

Economics MADE EASY - THEORY to APPLIED
GOOD MORNING TIMES- AUGUST 2017



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Economics –PT Shots
(AUGUST-2017)

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TOPIC GENERAL STUDIES 3: ECONOMICS- ECONOMIC DEVELOPMENT- GOV POLICIES

August

2017

1. Methanol a clean, cheaper fuel

- The government has asked the think-tank NITI Aayog to study the automobile standards developed in China to use methanol as an alternative fuel. Experts believe that Methanol economy will help India use its vast reserves of coal while driving import substitution.
- **Methanol as an alternative fuel:** Methanol is a promising fuel for waterways as it is clean, cheaper than fossil fuels and a good substitute for heavy fuels. India imports methanol from Saudi Arabia and Iran at present. Across the world, methanol is emerging as a clean, sustainable transportation fuel of the future. Methanol can be blended with gasoline in low-quantities and used in existing road vehicles, or it can be used in high-proportion blends such as M85M100 in flex-fuel or dedicated methanol-fueled vehicles. Technology is also being commercialized to use methanol as a diesel substitute.

☐ Methanol is a clean-burning fuel that produces fewer smog-causing emissions — such as Sulphur oxides (SOx), nitrogen oxides (NOx) and particulate matter — and can improve air quality and related human health issues.

☐ Methanol is most commonly produced on a commercial scale from natural gas. It can also be produced from renewable sources such as biomass and recycled carbon dioxide.

☐ As a high-octane vehicle fuel, methanol offers excellent acceleration and power. It also improves vehicle efficiency.

2. New Central Sector Scheme – “Pradhan Mantri Kisan Sampada Yojana”

- The Cabinet Committee on Economic Affairs, chaired by the Prime Minister Shri Narendra Modi, has approved the renaming of the new Central Sector Scheme – SAMPADA (Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters) as “Pradhan Mantri Kisan Sampada Yojana (PMKSY) “for the period of 2016-20 coterminous with the 14th Finance Commission cycle.
- **Objective:**
 - ✓ The objective of PMKSY is to supplement agriculture, modernize processing and decrease Agri-Waste.
 - ✓ Financial Allocation: MKSY with an allocation of Rs. 6,000 crores are expected to leverage investment of Rs. 31,400

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crore, handling of 334 lakh MT agro-produce valuing Rs. 1,04,125 crores, benefit 20 lakh farmers and generate 5,30,500 direct/indirect employment in the country by the year 2019-20.

- **Impacts:**

- ☐ The implementation of PMKSY will result in creation of modern infrastructure with efficient supply chain management from farm gate to retail outlet.
- ☐ It will provide a big boost to the growth of food processing sector in the country.
- ☐ It will help in providing better prices to farmers and is a big step towards doubling of farmers' income.
- ☐ It will create huge employment opportunities especially in the rural areas.
- ☐ It will also help in reducing wastage of agricultural produce, increasing the processing level, availability of safe and convenient processed foods at affordable price to consumers and enhancing the export of the processed foods.

- **Background:** PMKSY is an umbrella scheme incorporating ongoing schemes of the Ministry like Mega Food Parks, Integrated Cold Chain and Value Addition Infrastructure, Food Safety and Quality Assurance Infrastructure, etc. and also new schemes like Infrastructure for Agro-processing Clusters, Creation of Backward and Forward Linkages, Creation / Expansion of Food Processing & Preservation Capacities.

3. Why does the 2022 target for rooftop solar seem ambitious?

- The government has set itself a target of 100 GW of solar power by 2022, of which 60 GW is to come from utilities and 40 GW from rooftop solar installations. While the 60 GW target seems achievable, the country is lagging behind on the target set for rooftop solar.

What is rooftop solar?

- Rooftop solar installations — as opposed to large-scale solar power generation plants — can be installed on the roofs of buildings. As such, they fall under two brackets: commercial and residential. This simply has to do with whether the solar panels are being installed on top of commercial buildings or residential complexes.

What are the benefits?

- Rooftop solar provides companies and residential areas the option of an alternative source of electricity to that provided by the grid. While the main benefit of this is to the environment, since it reduces the dependence on fossil fuel generated electricity, solar power can also augment the grid supply in places where it is erratic.
- Rooftop solar also has the great benefit of being able to provide electricity to those areas that are not yet connected to the grid — remote locations and areas where

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the terrain makes it difficult to set up power stations and lay power lines.

What is the potential for rooftop solar in India?

- The Ministry of New and Renewable Energy has pegged the market potential for rooftop solar at 124 GW. However, only 1,247 MW of capacity had been installed as of December 31, 2016. That is a little more than 3% of the target for 2022, and 1% of the potential.

Why is it not being adopted widely?

☐ One of the major problems with rooftop solar — and what affects solar energy generation in general — is the variability in supply. Not only can the efficiency of the solar panels vary on any given day depending on how bright the sunlight is, but the solar panels also produce no electricity during the night. Arguably, night is when off-grid locations most need alternative sources of electricity.

☐ Storage is one solution. Storage technology for electricity, however, is still underdeveloped and storage solutions are expensive. So, while some companies will be able to afford storage solutions for the solar energy they produce, most residential customers will find the cost of installing both rooftop solar panels and storage facilities prohibitive. Residential areas also come with the associated issues of use restrictions of the roof — if the roof is being used for solar generation, then it cannot be used for anything else.

☐ Another major reason why rooftop solar is not becoming popular is that the current electricity tariff structure renders it an unviable option. Many states have adopted a net metering policy, which allows disaggregated power producers to sell

excess electricity to the grid. However, the subsidised tariffs charged to residential customers undermine the economic viability of installing rooftop solar panels. The potential profit simply does not outweigh the costs.

4. RBI plans to set up public credit registry

- RBI has announced the creation of a panel to consider creation of a Public Credit Registry (PCR) operated by the regulator.

What you need to know about the PCR?

- The PCR will be an extensive database of credit information for India that is accessible to all stakeholders. The idea is to capture all relevant information in one large database on the borrower and, in particular, the borrower's entire set of borrowing contracts and outcomes.

Need for a PCR:

- A central repository, which, for instance, captures and certifies the details of collaterals, can enable the writing of contracts that prevent over-pledging of collateral by a borrower. In absence of the repository, the lender may not trust its first right on the collateral and either charge a high cost on the loan or ask for more collateral than necessary to prevent being diluted by other lenders. This leads to, what in economics is termed as, pecuniary externality – in this case, a spillover of one loan contract onto outcomes and terms of other loan contracts.

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- Furthermore, absent a public credit registry, the 'good' borrowers are disadvantaged in not being able to distinguish themselves from the rest in opaque credit markets; they could potentially be subjected to a rent being extracted from their existing lenders who enjoy an information monopoly over them. The lenders may also end up picking up fresh clients who have a history of delinquency that is unknown to all lenders and this way face greater overall credit risk.

- **Benefits of having a PCR:**

- ☐ A PCR can potentially help banks in credit assessment and pricing of credit as well as in making risk-based, dynamic and counter-cyclical provisioning.
- ☐ The PCR can also help the RBI in understanding if transmission of monetary policy is working, and if not, where are the bottlenecks.
- ☐ Further, it can help supervisors, regulators and banks in early intervention and effective restructuring of stressed bank credits.
- ☐ A PCR will also help banks and regulators as credit information is a 'public good' and its utility is to the credit market at large and to society in general.

5. Economic survey on Social Infrastructure, Employment and Human Development

- India, is emerging as a knowledge-based economy, poised for double digit growth, and needs to strengthen social infrastructure by investing in health and education.

Challenges:

- ☐ The deterioration in quality learning in primary education sector and achievement of targeted enrolment level in the middle education is a challenge.
- ☐ Employment in India poses a great challenge in terms of its structure which is dominated by informal, unorganized and seasonal workers, and is characterized by high levels of under employment, skill shortages, with the labour markets impacted by rigid labour laws, and the emergence of contract labour.
- ☐ The health sector in India faces many challenges in the form of declining role of public delivery of health services, high Out of Pocket (OoP) expenses on health and issues of accessibility and affordability of health services for many.
- ☐ The Government's Swachh Bharat Mission has had remarkable progress since its inception. With its focus on cleanliness and Open Defecation Free (ODF) India, there has been a significant decline in the number of people who defecate in the open, which is estimated at less than 35 crores.

- **Reforms:**

- ☐ **Education sector:** The education policies need to be designed with focus on learning outcomes and remedial education with interventions which work and maximize the efficiency of expenditure. There is need for biometric attendance of school staff, independent setting of examination papers, neutral examination and for DBT for schools. There is need to adopt outcome measures for the education and skilling activities to ensure improvement in delivery of schemes/ programmes.
- ☐ **Labour reforms:** In order to make the labour market system dynamic and efficient, the government has taken several reforms/initiatives,

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both legislative as well as technological such as notification of 'Ease of Compliance to maintain Registers under various Laws Rules, 2017' and introduction of e-Biz Portal. These registers/forms can also be maintained in a digitized form.

☐ **Skill enhancement:** Government has been imparting short term skill training through Pradhan Mantri Kaushal Vikas Yojana (PMKVY) and long-term training through Industrial Training Institutes (ITIs). Model Skill Centers are being set up in every district of the country under Pradhan Mantri Kaushal Kendra Scheme. The emphasis should be on enhancing the quality of skill training programmes and making a competency-based framework with giving individuals an option to progress through education, training, prior learning and experiences.

☐ **Health sector:** There has to be concerted efforts by the Central and State governments to reform the health sector, by addressing quality issues, standardising rates for diagnostic tests, generating awareness about alternative health systems and introduction of punitive measures like fines on hospitals and private health providers for false claims through surgery, medicines etc. For more equitable access to health services, government should provide health benefits and risk cover to poorer sections of the society.

☐ **Social security:** Addressing the social security of large number of vulnerable workers in the informal economy should be prioritized by the Government along with ensuring the safety and security of women to raise their participation in economic activities.

6. Development of Radiation Technology

- Bhabha Atomic Research Centre (BARC) – Department of Atomic Energy (DAE) has been actively engaged in R&D work on the

technology of preservation and hygienization of food and agri-products by radiation.

Background:

- Irradiation is very effective in treating the horticultural produces. Extension of shelf life of horticultural produces is very much depended on the produce, variety and storage conditions. For many fresh agri produce subjected to irradiation and proper storage, substantial shelf life extension has been achieved.

• Unique advantages of radiation processing are:

- ☐ Significant increase in shelf life for many products including fruits, vegetables, cereals, pulses, spices, sea foods and meat products.
- ☐ Effective elimination of harmful bacteria, viruses and insects/pests.
- ☐ Cold & clean process (No temperature raise or residue); and treatment done after final packaging (no repacking necessary).

What is irradiation?

- In irradiation, food products are subjected to a low dosage of radiation to treat them for germs and insects, increasing their longevity and shelf life. Radiation treatment is carried out in dosage recommended by the International Atomic Energy Agency (IAEA) and it neither reduces the nutritional value of food nor spoils their taste and appearance.

How this will help India?

- In India, according to estimates, post-harvest losses in food and

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food grains are around 40-50%, primarily due to insect infestation, microbiological contamination, physiological changes due to sprouting and ripening, and poor shelf life.

- The wastage of fruits and vegetables alone is about Rs. 60,000 crore annually. Including cereals, meat, pulses and flowers, the annual loss is estimated to be Rs. 2,50,000 crores. Besides, there are a few low-level irradiation plants in the country, which are not adequate.

□ With irradiation, it is possible to reduce these losses.

- **Government efforts in this regard:**

□ BARC-DAE has set up two technology demonstration units, one commissioned in the year 2000 for high dose irradiation at Vashi, Navi Mumbai, and another in 2002, for low dose irradiation, KRUSHAK (Krushi Utpadan Sanrakshan Kendra) facility at Lasalgaon, near Nashik.

□ Recently the harmonization of food irradiation rules with the international regulation through adaptation of class wise clearance of irradiated food items by the Food Safety and Standards Authority of India (FSSAI) has taken place [Food Safety and Standards (Food Products Standards and Food Additives) Sixth Amendment Regulations, 2016] for large scale deployment of this technology.

□ India and Russia have also signed a pact to set up 25 integrated infrastructure centers for irradiation treatment of perishable food items to improve shelf life and cut post-harvest losses.

- Way ahead: The quantum of horticulture produce in India is huge. Hence, many more facilities are needed.

7. AGRI UDAAN- Food and Agribusiness Accelerator 2.0

- In an attempt to promote innovation and entrepreneurship in agriculture, the government is launching a new AGRIUDAAN programme that will mentor startups and help them connect with potential investors.

- **Key facts:**

□ The programme will help convert innovative ideas from India's rural youth into viable businesses. The idea is to attract the youth from rural India and elsewhere, and train them so they can add value to the farmers' produce.

□ It will be managed by ICAR-NAARM's technology incubator, a-IDEA along with IIM Ahmedabad's Centre for Innovation.

□ Under the programme, startups will get incubation space to run their businesses and have access to research laboratories and libraries. AGRI UDAAN will also help the selected start-ups with regulatory services like company registration and environmental compliances.

□ The programme will shortlist 40 startups in the first round who will pitch their ideas to a panel of evaluators. Out of these, between 8 to 12 start-ups will be selected for the final capacity building workshop.

□ Following an intensive training lasting six months, the new start-ups will be connected to investors for funding.

8. INAPH data base

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- Pashu Sanjivni component under National Mission on Bovine Productivity scheme was initiated by the Government in November 2016. Under the scheme, as on date 85 lakh milk producing animals have been identified and their data has been uploaded on INAPH data base.

☐ Data of the identified animals is being uploaded on Information Network on Animal Health and Productivity (INAPH) data base.

About the scheme:

- Under the scheme, 88 million milk producing animals out of 300 million cattle and buffaloes are being identified using polyurethane tags with 12-digit unique identification (UID) number.

☐ The polyurethane tags, which will last for a few years, will be affixed by the technicians using a special applicator. Next, the technicians will, using a tablet, upload details of the cow including its vaccination and deworming status into an online database.

☐ The purpose of the exercise, in the long run, is to improve vaccination practices, and ensure that scientific interventions can be made to improve both breeding and milk production.

☐ The Pashu Sanjivni is crucial for control and spread of animal diseases, scientific management of animals, enhanced production and productivity, improvement in quality of livestock & livestock products, increase in trade of livestock and livestock products by meeting out sanitary and phytosanitary issues.

- Cabinet has approved raising Extra Budgetary Resources upto Rs. 9020 crores for Long Term Irrigation Fund during the year 2017-18.

About LTIF:

- To cater to the large fund requirement and ensure completion of the projects, the Union Finance Minister, during his Budget speech 2016-17, announced creation of dedicated Long-Term Irrigation Fund (LTIF) in NABARD with an initial corpus of Rs. 20,000 crores for funding of Central and State share for the identified ongoing projects under PMKSY (AIBP and CAD).

☐ Corpus would be raised by way of budgetary resources and market borrowings to fund fast tracking of implementation of incomplete major & medium irrigation projects.

About PMKSY:

- PMKSY has been conceived amalgamating ongoing schemes viz. Accelerated Irrigation Benefit Programme (AIBP) of the Ministry of Water Resources, River Development & Ganga Rejuvenation (MoWR, RD&GR), Integrated Watershed Management Programme (IWMP) of Department of Land Resources (DoLR) and the On-Farm Water Management (OFWM) of Department of Agriculture and Cooperation (DAC).

9. Long Term Irrigation Fund

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☐ The scheme will be implemented by Ministries of Agriculture, Water Resources and Rural Development.

☐ The major objective of PMKSY is to achieve convergence of investments in irrigation at the field level, expand cultivable area under assured irrigation, improve on-farm water use efficiency to reduce wastage of water and enhance the adoption of precision-irrigation and other water saving technologies (More crop per drop).

10. North Koel Reservoir Project

- The Union Cabinet has given its approval to the proposal to complete the balance works of the North Koel Reservoir Project in Jharkhand and Bihar at an estimated expenditure of Rs.1622.27 crore to be incurred during three financial years from the start of the project.
- The Cabinet also approved storage of water in dam restricted at lower level than envisaged earlier to reduce the submergence and to protect Betla National Park and Palamau Tiger Reserve.
- About the North Koel Reservoir Project:
- The project is situated on North Koel river which is a tributary of Sone river finally joining the river Ganga. The North Koel Reservoir is located in the most backward tribal areas in Palamau and Garhwa districts of Jharkhand State.
- ☐ The construction was originally started in the year 1972 and continued till 1993 when it was stopped by the Forest Department, Govt. of Bihar.

Since then, the work on dam is at a standstill. ☐ The project aims to provide irrigation to 111,521 hectares of land annually in the most backward and drought prone areas of Palamau & Garhwa districts in Jharkhand and Aurangabad & Gaya districts in Bihar.

Key facts for Prelims:

- North Koel river rises on Ranchi plateau and flows through Jharkhand. It joins the Sone a few miles north-west of Haidarnagar.

☐ The North Koel, along with its tributaries, meanders through the northern part of Betla National Park.

☐ The principal tributaries are the Auranga and the Amanat.

11. Niti Aayog pitches to remove agriculture from Essential Commodities Act

- Premier think-tank NITI Aayog has pitched for completely removing agriculture commodities from the Essential Commodities Act, and a shift towards organised trading wherein lower number of traders with enough capital will dominate the market.
- Benefits of this move:

☐ This will reduce handling costs, bring economies of scale, reduce prices and increase returns for farmers.

☐ This will also lead to organised trading, improve scale and logistics benefit and bring about more capital into trade with handful of big traders competing with each other.

Background:

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- With frequent changes in rules and stock limits, traders have no reason to invest in better storage infrastructure. Also, stock limits curtail the functioning of food processing industries which need to maintain large stocks of underlying commodity to run their operations smoothly. In such a situation, large scale private investments are unlikely to flow into food processing and cold storage facilities which are essential for ensuring farmers get better remuneration for their crops.
- Way ahead: The idea has been discussed at the highest level of the government and the Centre is likely to reach out to states for such an enabling provision after full consultation with the ministry of consumer affairs.

12. STPs to be constructed under Hybrid Annuity Model

- In the first-of-its-kind success, the creation and maintenance of sewage treatment infrastructure under Hybrid Annuity based PPP model has taken off, with NMCG awarding work to private sector for construction and maintenance of Sewage Treatment Plants (STPs) in two major cities in Ganga river basin – Varanasi and Haridwar. The awarded projects would ensure that no untreated sewage waste water goes into river Ganga.
- Hybrid Annuity based PPP model has been adopted for the first time in the country in sewage management sector. Such a model

has earlier been adopted successfully in highway sector only.

What you need to know about the Hybrid Annuity Model?

- The Government of India had accorded Cabinet approval to Hybrid Annuity-PPP model in January 2016 with 100% central sector funding. development, operation and maintenance of the sewage treatment STPs will be undertaken by a Special Purpose Vehicle (SPV) to be created by the winning bidder at the local level. As per this model, 40% of the Capital cost quoted would be paid on completion of construction while the remaining 60% of the cost will be paid over the life of the project as annuities along with operation and maintenance cost (O&M) expenses.

□ One of the most important features of this model is that both the Annuity and O&M payments are linked to the performance of the STP. This will ensure continued performance of the assets created due to better accountability, ownership and optimal performance.

13. Rescuing e-National Agriculture Market (e-NAM)

- The much-touted National Agriculture Market (e-NAM), the electronic portal for trading in agricultural produce launched last year, has failed to take off.
- Some of the State government has started showing procurement of wheat under minimum support price (MSP) operations as e-NAM trading. This makes a mockery of the concept, as there is only one buyer (the government) and a fixed price (MSP). So, where is the multiple buyer-transparent price-discovery chain which e-NAM had

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promised? This defeats the very purpose of e-NAM and seen as a effort towards window dressing.

• Intended Impact of e-NAM

☐ e-NAM as a parallel platform (virtual one) will be able to compete with the physical mandis run by the APMCs.

☐ It will offer farmers and traders an alternative to sell their produce to a wider regional and national market with a larger number of buyers participating.

☐ This competition between e-NAM and APMC run mandis is expected to improve the choices available to farmers.

☐ Eventually it will help to reform the APMC mandi system in becoming more transparent, allow greater competition and create facilities for grading of produce.

• Gap Between Intended Effect and Actual Scenario

☐ Given the resistance by few States, the e-NAM proposal was modified to locate the NAM portal exclusively within the existing mandis and States were allowed to decide the pace at which they would link the APMC mandis to e-NAM over a period of time. This scuttled any hope of e-NAM ever taking off as a significant competitor to the mandi system.

☐ Since the states managed to convince Centre that e-NAM could only function under the rules framed under the APMC Act, key decisions such as the number of traders to be registered, the commodities to be traded on e-NAM, whether or not to allow traders from outside the state to participate, etc., were left in their control.

☐ This explains why not a single state, among those that have joined e-NAM, has allowed traders from outside to participate in electronic bidding on e-NAM. In fact, most states have not even

permitted traders in other districts of the same state to participate in e-NAM trading outside their own district.

☐ So, far from creating a seamless, unified national market for agriculture produce, as e-NAM was grandly supposed to do, not even an integrated state-wide market has been created anywhere. The monopoly of the APMC mandis continues unchecked, with their long legacy of restricted competition among a handful of traders, opaque price discovery methods and poor service level to farmers.

• Way Forward

☐ For the success of e-NAM project, the cooperation of the state government is must. Hence, they need to be financially incentivised to reform the APMC act.

☐ The grain merchants at the local mandi level need to be involved in the decision making and benefits of e-NAM should be communicated to them.

☐ Moreover, the e-NAM should be developed on the lines of the Bombay Stock Exchange (BSE) or National Stock Exchange (NSE). That is to say that anyone meeting a basic set of requirements (such as minimum godown space, quality assaying facilities, internet connectivity and a basic financial net worth) will be authorised to plug into e-NAM from anywhere in the country and engage in trading of agricultural produce.

14. Export-Oriented Policies Can Relieve Farm Distress

- Agricultural exports have traditionally outstripped imports by handsome margins. But a sharp 21 % decline in exports and a much sharper 65 % rise in imports of farm goods in the past four years have virtually eroded the positive trade balance.

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- Farm exports have dwindled from \$43 billion in 2013-14 to below \$34 billion in 2016-17 while imports have surged from \$15 billion to over \$25 billion during the same period.
- **Reasons for The Current Trend and Problems with India's Agricultural Trade Policies**

☐ The global commodity prices have fallen thus export of farm commodities has fallen in terms of value.

☐ Ill-advised agricultural pricing and trade policies have also contributed to the present trend i.e. government favours import of even those products whose indigenous production can easily be raised to meet growing demand.

☐ Agricultural trade policies are also characterized by extreme volatility i.e. when world prices go up or there is domestic scarcity, export restriction are imposed; and when reverse happens, import tariffs are imposed.

- **Effect of Such Knee Jerk Based Export Policies on Farm Distress**

☐ Due to uncertainty in export policies, farmer is hesitant to produce such commodities which leads to domestic scarcity of such commodities. ☐

The lower production increases the prices of such commodities; thus, it hurts the consumers.

☐ Moreover, such ill-advised export policies create expectation for the next year. This enhances the crop area leading to overproduction of such farm commodity which consequently depresses the price. This vicious cycle continues for the indefinite time.

☐ Instability in farm export policies also leads to under investment in agro processing industries as pointed out by economic survey 2015-16.

- **Way Forward (Importance of Stable Export Policy to Relieve the Farm Distress)**

☐ Farm export policies should be announced well in advance and should not be altered except under exceptional circumstances.

☐ Knee jerk reaction to the prices should be avoided.

☐ There is also a need to create supportive infrastructure and a quality assurance mechanism for agricultural export.

☐ The implementation of the above recommendation can relieve the current farm distress and double the farmer's income by 2022.

15. NITI Aayog Suggest Reforms for The Coal Sector

- NITI Aayog has suggested reforms to spur up the coal sector which has been facing challenges on various counts.

• Challenges Facing the Coal Sector

☐ High coal import despite India having the 301 billion tonnes of coal reserves.

☐ Irregularity in the allocation of captive coal mines.

☐ Inadequate steps taken towards coal exploration.

☐ Lack of adequate connectivity with railways that lead to poor evacuation.

☐ Lack of independent regulator and monopoly of Coal India has deterred the entry of private sector in coal mining.

☐ Poor safety record of Coal India in underground mining.

☐ High focus on Open cast mining (it contributes more than 90% of the total output) has many environmental hazards like coal dust pollution etc.

• Suggestions of NITI Aayog

☐ NITI Aayog suggested spinning off Coal India's subsidiaries into separate entities so that

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each can independently develop its own strategy and business model.

☐ It has also suggested using market mechanism to open the coal-mining sector for commercial mining and also taking steps for transition of coal pricing on commercial lines.

☐ I further said that there is a need to end the current practice of segmenting coal markets between power and non-power sectors with subsidy being given to the ultimate intended beneficiary through direct benefit transfer.

☐ Allowing specialized mining firms to mine coal can go a long way towards improving the efficiency of mining.

☐ It also suggested that efforts should be made to improve labour productivity, augmenting coal production and enhancing efficiency of distribution. The output per man shift (OMS) from underground mines should be raised to increase coal production from underground coalmines, which is currently around eight per cent of the total coal output.

ongoing auction process and transfer of mining lease and other related activities of captive mines to the new successful bidders should be expedited by 2018.

☐ The production from captive blocks has been targeted at 400 MT by 2020, it therefore suggested that the yearly targets should be devised and where required coalmines should be re allocated to achieve the above target.

• Recent Steps Taken to Reform the Coal Sector

☐ Government has introduced a new coal linkage policy called Scheme to Harness and Allocate Koyla Transparently in India (SHAKTI).

☐ Amendment in Mines and Mineral regulation Act 1957 to introduce auctioning process of coal mining.

☐ Introduction of National Mineral Exploration Policy.

☐ Power Purchase agreement between Coal India and Power generators. Conclusion The implementation of NITI Aayog suggestions will help in resolving the current challenges facing the coal sector. It will not only bring transparency in coal sector, but will also make the sector more efficient.

16. BHARAT 22

- A new Exchange Traded Fund (ETF) by the name BHARAT 22 was recently launched.

- The value of an ETF unit rises or fall in line with the value of underlying stock (in this case the value of stock of 22 companies). Investors can purchase ETF units which are listed on the stock exchanges. ETFs are similar to mutual funds in a certain manner but are more liquid as they can be sold quickly on stock

☐ To boost production like shares.

- Bharat 22 consists of 22 stocks of CPSE's, PSB's & strategic holding of SUUTI. Bharat 22 is a well-Diversified portfolio with 6 sectors (Basic Materials, Energy, Finance, FMCG, Industrials, and Utilities).
- ICICI Prudential AMC will be the ETF Manager and Asia Index Private Limited (Joint Venture of BSE and S&P Global) will be the Index Provider.
- Bharat 22 is expected to speed up a disinvestment programme i.e. budgeted to raise 72,500 crores in the fiscal year 2018. The ETF will give the government another tool to monetise its stakes in state run companies.

17. Illegal Mining to Attract 100% Penalty, Rules Supreme Court

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- The Supreme Court held that illegal mining, including absence of mandatory forest or environment clearances and air or water pollution norm violations, would incur 100% penalty on the mineral. The court further said there can be no compromise on the quantum of compensation it should be 100%.

- The defaulting lessee must bear the consequences of the illegality and not be benefited by pocketing 70% (the central empowered committee or CEC had suggested only 30% recovery) of the illegally mined ore.

anyone violating any aspect of environmental and forest laws would be liable to compensate for illegal mining under Mines and Minerals (Development and Regulation) Development Act, 1957 (MMDR Act).

- The bench further noted, National Mineral Policy 2008 seems to be only on paper and is not being enforced and asked government to frame a new National Mineral policy.

Consequences of The Decision

☐ The Supreme Court's landmark order slapping heavy penalties, that could amount to 25,000 crores on companies, can hit output in the months ahead.

☐ It may trigger similar claims in mineral rich Jharkhand.

☐ It may increase the prices of the minerals, thus affecting the industries which uses minerals as their raw material like steel industries.

☐ It may also affect the export of minerals, thus putting pressure on Balance of payment.

- Way Forward: The government should pass New National Mineral policy

providing for stringent penalties and special courts to try such offences. Moreover, it should be accompanied by the use of technology such as remote sensing to check illegal mining.

18. FCI Let Over 4 Lakh Tonne Wheat Rot Away: CAG

- In an audit report on the Food Corporation of India (FCI), the Comptroller and Auditor General of India has said that more than 4.72 lakh tonnes of wheat valued at Rs 700.30 crore got damaged in Punjab till March 2016 due to delay in implementation of the PEG (Private Entrepreneur Guarantee) scheme which was expected to increase the storage capacity of food grains in the state.

- The damaged wheat was declared as non-issuable for public distribution as it was stored in open areas. The auditor also found that the state owned FCI sold wheat to bulk consumers at a rate below the cost under Open Market Sale Scheme during 2013-14 leading to non-recovery of Rs 38.99 crore.

Analysis of The Problems Associated with FCI

☐ High food wastage due to lack of adequate availability of scientific storage facility.

☐ Limited Farmer outreach- FCI procurement is confined to only 6% of farmers and that too for rice and wheat.

☐ Food price inflation- FCI mop up 1/3rd of rice and wheat production; and lack of timely market release of food grains by FCI lead to inflation.

High fiscal cost of grain storage to high buffer cost subsidy.

☐ Departmental labour salaries are a huge drag on the finances of FCI.

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• Way Forward

- ☐ A gradual movement to Direct Benefit Transfer (DBT) without compromising the interest of poor section of society.
- ☐ Adopting a Close ended, decentralised procurement and distribution system. (Close ended procurement implies FCI procuring only for buffer stock).
- ☐ Restructuring FCI into three parts dedicated to procurement, logistics and distribution.
- ☐ Implementing the recommendation of Shanta Kumar Committee after due deliberation such as Decentralised procurement, State to bear the expanses of cost of storage above buffer norm etc.

19. Govt Launches E-RaKAM Portal for Selling Agri Produce

- The government has launched a portal E-RaKAM (Rashtriya Kisan Agri Mandi), to provide a platform to sell agricultural produce. The portal is a joint initiative by state run auctioneer MSTC and Central Warehousing Corporation arm CRWC.
- E-RaKAM is a first of its kind initiative that leverages technology to connect farmers of the smallest villages to the biggest markets of the world through internet and e-RaKAM centres.
- E-RaKAM is a digital initiative bringing together the farmers, FPOs, PSUs, civil supplies and buyers on a single platform to ease the selling and buying process of agricultural products.
- Under this initiative, e-RaKAM centres are being developed in a phased manner throughout the country to facilitate farmers for online sale of their produce.
- This will also neutralise the role of middlemen in the farm trade, and if implemented effectively, farmers' income

can be increased by not just double but four to five times. Now various crops whose price increases due to rainfall or bad weather conditions, will be managed and get the market.

- However, initial hurdles will be there as most of the farmers are illiterate and are in bad condition. Also, cooperation from States and technology platform should be simple and easy so as to implement the programme effectively.

20. Government to Grade Skill

- India is proposing to put in place an extensive rating criterion as part of the skilling initiative that will enable benchmark skilled personnel that includes plumbers, masons, drivers and domestic helps etc. to be graded on a scale of 1-10 for employability.
- Skills development ministry is finalizing the National Skills Qualification Framework (NSQF) for adoption by 2019, which seeks to create employability benchmarks.
- The NSQF is a quality assurance framework for which the skills development ministry has laid down a five-year timeline to ensure all skills training, government or private, is NSQF compliant to help bring about uniformity.
- The NSQF provides for a five-year implementation schedule which provides that no government funding would be available for any training educational programme course which is not NSQF compliant after three years.
- **Significance of The Decision**

- ☐ This will help employer to identify well trained personnel, thus can make an informed choice.

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☐ Following this, the recruitment rules of the government of India and CPSUs shall be amended to define eligibility criteria for all positions in terms of NSQF levels. Thus, will reduce discretion in government job recruitment programme and consequent corruption.

☐ Helps in achieving high growth rate in manufacturing sector due to availability of skilled labourers.

☐ The India in future can emerge as the skill capital of the world and help in solving the problem of low paid jobs and informalisation.

• Challenges

☐ 93% of workforce are in informal sector, so difficulty arises in implementing the said decision.

☐ Industrial Training Institutes (ITIs) have failed to overhaul themselves and their syllabus is not in tune with industry requirements.

☐ of skilled trainers leading to poor training outcomes.

☐ Inability of poor to afford training programme.

• Way Forward

☐ Documenting good practices and replicating them in other places like adopting PPP based model.

☐ Use of Aadhar for tracking beneficiary both at pre placement and post placement stage

21. WOMEN IN AGRICULTURE

• What is the Problem?

☐ Women constitute about 65% of all agricultural workers and about 74% of the rural workforce. Yet, despite their hard labour in the field, women are not officially counted as farmers because they do not have a claim to land under their name in official records.

☐ Nearly three-quarters of rural women in India depend on land for a livelihood compared to about 60 percent of rural men, as lower farm incomes push many men to the cities for jobs.

☐ According to NSSO report, women lead almost 18% agricultural households and there is not a single area of agriculture in which they are not involved.

☐ As many as 87 per cent of women do not own their land primarily because of 2 reasons-

o Land, a state subject, is not governed by a constitutional uniform law that applies equally to all citizens, which tend to discriminate against women when it comes to land inheritance.

o The cultural aspect of the deep-rooted biases that hinder women's ownership of land in patriarchal societies cannot be discounted.

☐ Further, Indian farmers, both men and women, face an uphill battle even in terms of leasing land.

Despite restricting tenancy nearly 35 per cent of India's agricultural land is cultivated by tenant

☐ farmers who tend to be landless, poor and marginal.

• **Feminization of Agriculture** reflects the shift in the gender roles in the agriculture. Where earlier the image of agriculture or an agricultural farmer was associated deeply with men, in today's India, the image has been feminized due to increasing number of female workers in the agriculture sector.

• Reasons behind Feminization of Agriculture

☐ Male Migration- Increasingly there has been a need for men to find better avenues for income for the sustenance of their family. Urban centres have been seen as providing lucrative job opportunities for them. Men from rural areas migrate to cities seeking a means for regular income leaving behind the agricultural chores to women.

☐ Low level of Skills- The women in turn face various handicaps and problems while operating agricultural chores such as low level of

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agricultural skills, lack knowledge to improve productivity thereby entering into a vicious cycle of poverty.

☐ Lack of Property Rights Given the social and religious set up in India, women do not generally enjoy equal property rights as their male counterparts. The property related rules and rights are governed by the religious laws which are inherently unequal.

☐ Lack of Bargaining power to women- Due to lack of property rights, women are generally not given the land rights in their name. Because of this, women lack bargaining power in the family as against the property holding male member. Also, due to low level of skills, they work much longer hours than men and are paid lesser than their counterpart.

☐ Also, their ignorance about their rights, opportunities and facilities make their participation in agricultural all the more tough.

• Discriminating Inheritance laws

☐ Property rights can be a complex web of national and state laws, customs, traditions, and histories that vary from country to country, even town to town.

☐ Even when the laws offer equal protection, sometimes traditions and customs take over, especially in rural areas.

☐ For instance, under the Indian Succession Act 1925, the daughter of a person dying intestate would be entitled only to one-fourth of the son's share, or Rs. 5,000/-, whichever is lesser, this amount is also termed as Streedhan and this entitlement excludes the women from any further right in seeking a proper division of the properties of the deceased.

• Importance of providing land ownership rights

☐ Female farmers should be provided with the three critical driving factors — the incentive, the security, as well as the opportunity — to invest in the land they harvest. Raising voice for female farmers, platforms like MAKAAAM have already been established.

☐ Many studies have shown that women have a greater propensity to use their income for the needs of their households. Land-owning women's offspring thus receive better education and nourishment. Therefore, it can be a win-win situation for farmer, her family and overall society.

☐ The wiping away of the debilitating feelings of insecurity and vulnerability for rural women can prevent physical and emotional abuse that they face. The chance of propertied women being physically abused is reduced from 49 per cent to 7 per cent due to an increase in the women's bargaining power. This suits the society's overall goal for women empowerment.

☐ Such a framework is in sync with the goals 2 and 5 of SDGs. The SDGs recognize the importance of property rights for women, especially in rural areas. It has set goals so that

- o All men and women have equal rights to ownership and control over land by 2030; and
- o The agricultural productivity and incomes of small-scale food producers, especially women can be doubled.

• Steps Taken

☐ Earmarking at least 30% of the budget allocation for women beneficiaries in all ongoing schemes/ programmes and development activities.

☐ Focusing on women selfhelp group (SHG) to connect them to micro-credit through capacity building activities and to provide information and ensuring their representation in different decision-making bodies.

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☐ The Ministry of Agriculture and Farmers Welfare decided to celebrate 15th October of every year as Women Farmer's Day.

- **MAKAAM, or Mahila Kisan Adhikaar Manch** (Forum for Women Farmers' Rights) is a nationwide informal forum of more than 120 individuals and organisations of farming women, of women farmers' collectives, civil society organisations, researchers and activists, drawn from 24 states of India, to secure due recognition and rights of women farmers in India.

- **Way Forward**

☐ Given the increasing feminization in agriculture, it becomes imperative to give women their due property rights which will have a widespread impact on improving various social factors.

☐ Giving agency to women farmers is critical in realising these outcomes as it would provide them security and would further incentivize the whole process of agriculture. It all may begin with creating a new image for the "Indian farmer".

22. NATIONAL AGRICULTURAL HIGHER EDUCATION PROJECT

- The National Agricultural Higher Education Project has been formulated by the ICAR in partnership with the World Bank with a focus to improve and sustain quality of higher education.

- **Need**

☐ The present infrastructure of agricultural education in the country is not competent enough to be at par with global standards.

☐ Lack of convergence between ICAR and SAUs (State Agricultural Universities)

☐ Non-committal faculty and ill-equipped institutions.

☐ Paucity of funds

☐ Agriculture being a state subject tends to be neglected by most states.

towards agricultural education due to low returns and limited career opportunities.

- **About the Project**

☐ The project has been launched for a period of four years with 50:50 cost sharing basis with the World Bank.

☐ All statutory agricultural universities, deemed to be Universities and Agricultural faculty of Central Universities are eligible to participate in this project.

☐ It will focus on raising the standards of teaching and learning through faculty and student development programmes, infrastructure, state of the art laboratories, industry linkage, alumni network, career development etc.

☐ Its project has three major components:

1. Support to Agricultural Universities
2. Investments in ICAR for Leadership in Agricultural Higher Education
3. Project Management and Learning

- **Other Government Initiatives**

☐ **ARYA:** The GOI launched ARYA – "Attaining and Retaining Youth in Agriculture" in 2015 with the objective for entrepreneurial development of Youth in Rural Areas to take up various Agriculture, allied and service sector enterprises for sustainable income and gainful employment.

☐ **Pandit Deendayal Upadhyay Unnat Krishi Shiksha Scheme:** It was launched in 2016 under which 100 new centres were opened up for agricultural education.

☐ The GOI has also opened up various research institutions, colleges in order to boost agricultural education such as Indian Agricultural Institute (IARI) in Assam

23. DISINVESTMENT

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- Recently, a high-powered Committee has been set up to expedite strategic disinvestment of state-owned companies.
- Earlier government had approved disinvestment in NHPC, Coal India, and ONGC.

- **More on News**

☐ Cabinet Committee on Economic Affairs proposed an Alternative Mechanism (AM) consisting of the Finance Minister, Minister for Road Transport & Highways and Minister of Administrative Department to decide on the sale from the stage of inviting of Express of Interests (Eols) till inviting of financial bid.

☐ The new mechanism will empower the core group of secretaries on disinvestment (CGD) to take policy decisions on procedural issues.

- **Methods of Disinvestment**

☐ Stock market: Initial Public Offering (IPO), Further Public Offering (FPO), and Offer for sale (OFS) offer are such methods through the stock markets.

☐ Institutional Placement Program (IPP) only Institutions can participate in the offering.

☐ CPSE Exchange Traded Fund (ETF) Disinvestment through ETF route allows simultaneous sale of government stake in various CPSEs across diverse sectors through single offering. It provides a mechanism to monetize its shareholding in those CPSEs which form part of the ETF basket.

☐ **Strategic Disinvestment:**

1. It is the sale of substantial portion of the Government shareholding of a central public sector enterprise (CPSE) of up to 50%, or such higher percentage along with transfer of management control.
2. It intended for efficient management of Government investment in CPSEs. Various programmes like addressing issues such as capital restructuring, dividend, bonus shares, made as part of this policy.

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What is Disinvestment?

- ☐ Disinvestment or divestiture refers to the government selling or liquidating its assets or stakes in PSE (public sector enterprise).
- ☐ The Department for investment and public asset management (DIPAM) under Ministry of finance is the nodal agency for disinvestment
- ☐ It is done when a PSU starts incurring the loss of exchequer.
- ☐ Disinvestment proceeds can help the government fund its fiscal deficit.
- ☐ The budget 2017-18 has set a goal of ₹ 72,500 crore from disinvestment in various PSUs. **Disinvestment in India**

The new economic policy 1991 indicated that PSUs had shown a very negative rate of return on capital employed due to;

- ☐ Subsidized price policy of public sector undertakings.
- ☐ Under-utilisation of capacity
- ☐ Problems related to planning and construction of projects.
- ☐ Problems of labour, personnel and management and lack of autonomy in this direction, the Government adopted the 'Disinvestment Policy' with main objectives;
- ☐ To reduce the financial burden on the Government by improve public finances
- ☐ To introduce, competition and market discipline by encourage wider share of ownership

Rangarajan Committee 1993, recommended the reduced in government equity up to 49 per cent in case of six the industries i.e. coal and lignite, mineral oils, arms ammunitions and defense equipment, atomic energy, radioactive minerals and railway transport.

Disinvestment Commission (1996) under GV Ramakrishna identified 58 CPSUs for purpose of disinvestment and suggested that the long term disinvest policy should stress that on minimizing budgetary support to unprofitable PSUs.

National Investment Fund (NIF)

Centre Public Sector Enterprises were to be channelized in this fund.

- ☐ 75% of the fund will be used in social sector schemes while 25% is to be utilized in the revival of PSUs.
- ☐ This rule was relaxed during global economic slowdown and the govt. approved 100% NIF income utilization for social sector from 2009 to 2013.

☐ It was created in 2000

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Disinvestment: Arguments in Favour and Against

Against

- ☐ It is against the socialist ideology of equal distribution of resources amongst the population.
- ☐ It will lead to monopoly and oligopolistic practices by corporates.
- ☐ Proceedings of disinvestment had been used to cater the fiscal deficit of the state which would lead unhealthy fiscal consolidation.
- ☐ Private ownership does not guarantee the efficiency (Rangarajan Committee 1993).
- ☐ Disinvestment exercise had been done by undervaluation of public assets and favouritism bidding, thereby, leading to loss of public exchequers.
- developmental region disparity in order to cut the cost of operation.

Favour

- ☐ Trade unionism and political interference often lead to halting of PSUs projects thereby hampering the efficiency in long run.
- ☐ Problem of disguised unemployment and outdated skill in PSUs employee are the major cause of inefficiency.
- ☐ Private prayers work out of Red Tapism bureaucratic mentality and focus on performance-driven culture and effectiveness (Disinvestment Commission 1996).
- bidding leads to competition in private sectors to participate in PSUs.
- ☐ Moreover, it ensuring that product service portfolio remains contemporary by developing/acquiring technology.

24. FINANCIAL DATA MANAGEMENT CENTRE

- The Law Ministry has approved a revised Cabinet proposal on the creation of the

Financial Data Management Centre (FDMC) that would subsequently collect raw data directly from various financial regulators.

• Need

- ☐ Such a data repository would serve to assist the Financial Stability and Development Council (FSDC) in conducting research on systemic risk and system-wide trends, and facilitate a discussion about policy alternatives between the members of the FSDC

• What is it?

- ☐ Creation of FDMC under the aegis of FSDC was first mooted by a committee headed by Ajay Tyagi. The same was echoed by the Finance Minister in Budget 2017-18.
- ☐ FDMC and the regulators are to “enter into agreement” for flow of data, “stringent confidentiality norms” to ensure the same level of protection as provided by various acts applicable to the regulators and guarantees that the “data centre is at all times kept secure and effectively protected”.
- ☐ Establishment of FDMC would require amendments in the RBI Act, Banking Regulation Act and the Payment and Settlement Systems Act as their confidentiality clauses do not allow access to raw data.

• Why Statutory Body?

- ☐ Initially FDMC was to be a non-statutory body. However, the department of Legal Affairs turned down the proposal citing that it would be difficult for FDMC to collect data from other statutory bodies.
- information with a non-statutory body as it would mean breach of confidentiality.

25. NEW METRO RAIL POLICY 2016

- Recently, the Union Cabinet approved the New Metro Rail Policy which focuses on

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compact urban development, cost reduction and multi-modal integration.

• Highlights of New Metro Rail Policy

☐ The policy makes PPP (Public Private Partnership) component mandatory for availing central assistance for new metro projects.

☐ The three broad PPP models detailed in the policy include;

1. Constructing new Metro Rail systems through the Design-Build-Finance-Operate-Transfer mode,
2. Allowing private players to operate the service as well as supply rolling stock.
3. Involving them in the maintenance and upgrade of infrastructure.

☐ The new policy mandate Transit Oriented Development (TOD) to promote compact and dense urban development along metro corridors.

☐ New metro projects will be approved in line with global best practices, on the basis of 'Economic Internal Rate of Return of 14%', a change from the existing 'Financial Internal Rate of Return of 8%.

☐ Under the policy, states will get powers to make rules and regulations and set up permanent fare fixation authorities.

☐ States would also be required to enable low-cost debt capital through issuance of corporate bonds.

☐ It provides for rigorous assessment of new metro proposals by an independent third party.

☐ It requires the authority to take measures for commercial property development generate maximum non-fare revenue through advertisements, lease of space.

☐ The policy also makes it mandatory for state governments to set up a statutory body called as Unified Metropolitan Transport Authority.

☐ The new policy entails the States to charge a "betterment levy" in areas that will benefit from the metro rail projects.

☐ The policy envisages private sector participation in operations and managements (O&M) of metro services in different ways. These include;

o Cost plus fee contract: Private operator is paid a monthly/annual payment for O&M of system. This can have a fixed and variable component depending on the quality of service. Operational and revenue risk is borne by the owner.

o Gross Cost Contract: Private operator is paid a fixed sum for the duration of the contract. Operator to bear the O&M risk while the owner bears the revenue risk.

o Net Cost Contract: Operator collects the complete revenue generated for the services provided. If revenue generation is below the O&M cost, the owner may agree to compensate.

• Benefits of Policy

☐ It will help in meeting the metro rail aspirations of various cities and help in realising the objective of National Urban Transportation Policy 2006.

☐ The policy will boost the Make in India Initiative and infrastructure led growth paradigm for India.

☐ It envisions Transit Oriented Development to promote compact and dense urban development along metro corridors infrastructure, which would ease the mobility related problems of urban cities.

☐ The policy will help in expansion of Public Private Partnership led growth which would boost the investor confidence in transport infrastructure.

• Limitations of the Policy

☐ Various transport economists are on the opinion that construction of Metro rail would not be a profitable investment because private players will look at least 12-15% return while no Metro project

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has ever yielded an investment return of over 2-3%.

□ Earlier, PPP model for metro rail had not yield the intended returns, for instance, Mumbai, Hyderabad and airport line of Delhi metro had faced the disputes in operations.

□ The policy is intended to reduce the role of Centre in financing the state for the projects however, states are already having limited source of revenue generations. The provision of betterment levy will not yield the intended returns.

□ In absence of central government guarantee, securing the bilateral loans would be difficult for the private players.

□ Moreover, proposal of floating the government bonds would not attract substantial buyer for such huge investment.

National Urban Transportation Policy 2006

Policy: envisages safe, affordable, quick, comfortable, reliable and sustainable urban transport systems, establishment of quality focused multi-modal public transport systems. It recognizes that people occupy centre-stage in our cities and all plans would be for their common benefit and well-being. Poor mobility can become a major dampener to economic growth and cause the quality of life to deteriorate. **Policy is at the core of Jawaharlal National Urban Renewable mission.**

Objectives of the Policy: Urban transportation as an important parameter at the urban planning stage rather than being a consequential requirement. Enabling the establishment of quality focused multi-modal public transport systems that are well integrated, providing seamless travel across modes.

Transit Oriented Development is the creation of compact, walkable, pedestrian-oriented, mixed-use communities cantered around high-quality

train systems. This makes it possible to live a lower-stress life without complete dependence on a car for mobility and survival.

Economic Internal Rate of Return (EIRR) IRR is defined as the rate at which net present value of an investment project is equal to zero.

If $IRR > \text{required rate of return}$ the project should be accepted.

EIRR differs from the financial rate of return in that it takes into account the effects of factors such as price controls, subsidies, and tax breaks to compute the actual cost the project to the economy

26. AAJEEVIKA GRAMEEN EXPRESS YOJANA (AGEY)

- The Government of India has decided to launch a new sub-scheme named "Aajeevika Grameen Express Yojana (AGEY)" as part of the Deendayal Antyodaya Yojana – National Rural Livelihoods Mission (DAY-NRLM).
- Deen Dayal Antyodaya Yojana (DAY) with an aim to uplift the urban poor folks by enhancing sustainable livelihood opportunities through skill development. It was launched under the Ministry of Housing and Urban Poverty Alleviation (HUPA). The scheme is integration of the National Urban Livelihoods Mission (NULM) and National Rural Livelihoods Mission (NRLM). The financial support under the programme is mainly in the form of Revolving Fund and Community Investment Funds, given as grants to the Self-Help Groups (SHGs) and their federations.

• Important Provisions

- The SHGs under DAY-NRLM will operate road transport service in backward areas which

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will help to provide safe, affordable and community monitored rural transport services to connect remote villages with key services and amenities (such as access to markets, education and health) for the overall economic development of backward rural areas.

☐ This will provide an additional avenue of livelihood for SHGs.

☐ The Community Investment Fund (CIF) provided to Community Based Organization (CBOs) under DAY-NRLM will be utilized to support the SHG members in this new livelihood's initiative.

☐ The beneficiary SHG member will be provided an interest free loan by the CBO from its Community Investment Fund upto Rs.6.50 lakh for purchase of the vehicle.

☐ Or the CBO can own the vehicle and lease it to an SHG member to operate the vehicle and pay lease rental to the CBO.

☐ AGEY will be initially implemented in 250 Blocks in the country on pilot basis with each Block provided upto 6 vehicles to operate the transport services.

☐ Backwardness, lack of transportation links and sustainability of service would be the guiding factors in the selection of Blocks and routes. Besides this the Blocks will be selected by States where NRLM is being implemented intensively and where mature CBOs are already functioning.

☐ The feasibility survey for the identification of routes and number of services required will be done by the State Rural Livelihood Missions (SRLMs).

☐ The SHG member shall run the vehicle on approved routes at pre-determined frequency as agreed by the CBO and the SHG operator based on financial viability and the need for transport link.

☐ The vehicles under this scheme will have a certain colour coding and will carry AGEY branding to ensure their identity and avoid diversion to other routes.

- Way Forward: It is expected to provide safe, affordable and community monitored rural transport services like e-rickshaws, 3 and 4-wheeler motorised transport vehicles to connect remote villages with key services and amenities including access to markets, education and health for the overall economic development of the area, through this scheme.

27. E-SHAKTI INITIATIVE OF NABARD

- Recently NABARD has launched e-Shakti initiative for digitisation of Self-Help Groups (SHGs).

• **Background**

☐ Self Help Groups are small voluntary association of people preferably from same background for women upliftment and welfare through providing micro-finance.

☐ However, due to high level of illiteracy among members of SHGs the maintenance of accounts and book keeping becomes difficult. Therefore, the need for digitisation of records of SHGs was felt.

• **e-Shakti Initiative**

☐ It is an initiative launched by the Micro Credit and Innovation Department of NABARD in line with the Digital India drive.

☐ Project aims to

- o Integrate SHG members with national financial inclusion agenda
- o Improve quality of interface between SHGs and Banks
- o Facilitate delivery service convergence through Aadhaar linked identity

☐ The pro

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o E-book keeping and regular updates of transactional data

o Auto generation of loan application for bankers on input by SHGs.

• Advantages of e-Shakti Initiative

- ☐ Helps the SHG members to access credit based on their real time performance
- ☐ Reduces saving-credit linkage gap
- ☐ Promotes transparency through real time SMS alerts
- ☐ Aided convergence with government schemes.

• Way Ahead

- ☐ SHG members should be provided training so that the transition to e-Shakti initiative is seamless.
- ☐ The internet connectivity in the rural areas may pose a challenge to effective implementation of the initiative. Therefore, Digital India mission should be implemented at a faster pace.

28. DRAFT PHARMACEUTICAL POLICY 2017

- The draft policy has been released by the Department of Pharmaceuticals.
- **Key facts related to Indian Pharma Sector**

- ☐ It is the world's third-largest pharmaceutical market globally in terms of volume
- ☐ The export growth in 2016-17 witnessed a marginal fall of 0.6%
- ☐ India is the largest supplier of generic medicines to the world accounting for 20% of global exports in terms of volume
- ☐ 100% FDI is allowed under the automatic route for greenfield pharma
- ☐ 100% FDI is allowed for brownfield pharma but beyond 74% government approval is required.

• Key provisions

- ☐ Emphasis on domestic Active Pharmaceutical Ingredient (API) manufacturing: by giving

incentives for sourcing of locally made API/ingredients such as higher tariffs on imported APIs especially which can be indigenously manufactured, exemptions from price control, preference in government procurement, setting up mega bulk drug parks, providing adequate logistics and timely clearances to set up plants etc.

☐ Quality control in manufacturing units – through adoption of World Health Organisation (WHO) quality standards, annual audit by 3rd party inspectors and mandatory self-certification for Bio-Availability and Bio Equivalence Tests (BA/BE tests) for all drug manufacturing permissions.

☐ Pricing control – through rationalized trade margins, besides allowing new distribution channels like e-pharmacies which will cut channel costs etc.

☐ Encourage generic medicines - All public procurement to be done on the basis of the generic/salt name. Brand names will be allowed only in case of patented drugs & FDCs (Fixed Dosage Combinations).

☐ Conditions for inbound Brownfield M&A - transfer of technology, expenditure on R&D, continuing of manufacturing of NLEM (National List of Essential Medicines) drug as key considerations of M&As.

☐ Phase out 'loan licensing' practice – as it raises many quality maintenance and assurance issues. Exception is given biopharmaceuticals where India is at a relatively nascent stage. All others allowed up to only 10% of total production of the

☐ 100% FDI is allowed for company and from a WHO-approved manufacturing unit.

☐ Timely approvals - all new drug applications will be decided within 3 months, by either the State/Central regulators. For delays (extendable by

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3 months) reasons must be detailed in writing to the applicant.

☐ Ending unethical marketing practices - by making the voluntary code for marketing a mandatory requirement, prescribing rules for branding drugs, assigning agency for its implementation, penalising for violations such as ban or confiscation of all packets of the highest selling brand of drugs by that company etc.

☐ Amending powers of National Pharmaceutical Pricing Authority (NPPA) – by following measures

- o Allowing it to regulate only Essential Medicines. Thus, it would lose the powers to fix prices of patented medicines and to invoke extraordinary circumstances to regulate other medicines and medical devices
- o It is to be strengthened by an Advisory Board, which will have experts from relevant disciplines to help NPPA to carry out its price-related functions. NPPA is required to assign reasons in writing for modifying or rejecting its recommendations.

- o Appeal against NPPA decision will lie with the government while appeal against government's decision will lie with judiciary

- o Greater oversight on NPPA by review of all its decisions. At present, orders passed under paragraph 19 gives NPPA “extraordinary powers” and these cannot be reviewed.

- o Schedule 1 of the DPCO (Drug Price Control Order) to contain only the medicine name without reference to its dosage form or strength thus bringing all strengths under price cap and going towards one-drug one-brand name-one-price

☐ Compulsory provision of static bar code containing price information on drugs will be enforced to enable computerised billing.

☐ Proposal for e-prescriptions to enable doctors to prescribe generic names without any hassle.

• Issues

☐ Discontinuing loan licensing or third-party manufacturing would be negative for the industry as almost 4050% of local drugs are sourced through it. It would also create excess un-utilised capacity.

☐ It doesn't explicitly say that doctors will have to compulsorily prescribe medicines by their generic names. Also, there are concerns over the efficacy, safety and effectiveness of some generic drugs because they do not undergo BA/BE studies.

☐ It may hurt patients by compromising availability of good quality medicines due to reduced competition and increased challenges in the manufacturing of such medicines at prevailing prices

☐ It favors large pharma companies over smaller firms due to requirement of adherence to relatively high standards of manufacturing and marketing practices

☐ Capping trade margins would leave same margins for all types of drugs quality. Thus, favoring low quality

☐ It is alleged that the department of pharmaceuticals (DoP) did not follow a “transparent” procedure in drafting the policy as it had not interacted with public health groups and limited its discussions with stakeholders to the pharma industry.

☐ While India has about 2,500 pharmacopeial salts, it has “60,000 brand names with varying prices”. Thus, rather than enforcing “one-drug-one-brand name-one-price” it would be better to ensure all medicine conform to certain standards.

• Positive impact

☐ Patient friendly as it aims to provide quality medicines to patients at affordable prices. It will reduce out of pocket expenses which is 65% of medical costs.

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☐ It would eventually reduce the footprint of the unorganized sector or the smaller companies and would lead to consolidation.

☐ Ending unethical marketing practices would also lead to reduction in the overhead cost of the drugs.

☐ Opportunities in the e-pharmacy sector hold potential for attracting Foreign Direct Investment

29. INDIA MARITIME TRADE

- Chamber of Commerce and Industry stated that Imports from Africa are likely to increase to \$47 billion by 2021-22 from \$27 billion in 2015-16.

• **Background**

☐ Economic Survey 2016-17 stated that, nearly 95% of trade by volume and 68% by Value of the country's international trade is carried on through maritime transport.

☐ However, global maritime freight rate shows downward trend which is further pushing the fleet utilisation toward deflationary pressure.

• **Marine Trade and Port Infrastructure**

☐ Public Private Partnership Policy 2011, established 10 PPP engagement model in State of Gujrat, Maharashtra, Andhra Pradesh, and Tamilnadu.

☐ Maritime Agenda 2010-20 highlighted the importance of cruise Shipping is another major initiative being mooted with Indian Shipping sector to earn valuable foreign exchange for luxury tourism which is still in infancy with a start having been made at Kochi port.

☐ Certain limitations such as first mile to last mile connectivity, huge duty on bunker fuel and absence of assures return cargo limiting the economy of marine trade industry.

☐ Jal Marg Vikas project is intended to connect hubs and feeder port to waterways, which would reduce the feeder time, retaining transshipment

faster and cheaper movement of marine side traffic.

• **Sagar Mala Project**

☐ It is a series of projects to leverage the country's coastline and inland waterways to drive industrial development. Sagarmala, integrated with the development of inland waterways, is expected to reduce cost and time for transporting goods.

☐ The four pillars strategy would focus on building 14 Coastal Economic Zone expected to increase India's merchandise exports by 110 billion by enhancing industrial competitiveness.

☐ State governments would set up State Sagarmala committees, headed by the chief minister or the minister in charge of ports. At the central level, a Sagarmala Development Company (SDC) will be set up to provide equity support to assist various special purpose vehicles (SPVs) set up for various projects.

☐ The project intended to go beyond Maritime Agenda 2020 by linking various sub-projects under Sagarmala are in sync with the Central Government's Industrial Corridors, Dedicated Freight Corridors (DFC), National Highway Development Programme (NHDP) and Special Economic Zones (SEZs).

☐ The project is focused on 360° port led development (See Box).

• **Way forward**

☐ **Rakesh Mohan Committee** stated that performance of Indian ports has generally deteriorated over the years except for a brief period from the late 1990s to the mid 2000 therefore, comprehensive reform in port infrastructure is needed.

☐ Moreover, development of coastal shipping as an end-to-end supply chain, integration of Inland Water Transportation, coastal route development

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of regional centre to generate cargo for coastal traffic, development of lighthouse tourism can boost the growth of marine trade economy.

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