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Economics – 2019

GOOD MORNING TIMES AUGUST- 2018



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GOOD MORNING TIMES

Economics – PT Shots (AUGUST-2018)

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1. TREDS PLATFORM

- State-owned aerospace and defence PSU Hindustan Aeronautics Limited (HAL) has executed its first digitised invoice discounting transaction on RXIL TReDS platform when it accepted the digital invoice uploaded by Narendra Udyog, a Nasik-based MSME vendor.
- This makes HAL the first PSU (public sector unit) to transact on TReDS across platforms.
- RXIL, India's first TReDS platform, enables MSMEs to gain control of their receivables with enhanced visibility and timeliness.
- **Salient Features of TReDS:**
 - Unified platform for Sellers, Buyers and Financiers.
 - Eliminates Paper.
 - Easy Access to Funds.
 - Transact Online.
 - Competitive Discount Rates.
 - Seamless Data Flow.
 - Standardised Practices.
- **How does the system work?**
 - A seller has to upload the invoice on the platform. It then goes to the buyer for acceptance. Once the buyer accepts, the invoice becomes a factoring unit.
 - The factoring unit then goes to auction. The financiers then enter their discounting (finance) rate. The seller or buyer, whoever is bearing the

interest (financing) cost, gets to accept the final bid.

- TReDS then settle the trade by debiting the financier and paying the seller. The amount gets credited the next working day into the seller's designated bank account through an electronic payment mode.
- The second leg of the settlement is when the financier makes the repayment and the amount is repaid to the financier.

• **What is TReDS?**

- TReDS is an online electronic institutional mechanism for facilitating the financing of trade receivables of MSMEs through multiple financiers.
- The TReDS Platform will enable discounting of invoices/bills of exchange of MSME Sellers against large Corporates including Govt. Departments and PSUs, through an auction mechanism, to ensure prompt realization of trade receivables at competitive market rates

2. PARTICIPATORY NOTES

- Investments through participatory notes into Indian capital markets have plunged to over nine-year low of Rs 80,341 crore till July-end amid stringent norms put in place by the watchdog Sebi to check misuse of these instruments.
- **Background:**
 - The decline could be attributed to several measures taken by the market watchdog to stop

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the misuse of the controversy-ridden participatory notes.

o In July 2017, SEBI had notified stricter norms stipulating a fee of USD 1,000 on each instrument to check any misuse for channelising black money. It had also prohibited FPIs from issuing such notes where the underlying asset is a derivative, except those which are used for hedging purposes.

o These measures were an outcome of a slew of other steps taken by the regulator in the recent past. In April last year, the Securities and Exchange Board of India (Sebi) had barred resident Indians, NRIs and entities owned by them from making investment through P-notes.

• **WHAT ARE P-NOTES?**

- These are used by overseas market participants that don't want to get registered as FIIs. P-notes are not issued in India, rather these are issued by an India registered FII to other overseas investors.
- The FII will be the entity to initiate a transaction in our stock markets, which could be on behalf of foreign clients.
- P-notes are then issued by the FII to the client, underlining that the securities are held on behalf of the client albeit in the name of the FII.
- The P-note holder is entitled to all the dividends, capital gains and other payouts on the underlying securities. FIIs have to periodically report to SEBI on P-note issuance without the need to name the final beneficiary.

• **What are govt & regulator's concerns?**

- The primary reason why P-Notes are worrying is because of the anonymous nature of the instrument as these investors could be beyond the reach of Indian regulators.
- Further, there is a view that it is being used in money laundering with wealthy Indians, like the

promoters of companies, using it to bring back unaccounted funds and to manipulate their stock prices.

• **WHY ARE THEY POPULAR?**

- These are a popular way to invest in Indian markets as not only do these save the investor from regulatory hassles of registration, but also allow the final beneficiary to remain anonymous.
- Large hedge funds and high net worth individuals find this a hassle-free and simple way to get exposure to Indian markets.
- Reports also suggest that P-notes may aid in movement of black money or unaccounted funds. Such funds leave the country through various routes and can easily re-enter via investments aided by P-notes, which won't reveal the identity of the beneficiary. Given that P-notes are issued outside India to overseas investors, they are not regulated and are open to misuse.

3. BARRIERS TO CASHLESS ECONOMY

- The Reserve Bank of India's second annual report shows that since demonetisation cash transactions have increased.
- Nearly two years after demonetization, about 99.3% of the notes sucked out of circulation has been returned. Besides, the value of bank notes in circulation has increased by 37.7% over the year, reaching Rs 18,037 lakh crore by the end of March 2018.
- **Outcomes of demonetization:**
 - Over the last two years, at least three of major claims of demonetization have collapsed.

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o First, it was supposed to flush out black money and end corruption. The government predicted that Rs 3 lakh crore in currency would not return to the banks. This has proved to be false, as most of the cash has returned.

o Second, demonetisation was to help detect fake currency, which apparently funded terror and distorted the economy. The government claimed that at any point of time, there was Rs 400 crore in fake currency notes floating in the economy. Nine months after demonetisation, it was claimed that Rs 11.23 crore in fake currency had been detected. Now, the Reserve Bank reports a huge jump in fake Rs 2,000 notes, which were introduced after demonetisation.

o Third, demonetisation was to pave the way to a cashless economy and the gleaming new world of digital India. Two years later, the amount of cash with the public has reached a record high, the bank has claimed.

- **Background:**

- On November 8, 2016, Prime Minister Narendra Modi announced that all Rs 500 and Rs 1000 notes, comprising 86% of the total value of the currency in circulation at that time, would no longer be recognised as legal tender.

- **What is a cashless economy?**

- It is a situation in which the flow of cash within an economy is non-existent and all transactions have to be through electronic channels such as direct debit, credit and debit cards, electronic clearing, payment systems such as Immediate Payment Service (IMPS), National Electronic Funds Transfer and Real Time Gross Settlement.

- **Benefits of a cashless economy:**

- Usage of cashless mechanisms would ensure that loopholes in public systems get plugged, and the intended beneficiaries are able to avail the benefits due to them. It also leads to increased efficiency in

welfare programmes as money is wired directly into the accounts of recipients.

- Efficiency gains can also be seen as transaction costs across the economy come down. It also provides an onramp to financial inclusion and enables e-commerce growth.

- Reducing use of cash would also strangle the grey economy, prevent money laundering and even increase tax compliance, which will ultimately benefit the customers at large.

- **Benefits for individuals:**

- No need for queues outside ATMs.
- No cash out during long holidays.
- No waiting for a deposited cheque to be credited.
- No risk of carrying currency notes in the wallet.

- **What perpetuates use of cash in India?**

- A high propensity to save in and use cash.
- Cash intensive supply chains require many merchants to transact in cash.
- A large shadow and remittance-based economy is also to be blamed for the situation.
- Gender imbalance in use of digital payments has further aggravated the problem. This is due to insufficient focus on financial literacy.
- Also, costs of point-of-sale terminals and operating costs are still high in India.

4. RECENTLY DEVELOPED RACES OF SILK WORM SEED

- Central Silk Board (CSB) has notified recently developed races of silkworm seed of mulberry and Vanya silk for increasing the productivity of cocoons and to increase the income of the farmers engaged in sericulture.

- **Key facts:**

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- Tropical Tasar Silkworm (BDR-10) race developed by the CSB have 21% more productivity than the traditional Daba breed. Farmers can get upto 52 kg cocoons per 100 disease free layings (Dfls).

- This silkworm breed will help the tribal farmers of Jharkhand, Chhattisgarh, Odisha, West Bengal, Andhra Pradesh, Maharashtra, Madhya Pradesh, Bihar, Telangana and Uttar Pradesh.

- Multivoltine x Bivoltine Mulberry hybrid (PM x FC2) race of silkworm can produce 60 kg per 100 Dfls and the race is better than earlier race PM x CSR. Due to high quality silk and significant egg recovery, this race is suitable for the farmers of Karnataka, Andhra Pradesh, Tamil Nadu, Telangana and Maharashtra.

- Eri Silkworm (C2) race has been found better than local breed and it can produce 247 numbers of Eri cocoons per 100 Dfls. This race is suitable for the farmers in Arunachal Pradesh, Assam, Bihar, Maharashtra, Madhya Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Odisha, Sikkim, Uttar Pradesh, Uttarakhand and West Bengal.

- **Significance:**

- Silk worm breeds for specific agro-climatic condition are essential for increasing the productivity of cocoons. The recently notified silkworm races will improve the income of the farmers by its enhanced productivity and quality.

- **CSB:**

- Central Silk Board (CSB) is a Statutory body established in 1948 by an Act of Parliament. It is working under the administrative control of Ministry of Textiles, Government of India.

5. SAARC AGRI COOPERATIVE BUSINESS FORUM

- The first South Asian Association for Regional Cooperation

(SAARC) Agri Cooperative Business Forum was held recently in Kathmandu, Nepal.

- **Theme: ‘Organizing and Strengthening Family Farmers’ Cooperatives to attain the Sustainable-Development Goals-1 and 2 in South Asia’.**

- **About SAARC Agri Cooperative Business Forum:**

- Organized by Food and Agriculture Organization (FAO) of United Nations and Asian Farmers’ Association with the support from International Fund for Agricultural Development.
- Aim: To provide platform to bring together representatives both from government and non-governmental entities from member states of SAARC as well as from regional and international organizations.

- **WHAT IS SAARC?**

- SAARC stands for South Asian Association for Regional Cooperation. It is a geopolitical cooperation maintained for mutual benefits between eight south Asian nations: India, Nepal, Bhutan, Sri Lanka, Bangladesh, Pakistan, Afghanistan, and Maldives.

- **Other key facts:**

- SAARC Summits are held annually. There have been, however, times when the summits skipped a year.
- The diplomatic summits can only take place when all the members of SAARC are present.
- SAARC Secretariat is based in Kathmandu. It is responsible for monitoring the activities of the cooperation.
- The body was founded in Dhaka in 1985.

- **SAFTA:**

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• In a landmark move, SAARC nations unanimously decided to form South Asian Free Trade Area (SAFTA). Although the agreement was reached at the 12th SAARC summit in 2004, it came into force on 1 January 2006.

• The agreement not only created a free trade area of 1.8 billion people in SAARC nations (except Afghanistan), but also removed trade barriers to increase the level of economic cooperation.

6. POLICY FRAMEWORK FOR EXPLORATION AND EXPLOITATION OF UNCONVENTIONAL HYDROCARBONS

- The Union Cabinet has approved the policy to permit exploration and exploitation of unconventional hydrocarbons such as Shale oil/gas, Coal Bed Methane (CBM) etc.
- It will be carried out under the existing Production Sharing Contracts (PSCs), CBM contracts and Nomination fields to encourage the existing Contractors in the licensed/leased area to unlock the potential of unconventional hydrocarbons in the existing acreages.

• Significance of the move:

• With the approval of this policy, there will be complete shift from 'One hydrocarbon Resource Type' to 'Uniform Licensing Policy' which is presently applicable in Hydrocarbon Exploration & Licensing Policy (HELP) and Discovered Small Field (DSF) Policy.

• Benefits:

• This policy will enable the realization of prospective hydrocarbon reserves in the existing

Contract Areas which otherwise would remain unexplored and unexploited.

• With this policy dispensation, new investment in Exploration and Production (E&P) activities and chances of finding new hydrocarbon discoveries and resultant increased domestic production thereof is expected.

• Exploration and exploitation of additional hydrocarbon resources is expected to spur new investment, impetus to economic activities, additional employment generation and thus benefitting various sections of society.

• This will lead to induction of new, innovative and cutting-edge technology and forging new technological collaboration to exploit unconventional hydrocarbons.

• Need for new framework:

• As per existing contractual regime of PSCs, existing Contractors are not allowed to explore and exploit CBM or other unconventional hydrocarbons in already allotted licensed/leased area. Similarly, CBM Contractors are not allowed to exploit any other hydrocarbon except CBM. Acreages held at present by various Contractors in PSCs and CBM blocks and National Oil Companies (NOCs) in nomination regime constitute a significant part of India's sedimentary basin.

• What is Coal Bed Methane?

• Coal Bed Methane (CBM) is an unconventional form of natural gas found in coal deposits or coal seams. CMB is formed during the process of coalification, the transformation of plant material into coal. It is considered a valuable energy resource with reserves and production having grown nearly every year since 1989. Varied methods of recovery make CBM a stable source of energy.

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- **What is Shale Gas?**

• Shale gas is a natural gas formed from being trapped within shale formations. It is unconventional source of methane, like coal-bed gas (in coal seams) and tight gas (trapped in rock formations). It is colourless, odourless gas, lighter than air. It is cheaper than natural gas, releases 50% less CO₂, hence better source for generating electricity. It also provides feedstock for petrochemicals industry, which is turned into fertilizer, plastics and other useful stuff.

7. **'STATE ENERGY EFFICIENCY PREPAREDNESS INDEX'**

- 'State Energy Efficiency Preparedness Index' has been released by Bureau of Energy Efficiency (BEE) and Alliance for an Energy Efficient Economy (AEEE).

- **About the Index:**

- The nationwide Index is a joint effort of the NITI Aayog and BEE. The index assesses state policies and programmes.
- The Index will help in implementing national energy efficiency initiatives in states and meet both State as well as national goals on energy security, energy access and climate change.
- It has 63 indicators across Building, Industry, Municipality, Transport, Agriculture and DISCOM with 4 crosscutting indicators.
- The Index examines states' policies and regulations, financing mechanisms, institutional capacity, adoption of energy efficiency measures and energy savings achieved.

- **Performance of states:**

- States are categorised based on their efforts and achievements towards energy efficiency

implementation, as 'Front Runner', 'Achiever', 'Contender' and 'Aspirant'.

o the 'Front Runner' states in the inaugural edition of the Index are: Andhra Pradesh, Kerala, Maharashtra, Punjab, and Rajasthan based on available data.

o Gujarat, Karnataka, Tamil Nadu and Haryana have been categorised in the second-best category of 'achiever' states.

- **Significance of the Index:**

- Such an index assumes significance in a country that is now the biggest emitter of greenhouse gases after the US and China, and which is among the countries most vulnerable to climate change. India plans to reduce its carbon footprint by 33-35% from its 2005 levels by 2030, as part of its commitments to the United Nations Framework Convention on Climate Change adopted by 195 countries in Paris in 2015.

8. **NATIONAL ENERGY STORAGE MISSION**

- In February 2018, an Expert Committee under the chairpersonship of Secretary, Ministry of New and Renewable Energy, with representatives from relevant Ministries, industry associations, research institutions and experts were constituted by the Ministry of New & Renewable Energy to propose draft for setting up National Energy Storage Mission (NESM) for India.

- **The proposal:**

- The Expert Committee referred has proposed a draft NESM with objective to strive for leadership in energy storage sector by creating an enabling policy and regulatory framework that encourages

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manufacturing, deployment, innovation and further cost reduction.

- **Key areas for energy storage application include:**

- Integrating renewable energy with distribution and transmission grids.
- Setting Rural microgrids with diversified loads or stand-alone systems.
- Developing Storage component of electric mobility plans.

- **Highlights of the draft National Energy Storage Mission (NESM):**

- The draft expects to kick-start grid-connected energy storage in India, set up a regulatory framework, and encourage indigenous manufacture of batteries.
- The draft sets a “realistic target” of 15-20 gigawatt hours (GWh) of grid-connected storage within the next five years. Power grids do not currently use storage options that would help in smoothly integrating renewable energy sources.
- The mission will focus on seven verticals: indigenous manufacturing; an assessment of technology and cost trends; a policy and regulatory framework; financing, business models and market creation; research and development; standards and testing; and grid planning for energy storage.

- **Significance and the need for energy storage:**

- Energy Storage is one of the most crucial & critical components of India’s energy infrastructure strategy and also for supporting India’s sustained thrust to renewables.
- Renewable energy sources now make up almost one-fifth of India’s total installed power capacity. However, as power grids increase their share of solar and wind energy, the problem remains that

the peak supply of renewable sources does not always meet peak demand. For instance, solar energy generation may be at its peak at noon, but unless stored, it will not be available when needed to light up homes at night. Moreover, renewable sources are inherently intermittent: there are days when the wind doesn’t blow or the sky is cloudy.

9. UDAN SCHEME FOR INTERNATIONAL ROUTES

- The centre has unveiled the draft International Air Connectivity (IAC) scheme.
- **Key highlights:**
 - Target: The scheme envisages to increase the international ticketing to 20 crores by 2027.
 - The scheme is to be made operational only for states, which demonstrate their commitment to implement and provide the requisite support for promoting operations under the scheme.
 - Identification of routes: According to the draft, state governments will identify the routes to be connected, and airline operators will assess demand on the identified routes and submit proposals for providing connectivity.
 - Permitted aircrafts: Operations under the scheme will be permitted through fixed-wing aircraft only with more than 70 seats.
 - The scheme has proposed to set up an International Air Connectivity Fund (IACF) — a dedicated fund for providing subsidy support under the scheme. It will be created through the contributions of state governments.
 - The subsidy support shall be provided to selected airlines only for the passenger seats, which remain unsold at the time of IAC flight operation, from the total number of passenger seats for which subsidy has been requested by the

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selected airline as part of its proposal. The subsidy support will be extended only up to three years.

- The Airport Authority of India will be the implementing agency of the scheme.

10. O-SMART SCHEME

- The Cabinet Committee on Economic Affairs has given its approval for the umbrella scheme “Ocean Services, Technology, Observations, Resources Modelling and Science (O-SMART)”, for implementation during the period from 2017-18 to 2019-20 at an overall cost of Rs.1623 crore.

- **Highlights of the scheme:**

- The scheme encompasses a total of 16 sub-projects addressing ocean development activities such as Services, Technology, Resources, Observations and Science.
- The services rendered under the O-SMART will provide economic benefits to a number of user communities in the coastal and ocean sectors, namely, fisheries, offshore industry, coastal states, Defence, Shipping, Ports etc.

- **Significance and benefits of the scheme:**

- Currently, five lakhs fishermen community are receiving the related information daily through mobile which includes allocation of fish potential and local weather conditions in the coastal waters. The scheme will help in reducing the search time for fishermen resulting savings in the fuel cost.
- Implementation of O-SMART will help in addressing issues relating to Sustainable Development Goal-14, which aims to conserve use of oceans, marine resources for sustainable development. This scheme (O-SMART) also provide necessary scientific and technological

background required for implementation of various aspects of Blue Economy.

- The ocean advisory services and technologies being rendered and developed under the scheme play a pivotal role in the development activities over dozen sectors, working in the marine environment including the coastal states of India, contributing significantly to the GDP.
- The State of Art Early Warning Systems established under the O-SMART Scheme will help in effectively dealing with ocean disasters like Tsunami, storm surges. The technologies being developed under this Scheme will help in harnessing the vast ocean resources of both living and non-living resources from the seas around India.

- **Significance of the Blue Economy:**

- As the resources on land are not adequate enough to meet the future demands, India is also embarking on blue economy for effective and efficient use of the vast ocean resources in a sustainable way, which would require a great deal of information on ocean science, development of technology and providing services.
- Further, the coastal research and marine biodiversity activities are important to be continued also in the context of achieving United Nations Sustainable Development Goal-14 to conserve and sustainably use the oceans, seas and marine resources for sustainable development.

11. CONCESSION FINANCING SCHEME

- Recently, government extended the Concessional Financing Scheme (CFS) for five years till 2023.
- **About Concession Financing Scheme**

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• The scheme is aim to support Indian entities bidding for strategically important infrastructure projects abroad.

• Under the scheme government provide counter guarantee and interest equalization of 2 % to EXIM Bank to offer concessional finance to any foreign Govt. or controlled entity, if any Indian entity, succeeds in getting contract for the execution of a project.

• It will now cover all Indian entities, compared to the earlier stipulation of minimum 75 per cent Indian shareholding.

• EXIM Bank extends credit at a rate not exceeding LIBOR (avg. of six months) + 100 bps. The repayment of the loan is guaranteed by the foreign govt.

• Under the scheme Ministry of External Affairs selects the project, keeping in view strategic interest of India and sends the same to the Department of Economic affairs.

• **Significance of the scheme**

• It will help in generate substantial backward linkage induced jobs, demand for material and machinery in India and also a lot of goodwill for India.

• Bidding large Project: Prior to the introduction of CFS, Indian entities were not able to bid for large projects abroad since the cost of financing was very high for them and bidders from other countries such as China, Japan, Europe and US.

• **LIBOR**

• LIBOR or ICE LIBOR is a benchmark rate that some of the world's leading banks charge each other for short-term loans.

• It stands for Intercontinental Exchange London Interbank Offered Rate and serves as the first step to calculating interest rates on various loans throughout the world.

12. UPI 2.0 LAUNCHED

• Recently, National Payment Corporation of India (NPCI) has upgraded the Unified Payment Interface (UPI) with enhanced features.

• **New features in UPI 2.0**

• Linking of overdraft account – Apart from the savings and current accounts, the UPI users can now link their overdraft account to it and all the facilities and benefits of overdraft account would be made available to the users.

• One-time Mandate (account blocking) – It allows customers or merchants to pre-authorize a transaction and pay at a later date. It would also ensure that the customers do not miss the payments.

• Invoice in the inbox – It allows the users to check the invoice sent by merchant in their own inbox prior to making the payments, thus allowing the customers to check the credentials beforehand.

• Security Layer in QR – The app allows the users to scan the QR code and check the authenticity of the merchants through notification to the user to ascertain the information.

• Increased Transaction Limit – The pre-existing transaction limit (1 lakh daily) has been raised to 2 lakhs daily.

• **Challenges**

• Even though the transaction limit has been raised to 2 lakhs but certain banks still have limits much lower than 1 lakh while individual app such as BHIM, Whatsapp etc. have even lower limits.

• There is also lack of initiatives from banks for penetration of QR Codes for UPI whereas wallets have aggressively placed their stickers.

• The invoice in the inbox may have a deeper security risk as it may be accessible to anyone

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with the link which could lead to increased and unnecessary data harvesting.

- The overdraft feature of the UPI 2.0 may also lead to over-spending leading to banks charging the account holders.
- UPI 2.0 also doesn't have a grievance redressal mechanism that would ensure refund of failed transactions in a reasonable time period.
- The 'standing instruction' feature that would allow recurring payments from the user's bank account towards loan payment or bill payment after a specific interval, enabled by a onetime digital mandate need to be included to tap Rs 9 lakh crore worth of bill payments market which is still dominated by cash

- **About NPCI**

- It is an initiative of Reserve Bank of India (RBI) and Indian Banks' Association (IBA) under the provisions of the Payment and Settlement Systems Act, 2007
- It is the umbrella organization for all retail payments and settlement systems in the country.
- It also manages the UPI platform
- It links all the ATMs in India

13. SAFETY, SECURITY AND ENVIRONMENTAL ASPECTS IN PETROLEUM SECTOR

- Recently, Standing Committee on Petroleum and Natural Gas submitted its report on 'Safety, Security and Environmental Aspects in Petroleum Sector'

- **Introduction**

- Efficient, reliable and competitively priced energy supplies are prerequisites for accelerating economic growth. Petroleum industry handles highly inflammable hydrocarbons, and operates processes under high temperature and pressure.

- Industry has a significant influence on environmental pollution through exploration and production operations, oil spillage, and refining operations. Therefore, the safety and security and environment protection in petroleum and natural gas industry is of paramount and vital importance and its operation in a safe mode is necessary both for the employees and the society at large.

- The major cases of accidents across the oil and gas industry occur due to:

- (i) not following the standard operating procedures (SOPs),
- (ii) violation of work permit system, and
- (iii) knowledge gap.

- **Issues**

- **Multiple Regulating Body:** Various statutory authorities are involved in enforcing safety in the petroleum and natural gas industry.

o in the oil exploration and production segments, the DIRECTORATE GENERAL OF MINES SAFETY (MoLabour and Employment) and OISD (MoPNG) regulate safety.

o in the oil processing and distribution segments, the PESO and PNGRB, which are under the Ministries of Commerce and Industry and MoPNG respectively, are enforcing safety. PESO regulates 97% of the premises, followed by 2% by DGMS, and 1% by OISD.

• **Incidents of Oil Spill:** Oil spill is a major problem in hydrocarbon sector which adversely affects the environment.

- **Poorly trained worker:** Accidents were also caused due to poorly trained workers. It can be resolved by imparting regular training and refresher training of all the workers including contract workers and security personnel.

- **Pilferage from oil pipelines** by anti-social elements poses a major hazard risk.

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• Transportation of Petroleum Products: Accidents took place that involved trucks transporting petroleum products. To prevent such incident, it should be mandatory to install GPS along with Vehicle Tracking System (VTS) in the tank trucks.

• **Way Forward**

• Formation of a Unified Safety Board for Overcoming Regulatory challenges: Committee recommended that PESO may be empowered to work as a single framework for regulation of safety in the entire hydrocarbons sector.

• Environmental Friendly: Developing Accountability mechanism to oversee the steps taken by refineries in mitigating environmental pollution using the latest and cleaner technology, recovery of by products and resource conservation and effluent treatment facilities.

• Safety and Security audit should be carried out at periodic intervals to update and upgrade the security systems in all the oil and gas installations.

• Use of technology: Geo-physical Mapping of Potential Disasters for advance planning to minimise damage and to deal with accidents efficiently and effectively.

14. DISTRICT MINERAL FOUNDATION (DMF)

• Recently, Centre for Science and Environment (CSE) released the District Mineral Foundation (DMF) Status Report, 2018, which highlighted several shortcomings in the implementation of DMF scheme.

• **Background**

• DMF was instituted in March 2015 through an amendment under the Mines and Minerals (Development and Regulation) Act, 1957.

• Section 9(B)(1), of the MMDR (Amendment) Act, 2015 provides for setting up of DMF as a non-profit Trust in every mining district and stipulates miners to pay a part of their royalty for the well-being of mining affected people so that they too can benefit from natural resources in their areas.

• **Significance behind establishing DMF**

• Aimed to address the ironic inequality of India's mining affected districts where the richest lands are inhabited by some of the poorest and most deprived persons and to ensure socio-economic and environmental justice for them by maximizing the welfare and benefit of the mining-affected people and areas in a targeted manner.

• Recognizes the right of the people to benefit from natural resources: It is a people-centric vision of natural resource governance where their right to benefit has been put at the forefront.

• Has defined objectives, specific beneficiaries and geographies (directly and indirectly mining-affected areas) and certain 'high priority' issues to focus on for intervention: The high priority issues, towards which at least 60 per cent of the DMF budget should be used, include drinking water supply, sanitation, healthcare, education, welfare of women and children, welfare of aged and disabled, skill development, environment preservation, and pollution control measures. Some states have also specified other sectors such as agriculture, affordable housing.

• DMF's objective and functioning is guided by three fundamental laws of the land: these include the Constitutional provisions as related to the Fifth and Sixth Schedules for governing tribal areas, the Panchayats (Extension to Scheduled Areas) Act (PESA), 1996, and the Scheduled Tribes and

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Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006 (the FRA).

- **Issues with the DMF operation**

- No DMF trust has identified its beneficiaries: The beneficiaries of the mining affected areas have not been identified by any of the trusts.

- Excessive control by State Governments: There was too much state government intervention in deciding DMF fund utilization even though DMF rules and Central Government's flagship scheme- Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKKY) categorically emphasize the role of Gram Sabha.

- o Telangana in June 2018 even amended its DMF rules to withdraw participation of Gram Sabha from the DMF body.

- o The Chhattisgarh DMF Rules has created a "Settlor" - the Secretary of Mines - who has over-riding powers to include or scrap any project.

- o in seven out of twelve states reviewed under the study, DMF body was dominated by Government officials and political executives- MLAs, MPs or in some cases elected Panchayat members. However, there was no representation of mining affected people.

- Misplaced allocations of DMF resources: This results in by-passing key issue areas of the affected districts such as healthcare or nutrition.

- o for instance, in Odisha's Sundergarh district where under five mortality rates in rural areas are very high and nearly 50% children below five have stunted growth, only Rs. 3 Crore is provided for Child development out of district's Rs. 745 Crore sanctions.

- o Similarly, spending is diverted to various construction activities in Urban areas such as 46% of total DMF sanctions in Chhattisgarh's Korba district is used for works in urban areas which

include education hub, roads, urban sanitation works, multilevel parking lots, bus stops etc.

- o In Odisha's Jharsuguda, 96% of health sector sanctions are being spent to construct a medical college in Keonjhar town.

- Lack of planning and ad-hoc investments are one of the biggest drawbacks in most districts, resulting in many cases districts leaving out people and areas worst hit by mining from DMF fund allocation, for instance, in Jharkhand's Dhanbad district's Jharia coal mine region, which is one of the worst affected areas in the district, no fund is allocated at all from DMF sanctions.

- Absence of proper administrative setup: except for a handful of three out of 50 districts studied, no DMF has setup an office for planning and coordination, engaging concerned officials and experts. DMFs are operating in an ad hoc manner with intermittent meetings of DMF bodies where decisions on sanctions are being made. Some districts (as in Odisha and Jharkhand) have engaged private consultants to oversee DMF implementation.

- Indifferent attitude of the state governments: Governments in 11 states have issued notifications establishing DMF as a Trust, but the notifications do not essentially elaborate on the composition and functions of the Trust or the rights of the beneficiaries. Gujarat is an exception in every aspect as it does not recognize DMF as a Trust and establishes it as a 'society'.

- Lack of transparency and accountability: Public disclosure of information is the key to ensure accountability, however, except for Odisha and Chhattisgarh, no state has a proper DMF website. Also, no audits have happened for most DMFs. Even for the few districts where it has happened, such as in Chhattisgarh and Odisha, so far financial audits have only happened once and no

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performance evaluation or social audit essential for public schemes has ever been undertaken.

- **Way Forward**

- If developed and implemented well, DMFs not only have a huge potential for improving the lives and livelihoods of some of the poorest communities but they could also be a model for inclusive governance.
- State governments must provide districts the flexibility to plan and invest on the needs of the local communities. The intended autonomy of DMF Trusts should be maintained.
- A systematic and bottom-up planning approach must be followed to make investments effective. The potential can also be improved by considering convergence with other programmes of the Central and state governments once priority issues are determined.
- Districts must identify DMF beneficiaries; there cannot be a Trust without beneficiaries. This will also help in targeted investments such as for addressing women and child development issues.
- Gram Sabhas (and ward members where applicable) should have a representation in the DMF body. Not following this is in contravention to the spirit of the DMF law as well as the state DMF Rules.
- For efficiency of operations, all DMFs must have an office comprising of officials and experts. Independent organizations/planning experts can be roped in from time to time for effective planning.
- Public disclosure of information is key to DMFs' transparency of operation. District-specific DMF-related information must be made available through a website. To ensure access, information should be shared by using panchayat-level platforms.

15. Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKKY)

- PMKKKY is a programme launched in September 2015 to provide for the welfare of areas and people directly or indirectly affected by mining related operations. PMKKKY is implemented by the District Mineral Foundations (DMFs) of the respective districts using the funds accruing to the DMF from miners.
- The overall objectives of PMKKKY scheme are:
 - o to implement various developmental and welfare projects/programs in mining affected areas. These projects/programs will be complementing the existing ongoing schemes/projects of State and Central Government;
 - o to minimize/mitigate the adverse impacts, during and after mining, on the environment, health and socio-economics of people in mining districts; and
 - o to ensure long-term sustainable livelihoods for the affected people in mining areas.

16. WORLD'S FIRST BLOCKCHAIN BOND

- The World Bank has launched the world's first public bond created and managed using only blockchain in order to test how the technology might improve current bond sales practices.
- **More About News**
 - The project is called 'BONDI' (Blockchain Operated New Debt Instrument), which is also reference to the Bondi Beach in Sydney.
 - Commonwealth Bank of Australia (CBA) has been mandated by the World Bank to be the sole arranger of the bond.
 - It is a Kangaroo bond (foreign bonds issued in Australia in local currency).

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• Benefits of Blockchain Bonds

- The launch of the blockchain bond is an initial step in moving bond sales away from manual processes towards automation.
- Blockchain technology could help in cutting down bond settlement time “from T+2 days currently to T+2 minutes”.
- The technology has potential to deliver substantial cost savings as intermediary activities can be eventually reduced or removed.
- It also improves the reputation of crypto-technologies which are currently viewed suspiciously.

17. BIDDER INFORMATION MANAGEMENT SYSTEM (BIMS) AND BHOOMI RASHI

- The Ministry for Road Transport & Highways, Ministry for Shipping and Ministry for Water Resources, River Development and Ganga Rejuvenation had launched two IT initiatives – BIMS & Bhoomi Rashi – with aim to expedite pre-construction processes relating to bidding and land acquisition respectively.
- **Bidder Information Management System (BIMS)**
 - The portal will work as a data base of information about bidders, covering basic details, civil works experience, cash accruals and network, annual turnover etc. BIMS will be used by all the project implementation agencies of the Ministry.
 - It is aimed at streamlining the process of prequalification of bidders for Engineering Procurement Construction Mode of contracts for National Highway works with enhanced transparency and objectivity.

- The bidders would be responsible for ensuring that their latest details are available on the BIMS portal.

- The portal will be operated in conjunction with the CPPP portal for invitation of bids for civil works for EPC mode.

- It is estimated that BIMS portal will significantly reduce the procurement time for projects through an objective and transparent online evaluation system thereby leading to accelerated project implementation.

• Bhoomi Rashi

- It is a portal that has been developed in collaboration with National Informatics Centre (NIC), comprising the entire revenue data of the country. The entire process flow, from submission of draft notification by the State Government to its approval by the Ministry is online.

- The portal had been created for expediting the process of publication of notifications.

- It has been integrated with Public Financial Management System (PFMS). With this payment of Compensation by the Ministry to the beneficiaries will be just-in-time, and without any parking of funds.

- It will act as one of the key functionalities to facilitate payment related to compensation for land acquisition to all the beneficiaries directly through the Bhoomi Rashi system.

• Engineering, Procurement, Construction contract (EPC)

- It is a prominent form of contracting agreement in the construction industry.

- The engineering and construction contractor will carry out the detailed engineering design of the project.

- Then they procure all the equipment and materials necessary.

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- And, then construct to deliver a functioning facility or asset to their clients.

18. WATER AERODROME

- The Ministry of Civil Aviation has approved a proposal to set up water aerodromes in the country.
- **Details**
 - Water aerodrome is a defined area on water, including any buildings, installations and equipment, intended to be used either wholly or in part for the arrival, departure and movement of aircraft.
 - The Airports Authority of India has identified 5 states i.e. Odisha, Gujarat, Assam, Maharashtra and Andhra Pradesh where water aerodromes would be developed.
 - They are proposed to be developed near locations of tourist and religious importance.
 - In its first phase, water aerodrome will be established at Chilika Lake in Odisha, Sardar Sarovar Dam and Sabarmati River Front in Gujarat.
 - The Directorate General of Civil Aviation had earlier released licensing norms for the aerodromes, under which:
 - o an aerodrome cannot be used for scheduled air transport services unless there is a license.
 - o the formal application for setting up a water aerodrome has to be submitted at least 90 days before date of intended operations.
 - o an entity seeking to set up a water aerodrome has to take approvals from various authorities, including the ministries of Defence, Home, Environment and Forests, and Shipping.
 - o A water aerodrome license would be valid for two years.
 - **Benefits of such water aerodromes:**

- o Such aircraft are expected to take people across water faster and more safely than local boats.
- o This would boost tourism and hence economic opportunities in the area.
- o in later phases, government may also consider operations of seaplanes under regional connectivity scheme UDAN.
- However, despite the economic benefits the aerodrome is being opposed in Odisha due to its possible adverse impact on the biodiversity.

- **Reasons of resistance from Odisha**

- **Safety of birds and humans:** For six months between October and March, Chilika lake turns into a temporary habitat for lakhs of migratory and residential birds. If an aircraft flies at low height, the birds can get hit. While the bird population will be in danger, safety of passengers of amphibious aircraft will also be jeopardized.
- **Noise pollution:** generated by thousands of motorized boats has already taken a toll on the endangered Irrawaddy dolphins in the lake. The introduction of amphibious aircraft will further worsen the situation.
- **Economic impact:** There would be direct impact on fish and other marine biodiversity which would affect two lakh fishermen families in the region.
- **Existing regulation:** The movement of boats are restricted in many areas of Chilika, including the Nalabana bird sanctuary. In this light the operation of an aerodrome will be difficult to justify.

- **About Chilika Lake**

- It is Asia's largest brackish water lagoon located in coastal Odisha.
- It is separated from the Bay of Bengal by a 60 km long narrow strip of marshy islands and sandflats.
- Some of the prominent islands like Nalabana, Kalijal, Somolo, Honeymoon, Break-fast, Birds

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and Rajahansa inhabited by fishermen families, are popular tourist destinations. • Because of its rich bio-diversity and socioeconomic importance, Chilika was designated as a Ramsar site in 1981 to afford better protection

- **Kalijai Temple:** It is located on an island in the Chilika Lake, where Goddess Kalijai is worshipped. The celebration of Makar Sankranti here attracts pilgrims as well as tourists.

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