Economics MADE EASY – **THEORY to APPLIED**

GOOD MORNING TIMES JAN- 2018

GOOD MORNING TIMES

Economics –PT Shots

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

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1. **Incentives likely for Companies to Enhance Output from Ageing Oil & Gas Fields**
   - The government is planning to offer fiscal incentives such as lower taxes and higher share in profit to companies to encourage them to boost oil and gas output from local ageing fields.
   - The Directorate General of Hydrocarbons (DGH) the technical arm of the oil ministry has unveiled a draft policy framework to promote enhanced recovery methods. It says recovery from domestic fields has been below global average and most of the producing fields are ageing.
   - Enhanced recovery process involves injection of fluids in oil and gas fields to boost yield but are usually very expensive, technologically complex and time taking thus discouraging companies from undertaking such efforts.
   - **Proposed Policy**

•Eligible fields: The policy will apply to all fields irrespective of the time of the award of the respective production contracts.

• Non-eligible fields: The fields that are already producing oil or gas using enhanced recovery techniques and the fields for which development plans for enhanced recovery projects have been approved will not qualify.

• Committee to decide eligibility: A committee of oil ministry officials will decide on the eligibility of such projects and monitor their progress.

• Proposed weighted deduction: Operators undertaking enhanced recovery pilot programme shall be eligible for weighted deduction available from the business income to the extent of 150% of the amount paid towards the pilot expenses. The weighted deduction will be applicable till March 31, 2025.

• Waiver of cess: Operators will get a waiver of 50% on the applicable cess on gross production of crude oil from designated wells of an approved enhanced recovery project for 10 years. Where cess is not applicable, a notional cess shall be calculated and the equivalent amount shall be reduced from the government's share of profit petroleum or revenue share. The waiver on cess would apply only if the average crude oil price of Indian basket during a calendar quarter is below $80/barrel or as decided by the official committee.

• Incentives for gas producers: For gas producers the incentive would be equal to 10% of gas wellhead price on the gross production from designated well of an approved project for a period of 10 years.

• Incentives for offshore field: For offshore fields the incentive shall be in the form of waiver of applicable royalty. In cases where the royalty on gas produced is less than the total incentive amount the difference can be obtained by the company from the government's share of profit or revenue share.

• Incentives for onshore field: For onshore fields the incentive shall be in the form of discount on the government's share of profit petroleum or revenue share. But where no profit share or revenue share is applicable the government will make a budgetary allocation for equivalent incentive

2. **SEBI Proposes Universal Exchange**

- The Security and Exchange Board of India (SEBI) has cleared in principle the convergence of financial exchange allowing the same exchange to offer products in the equity, commodity derivatives, currency segments, interest rate futures, and other debt instruments.
- Thus, after allowing universal broking licenses, SEBI has now allowed setting up of Universal exchanges. And converge trading by universal exchanges will be launched from October 2018.
- This will enable the BSE and NSE to launch the commodity derivative trading and enable the Multi Commodity Exchange of India (MCE) and National Commodity and Derivative Exchange (NCDEX) to move into the equity segments.
- **Positive**

• Expected move: The move was always in the card after the Forward Market Commission was merged with the SEBI to create single regulator.

• More competition: In theory, this move should enhance competition across all categories creating deeper market with the lower spread and exchange fees.

• May lead to consolidation: It may also lead to consolidation as in that case cross holding norms will have to be reviewed in case merger between exchanges appears attractive.

• Greater convenience: It should offer greater convenience as traders will be able to trade all assets categories a single account.

• Easier to face global competition: Indian exchanges will find it easier to compete with the global universal exchanges such as Singapore's SGX and Dubai's DGCX and this might also help in preventing exporting our market.

- **Negative**

• Not a level playing field: This does not seem to be a level playing field as commodity exchanges are perhaps on a weaker wicket. As commodity exchanges do not have enough products, they need to further develop market and they do not have co-location or institutional investors.

• Risk management will be a challenge: Risk management across asset classes will be big new challenge given the significant difference between commodities and equities, margin for future on different commodities underlying are different, contract tenure are different and margin changes on seasonal basis for agricultural commodities.

• Require change in operation system: If the NSE and BSE do start offering commodity derivatives segment they will have to keep those segments open for long hours and extensive review and modification of margin system and trading platform will be required. Similarly, if the MCX steps into the equity and equity derivatives it will need to review its risk management system.

- **Way Forward**: Overall this is a progressive but the way it is implemented will be crucial.

Extensive review, analysis is required and global best practices need to be incorporated before finalizing the said move.

3. **Ease of Doing Business: Government Targets 90 Reforms to Climb World Bank's Report**
   - India is targeting 90 measures including quicker construction permits, simpler registration of new companies, and Aadhar based identification of Directors to achieve a higher ranking in the World Bank's annual listing.
   - This time India has one month less to implement the steps because the World Bank has advanced the deadline for submission to May 1 for the next set of rankings usually announced in October.
   - **Suggested Reforms**

•Suggestions by DFS: The Department of Financial Services will consider doing away with the requirement of providing a company seal to open a bank account. It has been proposed that cash refunds on import of capital equipment should be given within a year instead of the current system of claiming input tax credit to improve ease of paying taxes.

• Suggestions by Industry department: The industry department proposed a set of reforms for the Ministry of Corporate Affairs including replacing the digital signature and director identification number with Aadhar.

• Suggestions by DIPP: The DIPP suggested the move to bring down the number of procedures, cost and time taken to acquire DIN and digital signatures.

• Suggestion by MCA: The Ministry of Corporate Affairs will also consider doing away with the procedure of giving a separate permanent account number to companies after registration since one is allotted at the time of registration itself.

• Suggestions to Urban Development Ministry: DIPP has written to the urban development ministry to engage with frontline staff involved in giving construction permits.

- **Way Forward**

• We do need to be proactive when it comes to ease of doing business. However, while the World Bank's report focuses on Mumbai and New Delhi to form the big picture the Centre needs to urge policy reform and follow through action on a truly pan-India basis.

• Also, on four parameters i.e. dealing with construction permits; enforcing contracts; starting a business; and registering property India is seen as faring especially poorly. If we can improve matters under the four heads, India's overall rank would rise significantly.

• Moreover, instead of trying to game the ranking system, the government should focus on improving systems from bottom up.

4. **Economic Survey: Tariff Renegotiation, Judicial Delays Threat to Power Sector**
   - The Economic Survey identified judicial delays and power-tariff renegotiation as some of the areas potentially hurting investment in the renewable energy sector.
   - The Survey reiterated the relevance of using the direct benefit transfer (DBT) to dole out subsidies to the needy section and curbing wasteful consumption and emphasized investments and

advocated investments in energy-storage systems to avoid import dependency.

- Some discoms started to renegotiate electricity tariffs, mutually agreed in power purchase agreements (PPA) with independent power producers after new record low rates of solar and wind-based power through competitive bidding. The survey pointed out that renegotiating the tariffs could result in risk for investments worth Rs 48000 crore.
- **Way Forward**

• The survey suggested introducing payment guarantee fund or foreign exchange fund to boost investor confidence in renewable energy.

• Taking a cue from the meager domestic manufacturing capacity of solar power generation equipment the survey also said that substantial investments will ensure that India can be a leader in manufacturing energy storage systems seen by many as the next frontier of power sector investment.

5. **Farm-Sector Reforms: Centre Mulls Shifting Agriculture Marketing to Concurrent List**
   - The Centre is evaluating a proposal to bring marketing of farm goods under the Constitution's Concurrent List so that it has greater say on the relevant regulations and taxation.
   - An amendment to the Constitution requires stipulated majorities in both Houses of Parliament and state Assemblies.
   - Many state governments have opposed the move as they feel the amendment will be against the concept of cooperative federalism. Benefits
   - Overcome existing hurdles: State government has been reluctant to reform agriculture trade that impedes center's efforts to empower farmers with easy access to buyers outside their states and freedom from exploitative middlemen.
   - Reducing inflation of cost of goods: A key objective of the change is also to weed out sundry state level taxes that inflate the cost of farm goods procurement by the government and private traders, even as the farmers get less-than-remunerative prices.
   - Boost to E-NAM: Shifting agriculture marketing to the Concurrent List will give a boost to electronic national agriculture market (e-NAM) which is designed to multiply the farmer's choice of buyers.
   - Authority to direct state: If the agriculture marketing comes under Concurrent List the Centre's views will prevail in case of a dispute either between itself and a state or between two or more states. Moreover, the Centre will be able to direct a state not to levy a particular fee or allow some commission.
   - **Way Forward**

• The proposed step is in the right direction as many committees such as The Ashok Dalwai committee on doubling farmers' income has recommended that the concept of one-India market may benefit if agricultural marketing is brought under the Concurrent List.

• Moreover, while cultivation is limited to the land and area of farming operations marketing has no boundaries and needs to operate on a pan-India level to meet demand across the country.

• Future marketing intervention by the State governments need to be align with the One-nation, one market concept by laying greater emphasis on long term connectivity for agricultural produce across states and geographies.

6. **National Investment and Infrastructure Fund (NIIF)**

- The National Investment and Infrastructure Fund (NIIF), India's first sovereign wealth fund, and Dubai-based ports operator DP World Pvt. Ltd, have announced the creation of an investment platform to invest up to $3 billion in ports, terminals, transportation and logistics businesses in India. This is the first investment platform from NIIF and will see investment up to $3 billion of equity to acquire assets and develop projects in these sectors.
- The platform will also look at opportunities beyond sea ports such as river ports and transportation, freight corridors, port-led special economic zones, inland container terminals and logistics infrastructure, including cold storage.
- **About NIIF:** NIIF was set up in 2015 as an investment vehicle for funding commercially viable greenfield, brownfield and stalled projects in the infrastructure sector. NIIF will invest in areas such as energy, transportation, housing, water, waste management and other infrastructure-related sectors in India.

☐ The corpus of the fund is proposed to be around Rs40,000 crore, with the government investing 49% and the rest to be raised from third-party investors such as sovereign wealth funds, insurance and pension funds, endowments etc.

☐ NIIF's strategy includes anchoring equity, quasi-equity and debt funds in partnership with investors targeting investments across the relevant sectors in India.

7. **Nirman Samvaad: What is it?**

- It is A one-day Mega Conclave, a first ever interaction between the Ministry of Railways and the Construction Industry. The conclave was held recently in New Delhi.
- **Key facts**:

☐ It was a major event aimed at taking measures to ensure expeditious implementation of ambitious Railway Infrastructure Development Plans. It aims to streamline procedures and remove bottlenecks to ensure the fast track implementation of projects on the railways.

☐ This Conclave was organized by Rail Vikas Nigam Ltd. (RVNL), a dedicated arm of Ministry of Railways for fast track implementation of railway projects.

8. National Waterway-1

- The Cabinet Committee on Economic Affairs has given its approval for implementation of the Jal Marg Vikas Project (JMVP) for capacity augmentation of navigation on National Waterway-1 (NW-1) at a cost of Rs 5369.18 crore with the technical assistance and investment support of the World Bank. The Project is expected to be completed by March, 2023.
- **About Jal Marg Vikas Project: What is it?**

The Jal Marg Vikas Project seeks to facilitate plying of vessels with capacity of 1,500-2,000 tonnes in the Haldia- Varanasi stretch of the River Ganga. The major works being taken up under JMVP are development of fairway, Multi-modal Terminals, strengthening of river navigation system, conservancy works, modern River Information System (RIS), Digital Global Positioning System (DGPS), night navigation facilities, modern methods of channel marking etc.

- NW 1: Ganga-Bhagirathi-Hooghly river system from Allahabad to Haldia was declared as National Waterway No.1.
- States covered under NW-1: States: Uttar Pradesh, Bihar, Jharkhand, West Bengal.
- **Benefits of this project:** Alternative mode of transport that will be environment friendly and cost effective. The project will contribute in bringing down the logistics cost in the country. Mammoth Infrastructure development like multi-modal and inter-modal terminals, roll on – Roll off (Ro-Ro) facilities, ferry services, navigation aids. Socio-economic impetus; huge employment generation.

9. Zojila Pass tunnel

- The Union Cabinet has approved the construction of Asia's longest bi-directional Zojila Pass tunnel at an estimated cost of Rs 6,089 crore.
- An MoU has been signed between National Highways and Infrastructure Development Corporation (NHIDCL) under the Ministry of Road Transport & Highways, and M/S IL&FS Transportation Networks Ltd for construction of the Zojila Tunnel in Jammu & Kashmir.
- **About the Zojila pass tunnel:**

☐**What is it?**

It is a 14.2-km long tunnel project in Jammu and Kashmir to provide all-weather connectivity between Srinagar, Kargil and Leh, which remains cut-off from the rest of India during winters due to heavy snowfall. "Zojila tunnel will be the longest bi-directional tunnel in Asia.

☐ **Implementation**: The project will be implemented by the ministry of road transport and highways (MoRT&H) through the National Highways and Infrastructure Development Corporation Limited (NHIDCL).

☐ **Benefits of the tunnel:** The project would enhance the safety of travellers crossing Zojila Pass and reduce the travel time from 3.5 hours to 15 minutes. This pass is most strategic for the entire Kargil sector which has seen intrusion and war in the past. It will further increase the employment potential for the local labourers for the project activities.

☐**Facts for Prelims**: Zojila pass is situated at an altitude of 11,578 feet on Srinagar-Kargil-Leh National Highway which remains closed during winters (December to April) due to heavy snowfall and avalanches cutting off Leh-Ladakh region from Kashmir.

10. IRFC'S FIRST GREEN BOND

- Recently, India INX has listed Indian Railways Finance Corporation's (IRFC) first green bond on its global securities market (GSM).
- More about the news

• According to Government, India needs over $1.5 trillion investment in the next 10 years to bridge infrastructure gap.

• It will reduce transaction cost and make funds available at cheaper rate.

• It became the first debt security to be listed on an exchange at IFSC in Gujarat's GIFT city.

- **About Green Bond**

• Definition: According to SEBI, it's a debt instrument issued by an entity for raising funds from investors for financing 'green' projects, such as renewable energy, low carbon transport, sustainable water management, climate change adaptation, energy efficiency, sustainable waste management, biodiversity conservation etc.

• Green bonds are gaining momentum globally and likely global green bond issuance in 2017 will be $150bn. • Some latest green bonds from India – RENEW POWER, IREDA, GREENKO

- **Significance**

• Economical alternative: They typically carry a lower interest rate than the loans offered by the commercial banks. Hence, help in reducing the cost of capital.

• Promote Brand: It enhances an issuer's reputation, as it helps in showcasing their commitment towards sustainable development.

• Tapping new investors: It provides issuer an access to specific set of global investors who invest only in green ventures.

• Accountable financial instruments: Mostly all investors and underwriters have signed the Green Bond Principles, a broad guideline that provides definitions and standards for these fixed income instruments, which ensures transparency in the process.

• Benefit to investor: Green bonds would enable investor diversification, mitigate risks since the repayment is tied to the issuer only

• Achieving Sustainable Development Goals (SDG): It is a powerful instrument for financing a sustainable and low-carbon economy like affordable and clean energy (SDG 7), climate action (SDG 13) etc.

• Help in achieving INDC by 2030 and 175 gigawatt of renewable energy capacity by 2022 which require huge investments.

• Abating Climate Change by tapping Green bonds to finance development activities and achieving positive returns for the environment and society.

- **Challenges**

• Unclear definition: It might prohibit investors as they do not know where their money is going.

• Lack of Liquidity: Due to their long-term financing nature, they represent less than 1.5% of the global fixed income market.

• Other issues include low yields, mispricing, lack of sufficient complex research available to make an educated investment decision and the existence of some green bond issuers with unscrupulous reputations for money laundering etc.

• Currency and Capital Risk: Many target buyers of Indian green bonds may not invest in any bonds that are rated lower than the AAA.

- **Way forward**

• Enabling Policy Environment - India can attract significant international capital via robust green bond market to meet national climate and development goals.

• Improving credit rating will make bonds attractive to institutional investors.

• Step to be taken by Indian government to reduce carbon footprint are

✓ Standardize green bonds as a way to finance environmentally sustainable projects,

✓ Provide incentives to investor through tax exemption.

- **Initiative to promote Green Bond**

• Indian Green Bonds Council, formed in late 2017 as a joint project of the federation of Indian Chambers of Commerce Industry (FICCI) and the Climate Bonds Initiative, to build the country's green debt markets.

• Green Infrastructure Investment Coalition (GIIC) launched at COP-21, to provide a platform for investors, development banks and advisors for countries to be able to tap when seeking finance for green infrastructure.

• Green Bonds Initiative, a not-for-profit organisation that intends to develop green bonds market.

- **IRFC**

• It is a dedicated financing arm of the Indian Railways for mobilizing funds from domestic as well as overseas Capital Markets. • It is a Schedule 'A' Public Sector Enterprise and registered as Systemically Important Non–Deposit taking Non-Banking Financial Company and Infrastructure Finance Company with Reserve Bank of India (RBI).

- **India's International Stock Exchange (India INX)**

• It is a subsidiary of Bombay Stock Exchange which is India's first international exchange at the International Financial Service Centre (IFSC) of GIFT (Gujarat International Financial Tech) City.

• India INXs Global Securities Market (GSM) is India's first debt listing platform which allows fund raising in any currency.

11. LOGISTICS EASE ACROSS DIFFERENT STATES

- Gujarat has topped in the newly released logistics index (LEADS) by Ministry of commerce and industry, followed by Punjab & Andhra Pradesh.
- **Logistics Ease Across Different States (LEADS)**

• It is loosely based on the World Bank's biannual Logistics Performance Index (LPI), on which India was ranked 35 among 160 countries in 2016, up from 54 in 2014.

• It is a composite index based on eight parameters such as infrastructure, services, timeliness, track and trace, competitiveness of pricing, safety of cargo, operating environment and regulatory process.

• It aims to serve as an indicator of efficiency of logistical services necessary for promoting investment, exports and economic growth in general.

- **Concerns highlighted by LEADS**

• The logistics performance of Indian states and Union territories overall is "sub-par" owing to a host of inefficiencies

• The study found that supply chain efficiencies and economies of scale are yet to be unlocked, mostly due to suboptimal investment in building scale in infrastructure, automation, human capital and technology, inadequate terminal capacity, poor last-mile terminal connectivity and issues in regulatory services provided by government agencies, among others.

• It also underlined issues specific to certain states. For example, labor unions created impediments for trade efficiency in states like West Bengal, Kerala, Maharashtra and Himachal Pradesh.

12. UDAN 2

- The Centre has decided to connect 73 underserved and unserved airports and helipads under the phase 2 of the regional connectivity scheme UDAN.
- **Details**

• The States with maximum number of airports and helipads which will see activation under UDAN 2 scheme include Uttarakhand (15), Uttar Pradesh (9), Arunachal Pradesh (8), Himachal Pradesh (6), Assam (5) and Manipur (5).

• This was the first-time bids were received from helicopter operators under the scheme.

• The scheme will provide around 26.5 lakh seats per annum that will be covered with airfare cap of ₹2,500/hrs. of flying. In addition, around two lakh RCS (regional connectivity scheme) seats per annum are expected to be provided through helicopter operations.

• The Centre has decided not to increase the ₹ 5,000 regional air connectivity levy charged from airlines flying on major routes to fund the UDAN scheme. It would now be partly funded by the dividend that AAI (Airports Authority of India) paid to the Government of India.

13. MODEL CONCESSION AGREEMENT FOR PORT DEVELOPMENT

- Union Cabinet recently approved changes in the model concession agreement (MCA) for public-private partnership projects (PPP) in major ports conceived under Sagarmala programme.
- **Background**

• India has a 7,500 km long coastline and 14,500 km of potentially navigable waterways.

• 12 major and 200 non-major ports are located along the Western and Eastern coastlines have so far been responsible for 90% of India's trade by volume.

• Port development in India is a concurrent subject. Major ports are regulated by central government under Major Ports Act, 1963 and non-major ports governed by state governments under the Indian Ports Act 1908.

• PPP projects in Major ports operate on Revenue Sharing model and are regulated by Tariff Authority for Major ports (TAMP).

- **Issues related to PPPs in Port development Sector:** There have been various challenges that have inhibited private sector participation in port development in India.

• Inadequacies in Infrastructure: Existing ports have poor road network within port area, inadequate cargo-handling equipment and machinery, navigational aids, insufficient dredging capacity and lack of technical expertise for port development

• Sharing of project risks: The risks related to logistics sector or government policies are currently born solely by concessionaire which warrants an urgent intervention.
• Financial Unviability: Greenfield port projects in India are usually in remote locations requiring government support for basic infrastructure and access to the site.
• Lack of Market determined tariffs: Currently tariffs for Major ports are fixed by Tariff Authority of Major Ports (TAMP) which has no standard methodology in applying tariff regulations to major ports and terminals.
• Absence of a grievance redressal mechanism: The current MCA does not have provisions for a grievance redressal mechanism thus parties end up in litigations which lingers the issues for years and reduce efficiency.
• Dominance of Public Sector: The public sector has maintained dominance in the sector and excessive regulation of sector has inhibited competition.
• Labour Issues: Most of the major ports are overstaffed with unskilled and untrained labour and the development of such ports suffer due to frequent labour strikes, inefficiency and low labour productivity

- **Key Provisions of Revised MCA**

• Exit clause: It provides an exit route to developers where they can divest their equity up to 100 per cent after completion of two years from the Commercial Operation Date (COD).
• Changes in Royalty arrangements: The royalty to the developer will be charged on basis of per million tonne of cargo handled and will be linked to wholesale price index thus reducing discretion of tariff setting by TAMP.
• Lower Land Charges: Land rent has been reduced from 200% to 120% for additional land.
• Mechanism for Grievance redressal: MCA envisage constitution of the Society for Affordable Redressal of Disputes - Ports (SAROD-PORTS) as dispute resolution mechanism.
• Enabling Capacity expansion: The concessionaire would be free to deploy higher capacity equipment, facilities, technology and carry out value engineering for higher productivity and cost saving.
• New definition of "Change in Law" to provide for compensation to concessionaire in case of changes in TAMP guidelines, labour laws or environmental laws.
• A complaint portal for port users and a monitoring arrangement has also been introduced for keeping periodical status report of the project.

- **Implications**

• The revised Model Concession Agreement will attract investment for port development.
• Easier exit norms will simplify the route for mergers and acquisitions in Port sector.
• It will also result in better utilisation of physical assets by private developers as they can start operations before getting all certifications.
• It will also bring the provisions of MCA in line with Major Ports Authority Bill, 2016 which had provided that concessionaire will be free to fix the actual tariffs based on market conditions.

- **Sagarmala Initiative**

• It is an initiative Ministry of Shipping and has 4 Pillars:
o Port modernization & new port development
o Port connectivity enhancement through rail corridors, freight-friendly expressways and inland waterways
o Port-linked industrialization through CEZs, SEZs and Manufacturing Clusters and
o Coastal Community development

• It is estimated that Sagarmala could boost India's merchandise exports to $110 billion by 2025 and create an estimated 10 million new jobs.

- **Other Steps taken by government**

• Permitting 100 per cent Foreign Direct Investment (FDI) under the automatic route
• Allowing income tax incentives under the Income Tax Act, 1961
• Formation of joint ventures between major ports and foreign ports, non-major ports and private companies
• Proposal for replacement of the Major Port Trusts Act, 1963 with the Major Port Authorities Bill, 2016
• Standardisation of bidding documents.

14. <u>GST E-WAY BILL</u>

- The E-way Bills, aimed at tracking movements of goods under GST, were to be made mandatory for interstate trade from February 1, 2018.
- However, in view of difficulties faced in generating e-way bill due to initial technological glitches, the govt has decided to extend the trial phase for generation of e-way bill, both for inter and intra state movement of goods. It will be applicable from a date to be notified.
- **What is an E-way bill?**

• The E-way bill is a document required to be carried by a person in charge of the conveyance carrying any consignment of goods of value exceeding Rs. 50,000 for sales beyond 10 km in the new Goods and Services Tax (GST) regime, as mandated by the Government in terms of section 68 of the GST Act.
• It is generated from the GST Common Portal by the registered persons or transporters before commencement of movement of goods of consignment.

- Validity

• Validity of the e-way bill or consolidated e-way bill depends upon the distance the goods have to be transported.
• The validity is one day upto 100 km and for every 100 km or part thereafter it is one additional day.

- Exemptions

• Goods with value less than Rs 50000
• Goods transported from international ports to hinterland ports for clearance by customs
• Interstate movement within a specific area as decided by centre and states
• if goods are transported by non-motorised conveyances.
• A list of more than 150 items as approved by GST Council which includes domesticated animals, fruits and vegetables, fresh milk, khadi, earthen pot, human blood etc.

- **Other features of E-way bill**

• Reduction in detention time – In case vehicle is detained for more than 30 minutes, transporter can raise a complaint
• Facilitates GSTR-1 filing – Relevant detail in GST return form gets auto-populated bases on the details furnished in the e-way generation process
• Prevents double checking – Tax officials will have the power to scrutinise the e-way bill at any point during transit to check tax evasion. However, once verified, e-way bill will not be checked again during movement
• Easy tracking – through a unique e-way bill number (EBN) as well as a QR code

• Multiple modes for e-way bill generation such as via SMS/Android apps/web browser on laptop, desktop or phone/third party-based system of Suvidha providers etc. for ease of use
• Requirement of consignee's acceptance within 72 hours of generation
• Provision of cancellation of e-way bill – within 24 hours of its generation

- **Challenges with e-way bill**

• Ensuring that every transporter – especially in the smaller towns – knows how to use the GSTN portal
• Internet connectivity in India: there is no guarantee that transporters will be able to use the GSTN portal to address their grievances (If any) while on the road.
• Use of RFIDs and RFID readers: The idea of an automatic mode of verification for transport vehicles at major checkpoints seems very ideal, but ensuring this may be difficult.
• Strict timelines for validity of e-way bills: The validity has been calculated according to the distance travelled and some industry leaders find it unrealistic.

- **Way forward**

• Take care of the technological aspects such as internet coverage and e-literacy.
• Generate awareness to the assesses about the new arrangement. Adequate training should be given to traders, manufacturers, transporters and other stakeholders.
• The government will also have to factor in unavoidable delays (say due to natural or man-made calamities) and list out the rules for expired e-way bills in such cases.

15. GOVERNMENT E-MARKETPLACE (GEM) 3.0

- Government has announced launching of GeM 3.0.
- **More about the news**

• Government e Marketplace (GeM) initially launched in 2016 is an Online Market platform to facilitate procurement of goods and services by various Ministries and agencies of the Government and till date, 17 states have signed an MoU to be part of the GeM.
• It has been envisaged by Government of India as the National Procurement Portal of India.
• It is directly monitored by the PMO office and is expected to touch Rs 50,000 crore transactions in a year and aims to reach Rs2 lakh crore in transactions in the next four to five years
• GeM 3.0 would offer standardised and enriched catalogue management, powerful search engine, real time price comparison, user rating, advanced MIS and analytics.
• A Special Purpose vehicle for Government e-Marketplace (GeM SPV) was also formed under Section 8 of the Companies Act, 2013, for providing procurement of goods & services required by Central & State Government organizations
• National Sellers On-boarding Campaign has also been launched to train sellers/ service providers for transition from GeM 2.0 to GeM 3.0.
• GeM makes the process more transparent and efficient with complete security features due to e-sign at various stages. It also enables the government buyers to procure make in India and small-scale industries goods very easily.

16. ELECTRONICS MANUFACTURING IN INDIA

- India's electronics manufacturing has been unable to respond to the rising demand thereby increasing the import bill and losing an opportunity to create employment for millions.

- **What is electronics industry or Electronic System Design & Manufacturing (ESDM)?**
- The electronics sector or Electronic System Design & Manufacturing (ESDM) industry produces electronic equipment for industries and consumer electronics products, such as computers, televisions and circuit boards. Electronics sector industries includes following segments

• Electronic Product Markets
• Electronic Manufacturing Services (EMS) markets
• Component Market
• Semiconductor Design Market

- The electronic product market dominates with approximately 81% share in the ESDM industry in 2017, whereas component and Electronic Manufacturing Services (EMS) markets are expected to witness high growth rates between 2014 and 2020.
- Market size

• The demand for electronics hardware in the country is projected to increase from USD 75 billion in 2015 to USD 400 billion by 2020. The estimated production will reach USD 104 billion by the year 2020, creating a gap of USD 296 billion in demand and production. • India's share in the global electronics market was a minuscule 1.6% of the market in 2015 that is currently valued over $1.75 trillion.

- Recent trend

• Of the country's total demand for electronics, between 50-60% of the products and 70-80% of the components are imported. If the situation doesn't change, expenses on electronics imports could surpass those on oil imports by 2020.
• Business-friendly policies of the Government of India, stable political leadership, and turmoil in certain economies around the globe have together created a conducive investment climate in India, further boosting the domestic manufacturing.

- Reasons for low export share of India

• Inverted tax structure for electronic goods: Due to a limited base of local component suppliers, manufacturers are dependent on importing parts.
• Foreign direct investment (FDI) in electronics is less than 1% of the total FDI inflow because of onerous labour laws, delays in land-acquisition and the uncertain tax regime have kept investors at bay.
• The procedures for cross-border trade work against the competitiveness of Indian producers as shown by the Doing Business rankings—India ranks 146 in the category of trading across borders due to the high costs of compliance.

- **Government initiatives**

• The Government has approved National Policy on Electronics (NPE).
• The government has listed the electronics industry as a priority sector under its Make in India campaign.
• Modified Special Incentive Package Scheme (MSIPs) provides subsidy of 25% of capital expenditure (20% in SEZs).
• Electronic Manufacturing Clusters Scheme provides 50% of the cost for development of infrastructure and common facilities in Greenfield clusters (undeveloped or underdeveloped area from electronic manufacturing point of view) and

75% of the cost for Brownfield clusters (area where a significant number of existing EMC exists). Currently around 30 Electronic Manufacturing clusters are notified and GoI is targeting for 200 Electronic Manufacturing clusters by 2020.

• Preference to domestically manufactured goods in Government procurement. Extent of government procurement will not be less than 30%.

• Electronic Development Funds for Research & Development and Innovation in Electronics sector is under active consideration to support start-ups in electronics and IP generation in the area of electronics.

• Department has accorded approval for setting up of two semiconductor wafer fabrication manufacturing facilities in the country.

• To promote greater research in electronics and IT, Government of India will fund PhD students in Universities across the country for research in industry specific needs.

• Under the scheme for providing support for skill development, Government of India provides 75% to 100% of training cost for industry specific skills for skilled and semi-skilled workers.

• Opportunities for investment in testing laboratory infrastructure under the mandatory standards regime brought in force.

• Several State Governments, including Andhra Pradesh and Karnataka have already announced complementary incentives as part of their State Electronic Policies. Electronic Manufacturing Clusters have been announced by states of Madhya Pradesh, Andhra Pradesh, Punjab, and Kerala.

• In addition, to recognize and motivate the Micro Small and Medium Scale Enterprises (MSMEs) in the Electronic System Design & Manufacturing (ESDM) sector, the Government of India (GoI) has announced a national scheme for the sector.

- **National Policy on Electronics (NPE) 2012**

Vision: To create a globally competitive electronics design and manufacturing industry to meet the country's need and serve international market. NPE Goals of 2020

• To achieve a turnover of about USD 400 Billion by 2020

• Investment of about USD 100 Billion and

• Providing employment to around 28 million by 2020.

• Achieving a turnover of USD 55 Billion of chip design and embedded software industry, USD 80 Billion of exports in the sector.

• Setting up of over 200 Electronic Manufacturing Clusters.

• Significantly upscale high-end human resource creation to 2500 PhDs annually by 2020 in the sector.

17. GLOBAL MANUFACTURING INDEX

- World Economic Forum released its Global Manufacturing Index and placed India on the 30th position.
- India manufacturing sector has grown by over 7 per cent per year on average in the past three decades and accounts for 16-20 % of India's GDP.
- India has room for improvement across the drivers of production except for demand environment where it is ranked in top 5.
- The report took note of the 'Make in India' initiative to transform India into a manufacturing hub and

moving towards a more connected economy with an announcement of a $59 billion investment in infrastructure in 2017.

- Areas where India is ranked poorly (90th or even lower) include female participation in labour force, trade tariffs, regulatory efficiency and sustainable resources.
- The report listed human capital and sustainable resources as two key challenges for India.

18. WORLD EMPLOYMENT AND SOCIAL OUTLOOK 2018

- Recently, International Labor Organization has released its World Employment and Social outlook trend 2018.
- Highlights of the global trends in report

• Global unemployment rate – It is expected to fall slightly to 5.5% in 2018 (from 5.6% in 2017). However, with growing number of people entering the labour market, global employment will remain elevated at more than 190 million.

• Vulnerable employment- The number of workers in vulnerable forms of employment (own-account workers and contributing family workers) is likely to increase by 17 million per year in 2018 and 2019.

• Working poverty– The global progress is weak in working poverty reduction where extreme working poverty is expected to exceed 114 million in 2018, or 40% of all employed people.

• Inequalities in Labor Market- women face segregation in terms of the sector, occupation and type of employment relationship. Similarly, global youth unemployment rate is standing at 13 per cent.

• Structural shifts to service sector- There is an increasing trend of employment under service sector, whereas manufacturing sector continues to have declining trend of employment rate which confirms the ongoing trend of “premature deindustrialization”.

• Ageing Population- Globally, people aged 65 and above will reach 11.7 per cent of total population in 2030, up from 9.3 per cent in 2017. This may result into slowdown in labour force growth destabilizing the capital–labor ratio and increased fiscal responsibility of government to support older population.

19. INCLUSIVE DEVELOPMENT INDEX

- India was ranked 62nd among 74 emerging economies on World Economic Forum's Inclusive Development Index.
- About the Inclusive Development Index (IDI) 2018

• The 2018 index measures progress of 103 economies on eleven dimensions of economic progress in addition to GDP.

• The 2018 index also takes into account the “living standards, environmental sustainability and protection of future generations from further indebtedness”

• The index presents an alternative to GDP as GDP measures current production of goods and services rather than the extent to which it contributes to broad socio-economic progress as manifested in median household income, employment opportunity, economic security and quality of life.

- **Some Key Observations**

• Lithuania is ranked the world's most inclusive emerging economy, while Norway tops the advanced economy list.
• Globally 64% of the 103 economies have seen their IDI scores improve over the past five years due to efforts of policymakers to broaden socioeconomic progress.
• Performance among BRICS economies is mixed with the Russian Federation (19) ahead of China (26), Brazil (37), India (62), and South Africa (69).
• Socio-Political Implications: Slow progress in living standards and widening inequality has contributed to political polarization and erosion of social cohesion in many advanced and emerging economies.
• WEF also said that rich and poor countries alike are struggling to protect future generations and cautioned that higher growth may not be a panacea for the social frustrations, including those of younger generations.

- **Performance of India**

• India has an improving trend with rank 62nd out of 74 emerging economies. Of the three pillars, India ranks decent on inclusion, growth & development and inter-generational equity.
• Though the incidence of poverty has declined in India over the past five years, 6 out of 10 Indians still live on less than $3.20 per day. Thus, there is substantial scope for improvement for India in this aspect.

20. PRICE DEFICIENCY PAYMENT (PDP) SCHEME

- Various state governments have launched Price deficiency payment (PDP) schemes to cover farmers' losses.

- **About Price deficiency payment (PDP) scheme**

• Under this, government support to producers does not involve direct market intervention. The market is, instead, allowed to set prices based on normal supply and demand forces while the government simply pays the difference between the MSP and the market-determined price.
• NITI Aayog in its three-year agenda has also suggested this system to address the gaps in Minimum Support Price (MSP) based procurement of crops.

- **Benefits**

• The scheme provides an alternative to physical procurement of commodities at minimum support prices (MSPs).
• This scheme may be more effecting in ensuring that cropping pattern is not skewed in the favor of crops with assured procurement under MSP & it responds to consumer needs.
• Farmers receive the difference between average sale price (ASP) and MSP directly into their bank accounts thereby doing away with the costs of handling and storage. Thus, it may help in keeping India's food subsidies bill under check & complying with WTO subsidy restriction.

- **Problems**

• Non-applicability to non-registered farmers – For e.g. – in MP, the farmers who are not registered on the portal have been selling their produce at huge losses without any compensation.
• Less compensation – As the prices are fixed by the government, the compensation does not even cover the full cost of production at times. Eg: Haryana
• Less coverage – Although there is potential of covering all the production, yet the actual percentage of production which benefitted from this scheme was low. For e.g. only 32% of Urad

and 18% of Soyabeen production in MP was covered.

• Involves too much micromanagement by government officials in terms of calculating the produce, average sale price in the state for that crop etc.

- **Various PDP schemes of states**

• Bhavantar Bhugtan Yojana (BBY) by MP: It applies to eight kharif crops — soybean, til, maize, urad, tur, moong, groundnut, ramtil

• The Haryana government has announced a somewhat similar scheme for 4 vegetables — potatoes, onions, tomatoes, cauliflower. • Karnataka is giving a Rs 5-per-litre incentive to milk farmers over and above the rate that dairies are paying.

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All the Best
Jai Hind ☺