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

December 2017

1. **Hong Kong May Emerge as New FII Hotspot**
    - Global financial hub Hong Kong is likely to emerge as the new gateway for overseas investors looking to invest in India, pipping traditional destinations such as Singapore and Mauritius. As recently, India and Hong Kong have agreed on a new double-tax avoidance agreement (DTAA), which is likely to be notified soon.
    - The terms of the agreement provide investments from Hong Kong privileges on a par with Singapore and Mauritius. But unlike the latter two, compliance with the tax avoidance laws is easy for funds coming from Hong Kong as a majority of them already have a proper business setup in the jurisdiction.
    - The estimates suggest close to half of the inflows coming into India are domiciled in Hong Kong. But due to the absence of any tax arrangement they route their trades from a different jurisdiction.
    - **Possible Impact**

☐ New source for foreign investment: This new treaty will provide a boost for investments coming from Hong Kong. Thus, provide a new source for foreign investment in India.

☐ Win-win situation for investors: The new treaty will be a win-win situation for investors as the investors will no longer be required to create special purpose vehicles (SPVs) via other jurisdictions such as Mauritius to invest in India.

☐ Win-win situation for government: Having a tax agreement with Hong Kong would be welcome for Indian tax authorities as it cultivates more information sharing between both the governments.

☐ Easier compliance of GAAR and OECD regulations: Further, the Asian operations of a majority of foreign institutional investors (FIIs) are headquartered in Hong Kong. Hence, they have a proper setup with employees and offices in Hong Kong. This could make compliance with anti-avoidance laws such as General Anti Avoidance Rules (GAAR) and OECD Multilateral Instruments easier.

- Final Words Going by the current government's track record, FIIs have come to terms with the reality that there will be no tax havens. Even if there are any loopholes in any of the agreements, the Indian government will plug them. Further, India has become an important market for FIIs these days and hence tax arbitrage is not their priority any longer.

2. **Foreign Trade Policy: More Incentives for Exports, Focus On Ease Of Trading**

- In the mid-term review of the foreign trade policy the government has unveiled several initiatives to improve the ease of doing business.
- Commerce Ministry also unveiled more incentives to boost labor-intensive and employment-oriented merchandise and services exports in the mid-term review of the Foreign Trade Policy 2015-20. The annual incentive increased by 33.8 per cent or Rs 8,450 crore.
- **New Announcement**

☐ **MEIS incentives:** The Commerce Department announced an increase in the Merchandise Exports from India scheme (MEIS) incentives for two sub sectors of textiles i.e. readymade garments and made ups from 2 per cent to 4 per cent.

☐ **SEIS incentives:** The Services Exports from India Scheme (SEIS) incentives have also been increased by 2 percentage points amounting to Rs 1140 crore.

☐ Duty credit scrip: MEIS and SEIS provide incentive in the form of duty credit scrip to the exporter to compensate for his loss on payment of duties. The Commerce Department now has abolished the GST for transfer and sale of these scrips to zero from 12 per cent and increased the validity period for these tradable papers to 24 months from 18 months.

☐ **Agriculture products:** The mid-term review also advocated focusing on increasing exports of value-added agriculture products in the long term. And also called for creating cold chain and transport logistics infrastructure, promoting the export of organic products and setting up an organic export certification authority.

☐ **Trust-based self-ratification scheme**: Government has introduced 'trust-based self-ratification scheme' that allows duty free import of inputs for exports production after a self-declaration as against earlier exercise of getting ratification from the norms committee first. This will help reduce the turnaround time in sectors such as pharmaceuticals, chemicals, textiles, and engineering.

☐ **Round the clock customs clearance:** The round the clock customs clearance facility has been extended at 19 seaports and 17 air cargo complexes.

☐ **Creation of professional teams for ease of trading:** To improve the ease of trading, the mid-term policy has envisaged the creation of professional teams to handhold, assist, and support exporters with their problems, accessing export markets, and meeting regulatory requirements. It has also called for reducing the dwell time at inland container depots, ports, and airports through coordination among the customs and infrastructure ministries.

☐ **Institutions:** A National Trade Facilitation Committee will be set up which will cover issues such as simplification of procedures, infrastructure and risk-based assessment. The FTP also sought to establish an Export Promotion Mission to provide an institutional framework to work with state governments to boost India's exports.

☐ **Other institutions**: A state-of-the-art Trade Analytics Division has been set up in the Directorate General of Foreign Trade for data-based policy actions. The initiative envisages processing trade information for specific policy interventions. Besides, a new Logistics Division has been created in Department of Commerce to develop and coordinate integrated development of the logistics sector.

- **Positive Impact**

☐ Boost labour intensive sectors: The revised policy will boost labour intensive sectors such as leather, handicraft, carpets agriculture, marine, electronic components.

☐ Increasing overall exports: The 2% increase in the MEIS rates granted in the FTP mid-term review would provide the much-needed respite to these sectors as they were facing intense competition from other countries thus increasing overall exports.

☐ Reduction in clearance time:

The trust-based self-ratification scheme will significantly reduce the time taken in getting the clearances from the norms committee for duty-free procurement. With this step the exporters can self-certify the requirement of duty-free inputs and take authorisation from the DGFT (Directorate General of Foreign Trade).

☐ **Two-pronged strategy:** The two-pronged strategy adopted by the government in its FTP mid-term review to promote new and sunrise sectors along with employment intensive segments will help in creation of more jobs as well as enter new areas of exports Challenges

☐ Export target: The policy did not say much on achieving the target of $900-billion exports by 2020, which is currently facing the export slowdown.

☐ Does not solve long term issues related to exports: The increased incentive under MEIS and SEIS will only provide temporary relief to exporters and boost competitiveness in the short term but larger issues like infrastructure inadequacy, logistics, and skilling are still to be addressed.

☐ Misdirected sops for export: Moreover, more than sops exports need lower transaction costs, less red tape in clearances, efficient and functional infrastructure and rational labour laws.

☐ Poor ease in trade facilitation: The country's performance in cross border trade as per the World Bank Ease of Doing Business report is poor, calling for vast improvements in trade facilitation.

☐ Del

delays in refunds that resulted in a working capital crunch for exporters following the adoption of the goods and services tax. Thus, export fell in last 8 months.

☐ Not taking a holistic picture of agricultural sector: Just focusing on the export of value-added agriculture commodities may not directly benefit farmers rather promoting the export of farm products would do the same. Hence besides value added products a reasonable and stable policy for agriculture exports should be for raw farm products as well.

3. <u>GST Council Clears E-way Bill Mechanism</u>

- The GST Council has decided to go for early implementation of e-way bill for interstate movement of goods from February 1 and uniform mandatory roll out from 1st June 2018.
- An e-way bill is required for movement of goods worth over Rs. 50000. When goods are transported for less than 10 km within a state, the supplier or the transporter need not furnish details on the GST portal.
- Over 150 items of common use including LPG cylinders, vegetables, food grain and jewellery will be exempt from such transport permits, which can be checked by designated tax officials

by intercepting a transporting vehicle. Goods moved on non-motorized conveyance such as carts have been left out.

- Unlike earlier when only an invoice was generated on cargo transportation, the e-way bill marries the cargo and its vehicle. This means each vehicle number has to be registered with the GST network and a new bill is generated every time the vehicle is changed.

- **Positives**

☐ Removal of undue hardship: Currently, the States are authorised to carry their own separate e-way bill systems. However, it was causing undue hardship in the inter-state movement of goods. Therefore, bringing in an early all-India system of e-way bill has become a necessity.

☐ Plug tax evasion: The e-way bill mechanism has been introduced in the GST regime to plug tax evasion loopholes, as it will enable the government to track tax evasion far better. Tax evasion was one of the reasons cited by the government for a fall in GST revenue collection in October that stood at Rs. 83346 crores lowest since the implementation of GST.

☐ Check the correctness of input tax credit and refund claims: Moreover, in the absence of the GSTR1, GSTR2 and GSTR3 forms, which are now not required to be uploaded, the system is unable to match invoices to check whether the input credit and refunds being claimed by companies are correct or overstated.

- **Negatives**

☐ Practical difficulty: Given the India's road conditions and the unorganised nature of the country's transportation industry will make compliance complex. For instance, generating a fresh bill online may be impossible if a vehicle breaks down in the middle of a highway far from Internet connectivity. Similarly, there is a time bound validity of the bill that is much shorter than the earlier bill and if a vehicle breaks down in the middle or has to be repaired a new bill cannot be generated and the current one may lose its validity.

☐ Complicate the supply chain: GST compliance process is still in the process of getting streamlined and implementing e-way bill at this juncture will further complicate the supply chain of most companies.

☐ Setback to the development of compliance module: Given that the GSTN portal is still not functional to add another process to it may further set back the development of the compliance modules.

☐ Mo

Council's decision to use the E-way bill to fix the leakage is a bad idea. Already taxpayers are struggling with the new system and increasing compliance at this point will be counter-productive.

☐ Harassment: An E-way bill is bound to open up room for harassment by state government officials i.e. stopping trucks at border posts may have gone but trucks can now be stopped anywhere.

☐ Very less time to adapt: The bill will be introduced on a trial basis in the middle of January which means logistic companies will get less than two weeks to adapt to it before its implementation in the beginning of February.

- **Way Forward**

☐ Plugging revenue leakages is essential and encouragingly Karnataka's e-way bill experience in the first month saw very few glitches. Given industry's nervousness the government must simplify the onerous rules proposed for e-way bills (a one-day validity for distances up to 100 km, for instance), ensure that the IT backbone is robust and make inspections the exception not the norm.

☐ Moreover, the other reason for lower than expected number of returns filed is that the IT system isn't up to speed and that the GST procedures were too complicated and the tax slabs too many. This too also need to be resolved.

4. **Government to Expand BPO Subsidy Scheme**
   - The Ministry of electronics and IT (MeitY) is in favour of expanding its BPO promotion scheme, which aims to set up BPOs in small towns and rural areas. The strategy is to cover more non-metro towns and even villages.
   - Since the present subsidy amount is available till March 2019 with the response from companies being very optimistic, MeitY is planning to move a proposal to Finance Ministry for increasing the fund allocation.
   - **BPO Promotion Scheme**

☐ Viability gap funding: Under this initiative the government provides a subsidy of up to Rs 1 lakh per seat in the form of viability gap funding (VGF) to companies setting up BPOs in small towns (tier II or tier III town). Disbursement of the funding is linked to employment generation. A similar scheme is for the Northeast India in the form of North East BPO Promotion Scheme (NEBPS).

☐ Other provisions: The scheme also allows for subsidy on operational expenditure and lease and rent of space instead of just on outright purchases in capital expenditure. The scheme also provides for relaxation of norms for bank guarantee. The ministry has also waived off the limit of only one third seats for one company in each location to provide more flexibility.

☐ Fund allocation: Currently, MeitY has earmarked Rs 493 crore for IBPS and an additional Rs 50 crore for NEBPS.

☐ Seat allocation: A total of 48300 seats for IBPS and 5000 for NEBPS have to be allocated based on population in the states. Of this, after rounds of open bidding, 18160 seats have been allocated.

- **Expected Benefits**

☐ Employment generation: It expects this would provide direct employment to around 1.45 lakh persons considering three shifts operations.

☐ Gender employment equity: The scheme will also lead to greater participation of women particularly housewives. Thus, improve gender employment equity.

☐ Disperse the growth benefits: BPOs have come up in towns such as Bhaderwah, Budgam, Sopore, Wardha, Kanpur, Varanasi, Bareilly and Raipur. Thus, will disperse the benefits of growth.

☐ Make India competitive on world forum: These locations will compete with BPOs in countries like Ireland, Vietnam and Philippines as in the future there will be demand for BPOs catering to specific regions and languages. Moreover, BPOs in small towns or even rural areas may help India retain its cost arbitrage as many BPOs have already migrated its voice processes to cheaper countries.

5. **First Employment Policy in Budget 2018 On Cards**
   - India will soon have its first National Employment Policy (NEP) that will outline a comprehensive road map for creation of quality jobs across

sectors through economic, social and labour policy interventions. The move is aimed at addressing the crucial issue of job creation in the country.

- The multi-pronged employment policy will include incentives for employers to create more jobs, reforms to attract enterprises and help for medium and small-scale industries that are major job providers.
- **Positive Impact**

☐ Resolve twin issue: The idea is to address the twin issues of providing quality jobs to over 10 million youth being added to the country's workforce every year and ensuring that more of these are created in the formal sector.

☐ Social security: Creation of more jobs in the organized sector will provide workers with minimum wages and enough social security. ☐ Poverty alleviation: The plan will also speed up job creation in sync with economic growth so that incomes rise and millions of people are lifted out of poverty.

☐ Coordinated efforts: It will ensure coordinated efforts towards resolving unemployment issue as currently employment related initiatives are scattered across different ministries.

- **Way Forward**

☐ India needs to have a flexible employment policy that protects the interest of both employer and employee. This means it has to be viable and attractive for investors and provide for a social security system for our workers.

☐ Moreover, as pointed out by the OECD 2017 survey India need to have proper employment data for assessing labor market trends and taking prompt corrective steps.

6. **<u>CONSUMER PROTECTION BILL 2018</u>**

- The Consumer Protection Bill, 2018 was introduced in the Lok Sabha. Background
- The new law seeks to replace the Consumer Protection Act (CPA) 1986 and is in line with the revised UN guidelines on consumer protection (See Box).
- **The CPA act 1986 provides:**

o Central Consumer Protection Council to promote six rights

(i) Right of Safety
(ii) Right be informed
(iii) Right to choose
(iv) Right to be heard
(v) Right to seek redressal
(vi) Right to Consumer Education.

- Grievance Mechanism: Three tier complaint redressal mechanism such as District, State and Nation Consumer Dispute Redressal Mechanism has been set-up.
- **Need for a new Consumer Protection Law**

• Several shortcomings have been noticed while administering the various provisions of the said Act. For instance, disposal of cases has not been fast due to various constraints.

• Consumer markets for goods and services have undergone drastic transformation since the enactment of the 1986 Act. The modern market place contains a plethora of products and services.

• The emergence of global supply chains, rise in international trade and the rapid development of e-commerce have led to new delivery systems for goods and services and have provided new options and opportunities for consumers whilst at the same time highlighting the need for an updated regulatory mechanism.

• Misleading advertisements, tele-marketing, multi-level marketing, direct selling and e-commerce pose new challenges to consumer protection and will require appropriate and swift executive interventions to prevent consumer detriment.

- **Important Features of the Consumer Protection Bill 2018**

• National Regulator- Central Consumer Protection Authority, will act as a national authority to regulate and prevent violation of consumer rights, and to initiate class action including enforcing recall, refund and return of products, etc.

• Product Liability Action - It envisages provisions for product liability action on account of harm caused to consumers due to a defective product or by deficiency in services against a product manufacturer, service provider or seller.

• Unfair Trade Practices - In order to prevent unfair trade practices in E-commerce and direct selling, the Bill empowers the Central Government to take measures to protect the interest and rights of consumers. Further, the bill also renders an exclusive definition of "e-commerce".

• Offences and Punishment - It provides for penalties for false or misleading advertisement (by celebrities as well), selling or distributing or importing adulterated and spurious products.

• Alternate Dispute Mechanism- has been provided by establishment of consumer mediation cell and also enumerates the procedure for mediation.

• Unfair Contract: it proves certain circumstances where contract would be termed as unfair such as payment of excessive security deposits, penalty for a breach etc.

- **Other legislative initiatives for Consumer protection in India**

• The agricultural product (Grading and Marketing) Act (AGMARK) 1937: provide certain standards of quality for agricultural produce and verifies whether certain products get marked.

• The Essential commodity Act 1955: ensure timely supply of necessary goods.

• The Bureau of India Standard Act 2016: ensure standardization, marking, certification of process of articles.

• The Real Estate Act 2016 enacted to protect the rights and interest of consumer in real estate.

7. CONTRACT FARMING

- Recently, Model Contract Farming Act was released by the government.
- **Need for contact farming in India**

• Distress Farming Situation: There is increasing stances of agitations by farmer groups in several states against plunging crop prices and demands for loan waivers.

• National Agricultural Policy envisages promotion of private participation via contract farming and land leasing arrangements.

• Poor price discovery: There is an APMC monopoly on agriculture produce and restriction on direct buying from the farmers.

• NITI Aayog observed that taxes charged by APMC for contract framing are exploitative. In this context, the Committee of State Ministers on

Agricultural Reforms recommended that contract farming should be out of the ambit of APMCs.

- **Challenges with Contract Farming**

• State reluctance: States have been reluctant to carry forward reform for the fear of loss of revenue.

• Stockholdings limits on contracted produce under Essential Commodities Act, 1955 are restrictive and discourage buyers to enter into contracts.

• Lack of uniformity or homogeneity among states law regarding kinds of produce, conditions etc. which is needed for allowing contract farming.

• Promote Regional Inequality: Currently it is practiced in agriculturally developed states (Punjab, TN etc.) while States with highest concentration of small and marginal farmers are not able to reap its benefit.

• Supply side issue: Buyers have no incentive for contract farming with a large number of small and marginal farmers (average size of landholdings in India was 1.1hectare (census 2011)) due to high transactions and marketing costs, creating socio-economic distortions and preference for large farmers.

• It's a capital-intensive and less sustainable pattern of cultivation as it promotes increasing use of fertilizers and pesticides which have detrimental impact on natural resources, environment, humans and animals.

• Encourages Monoculture Farming: This will not only impact soil health but also possesses risk of food security and import of food grains.

• It increases dependency of farmers on corporate for inputs, making them vulnerable.

• Predetermined prices can deny farmers the benefits of higher prices prevailing in market for the produce.

- **Significance**

• Private participation in Agriculture: It encourages the private sector investment in agriculture to promote new farming technology, developing infrastructure etc.

• Improving Farmers Productivity: It enhances productivity and efficiency of farming sector, by improving access to better inputs, scientific practices and credit facilities, leading to increased farmer incomes, new employment opportunity and food security at large.

• It makes farming an organised activity and help in improving quality and quantity of production.

• Insurance to post harvest losses: Predetermined prices provides an opportunity to cover post-harvest losses, if any.

• Increasing Export: It encourages farmers to grow crops required by the food-processing industry and link Indian farmers to global supply chains, particularly in high-value horticulture produce and reduce food wastage significantly.

• Consumers benefit: Increasing marketing efficiency gains, elimination of intermediaries, reduction in regulatory compliances etc. can significantly reduce artificial shortages of produce and control food price inflation.

8. FERTILIZER SECTOR

- Recently, government had stressed the need of halving the urea fertilizer consumption by 2022.
- **Fertilizer industry in India**

• India is second largest consumer of urea fertilizers after China.

• India also ranks second in the production of nitrogenous fertilizers and third in phosphatic fertilizers whereas the requirement of potash is met through imports since there are limited reserves of potash in the country.

• It is one of the eight core industries.

Issues involved: The issues in fertilizer sector involve multiple stakeholders such as:

- **Fertilizer Companies**

• Costly Feedstock- around 20 per cent of existing urea capacity still operates on either naphtha or fuel oil as feedstock which involves higher capital cost than natural gas.

• High canalisation of urea import (fertilizer companies have to import it through only three agencies such as; State Trading Corporation, MMTC and Indian Potash Ltd.) often leads to mismatch in demand and supply of urea for the industry.

- **Government**

• Fiscal state: Fertiliser accounts for large fiscal subsidies (about 0.73 lakh crore or 0.5 percent of GDP), the second highest after food and only 35% of total subsidy reaches the intended beneficiaries.

• Black Marketing: Extremely low prices of urea also lead to its diversion to non-agricultural uses as well as smuggling to neighbouring countries such as Bangladesh, Nepal.

- **Farmers/Agriculture**

• High Cost: Black marketing of fertilizer often leads to high input cost for small and marginal farmers.

• Unscientific use: underpricing of urea relative to other fertilisers, especially P&K, encourages overuse/unscientific use resulting in significant environmental degradation, including depleted soil quality.

- **Steps that can be taken**

• De-canalizing the import of urea is need of the hour which would allow fertilizer supply to respond flexibly and quickly to changes in demand.

• Secure long-term fertiliser supplies-from locations where energy prices are cheap, such as Iran following the example of the Fertiliser Ministry's joint venture in Oman.

• Rationalising the subsidies- Subsidy on different products should be fixed in a manner that the corresponding retail prices encourage farmers to use fertilisers in balanced proportion.

• Better targeting- of poor tenant farmers and sharecroppers for fertiliser subsidies on the basis of assessing poverty—based on landholdings or some other measure is need of the hour.

• Promotion of organic fertilizer- would create a win-win situation for entire spectrum of stakeholder in fertilizer sector such as; better yield to farmer's products, avoid negative impact on environment, cut down subsidies burden on government and improve fiscal prudence of economy.

- **Policy and Legislative Initiative**

• **Nutrient Based Subsidy scheme 2010:** applicable to 22 fertilizers (other than Urea) for which MRP will be decided taking into account the international and domestic prices of P&K fertilizers, exchange rate, and inventory level in the country.

• **New Urea Policy 2015:** focusses on making the domestic urea energy efficient and reducing the subsidy burden.

• **Neem Coated Urea (NCU):** mandatory 100% production of NCU, Benefit includes: o Slow down the dissolution of Urea into soil, resulting into less urea requirement. o Stop the illegal diversion of urea for non-agricultural usages such as; ingredients in chemical industry, explosives, etc.

• **Gas Pooling:** pooling of Domestic Gas with Re-Gasified LNG which is imported. This would help provide natural gas at uniform delivered price to all-natural gas grid connected Urea manufacturing plants.

• DBT in fertilizer industry: under the system, farmer's purchase of fertilizer will be recorded on the Point of Sale (PoS) machines, thereafter subsidy to companies will be released to fertilizer firms.

• Removal of minimum production criteria for manufacturers of Single Super Phosphate (SSP) making them eligible for subsidy irrespective of quantity of SSP produced and selling for agriculture purposes.

• **Soil Health Card:** Farmers can get their own customised requirement of fertiliser in order to avoid irrational use of it.

9. ENERGY ACCESS

- Recently, International Energy Agency (IEA) has released Energy Access outlook along with the World Energy Outlook (WEO).
- **Energy Access Scenario**

• Definition: IEA defines energy access as "a household having reliable and affordable access to both clean cooking facilities and to electricity, which is enough to supply a basic bundle of energy services initially, and then an increasing level of electricity over time to reach the regional average".

• India is world's third largest energy consumer after the US and China.

• In 2014, 1.06 billion people lived without access to electricity—270 million was in India.

• India has the world's largest electricity access deficit followed by Nigeria and Ethiopia. However, it is also a power surplus country and was a net exporter of electricity in 2016-17.

• 25% (45 million) of rural households across the India have no electricity.

• Currently, about 2.8 billion people lack access to clean cooking and 2.3 billion people are expected to remain without access to clean cooking by 2030.

- **Benefits of improved energy access**

• Sustainable Development Goal: Access to energy services is critical for advancing human development, furthering social inclusion of the poorest & most vulnerable in society and to meeting many of the SDGs.

• Improving Standard of living: Providing energy for all would significantly improve the lives of those without access and boost their economic prospects.

• Clean cooking fuel: Providing access to clean cooking for all will lowers the premature death from present 2.8 million people per year to 1.8 million by 2030. It would also lead to women empowerment as they can now be engaged in more productive activities and can acquire new knowledge and skills.

- **Challenges to increasing energy access**

• Finance: Energy for all will require $786 billion in cumulative investment in the period to 2030, equal to 3.4% of total energy sector investment over the period. This seems to be difficult with lagging worldwide economy and increasing pressure of NPA's on Indian economy.

• Poor grid connectivity: With the increasing role of renewable in energy mix, there is a need for expanding grid connectivity infrastructure for last man connectivity.

• Quality of Electricity Access: Electricity access is about affordability and reliability whereas some States in India have struggled to provide less than ten hours with electricity access per day to households.

• Rural-Urban gap in access: In India only around 71% of all households have electricity with considerable rural-urban gap (see infographic).

- **Way forward**

• Policy push: Implement policies that encourage a wide range of solutions and business models, and encouraging entry of new entrants with innovative ideas.

• Facilitate rural electricity access by creating suitable conditions for off-grid investment, mini-grid and by making provision for subsequent connection of decentralized solutions to the grid.

• Tapping renewable energy: Decreasing costs for renewable energy technologies and adequate energy efficiency measures offer an opportunity for countries to be creative about clean energy access expansion.

• Hybrid systems: using renewable energy sources together with batteries or a diesel generator for achieving universal electricity access.

• Encouraging Private investment: Private investment along with Public finance will be required to meet the need for investment in clean energy infrastructure and improved energy efficiency.

• Productive uses of electricity are required in agricultural, commercial, and industrial activities for electricity access programs to be transformative.

• Energy efficient appliances need to be promoted to reduce the energy investment costs and to increase affordability of electricity access programs (UJALA program).

- **Steps taken by India in improving energy access**

• Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY): DDUGJY is one of the flagships programmes of the Ministry of Power. It focuses on feeder separation (rural households & agricultural) and strengthening of sub transmission & distribution infrastructure including metering at all levels in rural areas.

• UDAY (Ujjwal DISCOM Assurance Yojana) for improvement in financial and operational efficiencies of State Power Distribution Companies (DISCOMs)

• Pradhan Mantri Sahaj Bijli Har Ghar Yojna (Saubhagya Scheme): To supply electricity to all households by December 2018. It aims to improve the environment, public health, education and connectivity with the help of last-mile power connections across India.

• UJALA (Unnat Jyoti by Affordable LEDs for All) Yojana: Under it subsidised LED bulbs were distributed to public. It is implemented by Energy Efficiency Services Limited (EESL)

• Pradhan Mantri Ujjwala Yojana - Scheme for Providing Free LPG connections to Women from BPL Households.

• National Biogas and Manure Management Programme (NBMMP) for setting up of family type biogas plants in rural and semi-urban areas of the country.

• National Biomass Cookstoves Initiative (NBCI) launched by Government of India aims to enhance the use of improved biomass cookstoves.

- **About International Energy Agency (IEA)**

• It was founded in 1974, as an autonomous agency, which seeks to promote energy security among its member countries through collective response to physical disruptions in oil supply, and to provide authoritative research and analysis on ways to ensure reliable, affordable and clean energy.

• Four Focus Area: Energy Security, Economic Development, Environmental Awareness, Engagement Worldwide.

• India is an associated member to IEA.

- **Highlight World Energy Outlook report**

• By 2040, global energy demand will be 30% higher than today and global energy-related carbon emissions will increase by 5%.

• Renewables will make up 40 % of total power generation by 2040. • Rise in Electric vehicle segment won't impact oil demand drastically by 2040. About India

• India will account for almost one-third of global energy growth by 2040 and account for 11% in global share by 2040

• Share of coal in the power mix will decrease to less than 50% by 2040.

• Universal Access to electricity by 2020s from current level of 82% of electrification.

• India's refining capacity would grow by around two-thirds by 2040, becoming third-largest refining centre behind the US and China.

10. <u>DBT IN POWER SECTOR</u>

- The government of India has decided to implement direct benefit transfer in the power sector.
- **Proposed Reforms**

• Targeted Approach - DBT would limit benefits to electricity consumers by making the subsidy structure more targeted to the needs of poorer sections of the society. Likewise, in LPG segment, certain identified categories of consumers (general and agricultural) would get cash in their accounts.

• Calculation - This cash payment will be equivalent to the level of subsidy announced by the state government for per unit of consumption of electricity. The state would decide the subsidy according to the average consumption data of a particular set of consumers.

• Implementation - It is to be first rolled out under a pilot project while the full rollout will only take place by 2019 when state discoms are expected to wipe out their losses and start generating profit under UDAY.

• Making Discoms Responsible - To make Discoms more responsive, any disruption in electricity will be penalized post March 2019.

• Improving Consumer Functions - To improve efficiency and reduce losses, 100% metering is to be achieved and government is doing away with any human interface in consumer facing functions such as metering, billing and collections.

- **Need for DBT**

• Loss Making Discoms – Despite the launch of UDAY (Ujjwal Discoms Assurance Yojana), Discoms continue to pile up losses. Tariff structures haven't changed much and have failed to recover full costs. Also, the discoms won't be allowed to recoup more than 15% of their losses through any tariff increase post March 2019.

• Cross-subsidization - Discoms provide subsidy through the method of cross-subsidization. In other words, state governments subsidize the electricity tariff of all households by keeping the tariff for commercial and industrial consumers high.

• Unfair Pricing – While fairly well-off individuals (who are capable of paying the tariff) profit from cross subsidization on one hand, business growth is deterred due to high input costs on the other.

• NITI Aayog recommended introducing DBT in electricity distribution in 2016 itself. Benefits

• It would ensure that subsidy reaches the poorer sections of society thereby plugging leakages.

• The proposed tariff rationalization will help pull the discoms out of losses and recover input costs.

• It would also result in reduction of cross-subsidies borne by the industry thereby boosting business and pushing Make in India drive.

- **Challenges**

• Comprehensive metering is yet to be carried out especially in backward and rural areas (the targeted consumers for DBT)

• Bio-metric identification (Aadhaar) of poorer sections is incomplete. Also, financial inclusion is still lacking at many places. • Ghost beneficiaries need to filtered out.

11. SUSTAINABLE ROOFTOP IMPLEMENTATION FOR SOLAR TRANSFIGURATION OF INDIA (SRISTI)

- To accelerate the deployment of rooftop solar power in the country, the Ministry of New and Renewable Energy (MNRE) has prepared a concept note on 'Sustainable Rooftop Implementation for Solar Transfiguration of India (SRISTI)'.
- **Background**

• Government has set a target of reaching 100 GW of solar power installed capacity in the country by 2022, of which 40 GW is targeted through solar rooftop.

• For promotion of solar rooftop, the Ministry is implementing Grid Connected Rooftop Solar (RTS) Power Programme. States/UTs have also taken conducive policy and regulatory measures.

• Present status - The programme was expected to support installation of 4,200 MW RTS plants in the country by year 2019-20.

• So far, 2047 MWp capacity RTS plants have been sanctioned under the Programme and only about 845 MWp aggregate capacity plants has been installed.

• The following major issues were identified for slow progress

o Multiple tenders by different agencies and subsequently considerable delay in tendering.

o Involvement of multiple stakeholder viz. SNAs (State Nodal Agencies), Discoms, PSUs, Developers etc.

o Reluctance of discoms due to revenue loss; availability of net meter etc.

o Lack of mandatory notification (only 4 State have made mandatory)/lack of State policies and uniform regulation

o Degradation in quality of system due to cost cutting by bidders for L1 matching (matching the lowest price) and frequent bidding. Details of concept note

• DisComs as an implementing agency in Phase-II: To address the above issues, and especially the fact that the consumer had to approach multiple agencies for getting a roof top installed on the roof top, the DISCOMS and its local offices will act as the nodal points for implementation of the programme.

• Performance based financial support to DisComs to accelerate deployment of RTS plants within their distribution

• Central Financial Assistance will be provided only for installation of roof top solar plants in residential sectors and there will be a cap on subsidy for residential as well as other sectors.

• Sector wise targets - Commercial and industrial sector will set up 20,000 MW, the government, Residential, Social and the Institutional sector will set up 5,000 MW each.

12. LEATHER INDUSTRY

- Recently, government has approved ₹ 2,600 crore special package for employment generation in the leather and footwear sector.

- **Overview of leather Industry**

• India is the second largest producer of footwear and leather garments in the world and accounts for 12.93% of the world's leather production of hides/skins.
• The entire leather product sector is de-licensed, and 100% FDI is permitted through the automatic route.
• The industry is highly labour intensive and employs around 3 million people out of which 30% are women.

- **Challenges of leather industry**

• Pollution: Conventional tanning process leads to environmental pollution e.g. Liquid effluent from light leather processing contains organic matter, chromium, sulphide, and solid waste.
• Raw material: Economic Survey – 2016-17 pointed out non- availability of cattle for slaughter is an impediment for raw material supplier.
• Lack of warehousing support: from the government results into huge loss of quality raw material.
• Research and Development: Remoteness of government-backed R & D facilities from everyday practicalities of leathermaking.
• Trade barriers: Indian leather export face both tariff and non-tariff barriers with various foreign markets.

- **Way forward**

• Up-gradation of tanning industries: New industrial complexes should be designed, on a modern basis, consisting of intrinsic safety features, minimum use of water etc.
• New Methodology of processing- such as waterless chrome tanning methods (developed by CSIR), mixing of patented additives instead of lime and water in the conventional drum-tanning method would cut down both economic and environmental cost.
• Labor law reform is needed in terms of rationalisation of social security deposit for low wage employees.
• Rational use of law- governing the cattle and livestock is needed e.g. recent complete ban on slaughter house in prominent leather production state caused huge loss to leather industry.
• Bigger push-should be given to Free Trade Agreement with Europe and major trade agreement extension towards U.K.

13. FINANCIAL SYSTEM STABILITY ASSESSMENT (FSSA) AND FINANCIAL SECTOR ASSESSMENT (FSA)

- As part of Financial Sector Assessment Programme (FSAP), the IMF and WB has released the Financial System Stability Assessment (FSSA) and Financial Sector Assessment (FSA) for the Indian financial system.
- **Details**

• The FSAP assessment acknowledges that India has recorded strong growth in recent years in both economic activity and financial assets with size of the financial system remaining broadly stable in terms of GDP at about 136 per cent.
• The report acknowledges many efforts by Indian authorities like tackling Non-Performing Assets (NPAs), recent recapitalization measures for banks and introduction of special resolution regime, formalization of National Pension System (NPS) and making the pension sector regulator statutory, passing of Insolvency and Bankruptcy Code and setting up of Insolvency and Bankruptcy Board of India (IBBI).
• It also appreciates initiatives in financial inclusion, digitization, strengthening banking

supervision, improving regulation in securities market and enhancing investment in infrastructure sector.

- **Financial Sector Assessment Programme** It is a joint program of the International Monetary Fund (IMF) and the World Bank, which undertakes a comprehensive and in-depth analysis of a country's financial sector.

• Since September 2010, it is being undertaken in 25 jurisdictions (now 29), with systemically important financial sectors, including India, every five years.

• This was the second comprehensive FSAP conducted for India. Last FSAP for India was conducted in 2011-12.

14. Scheme for Capacity Building in Textiles Sector (SCBTS)

- The Cabinet Committee on Economic Affairs has given its approval for a new skill development scheme covering the entire value chain of the textile sector excluding Spinning & Weaving in organized Sector, titled "Scheme for Capacity Building in Textile Sector (SCBTS)" from 2017-18 to 2019-20 with an outlay of Rs. 1300 crore.
- **Key facts:**

☐ The scheme will have National Skill Qualification Framework (NSQF) compliant training courses with funding norms as per the Common Norms notified by Ministry of Skill Development and Entrepreneurship (MSDE).

☐ The scheme will be implemented for the benefit of all sections of the society across the country including rural, remote, LWE affected, North East, J&K by imparting skills in the identified job roles. Preference will be given to various social groups, SC, ST, differently abled, minorities and other vulnerable groups.

☐ The skilling programmes would be implemented through textile Industry /Units, reputed training institutions and Institutions of Ministry of Textiles /State Governments having placement tie-ups with textile industry/units.

☐ The objectives of the scheme are to provide demand driven, placement-oriented skilling programme to incentivize the efforts of the industry in creating jobs in the organized textile and related sectors; to promote skilling and skill up-gradation in the traditional sectors through respective Sectoral Divisions/organizations of Ministry of Textiles; and to provide livelihood to all sections of the society across the country.

15. Pare Hydroelectric Plant

- A Loan agreement and a Guarantee agreement for providing additional funding of Euro 20 million has been signed for the project 'Pare Hydroelectric Plant' under Indo-German Bilateral Development Cooperation.
- **About the Pare Hydroelectric project: What is it?**

The Pare Hydro Electric Project (2 x 55 MW) is planned as a run-of-the-river scheme on the Dikrong River in the Papumpare District of Arunachal Pradesh.

- The broad objective of the project is generation of hydroelectric power for socio-economic development of the North Eastern Region.

- The purpose of the project is efficient and ecological friendly generation of electric power. This will contribute to the economic efficient generation of power, growth in the North East region and protection of global climate.
- **Facts for Prelims:**

The Dikrong is one of the major north bank tributaries of the river Brahmaputra, which originates from the lesser Himalayan ranges in Arunachal Pradesh. The total length of river Dikrong is 145 kilometers. It flows through the hilly region of Arunachal Pradesh for a distance of about 113 kilometer and remaining 32 kilometers it flows through the plains of Assam.

16. Tuirial Hydroelectric Power Project

- The 60 MW Tuirial Hydro Electric Power Project (HEPP) has been formally dedicated to the Nation.
- **About the project:**

☐ The Project is the biggest power project located in the State of Mizoram and will feed the entire energy to be generated to the home State, which will facilitate all-round development of the State and achieving Government of India's ambitious and flagship Mission '24×7 Affordable Clean Power for All'.

☐ The Tuirial HEPP has been constructed as a Central Sector Project and implemented by North Eastern Electric Power Corporation (NEEPCO), under the administrative control of the Ministry of Power, Government of India.

- **Significance of this project:**

The State's current demand of electricity is only 87 MW and this is being met by State's mini power projects and availability of its share of power from central sector projects. With the additional 60 MW of electricity from the project, the State of Mizoram will now be the third power-surplus State in North East India after Sikkim and Tripura. Apart from attaining self-sufficiency in electric power, the project will fetch other spin-off benefits to the State of Mizoram like employment generation, navigation, water supply, pisciculture and wild life conservation, tourism etc.

17. Regional Rapid Transit System (RRTS)

- An indo-spanish technical cooperation (government to government) agreement has been signed. This agreement will provide institutional mechanism for mutual cooperation in the field of urban transport and specially in implementation of RRTS project.
- The agreement will enable availability of technical advice on specific issues, besides providing training and collaboration in the technical areas of Track, Signaling, Rolling Stock, Safety, Multi modal integration, station design etc.
- **About RRTS: What is it?**

RRTS, first of its kind project in India, with design speed of 180 kmph will use state of the art technologies for track structure, rolling stock and signaling system. Expertise and experience in India on these technologies for higher speeds being limited, International expertise will be tapped for efficient implementation of project, operation of system and developing capacity in the country.

- **Significance of RRTS:** RRTS will significantly reduce the travel time between important NCR towns. On completion, RRTS will emerge as the fastest, comfortable and safe mode of transport in NCR.

- RRTS consists of three corridors viz., Delhi-Ghaziabad-Meerut, Delhi-Gurgaon-Alwar and Delhi-Panipat sections with a total length of 380 kms.
- **Implementation:** National Capital Region Transport Corporation, a Joint Venture of Government of India and State Governments of Uttar Pradesh, Rajasthan, Haryana and Delhi, is mandated to design, construct, operate & maintain rail based Regional Rapid Transit System (RRTS).

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All the Best
Jai Hind ☺