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INSIGHTS into **EDITORIAL**

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Insights into Editorial

01/02 - Economic Survey 2016-17

What is economic survey?

The Finance Ministry of India presents the Economic Survey in the parliament every year, just before the Union Budget. It is the ministry's view on the annual economic development of the country. A flagship annual document of the Ministry of Finance, Government of India, Economic Survey reviews the developments in the Indian economy over the previous 12 months, summarizes the performance on major development programs, and highlights the policy initiatives of the government and the prospects of the economy in the short to medium term. This document is presented to both houses of Parliament during the Budget Session.

Highlights of the Economic Survey 2016-17:

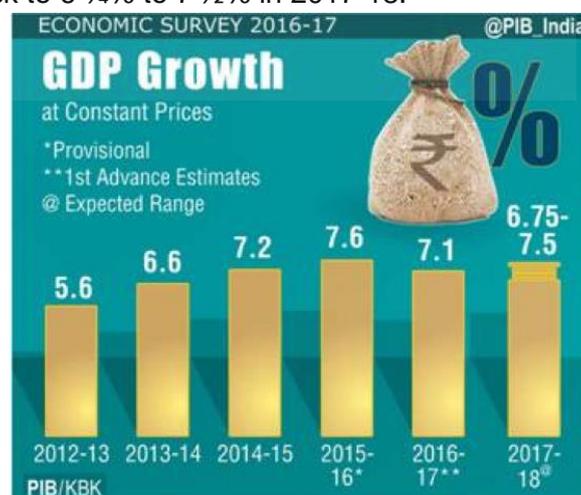
The Indian Economy has sustained a macro-economic environment of relatively lower inflation, fiscal discipline and moderate current account deficit coupled with broadly stable rupee-dollar exchange rate. The Economic Survey 2016-17 states that such a sustenance is despite continuing global sluggishness.

It says:

- As per the advance estimates released by the Central Statistics Office, the growth rate of GDP at constant market prices for the year 2016-17 is placed at 7.1%, as against 7.6% in 2015-16. This estimate is based mainly on information for the first seven to eight months of the financial year. Government final consumption expenditure is the major driver of GDP growth in the current year.
- Fixed investment (gross fixed capital formation) to GDP ratio (at current prices) is estimated to be 26.6% in 2016-17, vis-à-vis 29.3% in 2015-16.
- For 2017-18, it is expected that the growth would return to normal as the new currency notes in required quantities come back into circulation and as follow-up actions to demonetisation are taken. On balance, there is a likelihood that Indian economy may recover back to 6 ¾% to 7 ½% in 2017-18.

Key facts:

- Indirect taxes grew by 26.9% during April-November 2016.
- The headline inflation as measured by Consumer Price Index (CPI) remained under control for the third successive financial year. The average CPI inflation declined to 4.9% in 2015-16 from 5.9% in 2014-15 and stood at 4.8% during April-December 2015.

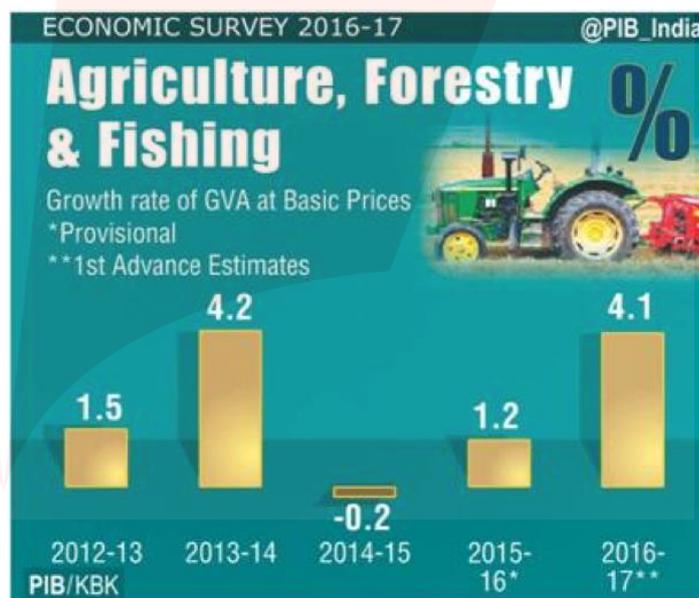


- Inflation based on Wholesale Price Index (WPI) declined to (-) 2.5% cent in 2015-16 from 2.0% in 2014-15 and averaged 2.9% during April-December 2016. Inflation is repeatedly being driven by narrow group of food items, of these pulses continued to be the major contributor of food inflation.
- Trade deficit declined to US\$ 76.5 billion in 2016-17 (April-December) as compared to US\$ 100.1 billion in the corresponding period of the previous year.
- The current account deficit (CAD) narrowed in the first half (H1) of 2016-17 to 0.3% of GDP from 1.5% in H1 of 2015-16 and 1.1% in 2015-16 full year.
- At end-September 2016, India's external debt stock stood at US\$ 484.3 billion, recording a decline of US\$ 0.8 billion over the level at end-March 2016. India's key debt indicators compare well with other indebted developing countries and India continues to be among the less vulnerable countries.
- Agriculture sector is estimated to grow at 4.1% in 2016-17 as opposed to 1.2% in 2015-16; the higher growth in agriculture sector is not surprising as the monsoon rains were much better in the current year than the previous two years.
- Growth rate of the industrial sector is estimated to moderate to 5.2% in 2016-17 from 7.4% in 2015-16. During April-November 2016-17, a modest growth of 0.4% has been observed in the Index of Industrial Production (IIP).
- The eight core infrastructure supportive industries, viz. coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity registered a cumulative growth of 4.9% cent during April-November 2016-17 as compared to 2.5% during April-November 2015-16.

Economic Survey on GST and demonetisation:

The Economic Survey states that against the backdrop of robust macro-economic stability, the year was marked by two major domestic policy developments-the passage of the Constitutional Amendment, paving the way for implementing the transformational Goods and Services Tax (GST), and the action to demonetize the two highest denomination notes.

- It says, the GST will create a common Indian market, improve tax compliance and governance, and boost investment and growth; it is also a bold new experiment in the governance of India's cooperative federalism.
- The Survey Report says that demonetisation has had short-term costs but holds the potential for long-term benefits. Follow-up actions to minimize the costs and maximize the benefits include: fast, demand-



driven, remonetisation; further tax reforms, including bringing land and real estate into the GST, reducing tax rates and stamp duties; and acting to allay anxieties about over-zealous tax administration.

- These actions would allow growth to return to trend in 2017-18, possibly making it the fastest-growing major economy in the world, following a temporary dip in 2016-17.
- The Survey suggests a few measures to maximize long-term benefits and minimize short-term costs of demonetisation. One, fast remonetisation and especially, free convertibility of cash to deposits including through early elimination of withdrawal limits. This would reduce the GDP growth deceleration and cash hoarding. Two, continued impetus to digitalization while ensuring that this transition is gradual, inclusive, based on incentives rather than controls and appropriately balancing the costs and benefits of cash versus digitalization. Three, following up demonetisation by bringing land and real estate into the GST. Four, reducing tax rates and stamp duties. And finally, an improved tax system could promote greater income declaration and dispel fears of over-zealous tax administration.

Impact of Demonetisation:

Sector	Impact	
	<i>Effect through end-December</i>	<i>Likely longer-term effect</i>
Money/interest rates	Cash declined sharply	Cash will recover but settle at a lower level
	Bank deposits increased sharply	Deposits will decline, but probably settle at a slightly higher level
	RBI's balance sheet largely unchanged: return of currency reduced the central bank's cash liabilities but increased its deposit liabilities to commercial banks	RBI's balance sheet will shrink, after the deadline for redeeming outstanding notes
	Interest rates on deposits, loans, and government securities declined; implicit rate on cash increased	Loan rates could fall further, if much of the deposit increase proves durable
Financial System Savings	Increased	Increase, to the extent that the cash-deposit ratio falls permanently
Corruption (underlying illicit activities)		Could decline, if incentives for compliance improve
Unaccounted income/black money (underlying activity may or may not be illicit)	Stock of black money fell, as some holders came into the tax net	Formalization should reduce the flow of unaccounted income
Private Wealth	Private sector wealth declined, since some high denomination notes were not returned and real estate prices fell	Wealth could fall further, if real estate prices continue to decline

Public Sector Wealth	No effect.	Government/RBI's wealth will increase when unreturned cash is extinguished, reducing liabilities
Formalization/ digitalisation	Digital transactions amongst new users (RuPay/ AEPS) increased sharply; existing users' transactions increased in line with historical trend	Some return to cash as supply normalises, but the now-launched digital revolution will continue
Real estate	Prices declined, as wealth fell while cash shortages impeded transactions	Prices could fall further as investing undeclared income in real estate becomes more difficult; but tax component could rise, especially if GST imposed on real estate
Broader economy	Job losses, decline in farm incomes, social disruption, especially in cash-intensive sectors	Should gradually stabilize as the economy is remonetized
GDP	Growth slowed, as demonetisation reduced demand (cash, private wealth), supply (reduced liquidity and working capital, and disrupted supply chains), and increased uncertainty	Could be beneficial in the long run if formalization increases and corruption falls
	Cash-intensive sectors (agriculture, real estate, jewellery) were affected more. Recorded GDP will understate impact on informal sector because informal manufacturing is estimated using formal sector indicators (Index of Industrial Production). But over time as the economy becomes more formalized the underestimation will decline. Recorded GDP will also be overstated because banking sector value added is based (<i>inter alia</i>) on deposits which have surged temporarily	Informal output could decline but recorded GDP would increase as the economy becomes more formalized
Tax collection	Income taxes rose because of increased disclosure Payments to local bodies and discoms increased because demonetised notes remained legal tender for tax payments/clearances of arrears	Indirect and corporate taxes could decline, to the extent growth slows Over long run, taxes should increase as formalization expands and compliance improves

Uncertainty/ Credibility	<p>Uncertainty increased, as firms and households were unsure of the economic impact and implications for future policy</p> <p>Investment decisions and durable goods purchases postponed</p>	<p>Credibility will be strengthened if demonetisation is accompanied by complementary measures. Early and full remonetisation essential. Tax arbitrariness and harassment could attenuate credibility</p>
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Fiscal performance of states:

The Economic Survey has highlighted the need for fiscal prudence both by the Centre as well as the States in order to maintain overall fiscal health of the economy.

- The Economic Survey states that the Centre's Fiscal Responsibility and Budget Management (FRBM) Act, was mirrored by Fiscal Responsibility Legislations (FRL) adopted in the States.
- As per the Economic Survey, there has been an improvement in the financial position of the States over the last few years. The average revenue deficit has been eliminated, while the average fiscal deficit was curbed to less than 3% of GSDP. The average debt to GSDP ratio has also fallen.
- Economic Survey elaborates that as the fiscal challenges mount for the states because of the Pay Commission recommendations, and mounting payments from the UDAY bonds, there is a need to review how fiscal performance can be kept on track.
- Greater reliance will need to be placed on incentivizing good fiscal performance, not least because states are gradually repaying their obligations to the Centre, removing its ability to impose a hard budget constraint on them says the Economic Survey.
- Above all, however, incentivizing good performance by the States will require the Centre to be an exemplar of sound fiscal management itself.

Labour migration:

New estimates of labour migration in India have revealed that inter-state labour mobility is significantly higher than previous estimates. The study based on the analyses of new data sources and new methodologies also shows that the migration is accelerating and was particularly pronounced for females.

- The data sources used for the study are the 2011 Census and railway passenger traffic flows of the Ministry of Railways and new methodologies including the Cohort-based Migration Metric (CMM).
- The new Cohort-based Migration Metric(CMM) shows that inter-state labour mobility averaged 5-6.5 million people between 2001 and 2011, yielding an inter-state migrant population of about 60 million and an inter-district migration as high as 80 million.
- The first-ever estimates of internal work-related migration using railways data for the period 2011-2016 indicate an annual average flow of close to 9 million migrant people between the states.
- Both these estimates are significantly greater than the annual average flow of about 4 million suggested by successive Censuses and higher than previously estimated by any study.

- Migration for work and education is also accelerating. In the period 2001-2011 the rate of growth of labour migrants nearly doubled relative to the previous decade, rising to 4.5% cent per annum. Interestingly, the acceleration of migration was particularly pronounced for females and increased at nearly twice the rate of male migration in the 2000s.
- There is also a doubling of the stock of inter-state out migrants to nearly 12 million in the 20-29year old cohort alone. One plausible hypothesis for this acceleration in migration is that the rewards (in the form of prospective income and employment opportunities) have become greater than the costs and risks that migration entails. Higher growth and a multitude of economic opportunities could therefore have been the catalyst for such an acceleration of migration.
- While political borders impede the flow of people, language does not seem to be a demonstrable barrier to the flow of people. For example, a gravity model indicates that political borders depress the flows of people, reflected in the fact that migrant people flows within states are 4 times than migrant people flows across states. However, not sharing Hindi as a common language appears not to create comparable frictions to the movement of goods and people across states.
- The patterns of flows of migrants found in this study are broadly consistent with what is expected – less affluent states see more out migration migrating out while the most affluent states are the largest recipients of migrants. Seven states have higher net in-migration: Goa, Delhi, Maharashtra, Gujarat, Tamil Nadu, Kerala and Karnataka.
- Also, the costs of moving for migrants are about twice as much as they are for goods – another confirmation of popular conception.

Redistributive Resource Transfers (RRT):

The survey also calculated Redistributive Resource Transfers' (RRT) from the Centre (between 1994 and 2015) and value of natural resources for Indian States (over 1980 and 2014) and correlated these with several economic outcomes and an index of governance.

- Redistributive Resource Transfer or RRT to a state (from the Centre) is defined as gross devolution to the state adjusted for the respective state's share in aggregate Gross Domestic Product(GDP). The top 10 recipients are: Sikkim, Arunachal Pradesh, Mizoram, Nagaland, Manipur, Meghalaya, Tripura, Jammu and Kashmir, Himachal Pradesh and Assam.
- Annual per capita RRT flows for all north-eastern states (except Assam) and Jammu & Kashmir have exceeded the annual per-capita consumption expenditure that defines the all-India poverty lines, especially the rural line.
- The survey points out that there is no evidence of a positive relationship between these transfers and various economic outcomes, including per capita consumption, GSDP growth, development of manufacturing, own tax revenue effort, and institutional quality. Instead, there is a suggestive evidence of a negative relationship. For example, larger RRT flows seem to negatively affect fiscal effort (defined as the share of own tax revenue to GSDP). These trends are robust to alternative definitions of RRT.

- Also, whether mineral rich states like Jharkhand, Chhattisgarh, Odisha, Rajasthan and Gujarat, are doing well on the metrics of economic outcomes and governance is considered in the context of redistributive transfers. However, this does not reveal conclusive results and there is no evidence of a negative relationship between fiscal effort and reliance on revenue from natural resources over the period 2001-14.
- Thus, the existence of a 'RRT curse' and the lack thereof of a 'natural resource curse' in the context of Indian States implies that both the Centre and States need to act to mitigate the effects of the former and guard against the emergence, in future, of the latter. In this context, the question is whether RRT, in future, can be linked more saliently to fiscal and governance efforts on the part of the States.
- The Economic Survey 2016-2017, also suggests providing a part of the RRTs or to redistribute the gains from resource use as a Universal Basic Income (UBI) directly to households in relevant states which receive large RRT flows and are more reliant on natural resource revenues.
- Finally, recognizing and responding creatively to possible pathologies created by large bounties-either in the form of redistributive resources or natural resources, will be important to avoid making the errors of history.

Public Sector Asset Rehabilitation Agency:

The Survey shows that our country has been trying to solve its 'Twin Balance Sheet'(TBS) problem – overleveraged companies and bad-loan-encumbered banks, a legacy of the boom years around the Global Financial Crisis. So far, there has been limited success. The problem has consequently continued to fester: Non-Performing Assets (NPAs) of the banking system (and especially public sector banks) keep increasing, while credit and investment keep falling.

- It says, now it is time to consider a different approach – a centralised Public Sector Asset Rehabilitation Agency (PARA) that could take charge of the largest, most difficult cases, and make politically tough decisions to reduce debt.

The Survey reaches to the conclusion that a PARA may be necessary because:

- Public discussion of the bad loan problem has focused on bank capital. But far more problematic is finding a way to resolve the bad debts in the first place.
- Some debt repayment problems have been caused by diversion of funds. But the vast majority has been caused by unexpected changes in the economic environment after the Global Financial Crisis, which caused timetables, exchange rates, and growth rate assumptions to go seriously wrong.
- This concentration creates a challenge since large cases are difficult to resolve, but also an opportunity since TBS could be overcome by solving a relatively small number of cases.
- Restoring them to financial health will require large write-downs.

- Among other issues, they face severe coordination problems, since large debtors have many creditors, with different interests. And they find it hard –financially and politically—to grant them sizeable debt reductions, or to take them over and sell them.
- It increases the costs to the government since bad debts of the state banks keep rising, and increases the costs to the economy, by hindering credit, investment, and therefore growth.
- Since, private run Asset Reconstruction Companies (ARCs) have not been successful either in resolving bad debts, though international experience (especially that of East Asian economies) shows that a professionally run central agency with the government backing could overcome the coordination and political issues that have impeded progress over the past eight years.

Universal Basic Income (UBI) Scheme an alternative to plethora of State subsidies for poverty alleviation:

The Economic Survey has advocated the concept of Universal Basic Income (UBI) as an alternative to the various social welfare schemes in an effort to reduce poverty. The survey juxtaposes the benefits and costs of the UBI scheme in the context of the philosophy of the Father of the Nation, Mahatma Gandhi. The Survey states that the Mahatma as astute political observer, would have anxieties about UBI as being just another add-on Government programme, but on balance, he may have given the go-ahead to the UBI.

- The Survey says the UBI, based on the principles of universality, unconditionality and agency, is a conceptually appealing idea but with a number of implementation challenges lying ahead especially the risk that it would become an add-on to, rather than a replacement of, current anti-poverty and social programmes, which would make it fiscally unaffordable.
- Based on a survey on misallocation of resources for the six largest Central Sector and Centrally Sponsored Sub-Schemes (except PDS and fertilizer subsidy) across districts, the Economic Survey points out that the districts where the needs are greatest are precisely the ones where State capacity is the weakest. This suggests that a more efficient way to help the poor would be to provide them resources directly, through a UBI.
- Exploring the principles and prerequisites for successful implementation of UBI, the Survey points out that the two prerequisites for a successful UBI are: (a) functional JAM (Jan Dhan, Aadhar and Mobile) system as it ensures that the cash transfer goes directly into the account of a beneficiary and (b) Centre-State negotiations on cost sharing for the programme.
- The Survey says that a UBI that reduces poverty to 0.5% would cost between 4-5% of GDP, assuming that those in the top 25% income bracket do not participate. On the other hand, the existing middle class subsidies and food, petroleum and fertilizer subsidies cost about 3% of GDP.
- The Survey concludes that the UBI is a powerful idea whose time even if not ripe for implementation, is ripe for serious discussion.

02/02 - General Annual Budget- 2017

What is Budget?

The **Annual Financial Statement** or the **Statement of the Estimated Receipts and Expenditure of the Government of India** in respect of each financial year is popularly known as the Budget.

Presentation of the budget:

The Budget is presented to Lok Sabha on such day as the President may direct. Immediately after the presentation of the Budget, the following three statements under the Fiscal Responsibility and Budget Management Act, 2003 are also laid on the Table of Lok Sabha:

1. The Medium Term Fiscal Policy Statement.
2. The Fiscal Policy Strategy Statement.
3. The Macro Economic Framework Statement.

No discussion on Budget takes place on the day it is presented to the House. Budgets are discussed in two stages—the General Discussion followed by detailed discussion and voting on the demands for grants.

General Discussion on the Budget:

During the General Discussion, the House is at liberty to discuss the Budget as a whole or any question of principles involved therein but no motion can be moved. A general survey of administration is in order. The scope of discussion is confined to an examination of the general scheme and structure of the Budget, whether the items of expenditure ought to be increased or decreased, the policy of taxation as expressed in the Budget and in the speech of the Finance Minister. The Finance Minister has the general right of reply at the end of the discussion.

Consideration of the Demands for Grants by Departmentally Related Standing Committees of Parliament:

With the creation of Departmentally Related Standing Committees of Parliament in 1993, the Demands for Grants of all the Ministries/Departments are required to be considered by these Committees. After the General Discussion on the Budget is over, the House is adjourned for a fixed period. During this period, the Demands for Grants of the Ministries/ Departments are considered by the Committees. These Committees are required to make their reports to the House within specified period without asking for more time and make separate report on the Demands for Grants of each Ministry.

Discussion on Demands for Grants:

The demands for grants are presented to Lok Sabha along with the Annual Financial Statement. These are not generally moved in the House by the Minister concerned. The demands are assumed to have been moved

and are proposed from the Chair to save the time of the House. After the reports of the Standing Committees are presented to the House, the House proceeds to the discussion and voting on Demands for Grants, Ministry-wise. The scope of discussion at this stage is confined to a matter which is under the administrative control of the Ministry and to each head of the demand as is put to the vote of the House. It is open to members to disapprove a policy pursued by a particular Ministry or to suggest measure for economy in the administration of that Ministry or to focus attention of the Ministry to specific local grievances. At this stage, cut motions can be moved to reduce any demand for grant but no amendments to a motion seeking to reduce any demand is permissible.

Cut Motions:

The motions to reduce the amounts of demands for grants are called 'Cut Motions'. The object of a cut motion is to draw the attention of the House to the matter specified therein.

Cut Motions can be classified into three categories:

- Disapproval of Policy Cut.
- Economy Cut.
- Token Cut.

A cut motion to be admissible should satisfy the following conditions:

- It should relate to one demand only.
- It should be clearly expressed and should not contain arguments, inferences, ironical expressions, imputations, epithets and defamatory statements.
- It should be confined to one specific matter which should be stated in precise terms.
- It should not reflect on the character or conduct of any person whose conduct can only be challenged on a substantive motion.
- It should not make suggestions for the amendment or repeal of existing laws.
- It should not relate to a State subject or to matters which are not primarily the concern of the Government of India.
- It should not relate to expenditure 'Charged' on the Consolidated Fund of India.
- It should not relate to a matter which is under adjudication by a court of law having jurisdiction in any part of India.
- It should not raise a question of privilege.
- It should not revive discussion on a matter which has been discussed in the same session and on which decision has been taken.
- It should not anticipate a matter which has been previously appointed for consideration in the same session.

- It should not ordinarily seek to raise discussion on a matter pending before any statutory tribunal or statutory authority performing any judicial or quasi-judicial functions or any commission or court of enquiry appointed to enquire into, or investigate any matter. However, the Speaker may in his discretion allow such matter being raised in the House as is concerned with the procedure or stage of enquiry, if the Speaker is satisfied that it is not likely to prejudice the consideration of such matter by the statutory tribunal, statutory authority, commission or court of enquiry.
- It should not relate to a trifling matter.

The **Speaker decides** whether a cut motion is or is not admissible and may disallow any cut motion when in his opinion it is an abuse of the right of moving cut motions or is calculated to obstruct or prejudicially affect the procedure of the House or is in contravention of the Rules of Procedure of the House.

Guillotine:

On the last of the allotted days for the discussion and voting on demands for grants, at the appointed time the Speaker puts every question necessary to dispose of all the outstanding matters in connection with the demands for grants. This is known as guillotine. The guillotine concludes the discussion on demands for grants.

Vote on Account:

As the whole process of Budget beginning with its presentation and ending with discussion and voting of demands for grants and passing of **Appropriation Bill** and **Finance Bill** generally goes beyond the current financial year, a provision has been made in the Constitution empowering the Lok Sabha to make any grant in advance through a vote on account to enable the Government to carry on until the voting of demands for grants and the passing of the Appropriation Bill and Finance Bill.

- Normally, the vote on account is taken for two months for a sum equivalent to one sixth of the estimated expenditure for the entire year under various demands for grants. During an election year, the vote on account may be taken for a longer period say, 3 to 4 months if it is anticipated that the main demands and the Appropriation Bill will take longer than two months to be passed by the House.
- As a convention vote on account is treated as a formal matter and passed by Lok Sabha without discussion.
- Vote on account is passed by Lok Sabha after the general discussion on the Budget is over and before the discussion on demands for grants is taken up.

Appropriation Bill:

After the demands for grants have been passed by the House, a Bill to provide for the appropriation out of the Consolidated Fund of India of all moneys required to meet the grants and the expenditure charged on the Consolidated Fund of India is introduced, considered and passed. The introduction of such Bill cannot be

opposed. The scope of discussion is limited to matters of public importance or administrative policy implied in the grants covered by the Bill and which have not already been raised during the discussion on demands for grants.

- The Speaker may require members desiring to take part in the discussion to give advance intimation of the specific points they intend to raise and may withhold permission for raising such of the points as in his opinion appear to be repetition of the matters discussed on a demand for grant.
- No amendment can be proposed to an Appropriation Bill which will have the effect of varying the amount or altering the destination of any grant so made or of varying the amount of any expenditure charged on the Consolidated Fund of India, and the decision of the Speaker as to whether such an amendment is admissible is final. An amendment to an Appropriation Bill for omission of a demand voted by the House is out of order.
- In other respects, the procedure in respect of an Appropriation Bill is the same as in respect of other Money Bills.

Finance Bill:

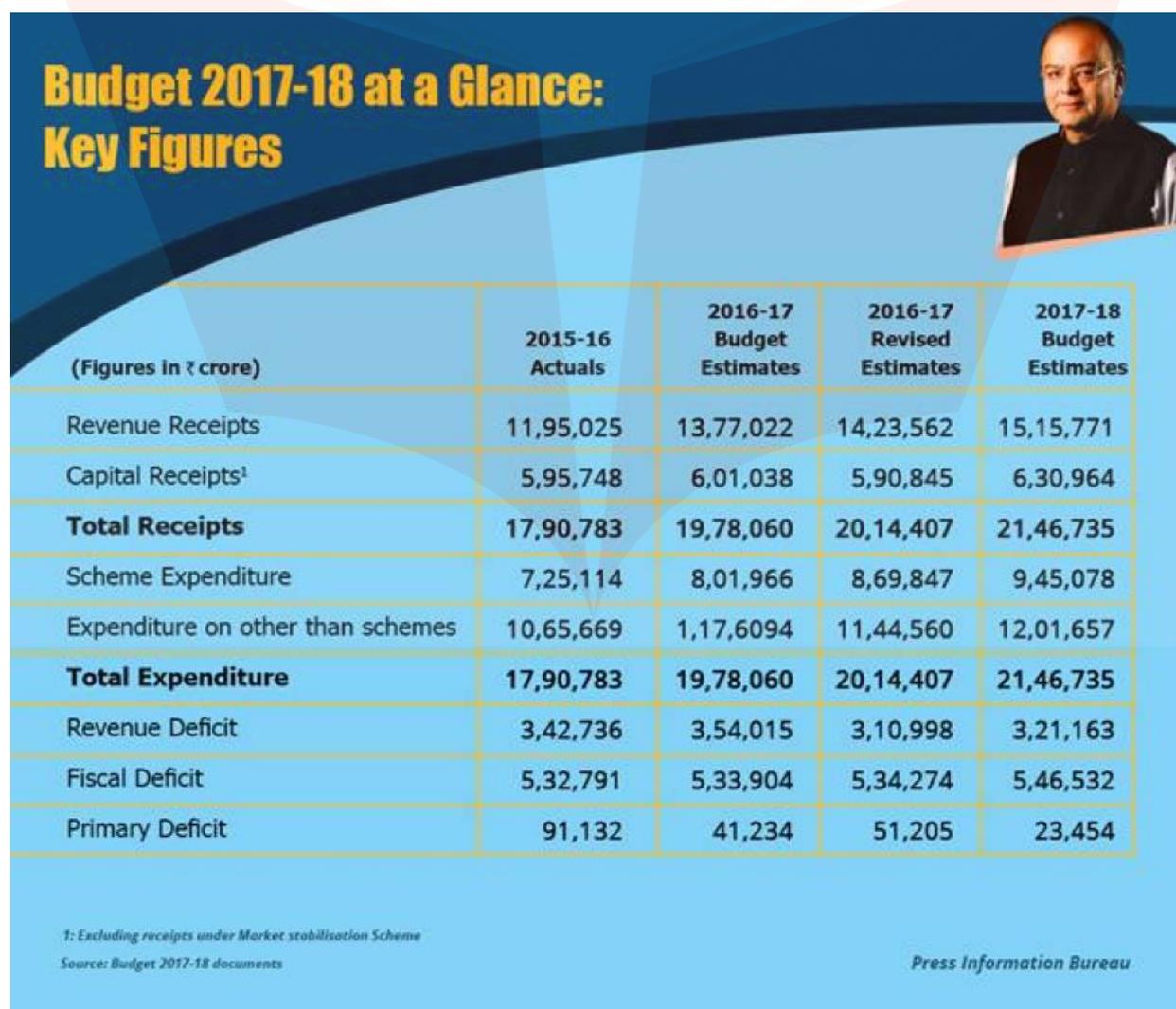
“Finance Bill” means a Bill ordinarily introduced every year to give effect to the financial proposals of the Government of India for the next following financial year and includes a Bill to give effect to supplementary financial proposals for any period.

- The Finance Bill is introduced immediately after the presentation of the Budget. The introduction of the Bill cannot be opposed. The Appropriation Bills and Finance Bills may be introduced without prior circulation of copies to members.
- The Finance Bill usually contains a declaration under the Provisional Collection of Taxes Act, 1931, by which the declared provisions of the Bill relating to imposition or increase in duties of customs or excise come into force immediately on the expiry of the day on which the Bill is introduced. In view of such provisions and the provision of Act of 1931, the Finance Bill has to be passed by Parliament and assented to by the President before the expiry of the seventy-fifth day after the day on which it was introduced.
- As the Finance Bill contains taxation proposals, it is considered and passed by the Lok Sabha only after the Demands for Grants have been voted and the total expenditure is known. The scope of discussion on the Finance Bill is vast and members can discuss any action of the Government of India. The whole administration comes under review.
- The procedure in respect of Finance Bill is the same as in the case of other Money Bills.

Highlights of the Union Budget 2017-18:

The Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley recently presented the General Budget 2017-18 in Parliament.

- This is the **first of its kind which included the Railway Budget**. This year's Union Budget also **does not have Plan and Non-plan classifications** and has been **advanced by a month** to the beginning of February.
- The Finance Minister Shri Jaitley in his Budget speech said that the agenda is **"Transform, Energise and Clean India"** (TEC)- to transform the quality of governance for better quality of life.
- The aim is to energise various sections of society, especially the youth and the vulnerable and to clean the country from the evils of corruption, black money and non-transparent political funding.
- Expenditure in Budget for 2017-18 has been placed at Rs.21.47 lakh crores. The total resources being transferred to the States and the Union Territories with Legislatures is Rs. 4.11 lakh crores, against Rs.3.60 lakh crores in BE 2016-17.
- **For the first time**, a consolidated Outcome Budget, covering all Ministries and Departments, is being laid along with the Union Budget.



Budget 2017-18 at a Glance: Key Figures

(Figures in ₹ crore)	2015-16 Actuals	2016-17 Budget Estimates	2016-17 Revised Estimates	2017-18 Budget Estimates
Revenue Receipts	11,95,025	13,77,022	14,23,562	15,15,771
Capital Receipts ¹	5,95,748	6,01,038	5,90,845	6,30,964
Total Receipts	17,90,783	19,78,060	20,14,407	21,46,735
Scheme Expenditure	7,25,114	8,01,966	8,69,847	9,45,078
Expenditure on other than schemes	10,65,669	1,17,6094	11,44,560	12,01,657
Total Expenditure	17,90,783	19,78,060	20,14,407	21,46,735
Revenue Deficit	3,42,736	3,54,015	3,10,998	3,21,163
Fiscal Deficit	5,32,791	5,33,904	5,34,274	5,46,532
Primary Deficit	91,132	41,234	51,205	23,454

¹: Excluding receipts under Market stabilisation Scheme
Source: Budget 2017-18 documents

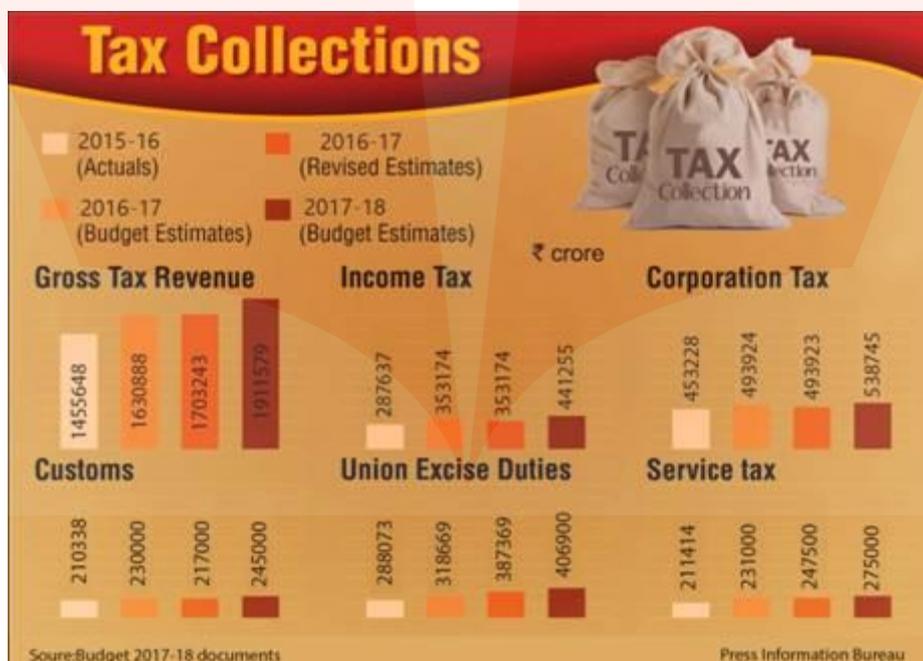
Press Information Bureau

New announcements:

- Shri Arun Jaitley announced that the Government will now undertake a **Mission Antyodaya** to bring one crore households out of poverty and to make 50,000 gram panchayats poverty free by 2019, the year marking the 150th birth anniversary of Gandhiji. The strategy is to utilise the existing resources more effectively along with annual increases and a focused micro plan for sustainable livelihood for every deprived household.
- Under the reoriented MGNREGA to support our resolve to double farmers' income, about 10 lakh farm ponds are expected to be completed by March 2017 against the targeted 5 lakh farm ponds. This will contribute greatly to drought proofing of gram panchayats. The budgetary provision of Rs.38,500 crores under MGNREGA in 2016-17 has been increased to Rs. 48,000 crores in 2017-18, the highest ever allocation for MGNREGA.
- A programme called **SANKALP – Skill Acquisition and Knowledge Awareness for Livelihood Promotion programme** to provide market relevant training to 3.5 crore youth with a budget of Rs. 4,000 crores has been announced. The next phase of Skill Strengthening for Industrial Value Enhancement (STRIVE) is also be launched in 2017-18 at a cost of Rs.2,200 crores to focus on improving the quality and market relevance of vocational training provided in ITIs and strengthen the apprenticeship programmes through industry cluster approach.
- A **National Testing Agency** is proposed to be established as an autonomous and self-sustained premier testing organisation to conduct all entrance examinations for higher education institutions in the country.
- As a part of strengthening overall health infrastructure in the country the Finance Minister announced setting up of two new All India Institutes of Medical Sciences in the States of Jharkhand and Gujarat.
- The Finance Minister said by the end of 2017-18, high speed broadband connectivity on optical fibre will be available in more than 1,50,000 gram panchayats, with wifi hot spots and access to digital services at low tariffs. He said accordingly the budget for **Bharat Net Project** has been stepped up to Rs.10,000 crores in 2017-18.
- The Minister said that a **'DigiGaon'** initiative will be launched to provide tele-medicine, education and skills through digital technology.
- The minister announced that a new and restructured Central scheme, namely, **Trade Infrastructure for Export Scheme (TIES)** will be launched in 2017-18.
- The Finance Minister has announced that the government has decided to ***abolish the Foreign Investment Promotion Board (FIPB) in 2017-18***. He said that a roadmap for the same will be announced in the next few months. The minister said that this became possible as The Foreign Investment Promotion Board (FIPB) has successfully implemented e-filing and online processing of FDI applications and more than 90% of the total FDI inflows are now through the automatic route.
- Shri Arun Jaitley asserted that a bill will be introduced in the Parliament to curtail the menace of illicit deposit schemes, after the draft bill, placed in the public domain, has been finalized. He said this is part of this budget's and the Government's 'Clean India' agenda. The Minister said that an amendment Bill

to change the Arbitration and Conciliation Act 1996 will be introduced to streamline institutional arrangements for resolution of disputes in infrastructure related construction contracts, PPP and public utility contracts.

- The Minister asserted that the disinvestment policy announced in the last budget will continue and the Government will put in place a revised mechanism and procedure to ensure time bound listing of identified CPSEs on stock exchanges.
- The minister announced that a **Computer Emergency Response Team for Financial Sector (CERT-Fin)** will be established and it will work in close coordination with all financial sector regulators and other stakeholders.
- He announced that the **shares of Railway PSEs like IRCTC, IRFC and IRCON will be listed in stock exchanges.**
- The minister said that government also proposes to create an integrated public sector 'oil major' which will be able to match the performance of international and domestic private sector oil and gas companies.
- **10,000 crores for recapitalization of Banks** in 2017-18 has been allocated. Additional allocation will be provided, as may be required. The Minister said that Listing and trading of Security Receipts issued by a securitization company or a reconstruction company under the SARFAESI Act will be permitted in SEBI registered stock exchanges. This will enhance capital flows into the securitization industry and will particularly be helpful to deal with bank NPAs.



04/02 - H1B visa reform bill introduced in US

With a hard stance on immigration, the High-Skilled Integrity and Fairness Act of 2017 that will overhaul the popular H1B and L1 visas has been tabled in the US Congress. This reform bill, if passed, would mean significant changes in the way the H1B visas are granted to companies and allocated to employees by them. Some of the worst hit by the new H1B bill will be Indian companies such as Infosys, TCS, and Wipro, as well as US tech giants like Apple, Facebook and Google, who use the H1B visa to fill positions that cannot be filled by American workers.

What is H1B visa?

The H1B visa is a non-immigrant visa that allows companies to employ foreigners for a period of up to six years. This visa is aimed at helping companies employ foreigners in positions for which they have been unable to find American employees. The minimum salary for an employee holding the H1B visa is set at \$60,000 per year. H1B visa holders are allowed to apply for permanent residency in the US as well as buy or sell property in the country.



Why is H1B visa programme criticised?

The aim of the H1B visa programme was to supplement the US workforce with high-skilled workers to do jobs that Americans are not skilled to do, not to replace the US workers. But over time, there have been many grumbings that many companies use the H1B visa to replace American workers with foreign ones, as the latter can be hired at lower salaries without compromising on the skill sets. In some cases, American employees have alleged that they were made to train H1B holders to do their own jobs, and then fired.

What does the new H1B reform bill propose?

- The new H1B visa reform bill proposes a radical overhaul of the process, increasing the minimum salary for visa holders to be \$130,000, more than double the current minimum. This would mean that companies would have to either pay rather highly for the skilled workers, or not choose foreign employees in favour of American citizens.
- The new visa reform bill also eliminates the category of lowest pay, and raises the salary level at which H1B dependent employer are exempt from non-displacement and recruitment attestation requirements to greater than \$130,000.
- The H1B visa bill removes the 'per country' cap for employment-based immigrant visas.
- It sets aside 20% of the annually allocated H1B visas for small companies and startup employers (50 or fewer employers) to ensure small businesses have an opportunity to compete for high-skilled workers.
- The Bill encourages companies to recruit American workers. This provision would crack down on outsourcing companies that import large numbers of H-1B and L-1 workers for short training periods and then send these workers back to their home country to do the work of Americans.
- It explicitly prohibits replacement of American workers by H1-B or L-1 visa holders.

- The Bill seeks to give the Department of Labour enhanced authority to review, investigate and audit employer compliance as well as to penalise fraudulent or abusive conduct.

Who will be impacted by the H1B visa reform if it passes?

Among the biggest recipients of H1B visas each year are Indian IT firms, such as Infosys, TCS, Wipro, HCL, Igate, Cognizant, as well as global giants IBM, Accenture, Microsoft, Google, and Amazon, among others. If this bill passes, they will to bear significantly higher costs for employing highly-skilled foreign citizens. The visa reform may even create a gap in demand and supply for talent for smaller companies that cannot afford incurring high costs to employ skilled workers.

- It will eliminate the Master's Degree exemption for employers. The current H-1B visa program has an annual limit of 65,000 visas each fiscal year, and the first 20,000 visas for U.S. master's degree holders are exempt from that cap. These visas fill up pretty quickly and if the applications exceed the cap, a lottery system is used to allot them further.
- The new rules are expected to overturn the existing duration of the optional practical training work visas known as OPTs, which are issued to students after the completion of their studies to gain work experience.
- The new rules may bring back restrictions on the spouses of H1B visa holders who until recently were not allowed to work in the US and these draconian restrictions were seen as career killers, but in 2015, those work restrictions were removed to allow H4 visa holders to legally work.

How will this affect the US?

Skilled foreign workers who come to work in the United States on H1-B visas don't just directly supplement the US IT industry with specialised skillsets, they also contribute indirectly to other industries in the US. Often H1-B workers bring their families along and thereby bring additional business for other industries like real estate, Banking, hospitality, to name a few. The effects of this announcement will impact the GDP and the overall business economy and growth of US. While 20% of H1-B visa quotas have been set aside for start-ups and small employers with 50 or fewer employees, there is no denying that this will be a dampener to the spirit of innovation and entrepreneurship.

In midst of all this, it's critical to remember that most US-based companies (including many Fortune 500s) are highly dependent on IT Services Providers. These companies actively outsource for both skills and cost advantages – important to note, it's not just the latter that drives the decisions. Changes in the H1-B visa arrangement will add immense cost pressures on these organisations.

How is India responding?

The Indian government appears to have taken notice of the reports but it is unclear if it's going to escalate the matter as a diplomatic issue. India has been largely silent on Trump administration's recent immigration ban barring foreign nationals from seven Muslim-dominated countries.

However, India's interests and concerns have been conveyed both to the US administration and the US Congress at senior levels.

What had to be done?

Using wage as it's only pivot, the bill has more than doubled the minimum wage requirement of H1-B visa holders from \$60,000 to \$130,000. There is no mention of any skills based criteria/requirement. In addition, the High-Skilled Integrity and Fairness Act of 2017 prioritises market-based quota of H1-B visas to companies willing to pay 200 percent of a fixed wage. In light of the STEM (Science, Technology, Engineering and Math) skills gap currently prevailing in the US, a thorough on-the-ground study of multiple factors, with skills being the primary factor, should have been the foundation of the Act.

Way ahead:

As labour and capital quit American shores, the more they try to protect their jobs, the more it will affect the rest of the world. But India being one of the fastest growing markets, has plenty of opportunities to stand up to it and deliver, but that require persistent mending of ways things function. While there may be a temporary plug on legal issues in the US, it will lose the perception battle internationally. Since it is arguably inevitable, this gives a lot of chance to India, to introspect and build its own infrastructure.

When it comes to the IT industry, initially the Indian companies will be pressurised to hire Indian talent, but eventually, it will help in overall growth. Additionally, Make in India and Buy American can work together too, which can only improve bilateral trade between the nations. While there may or may not be much logic in the events to come, the unpredictability can also be the sole reason for India to improve internally.

05/02 - Tarred by the oil spill**Summary:**

The recent oil spill in Chennai has created panic among locals and the officials are now gearing up for possible challenges to the environment in near future. The spill occurred due to a collision between two ships. A large quantity of oil was released into the sea, affecting marine life and livelihoods of coastal communities.

What's the main concern now?

This incident comes at a time when there is steadily declining pollution due to such incidents. Ship collisions are less common today because GPS-based navigation systems have made their operation much safer. Also, port authorities have failed to prevent the spread of oil spill. Such failure calls into question the efficacy of the National Oil Spill Disaster Contingency Plan that is updated periodically for all stakeholders, notably ports, under the leadership of the Coast Guard.

Effects of oil spill:

- Upto two-thirds of an oil-spill can evaporate in the first few days, but before the light, toxic compounds evaporate, they kill fish and animal life and pose harm to future generations.
- The thick oil also washes ashore creating reservoirs on the beaches of toxic chemicals that can have a lasting effect on the environment.

- The immediate impact of an oil slick is the mass death of fish and turtles and of birds because they cannot fly with wings coated by heavy oil.
- Because the oil forms a film on the surface, it reduces the amount of light and oxygen passing into the water. This suffocates marine life.
- The oil destabilises the entire marine food chain, beginning with plankton, microscopic organisms that live in ocean depths, being deprived of the sunlight they need to make food. The death of plankton means death for marine animals that feed on them and so on up the food chain to humans.
- Toxic chemicals leached from the oil and some of the oil itself sink to the seabed, damaging coral reefs and endangering the fish.
- The shore lines and sandy beaches in coastal areas may also be an indirect victim of oil water pollution. The oil contaminated water is usually swept across the shoreline by the waves in high tides. This makes the beaches dirty and unsafe for the human population as well. Thus, coastal areas are continuously contaminated due to oil pollution.
- Oil pollution seriously degrades the water quality on a long-term basis. Being insoluble in water, oily water always exists as bi-layer. Also, at the shore lines, the current of waves might even turn the oily water into a turbid oil water emulsion (wherein the oil and water exist as a single turbid phase due to constant mechanical mixing forces). This degrades the quality of water further.
- Tourism industry is greatly affected by oil spills and oil pollution. Due to increasing oil pollution on beaches and shorelines, recreational activities of tourists like boating, swimming, diving, adventure sports are taking a back seat. Unclean and unhealthy water will repel tourists from undertaking these activities completely.

How to prevent and control oil spills?

- Quality cannot be compromised when it comes to ships and oil tankers in marine waters. Their mechanical parts and equipment need to pass strict quality checks to be proven safe against any oil spill hazards. Extra attention is required while installing the pipes in tankers. Any probable leakage issue should be eliminated before it sets out on the sea.
- Government of all countries worldwide should treat oil pollution seriously and come up with a suitable disaster management plan to deal with this problem. Local environmental agencies should also step up their action plans towards the recovery of polluted water bodies. A plan should be developed to direct the restoration process and incorporate things like coral and plantation reconstruction, shoreline improvements and transport restrictions across water bodies.
- Bioremediation can also be used. When bacteria are used to clean up oil spills in the marine environment, it is termed as bioremediation. Bioremediation is a process that uses natural decomposers and plant enzymes to treat the contaminated water.
- Regular skimmers need to be employed in marine water to monitor and control oil spills. Skimmers are boats that help scoop the spilled oil from the surface of the polluted water. This way immediate action can be taken in case of accidents to avoid long-term damage in serious proportions.
- The government should have a 24/7 emergency team ready for any marine accidents and oil spill incidents. An effective team will facilitate immediate clean up of the mess that any such incidents might cause.



- Several laws and regulations have been operational since long in most of the countries, but still oil pollution has been on the rise. The laws should be implemented on ground level and facilities should be checked regularly for proper maintenance and documentation of their procedures for discharge as well as loading. Also, mock drills should be mandatory for all vessels, so as to be prepared to clean up oil spills in emergency situations.
- The oil spills in the water bodies can be cleaned up the chemical way. Using sorbents (big sponges which absorb oil) oil spills can be cleaned. Also, chemical dispersants effectively break down oil into its corresponding chemical constituents.
- Physical methods can also be employed for cleaning oil spills. Vacuum trucks can suck up spilled oil from the beaches and the surface of water. Oil spills in beaches may also contaminate ocean water. So, shovels and road machinery can be used to clean up oil on the beach. Oil contaminated sand and gravel can be picked up and moved away, so that the waves hitting the shores do not pick up the oily residues to cause oil water pollution. Floating barriers called 'booms' can also be used to prevent oil pollution. This is usually done by planting a large boom around a leaking oil tanker to collect it before it causes massive water contamination.

National Oil Spill Disaster Contingency Plan:

India promulgated National oil spill Disaster contingency plan (NOS-DCP) in the year 1996. **Coast guard** was designated as central coordination authority.

The objectives of the plan are:

- To develop appropriate and effective systems for the detection and reporting of spillage of oil.
- To ensure prompt response to prevent, control, and combat oil pollution.
- To ensure that adequate protection is provided to the public health and welfare, and the marine environment.
- To ensure that appropriate response techniques are employed to prevent, control, and combat oil pollution, and dispose off recovered material in an environmentally accepted manner.
- To ensure that complete and accurate records are maintained of all expenditure to facilitate cost of recovery.

International efforts in this regard:

The volume of oil shipped annually since 1985 has doubled. Following the 119,000-tonne oil spill when the Torrey Canyon ran aground off the west coast of England in 1967, it was agreed marine pollution could be tackled only at an international level and the **International Maritime Organisation (IMO)** was chosen to coordinate efforts worldwide.

- In 1973, the IMO adopted the **International Convention for the Prevention of Pollution from Ships (MARPOL)**. After the Exxon Valdez oil spill, in 1989, 90 countries under the auspices of the IMO drew up an emergency system to deal with spills.
- Called the **International Convention on Oil Pollution Preparedness, Response and Cooperation** 1990, it details the steps to be taken to clean up slicks and requires ships to prepare pollution emergency plans. It limits oil company liability to US \$80 million, though cleaning up the Exxon Valdez spill cost more than \$2 billion. However, the 1990 convention provides for a special fund to be set up from contributions from shipping companies.
- Finally, the IMO ruled that by July 1993, all tankers must have double hulls for additional safety and all single-hulled ships must be phased out by 1995.

Conclusion:

Obfuscation of facts after an oil spill is counterproductive, since the impact is prolonged; moreover, it could erode the confidence of the international community in the country's ability to fulfil its commitments within the UN system to protect marine life and biodiversity. Failure to safeguard marine turtle and bird habitats, for example, is a clear violation of the provisions of the Convention on the Conservation of Migratory Species of Wild Animals, and its specific memorandum on the Indian Ocean-Southeast Asian region to which India is a signatory.

Considerable oil pollution is caused not just by catastrophes but through the discharge of ballast, sludge and water used for the cleaning of tanks. On the other hand, the efficacy of chemical dispersants to degrade oil at sea remains controversial. All this underscores the importance of timely advice from agencies such as the Indian National Centre for Ocean Information Services, which is mandated to forecast the course of an oil spill.

07/02 - India's Opposition to China-Pakistan Economic Corridor Is Flawed**Summary:**

The 3,000 km-long China-Pakistan Economic Corridor (CPEC) consisting of highways, railways, and pipelines is the latest irritant in the India-China relationship.

What is CPEC?

CPEC is clutch of projects valued at \$51 billion project which aims at rapidly expanding and upgrading Pakistan's infrastructure and strengthening the economic ties between the People's Republic of China (China) and Pakistan. It includes building roads, laying railway lines and pipelines to carry oil and gas.

- CPEC eventually aims at linking the city of Gwadar in South Western Pakistan to China's North Western region Xinjiang through a vast network of highways and railways.
- The proposed project will be financed by heavily-subsidised loans, that will be disbursed to the Government of Pakistan by Chinese banking giants such as Exim Bank of China, China Development Bank, and the Industrial and Commercial Bank of China.

Why is it important?

The CPEC, once completed is expected to cut short the trade route for China's oil imports by 6000 miles. It is expected to open up a brand-new strategic gateway for China to tap into African, West Asian and South Asian trade.

- The CPEC is expected to give the flagging Pakistan economy a shot in the arm too. About 90 per cent of the total outlay for this project will be funded by the consortium of Chinese banks and the balance 10 per cent by Pakistan. Reports claim that this project will likely add about 7 lakh direct jobs between 2015 and 2030 and add about 2-2.5 percentage points to the Pakistani GDP.
- Besides the potential for growth, power and jobs, Pakistan also expects the CPEC to bind it in an even tighter embrace with close friend China, giving it greater strategic leverage with both India and the United States in the Indian Ocean region.

And what's in it for China?

The CPEC is part of China's larger regional transnational 'One Belt One Road' (OBOR) initiative, whose two arms are the land-based New Silk Road and the 21st century Maritime Silk Road, using which Beijing aims to create a Silk Road Economic Belt sprawled over a large patch of Asia and eastern Europe, and crisscrossed by a web of transport, energy supply and telecommunications lines.

- Gwadar lies close to the **Strait of Hormuz**, a key oil shipping lane. It could open up an energy and trade corridor from the Gulf across Pakistan to western China, that could also be used by the Chinese Navy. The CPEC will give China land access to the Indian Ocean, cutting the nearly 13,000 km sea voyage from Tianjin to the Persian Gulf through the **Strait of Malacca** and around India, to a mere 2,000 km road journey from Kashgar to Gwadar.
- The development of Kashgar as a trade terminus will reduce the isolation of the restive Xinjiang province, deepen its engagement with the rest of China, and raise its potential for tourism and investment. Central Asian republics are keen to plug their infrastructure networks to the CPEC — this will allow them access to the Indian Ocean, while contributing to the OBOR initiative.
- For Chinese companies, the massive scale of the CPEC provides investment opportunities for several years to come. As per the terms of the agreement, they will be able to operate the projects as profit-making entities.

Why should India support this initiative?

If the corridor opens up a major new global trade route, not just Pakistan and China, but also India which is quite strategically located on the corridor, may see positive spillover effects from burgeoning trade with West Asia or Africa.

But, why is India concerned?

CPEC establishes a symbiotic relationship between China and Pakistan and political analysts worry that this may have ramifications for the geopolitical situation in Kashmir, especially as the CPEC corridor passes straight through disputed Pakistan-occupied Kashmir (PoK). The worry is if the high economic stakes in the project will allow China to remain neutral if the Kashmir dispute escalates.

Options for India:

India should stop making intermittent and tentative overtures and instead adopt a robust policy on PoK. Quite clearly, India's non-endorsement or indifference to China's Silk Road proposal appears to be short-sighted thinking, perhaps stemming from suspicion and insecurity.

- Also, India can do little to stop OBOR or scuttle the CPEC. Almost all the countries in the subcontinent are excited about the project. India's non-participation would lead to isolation and loss of clout at the regional level.
- Being the world's second largest economy and India's largest trading partner, New Delhi is unable to ignore China anyway. To be sure, OBOR may be carrying security undertones but India also requires massive infrastructure investment and only China seems to have the surplus capital. Without partnering with China, India's integration in Asian regionalisation would be less than smooth.
- Chinese companies are building infrastructure in India and there is little difference whether one gains by helping or limiting China's influence. It cannot be in India's interest to support the project and not reap all the economic benefits of those projects. It is important to establish a fine balance between economics with security.

- India also cannot ignore the significance of the symbolism of history. After all, it was the Silk Route on which Indian trade and philosophy (Buddhism) travelled to the rest of Asia. As China is fast transforming internally, the imperatives of cultural affinity will demand closer propinquity between India and China.
- Thus, staying outside cannot be to India's advantage. New Delhi needs to re-conceptualise and seek new realities on the ground. China has called upon India to join the Silk Route and India should respond positively while accepting a trade-off here and there.
- A wise approach would be to join the regional networking process just as India joined the Asian Infrastructure Investment Bank (AIIB). There is nothing wrong in exploring CPEC as an alternative as long as India's security interests are not compromised.

Conclusion:

There's little that India can do about the CPEC. But to look at the bright side, a more economically stable Pakistan may be quite good for India, as both countries can then look to de-escalate tensions across the border and talk trade.

The CPEC project promises rich rewards not just to Pakistan and China but to India and other countries in South and Central Asia as well. It is in the economic interest of Islamabad and Beijing to draw India into the project. India's markets are the big prize that they should be eyeing and work to connect with. This will require them to allay Indian misgivings about the project.

08/02 - Is a Border Fence an Absolute Essential along the India-Myanmar Border?

Summary:

The construction of border fence by Myanmar has led to resentment among the people on both sides of the Indo-Myanmar border.

Who will mainly be affected by this decision?

The affected people mainly are Konyak, Khamtiung and Yimchunger Nagas who inhabit the areas of Eastern Nagaland in India and the Naga Self Administered Zone (NSAZ) in Myanmar.

- The people living in the Eastern districts of Nagaland and in the areas of NSAZ in Myanmar have close family ties and engage in cultural and economic exchanges.
- In some instances, the imaginary border line cuts across houses, land and villages. People, especially those living on the Indian side, own land holdings including cultivated lands and forested areas across the border and are completely dependent on such areas for their livelihood.
- From the Myanmar side, a lot of villagers come to the Indian side to buy basic essentials. Taking advantage of the FMR, a sizeable number of students from NSAZ also study in schools on the Indian side of the border.

Free movement regime (FMR):

The formation of Myanmar as a separate State in 1935 and decolonisation of the sub-continent in 1947 divided ethnic communities living along the Indo-Myanmar border.

- These communities, particularly Nagas, found the newly created boundary to be inconsistent with the traditional limits of the region they inhabited. And they felt a deep sense of insecurity because they became relegated to the status of ethnic minorities on both sides of the border.
- To address their concerns and enable greater interaction among them, the Indian and Myanmar governments established the Free Movement Regime (FMR), which allowed Nagas to travel 16 kilometres across the border on either side without any visa requirements.

Why this border fence is being opposed?

The ongoing activity of fence construction by Myanmar, which the locals perceive as being carried out with the concurrence of Indian authorities, has triggered apprehensions among the people living on either side of the border.

- They contend that the border fence would deprive them of the produce from their land and forest resources, which spread out on both sides of the border.

But, why is a border fence necessary?

The region presents serious security challenges. The FMR has been misused by locals to smuggle contraband in their head loads, which are not subject to inspection.

- Militant groups have been using the porous border for moving cadres and war-like stores.
- Along with other active Indian insurgent groups, the NSCN-Khaplang (NSCN-K), which had unilaterally abrogated the ceasefire with the Government of India (GoI) in 2015, maintains its camps and training bases in NSAZ.
- All these groups have benefited from the open border in terms of carrying out illegal activities including launching strikes against Indian security forces and returning to their safe havens in Myanmar.
- China has also been reportedly aiding some of these groups. Indian insurgent groups in the region are also known to collaborate with Myanmar insurgent groups like the United Wa State Army (UWSA), Kachin Independent Army (KIA), among others.

Challenges:

The attempt to create physical infrastructure to secure the border in the midst of the prevailing public resentment presents a real challenge.

- From the security perspective, possible anti-establishment sentiments that could flow from such apprehensions, if unaddressed, could reinvigorate the presently weakening Naga insurgency in the region.
- An aggravation of this issue at a time when peace talks between the central government and the National Socialist Council of Nagaland (NSCN-IM) are being held in a congenial atmosphere may fuel discontent.

What can be done?

Suitable measures aimed at addressing the people's concern on the Indian side as well as on the other side in collaboration with Myanmar authorities therefore need to be initiated in order to establish trust and confidence amongst the affected populace.

- Tripartite talks involving the local stakeholders (through the concerned state government), the Myanmar government and the GoI could be organised to address extant concerns.
- Socio-economic initiatives on either side of the border aimed at benefitting the local inhabitants by alleviating poverty and bringing greater development in the region could be worked out.
- A mutually acceptable arrangement addressing the security concerns of both the countries with minimum discomfort to the local inhabitants would be prudent.
- The Government of India on its part could provide an assurance that no construction of border fence will be undertaken on the Indian side without taking the affected population into confidence.

Way ahead:

Given that the vulnerability of the India-Myanmar border is posing a serious challenge to the internal security of the country, the Government of India should pay immediate attention to effectively manage this border.

- It should first strengthen the security of the border by either giving the Assam Rifles the single mandate of guarding the border or deploying another border guarding force such as the Border Security Force (BSF).
- It should initiate a revision of the FMR and reduce the permitted distance of unrestricted travel. The construction of the ICP along with other infrastructure should be expedited.
- Finally, India should endeavour to meaningfully engage with Myanmar and solicit its cooperation in resolving all outstanding issues and better manage their mutual border.

Conclusion:

In case national security concerns dictate the necessity of constructing a fence along the India-Myanmar border, options such as selective fencing, better use of technology, and regulated flow of cross-border movement, among other initiatives, can be examined. It is however essential to take into confidence the affected populace and the local stakeholders prior to the finalisation and implementation of such plans. Regulated borders with greater emphasis on developing people-to-people contact and cross-border trade initiatives are likely to yield greater security benefits as against a closed border that may lead to a disturbed security environment amidst popular discontent.

09/02 - Trump signs order to begin Mexico border wall in immigration crackdown

Since his swearing-in as President, Trump is wasting no time in enforcing his numerous campaign promises. One such order is the use of federal resources to construct a Mexican border wall.

How long will it be?

The border with Mexico is roughly 1,900 miles long and spans four states: California, Arizona, New Mexico and Texas.

Why build a wall in the first place?

Trump's thinking is that a giant wall dividing Mexico and the United States will restrict illegal immigrants' entry into the country, as he feels the border patrol as it currently stands is weak and letting too many, as he puts it, "rapists" onto American soil. Trump estimates the cost of the construction at \$8 billion.

What state is the current wall in?

Currently 652 miles of the 1,954-mile U.S. Mexico border has some amalgamation of walls, fences and other barriers. In areas closest to cities the wall has multiple layers. The wall is the weakest in more desolate areas and in some areas there is no wall at all. This is frequently because the terrain already provides a natural barrier, such as the widest parts of the Rio Grande River or steep mountain ranges.

Why this wall would be least effective?

- Analysts believe the majority (possibly vast majority) of illegal immigrants enter America by air. There are two kinds of illegal immigration. President Trump's rhetoric focuses on "entries without inspection." But most illegal immigrants actually arrive in America with a visa – and then simply don't leave. These are called "overstays."
- Also, the states where illegal immigration is growing are not on the Mexican border. The states with rising illegal immigration are Washington, Pennsylvania, New Jersey, Virginia, Massachusetts and Louisiana. Texas, New Mexico and Arizona have seen no significant, measurable increase in illegal immigrants. And California, Nevada, Illinois, Alabama, Georgia and South Carolina have seen their illegal immigrant population decline. A border wall does not address the growth of illegal immigrants, as to the extent illegal immigrants are working in the U.S. they are clearly not in the border states.
- Besides, the number of illegal immigrants living in the U.S. is actually declining. There are more Mexicans returning to live in Mexico than are illegally entering the U.S. Between 2009 and 2014 over 1 million illegal Mexican immigrants willingly returned to Mexico where working conditions had improved and they could be with family.
- Americans also seem divided by the wall. According to a poll 47% of voters support building a wall, with 45% against. Critics say the wall proposal is pointless because, among other things, most drugs smuggled into the United States pass through legal entry points and are not transported through the desert.



Free movement between the US and Mexico is not just a human issue. What would the construction of a wall mean for animals that live near the border?

The US-Mexico border region is a delicate ecosystem with regular animal and bird migrations moving between the north and south of the American continent.

- A number of species need to cross the border to mate with their genetically different cousins, including the endangered North American jaguar and black bears, which would be threatened without being able to mate with Mexican bears.
- The wall would also have to take into account natural flooding zones as well as large areas of sand, where the ground effectively moves.
- Then there is the detrimental impact to the landscape of a massive construction project – digging, road building, and the appearance of a concrete wall up to 50 feet high.

What can be done?

If the main intention is to stop illegal border immigrants into the U.S., the best (and least costly) policy would be to cooperate with Mexico to capture these immigrants as they flee Central America and find a solution for either housing them in Mexico or returning them to their country of origin. It is ridiculous to expect Mexico to pay for a wall when it is not Mexico's citizens creating the purported illegal immigration problem on the border.

- If the administration would like to stop illegal immigration the best way is to help Mexico create more high-paying jobs (say with a trade deal like NAFTA) so they don't come to America, and those in America simply choose to go to Mexico.

Conclusion:

Experts see these as are draconian steps that, taken together, will convert the border into a fortress, tear apart families and communities and harm sections of the economy that have come to depend on undocumented labor. And they would do little to make the nation safer, Trump's purported goal. Therefore, in the overall national interest, it is necessary to rethink and come out with a comprehensive policy in this regard.

10/02 - Simultaneous polls: ifs and buts

Summary:

Both, the President and the Prime Minister have made a strong pitch for holding the Lok Sabha and Assembly elections simultaneously. They have suggested that any decision by the Election Commission in this regard after consultations with political parties will be accepted. The EC believes this is a do-able proposition, provided certain legislative changes are made and infrastructure strengthened.

Need for holding simultaneous elections arises from the following reasons:

- The massive expenditure that is currently incurred for the conduct of separate elections.
- The policy paralysis that results from the imposition of the Model Code of Conduct during election time.
- Impact on delivery of essential services.
- Burden on crucial manpower that is deployed during election time.



Problems associated with frequent elections:

- Frequent elections affect policymaking and governance as the government is trapped in short-term thinking.
- It also destabilises duly-elected governments and imposes a heavy burden on the exchequer.
- It also puts pressure on political parties, especially smaller ones, as elections are becoming increasingly expensive.

- The Model Code of Conduct (MCC) which comes into force with the announcement of poll dates, prevents government from announcing any new schemes, make any new appointments, transfers and postings without the approval of election commission. This brings normal work of the government to a standstill.
- It also increases the cost of management to the election commission.

But, why it is difficult to go for simultaneous elections?

- The biggest challenge is achieving political consensus, which seems to be “chimerical”.
- Regional parties will be more opposed to the idea than national parties because there is always a tendency for voters to vote the same party in power in the state and at the Centre in case the Lok Sabha polls and the state elections are held together.
- Also, according to IDFC, there is a 77% chance that the Indian voter will vote for the same party for both the state and Centre when elections are held simultaneously.

Way ahead:

In a recent report, the NITI Aayog has debated the key challenges cited against the motion: Would it be feasible to extend or curtail the existing terms of some State Assemblies to facilitate simultaneous elections? If elections are held simultaneously, what would happen in case the ruling party or coalition loses majority between terms, in the Lok Sabha or State assemblies? Should the term of the Lok Sabha and Assemblies be fixed? Is it feasible for the EC to conduct elections on such a massive scale? In the EC's view, the Constitution needs to be amended for elections to be held at one go.

The terms of the Lok Sabha and State Assemblies would need to coincide — commence and expire on a particular date and not necessarily on the date when they complete five years. The situation arising out dissolution of the Lok Sabha/Assembly would have to be considered. By-polls need to be accommodated. Most critical of all, would regional parties let go of a discourse based on local issues? The onus is on political parties to arrive at a consensus.

Conclusion:

No doubt, conducting concurrent elections is a humongous logistical task in terms of deployment of personnel, EVMs and other material. But the time has come to make a beginning and ensure political and administrative stability both at the Central and State levels for the country to march unhindered on the path to progress. Once a political consensus is built on the issue, constitutional amendments could be put in place for fixed tenure of the legislative bodies and the process kick-started.

11/02 - Bowing down to patriarchy

Summary:

Nagaland has been under strife since the announcement of civic bodies' poll, the matter reaching its peak in the last week.

What's the issue?

The Nagaland government announced civic bodies' elections in December 2016 followed by the announcement of 33% reservation of seats for women. Various tribal bodies including Naga Hoho, the apex organisation of all major tribes, have been opposing the civic elections, which were due on February 1. Their contention is that granting 33% reservation for women would infringe on Naga customary laws and tradition as protected under Article 371(A) of the Constitution of India.



Now, the State government has written to the Centre seeking exemption for Nagaland from Part IXA of the Constitution.

Background:

The local elections have been due for more than 16 years now. In September 2012, the Nagaland state assembly had passed a resolution opposing the quota for women. However, this resolution was revoked by the assembly in November 2016, clearing the way for the elections to be held.

Why reservation is necessary?

In rural areas the quota has helped improve local governance, enhancing outcomes in delivery of civic services related to drinking water supply, sanitation and irrigation, among others. In urban local bodies, the visible impact has been more quantitative in terms of representation rather than qualitative, with success being linked to emphasis on gender sensitisation by civil society and political parties.

Why reservation for women in Nagaland is necessary?

In Nagaland, no woman has ever been elected to the state assembly in over 53 years of Nagaland's existence as a state. It has sent a sole woman representative—late Rano M. Shaiza in 1977—to Parliament. The village development boards in the state, on the other hand, do have 25% seats reserved for women. But most of the tribal bodies which act as the custodians of tribal culture and traditions are dominated by men. As a result, the property and inheritance rights are highly skewed against women. This is also a system developed over the years to keep property from being taken outside the community in the eventuality of a woman deciding to marry outside the tribe.

What the opponents say?

Opponents contend that article 371(A) gives precedence to Nagaland's customary traditions and laws over the laws passed by Parliament. Moreover, the male-dominated tribal bodies assert that Naga society offers equal opportunity to their females obviating the need for any kind of affirmative action.

Article 371 (A):

The Article 371(A) that Nagas wear as a badge of pride, states: "Notwithstanding anything in this constitution, no Act of parliament in respect of religious or social practices of the Nagas, Naga customary law and procedure, administration of civil and criminal justice involving decisions according to Naga customary law, ownership and transfer of land and resources, shall apply to the state of Nagaland unless the legislative assembly of Nagaland by a resolution so decides." Article 243T prescribes that 1/3rd of the total seats meant for direct election should be reserved for women.

What should the government do now?

Rather than bowing to this pressure, the State government should enforce the rule of law. It should make suitable arrangements for elections despite the opposition by the tribal bodies. This reflects public support for affirmative action as mandated by the 74th Amendment to the Constitution.

Way ahead:

One of the success stories of affirmative action in India has been the implementation of reservation of seats in local body elections for women, to the order of 33% or more. The importance of democratising the public sphere by inclusive participation of women in a largely male-dominated society cannot be stressed enough.

- Article 371A of the Constitution secures a special status for Nagaland. But as the civil society groups striving for reservation have argued, urban local bodies are not part of traditional Naga society, and ULBs are constitutional bodies to which customary Naga laws cannot be applied.
- Now, women groups under the banner of Nagaland Mothers' Association (NMA) and Joint Action Committee for Women's Reservation (JACWR) have approached the Supreme Court.
- The ball is in the Centre's court, seeing that the Nagaland government and Naga tribal bodies are seeking no less than an amendment to certain parts of Part IX-A of the Constitution.

Conclusion:

A critical question arises: is it time for the government or the courts to come up with a clearer interpretation of Article 371 itself in the context of demands for greater autonomy or federal restructuring in Nagaland? After all, the situation in Nagaland clearly proves that the state is not in a position to implement even an order of the highest court due to pressure from certain groups. In fact, the Supreme Court had come up with an "interim relief order" on April 5 last year allowing 33% reservation of seats for women based on the special leave petition, pending a final judgment. It is quite possible that only a handful of people are behind the unrest or the opposition to the quota for women, but if that is so, why has Naga civil society or the state government not been successful in going ahead with the polls after convincing different stakeholders. These are questions that require answers. Until then, it is a new front the government has to tackle in

Nagaland in the days ahead. One cannot also rule out the possibility that this situation will impact the ongoing peace talks with the Isak-Muivah faction of the National Socialist Council of Nagaland (NSCN-IM).

14/02 - Be the solution

Summary:

The centre has asked all high court chief justices to “review” cases of undertrials who have been incarcerated for long and to “take suo motu action for their release”. This is a move in the right direction.

Undertrials in India:

According to the ‘Prison Statistics India 2015’ report, released by the National Crime Records Bureau (NCRB), Sixty-seven per cent of the people in Indian jails are undertrials — people not convicted of any crime and currently on trial in a court of law.

- Among the larger States, at 82.4%, Bihar had the highest proportion of undertrials, followed by Jammu & Kashmir (81.5%), Odisha (78.8%), Jharkhand (77.1%) and Delhi (76.7%).
- The occupancy rate at the all India level at the end of 2015 was 114.4%. At 276.7%, Dadra & Nagar Haveli is reported to have most overcrowded prisons, followed by Chhattisgarh (233.9%), Delhi (226.9%), Meghalaya (177.9%) and Uttar Pradesh (168.8%).

Reasons for the delay in justice:

- Overburdened judiciary is a major reason for the delay in justice.
- Police and prison officials often fail to fulfill their roles, leading to long delays in trials.
- Most of the undertrials come from disadvantaged social groups — several surveys have shown that 50-55% of the undertrials are from minority communities and Dalits.
- Lack of resources constricts their ability to seek out lawyers and hostile police and prison authorities are rarely of help — despite a 1980 Supreme Court ruling that Article 21 of the Constitution entitles prisoners to a fair and speedy trial as part of their fundamental right to life and liberty.
- The understaffed judiciary compounds the problem. Section 167 of the Code of Criminal Procedures mandates that judges can extend a detainee’s custody for a period of 15 days at a time. For that to happen, the detainees have to be produced regularly before the courts. This rarely happens; proceedings don’t take place in time and the undertrials are shuttled from court to court.
- Corruption is also an endemic problem; in 2013, Transparency International found that 62% people reported paying bribes during their interactions with the police. Misaligned incentives to arrest persons (for example, to demonstrate the progress of investigations) have resulted in 60% of all arrests being “unnecessary or unjustified”.
- Prison officials are one of the most important, and often the most neglected, part of the criminal justice system. They regularly review the legal status of undertrials to determine whether they have spent enough time in custody to warrant release under Section 436A. Unfortunately, on average, only 66.3% of the sanctioned posts are filled, with Bihar having only 21.1% of the sanctioned prison official strength.

Other concerns:

- Overcrowding is one of the biggest problems faced by prison inmates. It results in poor hygiene and lack of sleep among other problems.
- More than 65% of the undertrials spend three months to five years in jail before getting bail.
- A fourth of all the under trials have been under detention for more than a year.
- Seventy per cent of the convicts are illiterate or have studied only below class tenth.

Laws in this regard:

The Code of Criminal Procedure was amended in 2005, introducing Section 436A, to reduce overcrowding of prisons. Under this section, an undertrial prisoner shall be released on own personal bond if he or she has undergone detention for a period extending to one half of the maximum period of imprisonment specified for that offence.

What needs to be done?

- Keeping in view the human rights of the prisoners, it is essential that they are given reasonable space and facilities in jails.
- An undertrial review committee, comprising the District Judge, District Magistrate and Superintendent of Police, should be set up in each district. The onus of constituting such a panel for every district should be put on the National Legal Services Authority, acting in coordination with the State Legal Services Authority.
- The legal services authorities in various States must play a principal role in inculcating awareness among prisoners about their rights, especially provisions that entitle them to freedom.
- The real solution, however, does not lie merely in the early release of prisoners on bail, but in expediting the trial process.

Way ahead:

The primary constitutional and moral concern with undertrial detention is that it violates the normative principle that there should be no punishment before a finding of guilt by due process. So, undertrial detention of those suspected, investigated or accused of an offence effectively detains the “innocent.” However, all criminal justice systems across the world authorise limited pretrial incarceration to facilitate investigation and ensure the presence of accused persons during trial. So, the critical challenge in this area is to identify the normatively optimal and necessary level of pretrial incarceration and then design a criminal justice system to achieve this.

Reforms should be oriented towards bringing criminal justice functionaries together and starting a conversation. Instead of merely announcing new initiatives, emphasis should be on ensuring the implementation of existing provisions, such as regularising the functioning of the Undertrial and Periodic Review Committees.

Conclusion:

All the stakeholders — the government and judiciary — should take collective responsibility” to ensure that that the “institutional mechanism” works “seamlessly to ensure access to justice for the undertrials”. The work should begin in right earnest. The sooner this is addressed, the better it is for the administration of criminal justice.

15/02 - Can Conditional Transfers Eradicate Child Marriage?

Summary:

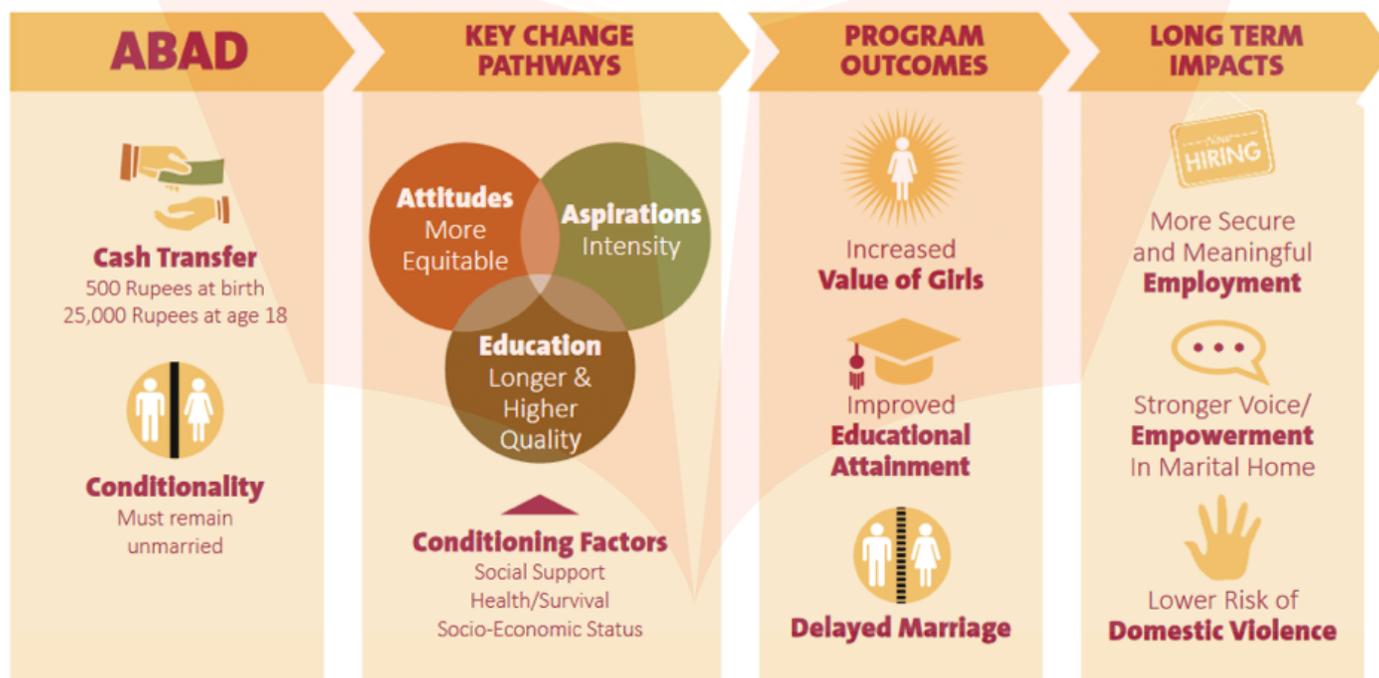
In recent years child marriage has gained increasing prominence on international and national development agendas. The highest rates of child marriage are typically found in low or lower middle-income countries where millions live below the poverty line. UNICEF’s State of the World’s Children 2016 report noted that “Girls from the poorest households—and those living in rural areas—face twice the risk of being married before turning 18 as girls from the richest households or those living in urban areas.”

A recent review of existing evidence suggests that cash-based interventions are effective for ending child marriage, as are multipronged programmes that do not include incentives related to marriage-timing.

Case study:

About 22 years ago, Haryana launched Apni Beti Apna Dhan (“Our daughters, our wealth”), an ambitious cash-transfer (CCT) programme to change how girls were seen by their families and communities – as a burden to be married off, not an asset.

For every daughter that was born, a family that enrolled in the programme would receive approximately \$400, on the condition that they remained unmarried until the age of 18. The impact, they hoped, would be three-fold: increased value of girls, improved educational attainment, and delayed marriage.



Did the programme help prevent child marriage?

In a nutshell, not really. Although the programme gave families an incentive to keep their daughters in school until the 8th grade, it was found that it had no effect on girls getting married before 18.

- Only a small proportion of girls (14%) were married when the programme was evaluated. Most telling, there was no significant difference between girls who took part in Apni Beti Apna Dhan and those who didn’t. The programme

accompanied a shift that was already happening in the state of Haryana – girls staying in school longer and delaying marriage – but did not cause the change.

- On the contrary, the programme may have encouraged families to marry off their daughters once they turned 18. Girls whose families benefited from the conditional cash transfers were 59% more likely to be married once they turned 18 than girls who hadn't participated. In fact, many families waited to cash in the money at the end of the programme as they saw it a way to cover their daughter's marriage and dowry expenses.

Challenging social norms:

Apni Beti Apna Dhan's failure to influence when a girl gets marriage points to a bigger problem: changing social norms and attitudes towards girls. Child marriage in Haryana is deeply rooted in gender roles and expectations around girls' role, which the conditional cash transfers did not challenge.

- Girls who took part in the programme grew up with the understanding that they had to get married by a certain age. They understood that their aspirations remained limited by the decisions made for them by their parents and their husband.
- This tells us that financial incentives alone cannot erase centuries of discrimination towards girls. Social change is complex and requires long-term, multi-sectoral approaches. To transform social norms, programmes must go hand in hand with other interventions to change parents' attitudes, improve education, incentivise higher level of education, and increase opportunities for girls to learn, work and earn.

Other concerns associated with conditional transfers:

By their very nature, conditional transfer programmes (with transfers in cash or kind) have to be tied to specific, observable and verifiable outcomes. In the case of educational programmes, these outcomes typically include school attendance, or performance in school, above a minimum threshold. The logic of these programmes is that they reduce parents' opportunity cost of sending their children to school. As long as the programme succeeds in making children turn up at school, the potential benefits are closely linked to school quality: teacher quality and time, classroom size, availability of textbooks, etc.

In the case of conditional transfers tied to marriage postponement, their effectiveness depends much more on decisions made within the household, specifically, on how parents of adolescent girls respond to these incentives. The transfers depend on one verifiable outcome—at what age do their daughters marry?—while parents (or the household as a whole) are free to adjust the other parameters associated with that decision as they see fit. There is no guarantee that a household meeting the conditions set by the programme would result in improved agency of adolescent girls in their own marriage decisions—whether, when, and whom to marry—or increased investment in their education or earning skills, or a shift in beliefs and attitudes within the wider community, which could have a lasting impact on these outcomes.

What else can be done to prevent child marriage?

- Increasing access to accessible, high quality and safe schooling is a critical strategy in ending child marriage and ensuring married girls have the opportunity to complete their education. Education builds knowledge, opens new opportunities and can help to shift norms around the value of girls in the community. The very act of girls attending school can reinforce to the community that girls of school-going age are still children.

- Supporting young people to be agents of change can be an effective and empowering process in and of itself. Many organisations work with young people so they can advocate for change as well as helping to inform the design of programmes that directly benefit their peers.
- Many families and communities see child marriage as a deeply rooted practice which has been part of their culture for generations. For change to happen, the values and norms which support the practice of child marriage need to shift. Working with families and the wider community to raise awareness of the harmful consequences of child marriage can change attitudes and reduce the acceptance among those who make the decision to marry girls as children.
- Community level change underpins all of efforts in preventing child marriage and mitigating the harmful effects for married girls. Without change at this level, the day-to-day reality for girls all over the world will remain the same.
- A strong legal and policy system can provide an important backdrop for improvements in services, changes in social norms and girls' empowerment.

Way ahead:

There is a broad consensus among practitioners that child marriage is an outcome of broad social norms and societal pressures. Financial poverty certainly adds to the pressures, leaving parents with the choice of trading-off the long-term welfare of their daughters for short-term relief from the burden of poverty. However, it is unclear whether removing economic pressures, per se, is sufficient to achieve the Sustainable Development Goals (SDG) of ending child marriage, along with early and forced marriage, by 2030. This is evidenced by the paradoxical experience of countries like India and Bangladesh where the prevalence of child marriage remains high despite decades of rapid macroeconomic growth and substantial decline in poverty.

Conclusion:

Given this uncertainty, policymakers should support a multidimensional, longer term and holistic view of the impact, which takes into account dimensions such as realised rights, health and access to education, rather than cost-benefit based approaches that rely on single-focus indicators that may or may not have a lasting impact on individual well-being. The former will have added pay-offs in terms of improving the well-being of women within marriage, including freedom from marital violence, irrespective of how the interventions affect the age at first marriage.

Today, we have a unique opportunity to act on this momentum and accelerate our efforts to help change the lives of girls and young women all over the world. Ending child marriage requires work across all sectors and at all levels. It requires us to understand the complex drivers behind the practice in different contexts and adapt our interventions accordingly. Under their own constitutions, and as per international human rights law, all countries have committed to securing girls' rights to personal liberty, freedom of expression and freedom of movement. It is essential that the development agenda strengthen, rather than undermine this commitment.

16/02 - Using municipal bonds to bolster city finances

Summary:

It is estimated that Indian cities would collectively need to invest around Rs40 trillion at constant prices in the two decades to 2031. Some 600 million Indians will be living in cities by then. The inability of cities to meet their growing needs will not only throw the economy off the rails but also create social tensions. However, Indian cities do not have the financial capability to build this infrastructure. In this context, the news that Pune is getting ready to launch the biggest Indian municipal bond issue needs to be welcomed—but with caution.

Background:

City revenue is less than 1% of gross domestic product. And the share of own revenue in city budgets has been declining consistently. The net result is that cities do not have adequate financial autonomy—a flaw that can be traced back to the landmark 74th constitutional amendment that empowered local governments. Cities depend heavily on money passed to them from either the national or the state governments.

What are Municipal Bonds?

A municipal bond is a bond issued by a local government, or their agencies. They are very popular among investors in many developed nations, especially in the U.S., where these have attracted investments totalling over \$500 billion and are among preferred avenues for household savings.

Municipal Bonds in India:

With cumulative issuance of less than Rs 2,000 crore since the first issue in 1997, the municipal bonds market in India is virtually non-existent.



- In India, the Bangalore Municipal Corporation was the first municipal corporation to issue a municipal bond of Rs.125 crore with a State guarantee in 1997. However, the access to capital market commenced in January 1998, when the Ahmedabad Municipal Corporation (AMC) issued the first municipal bonds in the country without State government guarantee for financing infrastructure projects in the city. AMC raised Rs.100 crore through its public issue.
- Among others, Hyderabad, Nashik, Visakhapatnam, Chennai and Nagpur municipal authorities have issued such bonds.

Need for such bonds:

- There is massive capital investment need in municipal infrastructure and funds from programmes such as Jawaharlal Nehru National Urban Renewal Mission (JNNURM) can only partly meet the requirement. Therefore, to meet their financing needs, the municipalities have to seek recourse to other means including issuance of municipal bonds. Municipal bonds can quite obviously play a pivotal, singular role in funding this gap.
- Municipal bonds can also simultaneously deepen the long-term infrastructure financing market in India as well as redirect retail investments into liquid securities (by city residents) away from real estate and gold.

- By creating opportunities for citizens (as retail investors) to invest in tangible public causes in their cities, these bonds can also build strong bonds of trust between municipalities and citizens; bonds of trust that can galvanise citizen participation in cities at historic scale and to mutual financial benefit.

What needs to be done to jumpstart the municipal bonds market in India?

- A long-term roadmap to financial self-sufficiency of municipalities needs to be drawn up covering powers over revenues and borrowings, efficiency of revenue administration (both assessments and collections) and systematic measurement, reporting and review of revenue performance. Such a roadmap will require collaborative effort between the Centre and the states.
- There is a crying need to professionalise financial management in municipalities. The scale of funding required for public expenditure in our cities cannot be met with the human resources (both in terms of numbers and skills and competencies) that they currently possess. The revenue and finance departments of municipalities need to be urgently professionalised and made market-oriented. The Institute of Chartered Accountants of India can play a significant role here.
- There needs to be a deliberate creation and positioning of the municipal bond brand to make it popular among citizens, and a slew of enabling measures to make them attractive.
- Enabling measures such as making all municipal bond issuances tax-free, making investments in muni bonds by banks part of their priority sector lending and actively encouraging pension funds and insurance companies to participate in municipal bond issuances need to be put into place by respective regulators. These are presently crucial missing links.
- Municipalities need to produce audited balance sheets each financial year and get themselves credit-rated so that they are able to access the municipal bond market in a credible and sustained manner.
- An agency that is ready to take some of the risk out of municipal bonds—through market making, credit enhancement and underwriting should be created.

Way ahead:

However, bonds are merely a way to collect money today based on revenue to be generated tomorrow. They are not a substitute for city revenue. So cities will still have to deal with hard policy issues such as collecting local taxes, user charges, stamp duties, etc. Bond investors are unlikely to put money into cities unless they are convinced about their fiscal strength. Some policy innovations may be needed till a proper market for bond insurance is in place.

Conclusion:

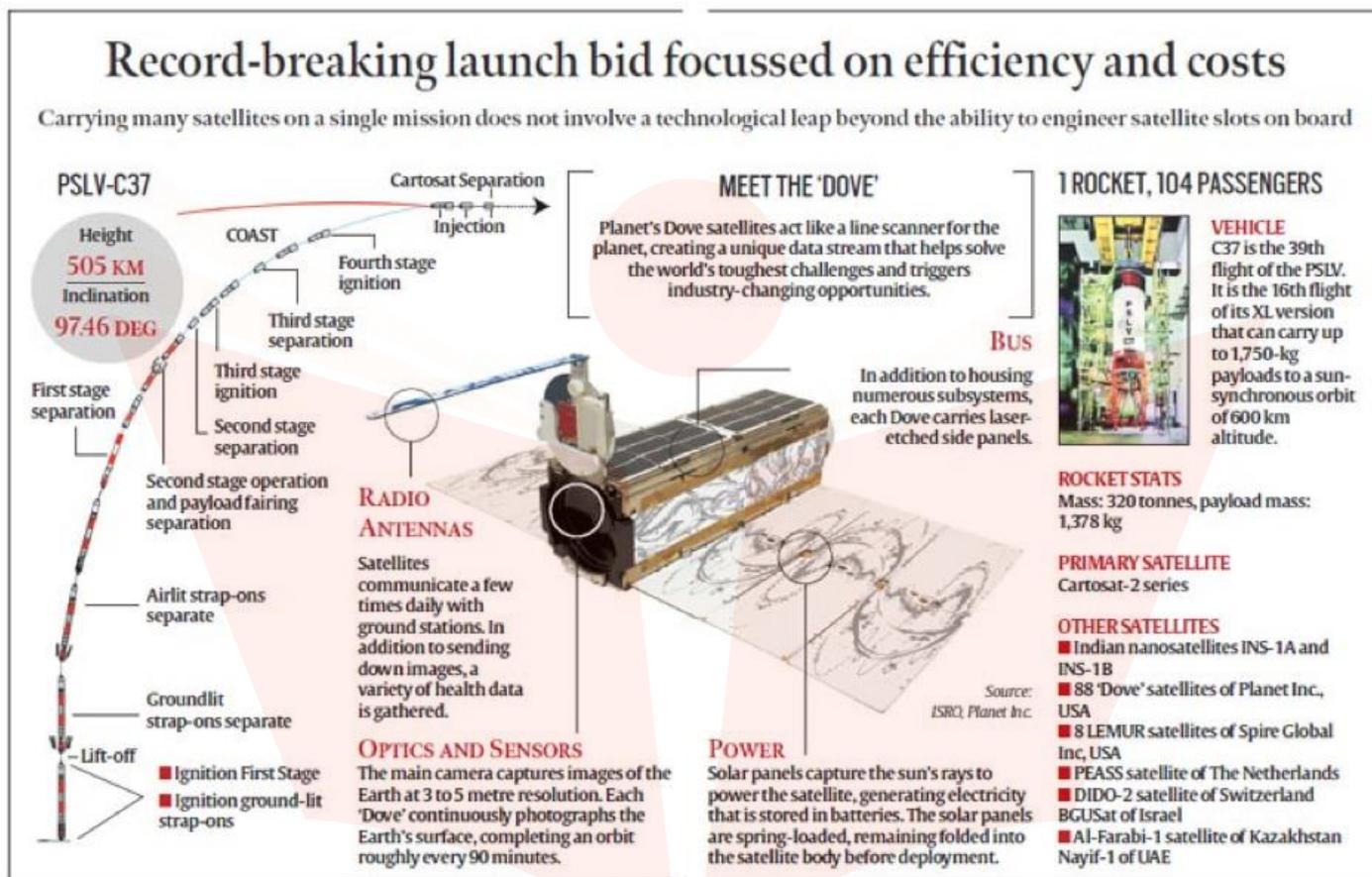
Municipal bonds should thus be seen as only one part of a larger package to strengthen city finances. Cities need to generate more revenue as well as get more untied funds from the money collected through the new goods and services tax. And to pull this all together will require city administrations that are empowered. Having directly elected mayors is an idea whose time has arrived.

19/02 - Working on the ISRO principle

Summary:

The Indian Space Research Organisation (ISRO), by launching 104 satellites from a single rocket, has now set the global standard in a field in which only a few nations even dare to dabble.

- Its launch of 104 satellites from a single rocket was a world record most satellites launched at the same time from a single rocket. The country that comes second to us in this aspect is Russia, who is far behind with a maximum of 37 satellite launches from a single rocket.



Key facts:

- With the launch, India moves past Russia in terms of the sheer number of satellites launched by a single rocket. Russia now stands far second with 37 satellites in one single go, which it had achieved in 2014 using a modified inter-continental ballistic missile.
- This was India's first space mission of 2017 and the most complicated one yet, considering the sheer number of satellites it carried.
- Of the 104 satellites that go into space, the PSLV-C37 rocket also carries a Cartosat-2 satellite which will be used to produce high-resolution images of the India. This will help in security and warn us against natural disasters.
- An earth observation Cartosat-2 series satellite and two other nano satellites were the only Indian satellites launched: the remaining were from the United States, Israel, the UAE, the Netherlands, Kazakhstan and

Switzerland. Of the 101 foreign satellites launched, 96 were from the U.S. and one each from the other five countries.

- Till now Russia held the record of launching 37 satellites in a single mission, in 2014, while the National Aeronautics and Space Administration of the U.S. launched 29 satellites in one go in 2013. Last June, ISRO had come close to NASA's record by launching 20 satellites in one mission.

About the launch vehicle:

The XL version of the that was used for the satellite launch is known to have a 100% success rate. It had earlier been used in India's Mars Orbiter Mission (MOM) after it had debuted in 2008 in India's first attempt to reach moon, Chandrayan-I.

This is also not the first time that the PSLV has carried multiple satellites — it has achieved this feat 18 times. Before today, PSLV's personal payload record was in June 2016 when it carried 20 satellites to space at once. The first time it carried a multiple satellite payload was in 1999, when a satellite each of South Korea and Germany along with an Indian satellite.

Comparison of ISRO with other space organisations:

ISRO has consistently been in the headlines over the last few years for its rapid developments in space technology, including the cheapest Mars mission ever designed and its indigenously built cryogenic engine that will be the first step towards putting heavier loads including humans and large satellites into space.

But how does ISRO stack up against other space organisations, both government and private?

There are two ways to assess this: technological developments and commercial growth.

- The Cold War era of intense rivalry between the US and the Union of Soviet Socialist Republics led to a "space race" after the USSR launched Sputnik I, the world's first satellite, in 1957. The two countries pushed each other to the limits to send ever-larger satellites and finally humans into space and to the moon.
- The European Union, Japan, Canada, Russia and the US jointly operate the International Space Station, a habitable artificial satellite. These countries also have the world's premier space organisations that conduct both research and launches. While the US and Russia have scaled back on human spaceflight, China is still pursuing this technology. It sent its first astronaut into space in 2008. Neither the European Space Agency nor the Japan Aerospace Exploration Agency have independently sent humans into space.
- Along with these five, India's is only the sixth space agency in the world to have complete launch facilities, to operate cryogenic engines and to send probes to extraterrestrial bodies.
- However, India still has a long way to go. Although it successfully sent an orbiter to Mars in 2013, and was the first country to achieve this on its first attempt, India is only just beginning to harness the potential of its cryogenic engine to launch Geosynchronous Satellite Launch Vehicles into space. These vehicles travel into higher orbit than PSLVs and can carry satellites weighing more than 2,000 kilogrammes.

But what is it about ISRO that makes it stand for excellence when a plethora of government agencies suffer from severe challenges in terms of capacity and execution?

Autonomy: ISRO is fortunate that it reports to the Prime Minister and his office rather than a line ministry. This has been critical to its success. ISRO, therefore, has a real autonomy that most other government agencies do not.

Geographical location: The geographical location of the organisation also matters in terms of creating an appropriate ecosystem to nurture excellence. Being located in Delhi will leave government agencies particularly vulnerable to the diktats of the parent ministry and the slow-moving, cautious culture of an omnipresent bureaucracy. ISRO, headquartered in Bengaluru, is distant from Delhi and immune from the capital's drawbacks. More importantly, it is located in the appropriate geography in what is India's science and technology hub. It has the right ecosystem to attract talent and build its knowledge capabilities more than most government agencies do.

Human capital: Human capital is critical to the success of an organisation. Unlike many government agencies which are staffed by generalists, ISRO is staffed by specialists right from its technocratic top management. ISRO is also more agnostic than most government agencies about cooperating with and working with the best in the private sector. The building blocks of many of ISRO's successes come from outside the government system.

Way ahead:

Learning the right lessons from ISRO's example is crucial for India. The conventional view is that the government is poor in project execution and if one looks at the state of infrastructure or of the quality of public services that is not an unreasonable conclusion to reach. What ISRO shows is that it is possible, indeed feasible, for the government to build high-performing organisations/agencies.

Cutting-edge research and development in spheres where there may not be ready profits is one area the government should focus on building ISRO-like institutions. Defence could be one such. A completely reformed Defence Research and Development Organisation based out of Pune or Bengaluru (not Delhi) which reports to the PMO and which actively collaborates with the private sector would be worth considering. Or a central vaccine agency, based in Ahmedabad or Pune, which focusses on solutions to under-researched diseases.

Conclusion:

The creation of high performing government bodies requires starting from scratch and focussing on a few basics: real autonomy from ministries, right geographical location/appropriate ecosystem, a team of specialists, partnership with the private sector and operating only in spheres where there is no alternative to government. The creation of a handful of such agencies could have a transformative effect.

20/02 - India's Participation in CPEC: The Ifs and Buts

Summary:

Despite India's reservations on the China Pakistan Economic Corridor project, china and Pakistan are going ahead with the project. India's reservations on the project have so far gone unheeded. Intermeshed as the CPEC is with the principle of territorial sovereignty, the project is emerging as a key focal point of India's strategic priorities. Lately, Pakistan-occupied Kashmir (PoK) has begun to figure prominently in India's policy repositioning. Also, India's stance on CPEC has graduated from one of calculated silence to that of diplomatic resistance.

What is this project all about?

The 3,000-km corridor linking China's far-western region to Pakistan's south-western Gwadar port on the Arabian Sea through Pakistan-occupied Kashmir (PoK) is massive project of road, rail, energy schemes, pipelines and investment parks.

- The corridor is also expected to serve as a terminal for China to pump oil procurement from Persian Gulf. It is also being seen as a project to strengthen China’s connectivity with neighbouring countries and an initiative set to aid strategic framework for pragmatic cooperation between the nations.
- The corridor would transform Pakistan into a regional hub and give China a shorter and cheaper route for trade with much of Asia, West Asia and Africa.
- The corridor — expected to be ready in three years and provide about 10,400 MWs of electricity — gives China direct access to the Indian Ocean and beyond.
- The corridor will pass through Pakistan’s poor Baluchistan province, where a long-running separatist insurgency that the army has vowed to crush will raise questions about the feasibility of the plan.

Why India should support CPEC?

Advocates propose that India should explore the possibility of CPEC being expanded with one of its branches including the Indian states of Punjab and Jammu & Kashmir. There is also a reflection of this view in Pakistan, where prominent commentators have observed that the “trade utopia” via CPEC would remain unfulfilled if India were not integrated in the project.

It is also said that if the corridor opens up a major new global trade route, not just Pakistan and China, but also India which is quite strategically located on the corridor, may see positive spillover effects from burgeoning trade with West Asia or Africa.

Concerns:

- Many experts are not in favour of India supporting CPEC. This is so because any Indian participation would inextricably be linked to the country’s legitimate claims on PoK.
- CPEC rests on a Chinese plan to secure and shorten its supply lines through Gwadar with an enhanced presence in the Indian Ocean.

Hence, it is widely believed that upon CPEC’s fruition, an extensive Chinese presence will undermine India’s influence in the Indian Ocean.

- It is also being contended that if CPEC were to successfully transform the Pakistan economy that could be a “red rag” for India which will remain at the receiving end of a wealthier and stronger Pakistan.



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- Besides, India shares a great deal of trust deficit with China and Pakistan and has a history of conflict with both. As a result, even though suggestions to re-approach the project pragmatically have been made, no advocate has overruled the principle strands of contention that continue to mar India's equations with China and Pakistan.

India: obstructionist, outlier?

China's proclamations about developing a string of connectivity and infrastructure projects in India's vicinity has stirred political and popular perceptions in countries in the proximate neighbourhood. China's increasing footprints in the South Asian region is often portrayed as India losing its strategic hold.

- India's caution on the BCIM corridor, inordinate delay in moving ahead with the Chabahar Port and reservations on CPEC are being increasingly cited by detractors to present the country as an unaccommodating, reluctant, regional player. Such misrepresentations have cost India dearly. Despite being the largest economy in the South Asian region, the country has suffered a considerable dent in its image due to a perceptible rise in hostile perceptions amongst nations in its contiguity.
- Therefore, India must closely watch the geopolitical shifts in and around the subcontinent where China has begun to feature in national calculations. India's ambitions on expanding multilateral engagement is unequivocally contingent upon the China factor. Whether it is RCEP (Regional Comprehensive Economic Partnership) or connecting the CPEC to the International North South Transport Corridor in the longer term, India cannot afford to appear as sitting in "isolation."
- India needs to generate viable options to secure its interests while not compromising upon genuine strategic/territorial concerns. It must show resolve in terms of fulfilling the regional commitments that it makes. It must further strengthen existing leverages derived from a diverse geography, demographic size and growth indicators to project itself as an indispensable player in regional development.

Way ahead:

Notwithstanding the Government of India's reservations, the scale of public interest in CPEC is soaring. The still-evolving debate on CPEC within India is broadly split between exponents and resisters. While a constituency propagates that India must embrace the Chinese connectivity drive, the other holds the idea of India's participation as completely unacceptable because of territorial and strategic interests. Even as policy makers appear to be struggling to evolve a robust position centred on territorial sovereignty, there is a surge in opinion urging the government to be moderate and "magnanimous" in adopting "a more flexible approach" while considering its options.

India must not lose an opportunity to communicate its concerns to the international community. It also needs to muster efforts to ensure that its territorial position is not diluted further in order to avoid past situations such as Tibet and Aksai Chin. That CPEC assets in PoK are not used militarily against India during war is a further source of concern for the security establishment and whether India should seek China's assurance on the same forms an element of thinking in this category.

Conclusion:

Only by respecting the sovereignty of countries involved, can regional connectivity corridors fulfil their promise and avoid differences and discord. China is a country which is very sensitive on matters concerning its sovereignty. So it is expected that they would have some understanding of other people's sensitivity about their sovereignty. Meanwhile, India must uphold its specific reservations on the project and draft a strategy to revert suitably in case CPEC is offered

formally through official channels. Till things crystallise further, India must wait, watch, weigh and exercise options at hand, and allow the confusion to prevail some more as the ambitious project, shrouded in layers of uncertainty, rolls out.

21/02 - Designing the bad bank of India

Summary:

The name 'bad bank' itself suggests that it deals with something bad in the financial sector. The idea of starting a bad bank by the government was recently proposed in the Economic Survey presented in January under the name 'Centralized Public Sector Asset Rehabilitation Agency' (PARA) that could take charge of the largest, most difficult cases, of non-performing assets (NPAs) in the banking system. The need for a government-owned bad bank has been felt for some time as the commercial banks are finding it difficult to deal with NPAs or bad loans.

Why be concerned about bad loans?

Indian banks' pile of bad loans is a huge drag on the economy. It's a drain on banks' profits. Because profits are eroded, public sector banks (PSBs), where the bulk of the bad loans reside, cannot raise enough capital to fund credit growth. Lack of credit growth, in turn, comes in the way of the economy's return to an 8% growth trajectory. Therefore, the bad loan problem requires effective resolution.

Background:

The concept was pioneered at the Pittsburgh-headquartered Mellon Bank in 1988 in response to problems in the bank's commercial real-estate portfolio. According to McKinsey & Co, the concept of a "bad bank" was applied in previous banking crises in Sweden, France, and Germany.

How does a bad bank work?

While the government has not charted out any guidelines on the structure of a bad bank, such an institution would be largely based on the principles of an asset restructuring company (ARC), which buys bad loans from the commercial banks at a discount and tries to recover the money from the defaulter by providing a systematic solution over a period of time. Since a bad bank specialises in loan recovery, it is expected to perform better than commercial banks, whose expertise lies in lending.

A report by McKinsey & Co., "Understanding The Bad Bank", proposes four organizational models for a bad bank based on two decision factors:

- First is to decide whether or not to keep the bad assets on the bank's balance sheet. Moving assets off the balance sheet is better for investors and counterparties and provides more transparency into the bank's core operations. But it is more complex and expensive.
- Second, is to decide whether the bad-bank assets will be housed and managed in a banking entity or a special purpose vehicle (SPV).

Depending on the choices, the four basic bad-bank models are: on-balance-sheet guarantee, internal restructuring unit, special-purpose entity and bad-bank spin-off.

On-balance-sheet guarantee: In the on-balance-sheet guarantee structure, the bank gets a loss-guarantee from the government for a part of its portfolio. The model is simple, less expensive and can be implemented quickly. However, the transfer of risk is limited and bad assets continue to remain on the bank's balance sheet, clouding its core performance. This approach is useful for stabilizing a bank in trouble.

Internal restructuring unit: An internal restructuring unit is like setting up an internal bad bank. The bank places bad assets in a separate internal unit, assigns a separate management team and gives them clear incentives. This works well as a signalling mechanism to the market and increases the bank's transparency, if the results are reported separately. It is clear that this model relies on the existing management team to restructure assets. However, if the existing management is looking to kick the can down the road, as is the case for many banks in India, this is not an effective solution.

Special-purpose entity: In a special-purpose entity structure, bad assets are offloaded into a SPV, securitized and sold to a diverse set of investors. The model works best for a small, homogeneous set of assets. The bad loan problem in India is concentrated in a few sectors like infrastructure and basic metals. An effective solution would be to transfer bad loans from these distressed sectors into sector-specific SPVs, securitize them and sell them in an auction. If the pricing is determined by the market, PSU bankers will receive less blame for losses to the exchequer.

Bad-bank spin-off: A bad-bank spin-off is the most familiar, thorough and effective bad-bank model. In a spin-off, the bank shifts bad assets into a separate banking entity, which ensures maximum risk transfer. But the model is complex and expensive because it requires setting up a separate organization, equipped with a skilled management team, IT systems and a regulatory compliance set-up. Also, the problem related to asset valuation and pricing will be the most severe in this model. The Public Sector Asset Rehabilitation Agency (PARA) proposed by the Economic Survey 2016-17 falls in this category. However, given the complexity and cost of the model, it is recommended to be used as a last resort, after all other initiatives fail.

Why a bad bank is likely to succeed?

- A single government entity will be more competent to take decisions rather than 28 individual PSBs.
- Capacity building for a complex workout can be better handled by the government which has regulatory control and has management skillsets in public sector enterprises.
- Foreign investors with both risk capital and risk appetite would be more in a government-led initiative, knowing that regulatory risks would stand considerably mitigated in various stages of resolution, including take outs.

Things to consider while creating a bad bank:

- The first is that it should be based on a criterion as any such exercise creates a moral hazard which should be eschewed.
- Second, there have to be strict performance criteria for the banks selling such assets. This can be through a multi-stage approach where these assets are bought piecemeal by the bad bank based on how future incremental assets perform.

NOT ALL BAD

The first bank to use a bad bank strategy was Mellon Bank in the US, which was created in 1988 to hold \$1.4 bn of bad loans. It was dissolved in 1995 after repaying bondholders

Some such banks:

UK: UK Asset Resolution

Nigeria: AMCON

SPAIN: SAREB

IRELAND: National Asset Management Agency (NAMA)

SWEDEN: Retrieva & Securum

Finland: OHY Arsenal

- Third, the criteria for buying assets should be transparent and a pecking order must be drawn up where probably the restructured assets get priority.
- Last, a competitive approach should prevail among the banks so that they work hard to qualify for the sale of bad assets to the bad bank. This, in fact, will ensure better governance standards too.

Is there a way in which the positives can be realised without creating a bad bank that itself requires too much capital and is too big to manage?

One answer may be to set up a bad bank to deal with NPAs at some of the weaker PSBs, instead of one that picks up NPAs from all PSBs. It would prove less controversial if the government had a majority stake in it. Let us see how the experiment goes.

This must be complemented with other steps. The government must infuse more capital into the better-performing PSBs. It must also create, through an act of Parliament, an apex Loan Resolution Authority for tackling bad loans at PSBs. The authority would vet restructuring of the bigger loans at PSBs. This would mitigate the paralysis that has set in at the PSBs because of the fear factor and get funds flowing into stalled projects.

Conclusion:

Resolution of bad loans and restoring the health of PSBs is among the biggest challenges the economy faces today. It's a challenge that requires a response on multiple fronts. A bad bank cannot be the sole response. Setting up a bad bank is a very complex process. It is not a silver bullet which will solve all the problems in the Indian banking sector. More importantly, a one-size-fits-all approach to designing a bad bank can be very expensive and less effective. Just setting up one PARA will not be enough to get the banking sector back on track. The most efficient approach would be to design solutions tailor-made for different parts of India's bad loan problem.

22/02 - An Analysis of the Internal Security Budget 2017-18

Summary:

Allocations in the Budget to the Ministry of Home Affairs have steadily increased in the past few years. Beginning in 2009-10 following the Mumbai terror attacks of November 2008, allocations have steadily increased over the years.

- In the last three years too, allocations have increased from Rs. 61,401.78 crore in 2014-15 to 65,651.10 crore in 2015-16, and to 73,406.37 crore in 2016-17. For the upcoming financial year 2017-18 as well, this upward trend has persisted with allocations reaching Rs. 83,823 crore, a hike of around 11.5% over that of the previous year.

Allocations under different heads:

Management of internal security in LWE states': Given that the Central Reserve Police Force (CRPF) is the primary force deployed in the LWE-affected states, the Government of India had, in 2009, sanctioned funds for raising 39 additional battalions of the CRPF. As a result, the CRPF has been receiving the highest allocations in successive budgets since then. In the previous fiscal year, the force received Rs. 16,228.18 crore, which has been increased by another 1635.35 crore to Rs. 17,868.53 crore for 2017-18. Of the sanctioned 39 battalions, 26 have been raised till 2016 and the remainder is to be raised by 2018-19.

SRE schemes: The Union government also assists the LWE affected state governments by providing funds for capacity building through various security related expenditure (SRE) schemes. Under these schemes, the Union government reimburses the expenditure incurred by LWE-affected states in training and operational requirements of the security forces, insurance of police personnel, ex gratia payments to the families of civilian or security forces personnel killed in LWE violence, compensation to surrendered left wing extremist cadres under the surrender and rehabilitation policy of the respective states, etc. In the last two financial years, i.e. 2015-16 and 2016-17 (until 15 November 2016), funds released to LWE states under these schemes were Rs. 258.65 crore and 111.49 crore, respectively. For the upcoming fiscal year, the budgetary allocation under SRE has been pegged at Rs. 1,222 crore, an increase of Rs. 380 crore from the previous year.

Border management: The need to effectively secure the country's international borders against infiltration, trafficking and irregular crossings has become even more pressing following a series of successful infiltration attempts by Pakistani terrorists through the India-Pakistan international border and subsequent attacks on strategic installations in the past couple of years. Towards this end, the Union government had decided to enhance surveillance and detection by building ditch cum fence barriers, putting up laser walls along riverine stretches, employing sensors, cameras and tunnel detection gadgets, building roads and other infrastructures along the borders. The implementation of the comprehensive integrated border management systems (CIBMS) along the India-Pakistan border on a pilot basis is a step in this direction. Accordingly, Rs. 2,600 crore has been allocated for border infrastructure, of which 2,355 crore is for capital expenditure i.e., spending on fences, electronic surveillance gadgets, etc. This amount is, however, lower than the Rs. 2,490 crore provisioned for 2016-17. One of the reasons for the lower allocation could be the under or non-utilisation of funds due to various reasons.

Border guarding forces: Budgetary allocations for the border guarding forces have been substantially increased to improve their strength and efficiency. Allocations under this sub-head are made for raising additional battalions, training, procurement of weapons and ammunition, administrative requirements, etc. The Border Security Force (BSF), which has responsibility for the India-Pakistan and India-Bangladesh borders, received the highest amount of Rs. 15,569.11 crore, an increase of Rs. 917 crores from the previous year. Furthermore, the Land Port Authority of India (LPAI), entrusted with the mandate to build and manage integrated check posts (ICPs), received Rs. 300 crore for 2017-18, an increase of 241% from the previous year. This highlights the government's commitment towards greater regional integration by ensuring the smooth and efficient cross border movement of people and goods.

Police: Under police modernisation, Rs. 800 crore has been allocated for modernisation of the state police forces. This sum includes grants by the Union government to states to strengthen police infrastructure in terms of training, weaponry, mobility and communication, and the establishment of secure police stations. Further, it also includes the establishment and upkeep of the crime and criminal network tracking system (CCTNS). Building projects, both residential and office, for CAPFs and COPs received Rs. 4008.06 crore, indicating the seriousness of the Union government to improve the living and working conditions of these police organisations.

Intelligence Bureau: The Intelligence Bureau (IB), which in recent years has been augmenting its strength, has also received an allocation of Rs. 1,577 crore, an increase of 11% from the previous year. Most of the expenditure, however, will be revenue outlay indicating an increase in spending on salaries and perks of personnel.

Way ahead:

The enhanced budgetary allocations for the MHA since 2009 reflect the efforts of the successive Union governments to comprehensively overhaul the internal security set up of the country through a series of measures such as capacity building of security and law enforcement organisations through strength augmentation, improved training, modern weaponry and other infrastructure, technical upgradation; enhancing intelligence gathering, analysis and dissemination; infrastructure development in violence affected areas as well as border regions; improving responses to natural disaster and other emergencies; etc. The budgetary allocations for the fiscal year 2017-18 is a continuation of this process.

Conclusion:

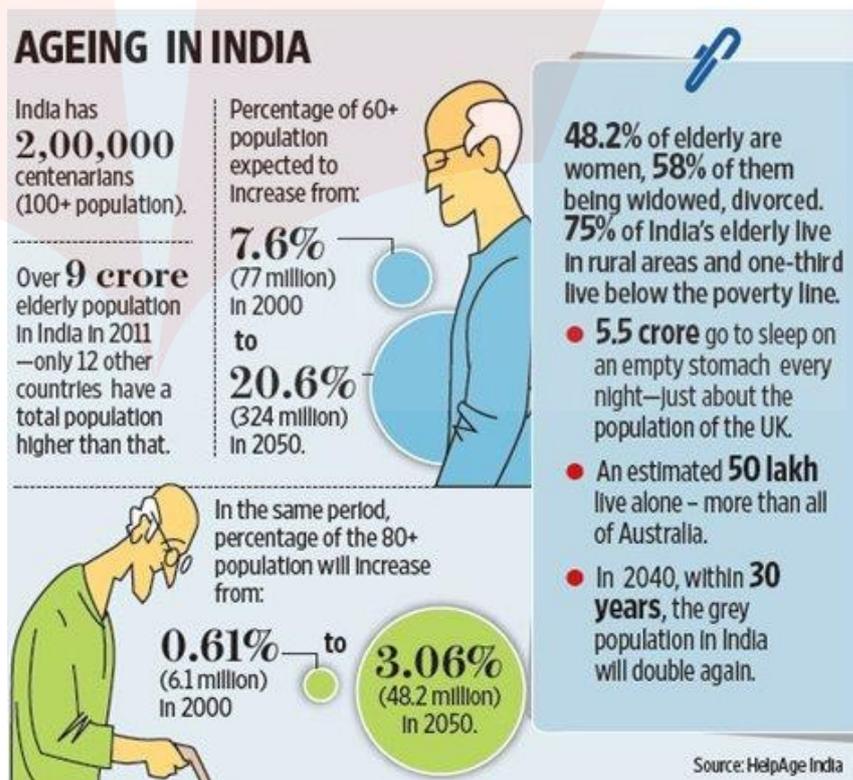
Though the Union government has been making substantial budget allocations to the MHA, the ministry's efforts to bring about the desired reforms have, however, shown mixed results so far. While the revenue outlays have been increasing, the capital outlays have seen troughs and crests in the last four years. This indicates that while the concerned organisations have been successful in increasing manpower, they have been unable to build up the commensurate infrastructure required for capacity building such as training schools and laboratories, and procuring additional vehicles and boats, arms and ammunitions, computers and surveillance equipment, etc. Efforts, therefore, must be made to fully utilise the budgetary outlays provided to the MHA in order to achieve a comprehensive reform of the internal security system of the country.

23/02 -Ageing with dignity
Summary:

Rapid ageing of the population may pose some challenges to India's celebrated demographic dividend in the coming years. It may act as a countervailing force offsetting some of the gains from having a relatively young population.

Why policymakers should worry about this?

- This is a cause of deep concern for policymakers as India already has the world's second largest population of the elderly, defined as those above 60 years of age.
- As this 104-million-strong cohort continues to expand at an accelerating pace, it will generate enormous socio-economic pressures as the demand for healthcare services and tailored accommodation spikes to historically unprecedented levels.
- It is projected that approximately 20% of Indians will be elderly by 2050,



marking a dramatic jump from the current 8%.

- Experts also caution that as the proportional size of the elderly population expands, there is likely to be a shift in the disease patterns from communicable to non-communicable, which itself calls for re-gearing the health-care system toward “preventive, promotive, curative and rehabilitative aspects of health”.

Challenges faced by the elderly:

Elder abuse: They are common across social classes and cities, although there are differences between cities. The elderly are highly vulnerable to abuse, where a person is willfully or inadvertently harmed, usually by someone who is part of the family or otherwise close to the victim. Being relatively weak, elderly are vulnerable to physical abuse. Their resources, including finances ones are also often misused. In addition, the elderly may suffer from emotional and mental abuse for various reasons and in different ways.

Economic dependency: This is identified by many as the major reason for abuse. The problem of economic insecurity is faced by the elderly when they are unable to sustain themselves financially. Many older persons either lack the opportunity and/or the capacity to be as productive as they were. Increasing competition from younger people, individual, family and societal mind sets, chronic malnutrition and slowing physical and mental faculties, limited access to resources and lack of awareness of their rights and entitlements play significant roles in reducing the ability of the elderly to remain financially productive, and thereby, independent.

Failing Health: It has been said that “we start dying the day we are born”. The aging process is synonymous with failing health. While death in young people in countries such as India is mainly due to infectious diseases, older people are mostly vulnerable to non-communicable diseases. Failing health due to advancing age is complicated by non-availability to good quality, age-sensitive, health care for a large proportion of older persons in the country. In addition, poor accessibility and reach, lack of information and knowledge and/or high costs of disease management make reasonable elder care beyond the reach of older persons, especially those who are poor and disadvantaged.

Emotional dependence: In today’s globalized world, people are always on the move in search of jobs. Younger people often move to cities leaving behind their elderly parents. This makes them isolated. Isolation, or a deep sense of loneliness, is a common complaint of many elderly is the feeling of being isolated. While there are a few who impose it on themselves, isolation is most often imposed purposefully or inadvertently by the families and/or communities where the elderly live. Isolation is a terrible feeling that, if not addressed, leads to tragic deterioration of the quality of life.

Neglect: The elderly, especially those who are weak and/or dependent, require physical, mental and emotional care and support. When this is not provided, they suffer from neglect, a problem that occurs when a person is left uncared for and that is often linked with isolation. Changing lifestyles and values, demanding jobs, distractions such as television, a shift to nuclear family structures and redefined priorities have led to increased neglect of the elderly by families and communities. This is worsened as the elderly are less likely to demand attention than those of other age groups.

Fear: Many older persons live in fear. Whether rational or irrational, this is a relevant problem face by the elderly that needs to be carefully and effectively addressed.

Loss of Control: This problem of older persons has many facets. While self-realization and the reality of the situation is acceptable to some, there are others for whom life becomes insecure when they begin to lose control of their resources – physical strength, body systems, finances (income), social or designated status and decision making powers.

What needs to be done?

- To address the issue of failing health, it is of prime importance that good quality health care be made available and accessible to the elderly in an age-sensitive manner. Health services should address preventive measures keeping in mind the diseases that affect – or are likely to affect – the communities in a particular geographical region. In addition, effective care and support is required for those elderly suffering from various diseases through primary, secondary and tertiary health care systems.
- The cost of health has to be addressed so that no person is denied necessary health care for financial reasons. Rehabilitation, community or home based disability support and end-of-life care should also be provided where needed, in a holistic manner, to effectively address the issue to failing health among the elderly.
- Economic security is as relevant for the elderly as it is for those of any other age group. Those who are unable to generate an adequate income should be facilitated to do so. As far as possible, elderly who are capable, should be encouraged, and if necessary, supported to be engaged in some economically productive manner. Others who are incapable of supporting themselves should be provided with partial or full social welfare grants that at least provide for their basic needs. Families and communities may be encouraged to support the elderly living with them through counselling and local self-governance.
- It is important that the elderly feel included in the goings-on around them, both in the family as well as in society. Those involved in elder care, especially NGOs in the field, can play a significant role in facilitating this through counselling of the individual, of families, sensitization of community leaders and group awareness or group counselling sessions. Activities centered on older persons that involve their time and skills help to inculcate a feeling of inclusion. Some of these could also be directly useful for the families and the communities.
- The best way to address neglect of the elderly is to counsel families, sensitise community leaders and address the issue at all levels in different forums, including the print and audio-visual media. Schools and work places offer opportunities where younger generations can be addressed in groups. Government and non-government agencies need to take this issue up seriously at all these levels. In extreme situations, legal action and rehabilitation may be required to reduce or prevent the serious consequences of the problem.
- The best form of protection from abuse is to prevent it. This should be carried out through awareness generation in families and in the communities. In most cases, abuse is carried out as a result of some frustration and the felt need to inflict pain and misery on others. It is also done to emphasize authority. Information and education of groups of people from younger generations is necessary to help prevent abuse. The elderly should also be made aware of their rights in this regard. Where necessary, legal action needs to be taken against those who wilfully abuse elders, combined with counselling of such persons so as to rehabilitate them. Elderly who are abused also require to be counselled, and if necessary rehabilitated to ensure that they are able to recover with minimum negative impact.
- Elderly who suffer from fear need to be reassured. Those for whom the fear is considered to be irrational need to be counseled and, if necessary, may be treated as per their needs. In the case of those with real or rational fear, the cause and its preventive measures needs to be identified followed by appropriate action where and when possible.
- Early intervention, through education and awareness generation, is needed to prevent a negative feeling to inevitable loss of control. It is also important for society – and individuals – to learn to respect people for what they are instead of who they are and how much they are worth. When the feeling is severe, individuals and their families

may be counseled to deal with this. Improving the health of the elderly through various levels of health care can also help to improve control. Finally, motivating the elderly to use their skills and training them to be productive will help gain respect and appreciation.

Way ahead:

So far, efforts to develop a regime of health and social care that is attuned to the shifting needs of the population have been insufficient. While more mature economies have created multiple models for elder care, such as universal or widely accessible health insurance, networks of nursing homes, and palliative care specialisations, it is hard to find such systemic developments in India.

Conclusion:

The elderly should be seen as a blessing, not a burden. The elderly are becoming the fastest growing, but underutilized resource available to humanity. Rather than putting them aside, physically (and mentally), to be cared for separately, they should be integrated into the lives of communities where they can make a substantial contribution to improving social conditions. The benefits of turning the 'problem' of the elderly into a 'solution' for other social problems is being demonstrated in several countries.

27/02 - What exactly is a money bill?

Summary:

The Supreme Court will begin hearing final arguments next month on a writ petition challenging the validity of the Aadhaar (Targeted Delivery of Financial & Other Subsidies, Benefits & Services) Act, 2016 — or the Aadhaar Act.

What's the issue?

The government had moved the Aadhaar Bill in the parliament as a money bill. Through this categorisation, the government had the law enacted by securing a simple majority in the Lok Sabha while rendering redundant any opposition to the legislation in the Upper House of Parliament.

What was the need for legislative backing?

Originally, Aadhaar was conceived as a scheme to provide to every Indian a unique identity number, with a purported view to enabling a fair and equitable distribution of benefits and subsidies. Given that the Aadhaar project was being implemented even without statutory support, public interest petitions were filed in the Supreme Court challenging the project's legitimacy. In these cases, the court issued a series of interim orders prohibiting the state from making Aadhaar mandatory, while permitting its use only for a set of limited governmental schemes.

Then, in March 2016, the Union government withdrew the earlier bill, and introduced, in its place, as a money bill, a new draft legislation, titled the Aadhaar (Targeted Delivery of Financial & Other Subsidies, Benefits & Services) Bill, 2016. This categorisation was extraordinary because a money bill, under India's constitutional design, requires only the Lok Sabha's affirmation for it to turn into law.

What is a Money bill?

A money bill is defined by Article 110 of the Constitution, as a draft law that contains only provisions that deal with all or any of the matters listed therein. These comprise a set of seven features, broadly including items such as the imposition

or regulation of a tax; the regulation of the borrowing of money by the Government of India; the withdrawal of money from the Consolidated Fund of India; and so forth.

In the event a proposed legislation contains other features, ones that are not merely incidental to the items specifically outlined, such a draft law cannot be classified as a money bill. Article 110 further clarifies that in cases where a dispute arises over whether a bill is a money bill or not, the Lok Sabha Speaker's decision on the issue shall be considered final.

Does the Aadhaar bill fit the money bill criteria?

The bill provides for a mechanism to identify a person using biometrics, and states that this could be used for providing subsidies or government services. However, it also allows the Aadhaar system to be used for other purposes. Therefore, it seems to contain matters other than those that are incidental to expenditure from the Consolidated Fund. That is, it does not seem to fit the requirement of "only" the matters listed.

What experts say?

According to experts, contents of Aadhaar act go far beyond the features enumerated in Article 110. If anything, it is the provisions in the legislation that pertain to the Consolidated Fund and its use that are incidental to the Act's core purpose — which, quite evidently, is to ensure, among other things, the creation of a framework for maintaining a central database of biometric information collected from citizens. Ordinarily, a draft legislation is classified as a money bill when it provides for funds to be made available to the executive to carry out specific tasks. In the case of the Aadhaar Act, such provisions are manifestly absent. The Speaker's decision to confirm the government's classification is, therefore, an error that is not merely procedural in nature but one that constitutes, in substance, an unmitigated flouting of Article 110.

Is Speaker's decision to classify a draft legislation as a money bill is immune from judicial review?

The assertion that the Speaker's decision is beyond judicial review finds support in the Supreme Court's judgment in *Mohd. Saeed Siddiqui v. State of UP (2014)*. Here, a three-judge bench had ruled, in the context of State legislatures, that a Speaker's decision to classify a draft statute as a money bill, was not judicially reviewable, even if the classification was incorrect. This is because the error in question, the court ruled, constituted nothing more than a mere procedural irregularity.

- But there are significant problems with this view. Chief among them is the wording of Article 110, which vests no unbridled discretion in the Speaker. The provision requires that a bill conform to the criteria prescribed in it for it to be classified as a money bill. Where a bill intends to legislate on matters beyond the features delineated in Article 110, it must be treated as an ordinary draft statute. Any violation of this mandate has to be seen, therefore, as a substantive constitutional error.
- There are other flaws too in the judgment. Most notably, it brushes aside the verdict of a Constitution Bench in *Raja Ram Pal v. Hon'ble Speaker, Lok Sabha (2007)*, where the court had ruled that clauses that attach finality to a determination of an issue do not altogether oust the court's jurisdiction. That is, the bench held, there are numerous circumstances where the court can review parliamentary pronouncements. These would include instances where a Speaker's choice is grossly illegal, or disregards basic constitutional mandates, or, worse still, where the Speaker's decision is riddled with perversities, or is arrived at through dishonest intentions.

Way ahead:

The government's response is predicated on two prongs: that the Speaker's decision to classify a draft legislation as a money bill is immune from judicial review, and that, in any event, the Aadhaar Bill fulfilled all the constitutional requirements of a money bill. A careful examination of these arguments will, however, show us that the government is wrong on both counts.

Conclusion:

In this case, prima facie it appears that the government has taken the money bill route to bypass the upper house. This move is even backed by the speaker of the Lok Sabha, whose decision is final on the question of whether a bill is a money bill. However, this constitutional provision cannot be seen as a convenient tool to deal with an inconvenient second chamber. The Constitution reposes faith in the speaker's fairness and objectivity. Article 110(1) provides the touchstone of the decision to be taken by the speaker under Article 110(3). Any decision actuated by extraneous considerations can't be a proper decision under Article 110(3). The speaker's decision needs to be in conformity with the constitutional provisions. If not, it is no decision under the Constitution.

28/02 - WHO congratulates India on successful assessment of India's National Regulatory Authority

Summary:

WHO has completed the assessment of the status of the Indian vaccine regulatory system against WHO NRA Global Benchmarking Tool (GBT) for benchmarking and measured the maturity of the system. The successful outcome of the WHO conducted assessment of the National Regulatory Authority (NRA) of India is a big boost to the Government's efforts towards quality healthcare, for which the Government is committed to.

The World Health Organisation (WHO) has given the Indian vaccine regulatory structure the highest possible rating of 4 on a majority of parameters. The rating is higher than the one the organisation gave India in 2012, the last time it assessed the systems and processes of the country's vaccine regulatory mechanism.

What are National Regulatory Authorities?

NRAs are defined by the WHO as "national regulatory agencies responsible for ensuring that products released for public distribution (normally pharmaceuticals and biological products, such as vaccines) are evaluated properly and meet international standards of quality and safety".

In India's case, the NRA, as defined by the WHO, comprises the Central Drugs Standard Control Organisation (CDSCO), which has regulatory control over the import of drugs, approval of new drugs and clinical trials; the State Drug Regulatory Authorities; the Pharmacovigilance Programme of India (PvPI), the country's national drug safety programme; and the Adverse Events Following Immunization (AEFI) structures at the central and state levels.

What did the WHO assess, and how?

A team of experts in multiple disciplines drawn from the WHO's Geneva headquarters, its India Country Office, and national regulators of the US, Italy, Germany, the Netherlands, Indonesia, Thailand and Egypt, assessed the National Regulatory Authorities (NRA) of India.

According to the WHO, while all countries need to have a functional NRA, it is absolutely critical for those that produce vaccines, either for their national populations or for export. These countries need to have 6 clear control functions, and the wherewithal to enforce them. These are:

- Published set of requirements for licensing.
- Surveillance of vaccine field performance.
- System of lot release.
- Use of laboratory when needed.
- Regular inspections for GMP (good manufacturing practices).
- Evaluation of clinical performance.

The Indian NRA was assessed on nine functions. These were:

- Quality of the national regulatory system.
- Registration and marketing authorisation.
- Vigilance
- Laboratory access and testing.
- Regulatory inspection.
- Clinical trial oversight.
- NRA lot release.
- Licensing premises.
- Market surveillance and control.

India's performance:

The assessment has been done in respect of 9 different functionalities and Indian NRA has been declared 'functional' with a maturity level of 4, i.e. the highest level as per currently evolved definitions in respect of 5 functions, and maturity level 3 in respect of 4 functions.

While maturity level 4 indicates good results and sustained improvement trends, maturity level 3 reflects systematic process-based approach, early stage of systematic improvements, data availability regarding conformance to objectives, and existence of improvement trends.

But what does a rating of 4 really mean?

In simple terms, it means that India has been classified as a stringent regulator of vaccines alongside developed countries such as the US, Japan and EU member states.

Need for assessment:

A fully functional NRA is a prerequisite for WHO prequalification of vaccines. One of the requirements to become eligible and retain prequalification status is to have the National Regulatory Authority (NRA) assessed as functional against WHO-published NRA indicators.

- The WHO Prequalification Programme facilitates access to vaccines that meet unified standards of quality, safety and efficacy, as well as programme needs. Vaccine manufacturers can only apply for WHO vaccine prequalification if the NRA meets the standards of the WHO-published NRA indicators, i.e., the WHO Global Benchmarking Tool on the functional regulatory system for vaccines.

- Besides, the exercise updated the Institutional Development Plan of the CDSCO and other involved affiliated institutions to address existing and/or potential gaps, and to build upon the strengths of the existing vaccine regulatory system.

How this assessment helps India?

The total value of vaccines manufactured by Indian companies is estimated to be in the range of \$ 900 million. About 65%-70% is exported — India is a major player in the vaccine supply chain to agencies such as UNICEF, the WHO and the Pan American Health Organisation (PAHO). The share of the private sector in the total volume of vaccines exported is roughly around 40%. The once neglected vaccine market is now considered a source of steady income. This assessment helps India establish itself as a trusted market for vaccines.

Way ahead:

WHO accords high importance to equitable access to quality, safe, efficacious, and affordable medical and health products. In view of India being one of the main global suppliers of drug and biological medicinal products including vaccines, medical devices, and traditional medicines, and as it is supplying several vaccines to UN agencies, the 'successful assessment will go a long way in strengthening global confidence in medical products from India'.

