economy is exporting a greater value of goods and services than it is importing.
- There is no hard and fast rule about what will happen if a country has a current account surplus. It depends on the size of the current account and the reasons for the current account surplus.
- In the case of India, slow growth in imports, reflecting the persisting weakness in the investment sentiment, is the prominent reason behind this.
- The current account was in surplus last in the January-March quarter in the year 2007.

4.2. NATIONAL COMMITTEE ON TRADE FACILITATION

Background

- India in February 2016 had agreed to undertake the commitments under the Trade Facilitation Agreement (TFA) of WTO.
- It, thus, needed **a national level body to facilitate domestic co-ordination and implementation of TFA provisions**. Accordingly, National Committee of trade Facilitation (NCTF) has been set up.

Purpose of NCTF

- It is an inter-ministerial body on trade facilitation chaired by the Cabinet Secretary.
- It will include Secretaries of all key Depts. involved in trade issues as well as members from major trade associations like FICCI, CII etc. so as to synergise various trade facilitation perspectives.
- Its Secretariat will be housed within the Central Board of Excise and Customs (CBEC), in the Directorate General of Export Promotion, New Delhi.
- It will have a three-tier structure:
  - ✓ National Committee- pivot for monitoring the implementation of TFA
  - ✓ Steering Committee- responsible for identifying the nature of required legislative changes as well as for spearheading the diagnostic tools needed for assessing our level of compliance to the TFA.
  - ✓ Ad hoc working group of experts- dealing with specific trade facilitation issues

About trade facilitation

- The TFA was agreed upon at the WTO Ministerial Conference in Bali in 2013. The agreement aims at expediting the movement and clearance of goods, including goods in transit, and establishing effective cooperation between customs and other authorities on trade facilitation and customs compliance issues.
- It will enter into force once two-thirds of WTO's 162 members formally accept the agreement.

4.3. FDI POLICY REFORMS

Why in news?

The government has made changes to the FDI policy. This is the second biggest reform in FDI since those announced in November 2015.

Important changes in different sectors

- **Defence Sector**: The policy has been tweaked to allow 100 per cent FDI by doing away with the condition of access to **"state of the art" technology. It has now been modified to "modern or for other reasons"**, a move that will widen the scope of investment by foreign players. The new norms have also been made applicable to manufacturing of small **arms and ammunitions covered under Arms Act 1959**. Under the current policy, FDI up to 49 percent was allowed under automatic route and beyond that under the approval route on case-to-case basis.
- **Pharmaceutical Sector**: In this sector, 74% FDI would be allowed in the pharmaceutical sector under the automatic route in existing domestic companies (Brown Field projects). Currently, FDI up to 100% is permitted in new projects in the pharma sector (Green field projects).
- **Aviation Sector**: **100% FDI under automatic route in brownfield airport projects**. FDI beyond 74% for brownfield projects is under government route. Earlier, the FDI policy on airports permitted 100% FDI under automatic route in Greenfield projects.
- **Animal Husbandry**: 100% FDI allowed in Animal Husbandry. The clause of controlled conditions for 100% FDI under the automatic route for animal husbandry has been done away with.
- **Food products**: 100% FDI under government approval route. It will include trading in food products including through e-commerce, in respect of food products manufactured or produced in India.
- **Single Brand Retail Trading**: The new policy relaxes local sourcing norms upto three years and a relaxed sourcing regime for another five years for entities undertaking Single Brand Retail Trading of products having 'state-of-art' and 'cutting edge' technology.

WHAT THE CHANGES MEAN

Sector	Proposed FDI regime	Existing FDI regime	Implication
Defence	100% FDI in defence via govt approval	49% for foreign entities under automatic route and beyond 49% on government approval on a case-by-case basis subject to access to state-of-the-art technology	Foreign defence firms can set up manufacturing facilities in India
Pharmaceuticals	74% FDI through automatic route in brownfield	100% FDI in brownfield through govt approval	More private equity deals in pharma as new regulation clears uncertainty over FIPB approvals
Aviation	100% FDI for foreign entities	49% for foreign entities	Local airlines can attract more capital
Broadcast • Cable networks	100 % FDI allowed via automatic route	100% FDI allowed, only 49% allowed via automatic route	More investment opportunities
• Direct to home (DTH)			No FDI expected till cross-media ownership cap removed
• Headend-in-the sky (HITS)			

Source: Department of industrial policy and promotion

4.3.1. WHITE LABELLED ATM

Government has allowed Foreign Investment up to 100% in White Label ATM (WLA) operations, subject to the following conditions:

- Any non-bank entity intending to set up WLA should have minimum net worth of Rs. 100 crore as per latest financial years audited balance sheet, which is to be maintained at all times.
- In case the entity is also engaged in any other 18 Non-Banking Finance Company (NBFC) activities, then the foreign investment in the company setting up WLA, shall also comply with the minimum capitalization norms for foreign investment in NBFC activities.

Types of ATM:
- **Bank ATM**- owned and operated by the respective bank.
- **Brown Label ATM**- banks outsource the ATM operations to a third party. They have logo of the bank.
- **White Label ATM**- owned by non-bank entities. Eg- Muthoot Finance ATM, TATA Indicash, etc. There is no bank logo.

4.4. FIPB TO BE ABOLISHED

Why in news?

Government announced in the Budget 2017-18 its intention to abolish FIPB (foreign investment promotion board) in fiscal year 2018.

Background

- FDI flows into India in **two ways**, the automatic route and through government approval.
- FIPB offers a single window clearance mechanism for FDI applications in sectors under **the approval route**. The board has handled investment proposals worth up to ₹5,000 crore.
- FIPB is located in the **Department of Economic Affairs**, Ministry of Finance and the Finance Minister is in charge of the FIPB.

Reasons Cited

- At present, **more than 90%** of the FDI inflows are routed through the **automatic route** which do not require prior approval from the FIPB and are subject to sectoral rules.
- For the rest of the FDI (about 8% of the total FDI inflows), every department concerned has a framework or a regulator for it.
- Further, FIPB has successfully implemented e-filing and online processing of FDI applications.

4.5. BILATERAL INVESTMENT TREATY

Why in News?

- India recently unilaterally terminated its Bilateral Investment Treaty (BIT) with Netherlands and has also served notices to 20 EU members for termination of their respective BITs.

Background

- A BIT is an agreement between two countries that help formulation of rules for foreign investment in each other's countries.
- BIT offers protection to foreign investor by holding the host state accountable for exercise of their regulatory power through an independent international arbitration mechanism.
- India changed its model BIT treaty in 2015. This model pays a greater emphasis to the state's regulatory power.
- India was one of the most sued countries in 2015.
- Indian signed some 70-odd BITs from 1994-2011 which were investor friendly. Post 2011, the trend has been its opposite.

Bilateral Investment Treaty (BIT)

- India has about 83 BITs with different countries

India's model draft on BIT

- **Deleting the MFN clause**.
- **Enterprises based definition of investment**- Investors who do not set up an enterprise in India to carry business cannot seek protection under BIT.
- **Compulsorily exhausting the local courts first** before approaching international tribunal for dispute resolution.
- List of subject exceptions where provisions of BIT would be invalid are health, environment etc.

4.6. ARBITRATION MECHANISM

4.6.1. INDIA'S FIRST COMMERCIAL ARBITRATION CENTRE

Mumbai Centre for International Arbitration (MCIA), India's first major centre for commercial arbitration was launched in Mumbai in October.

4.6.2. SINGAPORE INTERNATIONAL ARBITRATION CENTER

Why in news?

Singapore International Arbitration Centre (SIAC) in June 2016 signed a Memorandum of Agreement (MoA) with Gujarat International Finance Tec-City Company Limited (GIFTCL) and

Arb-Med-Arb

Arb-Med-Arb is a process where

- A dispute is first referred to arbitration before mediation is attempted.
- If mediation works, mediated settlement may be recorded as a consent award.
- If mediation fails, they may continue with the arbitration proceedings.

GIFT SEZ Limited (GIFT SEZ) to establish a representative office in India.

Aim: To resolve international commercial disputes with the collaboration of SIAC and the Singapore International Mediation Centre (SIMC) with Indian companies.

- It also includes the innovative **'Arb-Med-Arb' service** (Arbitration - Mediation - Arbitration).

Gujarat International Finance Tec-City or GIFT

- It is first of the 100 smart cities.
- GIFT city is the first IFSC (International financial services centre) and to be set up in a SEZ.
- As part of the budget, a reduced Minimum Alternate Tax (MAT) rate of 9% was proposed for the IFSC in the SEZ, while retaining 18.5% MAT on all other SEZs.
- GIFT City is a US$20-billion project combining state-of-the-art connectivity, infrastructure and transportation with sustainable growth.
- From offshore banking to currency convertibility, re-insurance, securities trading and capital raising all kinds of financial activity can take place inside this IFSC.

4.6.3. ANTRIX-DEVAS CASE

Why in news?

- The **Permanent Court of Arbitration** at The Hague ruled against the Indian government over the cancellation of a contract between Devas Multimedia and Antrix Corporation Ltd.
- The tribunal's decision is the second such arbitration outcome in the Antrix-Devas controversy. An International Chamber of Commerce (ICC) tribunal in 2015 found the annulment of the agreement "unlawful" and awarded Devas damages of nearly Rs 4,400 crore.

About PCA

- It is an inter-governmental organization in the field of dispute resolution, located at The Hague in Netherlands
- It is **not part of the UN system** although it has observer status in UN General Assembly

Background

- In 2005, ISRO's commercial arm Antrix Corporation signed an agreement with Devas to lease out satellite spectrum.
- In 2011, a leaked draft audit report noted that there were potentially a number of irregularities in the agreement. Shortly after the controversy, ISRO decided to annul the agreement.

4.7. MULTILATERAL COMPETENT AUTHORITY AGREEMENT FOR COUNTRY-BY COUNTRY REPORTING (CBC MCAA)

- CbC MCAA is a tax co-operation agreement to enable automatic sharing of country-by-country information.
- The CbC MCAA aims to boost transparency by multinational enterprises (MNEs) by allowing signatories to bilaterally and automatically exchange country-by-country reports.
- This exchange of information is facilitated as part of Action 13 of the base erosion and profit shifting (BEPS) Action Plan adopted by the OECD and G20 countries in 2013.
- The agreement will help to ensure that tax administrations obtain better understanding of how MNEs structure their operations and also ensure that the confidentiality and appropriate use of such information is safeguarded.
- The total number of signatories has increased to 57 including India

4.8. EXPORT CREDIT GUARANTEE CORPORATION (ECGC)

The ECGC Limited is a company wholly owned by the Government of India. It provides export credit insurance support to Indian exporters and is controlled by the Ministry of Commerce.

Functions

- Provides a range of credit risk insurance covers to exporters against loss in export of goods and services as well.
- Offers guarantees to banks and financial institutions to enable exporters to obtain better facilities.
- Provides Overseas Investment Insurance to Indian companies investing in joint ventures abroad in the form of equity or loan and advances.

4.9. PANAMA: TAX INFORMATION SHARING CONVENTION

- Multilateral Convention on Mutual Administrative Assistance in Tax Matters was **developed jointly by the OECD and the Council of Europe in 1988**.
- The Convention represents a wide range of countries, including all G20, BRIICS and OECD countries, financial centres and several developing countries.
- **India** is among the 98 countries and jurisdictions that have already **joined the Convention.**
- The convention regulates information exchange between states parties on the exchange of information regarding tax matters.

4.10. MARKET ECONOMY STATUS

- India is not inclined to automatically grant the coveted 'Market Economy Status' (MES) to China under World Trade Organisation (WTO) norms.
- Once a country gets MES status, exports from it, will have to accepted at the production costs and selling price as the benchmark.
- The definition of a country as a Non Market Economy (NME) allowed importing countries to use alternative methodologies for the determination of normal values, often leading to higher anti-dumping duties.
- The main reason India is reluctant to grant MES to China is that it will severely curb India's ability to impose anti-dumping duties on "unfairly priced" Chinese imports.

Anti-Dumping Duty

- **Dumping r**efers to the international trade practice when manufacturers export a product to another country at a price below the domestic market price.
- **Anti-dumping duty** is a protectionist duty levied on such imports that are believed to have been price below their domestic price. This is mainly done in order to uphold the practice of fair trade.

Countervailing Duty (CVD)

- **It** is additional duty levied by the importing country on specific goods.
- It is generally equal to the excise duty paid by manufacturers when the same product is produced in the home country.
- It is mainly levied in order to neutralize the effect of subsidies in the exporting country on the price and domestic market of the importing country.
- In other words, it is levied in order to protect the domestic manufacturers.

Safeguard Duty

- The government extended the safeguard duty on steel import to March 2018 in order to protect the domestic manufacturers.
- It is another duty levied in order to protect the domestic industry.
- However, it is done so after an enquiry and when the government is satisfied that the concerned good when imported in large quantities or at cheap price will affect the domestic industry.

4.11. EXTERNAL COMMERCIAL BORROWINGS

Any money borrowed from foreign sources for financing the commercial activities in India are called ECBs.

- The Central Government permits ECBs as a source of finance for Indian Corporate for expansion of existing capacity as well as for fresh investment.
- The Reserve Bank of India (RBI) has permitted start-ups to raise external commercial borrowings (ECBs) of up to $3 million in a financial year for three year tenure.
- The new rules issued by RBI aims at boosting innovation and promoting job creation in the country.
- There will no cost-ceiling or restriction on the end use of the funds raised.
- The ECBs can be raised from a country which is either a member of Financial Action Task Force (FATF) or either through FATF-Style Regional Bodies.

- It may be bank loans, securitised instruments, buyers' credit, suppliers' credit, foreign currency convertible bonds, etc.
- It should be noted that ECBs are not FDI

4.12. COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT (CETA)

- The **European Union (EU) and Canada** have signed **Comprehensive Economic and Trade Agreement (CETA)**, a landmark trade deal.
- CETA is a **free free-trade agreement (FTA)** between Canada and the EU.
- It removes customs duties, open-up the services market and end restrictions on access to public contracts.

4.13. GLOBAL INVESTMENT AGREEMENT

- India, along with Brazil, Argentina and some other nations rejected an informal attempt of EU and Canada to work towards a global investment agreement at World Trade Organisation (WTO)-level.
- The EU and Canada proposed agreement incorporates a contentious Investor-State Dispute Settlement (ISDS) mechanism.

What is Investor-State Dispute Settlement (ISDS) mechanism?

- The ISDS mechanism permits companies to drag governments to international arbitration without exhausting the local remedies.
- It also allows them to claim huge amounts as compensation citing losses they suffered due to reasons, including policy changes.
- It has already has been incorporated by investment pact by the EU and Canada.

4.14. INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

- The IMFC advises and reports to the IMF Board of Governors on the supervision and management of the international monetary and financial system, including on responses to unfolding events that may disrupt the system.
- It also considers proposals by the Executive Board to amend the Articles of Agreement and advises on any other matters that may be referred to it by the Board of Governors.
- Although the IMFC has no formal decision-making powers, in practice, it has become a key instrument for providing strategic direction to the work and policies of the Fund.
- India is a member of IMFC.

4.15. JOINT INTERNATIONAL TASKFORCE ON SHARED INTELLIGENCE AND COLLABORATION

- India participated in the Joint International Taskforce on Shared Intelligence and Collaboration (JITSIC) meeting held in Paris.
- JITSIC is a forum for tax administration.
- The JITSIC brings together 37 of the world's national tax administrations that have committed to more effective and efficient ways to deal with tax avoidance.
- It offers a platform to enable its members to actively collaborate within the legal framework of effective bilateral and multilateral conventions and tax information exchange agreements – sharing their experience, resources and expertise to tackle the issues they face in common.
- It operates under the framework of OCED.

4.16 P-NOTES

Background

- Special Investigation Team (SIT) on black money has suggested ensuring that P-Note route is not used for money laundering.
- Under the new norms, all the users of P-Notes would have to follow Indian KYC and Anti Money Laundering (ALM) Regulations, irrespective of their jurisdictions.

What are offshore derivatives instruments (ODIs)?

- (ODIs) are investment vehicles used by overseas investors for an exposure in Indian equities or equity derivatives.
- These investors are not registered with SEBI, either because they do not want to, or due to regulatory restrictions.
- These investors approach a foreign institutional investor (FII), who is already registered with SEBI. The FII makes purchases on behalf of those investors and the FII's affiliate issues them ODIs.
- **P-Notes** are a type of offshore/overseas derivative instruments (ODIs)

Financial Intelligence Unit – India: was set by the Government of India in 2004 as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions.

4.17. SPECIAL ECONOMIC ZONE

Why in news?

- A Mobile app named “SEZ India” has been launched by the Department of Commerce under its broader e-Governance initiative i.e. SEZ Online System.
- SEZs are geographical areas which enjoy special privileges as compared with non-SEZ areas in the country. They were conceived as tax free enclaves with world class infrastructure for exporting goods and services.

The main objectives of the SEZ Act are

- Generation of additional economic activity.
- Promotion of export of goods and services.
- Promotion of investment from domestic and foreign sources.
- Creation of employment opportunities.
- Development of infrastructure facilities.

4.18. DOUBLE TAXATION AVOIDANCE AGREEMENT

- A DTAA is a tax treaty signed between two or more countries. Its key objective is that tax-payers in these countries can avoid being taxed twice for the same income. A DTAA applies in cases where a tax-payer resides in one country and earns income in another.
- DTAA with Singapore, Mauritius and Cyprus give full exemption on capital gains to investors as there’s no cap gains in contracting countries. These agreements were misused for round tripping black money.
- To curb revenue loss and check menace of black money through automatic exchange of information, India recently revised treaties with Mauritius and Cyprus and joint declaration was signed with Switzerland.

5. EMPLOYMENT AND SKILL DEVELOPMENT

5.1. WOMEN EMPLOYMENT SCHEMES IN MSME

The Ministry of Micro, Small and Medium Enterprises has been implementing special, dedicated Schemes for Women Entrepreneurship Development.

5.1.1. TRADE RELATED ENTREPRENEURSHIP ASSISTANCE AND DEVELOPMENT (TREAD) SCHEME

- trade related training, information and counseling extension activities and enhancing capability to undertake self-employment in non-farm activities
- financial loans are provided by Nationalized Banks and grants by Government at the rate of 30% of the loan through NGOs

5.1.2. MAHILA COIR YOJANA

- Financial assistance is given for coir processing equipment.
- Training in various coir processing activities like spinning of coir yarn etc.

5.2. INITIATIVES FOR START-UPS

5.2.1. LAUNCHPAD

- It is a global programme of Amazon Inc. for start-up products.
- It was unveiled in India recently. India is the seventh country where Launchpad has started after US, Germany, UK, France, China etc.
- The start-ups can showcase their products to millions of consumer world over.
- Amazon provides the marketing, discovery and logistics support for these.

5.2.2. ASPIRE

- A Scheme for Promoting Innovation, Rural Industry and Entrepreneurship was launched in 2015 by ministry of MSME.
- It aims to promote Innovation & Rural Entrepreneurship through setting up a network of technology centers, incubation centres and Fund of Funds for start-up creation in the agro-based industry.

5.2.3. RED TAPE SNIPPED FOR START-UPS

- The government has eased the norms under which start-ups can seek benefits according to the Startup India Action Plan.

Benefits

- Start-ups are now eligible for tax benefits by simply receiving a certificate from the Department of Industrial Policy and Promotion (DIPP), compared with the earlier process of being vetted by an inter-ministerial board. It would allow more start-ups to receive benefits
- Faster and cheaper patent examination and being eligible for the Rs 10,000-crore 'fund of funds'.
- DIPP has certified 20 private firms, including Nasscom and iSprit, as incubators under the Startup India Action Plan. Educational institutions also will be promoted as incubation centres.
- However, the relaxed norms will not be valid for availing of tax benefits.

Earlier criteria for a startup

- The firm incorporated should be less than five years old.
- Annual Revenue of less than Rs 25 crore.
- Needs to get approval from inter-ministerial board to be eligible for tax benefits.
- Get recommendation from an Incubator recognized by government, domestic venture fund or have an Indian patent.

Other incentives under Startup India Action Plan

- Exemption from stringent labour laws for initial 3 years.
- Income tax holiday on profit for three years.
- Self-certification for regulatory compliances.
- Credit guarantee fund for startups.
- Tax exemption on capital gains invested in Fund of Funds.
- 80% rebate on patent applications.
- Incubation centres to support start-ups across the country.
- Relaxed norms for public procurement for them.
- Easy exit.

5.2.4. FUND OF FUNDS FOR FUNDING FOR START-UPS

- The Union Cabinet has approved the establishment of **"Fund of Funds for Startups" (FFS),** an initiative of Department of Industrial Policy & Promotion (DIPP).
- The corpus of FFS is Rs.10,000 crore which shall be built up over the 14th and 15th Finance Commission cycles subject to progress of the Startup India scheme and availability of funds.
- The expertise of SIDBI would be utilized to manage the day-to-day operations of the FFS.

5.2.5. STAND UP INDIA SCHEME

Aim

- It aims to **promote entrepreneurship** among **SC/ST and Women entrepreneurs** by facilitating bank loans repayable up to 7 years and between Rs. 10 lakh to Rs. 100 lakh **for Greenfield enterprises in the nonfarm sector**

Features

- The Scheme is intended to **facilitate at least two such projects per bank branch, on an average one for each category of entrepreneur.**
- Refinance window through Small Industries Development Bank of India **(SIDBI)** with an initial amount of Rs. 10,000 crore.
- Creation of a credit guarantees mechanism **through the National Credit Guarantee Trustee Company (NCGTC).**
- Hand holding support for borrowers both at the pre loan stage and during operations.

5.2.6. PRADHAN MANTRI YUVA YOJANA

Why in News?

- Ministry of Skill Development and Entrepreneurship launched the Pradhan Mantri YUVA Yojana, its flagship scheme for entrepreneurship training and education to over 7 lakh students in 5 years through 3050 institutes.

What is it?

- The scheme spans over five years (2016-17 to 2020-21) with a project cost of Rs. 499.94 crore.
- The scheme will also include easy access to information, mentor network, credit, incubator, accelerator and advocacy to create a pathway for the youth.
- The institutes include 2200 Institutes of Higher Learning (colleges, universities, and premier institutes), 300 schools, 500 ITIs and 50 Entrepreneurship Development Centres, through Massive Open Online Courses (MOOCs).

5.3. INITIATIVES FOR SKILL DEVELOPMENT

5.3.1. PRADHAN MANTRI KAUSHAL VIKAS YOJANA

Why in news?

- Cabinet approved Pradhan Mantri Kaushal Vikas Yojana (PMKVY), the flagship scheme of the **Ministry of Skill Development & Entrepreneurship** (MSDE)
- The scheme involves imparting **skill training to one crore people** over the next four years (2016-2020) and has an outlay of Rs 12000 crore.
- The objective of this Skill Certification and Reward Scheme is to enable a large number of Indian youth to take up industry-relevant skill training.

About Scheme

- Skill training would be done based on the **National Skill Qualification Framework (NSQF)** and industry led standards.
- **Monetary reward** (average around **Rs.8000** per trainee) is given to trainees on assessment and certification by third party assessment bodies.
- Individuals with prior learning experience or skills will also be assessed and certified under **Recognition of Prior Learning (RPL).**

Eligible Beneficiaries

The scheme is applicable to any candidate of Indian nationality who:

- Undergoes skill development training in an eligible sector by an eligible training provider.
- Certified during the span of one year from the date of launch of the scheme by approved assessment agencies.
- Availing this monetary award for the first and only time during the operation of this Scheme.

5.3.2. THE NATIONAL APPRENTICESHIP PROMOTION SCHEME

Why in news?

The cabinet has approved a National Apprenticeship Promotion Scheme (NAPS). The Scheme has an outlay of Rs. 10,000 crore with a target of 50 lakh apprentices to be trained by 2019-20.

Key Features of Scheme

- Government will directly share, 25% of the total stipend payable and 50% of total expenditure for providing basic training-to an apprentice, with employers.
- It will be implemented by Director General of Training (DGT) under the aegis of Union Ministry of Skill Development and Entrepreneurship (MSDE).
- For MSME sector: This scheme will encourage third-party agencies to provide basic training in respect of fresher apprentices when in-house training infrastructure is not available.
- All transactions including registration by employers, apprentices, registration of contract and payment to employers will be made as online mode.

5.3.3. SKILL BANKS

Why in news?

- In U.P and Bihar, the government is setting up 50 global skill banks (training centres) to train potential immigrant workers in 110 job roles as per international standards.
- Uttar Pradesh and Bihar were selected first due to their high population and for having the record for the maximum migration for overseas employment.

Objectives

- These training centers will impart skills across sectors like healthcare, hospitality, IT, construction etc. — where job opportunities exist or likely to arise.

- The youth **would also be made familiar with the respective local culture, work ethic and language of the country** they obtain a job in.
- To **make India "the human resource capital" of the world**

5.3.4. TEJASWINI PROJECT

- Tejaswini Socio-Economic Empowerment of **Adolescent Girls and Young Women** (AGYW) Project aims at empowering **6.8 lakh** adolescent girls and young women (in age group **14-24 years**) in 17 districts of Jharkhand.
- A Financing Agreement for **International Development Association** credit of $63 million was signed between World Bank and the government.
- It provides opportunities to acquire market driven skill training or completion of secondary education after empowering them with basic life skills.
- The project has three main components:
    - Expanding social, educational and economic opportunities.
    - Intensive service delivery.
    - State capacity-building and implementation support.
- This is the **first World Bank project** in India that is solely focused on the welfare of adolescent girls and young women.

5.4. NATIONAL CAREER SERVICE

- It is being implemented by Ministry of Labour and Employment (MoLE) since 2015 for linking employment exchanges and other institutions using technology
- It aims to provide a variety of employment related services like job postings, career counselling, vocational guidance, skill courses, apprenticeship, etc.
- These services are available online on the National Career Service Portal accessible to both employers as well as job seekers.
- The NCS service can be availed directly through the Employment Exchanges/ Career Centres and Common Service Centres.
- Under the NCS Project 100 Model Career Centres (MCCs) are being established in collaboration with States and other institutions to deliver employment services.

5.5. PMEGP

- Prime Minister's Employment Generation Programme is a central sector scheme launched in 2008-09 by merging Prime Minister's Rozgar Yojana (PMRY) and Rural Employment Generation Programme (REGP) schemes.
- Ministry of Micro, Small and Medium Enterprises (MSME) is implementing this scheme for employment generation in the micro enterprises in the non-farm sector for rural and urban areas.
- It is a credit linked subsidy scheme of Government of India, which empowers first generation entrepreneurs for setting up of new micro-enterprises
- KVIC is the Nodal Agency at national level for implementation of PMEGP and the State KVI Boards and District Industries Centers (DICs) work at field level.
- There is no income ceiling for setting up of projects.

5.6. SFURTI

- Scheme of Fund for Regeneration of Traditional Industries was launched in 2005-06 for making Traditional Industries more productive and competitive by organizing the Traditional Industries and artisans into clusters.
- KVIC is the nodal Agency for promotion of Cluster development for Khadi as well as for V.I. products.
- The scheme has been revamped whereby there will be three types of clusters – heritage, major, mini.
- The **Khadi and Village Industries Commission** (KVIC) is a statutory body formed under 'Khadi and Village Industries Commission Act of 1956'. It is an apex organization under the Ministry of Micro, Small and Medium Enterprises.

5.7. COIR UDYAMI YOJANA

- It is a credit linked subsidy scheme in the coir sector (earlier known as REMOT - Rejuvenation, Modernization and Technology Upgradation)
- The Scheme covers any type of coir project with project cost upto Rs.10 lakhs plus working capital, which shall not exceed 25% of the project cost.
- The loan under the Scheme is without collateral/third party guarantee.
- Financial assistance under scheme is as follows
  - Beneficiary's contribution 5% of the project cost
  - Bank credit 55%.
  - Rate of Subsidy 40% of the project
- It is open to individuals, companies, Self Help Groups, Non-Governmental Organizations, Institutions registered under Societies Registration Act 1860, Production Co-operative Societies, Joint Liability Groups and Charitable Trust.

6. INCLUSIVE GROWTH AND DEVELOPMENT

6.1. PRADHAN MANTRI UJJAWALA YOJANA

Why in News?

- **PMUY** has achieved the target of providing 1.5 crore of LPG connection in financial year 2015-16 in just 8 months.
- National LPG coverage has been increased from 61% (in Jan 2016) to 70% (in December 2016).

What is PMUY?

- It is the first welfare scheme implemented by Ministry of Petroleum and Natural Gas.
- It aims at providing 5 cr connections to BPL households over 3 year period (2016-19).
- It provides free LPG connections in the name of woman head of BPL household identified through Socio-Economic Caste Census Data**.**

6.2. ATAL PENSION YOJANA (APY)

Why in News?

- **APY** has failed to meet its Phase 1 and Phase 2 targets. Public sector banks could only achieve 6.07% and 11.7% of the target in Phase 1 and 2 respectively.

What is APY?

- It is a **universal social security programme** for all Indians. It came into effect from **May, 2015.**
- Under APY, the govt. co-contributed 50% of the policy money for early joiners and non income-tax payers.
- APY will replace the **Swavalamban scheme**.
- The government also launched the **Pradhan Mantri Jeevan Jyoti Bima Yojana** and **Pradhan Mantri Suraksha Bima Yojana** along with APY.

6.3. INCENTIVES OFFERED FOR TEXTILE SECTOR

Why in news?

The Centre has announced a **<u>Rs. 6,000 crore special package</u>** to help create one crore jobs, mostly for women, in the next three years.

What is in it?

- The package includes several tax and production incentives. The package also provides the sector more flexible labour laws and financial incentives.
- **<u>Employees Provident Fund</u>**: Govt. will bear entire employer's contribution of 12 per cent under the EPF Scheme, for new workers of garment industry.
- **<u>A New scheme</u>**: will be introduced to refund the state levies which were not refunded so far. Of the Rs.6,000 crore package, Rs. 5,500 crore is for an additional 5% duty drawback for garments.
  - ✓ **<u>Drawback at 'all industries rate'</u>** would be given for domestic duty paid inputs even when fabrics are imported under 'Advance Authorization Scheme.'
  - ✓ Rs. 500 crore will be for additional incentives <u>under Amended Technology Upgradation Funds Scheme (ATUFS)</u>, also the subsidy in this scheme is increased from 15% to 25%, providing a boost to employment generation.
- From **<u>input-based to outcome-based incentives</u>** i.e., to disburse subsidy only after expected jobs have been created.

Amended Technology Upgradation Fund Scheme

- It has been approved by the Cabinet Committee on Economic Affairs in place of the existing Revised Restructured Technology Upgradation Fund Scheme (RR-TUFS),
- The new scheme specifically targets:
  - ✓ Employment generation and export
  - ✓ Promotion of Technical Textiles, a sunrise sector
  - ✓ Promoting conversion of existing looms to better technology looms
  - ✓ Encouraging better quality in processing industry and checking need for import of fabrics
- Under it, there will be two broad categories:
  - ✓ Apparel, Garment and Technical Textiles, where 15 percent subsidy on capital investment
  - ✓ Remaining sub-sectors - 10% subsidy

6.4. FINANCIAL INCLUSION

6.4.1. 94.4% HOUSEHOLDS HAVE BANK ACCOUNTS

Why in news

- **Fifth Annual Employment-Unemployment Survey** revealed that around 94.4 per cent households had saving bank accounts in 2015-16.
- Figure is much higher than the **official figure of Census 2011,** which puts the figure for households with saving bank accounts in India at **58.7 per cent.**

Key facts

- 93.4 per cent households in rural areas and 96.8 houses in the urban areas had a savings bank account.
- Banking penetration was particularly low in north-eastern states
- According to the report, Pradhan Mantri Jan Dhan Yojana and Pradhan Mantri Mudra Yojana may have played a major role in this achievement.

6.4.2. GLOBAL MICROSCOPE REPORT 2016

Why in News?

- India has been ranked third by the Global Microscope Report 2016.
- The report assesses regulatory environment for financial inclusion across 12 different indicators and 55 countries.

Background

- India has fared well in financial inclusion thanks to the steps like Pradhan Mantri Jan Dhan Yojana.
- The scheme helped open 100 million accounts for low incomes families in 2014 alone. This was assisted by the Aadhaar, national biometric identification programme. Total no. of accounts opened under the schemed reached 221 million by April 2016.
- The Microscope was originally developed for countries in the Latin American and Caribbean regions in 2007 and was expanded into a global study in 2009. This work was supported by funding from the Multilateral Investment Fund (MIF); the Center for Financial Inclusion at Accion, and the MetLife Foundation.

6.5. "HOUSING FOR ALL"

6.5.1. "HOUSING FOR ALL" IN RURAL AREAS – PMAY-G

Why in News?

- The Prime Minister has **launched the "Housing for All" scheme in rural areas.**
- Under the scheme the Government proposes to provide an environmentally safe and secure pucca house to every rural household by 2022.

About the "Housing for All" in Rural Areas

- It is named as the **Pradhan Mantri Awaas Yojana (Gramin)- PMAY-G**
- Project cost will be shared by both the central government and the state govt.
- Delhi and Chandigarh will not be covered under the scheme.
- In its first phase the target is to complete one crore houses by March 2019.
- The programme targets the poor households and uses ICT and space technology to further confirm correct selection of beneficiaries and progress of work.

Provisions

- There is a provision of Bank loan upto Rs. 70,000/-, if the beneficiary so desires.
- Selection of beneficiaries - transparent process using the Socio Economic Census 2011 data and validating it through the Gram Sabha.

- The programme provides for skilling 5 lakh Rural Masons by 2019 and allows over 200 different housing designs across the country based on a detailed study.
- Local materials will be used largely
- Payment process- will be through IT/DBT mode with Aadhaar linked accounts.

New Year announcements by PM

- The number of houses being built for the poor, in rural areas, is being **increased by 33 per cent**.
- Loans of up to 2 lakh rupees taken in 2017 for new housing, or extension of housing in rural areas will receive an interest subvention of 3 per cent – This will be implemented by National Housing Bank

6.5.2. PMAY - URBAN COMPONENT

Why in news?

Government announced two new housing schemes under the **Pradhan Mantri Awas Yojana**, to help the middle class and the poor buy or build homes.

New Year announcements by PM

- Subsidized loans will be made available for building or expanding homes in rural India and to **urban poor**.
- **Interest subvention** of 4% on loans of up to 9 lakh rupees and 3% on loans of up to 12 lakh rupees.
- Under the new scheme of housing for all 2022, the central assistance per house for EWS has been planned to increase to 1.5 lakh rupees from 70,000 rupees.

The Mission PMAY is being implemented during 2015-2022. It provides central assistance to Urban Local Bodies (ULBs) and other implementing agencies through States/UTs for:

- In-situ Rehabilitation of existing slum dwellers using land as a resource through private participation
- Credit Linked Subsidy
- Affordable Housing in Partnership
- Subsidy for beneficiary-led individual house construction/enhancement.

The government has recently liberalized quantum of assistance as given in this article.

6.6. NATIONAL FOOD SECURITY ACT

Why in News?

- The Centre notified that the entire country has now come under the umbrella of National Food Security Act with Kerala and Tamil Nadu joining the bandwagon.
- With this move, now 81.34 crore people will get wheat at Rs. 2/kg and rice at Rs. 3/kg.

Background

- The National Food Security Act was enacted in 2013 with the aim to provide adequate quantity of quality food at affordable prices to the people.
- The public distribution system forms the most essential part of the implementation of this act.
- There are two types of beneficiaries under the PDS: AAY (Antyodya Anna Yojana, launched in 2000) and priority households.
    - PDS shops have been given Point of sale machines to enable identification of cardholders by matching their fingerprints against the Adhaar database.
- Every AAY household is entitled to get 35 kg of food grains every month while priority households (BPL families) are entitled to get five kg per person.

6.7. INDIA RESPONSIBLE BUSINESS INDEX

- It is a collaborative effort of non-profits-Oxfam India, Corporate Responsibility Watch, Praxis and Partners in Change.
- It is a measure started in 2015 to see how **socially inclusive** the company is.
- The index recognizes the role of businesses in creating an environment in which the rights of workers and other stakeholders throughout the supply chain are respected.
- It ranks the top 100 BSE-listed companies on their performance on five parameters:
    - Inclusiveness in supply chain
    - community as business stakeholders

- community development
- respecting employee dignity and human rights
- non-discrimination at the workplace

- The 2016 index notes marginal improvement in almost all above elements.

6.8. INITIATIVES IN MSME SECTOR

6.8.1. INDIAN ENTERPRISE DEVELOPMENT SERVICE (IEDS)

Why in news?

- Government approved the creation of IEDS in office of Development Commissioner under Micro Small and Medium Enterprise ministry (MSME)

Key Features of IEDS

- Will have cadre strength of 617 officers.
- It will be created by absorbing 11 trades in which recruitment had been done through different rules.
- It is headquartered at Delhi and will have 72 field offices
- Out of 72, 30 will be MSME development institute and 28 branch institute.

6.8.2. NATIONAL SC/ST HUB

- The objective is to provide professional support to entrepreneurs from the SC/ST and also promote enterprise culture and entrepreneurship among them.
- It will work towards strengthening market access/linkage, capacity building, sharing industry-best practices and leveraging financial support schemes.
- It would also enable Central Public Sector Enterprises (CPSEs) to fulfill the procurement target set by the government. The Public Procurement Policy 2012 stipulates 4% of procurement done by CPSEs from enterprises owned by SC/ST.

6.8.3. ZERO DEFECT-ZERO EFFECT SCHEME

- It aims to rate and handhold all MSMEs to deliver top quality products using clean technology. It will have sector-specific parameters for each industry.
- The scheme will also be cornerstone of Make in India programme.
- Further, it will promote development and implementation of clean technology products.

6.8.4. TRADE RECEIVABLES DISCOUNTING SYSTEM (TREDS)

What is it?

- It is an institutional mechanism to facilitate the financing of **trade receivables of Micro, Small and Medium Enterprises (MSMEs)** from corporate buyers through multiple financiers.

What are trade receivables?
The total value of trade receivables for a business at any time represents the amount of sales which have not yet been paid for by customers.

Objective of TReDS

- **Create Electronic Bill Factoring Exchanges** that could electronically accept and settle bills. It would enable MSMEs to cash their receivables without delay.
- The TReDS will facilitate the discounting of both invoices as well as bills of exchange.

6.9. HOUSEHOLD ASSETS AND INDEBTEDNESS

Why in News?

- NSSO's 70th Round Survey on **Household Assets and Indebtedness** released in Dec 2016 throws light on growing credit uptake and increasing household debt.
- An analysis of NSSO data from 2002-12 shows a phenomenal growth in credit uptake and resultant debt burden.

- The amount of debt (AOD) has increased from Rs 7,539 for rural areas and Rs 11,771 for urban areas in 2003 to Rs 1.03 lakh and Rs 3.78 lakh respectively.
- The data also highlights how credit uptake as a percentage of assets has increased both in rural and urban households and was highest among Scheduled castes in urban areas.

NSSO (National Sample Survey Organisation)

- The body was established as National Sample Survey Directorate in 1950 under the Ministry of Finance.
- It is the focal agency of the government for collection of statistical data in diverse fieldson All India Basis.
- It conducts large-scale sample surveys on various socio-economic subjects.
- It is headed by a Director General and currently under the **Ministry of Statistics and Programme Implementation**.

7. AGRICULTURE

7.1. DEVELOPMENTS IN IRRIGATION PROJECTS

7.1.1. CENTRAL ASSISTANCE UNDER AIBP

Why in news?

- Union Minister for Water Resources, River Development and Ganga Rejuvenation released the first installment of Rs. 1500 crore to the states as central assistance for 99 prioritized irrigation projects under Accelerated Irrigation Benefits Program (AIBP).
- These irrigation projects will cover **drought prone districts** of the states to increase production and are also aimed at containing incidents of suicide by farmers.

The Union Government launched the Accelerated Irrigation Benefits Programme (AIBP) in 1996-97 for providing financial assistance, to expedite completion of ongoing Major/Medium Irrigation (MMI) projects including Extension, Renovation and Modernization (ERM) of irrigation projects and Surface Minor Irrigation schemes as well as Lift Irrigation Schemes (LIS).

- A High Level Empowered Committee (HLEC) comprising Finance Minister, Minister (WR, RD & GR), Minister of Agriculture, Cooperation and Farmer's Welfare, Minister of Rural Development, Vice Chairman of NITI Aayog has been constituted to review the progress of the identified 99 projects.
- The HLEC will also monitor other components under Pradhan Mantri Krishi Sinchai Yojana and provide policy guidance for mid-term course correction.

7.1.2. LONG TERM IRRIGATION FUND

- The National Bank of Agriculture and Rural Development (NABARD) will raise in phases over Rs 77,000 crore from the market.
- Raised money will fund around 100 prioritised irrigation projects, including 56 in drought-prone areas, under the Pradhan Mantri Krishi Sinchayee Yojana (PMKYS) over the next four years.
- The government will irrigate an estimated area of 76.03 lakh hectares with more focus on increasing irrigation potential utilisation.
- Of the total projects, 26 will be completed in Maharashtra, 14 in Madhya Pradesh and 11 in Telangana.

Benefits of the fund

- Focus will be on convergence of investments in irrigation at the field level and expansion of cultivable area under irrigation
- Enhance the adoption of water saving technologies and attract private investment to cover this aspect of agriculture.

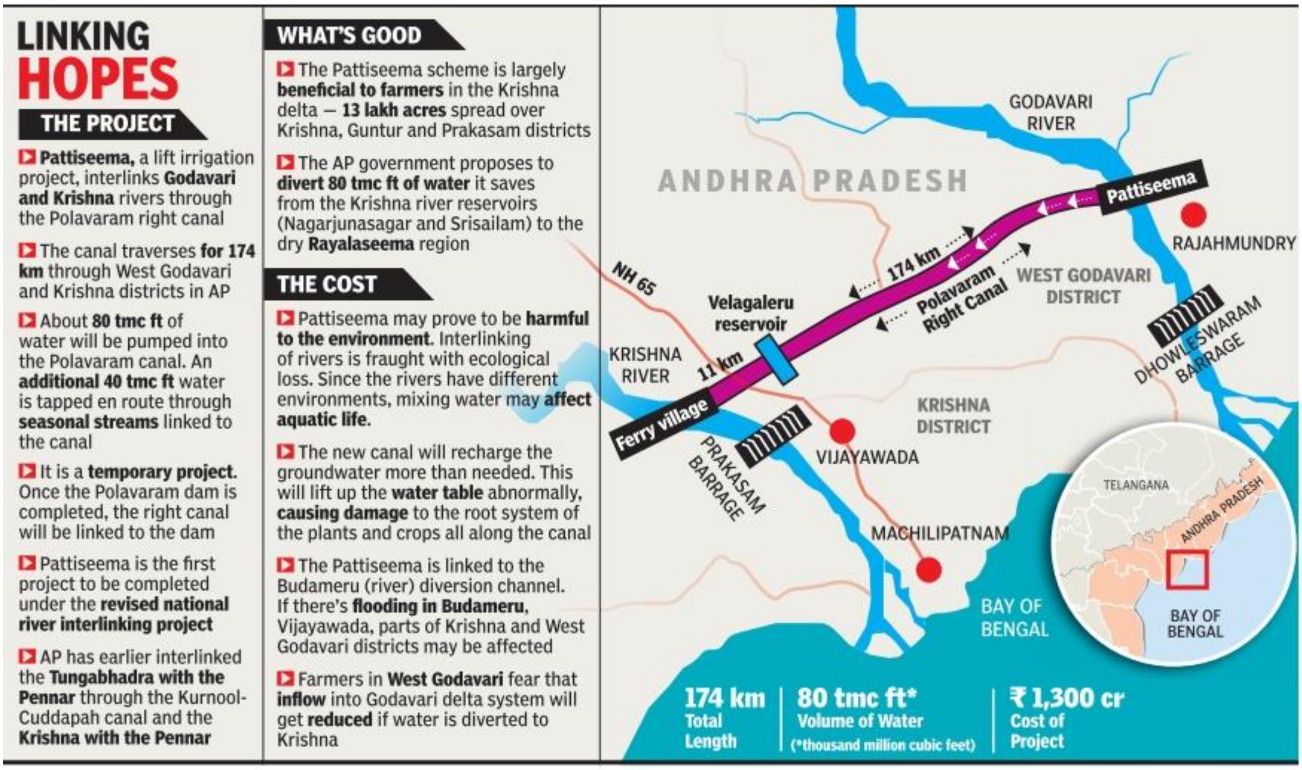
7.1.3. PATTISEEMA LIFT IRRIGATION PROJECT

Why in news?

- Pattiseema lift irrigation project interlinking rivers Godavari & Krishna, in West Godavari district of Andhra Pradesh has been commissioned recently.
- It is South India's first River Integration Project.

About the project

- Foundation stone for the project was laid on March 29th 2015 and it was completed in record stipulated time of one year.
- This is the fastest River integration mega project ever took up in India.
- The project cost is estimated at 1300 Crores.
- It provides Irrigation water to 7 Lakh Acres which provides Crores of additional agricultural produce to farmers from Krishna- Godavari regions and the Rayalaseema region.
- In addition to the larger Polavaram project the government is also considering linking the Nagavali and Vamsadhara rivers.



7.2. FINANCIAL ASSISTANCE TO FARMERS

7.2.1. KRISHI KALYAN CESS

Why in news?

Imposition of **Krishi Kalyan Cess** of 0.5% as announced in the last Budget.

What is it?

- KKC is a cess, applicable on all services. It is to be solely used towards financing activities for the improvement of agriculture and farmer welfare.

Difference between cess, surcharge, levy and tax

- Tax: Any money the government takes from you for doing any economic activity is tax.
- Levy is the act of charging tax.
- "**Cess**" means tax levied by the government to raise funds for a specific purpose. It is also a tax on tax.
- Surcharge is a charge on any tax, charged on the tax already paid. Government can spend it anywhere.
- Duty: This is an on-border tax charged on goods

7.2.2. INTEREST SUBVENTION SCHEME FOR FARMERS

The Union Cabinet has approved the Interest Subvention Scheme for farmers for the year 2016-17. The Government has earmarked a sum of Rs. 18,276 Crore for this purpose.

- The Central Government will provide interest subvention of 5% per annum to all farmers for short term crop loan upto one year for loan upto Rs. 3 lakhs borrowed by them during the year 2016-17. Farmers will thus have to effectively pay only 4% as interest.
- In order to give relief to small and marginal farmers who would have to borrow at 9% for the post-harvest storage of their produce, the Central Government has approved an interest subvention of 2% i.e an effective interest rate of 7% for loans upto 6 months.
- To provide relief to the farmers affected by Natural Calamities, the interest subvention of 2% will be provided to Banks for the first year on the restructured amount.
- In case farmers do not repay the short term crop loan in time they would be eligible for interest subvention of 2% as against 5% available above.

7.2.3. FORMULA FOR PRODUCTION SUBSIDY TO SUGAR MILLS

Why in News?

- The **Cabinet Committee on Economic Affairs (CCEA)** approved a new formula for calculating **production subsidy** given to **sugar mills** for 2015-16.
- This move has been taken after considering **lower sugar production and exports**.

What is Ethanol Blending?

- **Ethanol blending** refers to the practice of blending ethanol with petroleum.
- It is done in order to reduce the **vehicle exhaust emissions** and also to reduce the **import burden** on account of crude petroleum.
- This practice started in India in 2001.
- Ethanol is one of the **by-products** of the sugar industry and therefore supplied by the same.

Background

- **The Centre** had last year announced a **subsidy** on the condition that mills meet the **export quota of four million tonnes and ethanol blending target.**
- The previous subsidy scheme has been discontinued with effect from 19^{th} May 2016.

About

- There has been **revision in the export quota and ethanol blending target for calculating the production subsidy.**
- Initially, the **export quota target** was scaled at 15.70 kg of sugar for each tonne of **"estimated cane crushing".** Now, it is scaled at 15.70 kg of sugar for each tonne of **cane actually crushed by the mills**.
- **Ethanol supply target** will be revised to actual quantity contracted by **mills/distilleries** for supply to **Oil Marketing Companies (OMCs).**
- With the revision coming into effect the production subsidy to sugar mills will go down to Rs. 600 crore as against the earlier estimated Rs. 1147.5. crore.

7.3. E-TECH IN AID OF FARMERS

7.3.1. E-LAABH

Why in news?

- To pay subsidies in cash like in LPG to the targeted beneficiaries, Animal Husbandry and Dairy Development and Fisheries Dept. launched e-laabh software.

Sunandini Scheme

- This is a two year program under Rashtriya Krishi Vikas Yojana in which dairy farmer is entitled for subsidized feed, healthcare and insurance coverage for two female calves.
- The feed to be supplied for two years to the farmers.

7.3.2. DIRECT BENEFIT TRANSFER IN FERTILIZER SECTOR

Why in News?

- Pilot projects to introduce Direct Benefit Transfer (DBT) in fertilizer sector have been taken up in 16 districts.

Why fertilizer sector is suitable for DBT?

- High leakages of about 40%
- **Central government control** over fertilizer sector is high. This minimizes administrative complexity.
- Government has a real time **Fertilizer Monitoring System** that monitors the fertilizer supply chains.
- Economic Survey considers it ideal to introduce DBT in fertilizer sector with
  - ✓ **Direct Benefit Transfer** given in cash.
  - ✓ **Biometrically Authenticated Physical Uptake (BAPU)** – certifying identity using Aadhar and physically taking subsidized goods.

Direct Benefit Transfer (DBT)

- **DBT scheme was started on 2013** to:
  - Reform Government delivery system for simpler and faster flow of information/funds.
  - Ensure accurate targeting of the beneficiaries by preventing de-duplication and fraud.
- **DBT Mission was created in the Planning Commission** to implement the DBT programmes.
- In 2015 it was placed in Cabinet Secretariat under Secretary (Co-ordination & PG).
- JAM i.e. **Jan Dhan, Aadhaar and Mobile** are the three enablers of DBT.

Uniqueness of DBT in fertilizer sector

- The subsidy would be given to the fertilizer companies rather than to the beneficiaries as given in DBT in LPG.
- The subsidy varies with different fertilizers and also from company to

Some other reforms in fertilizer sector

- **Neem Coated Urea** – It checks diversion of urea from agriculture uses and also reduces leaching of nitrogen into soil.
- **Gas price pooling** - Under this, price of domestic natural gas is averaged or pooled with cost of imported LNG to create a uniform rate for fertilizer plants.

7.4. INITIATIVES TO REDUCE POST-HARVEST LOSSES

7.4.1. AGRO IRRADIATION CENTERS

Why in news?

- India and Russia have agreed to collaborate in setting up integrated irradiation centres in India.
- In the first phase, seven centres will be set up in Maharashtra, which will begin with the upgradation of the current centre at Rahuri in Ahmednagar district.
- An agro irradiation center is one where food products are subjected to a low dosage of radiation to treat them for germs and insects, thereby increasing their longevity and shelf life.

7.4.2. COLD CHAIN SCHEME

- The Ministry of Food Processing Industries is implementing a Central Sector Scheme of Cold Chain, Value Addition and Preservation Infrastructure since 2008
- The scheme is primarily private sector driven.
- Financial assistance is given @ 50% of the total cost of plant & machinery and technical civil works in general areas and 75% for NE region and difficult areas (North- Eastern States, Sikkim, J&K, Himachal Pradesh and Uttarakhand).
- It is subject to a maximum grant-in-aid of Rs 10 crore per project
- Integrated cold chain and preservation infrastructure can be set up by individuals, groups of entrepreneurs, cooperative societies, Self Help Groups (SHGs), Farmer Producer Organizations (FPOs), NGOs, Central/State PSUs, etc.

7.5. PULSES

7.5.1. MSP FOR PULSES

Why in news?

Centre announced a hike by up to Rs. 425 per quintal (including a bonus of Rs 200 per quintal) in the minimum support price (MSP) for pulses, after Cabinet Committee on Economic Affairs (CCEA) has given the approval.

What is MSP?
MSP is the rate at which government agencies like Food Corporation of India (FCI) and other state government-owned agencies procure the grain from farmers. Besides it also taken as benchmark prices in the market.

Benefits

- Encourages farmers to grow more pulses.
- They are well in accordance with Agro-Climatic region of this country.
- Increases acreage and invest for increase in productivity of pulses.
- India's pulses import is estimated to set the new all-time high record at 4.5-5 million tones, the severity of which may reduce.
- A nominal Rs 50 increase in the minimum support price (MSP) in paddy. This is very important as relative attractiveness of Pulses vis a vis paddy and wheat increases.

7.5.2. GOVERNMENT RAISES BUFFER STOCK OF PULSES

Why in news

Cabinet Committee on Economic Affairs approved decision to more than double the **buffer stock limit** from 800,000 tonnes to 2 million tonnes.

Significance

- Will help government to intervene and **control spikes in retail prices** of pulses and address recurring gaps between demand and supply.
- Will increase buffer stocks to at least **10% of domestic consumption.**
- Will encourage domestic farmers to **increase production** of pulses.
- Will also deter hoarders to hold stock, thus, **preventing artificial hike in prices.**

Mechanism

- Funding through '**Price Stabilization Fund**' scheme.
- Procurement by Central agencies (**FCI, NAFED and SFAC**) or **State governments.**
- Procurement at prevailing market prices or Minimum Support Prices (MSP) whichever is higher
- Buffer stock of 2 million tonnes will comprise **domestic procurement of 1 million tonnes** and **rest will be arranged via government-to-government contracts** with other countries and spot purchases from the global market.

7.5.3. PUSA ARHAR 16

Why in News?

- A high yielding pigeon pea variant, Pusa Arhar 16 has been developed by scientists at the Indian Agricultural Research Institute (IARI).
- The new variety is expected to be rolled out commercially for production in January 2017.

Benefits

- The new variety has a maturity period of 120 days instead of 160-270 days needed by varieties in use now, which could be a game changer for inflation-wary policymakers and consumers alike.
- It also needs less water and is suitable for mechanized harvesting.
- Despite the fact that the new variety is dwarf (95cm to 120cm) as compared to the prevalent varieties (which are 2 metres of plant height), it gives the same 20 quintals/hectares yield. The high yields result from high density planting.
- In traditional varieties the flowers do not set pods at the same time while in Pusa Arhar 16, there is synchronous maturity making it easier for harvesting.
- It is suitable both for intensive cultivation such as in Punjab as well as rain-fed areas of central India.
- The new variety can help India achieve self-sufficiency in pulses in the next 2-3 years.
- Adequate production can help bridge the demand-supply gap and be a sigh of relief for inflation wary policymakers.

Background

- India is the largest producer, consumer and importer of pulses.
- Arhar or pigeon pea is one of the most widely consumed pulses in India.
- The price of Arhar shot up to Rs. 200/kg in 2015 due to inadequate production. This also led to surge in imports.

7.6. FISHERIES

7.6.1. INTEGRATED DEVELOPMENT AND MANAGEMENT OF FISHERIES

- The scheme aims to increase both fish production and fish productivity from aquaculture and fisheries resources of the inland and marine fisheries sector including deep sea fishing.
- India is the second largest producer of fish, however, it still lags China by a huge margin. In shrimp fish, India is the largest exporter.

Key features

- It aims at enhancing fish production from the present level of 107.95 lakh tonne (2015-16) to about 150 lakh tonne by the end of the 2019-20;

- Blue Revolution envisages transformation of the fisheries sector with increased investment, better training and development of infrastructure.
- Blue Revolution focuses on construction of new fishing harbours, modernization of fishing boats, imparting training to fishermen, and above all promote fishing as a self-employment global activity.

* It aims to augment the export earnings with a focus on increased benefit flow to the fishers and fish farmers for doubling their income.
* The scheme has the following components:
  * National Fisheries Development Board (NFDB) and its activities
  * Development of Inland Fisheries and Aquaculture
  * Development of Marine Fisheries, Infrastructure and Post-Harvest Operations
  * Strengthening of Database & Geographical Information System of the Fisheries Sector
  * Institutional Arrangement for Fisheries Sector
  * Monitoring, Control and Surveillance (MCS) and other need-based Interventions
  * National Scheme on Welfare of Fishermen

The National Fisheries Development Board (NFDB) was established in 2006 as an autonomous organization under the administrative control of the Department of Animal Husbandry, Dairying & Fisheries, Ministry of Agriculture and Farmers Welfare for development of fisheries.

7.6.2. AQUACULTURE

Why in news?

India International Seafood Show (IISS) in Vishakhapatnam was held on September 23-25. The theme was **"Safe and Sustainable Indian Aquaculture."**

What is Aquaculture?

* According to the Food and Agriculture Organization (FAO), "aquaculture means the farming of aquatic organisms including fish, molluscs, crustaceans and aquatic plants".
* Particular kinds of aquaculture include fish farming, shrimp farming, oyster farming, mariculture, algaculture (such as seaweed farming), and the cultivation of ornamental fish.
* Particular methods include aquaponics and integrated multi-trophic aquaculture, both of which integrate fish farming and plant farming.

7.6.3. ISSUE OF FISHERIES SUBSIDIES IN WTO

* India along with other WTO members such as South Africa and other African, Caribbean and Pacific group of countries have been seeking effective Special and Differential (S&D) treatment for developing countries and LDCs
* It is needed keeping in view developmental needs, poverty reduction, livelihood and food security concerns.

Special and differential treatment

* The WTO agreements contain special provisions which give developing countries special rights and allow other members to treat them more favourably.
* The special provisions include:
  * longer time periods for implementing agreements and commitments
  * measures to increase trading opportunities for these countries
  * provisions requiring all WTO members to safeguard the trade interests of developing countries
  * support to help developing countries build the infrastructure to undertake WTO work, handle disputes, and implement technical standard
  * provisions related to least-developed country (LDC) members

7.7. OPTIONS IN AGRICULTURAL PRODUCE

Why in news?

SEBI recently allowed options trading in selected commodities, including farm produce.

What is it?

An option is a financial derivative wherein one party sells its contract to another party, wherein the selling party offers the buyer the right, but not the obligation, to buy or sell a security at a predetermined price and date.

Overview

- Security to farmers as they will benefit from a stable price regime since assured prices are only set for wheat, rice and sugarcane by the government.
- Additionally, options give the farmers the right to buy and sell in the future but there is no obligation to do so. Hence, there is flexibility in decision-making.

7.8. AGRICULTURAL MARKETING

Why in News?

- Recent Budget has proposed **to integrate spot and derivatives market for farm produce** using electronic National Agriculture Market platform.

Significance

- Integration of spot and derivatives market will:
    - **End uncertainty on delisting of commodities**.
    - It would **help farmers to get best prices for their produce**.

Spot Market - It is an electronic trading platform which facilitate-

- Purchase and sale of specified commodities like agricultural commodities, metals and bullion
- It provides **spot delivery contracts** which are immediate contracts or those in 11 days.

Derivatives Market - Derivatives are financial contracts that derive their value from an underlying asset.

- These could be stocks, indices, commodities, currencies, exchange rates, or the rate of interest.
- These help make profits by betting on the future value of the underlying asset.

7.8.1. APMC: DE-NOTIFICATION OF FEW ITEMS

Why in news?

The Finance Minister conveyed in his budget speech this year that the States would be urged to denotify perishables from APMC, as agri-marketing is a state subject under the Constitution.

Positive Impact of the decision

- Gives an opportunity to farmers to sell their produce directly and get **better prices**
- **Less food inflation** - as cascading effect of multiple charges by APMC (mandi tax, multiple fees etc.) and commissions of agents will be reduced.
- **Reduce post-harvest loss**
- It will promote **contract farming** in the fruits and vegetable sector which will enable companies to pass on the innovative technologies, good agricultural practises and supply agricultural material to the farmers.

Present situation

- Presently, markets in agricultural products are regulated under the Agricultural Produce Market Committee (APMC) Act enacted by respective State Government.
- This Act notifies agricultural commodities produced in the region such as cereal, pulses, edible oilseed and even chicken, goat etc.
- The first sale in these commodities can be conducted only under the aegis of APMC through the commission agents licensed by the APMC.
- The central government had first circulated the model APMC Act in 2003 for the states to adopt it. Yet, close to 50% of the states have not made necessary changes to their respective state agricultural marketing acts.

7.8.2. AGRICULTURAL MARKETING AND FARM FRIENDLY REFORMS INDEX

What is it?

- The **NITI Aayog** launched the first ever **"Agricultural Marketing and Farmer Friendly Reforms Index"** to rank States and Union Territories.

Features and ranking

- The **indicators** used to assess represent **competitiveness, efficiency and transparency** in agri markets.

Proposed agricultural reforms

NITI Aayog has also identified **three key areas for agricultural reform, t**hese reforms are:

- **Agricultural market reforms**
- **Land lease reforms**
- **Reforms related to forestry on private land-felling and transit of trees.**

- The rankings are based on implementation of seven provisions proposed under model APMC Act, joining eNAM initiative, special treatment to fruits and vegetables for marketing and level of taxes in mandis.
- The other parameters included in the index are relaxation in restrictions related to lease of farm land to tenant farmers, and the freedom farmers have to fell and transport trees on their own land, which allows them to diversify their incomes.
- The index has a score, ranging from "0" implying no reforms to value "100" implying complete reforms in the selected areas and states and Union Territories have been ranked in terms of the score on the index.
- **Maharashtra** achieved **first rank** in implementation of various reforms as it implemented most of the marketing reforms and offered best environment for doing agribusiness.
- **Gujarat** ranked **second** closely followed by Rajasthan and Madhya Pradesh.
- **Puducherry** got the **lowest** rank followed by Delhi and Jammu & Kashmir.

7.8.3. MEGA FOOD PARKS

- Mega Food Park Scheme is being implemented by Ministry of Food Processing Industries since 2008.
- It aims at providing a mechanism to link agricultural production to the market by bringing together farmers, processors and retailers
- It would ensure maximizing value addition, minimizing wastage, increasing farmers' income and creating employment opportunities particularly in rural sector.
- It is based on "Cluster" approach and envisages a well-defined agri/ horticultural-processing zone containing state-of-the art processing facilities with support infrastructure and well-established supply chain.
- Financial Assistance upto Rs. 50.00 Crore is provided for setting up Mega Food Parks for creation of modern infrastructure facilities for food processing along the value chain from farm to market.
- A Mega Food Park is located in the area of a minimum of 50 acres

7.9. REVIEW OF PMFBY

Why in News?

- The government launched the PM's Fasal Bima Yojana in February 2016 in a bid to offer some respite to the farmers from the vagaries of nature. Recently, its performance was reviewed.

Background

- Before the launch of PMFBY, National Agricultural Insurance Scheme (NAIS) and Modified NAIS were serving the farmers.
- However, the scheme was not successful in providing the farmers the much needed benefits.
- The sum insured under these schemes were insufficient. Also, compensation to the farmers took several months.

How Does PMFBY Works?

- A technical committee in each district decides the sum insured taking into account all the costs incurred by the farmers.
- Premiums are decided by assessing the risk involved through mathematical and statistical calculation (actuarial analysis). Also, there is no capping on the premium.
- Both public and private insurance companies come together to decide the premium. The premium is then subsidized.
- The farmer only has to pay 2% for kharif crop, 1.5% for rabi crops and 5% for annual commercial crops. The rest is paid by the government (divided equally between the Centre and the States).
- High technology including smartphones, GPS, drones and satellites are to be used for accuracy, transparency, and faster assessment of damages and settling claims.

Performance of PMFBY So Far

- PMFBY insured 35.5 million farmers compared to just 12.1 million in kharif 2013, and 25.4 million in kharif 2015 under NAIS and MNAIS combined.
- The area insured also increased from 16.5 million hectares (mha) in kharif 2013 and 27.2 mha in kharif 2015 to 37.5 mha under PMFBY.

7.10. INITIATIVES FOR PLANTATION SECTOR

7.10.1. REVENUE INSURANCE SCHEME FOR PLANTATION CROPS (RISPC)

Why in news?

- Recently Commerce ministry has approved the **Revenue Insurance Scheme** for **plantation crops.**

About

- Aim of the scheme is to protect farmers against risks like yield loss, pests attacks and income loss caused by fall in international/domestic prices.
- It will be implemented on **pilot basis for 2 years** in West Bengal, Kerala, Karnataka, Andhra Pradesh, Assam, Tamil Nadu and Sikkim covering various plantation crops **including Tobacco**.
- Depending on the performance, this scheme will be considered for extension to other districts.
- This scheme can be considered as the improved version of **Price stabilization fund scheme** which was discontinued in **2013**.

About Plantation Crops

- They are those crops which are cultivated on an extensive scale in a large contiguous area, owned and managed by an Individual or a company.
- Major plantation crops include tea, coffee, rubber, coconut, oil palm, cashew, arecanut, etc.
- These plantation crops are **high value commercial crops** of greater economic importance and play a significant role in country's economy because they **have high export potential**, **create employment opportunity** and also help in **poverty alleviation** particularly in rural areas.

Price stabilization fund scheme

- This scheme was launched in **2003 (discontinued in 2013)** under Commerce Ministry covering all plantation crops.
- Its objective was to provide the hedge to farmers against fall in prices of commodities.

7.11. OTHER SCHEMES RELATED TO AGRICULTURE

7.11.1. RASHTRIYA KRISHI VIKAS YOJANA (RKVY)

- RKVY was launched during 2007-08 with an aim to achieve 4% annual growth during the 11th FYP.
- It is a state plan scheme for which Additional Central Assistance (ACA) is made available to the States as 100% grants.
- Each district/state is required to formulate a district/state agricultural plan.
- six-schemes are being implemented under RKVY:
  - Bringing Green Revolution to Eastern Region
  - Initiative on Vegetable Clusters
  - National Mission for Protein Supplements
  - Saffron mission
  - Vidharbha Intensive Irrigation Development Programme
  - Crop diversification

7.11.2. MISSION FOR INTEGRATED DEVELOPMENT OF HORTICULTURE

- It is a Centrally Sponsored Scheme.
- It aims at holistic development of horticulture in the country during XII plan.
- The scheme, which has taken take off from 2014-15, integrates the ongoing schemes of:
  - **National Horticulture Mission** - implemented by State Horticulture Missions (SHM) in selected districts.
  - **Horticulture Mission for North East & Himalayan States** - implemented by State Horticulture Missions (SHM) in the North Eastern States and Himalayan States.
  - **National Bamboo Mission -** implemented by State Bamboo Development Agencies (BDA)/ Forest Development Agency (FDA) in all the States and UTs.
  - **National Horticulture Board**
  - **Coconut Development Board**
  - **Central Institute for Horticulture, Nagaland**

7.11.3. ARYA

Why in news?

Hundred rural youths were identified as incubators for establishment of four registered commodity based groups with 25 members in each group for coconut and banana and establishment of processing units of value added products.

About ARYA

- Attracting and Retaining Youth in Agriculture (ARYA) aims to attract and empower the youth in Rural areas to take up various Agriculture, allied and service sector enterprises for sustainable income and gainful employment
- It enables the Farm Youth to establish network groups to take up resource and capital intensive activities like processing, value addition and marketing
- It is implemented in one district each from 25 states through KVKs

7.11.4. SENSAGRI

- It stands for "SENsor based Smart AGRIculture"
- It is a collaborative research project formulated by Indian Council of Agricultural Research (ICAR) through the Indian Agricultural Research Institute (IARI)
- The major objective is to develop indigenous prototype for drone based crop and soil health monitoring system using hyperspectral remote sensing (HRS) sensors
- This technology could also be integrated with satellite-based technologies for large scale applications.

7.12. INDIAN COUNCIL FOR FERTILIZER AND NUTRIENT RESEARCH

Why in news?

- Indian Council for Fertilizers and Nutrient Research (ICFNR) has been set up under the Department of fertilizers for promotion of research in fertilizer sector.

Mandate

- To undertake/ promote research in the area of fertilizer manufacturing technology, use of raw material and innovation in fertilizer products through partnership and collaboration with various research institutes, fertilizer industry and other stake holders.
- To examine and comprehensive deliberate R&D project proposals submitted by various R&D organizations/ Academic institutions, for suitable recommendations for funding.
- To identify and promote eco-friendly micro-nutrients and pesticide coated slow release fertilizers and also to ensure reduction of Carbon footprint of Fertilizer sector and energy efficient operation.
- To undertake and promote research in organic and bio fertilizer and their derivatives with suitable coating or blending so as to protect and increase the soil fertility.

8. INDUSTRIAL POLICY AND ASSOCIATED ISSUES

8.1. SCHEMES AND POLICIES OF MINING SECTOR

8.1.1. NATIONAL MINERAL EXPLORATION POLICY

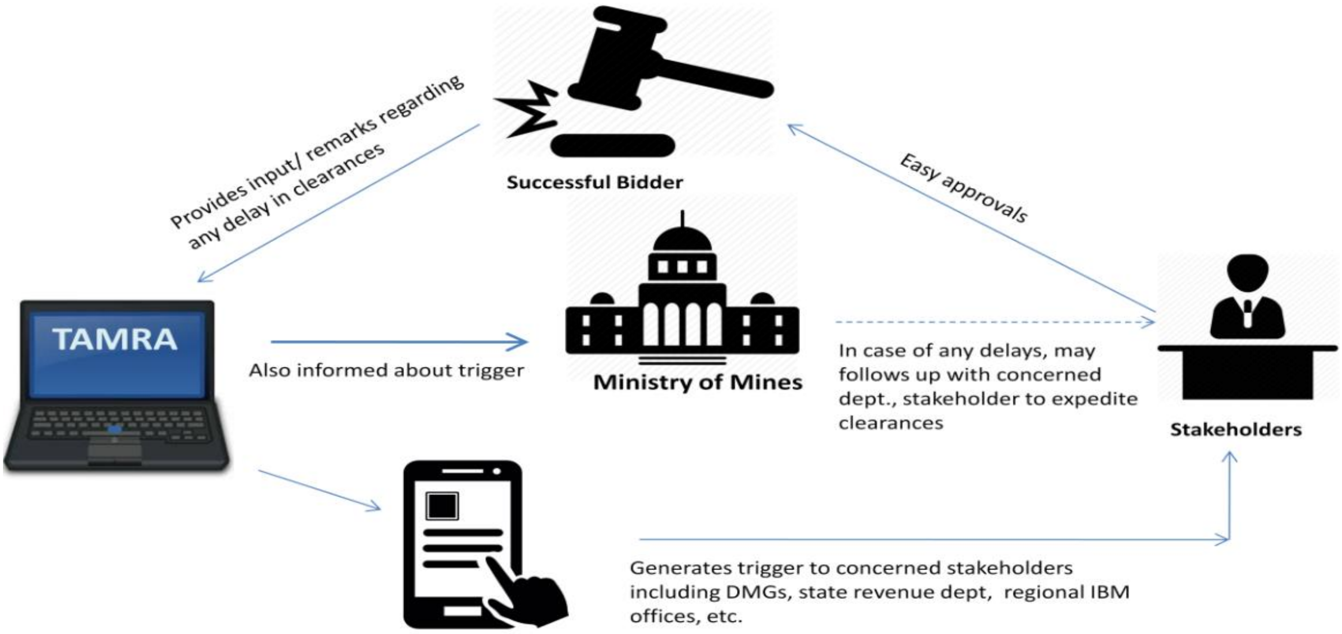
Why in news?

- The Union Cabinet has approved the National Mineral Exploration Policy (NMEP).
- To encourage mineral exploration in the country, the Mines Ministry has already notified the National Mineral Exploration Trust (NMET).

Salient Features of NMEP

- Accelerating the exploration activity through enhanced participation of the **private sector**.
- **States** will also play a greater role by referring exploration projects, which can be taken up through NMET.
- NMEP has proposed that private entities engaged in carrying out regional and detailed exploration would get a certain **share in revenue** in mining operation from the successful bidder after the **e-auction** of the mineral block.
- The revenue-sharing could be either in the form of a lump sum or an annuity, to be paid throughout the period of mining lease with transferable rights.
- For this, reasonable areas or blocks for regional exploration will be earmarked or identified by the government for auctioning.

8.1.2. TAMRA: PORTAL OF MINISTRY OF MINES



Why in news?

- Ministry of Mines has developed and launched **"TAMRA"**, a web portal and mobile application, to streamline the process of various statutory clearances required for mining operations.
- **TAMRA** stands for **Transparency, Auction Monitoring and Resource Augementation.**

Features

- It will **display** block-wise, state-wise and mineral-wise information of the blocks to be auctioned.
- It will also host information regarding current status of each of the clearances.
- **Significance:** Mining sector in India faces a twin challenge of **delay in getting a clearances** and **lack of transparency** in allotment of mine leases. This portal will solve both the problems

8.1.3. MINING SURVEILLANCE SYSTEM (MSS)

Why in news?

Union Minister of State for Power, Coal, New & Renewable Energy and Mines, launched the Mining Surveillance System (MSS) in New Delhi.

What is it?

- MSS is a satellite based monitoring system developed under Digital India Programme by Ministry of Mines, through Indian Bureau of Mines (IBM) in coordination with Bhaskaracharya Institute for Space Applications and Geo-informatics (BISAG), Gandhinagar and Ministry of Electronics and Information Technology (MEITY)
- It is one of the first surveillance systems developed in the world using space technology.

8.2. DRAFT NATIONAL STEEL POLICY

Why in News?

- The Indian **Ministry of Steel** has released **draft National Steel Policy (NSP), 2017** with aim to develop a **self-sufficient steel industry** that is globally competitive.

Importance

- India is the **third largest producer of finished steel** in the world coming after China and Japan.
- The steel sector in India is valued at over 100 billion dollars and contributes 2 percent to the GDP.
- The sector employs 6.5 lakh people directly and 13 lakh people indirectly.
- India has been importing finished steel since 2007-08 with the exception of 2013.
- Until two years ago, India was also the third largest consumer of steel.
- Despite the global economic slowdown, India was the only economy that showed positive growth in steel sector in 2015.

8.3. STEEL RESEARCH & TECHNOLOGY MISSION OF INDIA (SRTMI)

- It is an industry driven initiative which has been setup as a Registered Society wherein Ministry of Steel is a facilitator.
- It will facilitate joint collaborative research projects in the iron & steel sector in India.
- SRTMI will be governed and administered by a Governing Body comprising the steel CEOs, Domain Experts and a representative of Ministry of Steel.
- Initial corpus for setting up of SRTMI is Rs. 200 crore of which 50% is to be provided by Ministry of Steel and the balance by the participating steel companies.
- Thereafter, the centre will run on yearly contributions from the steel companies based on their turnover of the previous year.

8.4. INTELLECTUAL PROPERTY VS COMPETITION LAW

Why in news?

- The World Competition Day was celebrated on 5th December.
- The IPR is often seen overriding the Competition law brewing a fresh debate each time whether the two are good enough for the producers and consumers alike.

> India under section 84 of Patents Act 1980 granted compulsory license to NATCO for production the anti-cancer drug Nexavar against Bayer which was holding patent for Nexavar.

What is IPR (Intellectual Property Rights)?

- Intellectual Property Rights are the rights given to a creator over the use of his creations. It is aimed at incentivizing creativity and innovation.
- It can include creations such a new **drug composition, business module, product, software** and so on.

* Some of the aspects of intellectual property include **patents, trademarks, copyrights, geographical indications and industrial designs.**

What is Competition Law?

* India's Competition Law was formulated as Competition Act 2002 which was later amended in 2007.
* Competition law seeks to avoid market barriers and benefit consumers by encouraging competition among a multiplicity of suppliers of goods, services and technologies. For this, Competition Commission of India (CCI) is established under the ambit of Competition Act.

8.5. CELL FOR IPR PROMOTION AND MANAGEMENT

* Cell for IPR Promotion and Management (CIPAM) has been created as a professional body under the aegis of DIPP.
* It will take forward the implementation of the National IPR Policy.
* CIPAM is working towards creating public awareness about IPRs in the country, promoting the filing of IPRs through facilitation, providing inventors with a platform to commercialize their IP assets and coordinating the implementation of the National IPR Policy in collaboration with Government Ministries/Departments and other stakeholders.

8.6. NATIONAL INTELLECTUAL PROPERTY RIGHTS POLICY

Why in news?

* In compliance with TRIPS, Government has announced National Intellectual Property Rights Policy.
* **Aim :** IPRs as marketable financial assets, Promote innovation, protecting Public Interest ensuring availability of essential drugs at affordable prices

Objectives

* IPR Awareness: Outreach and Promotion - To create public awareness about the economic, social and cultural benefits of IPRs among all sections of society.
* Generation of IPRs - To stimulate the generation of IPRs.
* Legal and Legislative Framework - To have strong and effective IPR laws, which balance the interests of rights owners with larger public interest.
* Administration and Management - To modernize and strengthen service-oriented IPR administration.
* Commercialization of IPRs - Get value for IPRs through commercialization.
* Enforcement and Adjudication - To strengthen the enforcement and adjudicatory mechanisms for combating IPR infringements.
* Human Capital Development - To strengthen and expand human resources, institutions and capacities for teaching, training, research and skill building in IPRs.

8.7. INITIATIVES IN ELECTRONIC SECTOR

8.7.1. MODIFIED SPECIAL INCENTIVE PACKAGE SCHEME

Why in News?

* The cabinet recently approved amendments to the **Modified Special Incentive Package Scheme (M-SIPS)** in a bid to achieve net zero imports in the electronics sector by 2020.

What is MSIPS?

* The M-SIPS policy was launched in July 2012 for a three year period by the **Ministry of Electronics and Information Technology (MeitY).**
* Its primary objective was to encourage investments in **Electronics System Design and Manufacturing (ESDM) Sector** and speed up the disbursement process.
* The policy encourages companies to produce domestically by providing them 20-25% subsidy on capital expenditure.
* The Government has increased fund allocation to this scheme in budget 2017-18.

8.7.2. ELECTROPRENEUR PARK

- It is a recent initiative taken up and funded by Ministry of Electronics and Information Technology (MeitY).
- It is managed by Software Technology Parks of India (STPI) and implemented by India Electronics and Semiconductor Association.
- The objective is to incubate 50 early stage start-ups and create atleast 5 global companies over 5 years.

8.7.3. ELECTRONICS DEVELOPMENT FUND

- Launched by Ministry of Communication and IT to support early-stage, angel, venture and private equity funds focusing on electronics, nano-electronics and information technology.
- An initial corpus of Rs. 2,200 crore, (to be scaled up to Rs. 10,000 crore)
- Aimed at creating an "ecosystem of innovation, research and development (R&D) and with active industry involvement."
- To be a 'fund of funds', with Canbank Venture Capital Funds as active management firm, which will in turn seed professionally managed venture funds.
- The EDF will put in 20% of the capital in daughter funds and the rest 80% will be invested by VCs. The daughter funds will then invest in companies, primarily start-ups.

8.8. NEIIP

- Recently The Department of Industrial Policy & Promotion (DIPP) has revised North East Industrial and Investment Promotion Policy (NEIIP), 2007.
- NEIIP aims to promote industrialization in the States of North Eastern Region leading to overall growth of the region.
- It was launched in 2007 for a period of 10 years.
- Its features include:
  - ✓ grant of Central Capital Investment Subsidy and Central Interest Subsidy
  - ✓ reimbursement of insurance premium
  - ✓ Excise Duty exemptions for a period of 100 years.
  - ✓ Income Tax exemption for a period of 10 years
  - ✓ The revision of policy stipulates mandatory disbursal of subsidies payable to all industrial units in northeast through Direct Benefit Transfer (DBT) mechanism by Chief Controller of Accounts (Industry).

8.9. SWIFT

- Society for the Worldwide Interbank Financial Telecommunication (SWIFT) is a co-operative organization dedicated to the promotion and development of standardized global interactivity for financial transactions.
- SWIFT's original mandate was to establish a global communications link for data processing and a common language for international financial transactions.
- The Society operates a messaging service for financial messages, such as letters of credit, payments, and securities transactions, between member banks worldwide.
- SWIFT operates out of its Brussels headquarters and processes data at centers in Belgium and the United States.
- SWIFT India Domestic Services has rolled out services to provide harmonised exchange of structured financial information between banks, the Reserve Bank of NOTES India, stock exchanges, clearing houses, corporations, and their customers.

8.10. FIRST TITANIUM PROJECT OF INDIA

- The first titanium project of India has started its test production Ganjam district of Odisha. The project has been established by Saraf Group.
- Earlier in August 2015, Indian Space Research Organisation (ISRO) had fully commissioned and started commercial production at the first indigenous Titanium Sponge Plant at Chavara in Kerala.

- This plant had commercially started producing Titanium Sponge exclusively for the space programme and strategic areas especially in aerospace and defence areas.
- With this commissioning India became the seventh country in the world producing Titanium sponge commercially.

8.11. INDEX OF INDUSTRIAL PRODUCTION

- IIP is a ratio which measures the growth of various sectors in the economy. Being a ratio, it represents the status of production in the industrial sector for a given period of time as compared to the reference period of time (base year).
- IIP data is released every month by CSO. The current base year is 2004-05.
- The IIP comprises of 682 individual items. Sector wise, the items included falls into 3 categories viz. Manufacturing, Mining and Electricity respectively in decreasing order of their weightage to the index.
- In terms of percentage, the weightage of all 8 core industries in IIP is around 38%.
- In IIP, the decreasing order of core industries among them is as:
  ELECTRICITY> STEEL> REFINERY PRODUCTS> CRUDE> COAL> CEMENT> NATURAL GAS> FERTILIZERS

9. INFRASTRUCTURE

9.1. ROAD SECTOR

9.1.1. NATIONAL HIGHWAYS GRID

Why is it needed?

- In India the lack of scientific road network pattern has created a problem for drivers who can't take a straight road to reach from one place to the other.

What is being done to check this?

- National Highway Authority of India is proposing a '**National Highway Grid'** which will include 27 horizontal and vertical highway corridors spread across the country.
- The corridors, spaced at a distance of 250 km, will crisscross and connect with each other.
- The total project is worth Rs 25,000 crores and will help the government re-designate the NHs for easy identification.
- The grid will connect 12 major ports, 26 state capitals and more than 45 cities and thus help in quick evacuation and transport of cargo from one end to the other.

9.1.2. NATIONAL HIGHWAYS INTERCONNECTIVITY

- Govt. approved Rs 6,461-crore for development of 1,120 km national highways under **National Highways Interconnectivity Improvement Project (NHIIP)** in 5 states - Karnataka, Odisha, Bihar, Rajasthan and Bengal.
- The work for development to two-lane standards are under Phase-I of the project with World Bank assistance.
- The project will ensure safe, fast and all weather movement of traffic on the proposed National Highways mostly located in backward regions thereby improving socio economic development.
- The approved project cost includes cost of land acquisition, resettlement and rehabilitation and other pre-construction activities.

9.1.3. LOGISTIC EFFICIENCY ENHANCEMENT PROGRAMME

Why in News?

- The National Highway Authority of India has undertaken Detailed Project Reports (DPRs-survey) to critically examine the existing logistics infrastructure and destination of freight movement in the country under LEEP.
- This is done so as to reduce cost and time of freight movement across 44 different freight corridors (economic corridors), inter corridors and feeder routes.

What is it?

- LEEP aims to enhance the freight transportation in India through improving cost, time, tracking and transferability of consignments through infrastructure, procedural and Information Technology (IT) interventions.
- In the first phase, DPRs of 15000 km is to be prepared.
- In order to reduce the time of surveys, it has decided to use latest technologies such as LiDAR, Satellite mapping and Ground Penetration Radar (GPRs).

9.1.4. ASIAN DEVELOPMENT BANK - GANGA BRIDGE LOAN

- Asian Development Bank (ADB) has approved $500 million (approximately Rs 3350 crore) loan for constructing a bridge across Ganga.
- Once built, the 9.8 km road bridge in Bihar **will be country's longest river bridge.**
- The project will run for about 4 years and is expected to complete by the end of December 2020.

About ADB

- The Asian Development Bank was conceived in the early 1960s as a financial institution that would be Asian in character and foster economic growth and cooperation in one of the poorest regions in the world.
- ADB assists its members, and partners, by providing loans, technical assistance, grants, and equity investments to promote social and economic development.
- ADB is composed of 67 members, 48 of which are from the Asia and Pacific region.
- India became a member of the Asian Development Bank (ADB) as a founding member in 1966.
- India is holding 6.33% of shares in ADB as on 31st December, 2012. India has 5.36% voting rights. **Japan and the US** represent the **largest** shareholders.

9.1.5. NATRIP PROJECT GETS REVISED COST ESTIMATES

Why in news?

- Government has approved a revised cost estimate of Rs 3,727.30 crores for the NATRIP (National Automotive Testing and R&D Infrastructure Project).

What is NATRIP?

- The project is required to fulfill India's obligations as a signatory to UN Regulation on Harmonization of Vehicle Specifications under WP-29 of 1998.
- It aims to make Indian vehicles comply with global standards of safety in line with **UN Brasilia resolution** by reducing the high number of causalities and road accidents (i.e. 1.46 and 5.01 lakhs, respectively in the year 2015)
- It also aims to help MSMEs for development and certification of auto-components.
- It represents a unique joint initiative between the Government of India, a number of State Governments and Indian Automotive Industry to create a state of the art Testing, Validation and R&D infrastructure in the country.
- It is also needed to **support Automotive Mission Plan 2016-26** which sets the Indian automotive and component manufacturers for to scale up exports to the extent of 35-40 per cent of its overall output over the next 10 years.

9.1.6. FASTAG ROLL-OUT AND FACILITATION

- NHAI has rolled out cashless payment mechanism (FASTag) on toll plazas on National Highways.
- FASTag offers near non-stop movement of vehicles through toll plazas and convenience of cashless payments of toll fee with nationwide inter operable Electronic Toll Collection Services.
- FASTag is operational on more than 325 toll plazas on National Highways across the country.
- It employs RFID technology for making toll payments directly from the pre-paid account linked to it.

9.1.7. NICDIT

- The Government has approved the expansion of the mandate of Delhi Mumbai Industrial Corridor Project Implementation Trust Fund (DMIC-PITF) and re-designated it as **National Industrial Corridor Development and Implementation Trust** (NICDIT).
- NICDIT is an apex body under the administrative control of Department of Industrial Policy and Promotion (DIPP) for coordinated and unified development of the following industrial corridors:
  i) Delhi Mumbai Industrial Corridor (DMIC)
  ii) Chennai Bengaluru Industrial Corridor (CBIC)
  iii) Amritsar Kolkata Industrial Corridor (AKIC)
  iv) Bengaluru Mumbai Industrial Corridor (BMIC)
  v) Vizag Chennai Industrial Corridor (VCIC).
- NICDIT will support project development activities and appraisal, approval and sanction of projects.
- It will also coordinate and monitor all central efforts for the development of Industrial Corridor projects.

9.1.8. EXTENDING GREEN COVER ACROSS HIGHWAYS

- The Ministry of Road Transport & Highways launched two schemes 'Adopt a Green Highway' scheme and "Kisan Harit Rajmarg Yojna" to extend green cover along national highways.
- Under the **'Adopt a Green Highway'** initiative, corporates, PSUs and NGOs can take up NH stretches for plantation and their maintenance for five years.
- Under the **Kisan Harit Rajmarg Yojna**, farmer will be provided technical and financial assistance by NHAI for plantation of trees in portions of their farmland along highway stretches.

9.2. RAIL SECTOR

9.2.1. DIAMOND QUADRILATERAL

- It is a project of the Indian Railways which aims to establish high-speed rail network connecting four metros, namely Delhi, Mumbai, Kolkata and Chennai.
- Six corridors have been identified - (i) Delhi-Mumbai, (ii) Mumbai-Chennai, (iii) Chennai-Kolkata, (iv) Kolkata-Delhi and both diagonals i.e. (v) Delhi-Chennai and (vi) Mumbai-Kolkata routes.

9.2.2. EASTERN DEDICATED FREIGHT CORRIDOR

Why in News

- Recently, the International Bank for Reconstruction and Development (IRBD), part of the World Bank Group, signed an agreement with the Union government to lend $650 million to DFCCIL for the third phase of Eastern Dedicated Freight Corridor.
- The first two phases of the EDFC are already being implemented by the DFCCIL with the help of financial assistance provided by the World Bank in the form of loans worth $975 million and $1,100 million respectively.

Dedicated Freight Corridor Corporation of India (DFCCIL) is a SPV set up under the administrative control of Ministry of Railways to undertake planning & development, mobilization of financial resources and construction, maintenance and operation of the Dedicated Freight Corridors.

DFCCIL was incorporated in October 2006 under Indian Companies Act 1956.

9.2.3. NON-FARE REVENUE POLICIES

Why in news?

- Railway Ministry has unveiled the Railways' **first non-fare revenue policy.**

Provisions of the policies

- The **non-fare revenue policy** includes
  - ✓ Selling outdoor spaces at railway stations for advertising hoardings and billboards.
  - ✓ Providing radio and video content through Wi-Fi on stations and on trains.
  - ✓ Leasing out spaces at platforms to ATMs.
  - ✓ Selling branding of rights of trains and stations.
- **Train branding policy** would allow advertising of vinyl wraps on train exteriors and interiors on a 10 year contract basis.
- **Out-of-home advertising policy** shall allow advertising at areas hitherto unused. Eg. Road Over Bridges, Level Crossing Gates etc.

Significance of the policy

- It would provide **recreational activities for the passengers** on their personal electronics. This will **boost customer satisfaction**.
- The move will **reduce its dependence on traditional revenue** streams such as passenger and freight traffic.
- Move can **increase rail competitiveness** compared to other transport sectors like airways and roads. As a spill over, it may **decongest roads and also make public travel cheaper**.

9.2.4. RAIL SAFETY

Why in news?

- The Railways Ministry is planning to consult the World Bank to identify areas that require investment from the special rail safety fund announced in the Budget.

Background

The **union budget 2017-18** made following announcements for rail safety:

- For passenger safety, a **Rashtriya Rail Sanraksha Kosh** will be created with a corpus of ` 1 lakh crores over a period of 5 years. It will be a non-lapsable fund
- Government will lay down **clear cut guidelines** and timeline for implementing various safety works to be funded from this Kosh.
- Unmanned level crossings on **Broad Gauge lines** will be eliminated by 2020.
- Expert international assistance will be harnessed to improve safety preparedness and maintenance practices

> - The ICF (Integral Coach Factory) design refers to the conventional design of coaches seen across trains in India
> - LHB (Linke-Hoffman-Busch) coaches are characterised by a sleeker finish than ICF coaches, better suspension, sound reduction and ride quality, not to mention significantly larger windows that lack the heavy tinting seen in the most ICF AC coaches.
> - They are also safer than ICF coaches in the event of an accident or collision. LHB coaches are longer than ICF coaches, and seat layouts in LHB and ICF coaches differ.

9.2.5. RAILWAYS INDIA DEVELOPMENT FUND

- Railways are setting up a Rs 30,000 crores fund, first-of-its-kind for the national transporter, for implementation of remunerative projects across the country.
- Investors like World Bank, National Infrastructure Investment Fund, pension and insurance fund and other institutional investors are expected to be part of the RIDF.
- However, the RIDF will invest only on those rail projects having higher rate of returns with minimum rates ranging between 14 per cent and 16 per cent.
- RIDF will focus on new lines for freight movement or redevelopment of stations and will not invest in non-remunerative projects.
- Since freight lines are more remunerative than passenger line, RIFD will focus on goods movement.
- Currently, Railways has undertaken many new projects which are socially desirable but economically non-viable.

9.2.6. MISSION 41K

- Union Railway Ministry has unveiled 'Mission 41K' to **save Rs. 41,000 crore on the Indian Railways' expenditure on energy consumption over the next 10 years.**
- This target of 'Mission 41K will be achieved by taking a slew of measures which include **moving 90% of traffic to electric traction** over diesel from present 50% of the total rail traffic.
- The railways will also **procure more and more electricity at cheaper rates through open market** instead of sourcing it through DISCOMs.
- The Electrification Mission will help Indian Railways **to reduce dependence on imported fuel, change energy mix, and rationalize the cost of energy** for Railways.

9.2.7. KALPANA CHAWLA CHAIR ON GEOSPATIAL TECHNOLOGY

- Union Ministry of Railways and PEC University of Technology have signed a Memorandum of Understanding (MoU) for setting up of Kalpana Chawla Chair on Geospatial Technology for Indian Railways at the University.
- The academic chair is being instituted in memory of Indo–American Astronaut and Alumnus of PEC Late Kalpana Chawla.
- The objective of the chair is to encourage research activities of Indian Railways in Geo-spatial Technology.
- It will also help to strengthen Railway projects where use of remote sensing data, Geographical information System (GIS) and global positioning system (GPS) is predominant.

9.2.8. TRI-NETRA

Terrain imaging for diesel drivers Infra-red, Enhanced Optical & Radar Assisted system

- Ministry of Railways, Railway Board has initiated a proposal to install TRI-NETRA systems on locomotives for enhancing the vision of Locomotive Pilots in inclement weather.
- TRI-NETRA system shall be made up of high-resolution optical video camera, high sensitivity infra-red video camera and additionally a radar-based terrain mapping system.
- TRI-NETRA is designed to "see" the terrain ahead of the running locomotive during inclement weather by combining the images captured by the three sub-systems and to create a composite video image which shall be displayed in front of the Loco Pilot on a computer monitor.

9.2.9. R & D UNITS OF THE MINISTRY OF RAILWAYS – RDSO

Research, Designs and Standards Organization (RDSO), situated at Lucknow, is the sole Research and Development (R&D) organisation of Indian Railways and functions as the technical advisor to Railway Board and Zonal Railways. The aims and objectives assigned to RDSO include the following:

- Development, adoption and absorption of new technology for use on Indian Railways
- Development of overall system standards
- Development of specifications for equipment, components & materials
- Testing and Recommending authority for Statutory clearances (including Metro system)
- Assistance in technical investigations
- Quality Assurance of delegated items

9.2.10. ANIL KAKODKAR COMMITTEE

The Committee submitted its report on Railway had made 106 recommendations covering various aspects viz.

- General Safety Matters,
- Organizational Structure,
- Empowerment at Working Level,
- Safety Related Works and Issues
- Filling up of vacancies in critical safety categories and Manpower Planning Issues,
- Plugging the shortage of critical Safety Spares,
- External Interferences – Removal of Encroachment and Sabotage,
- Upgradation of Signaling, Telecommunication and Train Protection System,
- Upgradation of Rolling Stock, Track, Bridges, Elimination of Level Crossings, Human Resource Development with emphasis on Education and Training Institutes on Indian Railways,
- Eco-system and Safety Architectures on Indian Railways.

9.2.11. 'MISSION RAFTAAR' OF INDIAN RAILWAY

- Mission Raftar has been announced in the Railway Budget 2016-17
- The mission envisages the target of **doubling of average speed of freight trains** and increasing the **average speed of all passenger trains by 25 kmph.**
- Time Frame is 5 years.
- It is a part of the 7 mission mode activities under **Avataran**

Avataran

- **Mission 25 Tonne:** It aims to increase revenue by augmenting carrying capacity
- **Mission Zero Accident**: Elimination of unmanned level crossings & TCAS (Train Collision Avoidance System)
- **Mission PACE:** Procurement and Consumption Efficiency
- **Mission Hundred**: This mission will commission at least a hundred sidings in the next 2 years
- **Mission beyond book-keeping**: It will establish an accounting system where outcomes can be tracked to inputs

- **Mission Capacity Utilisation**
- **Mission Raftaar**

9.2.12. NATIONAL RAIL PLAN 2030

Why in news?

- Website of National Rail Plan 2030 (NRP 2030) was launched by the Railway Minister.
- It will be used by all stakeholders including State Govts, public representatives and relevant Ministries to give their inputs for purposeful study in order to develop NRP 2030.

Objectives of the NRP 2030

- Facilitate easy movement of freight and passengers and access to services with reliability, safety and convenience.
- Stimulating economic growth by creating required rail infrastructure complementing other modes of transport.
- Meet the strategic requirement along international border.
- To build an economically competitive rail transport system

About National Rail Plan

- NRP 2030 will provide **long term perspective** to planning for augmenting the railway network.
- It will **harmonise and integrate** the rail network with other modes of transport and create synergy for achieving **seamless multi modal transportation** network across the country.
- It will also realize vision of **integrated planning** and **cost optimization** of the transportation network by laying the new railway lines and new highways together in tunnels and over mega-bridges.

9.3. PORTS

9.3.1. MAJOR PORTS AUTHORITY BILL, 2016

Why in news

- Union cabinet approved Major Ports Authority Bill, 2016 that will replace Major Ports Trusts Act, 1963.

Highlights of the bill

LANDLORD PORT MODEL

Ownership of the port remains with port authority. Infrastructure is leased to private firms that provide and maintain their own superstructure and install own equipment to handle cargo. In return, the landlord port gets a share of the revenue from the private entity.

SERVICE PORT MODEL

Port authority owns the land and all available assets-fixed and mobile-and performs all regulatory and port functions. The port trust is both landlord and the cargo terminal operator.

- New Bill is more compact in comparison to **Major Ports Trusts Act, 1963** as no. of sections has been reduced from 134 to 65 by eliminating overlapping and obsolete provisions.
- It proposes to simplify composition of **Board of Port Authority (BPA)** comprising of only 11 members including 3-4 independent directors from present 17-19 members.
- Bill propose to divest **Tariff Authority of Major Ports (TAMP)** of its power to regulate tariffs and delegate this power to **BPA** to fix tariff which will act as a reference tariff for purpose of bidding PPP projects.
- **BPA** will be empowered to lease land for port related use for upto 40 years and for non-port related use upto 20 years and also fix rates for other port services and assets like land.
- Bill propose to introduce **internal audit** of Central Ports as mentioned in companies act 2013 including provisions of CSR and development of infrastructure by port authority.
- **Independent Review Board** (**IRB)** will be setup to carry out the residual function of **TAMP** like looking into disputes between port and PPP concessionaires, to review stressed PPP projects and suggest measures to cope with stressed PPP projects.
- **IRB** will also look into complaints regarding services rendered by the private operators.

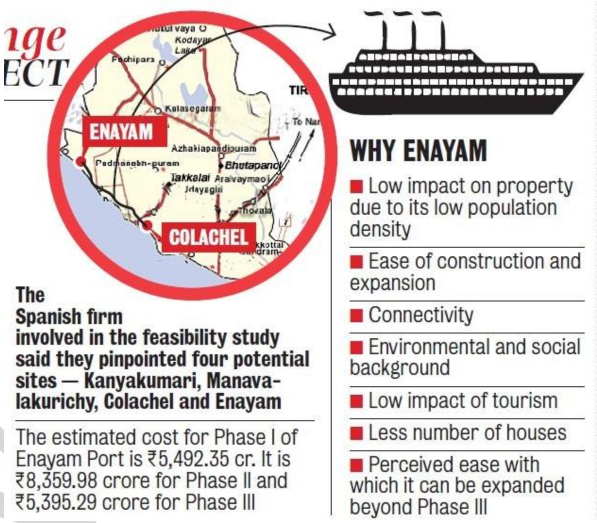
9.3.2. INDIA'S 13TH MAJOR PORT

Why in news?

- The Union Cabinet has given its in-principle approval for setting up a **Major port at Enayam near Colachel** in Tamil Nadu. On completion the port will become country's 13th major port.

Background

- Presently, India has 12 major and 187 non-major ports.
- Currently, around 78% of the marine traffic from the east coast ports of India is trans-shipped to Colombo, Singapore and Klang (Malaysia), as most of the Indian ports don't have <u>a draught to match global cargo handling efficiencies and function as a trans-shipment hub</u>.



Enayam port

- Aimed to make India a destination on the global east-west trade route.
- To act as a major gateway container port for Indian cargo that is presently trans-shipped outside the country.
- It will help to reduce the logistics cost for exporters/importers in South India who currently depend on trans-shipment from other foreign ports, incurring additional port handling charges.
- Can save about 1,500 Crores Rupees of revenues each year by preventing diversion to other countries
- The Enayam port has a natural deep draught of about 20 meters that makes it feasible for larger vessels.
- It has 10 million TEUs (twenty foot equivalent units) capacity and later can be expanded to 18 million TEUs.

What are major ports?

- Ports are <u>under concurrent list.</u>
- The Major Ports are administered by the central government's shipping ministry.
- They handle nearly 75% of India's cargo traffic.
- The major ports of India moving from east to west are: Haldia, Paradip, Vishakhapatnam, Ennore (private), Chennai, Tuticorin, Enayam, Kochi, Panambur Port (Mangalore), Marmagoa, NhavaSheva- Maharashtra, Mumbai Port, Kandla Port- Gujarat. Also Port Blair- Andaman.

9.3.3. SAGAR PORT

- The central government has recently approved Rs.515 crore grant for making the Sagar port.
- It is a proposed Rs. 12,000 crore deep sea port at Sagar islands in West Bengal.
- The Kolkata and Haldia ports cannot handle big ships due to the shallow depth of the Hooghly River. Thus, an alternative port in West Bengal is needed.

9.3.4. INDIA'S FIRST COASTAL ECONOMIC CORRIDOR

About

- India has planned to build its **first Eastern Coast Economic Corridor (ECEC) from West Bengal to Tuticorin in Tamil Nadu.**
- As part of the project, recently, the Asian **Development Bank approved a $631 million loan** for the construction of industrial corridor between Vishakhapatnam and Chennai (VCIC).

Coastal Economic Zones

- Coastal location allows companies to operate in the world markets unhindered by the poor infrastructure in the hinterland. This was successfully done in China.
- The NITI Ayog, thus, suggests that India should also work on building a coastal economic zone. This becomes further attractive in the light of **Sagarmala initiative**.

- The fund will help develop the first key **800-km section of the planned 2,500-km East Coast Economic Corridor**. The remaining $215 million will be funded by the Andhra Pradesh government.
- The idea is to not just build new ports or upgrade old ones but **raise entire industrial ecosystems** that encompass several such ports.
- The ADB loan will help the government build state-of-the art industrial clusters, roads, efficient transport, and reliable water and power supplies with a skilled workforce and good business policies.

Maritime Clusters and CEZ

- Maritime clusters are to be one of focal points for economic development along India's coastline, according to a draft report prepared under Sagarmala Programme of the Ministry of Shipping.
- The report on port-led-industrial development of the coastal economic clusters identifies two major maritime clusters in **Tamil Nadu and Gujarat** as areas with potential

9.3.5. MERCHANT SHIPPING BILL

Why in news?

- The Cabinet approved a new Merchant Shipping Bill, 2016. It provides for repealing of the Merchant Shipping Act, 1958, as well as the Coasting Vessels Act, 1838.

Key Features of Bill

- Augmentation of Indian tonnage promotion
  - ✓ allowing substantially-owned vessels to be registered as Indian flag vessels;
  - ✓ recognising Indian controlled tonnage as a separate category;
- development of coastal shipping in India by:-
  - ✓ dispensing with the requirement for issuing of licences to Indian flag vessels for coastal operation and for port clearance by the Customs authorities; and
  - ✓ making separate rules for coastal vessels to develop & promote coastal shipping.
- Introduction of welfare measures for seafarers, such as:
  - ✓ seafarers held in captivity of pirates will receive wages till they are released and reach home back safely;
- Registration of certain residuary category of vessels not covered under any statute and to make provisions for security-related aspects.
- Incorporation of all International Maritime Organisation (IMO) Conventions /Protocols (see box)
- The Coasting Vessels Act, 1838, which is an archaic legislation of the British era providing for registration of non-mechanically propelled vessels to a limited jurisdiction of Saurashtra and Kutch, is proposed to be repealed since in the Merchant Shipping Bill 2016 provisions have been introduced for registration of all vessels for the whole of India.

IMO conventions

- the Intervention Convention 1969,
- the Search and Rescue Convention 1979
- the Protocol for Prevention of Pollution from Ships Annex VI to Marine Pollution Convention,
- the Convention for Control and Management of Ships Ballast Water and Sediments, 2004,
- the Nairobi Wreck Removal Convention, 2007,
- the Salvage Convention 1989 and
- the International Convention for Bunker Oil Pollution Damage, 2001.

9.3.6. PORT-RAIL CONNECTIVITY PROJECTS

Why in news?

- **Ministry of Railways** has decided to take up 21 port-rail connectivity projects, at an estimated cost of Rs 20,000 crore, under the under <u>the port-connectivity enhancement</u> objective of Sagarmala which is under **Ministry of Shipping.**
- Another six projects are being considered by the <u>Indian Port Rail Corporation Limited (IPRCL).</u>

- In order to execute the last mile connectivity, of the Major Ports, a Special Purpose Vehicle (***SPV***) – The **Indian Port Rail Corporation (IPRC)** is incorporated under the Companies Act 2013, under the administrative control of the Ministry of Shipping.
- 90% of equity of the company has been provided by the 11 Major Ports and 10% by the Rail Vikas Nigam Limited.

- As part of the National Perspective Plan, prepared under the Sagarmala Programme of the Ministry of Shipping, **7 Multi-Modal Logistic Parks (MMLPs**) were proposed in Madhya Pradesh, Chhattisgarh, Rajasthan, Odisha, Telangana, Uttarakhand and West Bengal.

Objectives

- To strengthen evacuation network and boost last-mile connectivity to the country's ports.
- To simplify procedures used at ports for cargo movement.
- Help in reducing logistics cost and time for cargo movement making Indian trade more competitive.
- This also promotes usage of electronic channels for information exchange leading to quick, efficient, hassle-free and seamless cargo movement.

Background

- The National Perspective Plan for Sagarmala Programme identifies projects under the 4 major objectives of the programme - i) Port Modernization & New Port Development, ii) Port Connectivity Enhancement, iii) Port-led Industrialization and iv) Coastal Community Development.

Sagarmala Programme

- Sagarmala is the flagship programme of the Ministry of Shipping for promoting port-led development in India.
- It aims to achieve capacity expansion and modernization of sea-ports along India's coastline, enhance port connectivity to the hinterland, facilitate port led- industrialisation to promote trade and sustainable development of coastal communities.
- The National Perspective Plan (NPP) prepared under Sagarmala Programme was released in April 2016 by the Prime Minister.
- More than 150 projects have been identified which will mobilize investment of over Rs. 4 lac Crore and generate close to 1 Crore new jobs, including 40 lac direct jobs, over a period of 10 years.

9.3.7. JAWAHARLAL NEHRU PORT

- Jawaharlal Nehru Port becomes the first port in the country to implement logistics data tagging of containers.
- It will help importers/exporters track their goods in transit through logistics data bank service.
- An RFID (Radio Frequency Identification Tag) tag would be attached to each container which would be tracked through RIFD readers installed at different locations.

RFID

- Radio-frequency identification (RFID) uses electromagnetic fields to automatically identify and track tags attached to objects.
- The tags contain electronically stored information. Passive tags collect energy from a nearby RFID reader's interrogating radio waves.

9.3.8. SAGAR PURVI

- The Government of India has deployed the Coastal Research Vessel [CRV] Sagar Purvi to study about ocean parameters along the coastal waters of India.
- CRV Sagar Purvi was deployed for implementing various programmes of Ministry of Earth Sciences such as:
  - ✓ Monitoring of marine pollution levels
  - ✓ conservation and management of coastal resources including coral reef
  - ✓ Integrated Coastal and Marine Area Management (ICMAM)
  - ✓ survey of the Exclusive Economic Zone of India (EEZ).

9.3.9. RO PAX FERRY SERVICE

- As part of promoting coastal shipping in the country under Sagarmala programme, the Ministry of Shipping has sanctioned the Capital Dredging Project for Ro Pax Ferry Services between Gogha & Dahej, in Gulf of Cambay in Gujarat.
- The project is first of its kinds in India as it will be executed in the area of world's 2nd highest tidal range.

- It would also help in utilisation of inland waterways through River Narmada for shipping goods from industries located upstream.

9.3.10. PARADIP INDUSTRIAL PORT CITY

- The port city of Paradip is to be develop as World Class Smart Industrial Port City.
- The rationale behind developing Paradip as a smart city is that:
  - ✓ Paradip already have a Major Port and
  - ✓ Strong mineral resource presence in the region

9.3.11. NEW MODEL CONCESSION AGREEMENT FOR PORT SECTOR

- The Ministry of Shipping has proposed a new Model Concession Agreement (MCA) for the Port Sector.
- The proposed MCA will replace the existing Model Concession Agreement which came into existence in January, 2008.
- The salient changes proposed in the Revised Model Concession Agreements are:
  - ✓ Change in equity holding to provide exit route
  - ✓ Providing for refinancing provision in MCA
  - ✓ Provision for mid-term review of concession
  - ✓ Improved Utilization of Project Assets and Higher Productivity
  - ✓ Grievance Redressal System
  - ✓ Tariff Guidelines etc.

9.3.12. GREEN PORT INITIATIVE

- Ministry of Shipping has started 'Project Green Ports' to make major ports across India cleaner and greener.
- Project Green Ports' will have two verticals – one is 'Green Ports Initiatives' related to environmental issues and second is 'Swachh Bharat Abhiyaan'.
- Under 'Green Ports Initiatives', 12 initiatives will be implemented.

9.4. AVIATION SECTOR

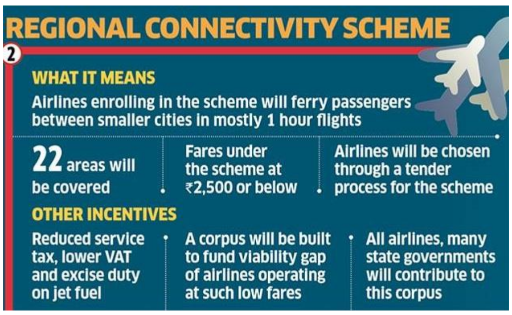
9.4.1. CIVIL AVIATION POLICY

Why in news?

The Union Cabinet recently cleared the Civil Aviation Policy in order to boost the domestic aviation sector and provide passenger-friendly fares. This new policy aims at providing various benefits to domestic airline passengers.

The Policy aims at

- **India to become 3rd largest civil aviation market by 2022** from 9th.
- **Domestic ticketing to grow** from 8 crore in 2015 to 30 crore by 2022. To grow domestic passenger traffic nearly four-fold to 300 million by 2022.
- **Airports having scheduled commercial flights to increase** from 77 in 2016 to 127 by 2019.
- **Cargo volumes to increase** by 4 times to 10 million tonnes by 2027.
- **Enhancing ease of doing business** through deregulation, simplified procedures and e-governance.
- **Promoting 'Make In India'** in Civil Aviation Sector.
- **Ensuring availability of quality certified 3.3 lakh skilled personnel** by 2025.



Highlights of NCAP

- The cornerstones of the new civil aviation policy are
  - ✓ competition
  - ✓ consumers
  - ✓ connectivity (within India and with the rest of the world)

✓ investment-both from domestic and foreign investors

- **Regional Connectivity Scheme** (covered in subsequent section)
- **Route Dispersal Guidelines (RDG)**
  ✓ **MoCA** will categorize the air traffic routes into 3 categories.
- **5/20 rule scrapped**.
  ✓ Replaced with a scheme which provides a level playing field
  ✓ All airlines can now commence international operations provided that they deploy 20 aircraft or 20% of total capacity, whichever is higher for domestic operations.

- **Bilateral Traffic Rights**
  ✓ GoI will enter into 'Open Sky' ASA on a reciprocal basis with SAARC countries and countries located beyond 5000 km from Delhi. i.e., these countries will have unlimited access, in terms of number of flights and seats, to Indian airports, leading to increased flight frequencies with these countries.
- **Ease of doing business**
  ✓ A single window for all aviation related transactions, complaints, etc.
  ✓ More focus on ease-of-doing business as government plans to liberalize regime of regional flights.
  ✓ Permission for Indian carriers to get into code-sharing agreement with foreign carriers for any destination within India.
  ✓ The earlier proposed 2% cess on all regional flights has been done away with. The cess was proposed to collect funds to improve regional infrastructure.
- **Infrastructure development**
  ✓ **Restoration of air strips** at a maximum cost of Rs 50 crore through Airports Authority of India (AAI).
  ✓ Four **Heli-hubs** to be developed. Helicopter Emergency Medical Services to be facilitated
  ✓ Development of **Greenfield and Brownfield airports** by State government, private sector or in PPP mode to be encouraged.
  ✓ Future tariffs at all airports will be calculated on a 'hybrid till'basis
- Strategic partnership between Ministry of Skill Development and Entrepreneurship and Ministry of Civil Aviation to boost skill initiatives in aviation sector.

9.4.2. REGIONAL CONNECTIVITY SCHEME 'UDAN'

About

- UDAN is an innovative scheme to develop the regional aviation market. The objective of the scheme was **"Ude Desh Ka Aam Naagrik".**

Key Features

- UDAN will be applicable on flights which cover between 200 km and 800 km with no lower limit set for hilly, remote, island and security sensitive regions.
- The scheme seeks to reserve a minimum number of UDAN seats i.e. seats at subsidized rates and also cap the fare for short distance flights at Rs 1,200 for 30 minutes and Rs 2,500 for hour-long flights.
- This would be achieved through two means:
  - A **financial stimulus** in the form of concessions from Central and State governments and airport operators like tax concessions, exemptions from parking and landing charges etc.
  - A **Viability Gap Funding** to the interested airlines to kick-off operations from such airports so that the passenger fares are kept affordable.
- A **Regional Connectivity Fund** would be created to meet the VGF requirements under the scheme. The RCF levy per departure will be applied to certain domestic flights along with 20% contribution from states.
- For **balanced regional growth**, the allocations under the scheme would be equitably spread across the five geographical regions of the country viz. North, West, South, East and North-east.
- The selection of airports where UDAN operations would start would be done in consultation with State Government and after confirmation of their concessions.

- The scheme UDAN envisages providing connectivity to un-served and under-served airports of the country through **revival of existing air-strips and airports** as No-Frills Airports at an indicative cost of Rs.50 crore to Rs100 crore
- The scheme would be in operation for a period of 10 years.

9.4.3. AIRSEWA PORTAL

Why in news?

Minister of Civil Aviation launched AirSewa portal to provide a hassle-free and comfortable air travel experience to people.

Features

- It will be operated through an **interactive web portal** as well as through a **mobile app**.
- The portal will include a mechanism for **grievance redressal, backoffice operations for grievance handling, flight status/schedule information, airport Information and FAQs.**
- AirSewa attempts to provide a **systematic approach** to redressing passenger grievances by getting the **various players** who are a part of the civil aviation ecosystem on to a **common platform.**
- **Nodal officers** have been selected for all stakeholder agencies who will address the grievance in a time bound manner.

Airports Authority of India
- It is a statutory body constituted in 1995.
- It is entrusted with the responsibility of creating, upgrading, maintaining and managing civil aviation infrastructure both on the ground and air space in the country.

Airport information provided through the portal will include basic details and contact information regarding airport services, such as wheelchair, transport / parking and Wi-Fi services.

9.4.4. INTERNATIONAL CIVIL AVIATION NEGOTIATIONS (ICAN)

- ICAN – 2016 were held recently in Nassau.
- The major issues resolved by India were:
  - Increase in traffic rights
  - **Open Skies agreement**: allows unlimited number of flights to six metro airports namely Delhi, Mumbai, Hyderabad, Kolkata, Bengaluru and Chennai, was signed with six countries namely Jamaica, Guyana, Czech Republic, Finland, Spain and Sri Lanka.
  - New Air Service Agreements were signed with Jamaica and Guyana.
  - **Code Shares**: provide seamless connectivity to the travelling passengers and make possible connectivity between far off destinations not served by direct flights.
- Open sky refers to an agreement between two countries to allow any number of airlines to fly from either of them without any restriction on number of flights, number of destinations, number of seats, price and so on. However, this is a general definition. In actual practice, there are always some restrictions.

9.5. ADDITIONAL TOPICS

9.5.1. TRANSIT ORIENTED DEVELOPMENT POLICY

Why in News?

- To address the challenges of urbanization, the Ministry of Urban Development has come out with a Transit Oriented Development (TOD) Policy.

Background

- Transit Oriented Development projects are already being taken up in Ahmedabad, Delhi (Kakardooma), Naya Raipur, Nagpur and Navi Mumbai.

Transit Oriented Development

It enables people to live within walking or cycling distance from transit corridors like the Metros, Monorail and Bus Rapid Transit (BRT) corridors.

- Current progress of Transit Oriented Development is seen in the fact that –
  - Over **300 km of Metro lines** are operational in seven cities and another 600 km of metro line projects are under construction.

- **Bus Rapid Transport Systems in 12 cities** are under different stages of progress.
- **Mass Rail Transit System** of 380 km length is being taken up in Delhi.

About the Policy

> **Floor Area Ratio**
>
> It is the ratio of a building's total floor area as compared to the size of the land upon which it is built.

- The **city densification will be promoted along mass transit corridors** through-
  - **Vertical building construction** by enhancing Floor Area Ratio.
  - Promotion of **Non-motorized Transport** for walking and cycling.
  - **Seamless integration of different transport modes** with first and last mile connectivity through feeder services.
- It **seeks to enhance understanding of States and UTs on TOD** as a solution to rising urban challenges
- It is proposed to be financed by **channelizing a part of increases in property values** after investments in transit corridors through **Betterment Levies and Value Capture Financing.**
- It also aims at **inclusive development** by having **mixed neighbourhood development** with a range of housing choices including affordable housing and ensuring spaces for street vendors.
- States and UTs will be required to
  - Incorporate TOD in the Master Plans and Development Plans.
  - **Identifying 'Influence Zones' from transit corridors** for tapping revenue streams.

> **Other policies to promote Transit Oriented Development**
>
> - TOD is also being incentivized under **two more initiatives viz., Metro Policy and Green Urban Mobility Scheme**.
> - Under the **new Metro Policy**, TOD has been made mandatory while under **Green Urban Mobility Scheme**, TOD is recommended as an essential reform with priority in central assistance.

9.5.2. PROJECT DISHA

Why in News?

- The Airports Authority of India (AAI) is **using social media platform WhatsApp to issue directives to airports for improving customer service.**

What is Project Disha?

- AAI unveiled **<u>Project DISHA – Driving Improvement in Service and Hospitality at Airports</u>** – last year to improve customer service.
- It was **aimed at** -
  - ✓ Improving customer convenience
  - ✓ Improving airport facilities such as toilets,
  - ✓ Improving navigation
  - ✓ Offering best and affordable food and beverages.
- The **project is being implemented at 10 airports** – Kolkata, Chennai, Lucknow, Varanasi, Bhubaneswar, Pune, Goa, Guwahati, Coimbatore and Thiruvananthapuram.

9.5.3. INFRASTRUCTURE FUNDING

Sports Sector Gets the Infrastructure Status

- **Ministry of Finance** after discussions with different agencies including RBI have decided that **sports infrastructure** will be included under the **Harmonized Master List of Infrastructure Subsectors.**
- It includes the provision of Sports Stadia and Infrastructure for Academies for Training / Research in Sports and Sports-related activities.
- **Benefits**
  - ✓ It will now be eligible for obtaining **long term financial support** from banks and other financial institutions.
  - ✓ It will **encourage private investment in a public good** which has socio-economic externalities.
  - ✓ It will bolster **investment in sports infrastructure** sector which will contribute to the **economy,** promote **health and fitness and** will provide **opportunities for employment**.

✓ The country can become a **sporting power in future**.

Extra Budgetary Resources for Infrastructure

- The Union Cabinet has given its approval for raising a total of Rs. 31,300 crore in the financial year 2016-17 to augment infrastructure spending
- The move is intended to supplement the efforts of the Government to improve infrastructure spending and to improve the revenue-capital mix of the expenditure for a more sustainable growth**.**

9.5.4. UNDER SEA CABLE TO LINK ANDAMAN

- Union Cabinet has approved a proposal for **improving telecom connectivity in Andaman & Nicobar Islands by connecting the union territory with Chennai via an undersea optical fibre cable** at a cost of Rs. 1,102.38 crore.
- The dedicated submarine OFC will connect Mainland (Chennai) and Port Blair and five other islands- Little Andaman, Car Nicobar, Havelock, Kamorta and Great Nicobar.
- Presently, the telecom connectivity is through satellites which is costly and has limited bandwidth.
- The connectivity would **help in the socio-economic development of the islands**.
  - It would allow the implementation of e-governance initiatives, establishment of enterprises and e-commerce facilities in the islands.
  - It would also support the educational institutes for knowledge-sharing and availability of job opportunities.

10. ENERGY

10.1. COAL MITRA

Why in News?

- GoI launched **Coal Mitra web portal** to facilitate coal swapping among government and private firms.
- There is inadequate supply of fuel like coal and gas to power generating station. CIL supply is only 65% of total requirement so most of demand is met through import thus escalating generation cost.

Key features

- It will show data on Operational parameters and financial health of each coal based station.
- Central/state power generating stations can use the portal to display information regarding norms fixed for electricity charges, previous month variable charges of electricity and margin available for additional generation for utilities to identify stations for transfer of coal.

10.2. URJA GANGA PROJECT

About

- Recently Prime Minister Narendra Modi laid the foundation stone of Urja Ganga, the highly ambitious gas pipeline project in Varanasi, Uttar Pradesh.
- It aims to provide piped cooking gas (PNG) to residents of the eastern region of the country and CNG gas for the vehicles.

Key Features

- The project envisages laying a 2,050-km pipeline connecting Jagdishpur (UP) to Haldia (West Bengal) by 2018. It will include five states including UP, Bihar, Jharkhand, West Bengal and Odisha.
- The project is being implemented by state-run gas utility GAIL.
- Seven East India cities Varanasi, Jamshedpur, Patna, Ranchi, Kolkata, Bhubaneswar, Cuttack – will be the major beneficiary of this network development.

10.3. RENEWABLE ENERGY CAPACITIES

- The renewable energy sector has for the first time surpassed hydro power generation.
- According to the Central Electricity Authority data, the total capacity of renewable energy sector increased to 42,849.38 MW, surpassing the total capacity of hydro power sector at 42,783.42 MW, out of the nation's total installed capacity of a little over 3 lakh MW on April 30, 2016.

Power generation in India

Thermal- 69.3% in which coal accounts for 60.8%.
Hydro - 14.0%
Nuclear- 1.9%
Renewable Source- 14.9%

10.4. SOLAR ENERGY

10.4.1. NATIONAL SOLAR MISSION

- It is part of eight core mission of NAPCC.
- Recently targets has been revised upwards
  - ✓ to generate 100 GW of solar power by the year 2021-22.
  - ✓ To generate 60 GW ground mounted grid-connected solar power and 40 GW through roof-top grid interactive solar power.
  - ✓ The target for the current year is 2,000 MW and next year target is 12,000 MW.

Solar power potential in India

As per the study conducted by ministry of new and renewable energy (MNRE), India's solar power potential is as high as 748 GW, against our

Solar power getting cheaper

- Solar panels made from materials called perovskites.
- Recent bids by companies such as SkyPower, SunEdison were at Rs. 5-6/ unit which is very much comparable to thermal power plants.

Less practical than conventional energy

- Solar energy works only when the sun is shining
- Solar systems do not operate efficiently during monsoons or winters when there is fog.
- Blending of solar energy in the grid with thermal energy – and that poses all sorts of practical problems.
- Capital costs of solar installation are also higher.
- **Domestic manufacturing** remains a weak link:
  - ✓ Indian products are of low technology.
  - ✓ Self-sufficiency is needed for success of Make in India. Will save $42 billion in equipment imports by 2030 and create 50,000 direct jobs and at least 125,000 indirect jobs.

country's cumulative installed capacity from all sources at around 275 GW.

10.4.2. INDIA LOST APPEAL IN WTO

- India had introduced a **'buy-local' provision under its National Solar Mission** for large solar projects. Under it the projects were entitled to subsidy and assured government procurement if the equipment was manufactured locally.
- The World Trade Organization (WTO) had earlier this year ruled against this provision in order to remove any disadvantage to imported solar equipment in India.
- As per WTO the local content requirements undermine our efforts to promote clean energy by requiring the use of more expensive and less efficient equipment, making it more difficult for clean energy sources to be cost-competitive
- India had filed an appeal before WTO on this issue. However, the appeal got dismissed recently.

10.4.3. "SURYAMITRA"

Who are Suryamitras?

Suryamitras are skilled technicians who can install, operate, repair and maintain, provide servicing for solar powered panels, solar power plants and equipment (For ex: solar cookers, solar heaters, solar pumps etc.)

Suryamitra mobile app

- "Surya Mitra" is a GPS based mobile App developed by National Institute of Solar Energy (NISE).
- This App is a high-end technology platform, which <u>can handle thousands of calls simultaneously and can efficiently monitor all visits of Suryamitras.</u>

Suryamitra initiative

- "Suryamitra" is a residential program which is 100% funded by Govt. of India and implemented by NISE across the country.
- MNRE set a target of 50,000 "Suryamitras" of skilled manpower in solar energy sector in next 3 years. As on date more than 3,200 Suryamitra are trained under the program. The target for FY 2016-17 is to train 7,000 Suryamitra's.

About National Institute of Solar Energy (NISE)

- An autonomous institution of Ministry of New and Renewable (MNRE), is the apex National R&D institution in the field Solar Energy.

10.4.4. CENTRE TO DOUBLE SOLAR PARK CAPACITY

Why in News?

- Cabinet has approved the **doubling of solar park capacity to 40,000 MW**. New energy.
- State will identify the solar park developer and also the land on which it would be built.

Solar Energy Corporation of India (SECI)

- It is a **not-for-profit company** under Ministry of New and Renewable Energy.
- It is currently the **implementing agency of many solar programs of government of India**.

Eligibility of the scheme

- All the States and UTs are eligible for this scheme.
- **Solar Energy Corporation India (SECI)** will administer the scheme under Ministry of New and Renewable Energy.

10.5. NUCLEAR ENERGY

10.5.1. ANDHRA PRADESH: COUNTRY'S NUCLEAR POWER HUB

- In Andhra Pradesh, six nuclear centres could be created, totaling thousands of megawatts in capacity having both American and Russian participation in nuclear energy generation.
- If all the projects under consideration from Russia, the U.S. and NPCIL were to actually go through, Nuclear Power Plants (NPPs) in Andhra could account for more than 30,000 MW of the Modi government's goal of 63,000 MW installed capacity by 2031.

- The "American participation" of Toshiba-Westinghouse to set up 6 AP1000 reactors of 1,100 megawatts each, planned in Gujarat's MithiVirdi, could be moved to Andhra Pradesh due to "stiff protests from farmers" during the land acquisition
- The State has planned its nuclear park in Kovvada where another U.S. company GE-Hitachi had also been allocated a site to provide 6 Economic Simplified Boiling Water Reactors (ESBWRs) of 1594 MW which has gone slow due to doubts over the technology.
- Russian-owned Rosatomcould also will build its next phase of six reactors in Andhra Pradesh. The site for the next set of six Russian reactors is believed to be Kavali in Nellore district, for which announcement could be made during President Vladimir Putin's visit to India in October.
- Another Russian project, to build 6 'VVER' (Water-Water Energy) Reactors of 1000 MWe in West Bengal's Haripur may also be moved to Andhra Pradesh due to local protests.

10.5.2. NUCLEAR PLANTS INSURED

Why in news?

India's first insurance policy covering public liability to an atomic power plant operator has been issued to Nuclear Power Corporation of India Ltd (NPCIL).

- Nuclear Power Corporation of India Limited (NPCIL) is a Public Sector Enterprise under Department of Atomic Energy
- NPCIL is responsible for design, construction, commissioning and operation of nuclear power reactors.
- It is presently operating 21 nuclear power reactors with an installed capacity of 5780 MW.

Background

- India has ratified the Convention on Supplementary Compensation (CSC) for Nuclear Damage.
- Indian Nuclear Insurance Pool was launched by the state-owned General Insurance Corporation-Reinsurer (GIC-Re) and other Indian insurance companies in June, 2015.
- This pool offers an insurance product for NPCIL for covering the operator's liability under the provisions of the Civil Liability for Nuclear Damage (***CLND***) Act 2010.
- It provides for Rs. 1,500 crore as maximum liability for nuclear damage.

10.5.3. 2ND GENERATION ETHANOL

- Ministry of New and Renewable Energy has announced come out with draft policy for 2nd generation ethanol.
- In December 2014, the Cabinet had approved usage of non-food feedstocks besides molasses as source of ethanol to be used for blending in fuel.
- The policy is for using resources other than molasses for producing ethanol, since there is a shortage of molasses.
- Ministries of renewable energy and science and technology will find a way to produce second-generation ethanol from biomass, bamboo, rice straw, wheat straw, and cotton straw etc. to power vehicles.

10.5.4. GLOBAL WIND POWER INSTALLED CAPACITY INDEX

- India ranked 4th in the Global Wind Power Installed Capacity index with cumulative installed wind power generation capacity of 25,088 MW in 2015.
- The index was released as part of Global Wind Report: Annual Market, flagship publication of the Global Wind Energy Council (GWEC).
- The index was topped by China, followed by US and Germany with cumulative installed wind power generation capacity of 145362 MW, 74471 MW and 44947 MW respectively.
- India has achieved the largest-ever wind power capacity addition of 3,423 MW in 2015-16, exceeding the target by 44%.

10.6. GAS4INDIA

- #Gas4India is a unified cross-country, multimedia, multi-event campaign to communicate the national, social, economic and ecological benefits of using natural gas as the fuel of choice to every citizen.

* The campaign includes social engagement via Twitter, Facebook, Youtube, LinkedIn, and its official blogsite, as well as hyper local, offline events to directly connect with consumers through discussions, workshops and cultural events.

10.7. NEW HYDRO PROJECTS

Prime Minister Shri Narendra Modi dedicated three flagship 800 MW Hydro Power Station of NTPC- Koldam, 520 MW Parvati Project of NHPC and 412 MW Rampur Hydro Station of SJVNL projects to the Nation in Mandi, Himachal Pradesh.

10.8. POWER SECTOR

10.8.1. 24X7 POWER FOR ALL

Why in News?

* Tamil Nadu Govt. has signed a MoU with Ministry of Power, GOI for Ujwal DISCOM Assurance Yojana.
* The state has also signed up for the “24X7 Power for All” initiative.

Background

* “24X7 PFA” aims to provide 24X7 power access in the country anywhere any time by 2019.
* With TN signing the MoU, roadmap for all states except UP have been finalized and under implementation.
* Andhra Pradesh and Rajasthan were the first states to sign up to provide 24X7 power.
* Rigorous analysis showed that the states lacked financial viability to provide power for all.
* This led to the formation of UDAY, to replenish loss-making DISCOMs (distribution companies).
* Apart from UDAY, the government has also launched several other initiatives in the past two years to achieve 24X7 PFA such as UJALA (distribution of LED light bulbs), DDUGJY and IPDS.
* Allocations forDDUGJY (Deen Dayal Upadhyaya Gram Jyoti Yojna) and IPDS (**Integrated Power Development Scheme**) have been increased by 25% in budget 2017-18 to achieve 24X7 PFA**.**

Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY)

* Flagship programme of power ministry to facilitate 24*7 power supply esp in rural area villages.
* It was launched in 2015 in Patna.
* Earlier scheme for rural electrification called Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) has been subsumed in this scheme.

10.8.2 GARV II APP

Why in News?

* Power ministry launched GARV app to provide real time data about rural electrification in all (6 lakh) villages of the country.
* Earlier GARV app only provided data about rural electrification regarding 18,452 unelectrified villages while GARV II will provide real time data about all villages.

Key features of GARV APP

* Villages with more than 15 lakh habitation has been mapped.
* It has a citizen engagement window called **“SAMVAD”** through which people can provide their feedback and suggestion which will be automatically forwarded to concerned authorities.
* It will have a latest update on release of funds to states sanctioned under DDUGJY.
* Progress of the various work will be updated on day to day by implementing agencies of state government.

Meaning of Electrification of a Village

According to the definition of electrification that came into effect from 2004-05, a village would be declared electrified if,

* Basic infrastructure such as Distribution Transformer and Distribution lines are provided in the inhabited locality as well as the Dalit Basti hamlet where it exists.
* Electricity is provided to public places like Schools, Panchayat Office, Health Centers, Dispensaries, Community centers etc.
* The number of households electrified should be at least 10% of the total number of households in the village.

10.8.3. TARANG MOBILE APP, "E-TRANS" AND DEEP

Why in News?

- Union Minister of State (IC) for Power, Coal, New & Renewable Energy and Mines launched **TARANG mobile app, e-trans and DEEP e-bidding portals**.
- The portals have been launched with the objective to bring **transparency in the power transmission sector** of the country.

TARANG (mobile app and web portal)

- It stands for **Transmission App for Real Time Monitoring and Growth.**
- It will act as a **monitoring tool** to track upcoming projects.
- It will also monitor **Green Energy Corridors**.

E-trans

- It is web platform for e-**bidding and e-reverse auction for Tariff Based Competitive Bidding (TBCB) for transmission projects.**
- Reverse auction is also being introduced in the transmission sector with e-trans**.**

DEEP (Discovery of Efficient Electricity Price)

- It is an **e-bidding portal** for **medium term (1-5 years) purchase of power**.
- It will provide a common e-bidding platform with e-reverse auction facility to **facilitate nation-wide power procurement through a wider network**.

10.8.4. DRAFT NATIONAL ELECTRICITY PLAN (GENERATION)

Why in news?

- Central Electricity Authority released the draft National Electricity Plan (generation).

Key features of the draft Plan

- The document assumes capacity addition from gas at 4,340 MW, hydro at 15,330 MW, nuclear at 2,800 MW and renewable sources at 115,326 MW as committed capacity during 2017-22.
- For the period 2022-27, priority has been given to development of hydro and nuclear based projects for power generation.
- Coal based capacity addition will not be required in this period, as a capacity of 50 GW is already under construction against a requirement of 44 GW.

> - Central Electricity Authority (CEA): It is a statutory organization under the Electricity Act, 2003.
> - It is required to prepare a National Electricity Plan in accordance with the National Electricity Policy.

- It said that the renewable energy generation will contribute about 20.3 per cent and 24.2 per cent of the total energy requirement in 2021-22 and 2026-27, respectively.
- It scaled down India's peak power demand over the next 10 years than the corresponding projections made by 18th Electric Power Survey (EPS) report due to energy conservation measures.

10.8.5. LOAD GENERATION BALANCE REPORT

- The government used to plan generation with deficit of power in the past in its LGBRs, which are brought out every year to project electricity demand and supply situation.
- The report covers the month-wise anticipated energy requirement and availability as well as peak demand and availability for the year against an all India annual generation target.
- The LGBR is finalised by the Central Electricity Authority and approved by the Power Ministry after detailed discussions with the States/ utilities and Central/State/Private generation companies.

10.9. ENERGY EFFICIENCY

10.9.1. ENERGY SAVING CERTIFICATES (ESCS)

Why in News?

- Under the Draft Energy Savings Certificates regulations, Central Electricity Regulatory Commission (CERC) has approved the trading of ESCs on power exchanges.

Proposal

- The Power System Operation Corporation Limited has to perform the role of registry of the ESCs.
- The Bureau of Energy Efficiency has been assigned the role of administrator for exchange of ESCs.
- CERC will supervise and approve the procedures as framed by the Administrator from time to time. It would also exercise market oversight over the power markets.

Perform Achieve and Trade scheme

- It is a scheme under the **National Mission on Enhanced Energy Efficiency**.
- It was introduced as an instrument to reducing specific energy consumption in energy-intensive industries.
- It is aimed at major industries like thermal power, fertilizer, cement etc.
- It is a market-based mechanism that allows the trading of ESCerts (energy saving Certificate)
    - ESCerts were introduced in 2013 by the Bureau of Energy Efficiency (BEE) for industries which achieved energy efficiency standards.
    - They are issued by BEE or Ministry of Power.
    - One certificate is equal to the energy consumed in terms of **one metric tonne of oil equivalent (mtoe).**

Renewable Energy Certificates:

- It addresses the mismatch between availability of Renewable Energy sources and mandatory Renewable Purchase Obligations.
- Its value is equivalent to 1 MWh of electricity injected from renewable energy sources.

10.9.2. STANDARDS & LABELLING PROGRAMME

- The Bureau of Energy Efficiency initiated the Standards & Labeling programme for equipment and appliances in 2006
- The scheme is invoked for 21 equipment/appliances including 7 for which it is mandatory.
- The equipment/appliances are given a star rating of one to five; five stars being the most energy efficient.
- Some of the equipment/appliances covered under this programme include frost free (no frost) refrigerators, tubular fluorescent lamps (TFLs), room air-conditioners, direct cool refrigerators, distribution transformers, induction motors, pump sets, ceiling fans, liquefied petroleum gas (LPG) stoves, electric geysers, ballasts, computers, office equipment, and colour televisions .

10.9.3. EEFP AND EEAPP

Energy Efficient Fans Programme (EEFP)

- Under this programme, 50 watt fans are provided by EESL at Rs. 1,150 per unit on upfront payment, or at total of Rs. 1,200, if taken on equated monthly instalments (EMI).
- The EMI is adjusted against electricity bills of consumers.

Energy Efficient Agriculture Pumps Programme

- It is launched by EESL to replace the old and inefficient pump sets of farmers free of cost.
- EESL would also provide smart control panels to enhance the ease of operation of pumps by the farmers.
- The energy efficient pumps, which are 4 or 5 star rated, ensure a minimum of 30% reduction in energy consumption.

10.9.4. ATAL AKSHAY URJA BHAWAN

- It will be the integrated headquarters building for the Ministry of New and Renewable Energy.
- At present the office of MNRE is located in three different building blocks at CGO Complex with its current strength of about 400 officials.

- It would be a **state-of- the art, Net-Zero-Energy Green Building designed on the concept of Solar Passive Architecture.**
- This interactive and use-responsive building will have an **Urja pavilion** showcasing Renewable Energy systems and devices.

10.9.5. STREET LIGHTING NATIONAL PROGRAMME (SLNP)

- It is the World's Largest Street Light Replacement Programme, which is being implemented by the Energy Efficiency Services Limited (EESL), a joint venture under the Ministry of Power, Government of India.
- The SLNP was launched in January 2015.
- Under the programme around 3.5 crore conventional street lights will be replaced with smart and energy efficient LED street lights by March 2019.
- Rajasthan was the first state to adopt this scheme.

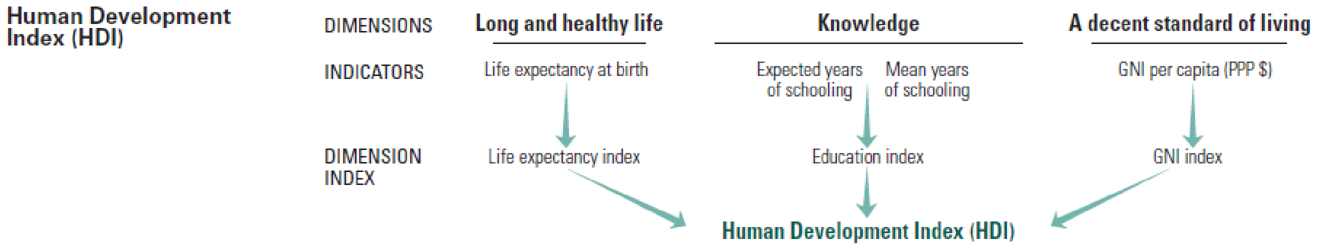
10.10. FAME SCHEME

- Union Government on 1 April 2015 launched Faster Adoption and Manufacturing of Hybrid and Electric vehicles (FAME) – India Scheme.
- The scheme was launched as part of the National Mission for Electric Mobility to boost eco-friendly vehicles sales in the country.
- Objective- to support the hybrid or electric vehicles market development and its manufacturing eco-system in the country in order to achieve self-sustenance in stipulated period.
- The overall scheme is proposed to be implemented over a period next 6 years i.e. till 2020.
- It will be implemented in phases. The Phase-1 will be implemented over a two year period in FY15-16 and FY16-17.
- Four focus areas of scheme- Technology development, Pilot Projects, Demand Creation and Charging Infrastructure.
- The Department of Heavy Industries under the aegis of Union Ministry of Heavy Industries will be will be nodal department for the scheme

11. REPORTS

11.1. HUMAN DEVELOPMENT INDEX

- India was on 131 rank in the latest UNDP report on account of rise in life expectancy and per capita income.
- The Human Development Index (HDI) is a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and have a decent standard of living.
- The HDI is the **geometric mean** of normalized indices for each of the three dimensions.



11.2. SUSTAINABLE DEVELOPMENT GOAL INDEX

- This index was launched by the Sustainable Development Solutions Network (SDSN) and the Bertelsmann Stiftung
- It is a report for tracking SDG progress and ensuring accountability by identifying priorities for early action.
- India has ranked a low 110 out of 149 nations assessed whereas Sweden has topped.
- The index shows all countries face major challenges in achieving these ambitious goals.
- The countries which are closest to fulfilling the goals are not the biggest economies but comparably small, developed countries.

11.3. HUMAN CAPITAL INDEX

- This index is published by Geneva based World Economic Forum.
- It ranks 130 countries on how well they are developing and deploying their talent.
- The index takes a life-course approach to human capital, evaluating the levels of education, skills and employment available to people in five distinct age groups, starting from under 15 years to over 65 years.
- This year's edition also explores new data sources to reveal fresh insights on skills diversity, the gig economy and talent mobility.
- India is ranked low at 105th position globally in the index which was topped by Finland.

11.4. STATE OF ICT IN ASIA AND THE PACIFIC 2016: BROADBAND DIVIDE

- It is a study by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP).
- India ranks a low 39th in terms of fixed broadband adoption among Asia Pacific countries in 2015. Only 1.3 per cent of India's citizens subscribe to fixed broadband service

About ESCAP

- It is the regional development arm of the United Nations for the Asia-Pacific region. It involves 53 Member States and 9 Associate Members.
- It provides the most comprehensive multilateral platform for promoting cooperation among member States to achieve inclusive and sustainable economic and social development in Asia and the Pacific.

11.5. WORLD ECONOMIC FREEDOM

- It is released by India's leading public policy think tank, Centre for Civil Society in collaboration with Canada's Fraser Institute.

- It measures the degree of economic freedom in countries in five broad areas.
- The report is based on data from 2014
- India has slipped 10 positions in the Index in 2016. Hong Kong topped the index, followed by Singapore and New Zealand.

11.6. INTERNATIONAL INTELLECTUAL PROPERTY INDEX

- It is released by the U.S. Chamber of Commerce's Global Intellectual Property Center (GIPC).
- India remains near the bottom in 2017 index also with a rank of 43 out of 45 countries (only above Pakistan and Venezuela)
- The index is based on **30 criteria** including patent, copyright and trademark protections, enforcement, and engagement in international treaties.

11.7. INCLUSIVE DEVELOPMENT INDEX

- It was released by World Economic Forum in its 'Inclusive Growth and Development Report 2017'
- India has been ranked 60th among 79 developing economies, below neighboring China and Pakistan, with Lithuania topping the list
- The Inclusive Development Index (IDI) is based on 12 performance indicators and three pillars —
  - Growth and Development
  - Inclusion and Intergenerational Equity
  - Sustainability
- IDI scores are based on a scale of 1-7. Advanced and developing economy IDI scores are not strictly comparable due to different definitions of poverty.

11.8. INDIA INNOVATION INDEX

Why in News?

The **World Economic Forum, NITI Aayog, the World Intellectual Property Organization and the Cornell University** will work together to develop an India Innovation Index.

More about India Innovation Index

- It will be a "first-of-its-kind online platform" where Global Innovation Index (GII) indicators and India-centric data from various states will be updated periodically.
- The index will measure and **rank the innovation performance of all Indian states**
- It will be structured based on the **best practices followed in Global Innovation Index (GII) indicators** and additionally by adding India-centric parameters those truly reflect the Indian innovation ecosystem.
- The index will be based on key pillars of innovation and sub-indices that together will assist in tailoring policies that promote inclusive growth.
- The pillars include the strength of institutions, capacity of human capital and research, supporting infrastructure and the level of business sophistication, among others.
- The first ranking is expected **to be released at the India Economic Summit** in New Delhi on October 4-6, 2017.

GLOBAL INNOVATION INDEX

- GII is co-published by World-Intellectual Property Organization (WIPO), Cornell University and INSEAD with CII as a Knowledge Partner
- Since inception in 2007, it has been ranking world economies according to their innovation capabilities and outcomes using 82 indicators among a host of other important parameters
- India currently ranks 66th out of 128 countries on the Global innovation Index (GII) 2016.

11.9. EASE OF DOING BUSINESS

11.9.1. EASE OF DOING BUSINESS RANKINGS

- The **World Bank** ranks the economies on their ease of doing business.
- A high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of a local firm.

- The rankings are determined by sorting the aggregate distance to frontier scores on 10 topics, each consisting of several indicators, giving equal weight to each topic.
- India has ranked poorly on this ranking for past few years. In the recent rankings for 2017, it has moved one rank up to the 130th position.

	2017 Rank	2016 Rank
Overall	130	131
Starting A Business	155	151
Dealing With Construction Permits	185	184
Getting Electricity	26	51
Registering Property	138	140
Getting Credit	44	42
Protecting Minority Investors	13	10
Paying Taxes	172	172
Trading Across Borders	143	144
Enforcing Contracts	172	178
Resolving Insolvency	136	135

11.9.2. SWIFT: EASE OF DOING BUSINESS

- One of the reason for improvement in EoDB rankings is launch of **SWIFT (Single Window Interface for Facilitating Trade)**

What is SWIFT?

- **Central Board of Excise and Customs (CBEC)** launched SWIFT on **1st April, 2016** as one of the initiative to facilitate trade and improve ease of doing business.
- SWIFT enables importers/exporters to file a common electronic integrated declaration on **ICEGATE (Indian Customs Electronic Commerce/Electronic Data Interchange Gateway)**
- The integrated declaration compiles the information required for **Customs, FSSAI, Plant Quarantine, Animal Quarantine, Drug Controller, Wild Life Control Bureau and Textile Committee.**

11.10. NETWORK READINESS INDEX

- India was placed at **91st position** in the recently released 2016 Networked Readiness Index (NRI) by the Geneva-based World Economic Forum (WEF).
- It measures countries' success in creating the necessary conditions for a transition to a digitised economy and society.

About WEF

- It was established in 1971 as a not-for-profit foundation and is headquartered in Geneva, Switzerland.
- The Forum engages the foremost political, business and other leaders of society to shape global, regional and industry agendas.

11.11. ECONOMIC FREEDOM INDEX

- The present index is produced by the U.S.-based Heritage Foundation in conjunction with the Wall Street Journal.
- The index is a measure of economic prosperity on per capita GDP basis.
- The 2016 report of the Economic Freedom of the World has **placed India at 112th position out of 159 countries, a slip of 10 positions from previous year.**
- Essentially**, economic freedom is dependent on the following broad dimensions: Security of privately-owned property, levels of personal choice, ability to enter markets and the rule of law.**

11.12. GLOBAL COMPETITIVENESS INDEX

Why in news

India's position **improved to 39th rank** in the **World Economic Forum's** latest Global Competitiveness Index.

Key facts

- India improved 16 places to 39, making it the fastest riser up the ranks among 138 countries surveyed.
- India's competitiveness improved across the board, particularly in goods market efficiency (60), business sophistication (35) and innovation (29).
- India is also the second most competitive country among BRICS nations (China on 28th).

11.13. WORLD EMPLOYMENT AND SOCIAL OUTLOOK REPORT

Why in News?

- **International Labour Organization** recently released the World Employment and Social Outlook-Trends 2016 Report.

Findings of the Report

- It predicts that the **number of jobless in India will increase from 17.7 million in 2016 to 18 million by 2018**. It also predicts the employment rate to go down from 3.5% to 3.4% in 2017.
- The report included **predictions related to 'vulnerable employment'**.

Vulnerable Employment

- As per ILO, vulnerable employment **covers the own account workers and unpaid family workers**.
- They most likely lack decent working conditions, social security or any representation in unions.

About International Labour Organization

- It was established in 1919 as a part of Treaty of Versailles post WWI. It is the **only tripartite UN agency,** brings together governments, employers and workers of member states.
- Its **aim is to set labour standards, policies and programmes** to promote decent work for all women and men.
- India is the **founding member** of ILO.
- It has three main bodies:
  - **International Labour Conference**– It sets the labour standards and broad policies.
  - **Governing Body**– It is the executive body taking the final decisions.
  - **International Labour Office**– It is the permanent secretariat of ILO supervised by Governing Body.

11.14. WORLD TRADE OUTLOOK INDICATOR (WTOI)

- WTO has introduced **a new World Trade Outlook Indicator (WTOI) to provide "real time" information on trends in global trade.**
- The WTOI **gives a headline figure to show performance against trend.**
- A reading of 100 would indicate trade growth in line with recent trends, a reading greater than 100 would suggest above trend growth, while a reading below 100 indicates below trend growth.
- The WTOI will be updated on a quarterly basis.

11.15. WORLD INVESTMENT REPORT 2016

Why in news?

UN Conference for Trade and Development (UNCTAD) has released the World Investment Report 2016.

About UNCTAD

- **United Nations Conference on Trade and Development** (**UNCTAD**) is the principal organ of the United Nations General Assembly dealing with trade, investment, and development issues. The organization's goals are to: "maximize the trade, investment and development opportunities of developing countries**."**
- It organizes: World Investment Forum
- It publishes reports like:
  - ✓ World Investment Report
  - ✓ Technology and Innovation Report

11.16. GLOBAL RETAIL DEVELOPMENT INDEX

- In the Global Retail Development Index (GRDI), released by AT Kearney, India jumped 13 positions and was placed second in retail potential in the 2016.
- 30 developing countries were profiled to analyses them on 25 macroeconomic and retail-specific variables, to identify the markets attractive today, and those with future potential.
- The report thus helps retailers devise successful global strategies to identify emerging market investment opportunities.

- According to the report, India's retail sector expanded at a compound annual growth rate of 8.8% between 2013 and 2015, domestic funding from independent and unorganized retail markets drove most of it.
- E-commerce is propelling India's growth and it is the world's second largest internet market.

11.17. WORLD BANK'S LOGISTICS PERFORMANCE INDEX

Why in news?

The World Bank Group recently launched its bi-annual report 'connecting to Compete 2016: Trade Logistics in the Global Economy'.

What is Logistics Performance Index (LPI)?

LPI is a measure that captures the relative ease and efficiency with which products can be moved into and within a country.

Salient Points

- India has improved its ranking, from 54th in 2014 to 35th in 2016.
- LPI captures the extent of costs and inefficiency in moving goods internally, especially across states where internal barriers are known to exist.

11.18. APTIR, 2016

- The Asia-Pacific Trade and Investment Report (APTIR) is an annual publication of Trade, Investment and Innovation Division of United Nations ESCAP.
- This report helps to understand **trends and developments** in trade and investment in the Asia-Pacific region.

12. MISCELLANEOUS

12.1. DISPUTE OVER BASMATI GI TAG CLAIM

Why in news?

- In February 2016, IPAB (Intellectual Property Appellate Board) passed a judgment granting Geographical Indicator (GI) status to Basmati rice cultivated in the Indo-Gangetic Plains on the foothills of the Himalayas.
- GI status helps in improving sale and export of the products because the GI tag is a guarantee of certain quality and is thus extremely valued in international markets.

Geographical Indication

- GIs have been defined under Article 22(1) of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement.
- A geographical indication (GI) is a sign used on products that have a specific geographical origin and possess qualities or a reputation that are due to that origin.
- A geographical indication right enables those who have the right to use the indication to prevent its use by a third party whose product does not conform to the applicable standards.
- However, a protected geographical indication does not enable the holder to prevent someone from making a product using the same techniques as those set out in the standards for that indication.
- Geographical indications are typically used for agricultural products, foodstuffs, wine and spirit drinks, handicrafts, and industrial products.
- There are three main ways to protect a geographical indication:
  - so-called sui generis systems (i.e. special regimes of protection);
  - using collective or certification marks; and
  - Methods focusing on business practices, including administrative product approval schemes.
- India, as a member of the WTO, enacted the Geographical Indications of Goods (Registration and Protection) Act, 1999.

12.2. NOBEL PRIZE IN ECONOMICS

Why in news?

- **Oliver Hart** from Harvard and MIT professor **Bengt Holmstrom** won this year's Nobel Memorial Prize in Economics for their study of contracts and human behaviour in business.

What is Contract Theory?

- How contracts are designed defines our incentives in various situations in the real world. Contracts can be
  - formal or informal, depending on whether they are enforced by law or social norms
  - complete or incomplete, which is based on whether they take into account all possibilities that lay in the future
- Contract theory is, partly at least, an attempt to understand the nuances in our contracts and how those contracts could be better constructed.
- The two economists provided "a comprehensive framework for analysing many diverse issues in contractual design, like performance-based pay for top executives, deductibles and co-pays in insurance, and the privatisation of public-sector activities."
- It has become especially relevant in the years after the 2008 financial crisis, which was blamed on the short-term risk encouraged by huge cash bonuses paid to investment bankers.
- It also touches on themes of moral hazard, which arises where those that take the risks don't share in the costs of failure.

About Nobel Prize in economics

- It was established in 1968 by a donation from the Swedish National Bank.
- It is not one of the prizes that Alfred Nobel established in his will in 1895, but it is referred to along with the other Nobel Prizes by the Nobel Foundation.
- Laureates in the Memorial Prize in Economics are selected by the Royal Swedish Academy of Sciences.

12.3. NIDHI APKE NIKAT PROGRAMME

Why in News?

- The review of this programme shows a positive trend with only 268 grievances pending out of the total 17000 filed since its inception. The EPFO rechristened Bhavishya Nidhi Adalat as Nidhi Aapke Nikat.

More about the programme

- Nidhi Aapke Nikat is a public outreach programme of the Employee Provident Fund Organisation (EPFO) launched in July 2015.
- The programme aims to bring all the different stakeholders (employers/employees) on the same platform.
- The various new initiatives in the interest of the employees/employers taken up by the organisation are explained during this programme.
- Apart from dealing with grievances, the organisation invites feedback and suggestion through this programme.

12.4. DIGILOCKER

- Digilocker is the key initiative of GOI under Digital India scheme.
- Digilocker has been envisioned to achieve paperless governance. It is a platform for issuance and verification of documents and certificates online.

How does it Work?

- Any citizen signing up for digilocker would get a dedicated v-cloud storage space which will be linked to his Aadhaar.
- Organizations that are registered with Digilocker would transfer the electronic copies of documents in the citizen's account.
- Citizens can also upload digital/scanned copies of their documents for safe storage. Documents can also be e-signed.

12.5. BEPS (BASE EROSION AND PROFIT SHIFTING)

- It is a technical term referring to the negative effect of multinational companies' tax avoidance strategies on national tax bases. It can be achieved through the use of transfer pricing.
- The BEPS package from OECD (Organization for Economic Cooperation and Development) includes 15 actions that equip government with the domestic and international instruments needed to tackle BEPS.
- The inclusive framework has the tools to ensure that profits are taxed where economic activities generating the profit are performed and where value is created.
- The BEPS action Plan was published by OECD in 2015.

12.6. FESTIVAL OF INNOVATION (FOIN) INITIATIVE

- The Festival of Innovation (FOIN) is a unique initiative of the Office of the President of India to recognise, respect and reward grassroots innovations and foster a supportive ecosystem.
- It gains importance in the light of fact that 2011-20 is decade of innovation

12.7. AKODARA INDIA'S FIRST DIGITAL VILLAGE

- Akodara, a village in Gujarat is the first digital village where 220 families have e-banking facility.
- The residents buying milk, vegetable, eggs etc. through internet
- The digital payment is accepted for sale more than Rs. 10.

12.8. INDIA'S FIRST MEDIPARK

- HLL Lifecare Ltd, a mini-ratna company, would be setting up a medical devices manufacturing park (Medipark) at Chengalpattu, a town in the outskirts of Chennai. It will be completed in seven years, being developed in different phases.

- The Medipark would be the **first manufacturing cluster in the medical technology sector** in the country, and would play a key role in the development of medical devices and technology industry and allied disciplines.
- As part of India's **Make in India initiative this will generate direct employment** for about 3000 people and indirect employment for many more thousands once it is operational

12.9. SOUTH ASIA TRAINING AND TECHNICAL ASSISTANCE CENTRE (SARTTAC)

- India in collaboration with IMF is establishing this centre for capacity development through training and technical assistance
- It is expected to become the focal point for planning, coordinating, and implementing the IMF's capacity development activities in the region
- It would train in various areas such as macroeconomic and fiscal management, monetary operations, financial sector regulation and supervision, and macroeconomic statistics.
- The Center will help address existing training needs and respond to the demand for IMF training in India, Bangladesh, Bhutan, Maldives, Nepal, and Sri Lanka, while bringing the region's training volume on par with those of other regions.

12.10. CERT-FIN

- Finance Minister announced setting up a **Computer Emergency Response Team specifically for the financial sector.**
- CERT-fin will help secure the cyber security of the financial sector. Tackling cyber threats has become all the more relevant post demonetization and upsurge of digital economy.