

VISIONIAS

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CURRENT AFFAIRS DECEMBER 2015

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VISION IAS

1. POLITY AND GOVERNANCE

1.1. NATIONAL WATERWAYS BILL, 2015

Why in news?

- The government recently approved the amendments to National Waterways Bill, 2015
- It is based on the recommendations of Parliamentary Standing Committee on Transport, Tourism and Culture and comments of the states.
- The amendment proposes to declare **101 additional inland waterways** as national waterways taking total their total number to 111 from presently 5.
- The Bill will also cover the existing 5 national waterways.

Concerns with the provisions of the bill:

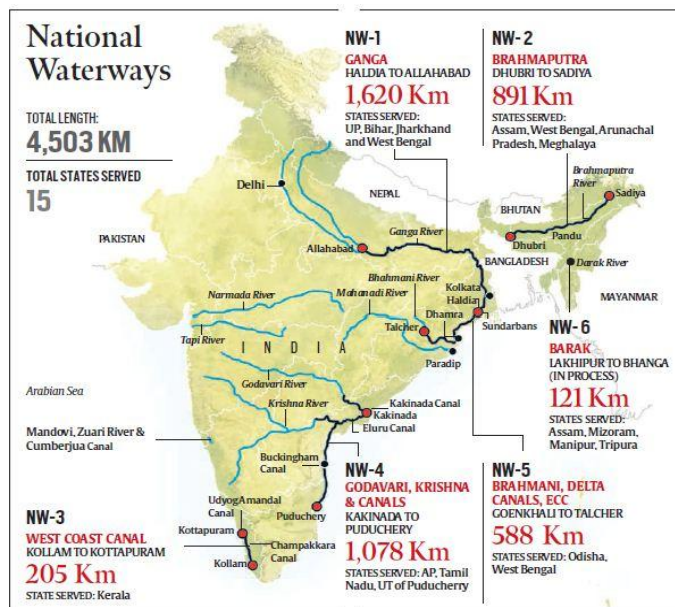
- **Funds:** Without any commitment for funds and financial implication, the declaration of additional 106 waterways will be self-defeating and against the intent of the existing IWAI Act.
- **Deviation:** A deviation from the provisions of the IWAI Act, 1985, is placing the right over the use of water, river bed and the appurtenant land with the state government. Section 14(1) of the IWAI Act, 1985 deals with the powers of the central government with regard to appurtenant land and river bed in the development of the waterway for shipping and navigation.
- **Growth:** At a time when the growth of water transport in national waterways is inhibited due to various factors such as low productivity, no participation of private shipping and infrastructure, an exponential increase in number of national waterways and unwarranted delegation of financial liability and functions to the states will, in fact, be a disservice to the sector.

Regulatory provisions:

- The **Inland Waterways Authority of India Act, 1985** empowers the Government to declare waterways with potential for development of shipping and navigation as National Waterways and develop such waterways for efficient shipping and navigation.
- For development and regulation of inland waterways in the country the Inland Waterways Authority of India was set up in October, 1986.

Advantages of Inland Water Transport:

- Inland Water Transport is considered as the most **cost effective** mode of transport from the point of view of fuel efficiency. In a study as highlighted by the World Bank, 1 litre of fuel can move 105 ton-km by inland water transport, whereas the same amount of fuel can move only 85 ton-km by rail and 24 ton-km by road.



Constitutional provisions

Below are some provisions of the Constitution related to national waterways and entries related to shipping and navigation:

LIST I – UNION LIST

ENTRY-24 Shipping and navigation on inland waterways, declared by Parliament by law to be national waterways, as regards mechanically propelled vessels; the rule of the road on such waterways.

ENTRY-30 Carriage of passengers and goods by railway, sea or air, or by national waterways in mechanically propelled vessels.

ENTRY-56 Regulation and development of inter-State rivers and river valleys to the extent to which such regulation and development under the control of the Union is declared by Parliament by law to be expedient in the public interest.

LIST II – STATELIST

ENTRY-56 Communications, that is roads, bridges, ferries, and other means not specified in List I; municipal tramways; ropeways; inland waterways and traffic thereon subject to the provisions of List I and List III which regard to such waterways; vehicles other than mechanically propelled.

ENTRY-17 Water, that is to say, water supplies, irrigation and canals, drainage and embankments, water storage and water power subject to the provisions of entry 56 of List I.

LIST III – CONCURRENT LIST

ENTRY-32 Shipping & navigation on inland waterways as regards mechanically propelled vessels and the rule of the road on such waterways, and the carriage of passengers and goods on inland waterways subject to the provisions of List I.

ENTRY-30 Carriage of passengers and goods by rail, sea or air, or by national waterways in mechanically propelled vessels.

- Studies have shown that **emission** from container vessels range from 32-36 gCO₂ per ton-km while those of road transport vehicles (heavy duty vehicles) range from 51-91gCO₂ per ton-km.
- In India, **14,500 km of river channels are navigable**, of which 3,700 km are usable by mechanised boats. But actually, only 2000 km are used. Of the total canal length of 4,300 km in India, 900 km is navigable, but only 330 km is used.
- The expeditious declaration of national waterways and its subsequent development will spur **industrial growth and tourism** potential of the hinterland along the waterway.
- In addition, other benefits include **fewer accidents and less congestion** on roads.

Problems of Inland Water Transport:

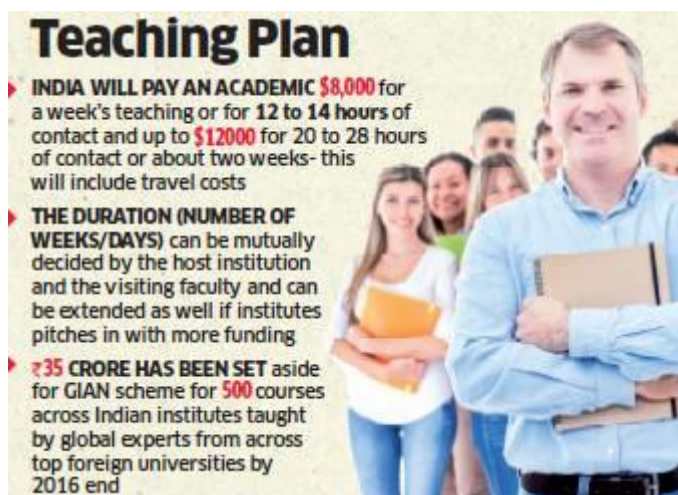
- There is a **seasonal fall in water level** in rivers especially in the rain-fed rivers of the peninsula which become nearly dry during summer.
- Reduced flow due to **diversion of water** for irrigation, for instance, in the Ganga which makes it difficult even for steamers to ply.
- There is reduced navigability due to **siltation**, as in the Bhagirathi-Hooghly and in the Buckingham Canal.
- There are problems in smooth navigation because of **waterfalls and cataracts**, as in Narmada and Tapi.
- **Salinity**, especially in the coastal stretches, affects navigation.

Q. Write about National Waterways. (Not more than 30 words) (Q.4(b), 2009)

1.2. GLOBAL INITIATIVE OF ACADEMIC NETWORKS (GIAN)

Govt. of India approved a new program titled Global Initiative of Academic Networks (GIAN) in Higher Education aimed to **boost the quality** of the country's higher education through international collaboration

- GIAN is envisaged to catalyse higher education institutions in the country, and will initially include all IITs, IIMs, Central Universities, IISc Bangalore, IISERs, NITs and IIITs and subsequently cover good State Universities.
- Faculty from 38 countries like Russia, Japan, Singapore, Sweden, Switzerland, Portugal, the Netherlands, Malaysia and South Korea are scheduled to deliver courses and do research in Indian institutions.
- The courses are free for students from the host institution, charged at nominal rates for others and webcast live as well.
- These lectures would also be made available later to the students across the country through the SWAYAM, the MOOCs platform and the National Digital Library.
- A web portal (gian.iitkgp.ac.in) has been designed by IIT Kharagpur to allow electronic registration and online assessment.
- IIT Kharagpur is the nodal institution and national coordinator for this flagship programme.



GIAN will help to:

- Gather the best international experience into our systems of education,
- enable interaction of students and faculty with the best academic and industry experts from all over the world
- Share their experiences and expertise to motivate people to work on Indian problems and develop new pedagogic methods in emerging topics of national and international interest.

- Address the issue of teacher shortage in leading Indian institutions like IITs and central universities. As the Foreign universities bill, which allows foreign universities to setup campus in India, is yet to be passed, GIAN can help fill the gap by helping in internationalization of Indian institutions.
- Provide opportunity for the technical persons from Indian Industry to improve understandings and update their knowledge in relevant areas.

Concerns:

- huge remuneration to the visiting faculties
- Concerns of copyright and recording of lectures has been raised by few American universities which forbids their faculty from taking courses outside.

1.3. ICT DEVELOPMENT INDEX (IDI)

Why in news?

- India has been ranked a low **131 out of 167 nations** on a global index that measures the level of information and communication technology access.
- India dropped six notches from the IDI rank in 2010.
- Despite the improved penetration of ICT in India, India's rank declined:
- The ICT access sub-index is used to capture ICT readiness and includes **five indicators**
 - fixed telephone subscriptions,
 - mobile cellular telephone subscriptions,
 - international internet bandwidth per internet user,
 - percentage of households with a computer,
 - Percentage of households with internet access).

Reason for low ranking

- **Fixed telephone subscriptions:** The parameter 'fixed telephone subscriptions' maps the number of fixed telephone subscribers per 100 inhabitants. For a country like India this value is much lower than that for the advanced economies. Also ITU has not taken into account the shared usage by means of community STD booths.
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- **Percentage of households with internet access:** The proliferation of internet cafes and corporate initiatives like e-choupal not taken into consideration.
- **Use of SMS:** has not been mapped in IDI. Initiatives such as SMS-based crop and weather alerts and SMS-based DBT of subsidies are examples of leveraging ICT for the masses who may not have dedicated access to computers or the internet.
- **Internet bandwidth.** Countries have been assessed on the parameter internet bandwidth per internet user with a reference value of 787 kbps. It is not required for successful implementation of e-governance initiatives that work with basic internet bandwidth. Thus it has unjustifiably, lowered the ranking of many developing nations.

Facts about IDI:

- Published by the United Nations International Telecommunication Union
- Standard tool that governments, operators, development agencies, researchers and others can use to measure the digital divide and compare ICT performance within and across countries.
- The ICT Development Index is based on 11 ICT indicators, grouped in three clusters: access, use and skills.

1.4. INTEGRATION OF CVC AND CBI UNDER LOKPAL

Parliamentary Standing Committee on Personnel, Public Grievances, Law and Justice has suggested that the anti-corruption wings of Central Bureau of Investigation (CBI) and the Central Vigilance Commission (CVC) can be brought under the ambit of Lokpal.

Observation and Recommendations:

- At present there is overlap in jurisdiction and functions of CVC, Lokpal and even CBI in certain areas, which can create serious functional problems.
- Existing provisions make it possible for a complaint of corruption against an official being dealt simultaneously by multiple agencies such as Lokpal, CVC, CBI and Vigilance Unit of his/her organisation which may lead to confusion.
- The report added that Lokpal should utilise both the organisations for conduct of enquiry, investigation and prosecution. Such an integrated setup would be a more potent body to deal with corruption cases and cause least financial burden on the exchequer.
- It also urged the Centre to specify the functions of the Lokpal and CVC on such integration for their smooth functioning and de-duplication of effort.
- That the leader of the single largest Opposition party in the Lok Sabha should be included as a member of the panel to select chairperson and members of Lokpal in case there was no recognised Leader of Opposition.
- Review of existing rules, which reflect "colonial mind-set of doubt and mistrust", on declaration of assets and liabilities by a government servant as they are "at present being used more to harass government servants than as a safeguard against corruption".
- The committee said frequent directions to CBI to handle cases relating to Prevention of Corruption Act by the apex courts pre-empts rights and remedies available to people under criminal justice system.

1.5. THE NEW DELHI DECLARATION ON POLITICAL FINANCE REGULATION IN SOUTH ASIA, 2015

The two-day Regional Conference on 'The Use of Money in Politics and Its Effects on People's Representation' recently culminated with the New Delhi Declaration 2015 on Political Finance Regulation in South Asia.

- The Conference was jointly organized by the Election Commission of India, International IDEA (an intergovernmental body wherein India is one of the founding members) & India International Institute of Democracy and Election Management (IIIDEM).
- The New Delhi Declaration on Political Finance Regulation in South Asia, 2015, is in response to the needs for strengthening the regulation of political finance (uneven access or use of money) across the South Asian region and elsewhere in the world which adequately ensures level playing among all political parties and ultimately serves the welfare of public rather than special interests.
 - It **contains nine overarching principles** including adoption of a holistic approach to regulation, comprehensive coverage, closing of monitoring gaps, coordinates efforts with stakeholders and agencies along with facilitating participation of women in electoral democracy.
 - The overarching principles look at a holistic and integrated approach to regulation of political finance by closing gaps and loopholes in the implementation of the existing procedures and regulations.
 - It also underscores the need to create uniformity for all political parties and candidates by creating an improved architecture for monitoring of expenditures and contributions.
 - The declaration also has nine regulations and implementing guidelines on maintaining reasonable levels of spending, regulation of private contributions, and provision of public funding for political parties, prevention of abuse of state resources, public disclosure of political finance, the regulatory authority, compliance, and enforcement among others.

- These overarching principles and guidelines which are recommendation of the Declarations will be disseminated to Election Management Bodies (EMBs) in South Asian region and elsewhere for appropriate use as per local contexts in their jurisdictions.

Need to regulate use of money in politics:

- The rising costs of running for office are keeping people from contesting elections in the region. The limits of expenditure prescribed are meaningless and almost never adhered to. As a result, it becomes difficult for the good and the honest to enter legislatures.
- It also creates a high degree of compulsion for corruption in the political arena. Corruption erodes performance, becomes one of the leading reasons for non-performance and compromised governance in the country.
- Women, who account for half of the population, are still under-represented as they lack financial independence to be able to contest elections.

1.6. ARBITRATION AND CONCILISATION ACT (AMENDMENT) BILL, 2015 CLEARED BY THE PARLIAMENT

Background:

- Arbitration in India is often criticized for being slow, expensive and ineffective. That's why many foreign companies are hesitant to do business in India because of the long-drawn litigations.
- India was ranked **178 out of 189** nations in terms of enforcing contract by the World Bank's ease of doing business report, 2016.
- Earlier, **The Arbitration and Conciliation Act, 1996** was enacted to consolidate and amend the law relating to domestic arbitration, international commercial arbitration and enforcement of foreign arbitral awards, and to define the law relating to conciliation and for matters connected therewith or incidental thereto.
- The **Law Commission of India, in its 246th report**, gave recommendations aimed at making the arbitration process quicker and cost effective, reducing the intervention of the courts and making the enforcement of arbitral awards easier.

Salient Features of amendment:

- It enables the parties to an international commercial arbitration with the seat of arbitration outside India, to also approach the Indian courts and seeking interim relief, unless the parties have agreed to the contrary.
- Arbitral Tribunal shall make its award within a period of 12 months. Parties may extend such period up to six months. Thereafter, it can only be extended by the Court, on sufficient cause.
- The Court while extending the period may also order reduction of fees of arbitrator(s) not exceeding five percent for each month of delay and it also provides for additional fees if arbitration procedure is completed within six months if both parties agree.
- There is a provision for fast track procedure for conducting arbitration. Award in such cases shall be given in six months period.
- Mere filing of an application for challenging the award would not automatically stay execution of the award but only by order of a competent court.

What is arbitration?

It is a procedure in which a dispute is submitted, by agreement of the parties, to one or more arbitrators who make a binding decision on the dispute. In choosing arbitration, the parties opt for a private dispute resolution procedure instead of going to court.

- Regarding grounds for challenge of an arbitral award, the amendment has restricted the scope of the term 'Public Policy of India' to - induced or affected by fraud; in contravention with the fundamental policy of India; in conflict with the most basic notions of morality or justice.
- A new provision to provide that application to challenge the award is to be disposed of by the Court within one year.
- An application for appointment of an Arbitrator shall be disposed of by the High Court or Supreme Court as expeditiously as possible and an endeavor should be made to dispose of the matter within 60 days.
- The amendment puts a cap on the fee of an arbitrator.
- It gives wide powers to the arbitral tribunal to impose costs and the general rule of making the unsuccessful party pay costs to the successful party has been introduced.
- The person to be appointed as the arbitrator must disclose any relationship or interest of any kind, which is likely to give rise to justifiable doubts.

CSE Mains 2015:

Q. What are the major changes brought in the Arbitration and Conciliation Act, 1996 through the recent Ordinance promulgated by the President? How far will it improve India's dispute resolution mechanism?

1.7. SUPREME COURT APPOINTS UTTAR PRADESH LOKAYUKTA

- On December 16, the Supreme Court took the extraordinary step of appointing Justice (retd) Virendra Singh, a former judge of the Allahabad High Court, the new Lokayukta of Uttar Pradesh after its deadline to the government to make the appointment passed.
- Supreme Court said that it was compelled to invoke its powers under Article 142 owing to failure of state government to comply with its orders since April 2014.
- The court said it was compelled to invoke its extraordinary powers under Article 142 owing to "astonishing" circumstances, and because all "hopes and expectations of this court have gone in vain and remained unheeded".

Background

- N K Mehrotra was appointed Lokayukta on March 16, 2006. His six-year term ended on March 15, 2012, but the state government issued an ordinance to give him a two-year extension.
- The extended term too ended in 2014, but Mehrotra remained in his post because the UP Lokayukta (Amendment) Act, which was passed by the House in July 2012, also said that the "Lokayukta shall, notwithstanding the expiration of his term, continue to hold office until his successor enters upon his office." In all, Mehrotra served **for 9 years and 9 months.**
- The Amendment Act was challenged in court, but on April 24, 2014, the Supreme Court directed the State to take all endeavours for selecting the new incumbent for the office of Lokayukta and Up-Lokayuktas as per the provisions of the Act preferably within a period of six months.
- December 16, the court picked Virendra Singh to be the Lokayukta from the list of five names that were being considered by the Selection Committee after UP government failed again and again in complying with court order.

Article 142

- The Supreme Court in the exercise of its jurisdiction may pass such decree or make such order as is necessary for doing complete justice in any cause or matter pending before it.

1.8. ARUNACHAL PRADESH CONTROVERSY

Why in news?

- Governor decided to advance the winter session of the assembly by a month and issued directions to vote on a resolution calling for the removal of the speaker at the first sitting of the House, with the deputy speaker in the chair. This move created a constitution crisis in Arunachal Pradesh.
- **As per the constitution** The governor has the power to summon, prorogue and dissolve the assembly under Article 174 but the governor, as the constitutional head of the state, is bound to act on the advice of the council of ministers

CSE MAINS 2008

Q. Explain the discretionary powers of the Governor of a State.

1.9. CAG REPORT ON CONSOLIDATED FUND

- A CAG report said that the Finance Ministry has been withdrawing money “in contravention” of constitutional provisions while making interest payments on tax refunds to range of over INR 5000 crore in 2014-15 and INR 42,903 crore in previous six years.
- Since interest on refund of taxes is paid out from and out of the CFI, the withdrawal of money from the CFI for payment of interest requires authorization of Parliament under Article 114(3).
- Department of Revenue/Central Board of Direct Taxes has been classifying interest payment on refunds of excess tax as reduction in revenue which is an incorrect practice.
- The Public Accounts Committee (PAC), which examined the issue, in 2013-14 had advised the Finance Ministry to devise a procedure so that the interest payments on tax refunds are shown in the Annual Financial Statement and Demand for Grants and receive Parliamentary approval.

CSE PRE 2011

The authorization for the withdrawal of funds from the Consolidated Fund of India must come from

- (a) The President of India
- (b) The Parliament of India
- (c) The Prime Minister of India
- (d) The Union Finance Minister

What is consolidated Fund of India?

It is a fund to which all the receipts are credited and all the payments are debited. No money out of this fund can be appropriated except accordance with a parliamentary law.

1.10. DEFENCE SECTOR REFORMS

Why in news?

- During the Prime Minister’s visit to Russia recently there was an announcement of deals on joint manufacture of 226 military helicopters to boost strategic ties.
- Such big ticket defence purchases have become very common for India and India has become one of the biggest importer of arms in the world.

Challenges before Indian Defence Manufacturing

- The defence budget is 13 per cent of the Central government’s total expenditure, and almost 2 per cent of the GDP

- **Indigenous acquisition is very low (35%) which should increase to 70 percent to achieve self-reliance.**
- The country procures approximately 70% of its equipment needs from abroad.
- Approximately 40% of the budget release to the capital expenditure is currently driven by equipment modernization programmes in each of the three services.
- Defence manufacturing is dominated by defence PSUs and ordnance factory boards (OFB), which together have 90% share in total defence manufacturing.
- Defence sector PSUs have largely become local integrators for foreign systems
- **India's imports are three times that of China**

Way Forward

- Building domestic defence capabilities under the umbrella of 'Make in India'
- Create a level playing field between the state-owned public sector units and the private firms to boost investments and innovation
- Nurturing the nascent capabilities in the private sector
- An overhaul of higher education to create well-trained manpower and build a robust military-industrial complex
- An indigenous military complex can bring more transparency in defence deals and reduce corruption
- Need to acknowledge the role private sector can play in modernization of defence capabilities
- A common framework for defence procurement across research establishments, ordnance factories, defence Public Sector Units (PSU) and the private sector
- Decision making needs to be simpler, faster and transparent. There's also an urgent need to address and improve the ease-of-doing-business.
- Creation of a single window for defence licensing and FDI approvals
- Need to streamline the procurement process
- liberalization in the foreign direct investment policy has already been announced, FDI limit has been raised to 49%
- Greater coordination between armed forces in different spheres of planning, training, procurement and operations

1.11. MAKE IN INDIA IN DEFENCE SECTOR

- With 'Make in India' the government aims to manufacture 70% or more of its defence equipments in India.
- This provides an immense opportunity for both domestic and foreign players in the defence sector.
- A committee set up by the MoD to evolve a policy framework for facilitating Make in India in the defence sector has come up with several recommendations.

Salient recommendations of the Dhirendra Singh committee report:

Strategic Partnership Model

- Committee has arrived at three models for the Indian set up – Strategic Partnership, Developmental Partnership and Competitive Partnership.
- According to the Committee, the choice of the model should be based on "strategic needs, quality criticality and cost competitiveness.

Industry Friendly Procurement System

- Streamline the acquisition process and structure so as to create more opportunities for the local industry.
- The procurement system must recognize the unique and strategic nature of defence equipments.

- The local industry should have the information about the type and nature of the long term equipment requirement of the armed forces.

Emphasis on Greater Indigenisation

- Make in India should not end up being “assemble in India with no IPR and design control
- The Defence Procurement Procedure needs to help create an eco-system where design, R & D, manufacturing, maintenance, upgrade and export capabilities thrive.
- A conscious shift in favour of the Make, Buy(Indian) and Buy and Make (Indian) category and significant increase in the indigenous content

Human Resource Development

- Setting up a defence manufacturing sector skill council- to enable skill development through the offset route, setting up of tool rooms around defence industry clusters and a university programme for military engineering.

Conducive Financial Framework

- Emphasis on creating conducive financial framework for the local industry, particularly the private sector to do business in the defence sector
- Various aspects of taxes, duties, payment terms, exchange rate variation and cost of capital which renders the products of private sector uncompetitive vis-a-vis the products of public sector companies should be addressed

1.12. REMISSION OF SENTENCES

Why in news?

- Recently Supreme Court struck down the Tamil Nadu Government’s decision to release seven killers of the former Prime Minister Rajiv Gandhi.
- Constitutional Bench rejected Tamil Nadu’s argument that the seven prisoners should not be robbed of their hope to be freed on remission.

Remission of sentence

- It means reducing the period of sentence without changing its character.
- **Under article 72** of the Indian Constitution President can grant pardons to persons who are convicted for life terms or awarded death penalty.
- Under article 161 of the constitution, the governor possesses the pardoning power.

Grounds of the judgement

- Supreme Court said that the Centre, and not the State government, will have the “primacy” in deciding whether remission should be granted to life-term convicts in the cases which concerned the CBI or any Central agency as in the case of Rajiv Gandhi killers.

Significance of the Judgement

- Court has barred State governments from invoking their statutory remission power for the premature release of those sentenced by a High Court or the Supreme Court to a specified term above 14 years without remission.
- Rejection of the theory that every convict should have a ray of hope to be freed on the grounds of remission
- The State government will now have to get the **concurrence of the Centre** in cases investigated by Central agencies before it can use its power of remission to release convicts
- Prisoners cannot be released on the whims and fancies of politicians
- Hardened, remorseless criminals cannot be released even after 14 years of imprisonment
- The judgment will also settle the law on the power of State governments to remit sentences, especially of prisoners condemned to death whose sentences have been commuted to life.

- SC said that the killers of former Prime Minister Rajiv Gandhi shattered the faith of the entire country so do not even deserve a ray of hope that they will be released one day.
- Supreme Court observed that there is no scope to apply the concept of ray of hope for such hardened, heartless offenders and such consideration will not be in the interest of the society.
- The apex court was dealing with the legality of a “**special category of sentence**” by which constitutional courts can mandatorily send a person convicted in a heinous crime like rape, dacoity, gang-rape and terrorist crimes to imprisonment of 20 to 40 years without remission.

What does the law says?

- **Section 435 (2)** of the CrPC, the judgment authored by Justice F.M.I Kalifulla held that the word '**consultation**' means '**concurrence**'. This means that TN govt should have got the prior consent of the Centre before issuing its February 19 order to remit the sentences.
- Under the Criminal Procedure Code, a life convict can apply for remission after serving 14 years of his sentence. The provision is reformatory in nature.
- This “special sentencing” for 20 to 40 years depriving prisoners of their statutory right to apply for remission was introduced in the 2008 Swami Shraddhananda murder case judgment as an alternative to death penalty.

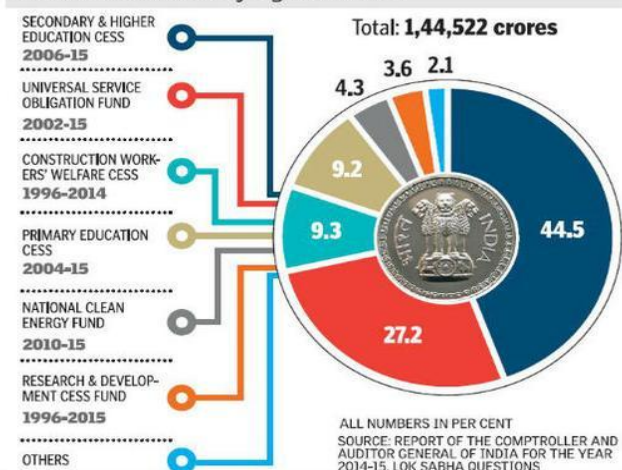
1.13. NON-UTILIZATION OF THE CESS MONEY

A Comptroller and Auditor-General (CAG) report on government finances released recently revealed that more than **Rs. 1.4 lakh crore** of funds collected by the government under various cesses for purposes as varied as higher education, road development and the welfare of construction workers are lying unutilised.

Cess

- This is a tax on tax, levied by the govt for a specific purpose. Generally, cess is expected to be levied till the time the govt gets enough money for that purpose.
- Over the years, the government has levied a number of cesses for spreading education, the welfare of workers, road development and research and development.
- The nature of a cess is such that if the money is not used for the designated purpose, it will remain dormant.

More than Rs 1.4 lakh crore of funds collected under various cesses are lying unutilised



Concerns:

- The Central government doesn't have to share the proceeds with State governments.
- Despite these unutilised funds, the government has shown that it is still keen on cesses. It has already levied a **0.5 per cent Swachh Bharat cess** and is proposing a 2 per cent regional connectivity cess in aviation and increasing the cess on sugar production.
- These funds, meant for specific social causes, have been diverted to other uses or simply remained unutilised though taxpayers had to suffer the additional burden.
- Lack of transparency in utilization of cess money

- it just stagnates and distorts the economy further: the additional tax brings down real incomes without any accompanying gain in socio-economic indicators as targeted
- The Primary Education Cess, the National Clean Energy Fund, the Research & Development Cess Fund, the Central Road Fund, the Income Tax Welfare Fund, the Customs & Central Excise Welfare Fund and several dormant funds have Rs. 14,500 crore lying unused.

1.14. FOOD SECTOR REGULATION

Why in news?

Recently the **Food Safety and Standards Authority of India (FSSAI)** had indicated that it would reintroduce the system of **pre-launch product approvals by issuing new regulations**.

Background:

- Few months back the apex court upheld a **Bombay High Court decision** quashing an advisory issued by FSSAI on the **procedure for product approval**.
- The Bombay High Court had ruled that FSSAI's advisory on product approvals "did not have force of law" and was beyond its powers as provided by the **Food Safety Standards Act, 2006**.
- The FSSAI scrapped product approvals, following the apex court verdict.
- Globally, companies do not require approval from regulators to launch a product. FSSAI started this as it wanted to control end-products.
- **Product Approval Process:** Earlier product approval was required only if there was a new ingredient or additive being introduced. But in the May 2013 notice issued by FSSAI broadened this to cover all products even if they were using approved ingredients or additives within permissible limits.

Concerns:

The uncertainty and confusion over this issue resurfaced with the FSSAI declaring that even while respecting the court's decree over its advisories, it will come up with new regulations to revive the approval procedure.

- Impacts on the Food Processing Industry
 - This does not bode well for a sector that, after a prolonged period of infancy, had begun to grow at over eight per cent a year.
 - Food processing adds value to farm produce and helps to reduce wastage of perishable products, so such regulations may affect farm sector badly.
- The industry maintains that the regulator cannot bring back the product approval system unless the law is amended.
- Recent actions of the FSSAI, including those against Nestle India's Maggi noodles, created a "fear psychosis" in the industry, killing innovation.
- Allegations of harassment of companies by FSSAI officials on trivial grounds.
- The basic objective of the FSSAI Act of putting in place a transparent and scientific system of food safety seems to have been belied.

Way forward

India's food regulation law, the FSSAI Act of 2006, in fact does not require a new product to be formally approved by the regulator if its ingredients are as per the law. Thus Food safety regulator must follow global practices and should allow industry to self-certify compliance with standards.

Steps taken by FSSAI to strengthen the Food Regulatory Mechanism

- FSSAI has set up nine new panels for expediting work relating to strengthen the food regulatory mechanism in the country.
- The FSSAI has also notified 12 referral laboratories and 82 National Accreditation Board for Testing and Calibration Laboratories-accredited private laboratories.

1.15. GUJARAT LABOUR LAWS (AMENDMENT) BILL 2015

Why in news?

Recently the President gave assent to the Gujarat Labour Laws (Amendment) Bill 2015.

Controversy surrounding the Bill

- The Bill aims to amend certain provisions in labour laws applicable in Gujarat, including the Industrial Dispute Act 1947, Minimum Wages Act 1948, Factories Act, Contract Labour Act and Employees compensation Act etc.
- **Provision of settlement** of disputes between workers and the management **“out of court”** by compounding a certain amount of money in the government agency.
 - Argument given in favour of this provision- it will reduce unnecessary and endless litigation, and 75% of the penalty (up to Rs. 21000) charged on the employer by the government will be given to the employee.
- The bill has provision **to ban strikes in public utility** services for up to 1 year.
- Time limit for workers to raise objections to the decisions of the industries has been reduced to one year from three years.
- A provision in the Bill has **amended the definition of “contractor”** to include “outsourcing agencies”, which in some cases, is the government itself. This will attest more power to the government.
- The bill has **eased “hire and fire”** by proposing to lift restriction on sacking of workers and payment of compensation in special investment regions, NIMZ and some other economic zones.
- The bill was criticised as anti-labour and pro-industries.



1.16. SUPREME COURT VERDICT ON HARYANA PANCHAYATI RAJ (AMENDMENT) ACT 2015

Why in news?

Recently Supreme Court upheld Haryana law on panchayat elections, by dismissing plea challenging Haryana Panchayati Raj (Amendment) Act, 2015.

Haryana Government Law on Panchayat Election

- In August 2015 Haryana government cleared five amendments to the Haryana Panchayati Raj Act, 1994.
- Amendments laid down **eligibility criteria to contest local body elections**.
- It set **minimum educational qualifications, having a functional toilet at home**, not having defaulted in cooperative loans or having outstanding dues on rural domestic electricity connections and
- Not charged by a court for a grave criminal offence as criteria to be eligible to contest local body elections.
- These are in addition to insolvency and being of unsound mind, disqualifications that are specified in the Constitution.
- The law fixes **matriculation as the essential qualification for general candidates** and **Class VIII for women in the general category** as well as scheduled caste candidates.

Few Facts

- 9.6 million People will be eligible to contest the elections to various panchayats in the state even after applying the amended qualifications.
- The census data of 2011 showed that Haryana had a literacy rate of 76.6%, with female literacy at 66.8%.
- According to the census, 31.4% of households in the state do not have access to toilets as opposed to the national average of 53.1%.
- 57% of the rural population who are over the age of 20 years will still be eligible to contest elections in spite of the minimum education qualification.

Supreme Court's Observation

- If people still do not have a toilet, it is not because of their poverty but because of their **lacking the requisite** will-taking into consideration various policies of the Haryana government to improve sanitation in the state.
- It is only education which gives a human being the power to discriminate between right and wrong, good and bad and upheld the imposition of specific educational qualifications.
- Under **Articles 40 and 246(3)**, the Constitution grants powers to the states to make laws to enable the functioning of self-government units.

Criticism:

- More ground reforms are needed before such a law is implemented.
- Wisdom plays a greater role than education at local governance level, especially villages. Even in toilet construction, the problematic area is governance.
- Amendment is discriminatory and criteria are arbitrary.

1.17. KATOCH COMMITTEE REPORT

Why in news?

Recently Union Chemicals and Fertilizers Ministry announced that there will be a **separate ministry** for pharma and medical devices sector in the next one year. Ministry also ensured that government will implement **Katoch panel recommendations to cut bulk drug imports from China**.

Bulk drugs or **Active Pharmaceutical Ingredients (API)** are the active raw materials used in a drug that gives it the therapeutic effect.

Issues:

- India currently meets about 80 per cent of its demand of bulk drugs or active pharmaceutical ingredients (API), used **as raw materials** by the pharmaceutical industry, **from Chinese imports**.
- Inverted duty structure hampering the pharma and medical devices industries
- Interest rates is a major issue- In China the interest rate on loan is just 5% while in India it is above 12%

Salient features of the recommendations of the Katoch committee on Active Pharmaceuticals Ingredients (APIs):

- Establishment of Large Manufacturing Zones (LMZs)/ Mega Parks for APIs with common facilities at a concessional rate or free of cost maintained by a separate Special Purpose Vehicle (SPV).
- Mega Parks need to be provided with common facilities such common Effluent Treatment Plants (ETPs), Testing facilities, Assured power supply, Common Utilities/Services such as storage, testing laboratories, IPR management etc.
- Large manufacturing zones could be set up in National Manufacturing Investment Zones/ petroleum, Chemicals and Petrochemical Investment Regions (PCPIRs) in states that have the requisite facilities/system in place.
- The bulk drug industry is one of the major polluting industries so it is necessary to have proper rules and regulations to check on the pollution level and the quality of output.
- There is an urgent need to start few large API intermediate clusters to transform the nation as one such cluster can bring around one billion dollar per year.
- Single window clearance and fiscal and Financial incentives such as tax breaks, soft loans etc should be made available.

1.18. DELHI'S JAN LOKPAL BILL

The Delhi Janlokpal Bill, 2015, was recently passed by Delhi legislative assembly with 64 votes.

The Jan Lokpal Bill (also known as the Citizen's Ombudsman Bill) is an anti-corruption bill drafted by civil society activists seeking the appointment of a Jan Lokpal, an independent body which would be able to investigate corruption cases, even in case of bureaucrats.

Features of the bill:

- It covers all Govt. employees, from the Chief minister to Group D officers.
- It provides legal right of protection to whistle-blowers and witnesses.
- It envisages time bound investigation & trial in corruption cases.
- If beneficiary of offense is business entity, in addition to punishment provided under this law, those found guilty will have to pay fine 5 times the loss.
- The Lokpal Chairperson & panel members will be selected by a panel comprising of
 - The Chief Minister,
 - Leader of the opposition in the assembly,
 - Two judges of the High Court (selected in a full court meeting),
 - One previous Lokayukta and
 - Two eminent citizens to be selected by other members of the selection committee

Concerns with the bill:

- No independent budget.
- Not empowered to appoint its own staff, and will have to work with the staff provided to it by the government.
- The bill does not provide the Janlokpal a dedicated investigation wing.

- The bill expects the “full court” of the Delhi High Court to select a judge to be a member of the selection committee. This is unprecedented. Usually the chief justice nominates a member. It is uncertain whether the “full” high court would agree to this.
- The legislation provides no workable solution — by way of a casting vote — to resolve an impasse if the initial four-member committee is tied.
- The bill empowers the Janlokpal to inquire into or investigate any allegation of corruption occurring in the National Capital Territory of Delhi, including those against public servants of **the Central government and its authorities, judges, military personnel**, and other such.
- But Article 239AA of the Constitution states that if there is conflict or inconsistency between an act passed by the Delhi Assembly and Parliament, the national act will prevail, unless the Delhi law has the approval of the President. Therefore, it seems very likely that the Janlokpal bill will potentially get caught up in legal tussles with the Central government.
- False complaint under this legislation, shall be punished with rigorous imprisonment.
- Section 5(6) in the bill, allows a member or even the chairperson of the Janlokpal to be eligible for reappointment for an additional term.

(General Studies Paper II, 2013)

Q. A national Lokpal, however strong it may be, cannot resolve the problems of immorality in public affairs’. Discuss. (200 words).

Q. What are the distinctive features of the Lokpal Bill introduced in the Parliament this year? (Q.12 (a), 125 words, 2003)

Q. Write short note on The Lokpal Bill (125 words). (Q. 12(c), 2007)

1.19. UNDERGROUND COAL GASIFICATION (UCG)

Why in news?

- The Union Cabinet recently approved a policy framework for development of Underground Coal Gasification (UCG) in coal and lignite bearing areas in the country.
- The policy is on the lines broadly similar to the existing policy for Coal Bed Methane (CBM) development on revenue sharing basis will be adopted for offering the blocks through competitive bidding.

Underground coal gasification:

- Underground Coal Gasification (UCG) is an alternative method of converting deep coal into gas using a series of boreholes operated remotely from the surface.
- Air or a combination of oxygen and steam are injected into the gasification panel within the coal seam. The coal is then heated and controlled reactions convert solid coal into product gas, known as “syngas”, which is extracted at the surface.
- The syngas is mixture of hydrogen, carbon monoxide, methane, CO₂ and higher hydrocarbons.

Benefits of Underground coal gasification:

- Syngas can be directly supplied to end- user, reducing the need of rail/road infrastructure.
- Lowers emissions, because gasification in UCG is underground thereby reducing environmental management costs.
- UCG may not require an external water source to operate, a major environmental advantage over water-intensive coal mining.

- UCG process creates an immense underground gas and heat storage capacity, which makes the gas supply very stable and robust.

Need of Underground coal gasification in India:

- India has the 4th largest coal reserves in the world and ranks 3rd in coal production. The total recoverable reserves of coal are only about 15.6 % (41.28 billion tonnes) leaving a large quantity (~223.26 billion tonnes) of **un-mineable coal reserve**.
- Out of the 38.93 billion tons of lignite, only about 5.49 billion tonnes are regarded as "mineable" leaving a large chunk of (33.44 billion tonnes) of **un-mineable lignite reserve**.
- It is therefore prudent to find ways and means to exploit these unrecoverable Coal and Lignite reserves of 256.69 billion tones to meet part of the ever increasing energy demand of the country.

2. INTERNATIONAL RELATIONS

2.1. INDIA-JAPAN RELATION

Why in news?

- Mr. Shinzo Abe, Prime Minister of Japan, visited India from 11 to 13 December.
- Japan has always been a significant economic partner of India, but not a strategic one. Now, both on the economic and strategic fronts, the India-Japan relationship is being transformed.

Important Outcomes

1. Nuclear agreement signed:

- Japan and India reached broad agreement on civil nuclear cooperation after five years of wrangling.
- This will clear the way for American firms — which source key equipment in Japan — to sell nuclear reactors to India.
- Commerce aside, this agreement is also symbolically important because Japan was one of India's most vocal critics after New Delhi's 1998 nuclear tests.
- This is part of India's decade-long process of progressive nuclear rehabilitation.

2. Defense and Security relationship

- New linkages between the Indian and Japanese air forces and coast guards.
- Indian training for Japan's counter-terrorism capabilities.
- Agreements to share classified military information.
- Transfer of Defense Equipment and Technology.
- India's decision to invite Japan as a 'formal partner' to the US-India Malabar naval exercises.
- This will passively balance Chinese power. This will complement other initiatives of India like **US-India-Japan** trilateral at the foreign minister level in October and a **US-India-Australia** trilateral at a slightly lower level in June.

India-Japan Economic and Commercial Cooperation

- Complementarities between the two countries
 - Japan's ageing population (23% above 65 years) and India's youthful dynamism (over 50% below 25 years);
 - India's rich natural and human resources and Japan's advanced technology;
 - India's prowess in services and Japan's excellence in manufacturing;
 - Japan's surplus capital for investments and India's large and growing markets and the middle class.
- The signing of the historic India-Japan Comprehensive Economic Partnership Agreement (CEPA) and its implementation from August 2011 is expected to further accelerate growth of trade, economic and commercial relations between the two countries.
- Japan has been extending bilateral loan and grant assistance to India since 1958. Japan is the largest bilateral donor to India. Japanese ODA supports India's efforts for accelerated economic development particularly in priority areas like power, transportation, environmental projects and projects related to basic human needs. For example
 - New Delhi metro network.
 - The Western Dedicated Freight Corridor (DFC),
 - the Delhi-Mumbai Industrial Corridor with eight new industrial townships,
 - the Chennai-Bengaluru Industrial Corridor (CBIC)
 - India's primary exports to Japan have been petroleum products, chemicals, elements, compounds, non-metallic mineral ware, fish & fish preparations, metalliferous ores & scrap, clothing & accessories, iron & steel products, textile yarn, fabrics and machinery etc.
- Japanese FDI into India grew exponentially from US\$ 139 million in 2004 to all time high of US\$ 5551 million in 2008. Currently FDI from Japan to India was US\$ 1.7 billion during January-December 2014. Japanese FDI has mainly been in automobile, electrical equipment, telecommunications, chemical and pharmaceutical sectors.
- The number of Japanese affiliated companies in India has grown significantly over the years

3. Trade and Investment:

- Japan will create a \$12bn-facility to support Japanese companies investing in India to further our Make in India objective
- As part of the broader Japanese support for Indian infrastructure, memorandum of cooperation on the hi-speed Shinkansen rail system between Mumbai and Ahmedabad to be financed with a highly concessional yen loan has been signed.
- 13 big infrastructure projects to be financed by ODA loans such as Metro projects both in Chennai and Ahmedabad and road network connectivity in our Northeastern states.

4. India and Japan signed a Protocol for amending the existing Convention for the avoidance of double taxation and for the prevention of fiscal evasion with respect to taxes on income which was signed in 1989. The protocol provides for

- Internationally accepted standards for effective exchange of information on tax matters including bank information and information without domestic tax interest.
- The information received from Japan in respect of a resident of India can be shared with other law enforcement agencies with authorisation of the competent authority of Japan and vice versa.
- Both India and Japan shall provide assistance to each other in the collection of revenue claims.
- Exemption of interest income from taxation in the source country with respect to debt-claims insured by the Government/Government owned financial institutions.

Way forward:

- India's Act East policy — of which the India-Japan relationship is a core strand — is important not just for boosting investment but also signaling to China.
- It is also to strengthen India's voice in regional debates, whether on economic or security issues, such that India will be in a position to shape emerging economic and security architectures as they form, rather than accommodate to them afterwards.
- As a recent RAND study noted, 'Southeast Asia sees India primarily as a security partner, while India primarily sees Southeast Asia as a trade partner'. The more that India accepts the garb of security partner, the more pivotal its role in Asia and its voice in debates.

2.2. INDO-RUSSIA RELATION

In news:

- On 24th December 2015, Prime Minister Narendra Modi and Russian President Vladimir Putin on Thursday signed 16 agreements.
- Annual Summit meeting between the Prime Minister of India and the President of the Russian Federation is the highest institutionalized dialogue mechanism under the Strategic Partnership between India and the Russian Federation.
- Indian PM has put on the fast-track the Druzhba-Dosti (friendship) vision that he signed with Putin in Delhi last year to strengthen and expand bilateral relations by the next decade.

Agreements include:

- Manufacture of Russian Kamov 226 helicopters in India,
- An accord for cooperation in the field of helicopter engineering,
- Making Russian-designed nuclear reactors in India,
- Technical cooperation in the railway sector,
- Construction of solar energy plants in India
- Exploration and production of oil in Russia.

Importance of these agreements for India:

- The agreements signed in Russia will provide a significant boost to the Make in India and solar mission programmes.
- Agreement on manufacture of Kamov 226 helicopters in India is the first project for a major defence platform so these would boost defence manufacturing in India and India's defence readiness with next-generation equipment which ultimately helps in Make in India project.

Background

- Russia is "all-weather friend" of India.
 - The Russians have given us unwavering support on Kashmir.
 - They backed us when we did our nuclear tests.
 - They stood by us during Kargil war.
 - They helped us with our nuclear power plants and submarine projects and in the defence sector.
 - India too has steadfastly backed Russia.
 - We didn't decry Russia's Afghan invasion of 1979, we didn't join the chorus when it annexed Crimea last year, and we tacitly support its current involvement in Syria.

Concerns in relations

- India a growing strategic relationship with the US after the path-breaking civilian nuclear deal.
- Russia under a resurgent Vladimir Putin challenged the US and Europe, and in doing so, cosied up to India's arch Asian rival China and even flirted with Pakistan.
- Distance between two nations.

Convergence of interests

Both India and Russia have now realized that in their quest for global power status, it is imperative that they restore the climate of intimate friendship.

Russia needs India as:

- A market for its goods to bypass Western sanctions imposed after its power push in Ukraine.
- The forthcoming Transatlantic Trade and Investment partnership driven by the US will also force Russia to eye markets beyond Europe. India is a natural partner.
- Despite its renewed friendship with China, Russia will soon find itself in competition with it as Beijing regards itself as the new G2 along with the US.
- India can help provide the multi-polarity that Russia fiercely seeks.

India needs Russia because:

- It can meet its abundant energy requirements at a cost-effective price.
- Despite expanding its defence purchases from the US, Israel and Europe, India still needs to collaborate with Russia to master future technology including for space.
- It improves India's bargaining power when it negotiates arms sales with the West.
- Russia can be a major market for Indian industry such as pharmaceuticals, manufactured goods, dairy products, bovine meat and frozen seafood.
- Geopolitically, Russia continues to be a balancing force against any designs China and Pakistan may have in our region.

Future perspective

- The bilateral trade target of \$30 billion they set for 2025. Currently it hovers around \$10 billion and to achieve a three-fold increase in trade is a tall ask.

- While defence cooperation has moved from simple buyer-seller to one of joint research, development and production of advance technologies, these projects need to be executed swiftly. Particularly the projects on the fifth generation aircraft and air transport programmes and the new tie-up to manufacture helicopters in India.
- Indian investment in Russia now totals \$7 billion and comes mainly from the oil and gas sector. ONGC-Videsh has a 20 per cent stake in Sakhalin-1 and acquired Imperial Energy Tomsk, which has oil-producing assets. Russia's Gazprom and GAIL signed a 20-year contract to supply LNG. And Rosneft has tied up with Essar for long-term supply of crude oil and feed stocks. Meanwhile, Tata has plans to set up an assembly line for mini lorries and buses.
- In pharmaceuticals, the Sun Group, Ranbaxy and Lupin are expanding their operations in Russia.
- There is tremendous potential in diamond, fertilisers and food sectors that needs to be exploited by India Inc.
- Russia too needs to step up its investments in India which currently stands around \$3 billion. Sistema, the Russian telecom giant, ran into trouble with its joint venture in India, Shyam Sistema Telelinks, when it lost 21 of its 22 licences in India after a Supreme Court ruling in the 2G spectrum case. Major opportunities are opening up for Russian companies in India to invest in Modi's 'Make in India' initiative in sectors such as defence equipment, civil aviation and in railways.
- India on its part has to learn to absorb Russian technology and reduce bureaucratic hurdles.

2.3. AFGHANISATAN JOINS WTO

- WTO in its 10th ministerial conference in Nairobi from 15th to 19th December 2015, formally approved Afghanistan's WTO membership. Afghanistan has applied for WTO membership in 2004.
- Afghanistan has become the **164th WTO member** and the 36th least developed country (LDC) to join the global trade body.
- With the help of WTO Afghanistan can create business friendly environment and can attract many big MNCs, countries for trade.

Significance:

- For the first time Afghanistan will be experiencing integration into international economy and market, be benefited of a fair, free and non-discriminatory international trade within the framework of the WTO and thus gain sustainable development to the great extent.
- Afghan goods and services will be recognized and awarded most favored nation treatment by the international market, bodies and fellow Members.
- All the like products and services of Afghanistan will be awarded immediate and unconditional advantage, favour, privilege or immunity that has been already awarded to the like products and services of the other WTO Members.
- For example, recently government of Pakistan increased custom duties thrice of what it used to be on Afghanistan fruits being exported to Pakistan, which caused great loss to Afghan traders. Had Afghanistan been Member of the WTO, government of Pakistan would have been under obligation to treat Afghanistan fruits equally as those of other exporting Member countries.
- Quality improvement and standardization which is equally beneficial to both consumers and producers.
- Through WTO membership Afghanistan will be enabled to attract foreign direct investment in various sectors which will increase job opportunities, transfer technology among and from the Members, and decrease trade negotiation costs.
- Afghanistan as a least-developed country will be entitled to the preferential treatments under the WTO law from WTO Members in terms of Special and Differential Treatment provisions enshrined within the WTO agreements.
- Will help in stabilizing war-torn Afghanistan. Will help in reducing spread of terrorism and radicalization. It will have cascading effect on stability of Middle East.
- To succeed, political and economic stability and commitment is must.

2.4. INDIA- AFGHANISTAN

Recently Prime Minister Narendra Modi inaugurated the new building of Afghanistan Parliament built by India in the capital city Kabul.

- The Parliament building project, initially conceived to cost 45 million, was started by India in 2007 as a mark of friendship and cooperation to help rebuild Afghanistan.
- India is also spending \$300 million on the Salma Dam project, which has been re-christened Afghan-India Friendship Dam.
- Salma Dam and the Parliament projects are seen as examples of India's commitment to the peaceful development of war-ravaged Afghanistan.
- India also donated three **Mi-25 attack helicopters** (with an option to send one more in future) to Afghanistan as part of the bilateral strategic partnership to counter the Taliban.

2.5. INDIA-PAKISTAN RELATION

- Indian PM Modi. On 25th December 2015 visited Pakistan to give best wishes to Nawaz Sharif (Pakistan PM) on his birthday.
- The seemingly spontaneous personal gesture from Indian PM, on his way back from Afghanistan, has infused a sense of optimism into the positive initiative process that the two countries had only recently initiated.
- After this visit Prime Minister Nawaz Sharif on 30th December 2015, expressed his views that 'it is "high time" India and Pakistan set aside their hostilities and expressed confidence that the of goodwill generated by his Indian counterpart Narendra Modi's visit to Lahore will persist.

UPSC Mains 2015

Q. Terrorist activities and mutual distrust have clouded India-Pakistan relations. To what extent the use of soft power like sports and cultural exchanges could help generate goodwill between the two countries? Discuss with suitable examples.

2.6. ISLAMIC MILITARY ALLIANCE

- Launched by Saudi Arabia recently to Fight Terrorism.
- It is an intergovernmental military alliance of 34 countries in the Muslim world united around military intervention against ISIL and other counter-terrorist activities.
- The new counterterrorism coalition includes nations with large and established armies such as Pakistan, Turkey and Egypt as well as war-torn countries with embattled militaries such as Libya and Yemen. African nations that have suffered militant attacks such as Mali, Chad, Somalia and Nigeria are also members.
- The organization is based at a joint command centre in Riyadh, Saudi Arabia.
- In many ways, this alliance seems designed to calm Western critics who have frequently complained that the Muslim world isn't doing enough to combat terrorism and extremism.

Issues with the Alliance:

- Some of the most important Muslim countries in the world, including Iran, Iraq, Afghanistan and Indonesia, are not part of the alliance. The exclusion of Shiite nations in an alliance designed to

represent the Islamic world seems to reinforce the belief that Saudi Arabia's alliance is motivated by a sectarian rivalry with Iran and not terrorism.

- It is not entirely clear what tasks the new alliance would undertake.

2.7. INDIA AND SEYCHELLES

A plot of land for India to build its first naval base in the Indian Ocean region has been allocated by the Seychelles government in the Assumption Island.

- This will be a joint project between India and Seychelles.
- The project has acquired significance following China acquiring its first African naval base in Djibouti in November.
- Once ready, the naval base will help India exercise greater control over the Indian Ocean's western region all the way to the piracy-prone eastern African coastline.
- The base will be one of the major staging posts for a large maritime security network that India is setting up with the help of the various Indian Ocean region partner countries.
- Apart from the naval base, India is set to acquire a fully operational coastal radar system (CRS) based in Seychelles from March 2016. The CRS will provide India with the ability to gather intelligence and assist in surveillance operations of the vital energy lanes near Seychelles.
- Security operation in the Indian Ocean region will also be helped by the leadership role that Seychelles has secured for itself in the Contact Group for Piracy off the Coast of Somalia (CGPCS), which will hold its first meeting in Mumbai on January 31, 2016.
- India had earlier gifted a naval ship, INS Tarasa and a Dornier-228 maritime reconnaissance aircraft, to Seychelles to augment its surveillance and patrolling capacity of Seychelles.

2.8. INDIA-ISRAEL RELATION

In news:

On 3rd December 2015, Indian government has given approval on Memorandum of Understanding (MoU) between India and Israel in the field of water resources management and development cooperation.

Benefits:

The bilateral cooperation will benefit both the countries in strengthening the techniques in efficient use of water, micro-irrigation, recycling/re-use of waste water, desalination, aquifer recharge and in-situ water conservation techniques. A Joint Working Group shall be formed to monitor the activities to be carried out in fulfilment of the MoU.

2.9. FORUM ON CHINA-AFRICA COOPERATION (FOCAC)

African continent is increasingly becoming the next theatre of global attraction and competition because of natural resources, demography and socio-economic development. To harness the opportunity various countries including China have made huge investments in the continent.

In news:

The Johannesburg Summit and the 6th Ministerial Conference of the Forum on China-Africa Cooperation (FOCAC) were held in Johannesburg from 3 to 5 December 2015.

About the FOCAC 2015:

- It is an official forum which has greatly boosted the political influence of China-Africa relationship and served as an important driver for China-Africa practical cooperation in various areas.
- There have been five summits held to date, with the last meeting occurred from July 19-20, 2012 in Beijing, China.
- FOCAC had become both a key platform for collective dialogue between China and African countries, and an effective mechanism for practical cooperation.
- The next FOCAC at the Ministerial level will be held in China in 2018.
- It assumed importance for China as India organized **India-Africa summit** with a wide participation to boost India-Africa relations.

Significance

- It is only the second time (the first being in 2006) that it has been held at the Summit level. Ever since its establishment, FOCAC dialogue has been at the ministerial level.
- The Summit was well attended with the participation of almost 50 African Heads of State/ Government.
- The two-day Summit ended with the issue of the **Johannesburg Declaration and an Action Plan**.
- An impressive financial assistance package of **\$ 60 billion** was announced by President Xi. With the theme of "Africa-China Progressing together: Win-win cooperation", the event addressed all the major aspects of China- Africa relations.
- The package covers ten cooperative projects in various sectors.

Changed context:

- Given the slow-down in the Chinese economy and related problems, the quantum of the financial package surprised many. China is to move away from investment and manufacture led growth to one driven by consumption. All this notwithstanding, China is not short of funds to promote cooperation with Africa.
- On the African side also, there is a new scenario. With reduced demand from China for resources and the general fall in commodities prices many African nations dependent on them are facing the heat leading to decreased export earnings and the consequent budgetary problems.

More than a pure economic agenda

- There are political and strategic interests involved. These aspects are clearly mentioned in the Johannesburg Declaration with emphasis on non-interference in internal affairs and rejection of use or threat of force and rejecting attempts to misrepresent the results of the second World War .The most significant is the reference to "respect for each other's core interests".
- A major strategic outcome of the Summit was to upgrade the "new type of Strategic Partnership" established in 2006 to a "Comprehensive Strategic and Cooperative Partnership".
- Today, China has the largest number of peace-keepers in Africa among the P-5 countries.

3. ECONOMY

3.1. INSOLVENCY AND BANKRUPTCY CODE, 2015

The Bankruptcy Law Reforms Committee (BLRC), set up by the finance ministry, recently submitted its report with a draft Bill called the Insolvency and Bankruptcy Code (IBC).

The objective of the code is reducing the delay in resolution of insolvency or bankruptcy cases and improving recoveries of the amount lent. Thereby facilitating the efficient flow of capital across the economy.

Need

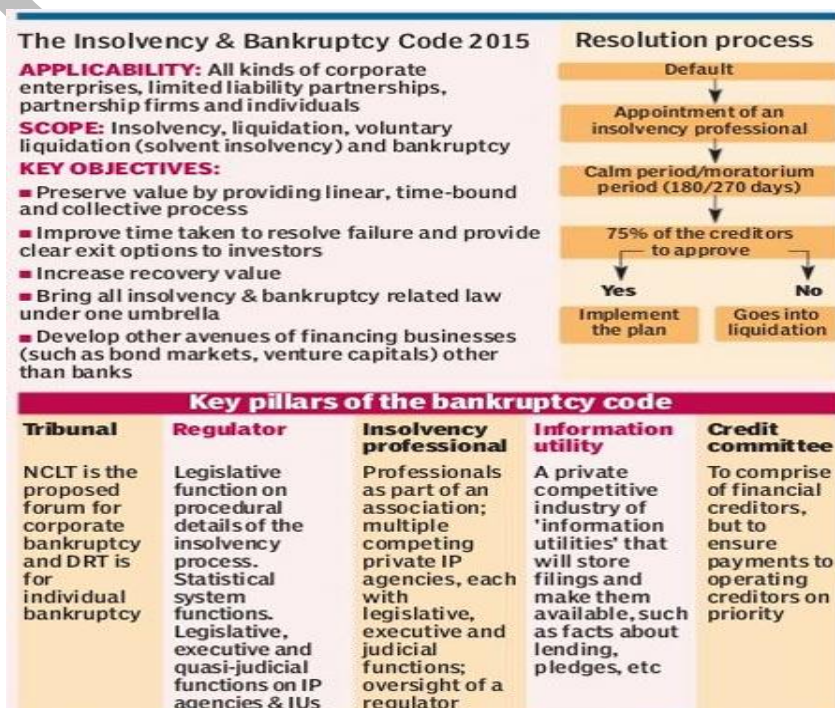
Today, bankruptcy proceedings in India are governed by multiple laws — the Companies Act, SARFAESI Act, Sick Industrial Companies Act, and so on. The entire process causes a lot of delay thus locking capital for a long period.

Salient Features of the law:

1. A unified code for greater legal clarity.
2. **Fixed a timeline of 180 days**, extendable by another 90 days, to resolve cases of insolvency or bankruptcy.
3. A **new regulator** — the Insolvency and Bankruptcy Board of India (IBBI) to regulate professionals/agencies dealing with insolvency and informational utilities.
4. Bill proposes for information utilities and an individual insolvency database.
5. Setting up of a specialized Bench at the National Company Law Tribunal (NCLT) to adjudicate bankruptcy cases over companies, limited liability entities. Appeals from the order of NCLT shall lie to the National Company Law Appellate Tribunal ("NCLAT").
6. Debt Recovery Tribunal ("DRT") shall be the Adjudicating Authority with jurisdiction over individuals and unlimited liability partnership firms. Appeals from the order of DRT shall lie to the Debt Recovery Appellate Tribunal ("DRAT").
7. The code allows the corporate debtor itself to initiate the insolvency-resolution process once it has defaulted on a debt.
8. Prioritization of claims by different classes of creditors

Areas that need refinement/ improvement in the proposed framework

- **Credit Committee composition:** Currently, credit committee to comprise of only financial creditors. However, operation creditors to be paid out first. This may lead to conflict between the two creditor classes.
- **New financial arrangement:** If business is found to be viable, possibility of a new financial arrangement between the debtor and the creditor is envisaged in the code. However, the contours of the new arrangement with the lenders



and treatment of the new finance arrangement from asset classification and provisioning perspective can be clarified.

- **Waterfall priority:** Central and state government liabilities will be placed below creditors' claims to ensure lender confidence continues. It may be clarified if this means that employee PF liabilities will get a lower priority. This is important to understand as it directly affects the employee compensation and welfare. Also, one may need to assess if this, potentially, would lead to huge write-offs by statutory bodies.
- **Two-year history:** For ascertaining malfeasance, only two years of history to be checked for diversion. Earlier history should also be taken into account.
- **Promoter buyback:** Promoters have the option to buy back the company at a certain price, with a certain debt restructuring. This has to be contemplated further to avoid the bankruptcy tool from becoming an instrument to be exploited to reduce debt and increase equity value going forward.

3.2. FINANCIAL STABILITY REPORT (BI-ANNUALLY PUBLISHED BY RBI)

The highlights of twelfth issue of FSR are:

Corporate Sector:

1. Nearly a fifth of all listed companies have levels of debt in excess of what is considered prudent.
2. The increasing risks to the Indian banking sector.

Bank asset quality:

1. NPA have risen to 5.1% (from 4.6%) between March and September 2015.
2. **Stressed assets** (NPA and restructured loans) – PSB @14%, private banks @4.6% and foreign banks @3.4%.
3. High dividends by PSB amidst reducing profitability is questioned in the report.
 - A. Reasons for rising NPA's are:
 - Global financial crisis.
 - Sluggish growth
 - The manner in which PSB boards are run (also highlighted by P J Nayak Committee)

Way Ahead:

- Implementation of "Indradhanush", a seven-point action plan, to reform the regulatory framework.
- Real structural reform, like diluting the government's stake in PSBs to below 51 per cent and letting them function more freely.

3.3. VIJAY KELKAR COMMITTEE REPORT ON REVIEW OF PPP INFRASTRUCTURE DEVELOPMENT

The Kelkar committee was setup by Finance minister in line with announcement made in budget 2015-16 to **revamp and Revitalise PPP model of development.**

The Key Recommendations:

1. **Setting up independent regulators** to address stalled infrastructure projects of various sectors
2. **Amendment to the Prevention of Corruption Act** to clarify the difference between cases of graft and genuine errors in decision-making
3. **Easier funding and Promotion of zero coupon bonds by Governments, Banks and Financial institutions.**
 - To ensure viability of PPP projects with long gestation periods. For ex. In development of airports, ports and railways.

- Will help to achieve soft lending for user charges in infrastructure sector
- Building up of risk assessment and appraisal capabilities by banks and
- Provision for monetisation of viable projects that have stable revenue flows after engineering, procurement and construction delivery.

4. Endorsement of the 3PI

- They can function as a centre of excellence, enable research, and review and roll out activities to build capacity

5. Focus on service delivery instead of fiscal benefits for better identification and allocations of risks between the stakeholders and contracts for the PPP projects.

6. Setting up of an Infrastructure PPP Project Review Committee (IPRC)

- **Aim**-To deal with the problems being faced by such projects
- **Composition** - one expert each from economics background and one or more sectoral experts preferably engineers and legal experts.
- **Mandate**- To evaluate and send its recommendations in a time-bound manner upon a reference being made of "actionable stress" in any infrastructure project developed in PPP mode beyond a notified threshold value

7. Infrastructure PPP Adjudication Tribunal (IPAT)

- To be chaired by a former Supreme Court Judge or former High Court Chief Justice,
- Proposed at least one technical and financial member

8. Adoption of the model concession agreements (MCA) for

- Proper assessment of managing risk
- Renegotiation framework in the bid document itself
- MCAs for each sector be reviewed to capture the interests of all participating stakeholders — users, project proponents, concessionaires, lenders and markets

9. Sector specific recommendations

- **Airports**: Government should encourage the PPP model in greenfield as well as brownfield projects
- **Railways**: An independent tariff regulatory authority to help Railways to tap PPP opportunities
- **Roads**: Increase concession period for BOT projects
- **Power**: Not many power projects are under PPP. Need to address power sector finances as they are hurting bank loan.
- **Ports**: Move from pre-TAMP (tariff authority for major ports) to current-TAMP

10. Change in attitudes and mindsets the authorities. E.g.

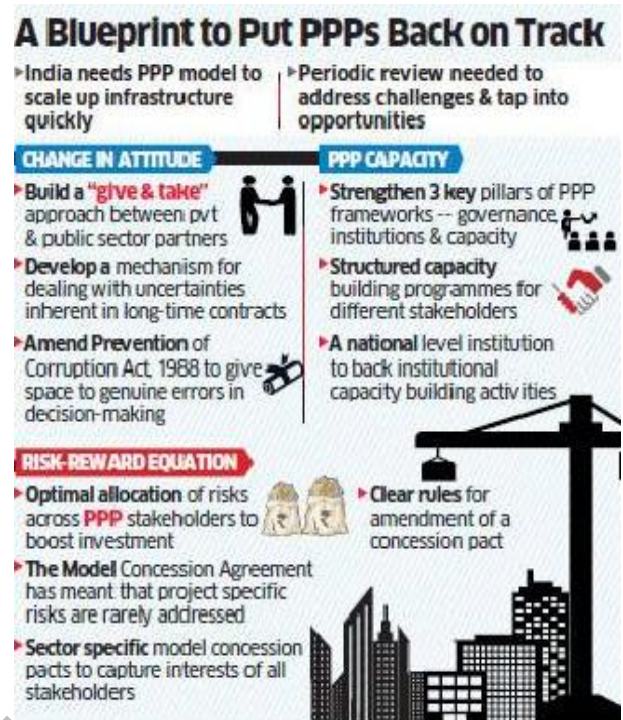
- Public agencies partnering the private sector,
- Government departments supervising the PPPs,
- Auditing and legislative institutions providing oversight of the PPPs

11. PPP model not viable in very small projects

- The committee advised **against adopting PPP structures for very small projects**, since the benefits of delivering small PPP projects may not be commensurate with the resulting costs and the complexity of managing such partnerships over a long period.

12. Issue of Swiss Challenges-

- Unsolicited Proposals ("Swiss Challenge") may be actively discouraged as they bring information asymmetries into the procurement process and



- Result in lack of transparency and fair and equal treatment of potential bidders in the procurement process.

Way forward

- PPPs in infrastructure represent a valuable instrument to speed up infrastructure development in India.
- This speeding up is urgently required for India to grow rapidly and generate a demographic dividend for itself and also to tap into the large pool of pension and institutional funds from aging populations in the developed countries.
- Needs a renegotiation commission, which can oversee the renegotiation of model concession agreements across sectors
- We also have to see how 3P India can be made into an umbrella body for PPP projects at central and state level.

3.4. ARVIND SUBRAMANIAN COMMITTEE REPORT ON GOODS AND SERVICES TAX (GST)

- Removal of 1% levy on inter-state movement,
- The standard GST rate in the range of 17-18 per cent. .
- Revenue neutral rate (RNR) of GST at 15-15.5 per cent.
- Three-tier GST rate structure
 1. Essential goods will be taxed at a lower rate of 12 per cent
 2. Demerit goods such as luxury cars, aerated beverages, pan masala and tobacco products will be taxed at 40 percent
 3. Remaining all goods will be taxed at a standard rate of 17 to 18 per cent.

Decoding Key Terms of Recommendations

The standard rate- The rate at which most goods will be taxed is more than RNR because some goods that are in the nature of public goods or targeted at deprived sections will need to be taxed at the lower rate. This rate is most likely to apply on most goods and services under the new indirect tax regime

The revenue neutral Rate - At which if all goods and services are taxed there will not be any revenue loss for both states and the Centre.

Why Standard rate is more than Revenue Neutral rate

The standard rate is more than the revenue neutral rate because some goods that are in the nature of public goods or targeted at **deprived sections will need to be taxed at the lower rate.**

There will be a demerit good rate that is higher than the standard rate that will apply to goods such as tobacco, the **use of which needs to be discourage**

MIDDLE-PATH APPROACH

THE ARVIND SUBRAMANIAN-HEADED PANEL'S RECOMMENDATIONS SEEM TO SUGGEST A MIDDLE-PATH APPROACH IN THE DEADLOCK BETWEEN THE CONGRESS AND THE GOVERNMENT, WHICH DIDN'T WANT THE GST RATE TO BE PART OF THE BILL AS IT WOULD REQUIRE A TWO-THIRD MAJORITY APPROVAL OF PARLIAMENT FOR ANY CHANGE IN RATES FOR ANY PRODUCT IN FUTURE. A LOOK INTO SOME OF THE KEY SUGGESTIONS

17-18% standard tax rate for bulk of goods and services	
Revenue-neutral rate pegged at 15-15.5%	
No 1% additional tax on inter-state sales	
12% for 'low rate goods'	40% for demerit goods like luxury car, aerated beverages, pan masala, tobacco
Early inclusion of alcohol, petroleum products in GST	
2-6% tax for precious metals	

REVENUE NEUTRAL RATE METHODOLOGY

The CEA-headed panel analysed three different methods to calculate the crucial RNR—the rate at which there will be no loss to state and Central governments. The three approaches used are macro approach, indirect tax turnover approach and direct tax approach. "This was a technical exercise and we took into account methods using direct taxes, indirect taxes and an approach suggested by NIPFP," Arvind Subramanian, CEA, said.

The panel excluded real estate, electricity and alcohol and petroleum products while calculating the tax rate as some states have expressed reservations against giving up tax control on the lucrative items, but the CEA panel suggested these be brought under the GST ambit



ARVIND SUBRAMANIAN, Chief Economic Advisor

Exceptions:

Excluded real estate, electricity and alcohol and petroleum products while calculating tax rates

Way Forward:

- The aim should be to create a GST with the **widest possible base**
- For Success of GST we have to address the issue of improving the billing culture in the country. Without addressing the question, the transformation effect will not be fully realised
- Getting the design of the GST right is critical. Specifically, the GST should aim at tax rates **that protect revenue, simplify administration, encourage compliance, avoid adding to inflationary pressures**, and keep India in the range of countries with reasonable levels of indirect taxes.

3.5. IRDAI TO LIBERALISE NORMS FOR TRADE CREDIT INSURANCE

- Insurance Regulatory and Development Authority of India (IRDAI) have decided to liberalize norms for trade credit insurance
- **The changes is done** in order to give a fillip to the credit insurance market, it is necessary to revisit the existing guidelines which regulate the credit insurance market in India.
- IRDAI is seeking to give a fillip, especially to micro, small, medium enterprise (MSME) sector, wherein the need for trade credit has enhanced the scope for the credit insurance sector manifold.
- IRDAI proposed to allow issuance of trade credit insurance policy to RBI registered entities, for conducting factoring business in line with The Factoring Act, 2011.
- This cover shall be restricted to short-term financing against receivables, representing supply of goods, materials and services

What is trade credit insurance?

Trade credit insurance is an insurance policy offered by private insurance companies and governmental export credit agencies to business entities wishing to protect their accounts receivable from loss due to credit risks such as protracted default, insolvency or bankruptcy.

How new draft policy is different from earlier one?

- Trade credit policy may be made to **banks/NBFCs**
- As against the existing policy of net retention of the insurer for trade credit insurance of up to 2 per cent of the net worth, **IRDAI is proposing the same to be increased to up to 5 per cent**
- The proposed changes include **an indemnity of not more than 85 per cent** of the trade receivables in a trade credit policy.
- In the existing law, a policy holder normally can't be offered indemnity for more than 80 per cent of the trade receivables from each buyer or 90 per cent of the cost incurred by seller for previous year, whichever is lower
- It also **proposes that no trade credit insurance policy** is allowed to cover **reverse factoring and bill discounting**
- These guidelines shall be **applicable to all registered general insurance companies** except Export Credit Guarantee Corporation of India Limited

Way Ahead

- Reform in credit norms was felt necessary to revisit the existing guidelines which regulate the credit starved insurance market in India
- It may give a fillip to the Credit starved insurance market

3.6. WORLD BANK REPORT 'ENDING EXTREME POVERTY, SHARING PROSPERITY: PROGRESS AND POLICIES'

- The World Bank has revised the global poverty line, **previously pegged at \$1.25 a day to \$1.90 a day (approximately Rs. 130)**
- This has been arrived at **based on an average of the national poverty lines of 15 poorest economies of the world.**
- The poverty lines were converted from local currency into U.S. dollars using the new 2011 Purchasing Power Parity (PPP) data.
- The latest headline estimate for 2012 based on the new data suggests that close to **900 million people (12.8 per cent of the global population) lived in extreme poverty**
- With the Sustainable Development Goals adopted in September, seeking to end all forms of poverty world over, the World Bank Group has set itself **the target of bringing down the number of people living in extreme poverty to less than 3 per cent of the world population by 2030**

Indian Perspective

- As per modified mixed reference period (MMRP) **poverty in India in 2011-12 could be only 12.4.**
- Main takeaway is the claim that India has been **overestimating its poverty rate.**
- The World Bank has used a new method for collecting data, called the **modified mixed reference period, or MMRP.**
- Though home to the largest number of poor in 2012, **India's poverty rate is one of the lowest among those countries with the largest number of poor**
- In the case of India, with large numbers of people clustered close to the poverty line, poverty estimates are significantly different depending on the recall period in the survey

Rangrajan committee report on poverty vis-à-vis WB estimation of poverty

	Indian Estimation	WB report
Poverty Rate	It was pegged as 29.5% by Rangrajan Committee, 21.9 % Tendulkar Committee report.	The World Bank's estimate is just 12.4 %
Poverty Line	The poverty line (PL) used by the Rangrajan committee for India was around \$2.44 per capita per day , in terms of purchasing power parity	The World Bank has revised the global poverty line, pegged at \$1.90 a day in terms of PPP
Methodology used	In India, there were two main ways of collecting data: Uniform Reference Period (URP) and Mixed Reference Period (MRP)	WB used MMRP method . MMRP method believed to provide a more accurate reflection of consumption expenditures
Reason behind Difference	The importance of the way in which data is collected.	The lower PL is the reason for the lower poverty ratio estimated by the WB.
Depth of poverty	Depth of poverty in India is examined in a different way - by looking at the poverty ratios using different cut-offs of the PL.	WB report talks about the depth of poverty in terms of person-equivalent headcounts
Dimensions of Poverty	We have legacy of uni dimensional approach on poverty estimations	WB report gave stress on importance of understanding the many dimensions of poverty that people experience.

What is MMRP?

- In this method, for **some food items**, instead of a 30-day recall, **only a 7-day recall is collected**.
- For **some low-frequency items**, instead of a 30-day recall, a 1-year recall is collected
- The low-frequency items include **expenditure on health, education, clothing, durables etc**

Way Forward

- The World Bank's new poverty rate estimate of 12.4% **does not mean that Indians have suddenly become richer**. In fact, it is **based on collection of data that determines the poverty rate**
- The bunching of poverty around the poverty line in India renders **the problem of reducing poverty more manageable**.
- The **pace and pattern of growth have a significant impact on reducing poverty ratios** but policymakers must pursue a **two-fold strategy of letting the economy grow fast and attacking poverty directly through poverty alleviation programmes**.
- The MMRP-based estimate (currently at 12.4% for India) is **expected to set the baseline for India and global poverty estimates, going forward**.

3.7. ETCD MARKET INTERVENTION BY RBI

- The Reserve Bank of India has **intended to intervene in the exchange-traded currency derivatives (ETCD) market to defend the rupee**
- This measure, has been announced just before US FOMC (Federal Open Market Committee) decision and purportedly CNY (Chinese yuan) devaluation fear, **to avoid sharp depreciation of the INR (Indian rupee) in the near future**,
- The ability to intervene in the exchange-traded market will help RBI **prevent any speculation-driven volatility in the rupee**,
- The Exchange Traded Currency Futures contract is an **agreement to buy or sell the underlying Currency on a specified date in the future and at a specified rate**.
- RBI usually intervenes in currency spot and currency forward markets to maintain stability in the foreign exchange market.

3.8. RBI'S REPORT ON FINANCIAL INCLUSION

Why in news?

- **Deepak Mohanty committee** set up by the Reserve Bank of India (RBI) in July prepared a medium-term measurable action plan for financial inclusion.
- The committee found that while some indicators of inclusion have improved, a large number of people remain reliant on informal channels such as money lenders.

Salient Recommendations of the Committee

- Banks have to make special **efforts to step up account opening for females**, and the Government may consider a deposit scheme for the girl child – *Sukanya Shiksha* - as a welfare measure.
- A unique biometric identifier such as **Aadhaar should be linked to each individual credit account** and the information shared with credit information companies to enhance the stability of the credit system and improve access. It can help to identify multiple loan accounts and prevent borrowers from becoming over-indebted.
- To improve '**last mile**' **service delivery** and to translate financial access into enhanced convenience and usage, a low-cost solution should be developed by utilisation of the mobile banking facility for maximum possible G2P payments.

- In order to increase formal credit supply to all agrarian segments, **digitisation of land records backed by Aadhar-linked mechanism is the way forward.**
- The committee recommended **that short-term interest rate subvention, or subsidies, on crop loans be phased out** and replaced with a crop insurance scheme for small and marginal farmers.
- The committee has recommended the use of **application-based mobile phones as points of sale** for creating necessary infrastructure to support the large number of new accounts and cards issued under the Jan Dhan Yojana.
- It recommended a graded system of **certification of business correspondents (BCs)**, from basic to advanced training. BCs with a good track record and advanced training can be trusted with more complex financial tasks such as credit products that go beyond deposit and remittance.
- Allow banks to open specialized interest-free windows with simple products such as demand deposits.
- Encourage multiple guarantee agencies to provide credit guarantees in niche areas for micro and small enterprises (MSEs), and explore possibilities for counter guarantee and re-insurance.
- Introduction of a system of unique identification for all MSME borrowers and sharing of such information with credit bureaus.

3.9. DIGITIZATION OF PDS

Why in News?

Recently the Food ministry said that the digitization helped to clean up the back-end of the subsidized public distribution system (PDS) and **over 6 million bogus ration cards have been cancelled.**

Why Digitization of PDS?

- To better target subsidies and ensure leakage-free distribution of food grains, the government used direct benefit transfer (**DBT**) and **automated ration shops.**
- To successfully implement the National Food Security Act (NFSA), the central government has focused on **end-to-end computerization**, which will bring transparency and check leakages and diversion of food grains.
- A committee on restructuring the Food Corporation of India suggested in its report submitted in January that the government begin direct cash transfers of food subsidy because the existing delivery mechanisms lead to a leakage of as much as 47%.
- It estimated that cash transfers alone could save the exchequer Rs.30,000 crore every year.
- Automation ensures food grains are distributed via ration shops through point-of-sale (PoS) devices that authenticate beneficiaries and record the quantity of subsidized grains given to a family.

Impact

- As a result of these efforts, 6.14 million bogus or duplicate ration cards have been cancelled in the past two years, stopping the diversion and misuse of PDS food grains amounting to about Rs.4,200 crore.
- So far, the beneficiary database has been digitized in 33 states and Union territories, while 17 states and Union territories are being allocated food grains online.
- States are using central assistance to install PoS devices in ration shops that are linked to the Aadhaar unique identification numbers of beneficiaries
- In nine states and Union territories, the entire supply chain has been computerized.
- The linking of Aadhaar numbers with ration cards has gone up from 8% to 39% between April and December.

3.10. NATIONAL INVESTMENT AND INFRASTRUCTURE FUND

Objectives of NIIF

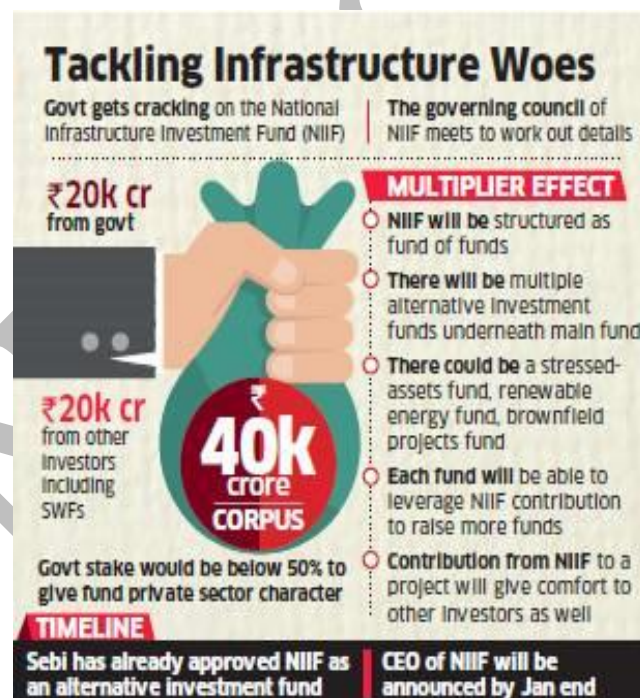
- to **maximize economic impact** mainly through infrastructure development in commercially viable projects, both Greenfield and Brownfield, including stalled projects
- to attract investment from **both domestic and international sources**
- to increase investment flows into infrastructure projects
- It is the major initiative of the present government to fix India's infrastructure woes; it would serve as an **umbrella fund with several funds underneath it**.

Why in News?

Recently the government set up the Rs 40,000 Crore National Investment and Infrastructure Fund (NIIF).

What is NIIF?

- It is a fund created by the Government of India **for enhancing infrastructure financing in the country**.
- The government has budgeted to contribute Rs.20,000 crore to the fund in the current fiscal year while another Rs.20,000 crore is expected to be raised through sovereign wealth funds.
- 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.
- The NIIF will have a dual role of equity capital infusion in projects and in getting the due-diligence done for investment in infrastructure projects.



Functions of NIIF

- Fund raising through suitable instruments including off-shore credit enhanced bonds, and attracting anchor investors to participate as partners in NIIF.
- Servicing of the investors of NIIF.
- Considering and approving candidate companies/institutions/ projects (including state entities) for investments and periodic monitoring of investments.
- Investing in the corpus created by Asset Management Companies (AMCs) for investing in private equity.
- Preparing a shelf of infrastructure projects and providing advisory services.

Sources of fund for NIIF

- Equity participation from strategic anchor partners. Government of India will contribute to establish it as a sovereign fund and will attract overseas sovereign/quasi-sovereign/multilateral/bilateral investor to co-invest in it.
- Government's funds, each year to each entity set up as an Alternate Investment fund (AIF) for executing its functions based on its annual plan, would be provided as required.

- International pension funds and sovereign wealth funds from countries such as Russia, Singapore and the UAE have evinced interest in participating in India's Rs 40,000-crore National Investment and Infrastructure Fund (NIIF).

Structure

- The NIIF will be established as one or more Alternate Investment Funds (AIF) under the SEBI regulations.
- The initial authorized corpus of NIIF would be Rs. 20,000 crore, which may be raised from time to time, as decided by Ministry of Finance. Government can provide upto 20000 crore per annum into these funds. Government's contribution/share in the corpus will be 49% in each entity set up as an alternate Investment Fund (AIF) and will neither be increased beyond, nor allowed to fall below, 49%. The whole of 49% would be contributed by Government directly. Rest is open for contribution from others.

Governance

- The NIIF will be established as a trust/other legal entity from both the point of view of taxation and flexibility.
- There will be a Governing Council of the NIIF which will have Government representatives and experts in international finance, eminent economists and infrastructure professionals. It could include representatives from other non-Government shareholders.
- The terms and period of appointment of the Governing Council of the NIIF will be as decided by the Government.
- NIIF would be supported by one or more Chief Executive Officers and a small investment team consisting of limited number of expert staff.
- NIIF would have full autonomy for project selection. NIIF would formulate guidelines and would follow due processes for selection criteria for Asset Management Companies (AMCs) and Non-Banking Financial Companies (NBFCs) / Financial Institutions (FIs).

3.11. NSSO REPORT ON LAND AND LICESTOCK HOLDINGS

The **National Sample Survey Office (NSSO)** conducted a survey on Land and Livestock Holdings in the rural areas of the country as a part of **NSS 70th Round** during January, 2013 to December, 2013.

Key Findings of the Survey

- The NSSO figure is about 65 million hectares lower than the numbers put out by the ninth agricultural census conducted in 2010-11.
- The report on land and livestock holdings estimates that around 95 million hectares of land was classified as operational holdings in 2012-13.
- Household ownership of land- the total estimated area owned, and average area owned per household has declined in 2012-2013 as compared to 2002-03.
- During the agriculture year July 2012- June 2013 rural India had an estimated total area of 92.3 million hectares under household ownership of land and the average area owned per household was 0.592 hectares.
- Within the rural households, **the marginal land owners** constituted the highest proportion (75.42%) of total rural households, whereas **the large land owners** constituted the lowest proportion (0.24%) of the total households. The **landless category** constituted 7.41% of the total rural households.

Operational holdings are land that was used wholly or partly for agricultural production. This includes land being used as kitchen garden or livestock growing, but leaves out cooperative farming and institutional ownership.

Trends in cultivation pattern

- The total number of operational holdings and the percentage of joint holdings have increased in 2012-13 as compared to 2002-03
- The highest percentage of area was used **for growing cereals** in July, 2012–December, 2012 (56.21%) and January, 2013 – June, 2013 (57.74%). The next major use of land was **for production of oil seeds** (13.75% and 7.34%) and pulses (6.30% and 10.20%) in the two seasons respectively.
- During the season July, 2012 – December, 2012, the major States where land area was mostly affected by flood included Andhra Pradesh (26%), Assam (23%), Bihar (17%) and West Bengal (13%).

Trends in Livestock Farming

- Among the land used for animal farming (dairy, poultry, piggery, fishery and farming of other animals) the major use of land was made **in dairy** (53.8% and 69.7%) in July, 2012 – December, 2012 and January, 2013 – June, 2013 respectively. In about, 18.7% and 11.8% of land area was used **for fishery** during the two seasons.
- The percentage of area used for all types of farming of animals is 0.97% in July, 2012 – December, 2012 and 1.69 % during January, 2013 – June, 2013.

Stock of Livestock/Poultry Birds holding in the country

- The estimated number of bovine livestock has decreased during 70th round as compared to the previous livestock survey.
- There is a nominal increase in the number of sheep & goat and pig populations as compared to previous survey.
- Poultry population in the 70th round has increased almost 1.4 times the 59th round estimates.
- The stock of cattle and buffalo of the country was estimated at 204 million during 2012-13. The estimated population of sheep & goat during the period was about 99 million.

3.12. WTO NAIROBI TALKS

- The WTO's Tenth Ministerial Conference was held in Nairobi, Kenya, from 15th to 19th December 2015.
- It culminated in the adoption of the "**Nairobi Package**", a series of six Ministerial Decisions on **agriculture, cotton and issues related to least-developed countries (LDCs)**.

Agriculture

- **Special Safeguard Mechanism (SSM) for Developing Country Members**- a mechanism that would allow developing countries to temporarily raise import tariffs on agriculture products in cases of import surges or price declines.
- **Public Stockholding for Food Security Purposes** -used by some developing countries to purchase food at administered prices and distribute it to poor people.
- Export competition
 - The **elimination of agricultural export subsidies**, new rules for export credits, international food aid and exporting state trading enterprises etc. Collectively, these issues are known as "**export competition**".
 - It would be particularly meaningful for farmers in poor countries who cannot afford to compete with rich countries which artificially boost their exports through subsidization.
- **Cotton** - On **market access**, the Nairobi draft proposal asks that cotton from least-developed countries (LDCs) be given duty-free and quota-free access to the markets of developed countries — and to those of developing countries declaring that they are able to do so — from 1 January 2016.

Least-Developed Countries (LDCs) issues

- **Preferential Rules of Origin for Least Developed Countries** - WTO agreements include provisions aimed at increasing LDCs' trade opportunities and allowing LDCs flexibility in implementing WTO rules.
- **Implementation of Preferential Treatment in Favour of Services and Service Suppliers of Least Developed Countries and Increasing LDC Participation in Services Trade**

Issues /Concerns

- India and other developing countries feel only a few of their concerns have been addressed at the end of 10th World Trade Organization ministerial conference.
- A unanimous reaffirmation of the Doha Development Agenda (DDA) has not occurred.
- The more contentious issues of public stockholding of food crops and special safeguard mechanism (SSM) in agriculture have also not seen major progress.
- The food security issue concerns several developing nations which provide subsidised food grains to their poor.
- Barring five countries—the US, European Union (EU), Brazil, China and India, who negotiated among themselves the final outcome based on their respective national interests—the others were left guessing about the outcome of the emerging world trade order.
- Trade experts and NGOs have also said the 'Nairobi package' has "effectively killed" the fundamental objective of the WTO's Doha Round negotiations, which was to improve the trading prospects of the developing and the poor world.

Key Takeaways

- Decisions to end all farm export subsidies and liberalise global trade in information technology products.
- Preferential treatment for least developed countries in the area of services
- Measures related to cotton
- A special safeguard mechanism for developing countries

India's stand/ Point of view



IMPACT FOR INDIA ■ NEGATIVE ■ POSITIVE ■ NEUTRAL

1. FARM GOODS EXPORT

Of 5 elements, 2 to impact India adversely.

■ EXPORT SUBSIDIES: Immediate elimination by developed countries.
■ STATE-TRADING ENTERPRISES: State agencies to stop support.

■ MARKETING & TRANSPORT ASSISTANCE: Sugar producers in South, Maharashtra & UP hit.

2. SAFEGUARDS AGAINST IMPORT SURGES

■ India only got statement of intent with no timeframe. Developed nations, Brazil prevailed.

3. PUBLIC STOCKHOLDING FOR FOOD SECURITY

■ India wanted a reworked formula but failed.

4. DOHA ROUND

■ No commitment from WTO members to pursue. No guarantee EU & US will lower agri subsidies or make visa rules easier.

The **Nairobi declaration** was disappointing on multiple fronts for India:

India failed in its objectives to secure credible outcomes on its demands for SSM, permanent solution for public stockholding programmes for food security and the reaffirmation to continue the DDA negotiations. India has returned with very few, if any, of its demands met.

3.13. REVISED PRIORITY SECTOR LENDING NORMS FOR RRBS

The Reserve Bank of India (RBI) **has revised** Priority Sector Lending (PSL) norms for Regional Rural Banks (RRBs). As per these new norms, the PSL target has increased to 75 percent of total outstanding from the existing 60 percent. The revised target will be effective from 1 January 2016.

Other significant revisions in the PSL norms are:

- Upping of the limit on loans to individual farmers to ₹50 lakh from ₹10 lakh.
- Doubling the aggregate limit to ₹2 crore per borrower in the case of loans to, among others, corporate farmers, producer companies of individual farmers, and partnership firms/co-operatives engaged in agriculture and allied activities.
- In the case of housing loans, the RBI has lowered the quantum of loans that will qualify as PSL. Loans of up to ₹20 lakh (₹25 lakh now) will be made available to individuals on PSL for the purchase/construction of a dwelling unit per family.
- As of end-March 2015, there were 56 RRBs operating in the country, with a network of 20,059 branches covering 644 notified districts across 26 States and the Union Territory of Puducherry.

Regional Rural Banks:

Background:

- Even after nationalization in 1969, there was a feeling that there were cultural issues which made it difficult for commercial banks, even under government ownership, to lend to farmers.
- The government set up **Narasimham Working Group** in 1975. On the basis of this committee's recommendations, a Regional Rural Banks Ordinance was promulgated in September 1975, which was replaced by the Regional Rural Banks Act 1976.

Salient Features:

- The RRBs were owned by three entities with their respective shares as follows:
Central Government → 50% , State government → 15% , Sponsor bank → 35%.
- Every bank was to be sponsored by a "Public Sector Bank".
- These sponsor banks are required to
 1. subscribe to the share capital of RRBs
 2. train their personnel
 3. provide managerial and financial assistance .

What is Priority Sector Lending?

Priority sector refers to those sectors of the economy which may not get timely and adequate credit in the absence of this special dispensation.

Categories under priority sector include - 1. Agriculture; 2. Micro, Small and Medium Enterprises; 3. Export Credit; 4. Education; 5. Housing; 6. Social Infrastructure; 7. Renewable Energy; and 8. Others.

3.14. SEZ REVIVAL PLAN

Why in news?

Since SEZs are an important mainstay for supporting the 'Make in India' campaign and boosting exports the government had set up a high-level team to review and resolve the problems of special economic zones.

Pre question 2013

Priority sector lending by banks in India constitutes the lending to

- | | |
|--------------------|---------------------------------|
| (a) Agriculture | (b) Micro and Small Enterprises |
| (c) Weaker section | (d) All the above. |

CSE Mains 2004

Q. What does "priority sector lending" mean?

What are SEZs?

Special Economic Zones denote 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.

Why SEZs failed?

- Incentives offered under the foreign trade policy to exporters outside of the zones
- Disincentives arising out of free-trade agreements (FTA)
- **Minimum Alternate Tax (MAT) and Dividend Distribution Tax (DDT)**
- Land Acquisition is one of the major hurdles.
- Inflexibility of labour laws in SEZs
- Policy uncertainty because of differences between Finance and Commerce Ministry.

Way Forward:

- There is a need to change the perception of SEZs as tax heavens to enclaves with excellent infrastructure facilities. SEZs should provide better infrastructure facilities, which in turn will reduce the cost of operations and act as an incentive for exports. Government should provide sufficient support in this regard.
- Fiscal incentives need to be carefully designed so that it doesn't violate WTO rules.
- SEZs should be allowed to sell within the country without payment of customs duty on the product.
- Abolition of MAT and DDT(Dividend Distribution Tax).



CSE PRE 2010

The SEZ Act, 2005 which came into effect in February 2006 has certain objectives. In this context, consider the following:

1. Development of infrastructure facilities.
2. Promotion of investment from foreign sources.
3. Promotion of exports of services only.

Which of the above are the objectives of this Act?

- (a) 1 and 2 only
(b) 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

(UPSC Mains 2015)

Q. There is a clear acknowledgement that Special Economic Zones (SEZs) are a tool of industrial development, manufacturing and exports. Recognizing this potential, the whole instrumentality of SEZs requires augmentation. Discuss the issues plaguing the success of SEZs with respect to taxation, governing laws and administration.

3.15. CAIRN INDIA'S TAX DISPUTE

Why in news?

- Cairn Energy Plc has initiated international arbitration against government of India under **India-Britain BIT**. It said it will seek a huge claim — about \$700 million — from the Indian government for 'losses' caused to it by the latter's actions as part of a \$1.6 billion tax dispute.
- The government could face "substantial damages" against it for the fall in value of Cairn Energy Plc's residual holding in Cairn India Ltd. as a result of several factors that include the government's decision to disallow the stake sale pending resolution of the dispute.

Background of India's BITs:

- Policy of economic liberalization adopted in 1991 viewed foreign investment as the cornerstone of its industrial policy.
- The industrial policy introduced that year pinned its hopes on foreign investment bringing the attendant advantages of technology transfer, marketing expertise, introduction of modern managerial techniques and new possibilities for promotion of exports .
- Bilateral Investment Promotion and Protection Agreements (BIPAs) /Bilateral investment treaty (BITs) as they are known in India, are a pivot to this. All Indian BITs make it clear that investment promotion is an important objective. Even the model BIT states this.
- In recent times more than 18 treaty claims have filled by foreign investors against India and if they win it would cost the country pretty packet. Most of these claims have risen from tax disputes.

INDIAN BITs AT A GLANCE

- India signed its first BIT in 1994 with the United Kingdom.
- Since 1994, India has signed a total of 83 BITs , Out of which 72 are already in force.
- Around 40 BITs are with developing and less developed States.
- Around 20 of the BITs enforced have been done in last five years.

Few of the other major disputes under BITs

- Vodafone tax dispute ,treaty invoked: Netherland- India BIT
- Children Investment Fund ,treaty invoked: Cyprus-India BIT
- Loop Telecom, treaty invoked: Britain- India BIT

Do BITs really bring foreign investments?

There is no conclusive evidence that BITs are instrumental in attracting FDI. Numerous studies have failed to make a strong case for BITs. For example, Brazil received FDI of US \$65.27 billion in 2012, a figure that covered its current account deficit although it does not have a single BIT in force. Another compelling example is China. Even though a Sino-US BIT has not been concluded yet, the US continues to be one of its biggest investors.

FDI to India, on the other hand, has dipped to \$27 billion from \$32 billion in 2011, according to finance ministry figures. Undeniably, a clutch of factors are at play in attracting FDI. Thus there was a much felt need to review the model BIT.

Revised Model BIT: The cabinet recently approved the revised model BIT. The revised Indian model text for Bilateral Investment Treaty (BIT) will replace the existing Indian Model BIT. The revised model BIT will be used for re-negotiation of existing BITs and negotiation of future BITs and investment chapters in trade agreements.

The essential features of the model BIT include following:

- An "enterprise" based definition of investment
- Non-discriminatory treatment through due process

- National treatment
 - Protections against expropriation,
 - A refined Investor State Dispute Settlement (ISDS) provision requiring investors to exhaust local remedies before commencing international arbitration
 - Limiting the power of the tribunal to awarding monetary compensation alone.
 - The model excludes matters such as
 - Government procurement
 - Taxation, subsidies
 - Compulsory licenses
- National security to preserve the regulatory authority for the Government.

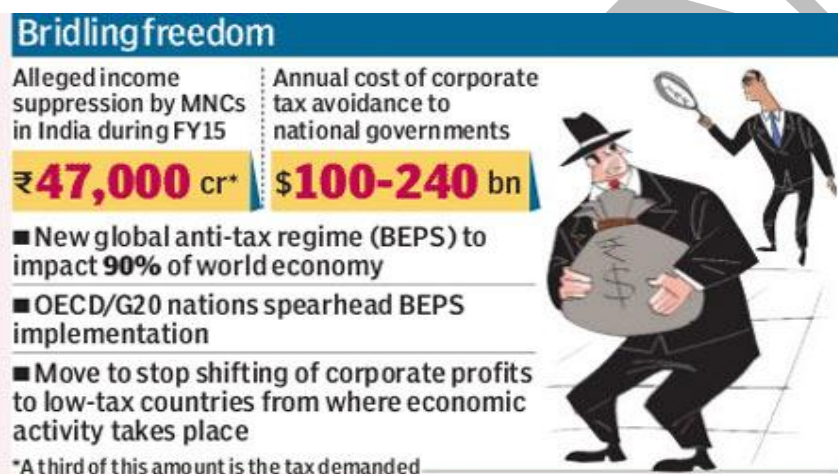
3.16. INDIA SET TO ADOPT BASE EROSION PROFIT SHARING PROJECT (BEPS)

(Refer October issue of Current Affairs for background)

India is set to adopt a new regime to curb tax evasion as proposed by the OECD and G20 nations.

What is BEPS?

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.



Controlled Foreign Corporation (CFC)s are rules to tax the un-repatriated profits kept abroad by MNCs.

CCD is generally used to bring in debt into India because the interest outgo on it is a deductible expense here, but is treated as dividend in certain countries, giving it the status of a tax planning instrument.

Why important?

- The proposed changes would deny businesses the tax advantage from certain hybrid financial instruments such as compulsorily convertible debentures (CCD).
- It will prevent them from fragmenting the business chain to escape being considered a taxable business presence (called permanent establishment).
- The practice of lowering the tax outgo here by paying royalty — a deductible expense while calculating taxable income — to the owner of intellectual property rights incorporated in a low-tax jurisdiction would be restricted. The idea is to ensure that legal ownership of intangibles like patents held by a foreign entity does not entitle it with the full right to the income arising from exploiting it here. Royalty payment is a common way many Indian units of MNCs send back part of profits to the parent at a concessional rate of withholding tax specified in tax treaties.
- India has also introduced a set of place of effective management (POEM) rules that addresses the requirement for CFC rules. POEM brings the worldwide income of India-managed overseas companies to tax in India.

Road ahead:

Finance ministry sources said the multilateral agreement on preventing the corporate practice of shifting profits away from the country of economic activity to a low-tax jurisdiction would be ready by December 2017 and that as part of G20 nations, India is committed to implementing its provisions.

A note of caution:

Considering the legacy of tax disputes India had, especially relating to cross-border transactions, field officers would be advised to be judicious in invoking the potent anti-tax evasion tools of the new regime. Tax experts said that field officers need to implement the BEPS provisions in the spirit the principles are laid down.

3.17. COMPATS VOIDS CCI'S PENALTY ON CEMENT COMPANIES

The Competition Appellate Tribunal (COMPAT) has set aside the Competition Commission of India (CCI) decision imposing a cumulative penalty of Rs.6, 316.59 crore on 11 cement companies on charges of 'cartelisation'.

Details of COMPATS decision:

- The COMPAT asked CCI to adjudicate afresh the issues relating to alleged violation of the Competition Act by the companies.
- CCI should pass a fresh order within three months from the date notified.
- The Commission (CCI) should evolve a comprehensive protocol and lay down guidelines for conducting investigation/inquiry in consonance with the rules of natural justice."
- It opined that much of the appellate litigation would be obviated if a just and fair procedure is adopted for conducting investigation and inquiry and passing of orders under the ... (Competition) Act.

Competition Appellate Tribunal (COMPAT):

It is a statutory organization established under the provisions of the Competition Act, 2002 to hear and dispose of appeals against any direction issued or decision made or order passed by the Competition Commission of India. The Appellate Tribunal shall also adjudicate on claim for compensation that may arise from the findings of the Competition Commission of India or the orders of the Appellate Tribunal in an appeal against any findings of the Competition Commission of India.

What is Competition law?

The Competition Act, 2002 governs Indian competition law. It replaced the archaic Monopoly and Restrictive Trade Practices Act, 1969. Under this legislation, the Competition Commission of India was established to prevent activities that have an adverse effect on competition in India. This act extends to whole of India except the State of Jammu and Kashmir.

The Objective of law:

- To prohibit the agreements or practices that restricts free trading and also the competition between two business entities,
- To ban the abusive situation of the market monopoly,
- To provide the opportunity to the entrepreneur for the competition in the market,
- To have the international support and enforcement network across the world,
- To prevent from anti-competition practices and to promote a fair and healthy competition in the market.

Competition Commission of India is a body responsible for enforcing The Competition Act, 2002 throughout India and to prevent activities that have an adverse effect on competition in India.

3.18. STRATEGIC CRUDE OIL RESERVE PROGRAMME

Background:

India imports around 80% of its crude oil requirement. According to International Energy Agency, by 2020, India would be largest crude oil importer. The erstwhile Planning Commission, in its Integrated Energy Policy, 2006, identified supply, market and technical risks as major threats to India's energy security and recommended to "maintain a reserve equivalent to 90 days of oil imports for strategic-cum-buffer stock purposes".

Crude Oil Storage Facilities

These are underground rock caverns. The rock must be strong enough for the cavern to be stable. A wide range of rock types are suitable, such as igneous (granite, diorite), metamorphic (gneiss, schists) and even sedimentary rocks (sandstone, limestone, chalk, shale).

Why Underground Rock Caverns?

1. Safety from the hazards of leakage.
2. Lower capital cost and lower operating costs compared to conventional tanks
3. Inherent safety over the above ground storage systems
4. Safety from natural calamities and various forms of sabotage.

Location:

Mostly coastally located – as the imports is easy and suitable refineries capability.

Where does India stand?

India holds **only 5.3 MMT** of crude oil reserves as compared to USA which holds maximum 95MMT of crude oil reserves.

Location	Capacity(MMT)	Cost (in Cr)	Progress
Visakhapatnam	1.33	1038	Completed
Mangalore	1.5	1227	In progress
Padur	2.5	1693	In Progress

4. SOCIAL ISSUES

4.1. CYBERCRIME AGAINST WOMEN

Why in news?

Online harassment of women - Cybercrimes against women are increasing and recently government has taken several steps to prevent cybercrimes.

Challenges to deal with cybercrimes against women

- **Cyber-** crimes against women are **rising at alarming rate** and it may pose as a major threat to the security of a person as a whole.
- As per the **NCRB data under cybercrimes**, 758 cases of publication or transmission of obscene, sexually explicit content (under section 67A, 68B and 67C of IT Act) has been registered in 2014.
- **Issues regarding women are not addressed in the IT Act 2000**-The act has termed certain offences as hacking, publishing of obscene materials on the internet, tempering the data as punishable offences, but the threat to the security of women in general is not covered fully by this Act.
- IT Act 2000 does not mention the typical cybercrimes like cyber staking, morphing and email spoofing as offences.
- In recent years, there have been numerous reports of women receiving unsolicited emails which often contain obscene and obnoxious language.
- **The cases of online harassment against women are not maintained by the government**
- **Social networking sites** are being used to **circulate offensive content** which is derogatory to dignity of women
- Women are also the majority of people experiencing **revenge-porn**, the distribution of **non-consensual photography**, often involving nudity and sex.
- **Rape videos also harass women**- Cases of men recording and sharing their raping of girls and women are increasing.
- **Internet has become a trafficking platform**- social media is used by traffickers to sell people whose photographs they share, without their consent.

What is cybercrime?

- Cybercrime is a criminal activity that **involves a computer and a network**.
- Offences committed against people with a criminal motive to cause physical or mental harm, or loss to the victim directly or indirectly, **using modern telecommunication networks** such as Internet and mobile phones.
- In such crimes computer can be used in order to commit the crime and in some cases, the computer may have been the target of the crime.
- Cybercrimes **threaten a nation's security and financial health**.

Cybercrimes which specially target women:

- Harassment via e-mails
- Cyber-staking
- Cyber pornography
- Defamation
- Morphing
- Email spoofing

Way forward

National Commission for Women has submitted a report which recommended for **opening of more cyber cells**, **dedicated helpline numbers** and imparting of proper legal, setting up forensic labs and technical training law enforcement agencies like police and judiciary to combat cybercrime.

Recently the Government has taken following steps for prevention of Cyber Crimes:-

- **Cyber Crime Cells have been set up** in States and Union Territories for reporting and investigation of Cyber Crime cases.

- Government has set up **cyber forensic training and investigation labs** in the States of Kerala, Assam, Mizoram etc. for training of Law Enforcement and Judiciary in these States.
- **Programmes on Cyber Crime investigation** – Various Law schools are engaged in conducting several awareness and training programmes on Cyber Laws and Cybercrimes for judicial officers.
- **Training is imparted to Police Officers and Judicial officers** in the Training Labs established by the Government.
- The Scheme for **Universalisation of Women Helpline** has been approved to provide 24 hour emergency and non-emergency response to all women affected by violence.

4.2. DOWRY DEATHS

Why in news?

According to the National Crime Records Bureau (NCRB) data released recently, the highest number of dowry deaths **during the last three years** have been reported from the state of **Uttar Pradesh followed by Bihar**.

Dowry Prohibition Act 1961

- The implementation of **the Dowry Prohibition Act, 1961** is the responsibility of the respective State Government in the country.
- The Dowry Prohibition Act, 1961 lays down a **built-in implementation mechanism** in the form of **Dowry Prohibition Officers** to ensure effective and efficacious enforcement of the law.
- The **Ministry (Ministry of Women and Child Development)** reviews with the States time to time for effective implementation of the Dowry Prohibition Act, 1961.
- **Section 304 B of the Indian Penal Code (IPC)** - deals with dowry death related cases. A person convicted under this section can be punished with imprisonment of 7 years to life term.

Measures

- **Dowry Prohibition Officers** have been appointed by all the states except Arunachal Pradesh, Sikkim, Mizoram and Nagaland where the dowry system is not in prevalence.
- **Awareness generation programmes** and campaign are conducted regularly by the government, through workshops, fairs, cultural programs, seminars and training programmes etc.


4.3. DOMESTIC VIOLENCE

Why in news?

Recently Ministry of statistics and program implementation (MoSPI) has released a report titled '**Women and Men in India 2015**' which says that **domestic violence shares highest share in crime against women**.

Fact File

- Women continue to face **most risks from their families**.
- Among all registered cases of serious crimes against women, the largest share 36% of all cases was **under "cruelty by husband and relatives"**
- the next largest share was "assault on women with intent to outrage her modesty" (24 per cent)

		BLEAK PICTURE				
		Disposal of crimes committed against women in 2014				
		Cases reported during the year	Total cases for investigation	Cases in which chargesheets submitted	Total cases disposed of by police	Disposed cases as percentage of total cases for investigation
Rape		36,735	51,623	30,840	35,590	69
Attempt to commit rape		4,234	4,672	2,781	3,369	72
Kidnapping & abduction of women		57,311	84,685	26,044	49,150	58
Dowry Deaths		8,455	13,270	7,653	8,597	65
Assault on women with intent outrage her modesty		8,235	10,164	6,462	76,388	76

Source: Women and Men in India – 2015, 17th issue, MoSPI

- Increase in rape, kidnapping and abduction and assault on women
- **Rapes** - In 2014, almost 44 per cent of all victims were in the age group of 18-30 years, whereas one in every 100 victims was under six years of age.

4.4. SC RULING REGARDING APPOINTMENT OF ARCHAKAS IN TAMIL NADU TEMPLES

Why in news?

The Supreme Court has delivered a verdict recently, which determines who gets to enter the sanctum sanctorum of an Agama-protected Hindu temple as a priest. SC ruled that appointment of Archakas in Tamil Nadu temples as per the Agamas **is not a violation** of the right to equality.

What is the judgement?

- The judgment strike down the Tamil Nadu government order of May 23, 2006, which allowed any qualified and trained Hindu to be appointed as priest in Hindu temples in the State.
- The Supreme Court ruled that appointment of archakas (priests) in Tamil Nadu temples should be done as per the restrictions prescribed by the age-old Agamas (treatises), upturning the amendments to the Tamil Nadu Hindu Religious Endowments Act put in place by the then DMK government in Tamil Nadu in 1971.
- The exclusive right given to a particular group or denomination to enter the sanctum sanctorum of a temple and perform rituals cannot be construed as a practice of untouchability.
- The denominations the Agamas have laid out, such as the descendants of particular rishis, are not on the basis of caste and therefore do not violate Article 17.

Agamas

- The Agamas are a collection of scriptures of several Hindu devotional schools.
- Agamas in Sanskrit mean “that which has come to us.”
- These texts are in Sanskrit and in some south Indian languages like Tamil.
- There are two kinds of Agama texts, Agama and Tantra, the former practised in Shaivite and Vaishnavite temples, and the latter in Sakthi temples
- Agamas expound a variety of subjects and they are really the stylebook, on which Hindu rituals are based while some Saivite temples practise Tamil Agamas too, rituals in Vaishnavite temples are based on Vaikhanasa Agamas and the Pancharathra Agamas, or the Five Nights.
- According to the Agama texts poojas can be performed only by Archakas belonging to a particular and distinct sect/denomination, failing which, there will be defilement of deity requiring purification ceremonies

Grounds of the Judgement

- Freedom to act and practice in pursuance of religious beliefs is as much important as the freedom of believing in a religion, as long as it does not violate other provisions in Part III of the Constitution.
- Denomination as eligibility as prescribed in the Agamas is not based on caste and does not violate the provisions of Part III; it becomes an essential element of freedom of belief.

Why Petitioners opposed the TN govt order?

- No person is permitted to enter the Sanctum Sanctorum, irrespective of whatever varna/caste he may belong.
- Only those belonging to a particular denomination, in this case descendants of four rishis mentioned in the Agamas, could become priests and the denomination is determined by the usage in the particular temple.

Criticism

- **Priestly** functions of an Agama temple **will now remain in the hands of a few**, is the ultimate outcome of this verdict.

- The court seems to have given little consideration to how the Agamas have been implemented historically and the current reality that exists in the Indian social framework dominated to a good extent by the privilege of caste.

4.5. GENDER EQUALITY-WOMEN TO WORK IN NIGHT SHIFTS:

- Recently a legislation of Maharashtra government **proposing amendments to Factories Act, 1948** received President's assent.
- It will allow women to work in night shifts. The managements of the factories will have to ensure security of the women working in night shift.
- With the amended legislation, Maharashtra will join other States like Haryana, Rajasthan, Punjab, Andhra Pradesh and Madhya Pradesh who are making efforts to allow women to work in night shifts.
- Other provisions of the bill:
 - The Bill also allows employees to get paid leave after working for 90 days instead of the earlier 240 days or more.
 - The overtime limit will also be increased from 75 hours to 115 hours without management's permission.
 - The amended Bill will also prevent inspectors from filing cases on petty matters against factories, thereby helping curb corruption and harassment from factory inspectors.

4.6. MALNUTRITION IN INDIA

Why in news?

National Dairy Development Board (NDDB) and Gujarat Cooperative Milk Marketing Federation (GCMMF or Amul) have joined hands for '**Giftmilk**', an initiative that will offer donors, including corporates, an opportunity to provide free milk to schools, preferably government or municipality-owned with children mainly from economically weaker sections.

- The two Anand-based organisations have set up a trust — **NDDB Foundation for Nutrition (NFN)** — to seek funds for milk to be sourced from dairy cooperatives and distributed in schools identified by the donors.
- The foundation will try and fulfil the requirement **of supplying up to 200 ml daily for 200 schooldays in a year**. The target is to reach out to a million schoolchildren by 2020, provided adequate financial support is forthcoming.
- The milk will be processed and flavoured to make it less susceptible to diversion, besides being fortified with vitamin A or other nutrients to support cognitive as well as physical growth among children.
- Proposed to be launched in the first quarter of 2016, Giftmilk will be first rolled out in Delhi and Hyderabad.
- NFN further plans to approach companies in the private and public sectors who are interested in extending the initiative to their areas of operation or preferred locations.
- Currently, milk is neither supplied through the public distribution system nor midday-meal schemes implemented by most governments, barring Karnataka and Gujarat.
- Other such initiatives include – Karnataka: **the Ksheera Bhagya scheme** and Gujarat -**the Doodh Sanjeevani Yojana**.

4.7. HEALTHCARE SYSTEM: LANCET REPORT

Why in news?

According to a report published by Lancet on healthcare India is the poorest performer in the BRICS nations.

Progress in Healthcare System: A perspective

- Life expectancy at birth has risen from 62.5 years in 2000, to 66 years in 2013.
- In 2013, the infant mortality rate was 40 per 1000 live births—down by a third since 2003.
- Between 2001 and 2013, the maternal mortality ratio fell from 301 per 100 000 live births to 167 per 100 000 live births.
- The spread of HIV/AIDS has been contained, and, in March, 2014, WHO officially declared India Polio free.
- In August, 2015 WHO declared India free of maternal and neonatal tetanus.

Concerns:

- Successive governments have failed to adequately protect its citizens against financial risks associated with health cost.
- Due to high out-of-pocket healthcare expenditures, a large population is impoverished and suffers the adverse consequences of poor quality of care.
- Total expenditure on health in India has gone down from 4.5 per cent of GDP in 2004 -05 to 4 per cent in 2013-14.
- India contributes disproportionately to the global burden of disease.
- India accounts for 27 per cent of all the neonatal deaths and 21 per cent of all the child deaths (younger than 5 years) in the world.
- Diarrhoea, pneumonia, preterm birth complications, birth asphyxia, and neonatal sepsis account for 68 per cent of all deaths in children younger than 5 years in the country.
- Large health disparities between states, between rural and urban populations, and across social classes persist.
- Corruption in health care and the fragmentation of governance of health care.

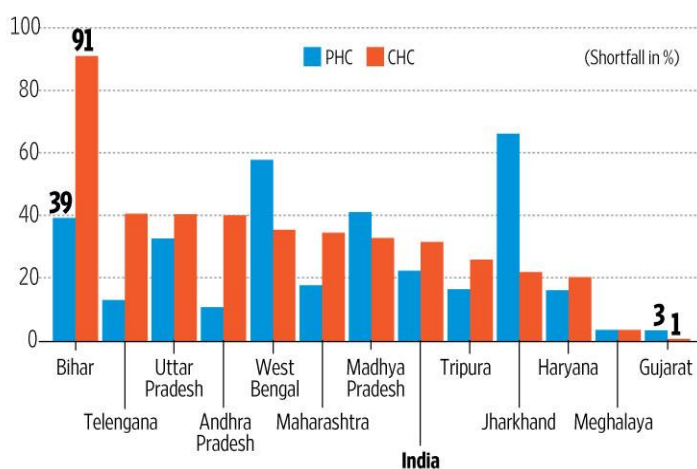
7 key challenges faced by the Indian Healthcare system – As per the lancet report:

1. A weak primary health care sector

- Expansion of public services has been **inequitably distributed**. There is one government hospital bed for every 614 people in Goa compared with one every 8,789 people in Bihar.
- The care provided in these facilities is also not up to the mark. For example, in 2011, six out of every 10 hospitals in the less developed states did not provide intensive care and a quarter of them struggle with issues like sanitation and drainage.
- Urban areas command 73% of the public hospital beds, even when 69% of India's population resides in rural areas.
- Emergency obstetric care services were not available in more than 70% of community health centres
- India's medical research infrastructure remains patchy

WEAKNESS AT THE START

Numbers are percentage shortfall in primary health centres (PHC) and community health centres (CHC) as on 31 March 2015



2. Unequally distributed skilled human resources

- Shortfall of specialists across country
- No national policy for human resources for health
- Dominance of medical lobbies such as the medical Council of India has hindered adequate task sharing and, consequently, development of nurses and other health cadres.

3. Large unregulated private sector

- Growth of unregulated private sector.
- In 2014, more than 70% of the Outpatient care and more than 60% of the inpatient care was in the private sector.
- Between 2002 and 2010, the private sector contributed to 70% of the increase in total hospital beds across the country.
- Private practitioners have become first point of contact in both rural and urban areas for many ailments including fevers and acute illness, care of neonates, and treatment of disease such as tuberculosis
- Unethical and irrational practices adopted by the private hospital management.

4. Low public spending on health

- Even though real state expenditure on health has increased by 7% annually in recent years, central government expenditure has reduced.
- Many state governments are unable to utilize the allocated funds for healthcare services which reflect structural weakness in the system.
- Public health expenditure as a proportion of GDP remains low, at just 1.28% of the country's GDP in 2013–14.
- In 2003–04, only 4.5% of Indians enjoyed some financial protection.

5. Fragmented health information systems

- The systems for collecting data have many weaknesses. For instance, although India enacted a law on the mandatory registration of births and deaths in 1969, only 86% of births and 70.9% of deaths were registered in 2013.
- Data gathering is incomplete, and the non-inclusion of the private sector excludes the major provider of health care in India.

WHERE ARE THE DOCTORS?

	Available (2011-12)	Desired density*	% shortfall
Doctors	691,633	85	49.1
AYUSH practitioners	534,091	49	11.3
Dentists	88,370	15	106
Pharmacists	492,923	70	72.3
Nurses or general nursing and midwifery	743,324	170	177.5
Auxiliary nurse midwives	361,879	85	185

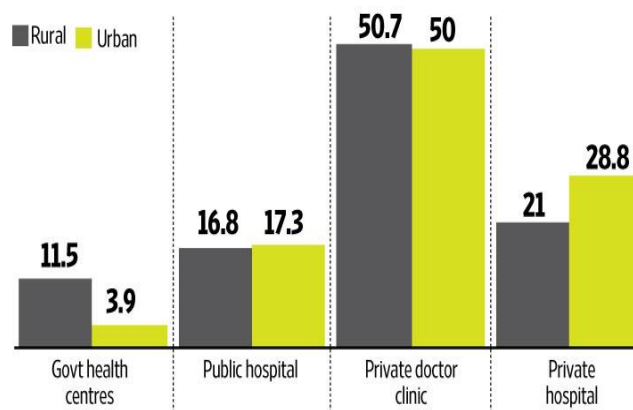
* (per 100,000 population) as per 12th five year plan

Note: Percentage shortfall refers to the extra percent of personnel required as a proportion of current availability. So in case of doctors, current availability is 57 per 100,000 people and 49% more are required to meet the target of 85. AYUSH= Ayurveda, Yoga and naturopathy, Unani, Siddha, Homoeopathy practitioners. Availability excludes the 25% of doctors, AYUSH, pharmacists, and dentists and the 40% of nurses and auxiliary nurse midwives enrolled for training to account for attrition

Source: Lancet

PUBLIC APATHY

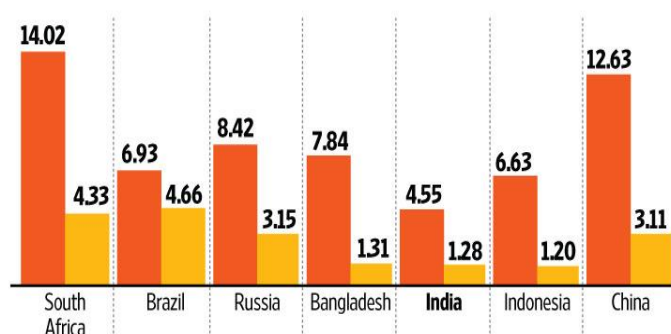
(Numbers are percentage distribution of spells of ailment treated)



Source: NSSO report—Key indicators of social consumption in India: Health, January-June 2014

NO COUNTRY FOR SICK PEOPLE

- Govt health expenditure as a percentage of budget
- Govt health expenditure as a percentage of GDP



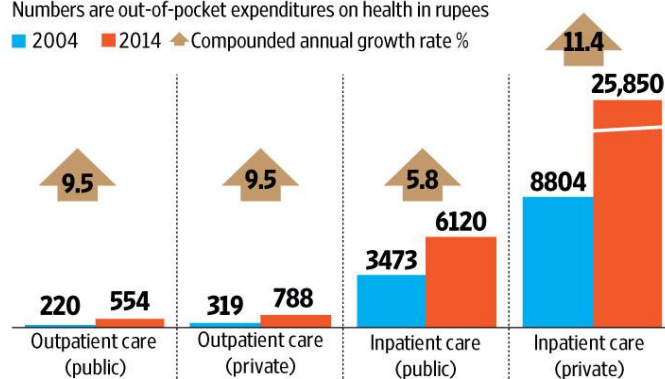
Source: WHO National Health Accounts Global Health Expenditure Database

6. Irrational use and spiralling cost of drugs

- India spends only a little more than 0.1% of GDP on publicly funded drugs. This is the reason behind the increase in out-of-pocket expenditure on drugs.
- Costs of medical treatment have increased so much that they are one of the primary reasons driving people into poverty.
- There have been schemes such as the **Jan Aushadhi** campaign to provide 361 generic drugs at affordable prices and different price regulation policies, but their implementation has been patchy and varied in different states.

THE COST OF FALLING ILL

Numbers are out-of-pocket expenditures on health in rupees
 ■ 2004 ■ 2014 ▲ Compounded annual growth rate %



Source: Lancet calculations based on analysis of unit data on NSS 71st round on health and NSS 61st rounds

7. Weak governance and accountability

- In the past 5 years, the government has introduced several new laws to strengthen governance of the health system, but many of these laws have not been widely implemented.
- Scope of (some) regulations is still unclear, and there are fears that these laws have hindered public health trials led by non-commercial entities.
- Inadequate public investment in health, the missing trust and engagement between various healthcare sectors and poor coordination between state and central governments as the main constraints why universal healthcare is not assured in India.
- At the heart of these constraints is the apparent unwillingness on the part of the state to prioritize health as a fundamental public good.

LAX IMPLEMENTATION

Law	Status
Clinical Establishments Act 2010 (provides for registration and regulation of clinical establishments and prescribes minimum standard of facilities and services)	Enacted only in 9 states
National Mental health Care Bill (mandates right to care)	Cleared by cabinet, awaiting passage in Parliament
Medical Devices Regulation Bill, 2006 (provides for quality standards of biomedical equipment manufacturing and marketing)	Yet to be passed

Note: These are just examples and not an exhaustive list

Source: Lancet

Assuring health for India:

- There is a greater need of **radical restructuring of the healthcare system in India** to address challenges including weak primary healthcare and dimly low public spending on health.
- Only a radical restructuring will promote health equity, eliminate impoverishment because of out-of-pocket expenditure and assure health for all Indians by 2022.
- Need to expand health assurance for all.
- Need to put in place a new architecture for India's healthcare system.
- Urgent need to adopt universal health coverage based on massive strengthening of the public health system and radical approaches to health financing.
- India needs to adopt an integrated national health-care system built around a strong public primary care system with a clearly articulated supportive role for the private and indigenous sectors.**

4.8. HIV-AIDS

- Recently on the occasion of **World AIDS day** (1st December) Union Minister of Health and Family Welfare announced **major policy decisions** in the fight against HIV-AIDS and reaffirmed India's commitment in ending epidemic by 2030.

- The theme of World AIDS day 2015 is- '**on the fast track to end AIDS**'

AIDS: A global perspective and Challenges

- Millions of people are vulnerable to HIV infection.
- AIDS is a **leading cause of the death** among women of reproductive age and young adolescents.
- **Stigma** and discrimination still continue to impede the realization of people's rights.
- Sex workers, transgender people are highly affected by the epidemic. Punitive laws, stigma, human rights violations, social exclusion etc further aggravate their vulnerability.
- Around 37 % of female sex workers in sub-Saharan Africa are living with HIV.
- Women's and girl's vulnerability to HIV is driven also by **gender inequality**, including gender based violence.
- **Lack of access to comprehensive sexual and reproductive health services** and exclusion from decision making processes makes young people vulnerable to HIV.

Adult HIV prevalence

- The adult HIV prevalence at national level has continued its **steady decline** from 0.34% in 2007 and 0.28% in 2012 to **0.26% in 2015**.
- In 2015, adult HIV prevalence is estimated at **0.30% among males** and at **0.22% among females**.
- The total number of people living with HIV (PLHIV) in India is estimated at 21.17 lakhs in 2015 compared with 22.26 lakhs in 2007.
- Children (< 15 years) account for 6.54%, while two fifth (40.5%) of total HIV infections are among females.
- The annual number of AIDS related deaths has declined by 54%.

Figure 2. Distribution of PLHIV in Select States, 2015

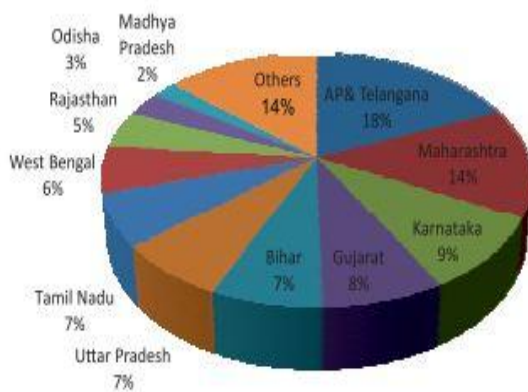
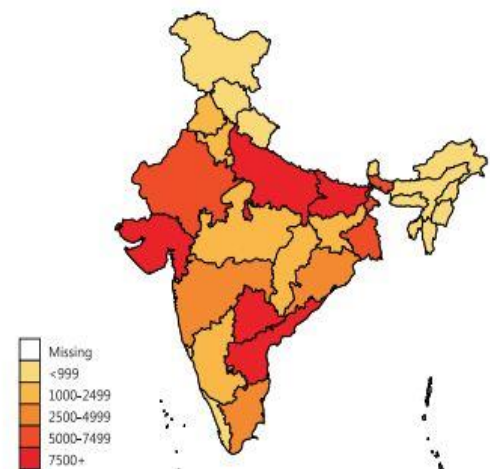


Figure 4. State Wise Estimated New HIV Infections among Adults, 2015



India- measures and achievements

Government of India has been decided that the **National AIDS Control Programme** will continue as a **Central Sector Scheme**.

- 2015 HIV Estimates results reaffirm the country's success story in responding to HIV/AIDS epidemic. **India has successfully achieved the 6th Millennium Development Goal**

The 90:90:90 Strategy

It is a new HIV treatment narrative that lays the groundwork to end the AIDS epidemic.

- 90% of all people living with HIV will know their HIV status (90% diagnosed)
- 90% of all people with diagnosed HIV infection will receive sustained antiretroviral therapy (90% on HIV treatment)
- 90% of all people receiving antiretroviral therapy will have viral suppression (90% suppressed)

(MDG 6) of halting and reversing the HIV epidemic.

- Counselling and testing- More than a crore women were provided with counselling and testing services and this programme is continuing **to scale up to ensure zero transmission** from mother to child.
- Integration of Prevention from Parent to Child Transmission (PPTCT) programme with the RCH programme.
- Implementation of the **90:90:90 strategy** adopted by UNAIDS.
- India has one of the largest and most robust **HIV sentinel surveillance systems** in the world.
- **E-training** HIV/TB module has been developed by NACO and Central TB Division to train the staff of NACP and RNTCP working at district and sub-district level.
- **HIV Sensitive social protection portal** to help officials and counsellors at the district level
- **PALS (PPTCT ART Linkages Software) System-** to maintain details of all HIV positive pregnant and breast feeding women and their newborn babies.
- India has **extended support to the African countries** in their fight against HIV-AID which reflects India's global commitment.

4.9. ACUTE FLACCID PARALYSIS (AFP)

A Case of Vaccine Derived Polio Virus (VDPV) was reported from New Delhi recently.

The polio virus causes paralysis — medically known as an acute flaccid paralysis (AFP) — which is characterised by sudden muscle weakness, and fever in one or more limbs.

AFP can occur due to many reasons, one of which is **vaccine-linked**.

Why increase in the AFP cases?

- Oral polio vaccine (OPV) contains an attenuated vaccine-virus. This weak form of the virus is used to activate an immune response in the body, which protects the child when challenged by WPV.
- But when the child is immunised with OPV, the virus replicates in the intestine and during this time, the virus is excreted.
- In areas of inadequate sanitation, the excreted vaccine-virus can quickly spread in the community and infect children with low immunity.
- This excreted vaccine undergoes genetic changes as it circulates in the community and causes VDPV.

Concerns

- India being polio-free country still reporting cases of vaccine derived polio.
- Between January 2014 and March 2015, India reported four cases from four different States, of vaccine-derived polio.
- There has been a surge of non-polio AFP since India eradicated polio. The number of cases reported in 2012 was 59,436, in 2013 it was 53,421, and in 2014 it was 53,383.
- Until November this year, the country has reported 36,968 cases of non-polio AFP.
- Low vaccination coverage- the Vaccine derived polio virus is circulating in under-immunised communities.
- Three years after India reported its last case of WPV, the country has, in one form or another, been reporting around 50,000 cases of flaccid paralysis that, clinically, is exactly like polio, indicating **how hollow the polio-free status is**.

4.10. ACCESSIBLE INDIA CAMPAIGN (SUGAMYA BHARAT ABHIYAAN)

Why in news?

- On International day of persons with disability (3rd December), government launched **Accessible India Campaign** (Sugamya Bharat Abhiyan) as a nation-wide flagship campaign **for achieving universal accessibility for persons with disabilities**.
- The campaign targets three separate verticals for achieving universal accessibility namely the **built up environment, transportation eco-system and information & communication eco-system**.
- Theme of the international day of Persons with disabilities 2015 was – **Inclusion matters: access and empowerment for people of all abilities**.

Facts & Figures

- Over 1 billion people in the world have some form of disability, that's 1 in 7
- More than 100 million disabled persons are children
- Children with disabilities are almost four times more likely to experience violence than non-disabled children
- 80% of people with disabilities live in a developing country
- 50% of disabled persons cannot afford health care
- 153 countries signed the **Convention on the Rights of Persons with Disabilities**

Aims and Objectives of the program

- It is aimed at making transport, government buildings, tourist spots, airports, railway stations and internet technology friendly for differently-abled people.
- The campaign has ambitious targets with defined timelines and will use IT and social media for spreading awareness about the campaign and seeking commitment of various stakeholders.
- Atleast 50% of all the government buildings of National Capital and all the State capitals will be made fully accessible for persons with disabilities by July 2018.
- All the international airports in the country and railway stations of A1, A & B categories will be made fully accessible by July 2016.
- Atleast 10% of government owned public transport carriers in the country will be converted into fully accessible carriers for these persons by March 2018.
- It will also be ensured that atleast 50% of all public documents issued by the Central Government and the State Governments meet accessibility standards for persons with disabilities by March 2018.

National laws and International conventions

- India is a signatory to the **UN Convention on the Rights of Persons with Disabilities (UNCPRD)**.
- **Persons with Disabilities** (Equal Opportunities, Protection of Rights and Full Participation) **Act 1995**, as per the act the States are required to provide for:
 - Ramps in public buildings
 - Provision of toilets for wheelchair users
 - Braille symbols and auditory signals in elevators or lifts
 - Ramps in hospitals, primary health centres and other rehabilitation centres.

Initiatives & Few proposed measures:

- Government will **create 'Accessible police stations', 'Accessible hospitals' and 'Accessible tourism'** respectively across the country
- For enhancing accessibility of Television programmes – incorporation of features like captioning, text to speech and audio description
- A **web portal** and **mobile application** for creating a **crowd sourcing platform** to get information about inaccessible areas
- **An Accessibility Index** is also underway to measure the level of disabled friendliness of a system
- Replacement of the term '**Viklang**' (disabled) used for the differently-abled with '**divyang**' (divine body) is proposed.

- Separate institute for deaf and dumb persons and development of new brail language
- The Government has decided to set up a special University for persons with disabilities with the cost of Rs. 1700 crore.

4.11. IMPACT OF NATURAL DISASTERS ON ELDERLY PEOPLE

Chennai Floods has revealed the grim reality of the disaster preparedness in large metropolises. Vulnerable sections of the society are worst affected during such calamities.

Background- Facts

- According the National Health Profile, released by the health ministry last year, the elderly in India i.e. the population above 60 years comprise **8.6% of the population** (103.8 million) and they are also a vulnerable section.
- According to census 2011, 10 per cent of Tamil Nadu's population is above the age of 60 years- 4, 64,122 people to be specific. By conservative estimates, as many as 5% of older individuals are living alone (**urban isolation**).
- For this population, the national health policy envisages an **effective capacity for routine emergency** and, "an army of community members trained as first responder for accidents and disasters."
- The Health policy envisages a network of emergency care that has an assured provision of life support ambulances linked to trauma management centers- one per 30 lakh population in urban and one for every 10 lakh population in rural areas will form the key to a trauma care policy.

Issues

- With no support system, India's greying population is **defenceless against natural calamities**.
- Senior citizens are likely to constitute a significant chunk of the total deaths in Chennai Floods.
- **Urban isolation** leading to helplessness during such disasters
- Number of elderly people were founded stranded during the floods for days without access to relief or rehabilitation
- **Inefficient administration**- the complete lack of ward-level data on vulnerable populations, such data is vital for any relief and rescue work to be successful
- **Lack of institutional capacity** to meet the goals for vulnerable population envisaged by the National Health Policy

Way Forward

- **The institutional capacity** should be increased
- Relief, Rescue and Rehabilitation measures should be at the lightening speed for vulnerable section
- The phenomenon of urban isolation should be addressed by communities and NGOs can play a greater role to lessen psychological pressure on the vulnerable sections of the society
- Need of the greater awareness among people about the issues faced by the elderly
- Use of social media platform and technology to help

4.12. ONLINE SALE OF DRUGS

Why in news?

The Drugs Consultative Committee (DCC) constituted under Drugs and Cosmetics Act, 1940 to advise the government, has constituted a **7-Member Sub-Committee to examine the issue of sale of drugs on the internet**, while taking care of the risks and concerns related to such sales.

Regulation of e-pharmacies in India:

- The sale and distribution of drugs in the country is regulated as per the provisions under **the Drugs & Cosmetics Act, 1940** and **the Drugs and Cosmetics Rules, 1945** made there under.
- As per said Rules, Drugs specified in Schedule H, H1 or Schedule X can't be sold except on and in accordance with the prescription of a Registered Medical Practitioner.
- The Drugs and Cosmetics Act, 1940, does not have any provision for online sale of drugs.
- Currently there are three models of online pharmacy that exist in India—organised, unorganised and illegal.
- In the organized sector, technology is used to either connect local licensed pharmacists to the end user or an off-line pharmacist takes orders over the internet. Prescriptions are checked in the organised sector while the **unorganised sector does away with this requirement.**

Benefits of online sale of drugs:

- The annual Indian pharmaceutical market is pegged at around Rs. 79,000 crores, growing at around 20%. If the government decides to allow online sale of drugs, it is likely to give a major boost to sales of the sector while also making medicines accessible to remote areas
- Access to drugs for the disabled or otherwise homebound, for whom a trip to the pharmacy can be difficult.
- The convenience of shopping 24 hours a day. A complete selection of pharmaceutical products.
- Privacy for those who don't want to discuss their medical needs in a public place.

Concerns regarding online sale of drugs:

- The Internet also creates a new marketplace for illegal activity such as the sale of unapproved new drugs, prescription drugs dispensed without a valid prescription, or products marketed with fraudulent health claims.
- The speed, ease, and anonymity of ordering products on the Internet can attract unscrupulous sellers. Individuals not licensed to sell prescription drugs can easily create websites that appear to represent legitimate pharmacies.
- There are concerns that online sale would threaten the interests of small retailers and disturb the existing supply chain system.
- There is a concern that children today are capable of using the Internet and the concept of prescription drugs against a photocopy of a prescription uploaded online to get a medicine can create havoc.
- Doctors have raised concerns saying that doctors, patients and pharmacists have a relationship based on trust. If a website were to display cheaper variations to the medicine prescribed by a doctor, without offering an explanation, this relationship suffers.
- Self-medication is a rampant practice in India, and online sale of drugs may further encourage it.

5. SCIENCE AND TECHNOLOGY

5.1. GERMLINE EDITING

- “Germ line” refers to the egg and sperm, which combine to form an embryo.
- Germline editing is a genome- editing technology that can, in principle, be developed to make specific and targeted genetic alterations in embryos, which will be carried by all the cells of a resulting child and passed on to his/her offspring, a part of the human gene pool.
- All other techniques of genome editing currently in various stages of clinical development focus on modifying the genetic material of somatic cells, such as T cells (a type of white blood cell).
- These are not designed to affect sperm or eggs.

Why in news?

Recently the scientists at Sun Yat-sen University in Guangzhou, China, developed a new gene editing technology known as the CRISPR/Cas9 system.

- CRISPR/Cas9, is a bacteria-derived system that uses RNA molecules that recognize specific human DNA sequences. The RNAs act as guides, matching the nuclease to corresponding locations in the human genome. CRISPR/Cas9 is the simplest genome-editing tool to work with because it relies on RNA–DNA base pairing, rather than the engineering of proteins that bind particular DNA sequences.
- The technology is relatively inexpensive, accessible, effective and easy to use.

Benefits of germline editing:

- By editing the DNA of egg and sperm or the embryo itself, it could be possible to correct disease genes and pass those genetic fixes on to future generations.
- It might also be possible to install genes that offer lifelong protection against infection.

Issues with germline editing:

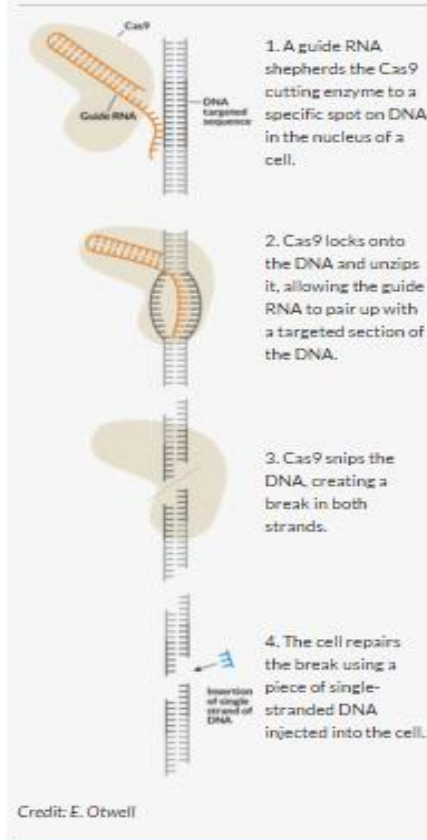
- Some argue that we do not understand the operations of the genome enough to make long-lasting changes to it. Altering one gene could have unforeseen and widespread effects on other part of the genome, which would then be passed down to **future generations**.
- Many consider genome alterations to be **unethical**, advocating that we should let nature run its course.
- Additionally, genetic modifications initially directed at curing diseases could eventually become a tool for selecting **for desired characteristics** such as intelligence and attractiveness.
- A concern is that whether the application of germline manipulation would change our view of the value of human life. If genomes are being altered to suit parents’ preferences, do children become more like **commodities** than precious gifts?

Regulatory scenario:

- The **United States** has banned federal aid from being used to support germline editing.

Cutting edge

Scientists have reconfigured a bacterial self-defense system known as CRISPR/Cas9 into a precision gene-editing tool. Here is how it works:



- While in the **United Kingdom**, one can apply to the regulatory body for a licence to edit the genomes of a human embryo, but only for research work. The embryos have to be destroyed within 14 days.
- The recently held **International Summit on Human Gene Editing** announced that it would be irresponsible to proceed with any clinical use of germline editing until the relevant safety and efficiency issues were resolved.
- **In India**, there is no law stopping research laboratories and private companies from using the technology to experiment on embryos. However, the Drug Controller General of India is trying to use interpretations of existing laws on drugs to clamp down on improper use.
- The guidelines listed by the Indian Council of Medical Research clearly state that germline editing is forbidden.

5.2. DEVELOPMENT OF ARTIFICIAL LIVER TISSUE BY 3-D PRINTING

- Recently, Pandorum Technologies Pvt. Ltd, a biotechnology start-up focused on tissue engineering, has made India's first artificial human liver tissue with the help of 3D printing technology.
- To build liver tissue of 5 mm size Pandorum needed 10 million liver cells, which were arranged in three-dimensional architecture, a bio-material made up of glucose, proteins and living cells extracted from a particular type of insect is used as ink, which is placed in three interchangeable dispensers of the printer's head controlled by lasers.
- The tissue performs critical functions of a human liver tissue including detoxification, metabolism and secretion of biochemicals such as albumin and cholesterol. The tissue can grow and survive up to eight weeks
- The 3D bio-printed mini-livers that mimic the human liver will serve as test platforms for discovery and development of drugs with better efficacy, less side-effects and at lower costs.
- The cell-based miniature organs can be used to develop bio-artificial liver support systems for preserving life in patients who have developed liver failure.
- In the near future, such bio-printed organs will address the acute shortage of human organs available for surgical transplantation, however the current 3D printing technology is able to make small slices of tissue, producing a complete organ such as the liver with 300 billion cells may take several years.

What is 3D printing?

3D printing, also known as additive manufacturing (AM), refers to various processes used to synthesize a three-dimensional object.

In 3D printing, successive layers of material are formed under computer control to create an object.

These objects can be of almost any shape or geometry, and are produced from a 3D model or other electronic data source. A 3D printer is a type of industrial robot.

5.3. WORLD'S FIRST BIOLOGICALLY-POWDERED CHIP

- In a major breakthrough, researchers at Columbia Engineering have harnessed the molecular machinery of living systems to power an integrated circuit.
- The researchers developed the system by using an artificially created lipid bilayer membrane containing naturally occurring ion pumps, which are powered by the ATP (adenosine triphosphate).
- The scientists connected the lipid membrane to a conventional solid-state complementary metal-oxide-semiconductor (CMOS) integrated circuit.

What is ATP?

Adenosine triphosphate (ATP) is a nucleoside triphosphate used in cells as a coenzyme often called the "molecular unit of currency" of intracellular energy transfer.

- ATP transports chemical energy within cells for metabolism.
- It is one of the end products of photophosphorylation, cellular respiration, and fermentation and used by enzymes and structural proteins in many cellular processes, including biosynthetic reactions, motility, and cell division.

- In the presence of ATP, the system pumped ions across the membrane, which produced an electrical potential harvested by the CMOS integrated circuit (IC).
- These findings are a step towards designing electronics having the ability to perform or replicate certain functions of living systems, such as tasting, smelling and the use of biochemical energy sources.
- The scientists will now be able to isolate the desired function of a cell and interface it with electronics. For e.g. Instead of using a bomb-sniffing dog, scientists can take just the part of the dog that is useful -- the molecules that are doing the sensing – and integrate it with electronics to design a device for the purpose.

5.4. FACEBOOK'S FREE INTERNET USAGE

Benefits of Free basic usage

- Will reduce the digital divide.
- Free Basics allows customers to access selected social networks, and services like healthcare, education and job listings from their phones without a data plan.

Drawbacks

- It violates net neutrality, a concept that all Internet traffic should be treated equally. This will be detrimental to the growing startup entrepreneurs, students, activists and tech employees flourishing in India.
- Free Basics developers can't innovate on technology without the permission of Facebook. There is a need for unbiased, equal Internet that treats all developers same.
- In Free Basics, Facebook can decide the content for the users on their behalf which leaves them with no choice.

5.5. UNIVERSAL IMMUNISATION PROGRAMME FOR CERVICAL CANCER

The health ministry is going to introduce Human Papilloma Virus (HPV) vaccine in the universal immunisation programme .

- The virus is believed to be responsible for most cervical cancer cases
- After breast cancer, cervical cancer is the second most common cancer among women in India.
- National cancer registry data has registered around 90,000 cases for year 2013.

What is HPV?

HPV is a group of 150 viruses, known to cause warts or papillomas. Some can cause cancer, particularly cervical cancer. HPV vaccine should be administered at 11-12 years of age.

6. ENVIRONMENT

6.1. COP 21 DRAFT: PARIS AGREEMENT'

The 'Paris Agreement', the biggest environment agreement ever, was 'adopted' by more than 190 countries

- The overall goal of the Paris agreement, to keep global temperature rise to a specified quantum compared to pre-industrial levels, is pegged at either "below 1.5°C", or, as "well below 2°C".
- India felt that a transparency and accountability regime should not treat rich and poor nations alike
- India Position is **based on** logic that developing nation still lacks necessary technology to measure perils of climate change. For example, India does not have the capacity to measure automotive emissions based on vehicle use accurately, while the U.S. does that every year.

Salient feature of Draft

- **Developed country as Role model**- Extent to which developing countries would effectively implement their commitments would depend on developed countries living up to their own commitments on financing, technology transfer and capacity building.
- **On peaking of greenhouse gas emissions**- The discussion is on making it "as soon as possible" with the caveat that peaking requires deeper cuts of emissions by developed countries and longer periods for developing countries
- **Achieving zero GHG emissions growth by 2060-80 is proposed**
- **Fund mobilisation** - Appropriate pricing of greenhouse gas emissions in its many forms, is an important instrument for the reorientation of investment and finance flows consistent with a pathway towards low emission and climate resilient economies and societies.
- **Technology framework** – By providing overarching guidance to the work of the Technology Mechanism". It would promote and facilitate enhanced action on technology development and transfer.
- The agreement is much more **comprehensive** than the Kyoto Protocol which was limited to assigning greenhouse gas emission reduction targets for a group of developed countries
- It asks every country to make "**nationally determined**" contributions in the fight against climate change.
- It also seeks to establish a mechanism by which the climate actions of all the countries can be periodically monitored and evaluated to see whether the world was actually able to combat climate change and whether the actions needed to be scaled up

Win- Win Situation for all

- **Developed Nation**- The developed countries have ensured that henceforth climate actions would be taken by every nation and not just them, as was the requirement in the existing climate framework represented by the Kyoto Protocol of 1997.
- **Developing Nation**- The developing countries were able to take heart from the fact that the all-important principle of 'differentiation' – that developed nations, being primarily responsible for greenhouse gas emissions, must take greater action to fight climate change – has been retained, even though in a diluted form
- **The island nations and least developed countries** — Most vulnerable to climate change were happy to have forced the rest of the world to acknowledge the need to take a 1.5 degree path instead of the 2 degree it is more comfortable with.

Few of contentious issues which remain unsolved are underneath

- Long term quantified emissions reduction for a 2050 target
- Finance for developing countries
- Updated targets for countries based on stocktaking of carbon dioxide, equitable distribution of the remaining carbon budget for the world.
- Making explicit the responsibility of developing countries versus developed nations

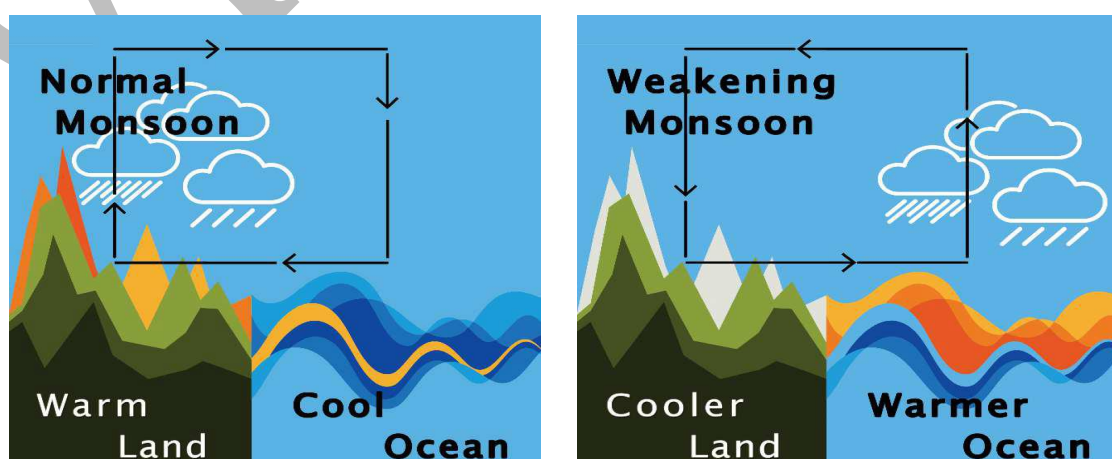
- **Binding targets:** Countries have pledged their emission reduction targets. But these are only pledges. EU and the US are strongly opposed to a legally binding road-map
- **Periodic Revision of Target-** The emission reduction numbers don't add for now and they need to be revised every 5 years or so. Developed countries don't accept any criteria that includes historical accumulated emissions
- **Reporting action:** After 2020 once the agreement comes in to force countries will have to report back periodically how they are faring against their pledges. This could become the Trojan horse that brings parity between the two without saying as much.
- **Developing country targets-** most developing countries have made their targets for the Paris agreement conditional on the nature of the Paris agreement as well as the delivery of finance and technology. Developed countries want at least a part if not the full target from each developing country to be enshrined unconditionally
- **Technology transfer:** Developed countries oppose the proposals from different developing country groups including India to address issues of intellectual property resources, future technology development and an institutional arrangement for this under the Paris agreement.
- **Adaptation-** Developed countries see the core agreement as only about reducing emissions and accounting for these reductions

6.2. INDIAN LONG TERM ECOLOGICAL OBSERVATORIES (I-LTEO)

- India announced a programme to open **eight more long-term ecological observatories** to study the effects of climate change.
- Would assess the health of eight different biomes (types of habitat)
- To study long-term research findings on the changes that was happening due to climate change.
- **Objective is to** scientifically monitor flora and fauna to assess how climate change is affecting "natural and closely associated human systems in agriculture and pastoralism.
- **Operational Area-** Western Himalayas to Western Ghats; Eastern Himalayas to Andaman and Nicobar islands; Central India to the Sundarbans; Jammu and Kashmir to Rajasthan and Gujarat.

6.3. INDIAN OCEAN WARMING AND ITS CONSEQUENCES

- Recent studies have pointed out an increased warming over the Indian Ocean during the past half-century, the reasons for warming are not clear but the results have proved problematic for India.
- Increased warming in the ocean enhances the large-scale upward motion of warm moist air over the equatorial ocean.



Schematic illustration of the mean conditions (left) and weakening trend (right) of the monsoon

- This upward motion over the ocean is compensated by subsidence of dry air over the subcontinent resulting in surplus rains over the ocean at the cost of the monsoon rains over land, thereby **drying the Indian subcontinent**.
- **Decline in the marine phytoplankton** in the Indian Ocean – microscopic plants in the ocean which sustain the aquatic food web, absorb the solar radiation thereby influencing climate processes and biogeochemical cycles, particularly the carbon cycle.
- **Food security issues** as large scale distribution of fishes are associated with the phytoplankton's availability.

6.4. ENVIRONMENTAL CRIME IN INDIA

What is environmental crime?

As per National Crime Records Bureau (NCRB) it includes violations under only five laws:

- the Forest Act, 1927;
- Wildlife Protection Act, 1972;
- Environment (Protection) Act, 1986;
- Air (Prevention and Control of Pollution) Act, 1981;
- Water (Prevention and Control of Pollution) Act, 1974 (as amended in 1988).

Reasons for under-reporting of environmental crimes in India

- NCRB data suffers inadequate coverage of laws whose violation would constitute a crime against the environment
- Pollution control boards (PCBs) which deal with air and water pollution, do not have enforcement officers, no mechanism to address complaints and have no policing functions. They just issue permits.
- Police authorities are often not aware of the laws under various environmental acts and hence do not record these as crimes under the Act.

7. SECURITY

7.1. TERROR FINANCING

Terrorism finance (TF) has been termed as **the life blood of terrorism**, one of the most important factors sustaining its continuing threat, both from within and without.

Recent Development-

- India along with major world economies participated in **the first-ever global meeting being held in Paris to discuss and evolve mechanisms** to combat the clandestine and largely undetected terrorist financing network of the Islamic State terror group. **Aim of the meeting** was to deal with subjects of **money laundering and combating the financing of terrorism** it was **Organised** by Financial Action Task Force (FATF) Secretariat office.

Objective:

- To discuss actions jurisdictions are taking and need to take to combat the financing of the ISIS
- To Broader opportunities to strengthen global efforts to combat the financing of terrorism

FATF- A background

The FATF is an **inter-governmental body** established in 1989 and is **mandated to set global protocols and standards** to combat money laundering and other financial crimes with direct ramifications to terrorist acts across the globe. **India is a full-member** of this reputed global body along with **33 other nations**.

- A report by the FATF early this year had underlined the **“complicated” pattern of funding** being deployed to mobilise ISIS terrorists and in secretly moving their deadly weapons and ammunition –
- The report said its preliminary investigations found that the group was generating terror funds by **using illicit proceeds** from occupation of territory, such as bank looting, extortion, control of oil fields and refineries, kidnapping for ransom, donations including by or through non-profit organisations, fund raising through modern communication networks.

7.2. UNSC RESOLUTION TO UT OFF FUNDING TO ISIS, AL-QUAEDA

UN Security Council recently adopted a resolution to cut off all sources of funding to ISIS and Al-Qaeda with finance ministers from the member nations vowing to increase sanctions against the terror groups.

- In the resolution adopted at the first-ever meeting of finance ministers, the 15-member body called for enhanced actions, from closing financial system loopholes to stopping the abuse of charitable causes, as well as updating the existing ISIS and Al-Qaeda Sanctions List.
- The Council stressed that already existing resolutions mandating nations to ensure that financial assets are not transferred to terrorists by persons within their territory, shall also apply to the payment of ransoms to individuals, groups, undertakings or entities on the ISIS and Al-Qaeda Sanctions List regardless of how or by whom the ransom is paid.
- The resolution called for increased international cooperation in sharing information and closer collaboration with the private sector to identify suspect transactions.
- The Council also called on Member States to promote enhanced vigilance by persons within their jurisdiction to detect any diversion of explosives and raw materials and components that can be used to manufacture improvised explosive devices or unconventional weapons, including chemical components, detonators, detonating cord, or poisons.

Why restricting funding of ISIS is greater challenge:

- Unlike other terror groups, ISIS derives a relatively small share of its funding from donors abroad. Instead, ISIS generates wealth from economic activity and resources within territory under its control.
- ISIS financing has evolved from seizing territory and looting bank vaults to leveraging more renewable revenue streams: so far, ISIS has reaped an estimated USD 500 million from black market oil and millions more from people it brutalises and extorts.

7.3. INDIA'S STRATEGY TO DEAL WITH TERROR FINANCING AND MONEY LAUNDERING

Why Important:

There are some instances under the scanner of various investigative agencies that indicate there may be links to **ISIS funds being routed from India, if not generated.**

- In the wake of the increased activities of terrorist groups around the globe, including ISIS, India had recently reported to the FATF that it has frozen assets worth Euro 3 lakh (**over Rs 2.12 core**) of over three dozen entities on charges of terrorist financing and money laundering of illicit funds
- The Unlawful Activities (Prevention) Act, 1967(**UAPA**) and the Prevention of Money laundering Act, 2002 (**PMLA**) are effective instrumentalities to combat offences relating to Terrorist Financing and Money laundering
- The Unlawful Activities (Prevention) Act, 1967 has been strengthened by amendments in 2013 which inter-alia includes **enlarging the scope of proceeds of terrorism to include any property intended to be used for terrorism, enlarging the scope of Section 17** relating to punishment for raising funds for terrorist act by including within its scope, raising of funds both from **legitimate or illegitimate sources** by a terrorist organization, terrorist gang or by an individual terrorist, and includes within its scope offences by companies, societies or trusts.
- The PMLA has also been strengthened in 2013 by incorporating the provisions relating to **removing the monetary threshold for schedule offences, strengthening confiscation and provisional attachment powers with regard to money laundering investigation**, covering new financial institutions and designated non-financial business and professions within the scope of PMLA, **enhancing the powers of Financial Intelligence Unit (FIU)** to access information from banks and financial institutions and introduction of broad range of sanctions under PMLA including sanctions against designated Directors and employees of reporting entities
- A special **Combating Financing of Terrorism (CFT)** Cell has been created in the Ministry of Home Affairs in 2011, **to coordinate** with the Central Intelligence/Enforcement Agencies and the State Law Enforcement Agencies for an **integrated approach** to tackle the problem of terror funding
- A **Terror Funding and Fake Currency Cell** was set up in the National Investigation Agency to investigate Terror Funding cases.

Overview of Financial Intelligence Unit-IND:

- FIU-IND is the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions.
- FIU-IND is also responsible for coordinating and strengthening efforts of national and international intelligence, investigation and enforcement agencies in pursuing the global efforts against money laundering and related crimes.
- FIU-IND is an independent body reporting directly to the Economic Intelligence Council (EIC) headed by the Finance Minister.