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

MAY 2020

1) ATMANIRBHAR BHARAT: WHAT, WHY AND HOW?

Recently, the Prime Minister outlined Rs.20 lakh crore stimulus package which was accompanied with large scale structural reforms.

What does Atmanirbhar Bharat mean?

• Prime Minister in his address stated that India's self-reliance does not advocate self-centric arrangements. It is ingrained in the happiness, cooperation and peace of the world.

o It is based on the premise of 'माता भूममि: पुत्रो अहम ्पृमिव्यि:' - the culture that considers the earth to be the mother.

•It has been clearly specified that this idea of self-reliance is not about a return to the era of import substitution or isolationism.

• Following elements are essential to the proposed concept of Atmanirbhar Bharat:

o Active participation in post-COVID-19 global supply chains: Self-sufficiency in the present context refers to improving efficiency, competing with the world and simultaneously helping the world.

o Resilience: This resilience refers to leveraging internal strengths, personal responsibility, and a sense of national mission (or "Man Making" as termed by Swami Vivekananda). Developing this resilience may require additional protection for domestic enterprises.

✓ For example, the move to disallow global tenders up to Rs. 200 crores for foreign players aims to increase the system's resilience by protecting the MSMEs.

o Decentralized Localism: It is about creating a system that takes pride in local brands, encourages local capacity-building and indigenisation.

✓ For example, the scrapping of the ECA-APMC system enables localised decision-making by farmers even as they can participate in a national common market. o System of Social Trust: A system where economic entities are expected to be self-reliant, requires a generalised system of social trust and the ability to enforce contracts, which in turn requires reformation of the legal system.

Why being 'Atmanirbhar' is important?

• Faster Economic Recovery: India's ability to recover from the effects of COVID-19 and its economic fallout depends on the resilience of domestic industries.

o In this light, the mission aims to promote Indian industries while making them competitive through reforms and government interventions.

• Supply Chain Fragility: Countries all over the world are now looking at boosting domestic capabilities to be able to absorb future supply chain shocks.

• Emergence of developmental gaps: Continuous dependence on external sector for a long time creates developmental gaps in an economy. For example, technological dependence on imports has negatively affected the level of indigenous innovation and R&D.

• Health and Economic Security: The fallout of COVID-19 has showcased how dependency of any form such as raw material, labour etc. can precipitate into a security crisis.

o For example, absence of adequate Personal Protective Equipment (PPE) production capacity had created a crises situation for India during the initial period of the crises.

• Geopolitical considerations: High dependence on other countries for resources affects the geopolitical standing of the country in that region. For example, high import dependency of India on China for Active Pharmaceutical Ingredients (APIs).

How do we become 'Atmanirbhar'? – Strategy announced in the mission The Prime Minister has announced Rs. 20 lakh crore stimulus and to ensure that all facets of the economy are addressed,4L - Land, Labour, Liquidity and Laws all have been emphasized in this package.

• The idea of Atmanirbhar Bharat if based on 5 pillars:

o First Pillar is Economy, emphasizing on Quantum Jump rather than Incremental change.

o Second Pillar is Infrastructure.

o Third Pillar is Our System, a special reference has been made to technology and contemporary policies as part of this system.

o Fourth Pillar is Our Demography.

o Fifth pillar is Our Demand.

• The package has tried to address all sectors of the economy in different parts viz.:

o Part 1: Businesses including MSMEs.

o Part 2: Poor including migrants and Farmers.

o Part 3: Agriculture.

o Part 4: New Horizons of Growth.

o Part 5: Government Reforms and Enablers.

• The package has also highlighted the importance of preferring local products. In the light of this, citizens are urged to be vocal about their local products and help these local products become global.

Way forward

To enable the vision of Atmanirbhar Bharat, several large scale and long-term measures like making subsidies performance dependent and strengthening public regulation will have to be taken in conjunction with aforesaid measures. More importantly, increased investment in Education and Skill development is imperative to complement the structural reforms announced in the package.

Why the package is being criticized?

• The key criticism regarding the package is that the government doesn't seem to be raising its total expenditure by much. (Overall rise in Government expenditure due to the package is close to 1% of the GDP.)

• Lack of immediate support: Several experts and commentators have highlighted that the economic package lacked immediate relief to cope with current crises.

• Exclusion of some structural reforms in agriculture sector: Several structural reforms like decentralised procurement of perishable commodities, expansion of the rural jobs scheme and efforts to protect farmers' asset bases by giving seeds, fodder, fingerlings and day-old chicks were argued to be more critical to help farmers survive the current crisis

2) STATUS PAPER ON GOVERNMENT DEBT

Recently, the Central Government released the Ninth Edition of the Status Paper on the Government Debt, which provides a detailed analysis of the overall Debt Position of the Government of India.

• The status paper analyzes conventional indicators of debt sustainability such as Debt/GDP ratio, interest payment to revenue receipts, shares of short-term Debt/ External Debt/ Floating Rate Bonds (FRBs) in total debt

• It contains Debt Management Strategy (DMS) of the Central Government for the financial years from 2019-20 to 2021-22 which guides the borrowing plan of the Government.

• The objective of the DMS is to ensure that the government's financing requirements and payment obligations are met at the lowest possible cost, consistent with prudent degree of risk.

Significance of managing Government debt

• Affects investor confidence: Due to higher debt burdens there is an increased risk of default which downgrades the sovereign credit ratings by the credit rating agencies. This impacts investor confidence, reducing FDI/FII in India, and makes future borrowing expensive.

• Impacts fiscal capabilities of the government: As borrowing increases, the government has to pay more interest rate payments to bondholders. This can lead to a greater percentage of tax revenue going to debt interest payments.

• Crowding out effect: As more money is lent to the government rather than invested in the market, corporate sector is crowded out leading to slower industrial and capital asset growth and potential loss of employment.

• Fiscal repression of commercial banks: When the government borrows more, it forces Public Sector Banks to purchase more of Government Securities (GSecs) which reduces the capital availability to the private sector and affects profitability of the banks.

• Inflationary pressure: High debt can force governments to print money and thus lead to inflation and reduction in real interest rates.

• Exchange rate risk: The reduced demand of domestic securities relative to foreign securities (due to poor credit rating) might push the exchange rate down and weaken the domestic currency.

• Higher taxes in the future: If the debt to GDP rises rapidly, the government may need to increase taxes and/or limit spending to reduce debt levels in the future.

• Vulnerability to volatile international capital markets: High share of external debt exposes economy to capital flight.

Approach of the Central Government towards sustainable debt management

• Dedicated agency to manage debt: Institutionally, the Government has decided to set up a statutory Public Debt Management Agency (PDMA) to bring both, India's external and domestic debt under one roof. o The first step towards this direction was the establishment of a Public Debt Management Cell (PDMC) as an advisory body within Budget Division, Ministry of Finance in 2016.

• Government’s Medium-Term Debt Management Strategy (2019-2022): Several steps will be taken by the government under it based on three broad pillars viz.,

o Low cost of borrowing-

✓ Elongating maturity profile of the debt portfolio.

✓ Rationalisation of interest rates on small savings schemes and other instruments like PF, special securities, etc. in line with the interest rates prevailing in the economy.

✓ Advising other Divisions of Department of Economic Affairs, engaged in the negotiations of external loans as regards cost, tenure, currency, etc. with a view to help them arrive at the best terms for external loans. o Risk mitigation-

✓ Setting benchmarks for certain indicators such as share of short term debt and external debt, Floating Rate Debt etc. to ensure minimal risk in terms of Roll-over Risk and risks associated with movement in interest rates and exchange rates. E.g. Share of short-term debt should be maintained within 10 per cent of total outstanding Marketable Debt stock with a leeway of ± 3 per cent.

o Market development-

✓ Maintaining transparency in the market borrowing programme, conducting regular investor interaction and consultations with other stakeholders and issuing a variety of instruments to help investors manage their portfolio more efficiently.

✓ Creating benchmarks of desired tenors by issuing sizeable volumes to enhance investor participation and liquidity.

✓ Supporting development of domestic investor base and calibrated opening of the Government securities market to foreign investors.

3) Voluntary retention route for foreign portfolio investors

In a big relief to the capital markets, even as the coronavirus pandemic continues to hit economies and markets worldwide, foreign portfolio investors (FPIs) significantly reduced the pace of outflows in April, after a record net outflow of Rs 1,18,203 crore in March 2020. In April, FPIs pulled out a net of Rs 14,858 crore from equity and debt markets. They were, however, net positive investors in debt voluntary retention route (VRR) scheme. They invested a net of Rs 4,032 crore in debt VRR schemes in April.

What is VRR?

It is a new channel of investment available to FPIs to encourage them to invest in debt markets in India over and above their investments through the regular route. The objective is to attract long-term and stable FPI investments into debt markets while providing FPIs with operational flexibility to manage their investments. VRR scheme allows FPIs to participate in repo transactions and also invest in exchange traded funds that invest in debt instruments. **When was this route proposed?**

This new investment route was proposed by the central bank in October 2018 at a time the rupee was weakening against the dollar very sharply. There were also talks of a special NRI bond scheme to attract more dollar funds into the economy and stabilise the rupee.

How are they different from the regular FPI investments?

Guidelines say that investments through VRR will be free of the macro-prudential and other regulatory prescriptions applicable to FPI investments in debt markets, provided FPIs voluntarily commit to retain a required minimum percentage of their investments in India for a period of their choice. But the minimum retention period shall be three years, or as decided by RBI.

How much money can an FPI invest through this route?

Investments under this route as of now shall be capped at Rs 40,000 crore for VRR-GOVT and 35,000 crore per annum for VRR-COPR. But the limit could be changed from time to time based on macro-prudential considerations and assessment of investment demand. There will be separate limits for investment in government securities and investment in corporate debt.

4) Open budget survey

The report of Open budget survey, conducted by the International Budget Partnership (IBP), has been released. The Open Budget Survey is part of the International Budget Partnership's Open Budget Initiative, a global research and advocacy program to promote public access to budget information and the adoption of accountable budget systems.

How are the countries ranked?

1. The open budget survey has been covering 117 countries. It rates the level of transparency in budget across nations on a scale of 0-100.
2. The rating of the countries by the survey is based on various normative and internationally comparable indicators.
3. The survey evaluates each country on the basis of the availability of eight key budget documents of the Central or Federal government. The survey assesses whether these documents are made public and whether they provide comprehensive information or not.

Highlights of the survey:

1. India is placed at 53rd position among 117 nations in terms of budget accountability and transparency.
2. IBP has provided a transparency score of 49 out of 100 to India's Union budget process. The provided score to India is higher than the global average score of 45.
3. As per the survey, India has performed well in timely publishing and providing relevant information in the audit reports and in year reports. It has scored well and higher than in many other countries.
4. Other developing countries, with an exception to China, have scored much higher transparency scores in comparison to India.

Suggestions made by IBP survey for India:

1. Provide adequate space for public participation in budgets.
2. Before the annual budget is presented, the Union government should publish a pre-budget statement that can be scrutinised by the legislatures as well as by the public.

What is Budget Transparency?

Budget transparency refers to the extent and ease with which citizens can access information about and provide feedback on government revenues, allocations, and expenditures. Budgets are key documents since they lay out a government's priorities in terms of policies and programs. Opening up budgets is a first step
toward democratizing the budget process and giving citizens a say in policy formulation and resource allocation.

5) TRIPS FLEXIBILITIES

India has asked the G20 members to work on an agreement that would enable countries to use the flexibilities under TRIPs.

• India called for an agreement to enable the use of TRIPS (Trade Related Intellectual Property Rights) flexibilities to ensure access to essential medicines, treatments and vaccines at affordable prices.

o India uses these flexibilities under Patent Act, 1970 for the public health and emergency purposes.

• The reason for which India is asking for such an agreement is will make possible for nations to issue compulsory licenses to make generic copies of essential patented medicines that could be made available to people at prices much lower than the patented versions.

About TRIPS Flexibilities

• TRIPS flexibilities are 'policy spaces' for countries to mitigate the impact of patents (i.e., the excessively high price of patented medicines due to lack of competition).

• TRIPs agreement and subsequent Doha Declaration on TRIPS and Public Health of 2001 provide some flexibilities in this regard.

• Flexibilities aim to permit developing and least-developed countries to use TRIPS-compatible norms in a manner that enables them to pursue

o their own public policies, either in specific fields like access to pharmaceutical products or protection of their biodiversity,

o in establishing macroeconomic, institutional conditions that support economic development.

• Some major flexibilities under TRIPs are:

o Compulsory Licensing: Compulsory licensing enables a competent government authority to license the use of a patented invention to a third party or government agency without the consent of the patentholder.

o Parallel importation: It is importation without the consent of the patent-holder of a patented product marketed in another country either by the patent holder or with the patent-holder’s consent.

✓ It enables access to affordable medicines because there are substantial price differences between the same pharmaceutical product sold in different markets.

o Exemptions from patentability: The agreement does not require the patenting of new uses of known products including pharmaceuticals and permits countries to deny protection for such uses of lack of novelty, inventive step or industrial applicability.

o Limits on Data Protection: As a condition for permitting the sale or marketing of a pharmaceutical product, drug regulatory authorities require pharmaceutical companies to submit data demonstrating the safety, quality and efficacy of the product.

✓ The TRIPS Agreement requires that WTO Members protect undisclosed test data, submitted to drug regulatory authorities for the purposes of obtaining marketing approval, against unfair commercial use.

✓ However, some limits are allowed to use the data for the generation of generic drugs for public health.

o Extension of transition period for Least Developed Countries (LDCs): The amendment to Doha Declaration extended the transition period for LDCs for implementation of the TRIPS obligations to 2021.

About TRIPS Agreement

• The TRIPS Agreement, which came into effect in 1995, is the most comprehensive multilateral agreement on intellectual property.

• It was negotiated between 1986 and 1994 during the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), which led to the establishment of the World Trade Organization (WTO).

• It sets out the minimum standards of protection to be provided by each Member. o Agreement is in line with the main conventions of the WIPO, the Paris Convention for the Protection of Industrial Property (Paris Convention) and the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention).

• It contains provisions on civil and administrative procedures and remedies, provisional measures, special requirements related to border measures and criminal procedures.

• The Agreement makes disputes between WTO Members about the respect of the TRIPS obligations subject to the WTO's dispute settlement procedures.
• The areas of intellectual property that it covers are:
o copyright and related rights,
o trademarks,
o geographical indications,
o industrial designs,
o new varieties of plants;
o layout-designs of integrated circuit,
o trade secrets and test data.
• Membership in the WTO includes an obligation to comply with the TRIPS Agreement.

6) LABOUR LAW REFORMS

Recently, some state governments in India have temporarily suspend the operation of some labour laws in their state.

Labour Laws framework in India

• Labour is subject in the Concurrent List of the seventh schedule, thus allowing both the Centre and states to legislate on labour related issues.
o Currently, there are 44 labour laws under the purview of Central Government and more than 100 under State Governments, which deal with a host of labour issues.
• Labour laws are primarily divided into four categories
o Conditions of Work- Including the Factories Act, 1948; the Contract Labour (Regulation and Abolition) Act, 1970.
o Wages and Remuneration- including the Minimum Wages Act 1948; the Payment of Wages Act 1936.
o Social Security- including the Employees Provident fund Act, 1952; the Workmen's Compensation Act, 1923.
o Employment security and Industrial Relations- including the Industrial Disputes Act 1947; the Industrial Establishments (Standing Orders) Act, 1946
• The multiplicity of labour laws and difficulty in coping with them are the impediment to industrial development in India. Many of the laws are obsolete and are required to be reviewed to align them with current economic situation
• Also, these labour laws protect only 7-8% of the organised sector workers employed at the cost of 92-93% unorganised sector workers.
Some recent changes made to labour laws in states-

• Madhya Pradesh

o The employers have been exempted from some obligations under various labour laws, like Madhya Pradesh Industrial Relations Act, Industrial Disputes Act, Contract Labour Act etc. for 1,000 days.
o The newly established factories need not file annual returns..
o The employers will be allowed to hire and fire workers at their convenience.
o An increase of working hours in factories from eight to 12 hours.
o The factories will be allowed to operate without following safety and health norms. Also, new factories will be exempted under the Factories Act, 1948 from inspection from the Labour Department and permitted the flexibility to conduct third party inspections at will.

• Uttar Pradesh

o It has brought in Uttar Pradesh Temporary Exemption from Certain Labour Laws Ordinance, 2020, to exempt factories, businesses, establishments and industries from the purview of all key labour laws for the next three years.

o All details of employed workers will be maintained electronically.

o The worker will be paid above minimum wages of the state government and within the time limit as per the Act. **Need for these reform**

• To overcome COVID shock: Industrial and economical activities have been severely affected due to COVID 19. Given the temporary nature of suspension in these laws, it will allow the enterprises to improve their financial viability and become sustainable over a period of time.

• Employment opportunity: Enabling the migrant workers to earn a living for themselves, given the unemployment rate rose to the highest level of 27.1 per cent in recent weeks in the wake of COVID-19.

o Further, it will ease pressure on hinterland and rural areas due excess workforce in the midst of the COVID 19 migration.

• Developing manufacturing base- India has been keen to attract companies that want to shift from China by developing large pools of land and considering other incentives.

o India must use this as an opportunity to attract MNCs and investment in the manufacturing sector.

o As per India Inc, this move will boost competition among states for reforms.

• Increase production to full capacity- Currently, some provisions under the Factories Act, require the units running on power to compulsorily register, if they employ 10 workers. This restricts them from employing more workers and thus limiting their production capacity.

o Increase in working hours helps to overcome shortage of manpower, which is going to hit all sectors, especially the manufacturing sector.

Issues

• Against workers right: This move will lead to dilution of worker rights and pave the way for exploitation of workers in an already stressed environment.

o Such an approach can spark resentment leading to increased worker agitation and activism.

• Against International Law: Governments are mandated to consult labour unions on changes to labour laws as per International Labour Organisation (ILO) framework.

o 10 central trade unions lodged a complaint with the ILO as they see these moves in gross violation of Right to Freedom of Association [ILO Convention 87], Rights to Collective Bargaining [ILO Convention 98] and also the internationally accepted norm of eight hour working day.

o On this ILO has expressed “deep concern" over the labour law amendments, and has appealed to Prime Minister to intervene and give a clear message to states on international commitments.

o Article 253 gives the parliament the special power to legislate and pass laws in order to implement international agreements.

• Limited impact of labour law reforms- There is limited evidence that relaxing labour laws alone will increase employment. E.g. labour reforms in Special Economic Zones has not resulted in a significant rise in employment.

o A study by the VV Giri National Labour Institute, on four states i.e. Rajasthan, Uttar Pradesh, Andhra Pradesh and Madhya Pradesh, found that ‘amendments in labour laws neither succeeded in attracting big investments, boost to industrialisation or job creation’.

o Further, India ranks 58th in WEF's Global Competitiveness Index against China which ranks 62nd in the same. Thus, lack of competitive labour markets is not the main factor driving India's poor competitiveness and there is little evidence that relaxing labour laws alone will attract overseas investment, especially from the companies that are looking to leave China.

• Shallow scope of reforms- These reforms focus on labor and not employment. The actual problems of industry are related primarily to the provisions for lay-offs, retrenchment and closure and the administrative implementation of labour laws. Thus, a wholesale removal of so many labour laws may not be the panacea for job crisis.

Way Forward

• To promote an enabling business environment, the overall interests of Labour like wages, employment, social security, working environment, health and safety etc. should be duly addressed.

• To improve employment, government should consider reforms such as developing apprentices' ecosystem and rural employment ecosystem around MGNREGS, rather than merely invoking labour law reforms.

• The government should focus on creating a comprehensive integrated legal framework for labour (as envisaged in the idea of 4 labour codes.) o There should have uniform definitions of key terms like 'industry', 'worker', 'employee', as currently most laws have different definitions which result in long drawn disputes and confusion.

7) SUGAR INDUSTRY IN INDIA

Recently, a NITI Aayog task force on sugarcane and sugar industry submitted its report to the government.

• This task force was constituted on the sugar industry to find a long-term solution to the problems faced by the sector so as to rationalise their dependence on states' assistance

• Its mandate included recommendations on crop diversification to reduce adverse impact on ground water and aligning sugar industry with global markets.

Significance of Sugar Industry in India

• Important agro-based industry that impacts rural livelihood of about 50 million sugarcane farmers and around 5 lakh workers directly employed in sugar mills.

o Employment is also generated in various ancillary activities relating to transport, trade servicing of machinery and supply of agriculture inputs.

• Global sugar space: The sugar industry plays a leading role in global market with India being world's second largest producer after Brazil, producing nearly15 and 25 per cent of global sugar and sugarcane respectively.

• Linkage with other industry: Sugar industry is involved to make avail of sugar complexes by manufacturing sugar, bio-electricity, bio-ethanol, bio-manure and chemical.

Growth of Sugar industry in India

• A major step to liberate the sugar sector from controls was taken in 1998 when the licensing requirement for new sugar mills was abolished.

• Delicensing caused the installed capacity in the sugar sector to grow at almost 7% annually between 1998-99 to 2011-12 compared to 3.3% annually between 1990-91 to 1997-98.

• Delicensing also contributed significantly to a structural transformation in the sugar industry. Till 1997-98, sugar cooperatives dominated the sugar industry but by 2011-12 this changed significantly with the private sector contributing the largest share of total installed capacity.

• Although delicensing removed some regulations in the sugar sector, other regulations (i.e. pricing policy, compulsory jute packaging etc.) persisted. The drivers for regulations were:

o the highly perishable nature of sugarcane;

o the small land holdings of sugarcane farmers; and

o the need to keep the price of sugar at reasonably affordable levels while making it available through the Public Distribution System (PDS). Issue faced by Sugar Industry in India Issues due to regulations

• Cane reservation area and bonding: Every designated mill is obligated to purchase from cane farmers within the cane reservation area, and conversely, farmers are bound to sell to the mill. This ensures a minimum supply of cane to a mill, while committing the mill to procure at a minimum price.

o However, this arrangement reduces the bargaining power of the farmer. He is forced to sell to a mill even if there are cane arrears (occurs when sugar mill owners delay payment to farmers for the sugarcane supplied).

o Mills, on their part, lose flexibility in augmenting cane supplies, especially when there is a shortfall in sugarcane production in the cane reservation area. Mills are also restricted to the quality of cane that is supplied by farmers in the area.

• Minimum distance criterion: Under the Sugarcane Control Order, the central government has prescribed a minimum radial distance of 15 km between any two sugar mills. This regulation is expected to ensure a minimum availability of cane for all mills.

o However, this criterion often causes distortion in the market. The virtual monopoly over a large area can give the mills power over farmers, especially where landholdings are smaller. In addition to restricting competition, the regulation inhibits entry and further investment by entrepreneurs.

• Issue with sugarcane pricing (FRP and SAP): Dual sugarcane pricing distorts sugarcane and sugar economy and leads to cane price arrears.

o Sugar mills are required to pay the FRP/SAP to sugarcane farmers irrespective of market prices.

o Sugar mills claim they are finding it difficult to pay FRP of sugarcane as the average production cost of sugar is higher against the minimum selling price of sugar and due to which they are bearing loses.

• Trade policy for sugar: The government had set controls on both exports and imports. These controls are imposed after considering the domestic availability, demand and price of sugarcane.

o As a result, India's trade in the world trade of sugar is small. Even though India contributes 17% to global sugar production (second largest producer in the world), its share in exports is only 4%.

o This has been at the cost of considerable instability for the sugar cane industry and its production.

• Regulations relating to by-products: Certain restrictions have been placed on by-products of sugarcane such as molasses and bagasse.

o State governments fix quotas for different end uses of molasses and restrict their movement, particularly across state boundaries.

o Mills are also restricted from selling power generated from bagasse to other states. Such restrictions impede the revenue realization from cogeneration and reduce economic efficiency.

• Compulsory sugar packing in jute only: Under Jute Packaging Material (JPM) Act, 1987, 20% of the sugar shall be mandatorily packed in diversified jute bags. The sugar industry estimates that this leads to an increase in cost by about 40 paise per kg of sugar besides adversely impacting quality.

Other issues

• High production cost of sugar- The production cost for sugar was Rs 3,580/quintal in 2017-18, compared with the international price of Rs 2,080/quintal. This increased cost of production subsequently increases FRP.

o The reasons behind this include high sugar cane cost, uneconomic production process, inefficient technology and high taxes exercised by the state and the central governments.

o 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. This increase the cost of production and subsequently FRP. o 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.

• Seasonal nature of industry - 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.

• Inefficiency of sugar mill: Most of the factories in the private sector were set up five- to six decades ago. The cost of production of such units is unduly high owing to less 'mechanical efficiency

• Demand-Supply Mismatch due to emergence of alternative sweeteners replacing sugar, slowdown in the pace of demand growth while continuous increase in overall production. Some recent steps taken by the government

• Changes in levy of duty- The import duty was increased from 50% to 100%, along with the removal of the 20% export duty.

• Duty Free Import Authorisation Scheme- under which exporters are allowed to import sugar at zero duty within three years.

• Export allowed- The government allowed export of two million tonnes of sugar until the end of the 2017-18 marketing year, in order to clear surplus stocks and improve cash flow to millers for making payment to sugarcane farmers.

• Stock holding limit on sugar mills- by the Central Government since June, 2018 indicating the mill-wise quantity of white/ refined sugar prescribed for domestic sale/despatch for that particular month.

o Government has fixed the maximum monthly sugar sale quota and minimum ex-mill sugar sale price under this.

• Building of buffer sugar stock of 30 lakh tonnes- in order to cut the large inventory with sugar mills and help contain a slide in the prices of the sweetener and boost the mills' margins.

• Other subsidies- The government also provided production subsidy, transport subsidy and 50 lakh tons export quotas.

• Ethanol Blending Program- The Central Government notified the mandatory 10% ethanol blending with petrol across the country.

o New Bio-fuel Policy in 2018 allows sugar mills/distilleries to make ethanol from cane juice, molasses, foodgrains, potato etc. It also envisages an indicative target of 20% blending of ethanol in petrol and 5% blending of bio-diesel in diesel by 2030.

Suggestions of NITI Aayog of Task Force

• Increased Minimum Selling Price- The government can consider a one-time increase in minimum selling price (MSP) for sugar to Rs 33/kg (from Rs 31) to unburden mills.

o It would help sugar mills to cover the cost of production, including interest, maintenance costs, etc.

o Further, the MSP for sugar should be reviewed after six months of the notification to enhance it.

• Imposition of Sugar cess- of Rs 50/quintal (excluding exports) for three years.

o It could mobilise around Rs 4,500 crore, which would help provide bridge funding or act as a comfort for banks providing soft loans to mills for improving technologies or paying to farmers.

• Nudging farmers away from sugar cropping- The government can consider capping of farmer's land use for sugarcane at 85% of total holding.

o Further, a cash incentive of Rs 6,000/hectare could be given for farmers shifting to alternative crops from sugarcane.

8) DRAFT NATIONAL FISHERIES POLICY 2020

Recently the Department of Fisheries released the Draft National Fisheries Policy (NFP) 2020.

Need for policy

• Fisheries sector has been facing constraints which have had led to stagnation in growth.

Constraints include:

o Limited scope for expansion due to overcapacities in territorial waters, weak regulation, inefficient management and prevalence of traditional fishing practices.

o Inadequate infrastructure especially fishing harbours, landing centers, cold chain and distribution systems, poor processing and value addition, wastage, traceability and certification, non-availability of skilled manpower, etc.

o In inland capture fisheries, seasonal nature of fishing operations, depleted stocks in natural waters, issues related with tenure and lease rights, use of obsolete technology for harvesting coupled with low capital infusion are some of the significant limiting factors.

o Disease, absence of species diversification and genetic improvement, poor brood and seed are species specific constraints.

o Other issues include: high input cost, lack of access to institutional credit, credit guarantee and insurance, environmental sustainability etc.

• Hence, National Fisheries Policy seeks to consolidate the sectoral gains and ensure sustainable growth through policy support in order to enable and accelerate fisheries development.

o It will serve as an overarching policy framework which will provide guidance to States and UTs in developing state specific policies and legislations having both regulatory and developmental features to be implemented through short, medium and long term plans.

Key Features of the draft Policy:

• Fisheries Management Plan (FMPs): The Centre will formulate FMPs for scientific management and regulation of marine fisheries resources of the country in consultation with the concerned State by adopting Ecosystem Approach to Fisheries (EAF).

• Integrated Fisheries Development Plan (IFDP): The government will prepare and implement IFDP for Islands to enhance the share in their economy.

• Fisheries Spatial Plans (FSP): The State governments will prepare FSP based on guidelines prepared by the central government for data management, analysis, modeling and decision making, after taking cognizance of Coastal Regulation Zone (CRZ) rules.

• Legislation: The center will also enact a comprehensive legislation ("National Marine Fisheries (Regulation and Management) Bill, 2019") for holistic resource utilization in EEZ.

• Database: Government will implement a 'National Fisheries Data Acquisition Plan', involving Central and State Governments, and other stake holders to collect and report field data about various fisheries resources.

• National Fisheries Development Council: It will be established to provide overall guidance for the implementation of the Policy, review its objectives and progress.

• National Marine Fisheries Authority: It will have the powers to ensure sustainable fishing, implementing fisheries management plan, capacity building etc.

• Private investment: A robust system of public private partnership will be developed where the private sector, industry, farmers, communities, government, research institutes and civil societies are part of it.

• Cluster approach for development of aquaculture: based on production strengths of various geographical regions in order to enable focused and coordinated development of market and export oriented higher value species.

• Welfare & Gender equity: Gender equity as well as mainstreaming will be made integral part across fisheries and aquaculture value chain for socio-economic well-being of women.

• Contract Farming: States will encourage and strengthen, if permissible, Contract farming and Collaborative farming in fisheries sector by processors and fishers/fish farmers on agreed terms for their mutual benefits.

• Various interventions in different sector include:

o Fisheries Management:

✓ In 'Areas Beyond National Jurisdiction' (ABNJ) where there is considerable scope to harvest fishery resources in the high seas, the Government will promote harnessing the fishery resources.

✓ Foreign fishing vessels will not be allowed to fish or undertake fishing related activities in India's sovereign waters.

o Mariculture:

✓ Genetically Modified (GM) species shall not be allowed for mariculture activity.

✓ Within the identified mariculture zones, the government shall designate certain areas as mariculture technology parks.

o Inland Fisheries:

✓ Population of native species in the rivers will be enhanced through seed ranching of native stock by developing dedicated seed production units in the vicinity.

✓ State/ UTs may declare certain water bodies as "Reserves for fish" to conserve important fish species in a suitable wetland.

✓ Introduction of suitable high value species to boost culture fisheries in cold waters in association with advanced countries e.g. Salmon, Sturgeon, Brown Trout etc.

o Freshwater Aquaculture: Efforts will be made by States to enhance fish production and productivity through application of technology and formation of Farmers Producer Organizations (FPOs) to cater small pond holder's needs.

o Brackish Water Aquaculture: In order to ensure that the fish produced from waste water aquaculture is safe for consumption, appropriate regulatory, management and precautionary measures will be put in place in coordination with relevant agencies.

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ASPIRE IAS UPCOMING EXCLUSIVE sessions FOR MAINS-2019

1. Geography OPTIONAL and RRVAP (Rapid round value addition programme with TEST SERIES)

- For the last 5 years favourite programme among students.
- Where you are lacking we are working upon like, Paper-2 in contemporary and geographical manner, Mapping and its application, special emphasis on Thoughts-Regional planning and biogeography.
- Full coverage of geography with writing skill development
- 2013 when the average score was 140 in Geo our students scored 200+ (Isha Dhuna, Nitin Agarwal and Aditya uppal)
- 2014 when average score is 230 our students scored 280-300 (Aditya uppal RANK-19 309 marks)
- Same trend in 2015-18
- Starts from 10th June 2019 evening session.
- Writing skills in Geography from 17th June.

2. Our best and SUCCESS GRADE course Newspaper analysis and writing skill programme.

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- Best developed programme to enhance the writing skills at individual level
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32 sessions till SEP 2019 with same day discussion, feedback and evaluation of the copies.

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5. Geography for GS MAINS

6. Sociology, political science and Public administration full course and crash course with writing skills.

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All the Best to all my Economics students…
Hope this material will help you.
God bless…
JaiHind ☺

8. GS-FOUNDATION batch for 2020… from 15th June 2019.