

GOOD MORNING TIMES Economics -PT Shots (MAY-2018)

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

MAY 2018

1. Eastern Peripheral Expressway

- Eastern Peripheral Expressway was recently inaugurated by PM Modi.
- About Eastern Peripheral Expressway:

☐ The 135- km expressway connects	National
Highway 1 and 2 from the eastern side	of Delhi
and aims to decongest and de-pollute the	national
capital by diverting traffic.	

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tern	nin	ates	s r	near	P	alwa	al	by	ŗ	oass	sing	,	thro	ugh
Son	ipa	ıt,]	Bag	hpat	, (Ghaz	ział	oad,	N	loic	ła,	Fa	ırida	ıbad
and	Pa	lwa	ıl.											

It is India's first highway to be lit by solar
power besides provisions of rain water harvesting
on every 500 metres on both sides and would
showcase 36 national monuments and 40
fountains. Of-Theartatead will have
auto challans for over-speeding as cameras will
capture speed of vehicles. It will also have
provisions of tolling only for the distance
travelled. The expressway has an iconic toll plaza
at the entry point on Kundli side besides digital art
gallery.

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	_			-year-ol	d trees.	It als	so
has drip	irrigat	tion pr	ovision				

Background:

☐ The Eastern and the Western Peripheral Expressways were planned in 2006 following the apex court's order to build a ring road outside the national capital for channelling the traffic not bound for Delhi.

2. Mission Raftaar

The Indian Railways conducted a one-day workshop 'Mission Raftaar' in which officials discussed ways to increase the average speed of freight and passenger trains. Issues such as "punctuality, rolling stock, removing bottlenecks in terms of traffic, elimination of unmanned level crossings were discussed" at the workshop.

• About Mission Raftaar:

Mission Raftaar' aims at doubling the average speed of freight trains and increasing the average speed of coaching trains by 25 kmph over a five-year period.

• Significance of the mission:

☐ The average speed of freight trains is 24 kmph and that of passenger trains, excluding suburban trains, is 44 kmph. Increasing the average speed of trains is considered essential for reducing travel time for passengers, transit time for cargo, operational cost, and improving revenues and the railway's market share.

3. <u>Delhi Mumbai Industrial Corridor</u> (DMIC)

 Cabinet has approved development of Trunk Infrastructure Components for Integrated Multi Modal Logistics Hub known as

"Freight Village" at Nangal Chaudhary in Haryana under Delhi Mumbai Industrial Corridor Project.

 The Freight Village will be connected through Western Dedicated Freight Corridor (DFC) at Dabla.

• What is a freight village?

A Freight Village' is a specialised industrial estate which attracts companies that require logistics services and can cluster to improve their competitiveness.

This will allow relocation of retailers, warehouse operators and logistics service providers supplying the regional FMCG market. Due to its proximity to the main city, it will serve as a distribution centre and as a point of transfer between long distance transport by truck, rail and waterway and short distance distribution with delivery vans. 'Freight Village' includes an intermodal terminal, which facilitates integration between different modes of transport.

• About DMIC:

Delhi-Mumbai Industrial Corridor is a mega infrastructure project of USD 90 billion with the financial & technical aids from Japan, covering an overall length of 1483 KMs between the political capital and the business capital of India, i.e. Delhi and Mumbai. A MoU in this regard was signed in 2006.

Components: The project would include six mega investment regions of 200 square kilometres each and will run through six states Delhi, Western Uttar Pradesh, Southern Haryana, Eastern Rajasthan, Eastern Gujarat, and Western Maharashtra. However, the Project Influence Region of DMIC includes parts of Madhya Pradesh too.

Aim: The project aims to develop an environmentally sustainable, long lasting and technological advanced infrastructure utilizing cutting age Japanese technologies and to create world class manufacturing and investment destinations in this region. Western Corridor:

☐ In October 2006, the Indian Government established a dedicated body, the Dedicated Freight Corridor Corporation of India (DFCCIL), to carry out the project.

☐ The western DFC will separate freight and passenger traffic to increase the speed of freight movement. It will be used to transport fertilisers, food grains, salt, coal, iron & steel and cement.

☐ The project will eventually be linked to the Eastern DFC to form four hubs known as India's Golden Quadrilateral including Delhi, Mumbai, Chennai and Kolkata.

☐ The Western Dedicated Freight Corridor covers a distance of 1504 km of double line electric track from JNPT to Dadri via Vadodara-Ahmedabad-Palanpur-Phulera-Rewari.

☐ The Western Corridor passes through 5 states ☐ What is it Haryana, Rajasthan, Gujarat, Maharashtra and infra- Uttar Pradesh.

4. National Wind-solar Hybrid Policy

- Ministry of New and Renewable Energy has issued National Wind-Solar Hybrid Policy.
- The objective of the policy is to provide a framework for promotion of large grid connected wind-solar PV hybrid system for efficient utilization of transmission infrastructure and land. It also aims at reducing the variability in renewable power generation and achieving better grid stability.
- Highlights of the policy:

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☐ On technology front the Policy provides for
integration of both the energy sources i.e. wind
and solar at AC as well as DC level. The Policy
also provides for flexibility in share of wind and
solar components in hybrid project, subject to the
condition that, rated power capacity of one
resource be at least 25 per cent of the rated power
capacity of other resource for it to be recognised
hybrid project.
☐ The Policy seeks to promote new hybrid
projects as well as hybridisation of existing
wind/solar projects. The existing wind/solar
projects can be hybridised with higher
transmission capacity than the sanctioned one,
subject to availability of margin in the existing
transmission capacity.
☐ The Policy provides for procurement of power
from a hybrid project on tariff based transparent
bidding process for which Government entities
may invite bids. Policy also permits use of battery
storage in the hybrid project for optimising the
output and further reduce the variability. It
mandates the regulatory authorities to formulate
necessary standards and regulations for wind-solar
hybrid systems.
• Way ahead:
☐ With significant capacity additions in
renewables in recent years and with Hybrid Policy
aiming at better utilisation of resources, it is
envisaged that the Hybrid Policy will open-up a
new area for availability of renewable power at
competitive prices along with reduced variability.

5. <u>Strategic Petroleum Reserve (SPR)</u> Programme

 Abu Dhabi National Oil Company (ADNOC) has shipped the first oil cargo for India's strategic petroleum reserve at Mangalore.

Background:

	India	n S	trateg	ic]	Petro	leur	n	Res	serves	I	_tc
(ISF	PRL)	had	then	sig	ned	an	ag	ree	ment	W	ith
AD	NOC	whic	ch all	ows	the	fir	m	to	store	5.	86
mill	ion ba	arrels	of cr	ude	in tl	ne st	rat	egic	facil	ity	at
Mar	ngalor	e at i	ts owi	1 cos	st.						
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☐ India can use the entire available crude oil stored by ADNOC in the Mangalore facility during an emergency situation. The Agreement with ISPRL also allows ADNOC to sell part of the crude oil to Indian refineries on commercial basis while adhering to mutually agreed minimum crude storage which is for the exclusive use of the Indian government.

• About SPR programme:

☐ To ensure energy security, the Government of
India had decided to set up 5 million metric tons
(MMT) of strategic crude oil storages at three
locations namely, Visakhapatnam, Mangalore and
Padur (near Udupi). These strategic storages
would be in addition to the existing storages of
crude oil and petroleum products with the oil
companies and would serve as a cushion during
any external supply disruptions.

☐ In the 2017-18 budget, it was announced that two more such caverns will be set up Chandikhole in Jajpur district of Odisha and Bikaner in Rajasthan as part of the second phase.

☐ The construction of the Strategic Crude Oil Storage facilities is being managed by Indian Strategic Petroleum Reserves Limited (ISPRL), a Special Purpose Vehicle, which is a wholly owned subsidiary of Oil Industry Development Board (OIDB) under the Ministry of Petroleum & Natural Gas.

• Need for strategic oil reserves:

☐ In 1990, as the Gulf war engulfed West Asia, India was in the throes of a major energy crisis. By all accounts India's oil reserves at the time

were adequate for only three days. While India
managed to avert the crisis then, the threat of
energy disruption continues to present a real
danger even today.
☐ It is unlikely that India's energy needs will
dramatically move away from fossil fuels in the
near future. Over 80% of these fuels come from
imports, a majority of which is sourced from West
Asia. This is a major strategic risk and poses a

☐ To address energy insecurity, the Atal Bihari Vajpayee government mooted the concept of strategic petroleum reserves in 1998. Today, with India consuming upwards of four million barrels of crude every day (January 2015 figures), the case for creating such reserves grows stronger.

massive financial drain for an embattled economy

and its growing current account deficit.

• Facts for Prelims:

☐ In January 2016, India signed a deal with the United Arab Emirates that allows the Gulf OPEC country to fill half of the underground crude oil storage facility of ISPRL at Mangalore. Therefore, the UAE's Abu Dhabi National Oil Company will store about 6 million barrels of oil at Mangalore.

6. Green licence plates for e-vehicles

• The government has approved distinctive green licence plates for electric vehicles to encourage people to use electric vehicles. Such vehicles will be fitted with green licence plates bearing numbers in white fonts for private cars and yellow font for taxis.

• Significance of the move:

☐ The measure is aimed at promoting evehicle's use and the government is considering exemption from permits for such vehicles. The purpose behind distinctive number plates is their easy

identification for preferential treatment in parking, free entry in congested zones besides other proposed benefits like concessional toll.

• Types of number plates:

☐ India, currently, has four kinds of number plates
- white licence plates with numbers on black font
for private cars, yellow plates with fonts in black
for commercial vehicles, black plates with yellow
font letters for self-driven rental vehicles and blue
plates with white font letters for Embassies and
High Commissions.

Army vehicles, on the other hand, follow a different registration system given by the defence ministry, while vehicles of the President and governors have red licence plates with the national emblem.

• Challenges ahead:

Mainstreaming electric vehicles will require an overhaul of the country's energy and transport infrastructure. For example, EV charging stations will have to be set up on a war footing, and electricity generation will have to improve significantly even as its piggybacks on the push for solar energy. EV technology (especially the battery) will have to become much cheaper before it can perform well in a price-sensitive market like India.

• Way ahead:

With the onus of being the second-largest populated country in the world, India has a lot of reasons to rejoice over the bright outlook of the adoption of electric vehicles in India. NITI Aayog said in a recent report that can cut its energy demand by 64% and carbon emissions by 37% by making its passenger mobility shared, electric, and connected. The concept not only helps India to fulfil its renewable energy goals but also assists it in other facets like the 'Make in India' vision.

☐ The Indian automobile industry is the sixth
largest in the world and accounts for a whopping
22% of the country's total manufacturing output.
The large-scale adoption of electric vehicles can
play an important role in increasing the share of
manufacturing in India's GDP from the current
15% to 25% by 2022.

7. NABH (Nextgen Airports for Bharat) Nirman initiative

The government is augmenting the airport capacity of various airports as part of NABH (NextGen Airports for BHarat) Nirman initiative.

• About NABH Nirman initiative:

The government in	ı February a	announ	ced a no	ew
initiative — NABH	Nirman—	under	which	it
proposes to expand ai	rport capaci	ty in th	e count	ry
by more than five tim	es to handle	e a billi	on trips	a
year.				

- ☐ The three key aspects of NABH Nirman are
- (1) fair and equitable land acquisition,
- (2) long-term master plan for airport and regional development and (3) balanced economics for all stakeholders.

• Significance of the initiative:

☐ In the last three years, domestic air passenger traffic grew at 18% a year and the airline companies placed orders for more than 900 aircraft. NABH Nirman could take the number of airports in India to 700 from about 125 airports today.

8. Micro-irrigation fund

• The government on Wednesday approved a dedicated Rs5,000 crore fund to bring more land area under micro-irrigation as part of its

objective to boost agriculture production and farmer's income.

• About the Micro Irrigation Fund:

☐ Micro Irrigation Fund' (MIF) has been setup
with NABARD under Pradhan Mantri Krishi
Sinchayee Yojana (PMKSY). An allocation of
Rs2,000 crore has been made for this fiscal while
Rs3,000 crore has been earmarked for the 2019-20
fiscal. NABARD will extend the loan to state
governments during this period.

☐ NABARD will provide this amount to states on concessional rate of interest. Borrowings from NABARD shall be paid back in seven years including the grace period of two years.

☐ The lending rate under MIFhas been proposed at 3% lower than the cost of raising the fund by NABARD. This cost would be met from the ongoing scheme of PMKSY-PDMC (per drop more crop component) by amending the existing guidelines.

• Beneficiaries:

	The	e d	ledicated	fund	would	sup	plemer	nt the		
effe	orts	of	PMKSY	prog	ramme	and	help	bring		
about 10 lakh hectares under micro-irrigation.										

☐ The fund will facilitate States to mobilise resources for their initiatives, including additional (top up subsidy) in implementation of PMKSY-PDMC to achieve the annual target of about 2 million hectares per year during the remaining period of 14th Finance Commission.

☐ The states might access this fund for innovative integrated projects, including projects in the Public Private Partnership (PPP) mode and also for incentivizing micro irrigation.

Farmers Producers Organization (FPO)/Cooperatives/State Level Agencies can also access the funds with state government guarantee or equivalent collateral. Farmers Co-operatives

may access this fund for innovative cluster-based community irrigation projects.

• PMKSY:

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

9. Frozen Semen Station

 Frozen Semen Station is being set up in Maranga, Purnea in Bihar under the Rashtriya Gokul Mission with 100% contribution from the Central Government.

• Key facts:

I he frozen semen station in Purnea will be the							
first state-of-the-art semen production center of							
the country.							
☐ The center will develop highly modern bull							
shade, semen processing lab, feed and godown,							
agricultural equipment, and other facilities.							
 About Rashtriya Gokul Mission: 							
☐ To conserve and develop indigenous bovine							
breeds, government has launched 'Rashtriya							
Gokul Mission' under the National Programme							
for Bovine Breeding and Dairy Development							
(NPBBD).							
☐ The Mission is being implemented with the							
objectives to: a) development and conservation of							
indigenous breeds b) undertake breed							
improvement programme for indigenous cattle							
breeds so as to improve the genetic makeup and							
increase the stock; c) enhance milk production and							

productivity; d) upgrade nondescript cattle using

elite indigenous breeds like Gir, Sahiwal, Rathi, Deoni, Tharparkar, Red Sindhi and e) distribute disease free high genetic merit bulls for natural service.

Rashtriya Gokul Mission will be implemented

• Implementation:

through the "State Implementing Agency (SIA VIZ								
Livestock Development Boards).								
☐ State Gauseva Ayogs will be given the mandate								
to sponsor proposals to the SIA's (LDB's) and								
monitor implementation of the sponsored								
proposal.								
All Agencies having a role in indigenous cattle								

☐ All Agencies having a role in indigenous cattle development will be the "Participating Agencies" like CFSPTI, CCBFs, ICAR, Universities, Colleges, NGO's, Cooperative Societies and Gaushalas with best germplasm.

Gokul Gram:

	Funds	under	the	scheme	will	be	allocate	ed	for
the	establ	lishmen	t of	Integrat	ed In	dig	enous C	Cat	tle
Cei	ntres v	iz "Gok	cul C	Gram".					

☐ Gokul Grams wil be established in:

- i) the native breeding tracts and
- ii) near metropolitan cities for housing the urban cattle.

Gokul Gram will act as Centres for development of Indigenous Breeds and a dependable source for supply of high genetic breeding stock to the farmers in the breeding tract.

☐ The Gokul Gram will be self-sustaining and will generate economic resources from sale of A2 milk, organic manure, vermi-composting, urine distillates, and production of electricity from bio gas for in house consumption and sale of animal products.

☐ The Gokul Gram will also function as state of the art in situ training centre for Farmers, Breeders and MAITRI's.

☐ The Gokul Gram will maintain milch and unproductive animals in the ratio of 60:40 and will have the capacity to maintain about 1000 animals. Nutritional requirements of the animals will be provided in the Gokul Gram through in-house fodder production.

[] up near to metropolitan cities for managing urban.

up near to metropolitan cities for managing urban cattle. Metropolitan Gokul Gram will focus on genetic upgradation of urban cattle.

10. SUGARCANE PRICING

- Union government recently approved financial assistance of Rs 5.50 per quintal for cane crushed by sugar mills in the ongoing 2017-18 season.
- Other Major Challenges facing the Sugar Industry in India
- India has the largest area under sugar cane cultivation in the world but the yield per hectare is extremely low and is even lower in North India than in South India
- The sugar industry has a seasonal character and the crushing season normally varies between 4 and 7 months in a year leaving the mill and the workers idle for almost half of the year.
- Average rate of sugar recovery from the sugar cane is less than 10 per cent which is much lower than other sugar producing areas like Java, Hawaii and Australia, up to 14 per cent.
- Most of the sugar mills in our country are of older, have small size and outdated machinery with a crushing capacity of about 1200 tons per day.
- The cost of sugar production in India is one of the highest in the world mainly due to high sugar cane cost, uneconomic production process,

inefficient technology and high taxes exercised by the state and the central governments.

- The industry faces problems in disposing byproducts i.e. bagasse and molasses, especially under pollution control devices.
- Gokull Grangowerhmisotherothery, based on dual price system, discourages the entrepreneurs to make investment for further growth and improvement.
 - The per capita annual consumption of sugar is about 10 kg in India, whereas it is about 20 kg in the world.

• Suggestion

- Government has already taken following measures to arrest the downslide in sugar prices and to ameliorate the liquidity position of sugar mills:
- o Increased import duty on sugar from 50 to 100 per cent
- o Imposition of stock holding limits on sugar mills for two months
- o Fixing of Minimum Indicative Export Quotas (MIEQ) and
- o Removal of customs duty on export of sugar to find a way for surplus output in the overseas markets.
- C. Rangarajan Committee (2012) on sugarcane pricing had recommended abolition of SAP and favoured revenue sharing formula (RSF) for cane price payments, 75 per cent of sugar value or 70 percent of the value of sugar and its byproducts should be disbursed to farmers towards sugarcane price.
- CACP has also recommended a hybrid approach with simultaneous implementation of Revenue sharing formula, FRP of Sugar and Sugar Price Stabilization fund.
- Better pricing, predictability and augmentation of storage facilities under Ethanol Blended Petrol

programme to incentivise its procurement by OMCs

- Power generation using cogeneration technology is another option through which companies can generate revenues by selling extra electricity generated as a by-product of sugar production to power distribution companies.
- Government should also incentivise crop diversification towards other less water intensive crops to reduce the problem of excess groundwater extraction from crops like sugarcane.

• Sugarcane Pricing Policy

Sugarcane Pricing Policy in India aims to ensure a fair price to cane growers, adequate returns to industry and supply of Sugar to consumers at reasonable prices. India has dual sugarcane pricing. The pricing of sugarcane is governed by the statutory provisions of Sugarcane (Control) Order, 1966 issued under the Essential Commodities Act (ECA), 1955.

✓ Fair and Remunerative Price (FRP)

• It is the cane price announced by the Central Government on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP) after consulting the State Governments and associations of sugar industry.

✓ State Advised Price (SAP)

• Citing differences in cost of production, productivity levels and also as a result of pressure from farmers' groups, some states declare state specific sugarcane prices called State Advised Prices (SAP), usually higher than the SMP.

This dual sugarcane pricing with higher SAP distorts sugarcane and sugar economy and leads to cane price arrears. Industry association recommends to remove the system of SAP; in case states announce SAP, such price differential should be borne by the state governments.

11. GREEN REVOLUTION KRISHONNATI YOJANA

- The CCEA has given its approval for Green Revolution Krishonnati Yojana in agriculture sector beyond 12th Five Year Plan for the period from 2017-18 to 2019-20.
- Details about Krishonnati Yojana
- The scheme has been continued as part of its objective to double farmers' income by 2022.
- It is an umbrella of 11 schemes/missions under Ministry of Agriculture:
 - Mission for Integrated
 Development of
 Horticulture (MIDH): to
 improve nutritional security
 and income support to farm
 Households.
 - ✓ National Food Security Mission (NFSM), including **National** Mission on Oil Seeds and Oil Palm (NMOOP): to increase production of rice, wheat. pulses, coarse cereals and commercial crops and to augment the availability of vegetable oils to reduce its import.
 - ✓ National Mission for Sustainable Agriculture (NMSA): promotes sustainable agriculture practices best suitable to the specific agro-ecology focusing on integrated

farming, appropriate soil health management and synergizing resource conservation technology.

- ✓ Submission on Agriculture **Extension** (SMAE): to strengthen the extension ongoing mechanism of State Governments, local bodies. to forge effective linkages and synergy amongst various stake-holders, to support HRD interventions, to promote pervasive and innovative use of electronic / print media, interpersonal communication and ICT tools, etc.
- ✓ Sub-Mission on Seeds and **Planting** Material (SMSP): to increase production of certified / quality seed, to increase promote SRR, to new technologies in seed production, infrastructure, etc.
- **Sub-Mission** on Agricultural **Mechanisation** (SMAM): to increase the reach of farm mechanization small and marginal farmers, to promote 'Custom Hiring Centres', to create hubs for hi-tech and high value farm equipment, to create awareness among

- stakeholders through demonstration and capacity building activities, and to ensure performance testing and certification at designated testing centers located all over the country.
- Sub Mission on Plant **Protection** and Plan Quarantine (SMPPQ): to minimize loss to quality and yield of agricultural crops from the ravages of insect pests. diseases, weeds, nematodes, rodents, etc. and to shield our agricultural bio-security from the incursions and spread of alien species, to facilitate exports of Indian agricultural commodities to global markets, and to promote good agricultural practices, particularly with respect to plant protection strategies and strategies.
- **✓** Integrated Scheme on Agriculture Census, **Economics and Statistics** (**ISACES**): to undertake the agriculture census, study of the cost of cultivation of principal crops, undertake research studies on agro-economic problems of the country, to improve agricultural statistics methodology and to create a hierarchical information

- system on crop condition and crop production from sowing to harvest.
- ✓ Integrated Scheme on **Agricultural Cooperation** (ISAC): to provide financial assistance for improving the economic conditions of cooperatives, remove regional imbalances and speed up cooperative development in agricultural marketing, processing, storage, computerization and weaker section programmes.
- ✓ Integrated **Scheme** Agricultural **Marketing** (ISAM): provide infrastructure facilities for grading, standardization and quality certification of agricultural produce; establish nation-wide information marketing network; and to integrate markets through a common online market platform to facilitate pan-India trade in agricultural commodities
- ✓ National e-Governance
 Plan (NeGP-A): to
 improve access of farmers
 to information & services
 throughout crop-cycle and
 to build upon, enhance &
 integrate the existing ICT
 initiatives of Centre and
 States.

12. <u>PRECISION AGRICULTURE USING</u> ARTIFICIAL INTELLIGENCE

- A Statement of Intent has been signed between NITI Ayog and IBM to develop Precision Agriculture using Artificial Intelligence (AI) in Aspirational Districts.
- Details
- It is first of a kind project leveraging AI in agriculture across 10 Aspirational Districts in India across the States of Assam, Bihar, Jharkhand, Madhya Pradesh, Maharashtra, Rajasthan and Uttar Pradesh in its Phase I. The project will aim at improving yields of small landholders.
- IBM will be using AI to provide all the relevant data and platform for developing technological models for improving agricultural output and productivity for various crops and soil types, for the identified districts.
- NITI Aayog, on its part, will facilitate the inclusion of more stakeholders on the ground for effective last mile utilisation and extension, using the insights generated through these models.
- The scope of this project is to introduce and make available climate-aware cognitive farming techniques and identifying systems of crop monitoring, early warning on pest/disease outbreak based on advanced AI innovations.
- It also includes deployment of weather advisory, rich satellite and enhanced weather forecast information along with IT & mobile applications with a focus on improving the crop yield and cost savings through better farm management.
 - What is precision agriculture/satellite farming?

- Precision agriculture means application of precise and correct amount of inputs like water, fertilizer, pesticides etc.
- It is a farming management concept based on observing, measuring and responding to inter and intra-field variability in crops.
- The goal is to define a decision support system (DSS) for whole farm management for optimizing returns on inputs while preserving resources.
- Advanced technology like big data analytics, artificial intelligence (AI), and the Internet of Things (IoT) can help farmers to make precise decisions from planting, growing, harvesting, to transporting food.

13. WIDENING OF INDIA'S TAX BASE

 India's tax base has been widening over last few years but some issues still remain.

• Major trends

- Country's total taxpayer base increased to 6.41 crore in 2016-17 from 4.38 crore in AY 2011-12 which shows a rise of over 46 per cent over five years with individual tax payers registering a faster growth rate than total tax payers.
- The surge in the numbers is partly attributable to the tax department's focus on increasing compliance on the direct tax front, especially after demonetisation (Operation Clean Money).
- Even within the class of individual taxpayers, there is a skew in the tax pay out trend wherein average tax payment by a salaried individual is more than average individual business taxpayer.

• Issues and Concerns

• Currently the total number of individual taxpayers at 6.08 crore, constitute only 4.86 per cent of India's total population of 125 crore.

- The Standing Committee on Finance has said the low number of individual taxpayers vis-à-vis the country's total population demonstrated the "regressive nature of our direct tax regime" and "the narrow base the (Revenue) Department operates on.
- The Economic Survey 2017-18 highlighted that there has been a decline in the reliance on direct taxes in India which contribute only around 35 per cent of total taxes as against a contribution of about 70 per cent in Europe.

Need to widen tax base

- A Study on Widening of Tax Base and Tackling Black Money by FICCI highlighted widening of tax net helps in achieving higher tax to GDP ratio, achieve fiscal consolidation, meet the targeted tax collection and reduce the shortfall in tax collection with budget estimates.
- Further, it helps the government to undertake planned investments in infrastructure and other important areas for growth & development.
- Above all, it will shift the revenue pressures from honest taxpayers and creates the possibility of reducing the direct and indirect tax rates in the future thus improving ease of doing business scenario in India.

• Suggestions

- Implement Direct Taxes Code: Government has constituted Arbind Modi headed task force to review the Income-tax Act and draft a new direct tax law.
- Simplifying/rationalising the process and procedures of tax laws & tax administration
- Rationalise the tax slabs/rates in respect of GST may to broadening the tax base and increasing tax compliance.
- Promoting electronic payments by making digital payments mandatory for payment of wages & salaries for some sectors and in case of payment

of statutory dues like property taxes, stamp duty, utility bills etc.

• Economic Survey has suggested devolution of taxation powers to local government so that they can collect more direct taxes rather than devolved resources.

• Tax Administration Reforms Commission (TARC): Parthasarathi Shome headed panel gave following recommendations

• Focus on bringing in new taxpayers by targeting sectors that are currently untaxed, especially the informal/unorganised sectors

to widen tax base:

- Extension of scope of TDS for early collection of tax and also deter tax evasion
- Using presumptive tax schemes for small businesses to ease and encourage compliance
- Reinstate banking cash transaction tax (BCTT) and Fringe Benefit tax (FBT).
- Large farmers with income more than 50 lakh should be brought into the tax net
- Use surveys and technology-based information and intelligence systems to identify potential taxpayers.
- The tax administration needs to be oriented more towards customers to improve voluntary compliance

Operation Clean money

- It is a programme of Income Tax Department (ITD) Operation Clean Money to bring out illegal wealth.
- It involved e-verification of large cash deposits using data analytics during demonetisation.

14. CORPORATE ENVIRONMENT RESPONSIBILITY

 Ministry of Environment, Forest and Climate Change has issued guidelines that will require every corporate seeking green clearance to follow the CER norms.

• What is CER?

- It is the social responsibility of the companies to protect the environment by integrating the environmental concerns including those related to forestry, wildlife and biodiversity, wherever applicable, into the main stream of the Corporate Policies.
- This term derives from Corporate Social Responsibility (CSR) and CER activities will include measures like pollution control, wildlife and forest conservation, compensatory afforestation and rehabilitation and resettlement of displaced persons.
- Funds can be used for creating drinking water supply infrastructure, sanitation, health, education and skill development, among others.

• New Guidelines vis-à-vis CER

- Every corporate seeking green clearance to set aside 2% of its capital investment for the new projects above 1 billion and for project seeking expansion with 1bn additional cost to spend max. of 1% cost on CER activities.
- CER will be imposed over and above the expenditure the company will have to undertake for implementing the mandatory environment management plan (EMP) for the project affected area.

• Criticism

- Loss to the smaller projects- In the name of CER smaller projects will pay more as a percentage of their capital expenditure compared to bigger ones.
- Non-utilisation of Compensatory Afforestation (CA) Fund- CA has been brought under the scope of CER activity, while Compensatory Afforestation Fund Management and Planning Authority is sitting on nearly Rs 42,000 crore of

unutilised funds which has been collected from companies seeking environment and forest clearances. Thus, bringing Compensatory afforestation under CER has little justification.

- Another layer of Clearance- The existing mechanism of Environmental Impact Assessment is already facing various issues in terms of compliance and approval and adding another layer of Environmental clearance in form of CER may lead to stagnancy of the projects.
- Over and above CSR- With in this companies are being forced to pay twice the mandatory CSR amount.

15. CABOTAGE LAW

 Recently, Ministry of Shipping relaxed Cabotage restrictions on the movement of foreign ships.

• About the move

• It will allow movement of foreign ships engaged in transporting containers laden with goods for export or import as well as empty containers between and among Indian ports along the country's coastline.

• Benefit of the move

- Cargo Growth: Indian ports can now attract cargo originating from or destined to foreign ports which would turn Indian ports into major transshipment hub.
- Time-Cost Saving: it will increase competitiveness of the Indian traders and manufacturers by reducing the supply chain lag time and transshipment cost at a foreign port.
- Competition: It would allow coastal movement of export, import/ empty containers by foreign vessels leading to healthy competition among shipping lines.
- Congestion: it would also address the problem of empty containers getting accumulated at some

Indian port while other ports facing a shortage of empty containers.

Concerns

- Indian trade carried by Indian ships/flagships has come down from around 42% in the 1990s to less than 8% at present. Similarly, Operational expertise available to foreign shipping industry would undermine the position of the domestic shipping industry.
- Moreover, relaxation in cabotage law demand a balance in national security consideration.

About Cabotage?

- Cabotage refers to shipping along coastal routes between foreign sea ports, and also to the restriction on the operation of vessels between sea ports within a particular country.
- It is governed by the Merchant Shipping Act (MSA) of 1958.
- It aims to protect domestic shipping industry from foreign competition as well as for the purpose of national security.
- Presently, foreign-flagged ships can transport cargo within the country, in the non-availability of India Ships, after obtaining a licence.

16. FREE TRADE AGREEMENT AND THEIR COSTS

 Recently NITI Aayog released a note on free trade agreements and their costs

• Drivers of Indian Exports

- India's exports are more sensitive to changes in external demand than price changes. Thus, given the export basket composition first, increase in global demand drives India's exports much more than price cuts.
- Further, the supply-side constraints like energy shortages dampen price responsiveness of exports. Tackling the issue of energy deficit can boost export performance considerably.

- Similarly, higher logistics costs have been a major impediment to export growth. The Economic Survey 201718 also points out that, "Improved logistics have huge implications on increasing exports, as a 10% decrease in indirect logistics cost can contribute to around 5-8% of extra exports."
- In the Global Competitiveness Index 2017-18 compiled by the World Economic Forum, while China ranks 27th, India is placed 13 points below at the 40th place. India has improved but India's manufacturing exports have been technologically backward and have also grown slower than China.

• Indian experience with FTAs

India is a fairly open economy with overall trade (exports plus imports) as a percentage of GDP at around 40% with exports diversified both in terms of markets and products in the past two decades.

- India's exports to FTA countries has not outperformed overall export growth or exports to rest of the world with both growing at an 13 % year on year average.
- Taking example of ASEAN, Korea and Japan it is visible that Bilateral trade has increased post signing of FTAs but Imports from FTA partners into India increased more than India's exports to partner countries resulting into widening of trade deficit.
- According to Economic Survey 2016-17, FTAs have had a bigger impact on metals on the importing side and textiles on the exporting side. A 10% percent reduction in FTA tariffs for metals increases imports by 1.4 %
- India's exports are much more responsive to income changes as compared to price changes and thus a tariff reduction/elimination does not boost exports significantly.
- Since India runs a trade deficit with ASEAN as well as the partner countries of RCEP, tariff

- eliminations may be more harmful to Indian Industry and more so due to India's inability to negotiate a good services deal in the past and China's excess capacity in most sectors.
- Further the Utilisation rate of other Regional Trading Agreements by exporters in India is very low (between 5 and 25%). Lack of information on FTAs, low margins of preference, delays and administrative costs associated with rules of origin, non-tariff measures, are major reasons for underutilization

Suggestions

- Before getting into any multilateral trade deal India should firstly, review and assess its existing FTAs in terms of benefits to various stakeholders like industry and consumers. complementarities and changing trade patterns in the past decade. • Second, negotiating bilateral FTAs with countries where trade complementarities and margin of preference is high may benefit India in the long run.
- Third, India needs to reduce compliance cost and administrative delays which are extremely critical to increase utilisation rate of FTAs.
- Fourth, proper safety and quality standards should be set to avoid dumping of lower quality hazardous goods into the Indian market.
- Fifth, circumvention of rules of origin should be strictly dealt with by the authorities as occurred in case of India-SriLanka FTA regarding copper exports.
 - Thus, FTAs have to be signed keeping two things in mind, mutually reciprocal terms and focusing on products and services with maximum export potential.
 - Regional comprehensive Partnership Agreement (RCEP)

- RCEP is a proposed free trade agreement (FTA) between 10 ASEAN countries and their six FTA partners, namely Australia, China, India, Japan, Korea and New Zealand.
- It accounts for 25% of global GDP, 30% of global trade, 26% of FDI flows and
- 45% of the total population.

17. <u>DESIGNATED</u> OFFSHORE SECURITIES MARKET

 Bombay Stock Exchange has become the first Indian exchange to be designated as a 'Designated Offshore Securities Market' (DOSM) by the U.S. Securities and Exchange Commission (SEC).

• More on news

- Till now, equity and bond securities traded on the BSE and issued in the US could not generally be resold in no prearranged trades without fulfilling certain requirements.
- DOSM status allows sale of securities to US investors through the trading venue of BSE without registration of such securities with the US SEC, which eases the trades by US investors in India.
- It will also enhance the attractiveness of Indian Depository Receipts (IDRs) amongst US investors.
- The BSE's new status will provide additional benefits to companies whose securities are traded both in the US and on the BSE for e.g. certain directors and officers of dual listed companies will be permitted to resell their securities on the BSE, regardless of any restrictions or holding periods that may apply under the US securities laws.
- Only a few exchanges globally enjoy the DOSM recognition, such as London Stock Exchange,

Bourse de Luxembourg, Tokyo Stock Exchange and Toronto Stock Exchange.

18. PATRATU SUPER THERMAL POWER PROJECT

- Recently, Prime Minister laid foundation stone for the first phase of Patratu Super Thermal Power Plant.
- About Patratu Super Thermal Power Project (STPP)
- It is a joint venture (74:26) between Government of Jharkhand and Patratu Vidyut Utpadan Nigam Ltd. (PVUN), a subsidiary company of NTPC.
- The project will also ensure 24X7 power supply to household under Pradhan Mantri Sahaj Bijli Har Ghar Yojana.
- Salient Features of the project include –
- o Dry ash disposal system It is presently being used in NTPC Dadri Thermal Power Plant.
- o Zero liquid discharge system Under this the waste water from the plant which contains salts and other impurities is evaporated and clean water is collected. The solid residue is further used for landfill purposes.
- o Air cooled condenser technology This technology ensures that there is less water consumption and allows the exhaust steam to directly condense from steam turbine.
- o Rail loading facility for transportation of ash
- o Project is also complaint with the new emission norms with high efficiency Electrostatic Precipitator, Flue-Gas desulphurization (FGD) and Nox control emission.

• New Emission Norms for Power Plants

• Ministry of Environment, Forest and Climate Change had notified new environmental norms in December 2015 with respect to suspended

particulate matter, sulphur oxide, nitrogen oxide and mercury along with water consumption norms for thermal power stations.

- Under these norms the power plants have been categorized into 3 categories based on the year of commissioning as mentioned below –
- o Plants installed before the December 2003 o Plants installed after 2003 but before December 31 2016
- o Plants installed after January 2017
- These standards are to be implemented in a phased manner.
- They aim at reducing PM10, sulphur Dioxide and Oxides of Nitrogen which will further aim at improving Ambient Air Quality in an around Thermal Power Plants.
- The norms will also help to reduce mercury emission which is a co-benefit and it also limits the use of water.
- However, 90% of the coal fired thermal power plants have still not complied with the norms and around 300 have been given deadline extension even though the deadline for new norms was December 2017.
- Reasons for extending the deadlines high cost incurred due to retrofitting with FGD systems, increased cost per unit for the consumers, reluctance on part of private thermal power plants etc.

• Super Thermal Power Station

- These are a series of thermal power plants with a capacity of 1000MW and above.
- Government is currently developing STPSs which will add about 100,000 Megawatt. E.g. Patratu Super Thermal Power Plant, Talcher Super Thermal Power Plant etc. Ultra-Megawatt Power Projects
- These power projects have the capacity of 4000MW or more.

19. <u>RENEWABLE ENERGY POLICIES</u> IN A TIME OF TRANSITION

• Recently, Renewable Energy Policies in A Time of Transition report is released in a collaborative effort of International Renewable Energy Agency (IRENA), the International Energy Agency (IEA), and the Renewable Energy Policy Network for the 21st Century (REN21).

Background

- Since 2012, renewable energy has accounted for more than half of capacity additions in the global power sector.
- Increasing investment in renewable: In 2017, investments in new renewable power capacity outstripped the amount invested in fossil-based generating capacity, with most of the installation of new renewable energy capacity currently occurring in developing and emerging countries.
- Reaching to hinterland: Nearly 146 million people are now served by off-grid renewable power, and many small island developing states are advancing rapidly towards targets of 100% renewables.

Findings of report

- **Objective:** To provide policymakers with comprehensive understanding of the diverse policy options to development support the of renewables across sectors, technologies, country contexts, energy market structures, and policy objectives.
- Policies in The Heating and Cooling Sector o Heating is the largest energy end-use, accounting

for over 50% of total final energy consumption in 2015, with over 70% of that met by fossil fuels. o Renewables can play a key role in decarbonising and providing a cleaner heating and cooling supply option by mandating building codes, enacting energy efficiency policies, providing fiscal and financial incentives and imposing carbon or energy taxes.

• Transport sector

- o Transport is the second largest energy end use sector, accounting for 29% of total final energy consumption in 2015, and 64.7% of world oil consumption.
- o Decarbonisation of the transport sector requires a fundamental change in the nature and structure of transport demand, integrated planning and policy design to overcome the immaturity or high cost of certain technologies, improvements in energy infrastructure, changes in the energy mix, removal of fossil fuel subsidies etc.

Power Sector

- o Power sector consumed only about a fifth of total final energy consumption in 2015, however it received most attention in terms of renewable energy support policy due to falling technology costs and support policies.
- o Investments in the sector are largely driven by regulatory policies such as quotas and obligations and pricing instruments, supported by fiscal and financial incentives.
- o To ensure the effectiveness of quotas and certificates, a robust framework to monitor and penalise noncompliance is needed along with auctioning in setting pricing policies, net metering and net billing for efficient distribution and avoidance of cross subsidization.
- Universal Energy Access: National energy access plans should consider both on and off grid solutions to reach universal access in a timely

- manner. It should also prioritise the adoption of clean-cooking systems and fuel switching towards modern fuels.
- Cheaper option: To expand energy access in rural areas are increasingly turning to renewables as the most cost-effective, cleanest and most secure option.
- Renewable role in Improving Air Quality: According to WHO, an estimated 7.3 million premature deaths per year are attributable to household and outdoor air pollution.

Challenges

- Awareness and capacity barriers: It relates to a lack of sufficient information and knowledge about renewables and their performance as well as a lack of skilled personnel and training programs.
- Cost barriers: It pertains to the capital/investment costs of renewable energy technologies particularly in the early stages of market growth.
- Financial barriers: It pertains to the lack of adequate funding opportunities, difficulty in accessing suitable financial instruments, lack of institutional knowledge, lack of access to and affordability of effective risk mitigation instruments and financing products for renewable.
- Infrastructure barriers: It pertains to the availability of needed infrastructure to incorporate renewable energy into the energy grid resulted in the curtailment of power from renewable sources.
- Institutional and administrative barriers: It includes a lack of institutions and authorities dedicated to renewables; the absence of clearly defined responsibilities; complicated licensing procedures; difficulty with land acquisition and permission etc.
- Market barriers: It includes inconsistent pricing structures that lead to disadvantages for renewables, irregular pricing of renewable energy

products, information asymmetries, distortions in market power, fossil fuel and nuclear subsidies, and a failure to incorporate social and environmental externalities into costs.

• Public acceptance and environmental barriers: It constitutes constraints that could lead to a renewable energy project being found unsuitable for a specific location.

• Way Forward

- Increasing Direct policy support for renewable energy in the power and end-use sectors, which both account for large shares in final energy consumption as well as energy related CO2 emissions.
- Enabling policies are needed to ensure effective operating conditions like level playing field with other technologies, facilitating innovation etc. for renewables in energy systems and markets
- Integrating policies: Renewable energy needs to be integrated into the daily life of consumers as well as into the institutional framework, to allow them to be part of the overall energy transition.
- Effective participation by all stakeholders: To ensure improved energy transition and it have transformative impact on society, institutions, financing and on the wider economy.
- Contextual policy making: Policies need to be continuously adapt to changing market conditions, to achieve greater cost-competitiveness and improved integration of renewables into the grid system.
- Increasing share of renewable to achieve Paris Goals: According to Global Energy Transformation: A Roadmap to 2050, the share of renewables in the primary global energy supply must increase from 15% today to 65% by 2050.
- Sustainable Development Goal (SDG) 7 on energy: Policies are needed to support the deployment of decentralised renewables to

- accelerate the pace of energy access and achieving universal access to modern energy services by 2030.
- Power Infrastructure Integration: To ensure the smooth integration of renewables into the wider energy system for a cost-effective and sustainable energy transition.

• International Renewable Energy Agency (IRENA)

- It is an intergovernmental organization, principal platform for international co-operation, a centre of excellence, and a repository of policy, technology, resource and financial knowledge on renewable energy.
- Promotes the widespread adoption of renewable energy, including bioenergy, geothermal, hydropower, ocean, solar and wind energy. India is a member country of IRENA. International Energy Agency (IEA)
- It is a Paris-based autonomous intergovernmental organization established in the framework of the Organization for Economic Cooperation and Development (OECD) in 1974 in the wake of the 1973 oil crisis.
- It works to ensure reliable, affordable and clean energy for its 29 member countries and beyond. Its mission is guided by four main areas of focus: energy security, economic development, environmental awareness and engagement worldwide.
- Only the OECD member states can become members of the IEA. Except for Chile, Iceland, Israel, Mexico, and Slovenia, all OECD member states are members of the IEA. In 2014, Estonia joined the IEA and became its 29th member.
- China, India, Indonesia, Morocco, Singapore and Thailand are the associate members of IEA.
- With India as a member, it now formally covers 70% of the world's energy consumption.

- Important publications of IEA:
- o World Energy Outlook 2016
- o World Energy Investment 2016 Renewable Energy Policy Network for the 21st Century
- It is the global renewable energy policy multi stakeholder network with the goal of facilitating knowledge exchange, policy development and joint action towards a rapid global transition to renewable energy.
- It brings together governments, nongovernmental organisations, research and academic institutions, international organisations and industry to learn from one another.
- India is a member.

20. PRIVATE PARTICIPATION IN NATIONAL APPRENTICESHIP PROMOTION SCHEME

- Government has decided to execute the National Apprenticeship Promotion Scheme (NAPS) in the public private partnership mode.
- National Apprenticeship Promotion Scheme (NAPS)
- Its objective is to promote apprenticeship training and incentivize employers who wish to engage apprentices.
- It reimburses 25% of prescribed stipend subject to a maximum of Rs. 1500/- per month per apprentice and targets 15 lakh apprentices in 2018-2019 & 20 lakh apprentices in 2019-20.
- It covers all apprentices except the Graduate, Technician and Technician (Vocational) apprentices which are covered by the scheme administered by MHRD.

• It also promotes dual-learning Mode of training in which theoretical instructions are given in the ITI's while practical training is given in the industry, thus improves the connect between industry and ITI's

NAPS under PPP Mode

- Until now, the programme was being run by the director general of training under the ministry of skill development and entrepreneurship.
- It will be partly operated by National Skill Development Corporation (NSDC) and Sector Skill Councils (SSCs) to increase the rate of private participation.

• NSDC (National Skill Development Corporation)

- It was established in 2009 as a Public Private Partnership Company with an objective to bridge the emerging skill gaps in the Indian economy and also addresses the worldwide skill shortages.
- Government of India through Ministry of Skill Development & Entrepreneurship (MSDE) holds 49% of the present equity base, while the private sector has rest 51%.
- It is also aligned to re-skilling and upskilling those who are already a part of the formal human resource. Sector Skill Councils (SSCs)
- They are set up under NSDC as autonomous industry-led bodies for steering skill development and training by identifying Skill gaps, conducting Train the Trainer Programs, providing the real time information about the labour market and developing a robust training delivery mechanism.
- Sharada Prasad Committee (2016), recommended scrapping of the existing Councils due to their overlapping roles and also highlighted the conflict of interest in these.

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All the Best to all my Economics students...
Hope this material will help you.
God bless...
Jai Hind

All the Best Jai Hind ©



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