



INSIGHTSIAS

SIMPLIFYING IAS EXAM PREPARATION

- IAS SELF STUDY GUIDE -

INSIGHTS into EDITORIAL

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INSIGHTS into EDITORIAL

1. The next big step in banking reforms

Introduction:

- The overall performance of the financial system depended on the **functioning of the public sector banks** which accounted for **more than two-thirds** of banking business.
- The **standards of governance** depended on the manner in which the government exercises its powers under the legislative provisions by which several banks were nationalised. The RBI's oversight of public sector banks was **focused on prudential regulation**.
- The **asset quality review**, initiated by the Reserve Bank of India (RBI) in December 2015, prompted banks to take steps to recognise all nonperforming assets and ensure appropriately provisioned balance sheets by March 2017.
- RBI as an independent statutory body requires **more autonomy** and **more insulated** from day to day politics. While Finance ministry takes care of **Fiscal policy** its RBI in charge of **monetary policy**.
- For a stable micro and macroeconomics its very much important that **Fiscal and monetary policy** are in sync with **development goal** of overall economy.
- The Banks reforms committee advocates **greater liberty for all banks** in general. Licensing of branches and automated teller machines by the Reserve bank of India (RBI) should cease and these should become tradable between banks.
- They include **greater autonomy** for public sector banks (PSBs), unshackling them from the fetters of a multitude of "public sector" administrative regulators, allowing proportional representation of various stockholders—public and private—in truly empowered PSB boards.
 - There are 21 PSBs in the country which constitutes 70% of the banking sector. According to **RBI financial stability report** the banking system's gross bad loan ratio was 9.6% in March 2017.
 - The recapitalisation and reform agenda is sharply focused on **strengthening PSBs, increasing lending to MSMEs and making it easier for MSMEs and retail customers to transact** as well as significantly increasing access to banking services. Asking public sector banks to become more MSME-friendly is an important step, given the footprint and role of small enterprises.

Banking reforms committee Recommendations:

- The recommendations of the Banking reforms committee for the financial sector reforms, that were recently **put up for public comment**, seek to fundamentally alter the landscape of the Indian banking sector.

Broad impact on India's banks if these suggestions are implemented:

- First, the banking sector would become largely "**ownership neutral**". PSBs, domestic private sector banks and foreign banks would become largely indistinguishable in their operations and business models. Further, the distinction between banks and non-banking financial companies (NBFCs) would become far less watertight and **areas of competition** will be determined **by the functions** rather than forms of the competing institutions.
- As the financial sector develops in India, **the traditional boundaries** between banks and NBFCs become fuzzy. Banks now sell insurance and mutual funds and provide portfolio and corporate treasury advisory services while NBFCs accept term deposits and provide loans.
- To **avoid perverse incentives and regulatory arbitrage**, it is important that institutions serving essentially the same function face the same set of regulations whether they have a banking licence or not.
- For instance, **secured creditors** such as banks and NBFCs should have the same status with regard to the SRFAESI Act or debt recovery tribunals, which is not currently the case.
- Regulations should deal with functions, not historical labelling of institutions. This is true not just for banks and NBFCs but across and within **various sectors of the Indian financial landscape**.
- But what about **the social responsibilities of PSBs**? Will this not be a banking sector solely targeted for the urban rich? Will banks any longer open branches in remote rural areas to aid financial inclusion? Will the government and RBI be able to achieve their distributional policies through banks?

- From the government's perspective then, inclusion of banks is better served by **setting appropriate norms and providing incentives** at the policy level, without distinguishing between public and private banks. Both are equally likely to **promote inclusion** if and only if they find it in their best interests to do so.
- In recent years, private banks have actually directed a greater share of their lending to priority sectors than PSBs though the composition of priority lending may be different.
- Historically, bank nationalization has led to more credit to agriculture, villages and public sector undertakings but not to the small scale sector or thrust areas identified in recent five-year plans.
- In terms of the **credit quality of priority sector lending**, PSBs have fared relatively poorly.
- **Uniform and detailed priority sector lending norms** are likely to yield similar lending patterns on the ground regardless of whether the lender is a private or a public bank. Allowing banks to trade priority sector lending credit would ensure that priority sector lending is allocated to banks according to their capabilities in this area.
- The **core principles** guiding these recommendations include
 - Regulations based on function, rather than form; and
 - The separation between policymaking and bank management.
- **Eliminating NPAs** needs structural reforms in two areas-
 - The management of PSBs and
 - The way cases of bank frauds are handled by investigating agencies.

Economic Survey: Banking Reforms Must Follow Resolution And Recapitalisation:

- While the admission of **large stressed assets** under the Insolvency and Bankruptcy Code and the recapitalisation package for public sector banks will help address India's twin balance sheet problem, more will need to be done in the new financial year, said Arvind Subramanian, chief economic adviser, in his Economic Survey for 2017-18.
- The IBC, according to the survey, has provided a **resolution mechanism for the bad loan problem**. The government's recapitalisation package for public sector banks, which account for most of the banking system's troubled assets, has taken care of the recapitalisation aspect of the banking system's turnaround.
- Now, the government would **need to focus on the fourth 'R'** of the twin balance sheet problem. The TBS actions, noteworthy for cracking the long-standing "exit" problem, need complementary reforms to shrink unviable banks and allow greater private sector participation.

Reform Agenda

- Banks have been asked to tie up with **specialized monitoring agencies** for credit exposure above Rs250 crore. Proper due diligence has also been suggested while sanctioning loans. They have also been asked to scrutinize balance sheets, ensure strict mechanism and ring-fence while giving loans.
- Banks have been asked to create a separate **stressed asset management vertical to focus on recovery of loans**.
- India still needs public sector banks, but not so many. **If some PSBs cannot mobilize the required resources for their profitable growth, they should be merged.**
- PSBs will have to **revamp their lending practices**, especially in advancing loans to big businesses, monetize non-core assets, rationalize overseas branches, embrace technology and move to recover loans that have turned bad. The strategy is to **provide a lifeline to banks** struggling under the legacy of bad loans so that they can once again resume commercial lending—and **revive the investment cycle** in the economy.

Conclusion:

- It is the right time to take the **necessary action in revising the rules and regulations** concerning the functioning of banks, their boards and CEOs.
- Rather than getting obsessed with moral issues, a practical way would be to **strengthen the regulatory framework** and **review it every two years** based on the banks' response.
- Policymakers should **set suitable incentives** and allow independent banks to pursue efficiency in that setting, not meddle in their functioning through **action-specific regulations**. Therein lies the essence of **second generation reforms in Indian banking**.
- The **rot in the Indian banking system** is deep but **it can be treated**. Unless the measures suggested are implemented effectively, the banking system would continue to burn cash for the politicians, bureaucrats, and businessmen. And the people of India, including the poorest of the poor would continue to pay the price.

- Banks' operational risk management, risk culture, internal control frameworks and external audit function should typically play a central role in preventing fraud.

2. Rampant evergreening in Indian pharma industry

Background:

- **Accessible and affordable medicines** are of utmost importance for any needy patient. In a developing country like India and many of its counterparts, generic drugs will be the panacea. India's rejections for 'secondary patents' are commendable.

Introduction:

- India is the **largest provider of generic drugs** globally with the Indian generics accounting for **20 per cent of global exports** in terms of volume. Of late, consolidation has become an important characteristic of the Indian pharmaceutical market as the industry is highly fragmented.
- India enjoys an important position in the global pharmaceuticals sector. The country also has a **large pool of scientists and engineers** who have the potential to steer the industry ahead to an even higher level. Presently **over 80 per cent of the antiretroviral drugs** used globally to combat AIDS (Acquired Immuno Deficiency Syndrome) are supplied by Indian pharmaceutical firms.

R&D on Pharmaceutical Industry:

- **Pharmaceutical R&D** is an **expensive, time consuming and uncertain process** that may take many years to complete. The useful new drugs are patented, protecting them from competition and allowing them to charge high prices. When the patent ends, other companies are allowed to supply the previously patented drug. These are known as generics. The **prices of generic drugs** are much lower than the prices of in-patent drugs.
- However, Pharmaceutical companies **through ever-greening** continue to seek extra patents on variations of the original drug. Such is the case with the world's best-selling prescription drug, Humira, continue to grow even after the expiry of the patent over its main ingredient, adalimumab, and a biologic used for the treatment of arthritis by Secondary Patents.
- The U.S. recognises and encourages secondary patents. India, however, does not. India's rejection of secondary patents has kept **blockbuster medicines affordable** for many.

How does ever-greening works?

- Patents offer their owners market exclusivity for a limited period of time. For medicines, this exclusivity should last as long as the primary patent — which relates to the active pharmaceutical ingredient (API) of the medicine **is in effect, typically 20 years**. The end of patent exclusivity will reduce the drug prices drastically.
- However, pharmaceutical companies **find new ways to postpone** their exclusivity by filing secondary patents making small changes to an original drug with a new formulation, a dosage regimen, or a new method of administering the medicine. This practice is called ever-greening.

Ever-greening of drugs is not accepted in India:

- Patent holder attempts exploit the loopholes in patent laws and related regulatory processes in order to maximize their monopoly.
- In India, couple of years ago, Swiss company Novartis filed a new patent on its drug Glivec, a drug used to fight leukaemia. But Supreme Court refused to grant Novartis a patent for a new version of its cancer drug as the drug was not substantially different from original one. This has reduced the cost of drug from 1.6 lakh rupees to 11 thousand rupees.
- India's patent law also does not accept Ever-greening of drugs.



Indian Patent Act:

- Majority of rejected pharmaceutical patents at the Indian Patent Office have sought protection in the form of secondary patents for blockbuster medicines.
- Indian patent law helps thwart ever-greening practices by pharmaceutical companies. This dramatically expanded access to medicines for important health problems such as cancer, AIDS, asthma and cardiovascular diseases.
- The basic principle of the Patent Law in our country is that patent is granted only for an invention which must be new and useful.
- India has been at the forefront of developing an alternative model of patent law which many developing countries have since emulated.
- A **key highlight in the Indian law is Section 3(d) of The Patents Act, 1970**, which was introduced in 2005 as a **yardstick to distinguish real innovation** from trivial tweaks.

Major innovations in Indian patent law:

- As per **Section 2(1)(ja) of the Patents Act**, the product in question must feature a technical advance over what came before that's not obvious to a skilled person. Because secondary patents for pharmaceuticals are often sought for trivial variants, they typically fail to qualify as an invention.
- **Section 3(d)** necessitates a demonstration of improvement in its therapeutic efficacy. The provision also bars patents for new uses and new properties of known substances. In case of Novartis, Glivec was just a new form of a known substance, imatinib, and therefore the patent for Glivec was rejected under section 3(d) of the Patents Act.
- **Section 3(e)** ensures that patents for combinations of known substances are allowed only if there is synergistic effect.
- **Section 3(i)** ensures that no exclusivity can be claimed over methods of treatment.
- Together, Sections 3(d), 3(e) and 3(i) have been instrumental in rejecting hundreds of secondary patents for pharmaceuticals.

Evergreening Rampant in India?

- Innovators instead **seek to reset the 20-year clock** by subsequently filing patents that are **minor variants of the parent compound**, called **secondary patents**. This practice, **known as evergreening**, allows a prolonged monopoly that unfairly denies the public access to medicines at equitable prices. Such variants to previously known drugs are usually arrived at as a manner of routine experimentation in the pharmaceutical sciences, and hence may not be truly innovative.
- Despite such measures, we discovered that **evergreening practices may be rampant in India**, based on a study of about 2,300 patents for drugs granted between 2009 and 2016. In our study titled **Pharmaceutical Patent Grants In India**, have been shown that the IPO could be operating with an error rate **as high as 72% for secondary patents**, despite provisions to keep them in check.
- The argument pharma companies had against Section 3(d) was that it would **affect the incentive to innovate**. What has been demonstrated in the cases under study, is that by overcoming Section 3(d) they only have an **incentive to tweak and not innovate**.

Recently Conducted INDIA PHARMA in FEBRUARY, 2018:

- Major event to increase **overall growth of Pharma sector** including exports and focus on increase of Domestic production in the sector by Government of India & FICCI, with the active participation from all Stakeholders.
- Provide a **platform to global investment community** to connect with stakeholders in Pharma sector in India, Central and State Governments, leading business leaders and top executives from the industry, academics and experts from the world.
- **Encourage 'Make in India'**– for manufacturing of Drugs and Pharmaceutical Machines.
- **INDIA PHARMA 2018** covers the whole process of Pharmaceutical Manufacturing, from various kind of manufacturing/processing machineries to Lab Equipment, Analytical Instruments, APIs and other total solutions.
 1. India Pharma 2018 will cover all the sectors of the pharmaceutical industry starting from finished formulations, APIs, Bio-pharmaceuticals, Fine Chemicals and intermediates, Natural extracts, Excipients and many more.
 2. Display of Latest Pharmaceutical Machinery, Plants, Laboratory Equipment, Analytical Instrument and Cleanroom Equipments.

3. Direct Access to Highly targeted Senior Pharma Executives, Buyers, Procurement Managers, Contract Manufacturers.
4. Meetings with Manager and Business Development Managers who are looking for new supplies, Building Strategic partnerships or entering into new ventures.

How to boost public sector drug manufacturing :-

- India needs to **develop both public and private sector capacity within the country**, with suitable government support and incentives, to ensure uninterrupted and inexpensive availability of APIs.
- The High Level Expert Group Report on Universal Health Coverage for India (2011) clearly articulated the need for strengthening public sector units (PSUs) because:-
 - The use of PSUs will offer an opportunity to produce drug volumes for use in primary and secondary care facilities as well as help in 'benchmarking' drug costs.
- Effective implementation of the **Ayushman Bharat initiative** calls for investment in expanding public sector capacity for producing essential drugs and APIs.
- The UN report also urges member states of WTO to **adopt a permanent revision of Paragraph 6 of the TRIPS agreement** to enable swift and expeditious export of pharmaceutical products produced under compulsory license. **India should take the lead in ensuring universal access** to affordable drugs through such measures.
- **National Biopharma mission needs effective implementation:-**
 - **Innovate in India(i3)** will witness an investment of USD 250 million with USD 125 million as a loan from world Bank and is anticipated to be a game changer for the Indian Biopharmaceutical industry. It aspires to create an enabling **ecosystem to promote entrepreneurship and indigenous manufacturing in the sector.**

Road Ahead:

- The Indian pharmaceutical market size is expected to grow to **US\$ 100 billion by 2025**, driven by increasing consumer spending, rapid urbanisation, and raising healthcare insurance among others. Pharma sector's revenues are expected to grow **by 9 per cent year-on-year through fiscal 2020.**
- **Ayushman Bharat health insurance scheme** announced by the Government, popularly called as '**Namo-Care**', has the potential to turn India into the largest pharma manufacturer of the world in about three years
- Going forward, better growth in **domestic sales** would also depend on the ability of companies to align their product portfolio towards **chronic therapies for diseases** such as such as cardiovascular, anti-diabetes, anti-depressants and anti-cancers that are on the rise.
- The Indian government has taken many steps to reduce costs and bring down healthcare expenses. Speedy introduction of generic drugs into the market has remained in focus and is expected to benefit the Indian pharmaceutical companies. In addition, the **thrust on rural health programmes, lifesaving drugs and preventive vaccines** also augurs well for the pharmaceutical companies.
- **Investment in public sector capacity** is essential to ensure that the country can exercise that leadership even on occasions when the private pharmaceutical sector does not fully align with that objective.
- There was an immediate need felt to focus on consolidated efforts to **promote product discovery, translational research** and early stage manufacturing in the country to ensure inclusive innovation.

Key Facts:

- India's cost of production is **nearly 33 per cent lower** than that of the US
- Labour costs are **50–55 per cent cheaper** than in Western countries. The cost of setting up a production plant in India is 40 per cent lower than in Western countries
- **Cost-efficiency** continues to create opportunities for Indian companies in emerging markets & Africa
- India has a **skilled workforce** as well as high managerial & technical competence in comparison to its peers in Asia
- India has the **2nd largest number of USFDA-approved manufacturing plants** outside the US
- India has **2,633 FDA-approved drug products**. India has over 546 USFDA-approved company sites, the highest number outside the US

3. Local democracy in disarray

Introduction:

- It's been 25 years since **decentralised democratic governance** was introduced in India by the **73rd and 74th Constitution Amendments**, which came into force on **April 24 and June 1, 1993**, respectively.
- Moving the 73rd Amendment Bill on December 1, 1992, the Minister of State in the Rural Development Ministry underscored the "duty on the Centre as well as the States to establish and nourish the village panchayats so as to **make them effective-self-governing institutions.**"
- Even after 25 years, local government expenditure as a **percentage of total public sector expenditure** comprising Union, State and local governments is **only around 7%** as compared to 24% in Europe, 27% in North America and 55% in Denmark.
- **Local expenditure as a percentage of GDP is only 2 per cent** compared with the OECD (14 per cent), China (11 per cent), and Brazil (7 per cent).
- The own source revenue of local governments as a share of total public sector own source revenue is only a little over 2% and if disaggregated, the Panchayat share is a negligible 0.3% (several States like Rajasthan, Punjab and Haryana have abolished property taxes and others do not collect taxes). This speaks of the **fiscal weakness of village panchayats.**



Structural reforms by passing 73rd and 74th amendments:

- The **structural reforms** that followed heralded an **inclusive, responsive, participatory democracy** which was tasked to **deliver economic development and social justice** at the grass-roots level. These reforms did not mean de-concentration or delegation. They were not even variants of fiscal federalism, which is much-theorised by Western public finance pundits and generally endorsed by their Indian counterparts.
- The creation of lakhs of "**self-governing**" **village panchayats and gram sabhas**, with over **three million elected representatives** mandated to manage local development, was a **unique democratic experiment** in the contemporary world.
- **Parts IX and IXA** of the Constitution, introduced following the two Constitution Amendments, initiated a process **with standardised features** such as elections every five years; reservations for historically marginalised communities and women; the creation of participatory institutions; the establishment of State Finance Commissions (SFCs), a counterpart of the Finance Commission at the sub-national level; the creation of District Planning Committees (DPCs); and so on.

Present Situation:

- Given the unprecedented growth of the economy over the last 25 years, its limited success in ensuring primary health care, access to drinking water supply, street lighting, education, food security, and so on is an enigma.
- The media and mainstream economists who get nervous when there is even a small slippage in the quarterly economic growth rate have been silent on this **social failure in local democracy**. Indeed, the village panchayats have not succeeded in enhancing the well-being, capabilities and freedom of citizens.

A systemic failure

- What went wrong? Skipping the several success stories, which are exceptions, **what happened to the third tier** may be hypothesised as a systemic failure. While the economic reforms were championed by the political class and received support from the bureaucracy, there was no perceptible hand-holding and support by the States to **foster decentralised governance.**
- From the beginning, whether it was postponing elections or the failure to constitute SFCs and DPCs, it became evident that **States can violate the various provisions of Parts IX and IXA with impunity.** These are the provisions which envisage the delivery of social justice and economic development at the local level. It appears that the judiciary has been indifferent to the two momentous amendments and their potential.
- There was **no institutional decentralisation** except in Kerala. The roles and responsibilities of local governments **remain ill-defined** despite activity mapping in several States. States control funds, functions and functionaries, making autonomous governance almost impossible. Most States continue to **create parallel bodies** (often fiefdoms of ministers and senior bureaucrats) that make inroads into the functional domain of local governments.

- For example, Haryana has created a **Rural Development Agency**, presided over by the Chief Minister, to **enter into the functional domain of panchayats**.
- **Legislative approval of these parallel bodies** legitimises the process of **weakening decentralised democracy**.
- In States like Gujarat, the DPC has not been constituted.
- A **potential instrument** to reduce growing regional imbalances is left to rot.

Panchayati raj institutions suffer from structural lacunae:

1. **No secretarial support** – No dedicated carder of people or service is working for Panchayati raj. This make administrative and documentation work very difficult.
2. **Low technical knowledge** – has restricted the aggregation of planning from village to block to district to state to centre. Hence bottom up approach of planning is very limited.
3. **Adhoc meetings** – lack of clear setting of agenda in gram sabha, gram samiti meetings; there is lot of adhocism; no proper structure
4. **Proxy for reserved seats:** Landlord and relatives many a times give proxy for SC/ST's and women.

Continuity and change

- Looking back, there was a **clear lack of continuity, and change** for the better. Following the Constitution Amendments, Article 280, establishing the Finance Commission, was amended to **add 280 (3) (bb) and (c), designed** to empower the third tier.
- Even so, there is **no credible fiscal data base and budget system** among local governments now. That accountability arrangements **remain very weak even after 25 years** shows a lack of will. The 13th Finance Commission made significant steps to carry forward decentralised governance by linking the grants to local governments to the divisible pool via Article 275 besides taking various measures to incentivise the process of decentralisation.
- Despite the **reservation of seats for Adivasis, Dalits and women**, these categories remain on the periphery, often as victims of atrocities and caste oppression rather than as **active agents of social change**. This means that involving women's agencies and the marginalised to lead social transformation at the grass-roots level **remains an uphill task**.

Conclusion:

- Following steps should be taken to translate democratic idea of Panchayat into action:
 1. **Adequate training:** to develop expertise in the members so that they contribute more in planning process and in implementation of policies and programmes.
 2. **Social empowerment:** must precede political empowerment. Only then problem of proxy members could be solved.
 3. **Devolution of powers:** Decentralization of governance can be achieved with devolution of power to lower levels. More financial resource generation powers should be give to these institutions.
 4. **Qualifications criteria:** Certain minimum qualification standards, as set recently by Rajasthan and Haryan, for fighting Panchayat elections will help in improving its effectiveness in governance mechanism. Recently some states like Rajasthan and Haryana introduces such provisions, which was held to be constitutional by the Supreme Court. But it should be done only when state has already **ensured universal education**.

Way Forward:

- Local democracy in India is in deep disarray. The immediate need of the hour is **to take remedial action** in the interest of **democracy, social inclusion and cooperative federalism**.
- Thus, it calls for a **more stricter regulatory framework** by the State Election Commission in checking out the role of money and muscle power; in defining the code of conduct to be followed by the political parties such **that democracy truly reaches its grassroots** as was envisioned by our constitution makers; voters need to be made aware of carefully exercising their voting rights-this would bring in **proper decentralization and inclusive development** following a bottom-up approach.
- **Sustainable decentralisation** comes from the demands of the people and advocacy should **focus on a decentralisation agenda**. Indeed, the framework needs to be evolved to accommodate the demand for decentralisation.
- **Only education and knowledge**, and pro-active interventions by emancipatory socio-political movements, can help achieve this. The media can also play a significant agenda-building role in bringing this about.
- In the NREGA programme, 40% of the money allocated is for the material component, whereas the remaining 60% is for salaries. These funds are available with the states and can be **used to build panchayat bhavans**.

- All these provisions in the constitution as well as the government policies are right steps towards the Dr. B. R. Ambedker's and many more leaders dream of achieving **not only political democracy** but also **social democracy** in which giving voice to the voiceless society. we need to take these steps to make our Panchayati Raj Institutions, **effective centres of local governance**.

4. Food first: on child nutrition

Introduction:

- The central principle that should guide the Centre in improving maternal and child nutrition is that early childhood is the foundation for the health and well-being of an individual.
- Tinkering with the existing national programme of providing hot-cooked meals to children three to six years old, and take-home rations for younger children and pregnant and lactating mothers is fraught with danger.
- Attempts to substitute meals or rations with factory-made nutrients will inject commercialisation into a key mission, and upset the nutritional basis of the scheme.
- The newly-formed inter-ministerial National Council on India's Nutrition Challenges has chosen to continue the current practice, overruling the Minister for Women and Child Development.

Maneka vs her Ministry


Differing nutrition guidelines were prepared by Ms. Gandhi and the WCD Ministry respectively

Ministry suggestions:

- Dalia, khichdi, etc. as take-home rations
- Locally sourced, prepared by self-help groups and delivered at anganwadis
- Involve mothers in food preparation to control quality, check leakages

Ms. Gandhi's suggestions:

- Energy-dense nutrient packets as take-home rations
- Factory-made packages
- Delivered by postmen
- Bar-coding of the packets to check pilferage



Nutritional politics:

- Many children died of malnutrition in India and yet Women and Child Development Ministers over the years haven't decided **what food to give children in anganwadis**. This is worrying.
- How many **more children must suffer from stunted growth** before the Minister in charge of their welfare decides on whether to serve them hot-cooked nutritious meals or packaged/processed fortified mixes? And why does there have to be a choice between the two? **Why can't India incorporate both?** Is it really that difficult to keep a close watch on the **quality of food served to children** between the ages of three and six as well as **take-home ration for pregnant and lactating women?**
- Apparently, it is. The governments in past as well as in present have always exercised the easy option: dense, fortified food for malnourished children, courtesy the manufacturers.

Data on malnutrition should serve as a wake-up call for the government:

- **38%** of children are stunted and
- **7%** are underweight in India.
- About **21%** of children under the age of five are wasted (low weight for height), according to the National Family Health Survey-4 data.
- "The **anganwadi system needs revamping**. Anganwadis must be limited to pre-school education and playing. They should not just be centres of serving food," What is more, serving food through anganwadis has not improved the nutritional status of children.
- Food at anganwadis is not palatable and a majority of the children don't eat it. A lot of them waste it. Hence, the switch to DBT.

Some Instances happened in past:

- Eight years ago, when malnutrition deaths occurred in some districts in Maharashtra, a simple solution involving a **protein-rich diet called Lapsi** — a green millet mixture combined with water and milk — was given to malnourished babies.
- In Jharkhand, dry rations such as oil, dal, wheat or rice were given to mothers — until the contractor lobby forced the government to shift in favour of processed food.
- The point is to address malnourishment through **locally produced, diverse food options** that the country offers.

Aadhaar Linked as DBT:

- The Union government was running **two pilot programmes** in Assam and Uttarakhand.
- “In Assam, they are supplying money needed to buy nutritional food to families of children directly. This has reduced corruption and leakage. In Uttarakhand, we are sending 30 nutritional packets per month to children’s homes directly. These dry food packets can be cooked into tasty, nutrient rich and palatable food by their mothers. Children are enjoying eating them”.
- This system has brought down the chances of food being stolen by middlemen. Both the systems are Aadhaar linked. **Aadhaar-linking had introduced transparency, reduced bogus beneficiaries and increased efficiency.**
- It has reduced presence of over 11 lakh bogus children in Maharashtra and over three lakh children in Assam. “We are promoting **more institutional deliveries** to reduce infant and maternal mortality rate”.

Government Initiative’s:

- Raising nutritional standards for young children has **become a policy imperative** only in recent years, with the **National Food Security Act, 2013**, incorporating the mandate in Schedule II, and the **Supplementary Nutrition (Integrated Child Development Services Scheme) Rules, 2017**, laying down entitlements.
- Food and Public Distribution Ministry emphasis on **strengthening these legal guarantees** by providing more nutritious hot-cooked meals and rations with the help of local self-help groups is to be welcomed.
- If the ICDS scheme, now called the Anganwadi Services Scheme, is to achieve better outcomes, it must focus on the provision of **physical infrastructure and funding**, besides **closer monitoring** of the nutrition mission.
- Theoretically, the mission covers every child, but in practice it is not accessible to all.
- When the Centre recently launched **POSHAN Abhiyaan**, an integrator that will build capacity among nutrition workers, it acknowledged that while official data show a reduction in some of the depressing aspects of women and child health, the ground reality is far from comforting: the **National Family Health Survey-4** shows a drop in underweight and stunted children under five years of age compared to the previous survey, but the absolute numbers are still high.
- An estimated **35.7% children are underweight** and **38.4% are stunted** in that age group. The body mass index of 22.9% women aged 15-49 indicates **chronic energy deficiency**.
- These figures should cause alarm that even after a long period of **robust economic growth**, India has not achieved a transformation. To accelerate the pace of progress, POSHAN Abhiyaan should rigorously measure levels of access and quality of nutrition, and publish the data periodically.
- In a recent report, **Nourishing India**, the NITI Aayog refers to acute malnutrition levels of about 25% in some States. There is no quick fix, and the answer to better nutrition lies in **fresh, wholesome and varied intake**.

About POSHAN Abhiyaan:

- POSHAN Abhiyaan was launched on **International Women’s day (March 8)** in 2018 to boost nutrition among children and women.
- The Abhiyaan targets to reduce stunting, under-nutrition, anemia (among young children, women and adolescent girls) and reduce low birth weight by 2%, 2%, 3% and 2% per annum respectively.
- The target of the mission is to bring down stunting among children in the age group 0-6 years from 38.4% to 25% by 2022.

About the mission:

- The Rs. 9,000-crore mission will strive to reduce stunting, under-nutrition, and low birth weight by 2 per cent and anaemia (*among* young children, women and adolescent girls) by 3 per cent annually over the three-year mission period.
- Anganwadi supervisors have been roped in for the mission.
- The focus of the Abhiyaan is on the first 1000 days of the child and preventive care for adolescent girls, women and mothers.
- Home-based Care for Young Child (HBYC) would be a crucial component of the Abhiyaan.
- In HBYC, ASHAs supported by Anganwadi workers will visit the homes of children aged between 3 to 15 months and sensitise mothers on energy density and diet of child.

- Minister Ms. Gandhi wants “**energy-dense, factory-made**” **nutrient packets** as take-home ration for pregnant women and lactating mothers as well as children between the age of six months and three years, her Ministry is in favour of “**sourcing food items such as dalia and khichdi**, prepared with locally available ingredients, from self-help groups”.
- While a **pre-mix of micronutrients or ready to use therapeutic food (RUTF)** – high-energy, micro-nutrient enhanced paste – is sometimes prescribed to treat children under five years who suffer from severe acute malnutrition (SAM), the minister has recommended giving **nutrient packets to all pregnant and lactating mothers and children** from six months to three years. “Why wait for a child to suffer from SAM?”.
- The Minister has suggested that 30 packets for a month can be dispatched to a beneficiary through the postal department.
- Take-home rations include **wheat, soya and sugar**.
- **Food-based approach agriculture** is likely to get a boost and **local employment generation** is expected to rise. “Every child is not a sick child. Only some SAM children are sick and need special food. If healthy children are given are at the risk of getting malnourished if they don’t get adequate diet and that is what we should be trying to provide”.

Way ahead:

- The need of the hour is to involve all field functionaries in a productive manner. **Consistent monitoring and evaluation** of the schemes using technological interventions and real-time data is also important. There is also a need to provide leverage budgets from related departments to develop an integrated plan with cross-sectoral collaboration to achieve nutrition-related targets.

Need for a nodal agency:

- Despite thousands of crores of rupees being spent and a number of government schemes working for child development, the status of health and nutrition of children in the country remains abysmal. All nutrition-specific and nutrition-sensitive schemes work in silos. As a result, they are not able to achieve the intended outcome. Therefore, the establishment of a nodal agency that would **facilitate coordination of all ministries and departments** and execute the schemes in a convergent manner is urgently required.

Conclusion:

- Money will continue for ICDS and other schemes will also continue. There is no dearth of schemes but **lack of creating synergy and linking** the schemes with each other **to achieve common goal**.
- National Nutrition Mission through **robust convergence mechanism** and other components would strive to create the synergy.

Addressing the problem:

- Innovative and successful schemes from different states should be adopted on national level. Like the **PHULWARI scheme of Chhattisgarh** aims to curb malnutrition by providing balanced and nutritious diets to women of infants and children every day.
- Creating awareness, about the right nutrition.
- Educating mothers about the importance of breastfeeding, informing about immunization
- Popularizing nutritional programmes providing iron folic tablets.
- Effective antenatal care.

Malnutrition makes a large section of society susceptible to diseases and drags them out from contributing in the national progress. The need is to **effectively tackle the issue** by strengthening government programmes and involve civil society and NGOs to help the cause.

5. We need Aadhaar, not just for phones

Background:

- India’s Unique Identification project is the **world’s largest biometrics-based identity programme**. Initially, the project had a limited aim – to stop theft and pilferage from **India’s social welfare programmes** by correctly identifying the beneficiaries using their biometrics.
- But now, the use of Aadhaar is **expanding into newer areas**, including business applications.

- From food rations to marriage certificates, entrance exams to train ticket concessions, mobile phone cards to banking, Indians are now being asked to produce a **12-digit Aadhaar number to access both government and private sector services.**

Introduction:

- Aadhaar was designed as a digital identity platform which is inclusive, unique and can be authenticated to participate in any digital transaction. This has transformed the service delivery in our country, conveniencing residents and reducing leakages. Direct benefit transfer, subscription to various services and authentication at the point of service delivery are some of the benefits which have accrued.

Aadhaar: an safe digital platform?

- In the lecture on ‘**Technology for Transformation**’ organised by NITI Aayog, Gates had said that Aadhaar is something that had never been done by any government before, not even in a rich country.
- More than a billion people in India have enrolled in Aadhaar, the **world’s largest biometric ID system**. The data is collected by **the Unique Identification Authority of India (UIDAI), a statutory authority** established in January 2009 by the Government of India.

Aadhaar does not pose any privacy risks and the Bill and Melinda Gates Foundation has funded the World Bank to implement this system in other countries as it is worth emulating, Microsoft founder Bill Gates has said.

How privacy is ensured in Aadhaar?

- **Aadhaar followed the principle of incorporating privacy by design**, a concept which states that IT projects should be designed with privacy in mind.
- Aadhaar collects only **minimal data**, just sufficient to establish identity. This irreducible set contained only four elements: name, gender, age and communication address of the resident.
- Under the scheme, **random numbers with no intelligence are issued**. This ensures that no profiling can be done as the number does not disclose anything about the person.
- The Aadhaar Act also has clear **restrictions on data sharing**. No data download is permitted, search is not allowed and the only response which UIDAI gives to an authentication request is ‘yes’ or ‘no’. No personal information is divulged.
- Besides the minimal data which UIDAI has about a person, **it does not keep any data except the logs of authentication**. It does not know the purpose of authentication. The transaction details remain with the concerned agency and not with UIDAI.
- UIDAI has also built a **facility wherein one can ‘lock’ the Aadhaar number and disable it from any type of authentication for a period of one’s choice**, guarding against any potential misuse.

Most recognise that the fact that **Aadhaar biometrics being unique** has ensured the **50%+ levels of theft in PDS rations has all but been eliminated.**

It is true there have been cases of people whose fingerprints are not getting captured and who are being denied ration benefits, but the solution to this is not eliminating a system that is working, but **to use iris scans or facial recognition to fix this problem**. In the case of LPG, similarly, using the **Aadhaar de-duplication software** helped eliminate those with more than one LPG connection.

UIDAI is continuously **updating its security parameters** and looking at the new threats in cyber space. It has also decided to have registered devices for capturing biometrics data and ensure that such biometrics will be encrypted at the point of capture itself.

The Government **needs to assure its citizens** that right regulatory environment exists in the country which will prevent these kind of data breaches because the moment people give their personal details, they are making themselves vulnerable in the cyber world.

As an alternative to the collection of biometric information few experts have suggested shifting to smart cards.

How will this help?

- Biometrics allows for identification of citizens even when they don’t want to be identified. **Smart cards which require pins on the other hand require the citizens’ conscious cooperation** during the identification process.
- Once smart cards are disposed nobody can use them to identify. **Consent is baked into the design of the technology**.
- If the UIDAI adopts smart cards, the centralized database of biometrics can be destroyed just like the UK government did in 2010. This would **completely eliminate** the risk of foreign government, criminals and terrorists using the breached biometric database to remotely, covertly and non-consensually identify Indians.

- Smart cards based on open standards allow for decentralized authentication by multiple entities and therefore eliminates the **need for a centralized transaction database**.

Conclusion:

- **Mandating Aadhaar** for all government schemes and subsidies, and allowing it as a tool to prevent money laundering and terrorism are the most logical places to draw that line.
- **Restricting Aadhaar usage** to just the payment of subsidies and other such transfers for the poor is always an option but it robs the country of the ability to use the robust properties of Aadhaar.
- And, lighting the fire under the government to quickly enact a **comprehensive national data privacy law**, which enshrines internationally accepted principles of privacy, must be the citizens' insurance policy to prevent mass surveillance and other excessive use of Aadhaar, like in the case of the SSN – should be the next immediate action.
- Therefore, we **need to take a level-headed approach** and ensure that ample safeguards are put in place for **data protection and privacy**. The government should recognise both the need for Aadhaar and the need for stringent rules concerning access to and security of citizens' biometric data, in order to preserve their privacy.
- Aadhaar Card is an important document to make Government's Policies and Schemes **more Transparent and Responsible** for General Public. The need is **to curb the Loopholes** for proper functioning of the Scheme.
- Government has to establish the **right regulatory environment** in country to prevent privacy breaches.
- For people to **trust the government and support the idea of a digital India**, the government has to bring stringent laws promoting the safety and security of digital platform to the best possible extent.



Way forward:-

- If the Indian government sees Aadhaar as a gateway to its services or entitlement schemes, it should move immediately to **designate UID as critical infrastructure** and set up a **dedicated Computer Emergency Response Team** to monitor attacks or intrusions on the database.
- **Crafting an encryption policy** that specifically addresses encryption for Aadhaar-enabled apps
- **Security testing** of all Aadhaar-enabled applications
- Encouraging **device-level encryption** for mobile phones and laptop computers
- Creating a **Computer Emergency Response Team** to monitor attacks on Aadhaar
- Working with the private sector at forums like the International Electronic and Electrical Engineers (IEEE) and the Internet Engineering Task Force to create interoperable security standards for platforms **relying on national identity databases**.

A **strong data protection law and privacy laws** should come soon to bring an **accountable structure** for the use and misuse of citizen data. It is essential to deal with issues of duplication, less disruptive methods than Aadhaar such as food coupons, smart cards, and last-mile tracking can be used **to produce the same effectiveness** with far **less administrative burden**.

In India, Payment has been linked with Aadhaar as 5 crores bank accounts have been opened through Aadhaar. So it is important that **sensitive personal data is protected** and miscreants and irresponsible are punished. **Not only Aadhaar but other data bases should also be protected.**


6. Reform higher education in India by forming a common higher education authority

Background:

- Education is the **foremost sector** that shoulders the **biggest responsibility of shaping the future of nation**. India, though renowned since ancient time for higher educational institutions like Nalanda, is presently facing multiple challenges in education.

Higher Education in India:

- The goals of the higher education, for that matter any education system of any country is expansion with **inclusion, ensuring quality and relevant education.**
- To meet these challenges, **there is a need for policy** to identify the key issues involved, to build up on the earlier policies, and to take a step ahead.
- Education neither a privilege nor favour but a **basic human right** to which all are entitled to be. "In our culturally plural society, education should **foster universal and eternal values, oriented towards the unity and integration of our people.** Such value education should eliminate obscurantism, religious fanaticism, violence, superstition and fatalism."
- India's huge pool of young people might be **considered its biggest strength.** Unfortunately, India is far from having its act together when it comes to figuring out how to educate these young people.
- Government data suggests that **only one out of every seven children** born in India goes to college. What's more, the nation suffers from both a **crippling quantity, as well as a quality,** challenge when it comes to higher education.
- The draft legislation for **setting up a 'Higher Education Evaluation and Regulation Authority, 2018' (HEERA)** or Higher Education Regulatory Council (HERC), says that the **new authority will focus** on setting quality standards for institutions, specify learning outcomes, lay down standards of teaching assessment and research and evaluate the yearly academic performance of the institutes on clearly laid criteria.



The Backstory

If implemented, this could be the single biggest reform under the Modi regime which can change the face of higher education

Several committees including the Prof Yash Pal committee and the National Knowledge Commission of the UPA era and the Hari Gautam panel in the Modi regime have recommended the same, but it didn't take off

It would eliminate all existing overlaps in jurisdiction of different regulatory authorities, and do away with regulatory provisions that may no longer be relevant to the changed scenario

UPA-II's HRD minister Kapil Sibal had tried to introduce a legislation for a similar National Council on Higher Education & Research, but it hit roadblocks as well

The decision to go ahead with the idea was taken after a meeting on education chaired by the PM on March 10, 2017

Budget 2017 had also announced an overhaul of the UGC and AICTE, starting off a train of reform measures

Challenges in the Higher Education System:

- The total population between the **ages of 15 and 24 in India is 234 million.** If India is to meet its 30 percent GER target by 2020, about **40 million students** would be enrolled in the **higher education system in 2020.**
- Currently, around **18.5 million students** are enrolled in the higher education sector. The problem is that as increasing numbers come out of the high school system, we just don't have the capacity to absorb them into the college system. There is a **massive mismatch in the supply-demand,** of proportions that have never been seen anywhere or anytime in the world before.
- The problems that confront **higher education in India** today are low rates of enrolment, unequal access, poor quality of infrastructure and lack of relevance.
 1. Presently, education standards of higher education, research and innovative skills for novel ideas are not on par with international community in most of the universities of India.
 2. There is an increasing gap between education and employability. Many of industrial persons complained about the quality of students coming from colleges. Mostly, students are lacking in job skills.
 3. As per recent studies, around 50% of faculty are working in colleges based on contract. In long term, teaching with contract faculty has serious implications on quality and research.
 4. Many of private colleges started to receive funds from UGC and fee refunds from state governments. Specifically, in south India every year, there were many seats vacant in engineering. Permissions for new colleges and existing colleges require more scrutiny than present.

- **Coordination and determination of standards** in institutions for higher education falls under the union list as per seventh schedule of our Constitution. When considering the nation as a whole it is evident that rural India still trying hard to enter the higher education sector.
- The states are varying in the level of acquiring even primary and secondary education. So more care should be given to those states which are backward in these areas.

Measures needed to improve innovation in universities :-

- Research cannot be improved merely by regulating universities, instead they need efforts **to create enabling atmosphere** for which it is imperative to grant more autonomy, better funding and new instruments to regulate work ethic.
- **New initiatives** like Hackathon, curriculum reform, anytime anywhere learning through SWAYAM, teacher training are all aimed at improving quality. These need to be effectively implemented.
- As India wants to transform its universities into world class institutions, it must safeguard the interests of young researchers and thousands of temporary faculty members by expediting the permanent appointments in a **time-bound framework and transparent manner**.
- Establish **world-class multidisciplinary research universities**
- **Create a master plan** for every state and union territory
- Each state must establish an **integrated higher education master plan** to provide an excellent education for all its residents.
- Attract the best and the brightest talent to be faculty members
 - One of the fundamental changes India must institutionalize is a **radically new compensation and incentive structure for faculty members**. A flexibility to pay differential salaries based on market forces and merit must be part of this transformation.

Conclusion:

- Thus a **complete revamp is needed** to meet the present demand and address the future challenge that India is about to face.
- To reap the **diverse culture demographic dividend** and to maintain **peace and social harmony** among them **quality education with values** are the necessary area to focus.
- The higher education is facing many challenges as pointed above, most the challenges are difficult but are **not impossible to resolve**.
- Our goal to be a world power, the **resolving and restructuring of higher education** is must, then only we will be able to harness the human potential and resources of nation to the fullest and channelize it for the growth of the nation.
- In the Union Budget for the financial year 2018-19, Education sector has witnessed an increase of almost **4% in terms of funds allocation**.
- The Union Cabinet has taken a decision recently to give due importance to the **Rashtriya Uchcharat Shiksha Abhiyan (RUSA)**, a centrally sponsored scheme launched in 2013 to provide strategic funding to eligible State higher educational institutions.

Way Forward:

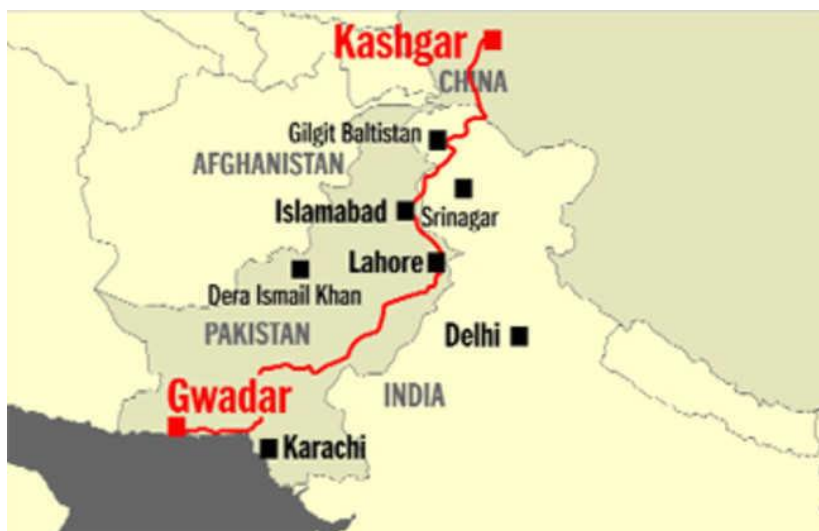
- Education is the **basis of human establishment** and hence should be **treated with profound seriousness**. Maintaining the education standards will satiate the concerns of youth which is looking for opportunities within the nation. Not only economic fronts but education fronts should be dealt prudently in order to usher as a powerful nation in coming years.
- Today **there is much more data and evidence** about the contours of the learning crisis in India than ever before. The time is ripe for timely and effective decentralised action **to improve the quality of youth learning outcomes**.
- So, unless we ensure that our young people **reach adulthood with the knowledge, skills, and opportunities** they need to help themselves, their families, and their communities move forward, India's much awaited 'demographic dividend' will not materialize.
- If India really wants the best of the global players to come, **it needs to lay out more attractive terms**. Contrast that to places such as Singapore, Dubai and Qatar, which aren't just enabling quick permissions, but are providing top universities **free infrastructure and facilities** to entice them to set up campuses.
- Youth is the most important asset for a country their future is the future of the Nation. So, the government must be **compelled to provide basic education and skills**.

7. Emerging irritant: on China-Pakistan Economic Corridor (CPEC)

Background of CPEC:

CPEC (China-Pakistan Economic Corridor) is a 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.
- The 'China-Pakistan Economic Corridor' violates **India's sovereignty and territorial integrity**. India's principal objection was that CPEC passed through **Pakistan-occupied Kashmir (PoK)**



Belt and Road Initiative (BRI):

- The Belt and Road Initiative (BRI) is China's ambitious project for increasing connectivity and economic cooperation within Eurasia. OBOR strategy is often reported as China's ambitious push to take a bigger role in global affairs and expand its friend circle

Present Stand by India on CPEC:

- New Delhi sent a **clear message to Beijing** that it doesn't support CPEC. India registered its protest by **boycotting the high-profile Belt and Road Forum** organised by China.
- Its principal objection was that **CPEC passed through Pakistan-occupied Kashmir (PoK)**. The Ministry of External Affairs statement read: "Our position on OBOR/BRI is clear and there is no change. The so-called 'China-Pakistan Economic Corridor' violates **India's sovereignty and territorial integrity**. No country can accept a project that ignores its core concerns on sovereignty and territorial integrity." Nevertheless, for India, PoK remains an **emotional and sensitive issue**.

India's Concern over CPEC and China:

- CPEC gives China a **foothold in the western Indian Ocean** with the **Gwadar port**, located near the **strategic Strait of Hormuz**, where Chinese warships and a submarine have surfaced.
- Access here allows China greater potential to control maritime trade in that part of the world—a vulnerable point for India, which sources more than 60% of its oil supplies from the Middle East. What's more, if CPEC does resolve China's "**Malacca dilemma**"—its over-reliance on the Malacca Straits for the transport of its energy resources—this would give **Asia's largest economy greater operational space** to pursue unilateral interests in maritime matters to the detriment of **freedom of navigation** and the **trade-energy security** of several states in the Indian Ocean region, including India.
- OBOR and CPEC seems to be primarily driven by **broad geostrategic and geopolitical aim**.
 - CPEC will provide China **strategic access to the Arabian Sea** and enhance its presence in the region.
 - It would enable China to wield much **more powerful influence in the Indian Ocean**.

Kashmir:-

- Once completed, CPEC project would mean that the **Chinese presence in entire Pakistan** including Pakistan Occupied Kashmir becomes all pervasive and powerful.
- The route of CPEC passes through **POK and makes China an indirect stakeholder in Kashmir conflict** between India and Pakistan.

OBOR is a unilateral ideational of China and there is a lack of transparency in its working. The process is not participatory and collaborative in nature.

String of pearls:-

- Under Maritime Silk Route (MSR) China is developing ports in Bangladesh, Sri Lanka, and Pakistan and is trying to enlarge its influence using its economic might in the Bay of Bengal and the Arabian Sea.
- Thus MSR is nothing but an economic disguise to the “**Strings of Pearls**” Theory. China is investing a huge amount of money in India’s immediate neighbourhood and these countries tend to use the China card against India.
 - Through OBOR, China is **countering the strategies of India in North East region** and is promoting its greater presence in North East India, part of which China claims as its own territory. This may have a security impact on India.
 - Tense bilateral relations with China, deep mistrusts and India’s growing concerns over Chinese hegemonic intentions **in South Asia and Indo-Pacific region** make it practically unlikely that India will ever consider joining this project.
 - The fact that the Chinese have begun to **deploy 30,000 security personnel (Military deployment)** to protect the projects along the CPEC route makes it an active player in the politics of the Indian sub-continent. Clearly, this is a case of double standards.

Way forward:-

- CPEC is ultimately a **thorn in India-Pakistan relations**. The best way forward would be for India to come up with a **concrete plan on PoK**. Otherwise, its protests on CPEC may well be ignored by stakeholders in the project, with little consequence.
- Japan and India can build **rail and road connectivity** across the Eurasian landmass running parallel to OBOR.
- India should focus more on its projects such as **Sagarmala** and **North-South Transport Corridor**. But at the same time we must express our concerns with BRI and should have a clear and firm stand on CPEC and BRI.
- The **Asia Africa Growth Corridor**, structured to **connect** East Asia, South-East Asia and South Asia with Africa and Oceania, provides a normative alternative to OBOR with its promise of being more consultative and inclusive.
- **Project Mausam, Chabahar ports projects** need to be implemented effectively.
- India now needs to match ambition with commensurate augmentation of its capacities that allows it to be a **net security provider in the Indian Ocean region**
- Chinese railways, highways, ports and other capacities can serve as catalysts and platforms for **sustained Indian double-digit growth**

Therefore, for the time being, it may be worthwhile to **carefully evaluate** those components of the BRI which may, in fact, **improve India’s own connectivity** to major markets and resource supplies and become participants in them just as we have chosen to do with the AIIB and the NDB.

But on the CPEC, Indian government need to counter CPEC by **various diplomatic, economic** (i.e development of **chabahar port**) and **strategic efforts**. Tension or conflict between the India and China takes away from the prospects of the Asian century that their leaders speak of. The world should have no quarrel with India and China beating swords into ploughshares. We need a **regular pattern of more informal summits** between the leaders of the two countries. The challenge across the spine of Asia does no one good.

8. Getting the healthcare sector ready for NHPS

Background:

- Presently, India is in a state of **health transition**. The country is not just confronting infectious diseases such as tuberculosis, malaria, dengue, H1N1 pandemic influenza and antimicrobial resistance; but also the emerging problem of **chronic non-communicable diseases** such as cardiovascular diseases, diabetes, cancer which are now the **leading cause of mortality**.
- Climate change, globalization, urbanization and changing lifestyles are further fuelling this transition. This has resulted in the **health infrastructure** undergoing severe strain.
- **Nearly 60 million** people are pushed into poverty every year. Finance Minister, while announcing the **National Health Protection Scheme** said, “Lakhs of families borrow or sell assets to **receive inpatient treatment** and the government is concerned about the consequent impoverishment of poor and vulnerable families”.

- Today, the **total healthcare spending-to-GDP ratio** in India is around 4%, with the government spending-to-GDP ratio at a low of 1.15%. According to a **World Health Organisation (WHO) report**, unless a country spends at least 5-6% of its GDP on health-with the government expenditure being a major part-it is difficult to meet the basic healthcare needs of its population.

Healthcare Sector in India:

- A key reason for the poor quality of public healthcare services in India is the **lack of adequate data and monitoring**. The NFHS report itself comes after a gap of a decade. The health ministry's **real-time health management information system (HMIS)** suffers from poor quality and data gaps.
- A **2017 Comptroller and Auditor General (CAG) report** showed that **18% of health facilities** did not even report basic infrastructure data in the HMIS portal in 2015-16. The CAG also found wide-ranging discrepancies between what the HMIS system reported and the physical records. For instance, the number of infant deaths recorded by the HMIS in Jharkhand was substantially lower than the number in the physical records.
- The **lack of adequate monitoring** also **threatens India's disease surveillance system**. The integrated disease surveillance programme (IDSP) initiated by the health ministry in 2004 with funding from the World Bank is in poor shape.
- According to a 2015 World Health Organization (WHO) field study, only 41% of 70 district hospitals visited had a district surveillance committee in place. And of the 117 district laboratories under IDSP, many fail to conduct recommended tests.
- It is estimated that, in rural areas, the **gap between staff in facilities and those required** was 52% for midwives and nurses, 76% for doctors, 88% for specialists and 58% for pharmacists.
- The country's **average out-of-pocket expenditure on healthcare** is one of the highest globally, at 68%, and this means that of every Rs 100 spent by the public on healthcare, Rs 68 comes from their pocket (the rest is reimbursed by insurance or is provided by the government).
- In comparison, the out-of-pocket expenditure is much lower in China, at 34%, and in the US it is 11%. Due to this high out-of-pocket healthcare expenditure, **7% of the population in India** is pushed below poverty threshold every year.
- **National Health protection Scheme:**
- The biggest takeaway from union budget 2018-19 is **the National Health Protection Scheme**. This is a part of current government's **Ayushman Bharat project**. It is an ambitious scheme which has generated hope and anxiety because it is world's largest government funded healthcare programme.
- The National Health Protection Scheme has promised to **cover 10 crore families involving 50 crore family members** with health insurance cover of Rs. 5 lakh for secondary and tertiary hospitalisation.

Two flagship initiatives under Ayushman Bharat

1. **Creation of primary healthcare foundation of India** which is comprehensive, close to people, provides first level care to people near their houses and launches Jan Andolan for public health care.
2. To provide people **secondary and tertiary care**, connect poor and vulnerable population to this system, the scheme is NPS. It is aspirational scheme covering significant population of India it builds on previous experiences of similar schemes on small scale. This is built on several schemes that state governments have launched from time to time.

Government's Steps:

- The government's intent on moving towards **universal health coverage** is a welcome step, effective implementation of the scheme will be a big challenge, given the scale involved.
- The NHPS will be one of the largest government-funded healthcare programmes globally. It will be critical for the government to strengthen the overall healthcare system-including the infrastructure, availability of healthcare professionals and even the regulatory environment-for the effective implementation of the NHPS.



- The NHPS will be easier to implement by the southern states like Andhra Pradesh, Karnataka and Tamil Nadu, given **their better health infrastructure** and the experience of **running regional health insurance schemes**. On the other hand, implementing the NHPS will be a bigger challenge for poorer states in north India, given their weak healthcare infrastructure.
- The government needs to **bolster all the aspects of the healthcare sector** for enabling effective implementation of the NHPS. Increased spending by the government on healthcare and **greater participation by the private players**, coupled with **tighter regulation**, would help the healthcare sector gear up for the effective implementation of the NHPS.

Tracking the NHPS will be extremely important **to set priorities and shape future health policies in India**. In a large and diversified country, health needs differ from state to state, and, within a state, can vary greatly from one district to another.

Good disaggregated measures of health outcomes will become the basis of framing and assessing future health policy. In spite of the best efforts of previous governments, there is little or no evidence on whether past health policies have had the intended effects. There is little political pressure on elected representatives to address health issues, largely abetted by lack of good local health data.

A well run NHPS has the potential to become the **cornerstone of India's healthcare needs** for several future generations.

Way Forward:

- NHPS requires a **high level of cooperative federalism**, both to make the scheme viable and to ensure portability of coverage as people cross State borders.
- The NHPS will pay for the **hospitalisation costs** of its beneficiaries through '**strategic purchasing**' from public and private hospitals.
- **Well-defined list of conditions** that will be covered, adoption of standard clinical guidelines for diagnostic tests and treatments suitable for different disorders, setting and monitoring of cost and quality standards, and measuring health outcomes and cost-effectiveness. Both Central and State health agencies or their intermediaries will have to develop the capacity for competent purchasing of services from a diverse group of providers.
- An **incentive-based model** for the government hospitals will **help improve their performance** and ease some of the supply constraints. The government should purchase healthcare services from the private players, wherever the government doesn't have the wherewithal to cater to the demand.

It is important to emphasize that there will be **no "one size fits all" model** as far as these **health and wellness centres** is concerned. Lessons will need to be drawn from different primary care models that are being piloted and implemented in various states. The state and central agency will keep an eye that system is not distorted. For a system of this magnitude in any country, **strong monitoring and governance system** is required. **Help of IT and artificial intelligence** will also be taken. Moreover, there should be a link between institutions or hospitals, with health centres and the community as **community engagement** helps in planning and implementation of programme.

Health is **not hospitalization and treatments**. The endeavour should be to **promote preventive health**. This means investing in improving nutritional status, improving awareness, creating and maintaining health surveillance systems. **Primary health services** will reduce the need for advanced care. Hence along with **providing insurance coverage**, there is also a need for proactively strengthening primary health services and public hospitals.

9. The problems with a DNA registry

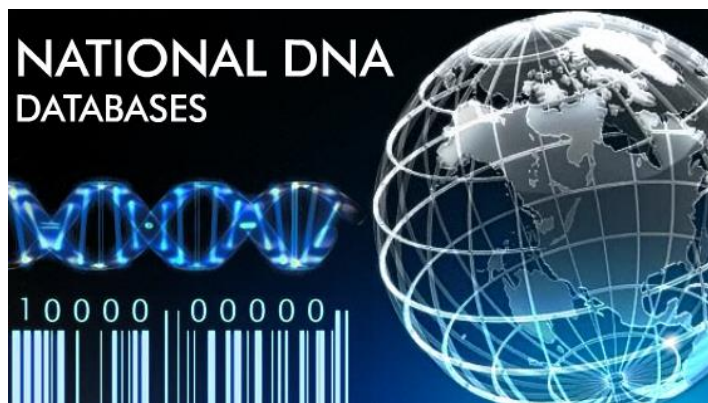
Introduction:

- A **DNA database** or DNA databank is a **database of DNA profiles** which can be used in the analysis of genetic diseases, genetic fingerprinting for criminology, or genetic genealogy. DNA databases may be public or private, but the largest ones are national DNA databases.
- A **centralised DNA database** for storing DNA profiles of individuals that enables searching and comparing of DNA samples collected from a crime scene against stored profiles.
- The most important function of the forensic database is to produce matches between the suspected individual and crime scene bio-markers, and then provides evidence to support criminal investigations, and also leads to

identify potential suspects in the criminal investigation. Majority of the National DNA databases are **used for forensic purposes**.

Context for which DNA database require:

- Despite the spate of violent attacks against women, including rapes, in India, very few of the men implicated have been convicted. While **identifying the rapist** is the first step to serving justice, his identity does not guarantee due punishment or a stiff sentence for the crime.
- According to the **National Crime Records Bureau**, only about a **quarter of rape cases ended in conviction in 2016**. These rates are low in other countries too. The outrage over these attacks has reinforced the belief that India needs a sex offenders' database or a DNA database of those accused and charged with rape.



DNA profiling is used wisely, it can bring major benefits to society:

- DNA profiling is a **forensic technique** which is used to identify a person using his **DNA characteristics**. The process involves analysing the gathered DNA material collected in order to create a profile of the person.
- Government is currently **finalising DNA based technology (Use and Regulation) bill 2017** to establish regulatory institutions and standards for DNA testing, and supervise the activities involved.

DNA profiling can help the society as:

1. It is an accurate and extremely useful in ascertaining the identity of a person from his DNA sample.
2. It is being used around the world for crime investigation especially crimes associated with terrorism. In India use of DNA based technology helped solve the Pune blast case by establishing the identity of criminals.
3. Improve conviction rate in case of crimes where other evidence are not easily available and connect seemingly unrelated crimes.
4. Apart from criminal investigation, the technology is useful in natural disasters to identify bodies
5. Establishing identity of missing persons would become easier with the technology.

The use of technology is being opposed as

1. **Privacy concerns** have been raised as data may be misused as Aadhar data has already been misused.
2. Fear that any failure on part of technology or sample contamination may have **severe consequences** if DNA result taken as ultimate evidence.
3. Information like ancestry or susceptibility to a disease, or other genetic traits, is **liable to be misused**.
4. DNA tests in countries where is being used have **not led to improvement in conviction rate**.

Concern of DNA database:

- Protecting **innocent people's privacy** and **their civil liberties and rights** are the main concerns.
- Some people have said that having everyone's DNA in the database would be a good thing, since anyone can be apprehended if matched to a crime scene. But experience with the **U.K. and U.S. databanks** has shown that having more innocent people's DNA stored increases the chances of a false positive and has not increased the chances of finding a guilty match.
- For Instance, In 2010, the **National DNA Database of the U.K.** contained DNA profiles and samples from about six million individuals. Later, based on the requirements of the Protection of Freedoms Act of 2012, the U.K. government said that it deleted the profiles of close to 1.8 million innocent adults and children.

Regarding a DNA database for India, the following should be ensured:

- It is absolutely essential that the people from whom DNA is taken give their informed consent; taking DNA surreptitiously should be prohibited.
- A court order should be required for obtaining DNA without informed consent and the DNA should only be compared with the crime scene DNA for the suspect.
- Those who are cleared for a crime should not have their DNA information stored, and DNA gathered from offenders should be destroyed after identification so that such information is not used for profiling in future.
- A court order should be necessary to access medical records for genetic data.

Highlights of the DNA Based Technology (Use and Regulation) Bill, 2017:

- **DNA profiling Board:** Constitution of a DNA Profiling Board, a **statutory body** to undertake functions such as laying down procedures and standards to establish DNA laboratories and grant accreditation to such laboratories; and advising the concerned ministries/departments of the Central and state governments on issues relating to DNA laboratories.
- The Board shall also be responsible for **supervising, monitoring, inspecting and assessing the laboratories**. The Board will frame guidelines for training of the police and other investigating agencies dealing with DNA-related matters. Advising on all ethical and human rights issues relating to DNA testing in consonance with international guidelines will be another function of the Board. It will recommend research and development activities in DNA testing and related issues, etc.
- **Security:** DNA profiling would be undertaken exclusively for identification of a person and would not be used to extract any other information.
- **National DNA Data Bank:** There shall be a National DNA Data Bank, and Regional DNA Data Banks for the states, to be established by the Central government. The data banks will be responsible for storing DNA profiles received from the accredited laboratories and maintaining certain indices for various categories of data, like crime scene index, suspects' index, offenders' index, missing persons' index and unknown deceased persons' index.

Conclusion:

- DNA Profiling has immense scope for **ensuring quick and effective Justice** to People. The need of hour is research and devising ways for proper functioning of these Technologies.
- Also, there is **need for Effective Regulation** in ensuring Justice without compromising with Right to Privacy. Creation of a **DNA database** has several advantages but raises several issues as well. The government has been making efforts in making a law on the subject with the **DNA profiling Bill**. DNA technology has also progressed a lot in recent years. All this has made it imperative for us to examine the issues and advantages in detail.
- DNA profiling can be a boon if **strong and effective safeguards** are present against misuse both technologically and legally. DNA profiling cannot substitute a **shabby investigation** for establishing the criminal offence and has to be used as part of **efficient investigative practice**.

10. Financing reindustrialization: bring back development banks

Context in view of Commercial banks:

- Many commercial banks in India are **under financial stress**. This has imparted a **fragility to the banking system** as a whole. Scams and scandals surface from time to time, making headline news. There is also a quiet crisis that runs deep. It is not audible yet. But it is mounting, since **recurring failures of regulation or governance** have not led to any accountability or corrective action. If the problem continues to be neglected, a **trust deficit** could develop over time.

- **Roots of the Problem of Financial Stress:**

- The fundamental problem is the **non-performing assets (NPAs)** of commercial banks. An asset becomes non-performing when it ceases to yield any interest or income for the bank. It is a bad loan. Such **NPAs are rising rapidly**. This rise is partly a consequence of the far more **rigorous asset quality review** by the Reserve Bank of India (RBI) based on its **income-recognition and asset-classification norms**.
- The NPAs in the Indian banking system posing a threat to the stability of the **country's financial system** and the economy. India has been ranked fifth on the list of countries with the highest Non-Performing Assets (NPAs), **by CARE Ratings**.

Reports and Data from RBI:

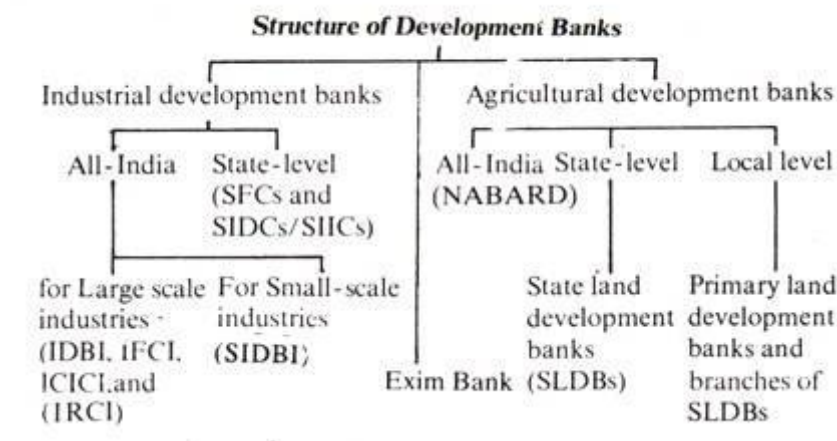
- The **RBI financial stability report** shows that for all commercial banks, **gross NPAs as a proportion of total assets** were 9.6% in March 2017 and an estimated **10.8% in March 2018**. For public sector banks, these proportions were higher at 11.4% and 14.5%, respectively. The problem is obviously serious in public sector



banks. Even if private sector banks fare better, they also have the same problem. Hence **privatization is no solution**.

- The **systemic problem of bad loans** needs to be addressed.

Figure 8.1



Factors for Piling up of NPA's:

- The **underlying factors** are common. Lending at **political behest** plagues public sector banks but private sector banks are not immune either. Lending could be **driven by corrupt behaviour** if bank managers collude with corporate borrowers to collect margins for themselves without assessing risk before extending bad loans.
 - Apart from behest, corrupt or inept lending, some **systemic problems** arose. Commercial banks simply did not have the **capability to assess credit risk on long-term investment lending** because they have always been engaged in advancing short-term working capital.
 - Moreover, commercial banks were caught in a **maturity mismatch**, because they borrowed short from depositors but had to lend long to investors.
 - **Development Finance Institutions (DFIs):**
 - Until the early 2000s, **development finance institutions (DFIs)** had done much of the lending to corporate entities for investment in the manufacturing or services sectors. These began winding down in 2000 and were closed down in 2005. Then borrowing from **commercial banks** emerged as an important alternative **source of corporate financing**.
 - India was a pioneer in establishing DFIs, its equivalent of development banks to kick-start industrialization.
 - There were **three components** in this process:
 - Long-term-lending institutions that were nationwide,
 - Institutions for the states, and
 - Investment institutions.
1. The term-lending institutions were the Industrial Finance Corporation of India (IFCI), Industrial Credit and Investment Corporation of India (ICICI), and Industrial Development Bank of India (IDBI). The essential objective of these national institutions was **to provide long-term finance for private investment** in the industrial sector, with funds from the Central government and RBI on concessional terms.
 2. **State financial corporations (SFCs)** and state industrial development corporations (SIDCs) were set up to provide **long-term finance for small and medium enterprises** in the manufacturing sector of respective states, with funds from their respective governments on concessional terms.
 3. The third component, **investment institutions**, was unusual in this role. It was made up of Life Insurance Corporation of India (LIC), Unit Trust of India (UTI) and General Insurance Corporation of India (GIC). These institutions raised finances by mobilizing the savings of households, by spreading insurance habits, and by opening up avenues of higher returns on the financial savings of individuals.

Obviously, their sources of finance, either households or individuals, were **mostly small savers**. The provision of long-term development finance, in the form of loans or equity, emerged as a secondary objective for these institutions.

Retrospection of DFI's:

- It is clear that these DFIs made a **significant contribution** to the provision of industrial finance in India. As a proportion of **gross fixed capital formation** in the manufacturing sector, their total disbursements rose **from one-tenth in 1970-71 to half in 2000-01**.
- In the **absence of these institutions**, such levels of private investment in the industrial sector would have been difficult to finance from alternative sources. It shows that their contribution was essential. Some of it served a **strategic purpose in kick-starting manufacturing sector** activities and **supporting innovative lending** to an emerging services sector.
- Sometimes, the process of due diligence for extending loans was limited or incomplete. On occasions, even the debt servicing capacity of the borrower was not reviewed or monitored after the loan had been provided.
- In addition, there were **errors of omission. Infrastructure was excluded** from their portfolios. By the time this was corrected, it was too little, too late. There was almost **no coordination between their lending and industrial policy objectives**, so there was **no preferred access** for pharmaceuticals, clothing, two-wheelers, auto components or information technology.

Development Banks:

- The **role of development banks was diluted** during the early 2000s, not only in India but also in other developing countries. This was attributable to the progressive **withdrawal of concessional funds** made available by governments, which in turn was an integral part of deregulation and reform in the financial sector almost everywhere.
- The **China Development Bank** was established as late as 1994, and it performed a **critical role in the industrialization surge** that began in the mid-1990s. Between 2000 and 2010, the outstanding loans of development banks as a **percentage of gross domestic product dropped from 7.4% to 0.8% in India, but rose from 6.4% to 9.7% in Brazil and 6.2% to 11.2% in China**, and declined from 8.6% to 6.8% in Korea, while this proportion rose from 8.5% to 15.9% in Germany and from 3% to 7.2% in Japan.

Reforms Needed:

- The shortcomings of DFIs in India, highlighted above, obviously needed correctives. But their shutdown was a serious mistake, because their role was necessary and could not be dispensed with. It simply passed on the burden to commercial banks, not equipped for the task, which have accumulated NPAs as a consequence.

Need to be mindful implementation of the 4 R's —

- 'Recognition' of assets close to their true value
- 'Recapitalisation' or infusion of equity for banks to protect their capital
- 'Resolution' in the form of selling underlying stressed assets
- 'Reform', through the right future incentives for the private sector and corporates to ensure there is no repeat of the twin balance sheet syndrome.

Way forward to reindustrialize India:

- The time has come to establish a **National Development Bank (NDB)** in India. Such a new institution would **start with a clean slate**, without any baggage from the past. It must **incorporate lessons from our past experience** with DFIs to eliminate errors of omission and commission.
- It is just as important to introduce **institutional control mechanisms** that were missing from the conception and design of the erstwhile DFIs.
- Thus, it is essential to have an **institutionalized system of checks and balances** that can prevent collusion between governments and firms, or between development banks and firms, to capture rents by imposing discipline on the self-seeking behaviour of any one stakeholder, or even two stakeholders who wish to collude, by other stakeholders. The **design and blueprint** will need careful thought.
- At this juncture, an **NDB is both necessary and desirable**. It would help **reindustrialize India**. It would also **de-stress commercial banks**.
- Policymakers should **set suitable incentives** and allow independent banks to pursue efficiency in that setting, not meddle in their functioning through **action-specific regulations**. Therein lies the essence of **second generation reforms in Indian banking**.
- The **rot in the Indian banking system** is deep but **it can be treated**. Unless the measures suggested are implemented effectively, the banking system would continue to burn cash for the politicians, bureaucrats, and businessmen. And the people of India, including the poorest of the poor would continue to pay the price.

- Banks **operational risk management, risk culture, internal control frameworks and external audit function** should typically play a central role in preventing fraud.

11. US unilaterally pulled out of the Iran Nuclear deal

Background:

- The Joint Comprehensive Plan of Action, commonly known as the Iran deal, was signed on July 14, 2015 between Iran, the U.S., China, France, Russia, the U.K., Germany and the European Union.
- Under this deal, Iran agreed not to build any more heavy water facilities, eliminate its stockpile of medium-enriched uranium, cut its stockpile of low-enriched uranium, and reduce the number of its gas centrifuges. Other nuclear facilities in Iran would have to be converted into non-nuclear facilities.
- In return, Iran will recover assets worth \$100 billion frozen in overseas banks, and sanctions on the country by the U.S., the U.N. and the E.U. will be lifted.



Context:

- President Donald Trump recently decided to **unilaterally pull the U.S. out of the Iran nuclear deal** and to **re-imposing nuclear sanctions** against that country. It is a huge setback to multilateral diplomacy and the rules-based international order. The re-imposed sanctions will target **critical sectors of Iran's economy**, such as its energy, petrochemical, and financial sectors
- Former United States President **Barack Obama criticised** the decision made on Tuesday by President Donald Trump to pull the United States out of the 2015 Iran nuclear deal, calling the move a **"serious mistake"**.

Iran's Reaction:

- Iranian President Hassan Rouhani said that if the U.S. quits the nuclear deal between Tehran and world powers then Washington would regret it "like never before".
- Iranian President declared that his government **remains committed to a nuclear deal** with world powers, despite the US decision to withdraw, but is also ready to **resume uranium enrichment** should the new sanctions against Iran become effective. Undoubtedly, the US exit from the nuclear deal comes as a great defeat for Rouhani against the Iranian hardliners who warned him against diplomacy with the Americans.

5 ways India could be affected by U.S. decision to pull out of Iran nuclear deal:

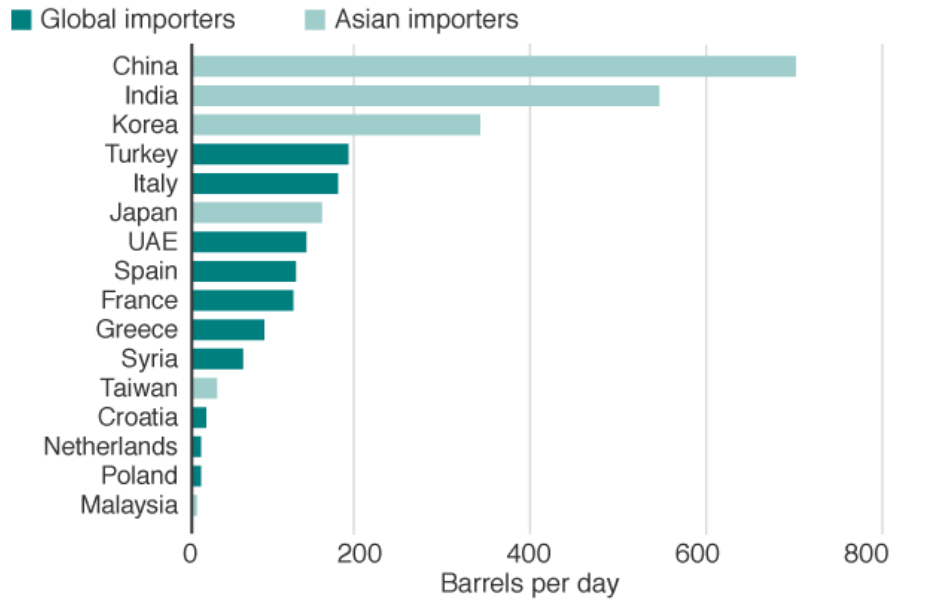
Even so, India could face the impact of the U.S. decision on the deal as well as instituting the **"highest level of economic sanctions"** in several ways:

1. **Oil prices:** The **impact on world oil prices** will be the immediately visible impact of the U.S. decision. Iran is presently **India's third biggest supplier** (after Iraq and Saudi Arabia), and any increase in prices will hit both inflation levels as well as the Indian rupee. **Non-oil trade with Iran**, which stood at about \$2.69 billion of the total trade figures of \$12.89 billion in 2016-17 may not be impacted as much, as New Delhi and Tehran have instituted several measures in the past few months, including allowing Indian investment in rupees, and initiating new banking channels, between them.
2. **Chabahar:** India's moves over the last few years to develop berths at the **Shahid Beheshti port in Chabahar** was a key part of its plans to circumvent Pakistan's blocks on trade with Afghanistan. India has already committed about **\$85 million to Chabahar development** with plans for a total of \$500 million on the port, while a **railway line to Afghanistan** could cost as much as \$1.6 billion. New U.S. sanctions could slow or even bring those plans to a halt depending on how strictly they are implemented.
3. **INSTC:** Beyond Chabahar, India has been a **founder of the International North South Transport Corridor (INSTC)** since it was ratified in 2002. It starts from Iran and aims to cut right across **Central Asia to Russia over a 7,200-km multi-mode network**, cutting down transportation and time taken by trade by about 30%. New U.S. sanctions will affect these plans immediately, especially if any of the countries along the route or banking and insurance companies dealing with the INSTC plan also decide to adhere to U.S. restrictions on trade with Iran.

4. **Shanghai Cooperation Organisation:** India joined the SCO along with Pakistan last year, and both will be **formally admitted in June 2018**, when Prime Minister Narendra Modi travels to the Chinese city of **Qingdao for the SCO summit**. This year, Chinese officials say they will consider inducting Iran into the 8-member Eurasian security organisation.

Iran's biggest customers

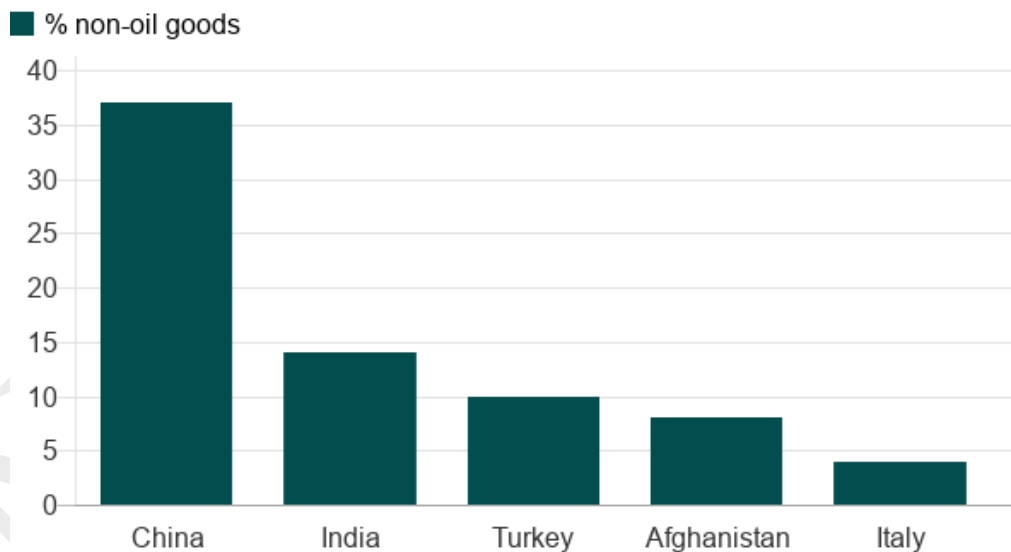
Average exports in thousands of barrels per day from November 2017 to April 2018



Source: Bloomberg



Iran exports: Top five destinations for non-oil products



Source: IMF



If the proposal is accepted by the SCO, which is **led by China and Russia**, India will become a member of a bloc that will be seen as anti-American, and will run counter to some of the government's other initiatives like the Indo-Pacific quadrilateral with the U.S., Australia and Japan.

5. The move may also rile other adversaries of Iran, like Saudi Arabia, UAE and Israel, with whom the government has strengthened ties in an **effort to balance its West Asia policy**.
 - **Rules-based order:** India has long been a **proponent of a "rules-based order"** that depends on multilateral consensus and an adherence to commitments made by countries on the international stage. By walking out of the JCPOA, the U.S. government has overturned the precept that such **international agreements are made by "States"** not just with prevailing governments or regimes.

- This could also impact all agreements India is negotiating both bilaterally and multilaterally with the U.S., and the government will have to choose its future course factoring in the new U.S. behaviour, especially after Mr. Trump withdrew from the U.N. Climate Change treaty (Paris Accord), and the Trans-Pacific Partnership with East Asian trading partners.
- New Delhi will have to consider a **new understanding of its ties** with Washington in this context, and some of this understanding may be built during the **first “2+2” dialogue** between Foreign and Defence Ministers of both countries to be scheduled in the next few weeks in Washington.

Which companies could be affected?

- A number of French firms have signed billion dollar agreements with Iran since the nuclear accord was signed in 2015.
- Aside from **Airbus**, they include French oil giant Total and the car makers Renault and Peugeot. Companies would have to wind up investments by November or face US sanctions.

Way Forward:

- With this decision President Trump is risking U.S. national security, recklessly upending foundational partnerships with key U.S. allies in Europe and gambling with Israel’s security.
- Today’s withdrawal from the JCPOA makes it **more likely Iran will restart** its nuclear weapons program in the future
- The U.S. stands **isolated in its decision**. Europe and other powers (UN permanent members) should stick together to respect the mandate of an international agreement. Any sanctions imposed by U.S. will **hurt the global economy** and may force Iran to stock nuclear weapons, further complicating the situation.
- Thus, the **need of the hour** is to standby with the agreement even after the U.S. has withdrawn.

12. Pokhran II, twenty years later

Background:

- After Independence, India got fame from its two nuclear tests, 1st after two decades of independence and another in 1998, which made India to adjust its place in the list of **self-reliant and nuclear capable nations**. The tests was carried out in secrecy and was revealed after its success. **Pokhran which means “Place of 5 Mirages”** is the place where both the nuclear tests were carried out. These tests raised a worldwide uproar and registered India’s name in the list of nuclear nations.



Context:

- Twenty years ago, on **May 11, 1998**, India took a **leap into the unknown world of nuclear weapon powers** with the tests at Pokhran. The five nuclear devices detonated during the Pokhran II Test were **Shakti I, II, III, IV and V**.
- It consisted of 5 detonations. First one was fusion and remaining 4 were fission bomb test. This test made **India 6th nation** to have tested a nuclear weapon.
- A series of **five nuclear explosions** were conducted between May 11 and May 13, 1998. The second Pokhran Nuclear Test was conducted after **Smiling Buddha in 1974**.
- **May 11**, the day of first of the five explosions during the Pokhran-II nuclear weapons testing, was officially declared as the **National Technology Day**.
- The decision was taken after great deliberation and with preparation, but the reaction of the world would affect the future of India was unknown. But today, it is certain that the **action was timely and inevitable**. India has more or less achieved the **strategic goals** that the nuclear tests set their sights on.

What happened after Pokhran II Nuclear Tests:

- The United States **imposed sanctions** on India, cutting off all aid except humanitarian assistance. The then President Bill Clinton signed official papers imposing the measures on India for carrying out nuclear tests.
- The two new nuclear explosions drew further world condemnation. Pakistan had bitterly condemned the latest Indian tests.
 - Pokhran-II nuclear tests resulted in a variety of sanctions against India by a number of major states, including **Japan** and the **United States**.
 - The challenge to mitigate international opposition with US and eventually **bridge the trust gap** was a great concern.
 - The test **opened floodgates of trouble** for India which include: economic and military and interactional isolation.
- However, with those difficulties, Pokhran II has brought India to the **nuclear mainstream** and opened up the **global nuclear market** for development of nuclear power without signing the Treaty on the **Non-Proliferation of Nuclear Weapons (NPT)** or the **Comprehensive Nuclear-Test Ban Treaty (CTBT)** which further lead to The **U.S.-India Nuclear Deal**. The India-US civil nuclear deal was signed in 2008, after nearly 30 years of US-imposed sanctions since India tested its first nuclear weapon (1974).
 - The agreement saw an **implicit recognition** for the first time – of India as a nuclear weapons power.
- The core of this agreement was the emphasis on non-proliferation of Weapons of Mass Destruction (WMD). Even though India did not officially join the Non-Proliferation Treaty (NPT)
- The **Nuclear weapons doctrine** has become the **cornerstone of India's diplomatic, military and political policy** in the international arena.

Pokhran II- Proof of India's Nuclear Prowess:

- Pokhran-II nuclear tests carried out 20 years ago saying it established India's nuclear prowess in the world. India's test was not only successful but in a way, India had demonstrated its might in the **field of science and technology**. We can also say the date has been engraved in the history of India as a demonstration of its military power.
- Pokhran II test was concluded in 1998 and is always **remembered as a day of pride** for India. Many known personalities, political anomalies and Indian Military hunkers coordinated with each other to carry out this test and made it successful. The test showed the self-dependency of India and still 11 May occupies a special place in calendars of scientists and researchers.
- Despite **not being a signatory** to either the CTBT or NPT, India has managed to secure civilian nuclear deals with the US, Japan and Australia, among countries, thanks to an NSG waiver exempting India from the full-scope International Atomic Energy Agency (IAEA) safeguards. This waiver was backed by France, Russia, US, and Germany.
- Although NSG membership remains a distant dream thanks to China's veto powers, **Indian diplomacy and commitment** to non-proliferation (unlike neighbours Pakistan) has triggered entry into other multilateral export regimes like the 35-nation strong Missile Technology Control Regime (MTCR), which seeks to prevent the proliferation of missile and unmanned aerial vehicle technology.
- For India, joining groups like the NSG and MTCR is "driven by **the need for access to high technology** equipment, materials and know-how without which Indian industry cannot upgrade itself rapidly

and remain globally competitive,” it would help “strengthen its reputation as a **responsible power committed to goals** of non-proliferation of weapons of mass destruction”.

- India is now a member of **three out of four multilateral export control regimes** — MTCR, Wassenaar Arrangement, Australia Group — and is in the reckoning for membership of the NSG. Pokhran-II gave India the **strategic space to manoeuvre** at the world stage, and to showcase its international behaviour on the rules-based system, even without being part of the Nuclear Non-Proliferation Treaty.

Conclusion:

- Regardless of the international reactions to the nuclear tests of May 1998, the **general public of India** was happy and lauded the government’s undeterred stand regarding national security.
- Another major event that has shaken confidence in the value of nuclear power in India’s energy mix was the **Fukushima disaster**. It has changed **the global nuclear power scenario** beyond recognition, though India has maintained that it is “business as usual”.
- India’s intention to use of nuclear power for civilian purpose: The share of nuclear power in the total electricity generated in the country in the year 2016-17 was a mere 3.05%. According to the data from Department of Atomic Energy, the present installed nuclear capacity is 6780 MW and it will **reach 13480 MW by the year 2024** with the completion of projects under construction.
- The government’s recent decision to **build more indigenous reactors** points to the fact that the dream of imported nuclear reactors dotting India has disappeared. India’s focus has rightly shifted to solar and other new sources of energy.
- **India’s No First Use policy** pertaining to nuclear weapons was cemented by the Cabinet Committee on Security meeting in January 2003. The Indian government’s nuclear doctrine talked about **“building and maintaining a credible minimum deterrence,” and “No First Use”**, which meant nuclear weapons will only be used in retaliation. In the event of an attack, the retaliation would be “massive and designed to inflict unacceptable damage.”
- On the 20th anniversary of the Pokhran-II tests, it is safe to say India has burnished its reputation as a **responsible nation dedicated to the spirit of non-proliferation of nuclear weapons**, despite certain comments by some ministers – which can be considered nonsensical.

Way Ahead:

- Twenty years after Pokhran-II, this demonstrated behaviour has given **India the moral, political and legal** standing to convey to the world that it plays by the rules.
- So, be it the Paris Climate Accord, or the NSG, or freedom of navigation in the Indo-Pacific, or counter-terrorism initiatives, or a claim to be a permanent member of the UNSC, Pokhran-II and what followed has given **India the right to claim the tag of a responsible power** — a **valuable asset** in times when powers like the US and China are perceived to be not adhering to international commitments.

13. In a state of energy poverty: on the goal of 100% electrification

Context:

- There is now **100% village electrification** in India, an important milestone in the country’s development trajectory. The remote village of **Leisang in Manipur** is the last village to be connected to the national grid on April 28.
- At the time of Independence, K. Santhanam, a member of the Constituent Assembly, called a ‘**virgin field for electrification**’. But despite **dedicated public agencies** in electricity development, a planned approach, a sustained political mandate and continued public spending by the Centre and States, India has been considerably **slow in reaching the milestone**.

Challenges in India’s Energy of Electricity:

- India continues to harbour energy poverty; **31 million rural households** and about **five million urban households** are still to be connected to the grid — the highest in any single country. A significant portion of connected rural households is yet to get adequate quantity and quality of supply.
- The Central government has set itself an ambitious target of connecting all remaining households **by the end of March 2019** and made budgetary allocations to cover the cost of electrification.

- As part of a Centre-State joint initiative on **24x7 'Power for All'**, State governments have already committed to **ensuring round-the-clock supply** to all households from April 2019. The aspiration for **access to clean, reliable and affordable power** for all is not free from barriers and fallibility.
- The regional imbalances in electricity access have persisted. **Seven States** (Uttar Pradesh, Bihar, Odisha, Jharkhand, Assam, Rajasthan and Madhya Pradesh) account for **90% of un-electrified households**. Coincidentally, these States are ranked poorly in social development indices and house about two-thirds of the population living below the poverty line. This **concurrency between economic poverty and energy poverty** will be a barrier to the goal of universal access.

Challenges in Distribution Side:

- Electricity distribution companies (**DISCOMS**) in these seven States are already highly indebted, accounting for 42% of accumulated debts of all DISCOMS as on March 2016. Their debts account for 17% of accumulated liabilities of the States.
- The other major challenge is **from distribution network capacity**. Electrification in India has followed an **approach of expansion**, often driven by political considerations, without much emphasis on capacity augmentation and making the grid future ready.
- As a result, the **distribution infrastructure is overburdened**, as the demand has grown, **causing a high level of technical losses and frequent breakdowns**. The distribution network capacity in several States is inadequate to carry available electricity.
- Subsequently, DISCOMS have been resorting to load shedding while their contracted generation capacities are underutilised. Adding new load to the existing fragile distribution network will only **compromise the quality and reliability of supply**. It could result in continued blackouts for the rural poor during peak hours.



Government Initiatives:

- Preparation of state specific action plans for '**24X7 Power for All**' covering adequacy of generation, transmission capacity and distribution system.
- The revised Tariff Policy with a focus on '**4 Es**' i.e. **Electricity** for all, **Efficiency** to ensure affordable tariffs, **Environment** for a sustainable future, **Ease of doing business** to attract investments and ensure financial viability.

Launching of a scheme called **Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) for rural areas:**

- The scheme provides for (a) separation of agriculture and non-agriculture feeders; (b) strengthening and augmentation of sub-transmission and distribution infrastructure in rural areas including metering at distribution transformers, feeders and consumers end; and (c) rural electrification.
- Launching of **Integrated Power Development Scheme (IPDS)** for urban areas: The scheme provides for (a) strengthening of sub-transmission and distribution networks in urban areas; (b) metering of distribution transformers/feeders/consumers in urban areas; and (c) IT enablement of distribution sector and strengthening of distribution network.

Operationalization of **Power System Development Fund (PSDF):**

- PSDF shall be utilized for the project proposed by distribution utilities for (a) creating necessary transmission system of strategic importance; (b) installation of shunt capacitors etc. for improvement of voltage profile in the grid; (c) installation of standard and special protection schemes; and (d) Renovation and Modernisation of transmission and distribution systems for relieving congestion; etc.
- Launching of **Ujwal Discom Assurance Yojana (UDAY)**: The scheme has been launched for operational and financial turnaround of Discoms.
- Measures initiated for **reducing the generation cost of coal based power projects:**
 - Increasing supply of domestic coal;
 - Coal usage flexibility
 - Rationalisation of coal linkages
- State strategy documents on **24x7 'Power for All'** highlight the need and quantum of augmentation required in distribution network capacity. Many States have failed to utilise the limited funding. Current allocations under the **Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY)** and **Integrated Power Development Scheme (IPDS)**, to augment rural and urban distribution networks, respectively, are only a fraction of the requirement.

Moreover, disbursement of these grants has been much slower, 17% under DDUGJY and 31% under IPDS, reflecting sluggish implementation.

Pradhan Mantri Sahaj Bijli Har Ghar Yojana (Saubhagya):

- A new scheme Pradhan Mantri Sahaj Bijli Har Ghar Yojana –“Saubhagya” to **ensure electrification of all willing households** in the country in rural as well as urban areas. SAUBHAGYA is more than a mission to provide electricity to the entire nation and **ensure energy security**.
- For easy & accelerated implementation of the Scheme, modern technology shall be used for household survey by using Mobile App. The **Rural Electrification Corporation Limited (REC)** will remain the nodal agency for the operationalisation of the scheme throughout the country.
- **The expected outcome of the Scheme is as follows:**
 - Environmental upgradation by substitution of Kerosene for lighting purposes
 - Improvement education services
 - Better health services
 - Enhanced connectivity through radio, television, mobiles, etc.
 - Increased economic activities and jobs
 - Improved quality of life especially for women

Conclusion:

- The government target to achieve **universal household electrification by 31 March 2019**. The Target of 31st March 2019 will depend on the **ability of the Centre and States** to generate required capital investments, timely upgradations in transmission and distribution networks and covering the costs of servicing less remunerative loads.
- With electricity reaching all 597,464 census villages last month, the government’s focus is now on providing electricity connections under the **Pradhan Mantri Sahaj Bijli Har Ghar Yojana (Saubhagya)**. The government plans to provide electricity connections to **all Indian homes by December 2018**, with **REC being the nodal agency** for implementing Saubhagya.
- Free electricity connection is not the end. **Affordability and Quality of the electricity** should be next step taken. Though India is claimed to be power-surplus nation, the power generation utilities remain vastly under-utilised. Though **Ujwal DISCOM Assurance Yojana (UDAY)** has been not quite successful in making an impact to restructure the debt of State distribution agencies, more and more efforts should be made under it.
- The DISCOMS should be given the **freedom to sell at a profitable price** as well as be supplied with demand asked for after consulting various stakeholders.
- Implementing some **appropriate measures** such as smart meters, infrastructure development, franchisee arrangements with local self-help-groups (for more effective billing, monitoring and collection) may improve the situation to some extent.
- Success depends on **curbing DISCOM losses and consumer honesty**. Distributed generation could complement **centralised grid electricity** to resolve both, and ensure sustained use of electricity not just for rural households, but also for the entire rural economy including farms, schools, hospitals, and small businesses. It would lead to improved consumer satisfaction, as **electricity truly becomes an enabler of prosperity in rural India**.

14. Creating jobs for women in the renewable energy sector

Introduction:

- India can increase its **GDP by up to 60% by 2025** by enabling more women to participate in its workforce, a **2015 study by the McKinsey Global Institute** had stated.
- However, social and cultural constraints can prevent this from becoming a reality. Many women who work outside home still have primary household and parenting responsibilities that need to be balanced with their work life.
- Studies estimate that India’s ambitious target of **achieving 175 GW of renewable energy (RE) by 2022** could **create 3,30,000 jobs** in the wind and solar energy sectors alone. These opportunities can provide better salaries and health-care benefits, skilling and training



opportunities, and enhance the quality of life for women and their families by supporting the inclusion of more women in this growing sector.

Context:

- **Creating non-farm jobs** to absorb this work force over the next decade will no doubt require a change in thought process about **the role of women in society and the economy**.
- Huge investments will be needed in upskilling and educating women and the girl child, financial inclusion of women, encouraging women entrepreneurs, strengthening legal provisions for safety and security of women. But more than anything else it will require **creating an abundance of new jobs** within the formal sector and lowering barriers to job creation.
- Increased availability of stable-wage jobs for women is critical to preventing their socio-economic exploitation, improving their quality of life, enhancing a woman's control over household decision-making and enabling her to lead a life of dignity.

Low participation of women:

- The **problem and the opportunity** are both clear. According to the **World Bank, more than 270 million Indians** live in poverty. Further, studies by the International Energy Agency, an autonomous intergovernmental organisation, show that about **240 million people** lack basic electricity services.
- The government has committed to **installing 175 GW of RE by 2022**. Several of these installations will be in rural areas, where a large number of the poor live. The new RE projects be planned in a manner that also creates good quality jobs for women in these areas.

Renewable Energy Industry:

- Currently, **India's RE industry sector**, as with other sectors, has low participation of women. India ranks a poor **120 among 131 countries on female labour force participation**, according to World Bank data. A majority of women currently employed in the RE sector work at project sites, doing civil masonry work, which is temporary and labour-intensive with little potential for future growth. Moreover, the working conditions on many sites are not always suitable for women as they are **devoid of safety and support systems**.
- Where there is a need for more skilled or semi-skilled labour, fewer women can respond due to **existing barriers** to formal education and training.
- Technical training institutes do not admit applicants who have not graduated Class 12. And even where they meet the prerequisite for admission into training institutes, the institutes tend to be located in towns and cities, making it difficult for rural women to effectively participate, especially when they are also expected to carry out other household responsibilities.
- Consequently, there are **very few women** in production, facilities, and operations and maintenance roles in the RE sector.

Women and Sustainable Energy:

- Sustainable energy is a **development enabler**: it would be impossible to achieve any of the SDGs without improving the quality and reach of energy services in the developing world.
- Because the **reduction of the carbon intensity of energy** is imperative in the fight against climate change, the sector also plays a central role in climate change mitigation. **Women and girls** are predominantly responsible for the bulk of household work, access to energy makes a significant difference to **their health and well-being**.
- While access to energy services would not necessarily guarantee gender equality, it would go a long way in relieving women and girls of the drudgery associated with their daily tasks and providing them time for **income-generating opportunities and education**.

Women and Household Energy:

- Women have more sustainable consumption choices and, as household energy managers, tend to have a bigger say in household energy decisions.
- Besides its commonplace **use for everyday household needs** (such as lighting, cooking and heating), energy helps catalyse national development and advance social progress by improving health, education, access to clean water and other essential services.
- Thus, from the standpoint of consumption, the design, production, distribution and sales of sustainable energy technologies (for example, clean cooking stoves and lighting devices) would benefit from having **women contribute to shaping the clean energy value chain**.

- Their position in society equips them with an understanding of the **cultural and community context**, which is useful for introducing behavioural change with regard to energy consumption at the household level.
- The study recommended that private sector leaders should **build capacity** among unskilled and semi-skilled workers to ensure sustainability of renewable energy projects and give rural communities a sense of ownership in off-grid projects.
- It further said government officials should create public training programmes that prepare the poor and less educated people— those typically shut out from training institutes and full-time positions – for employment in the clean energy sector.

WISE

- **Women in Solar Energy (WISE) in USA** was started by solar industry veteran Kristen Nicole who witnessed first-hand the impact of a lack of diversity in the solar energy industry.
- After working closely at the intersection of the utility, financial and construction industries and seeing how the confluence of the cultures of these industries impacted the overall solar industry culture, Kristen saw a gap between the environmentally-driven solar industry.
- **Women in Solar Energy** is the networking centre point of the solar energy industry, united towards a **common goal of advancing women** in all aspects of the solar energy industry and promoting diversity and forward thinking business practices in our community. We do this through education, capacity building, advocacy, strategic partnerships, networking and events.
- WISE was founded on the idea that the **collective power of the female community** is massive, and if we can all work together, the end result can be revolutionary.

Conclusion:

What will it take for women from poorer and rural communities to access jobs in the RE sector?

- In a recent study found that **jobs in the RE sector** can impact poverty, provided several “tweaks” are made to the existing systems. Particularly with the growth of the **decentralised RE and off-grid energy sector**, there is significant potential to include local women in the workforce.
- Overall, the study concluded that if the government, clean energy enterprises, training institutes and civil society work together to implement these “tweaks”, India could **create good-quality employment opportunities** that can support the inclusion of more women. But such interventions need to be designed with **women at the centre** and not as an afterthought.
- **Training institutes** could reduce the bar on entry, allowing for less formally educated women to learn new skills and receive training. Training should be customised to respect specific needs like location, hours of engagement, safety and sanitation.
- **Mobile training modules** that can cater to small groups of women in remote areas can be developed. Training institutes and civil society organisations should collaborate and strengthen connections with clean energy enterprises to help trained women secure employment.
- This **sensitisation to women’s specific needs** can help increase participation of women in the RE workforce. If the public and private sectors come together to bring such jobs to women, particularly in poorer communities, India’s transition to clean energy could also **improve the quality of life for women and their families**.
- It also said training institutes and civil society organization leaders should **“target women and tailor skill-building programs to their specific needs, including location, hours, safety and sanitation”**.

15. A triple blow to job guarantee scheme

Context:

- The scheme is meant to be **demand-driven** in the sense that the government is mandated to provide work within 15 days of a worker seeking work. Otherwise the worker is entitled to an unemployment allowance.
- A second key provision of the Act pertains to payment of wages within 15 days of completion of work, failing which a worker is entitled to a delay compensation of 0.05% per day of the wages earned.



- However, both these provisions have been routinely violated. There is an ongoing **Public Interest Litigation** in the Supreme Court (*Swaraj Abhiyan v. the Union of India*) concerning these violations. We look at three ways in which a lack of funds has led to a subverting of these provisions in letter and spirit.

Present Concerns in MGNREGA:

- The **NREGA Sangharsh Morcha**, which tracks the implementation of the act, found that 64%, 86%, and 99% of the orders for wages in February, March, and April, respectively, remained unprocessed. While non-payment or delays in payment are not new to MGNREGA, recent changes in the structure of wage payments have only worsened the problem.
- First, budget allocation over the years has been **insufficient**. While there has been an increase in the nominal budget in the last two years, after adjusting for inflation, the budget has actually decreased over the years. The real budget of 2018-19 is much lower than that of 2010-11.

Payments through Fund Transfer Order (FTO):

- The government, in order to ensure “leakage proof payment” through the **National Electronic Fund Management System (NeFMS)**, ordered that payments happen through a **fund transfer order (FTO)**. Payments through Aadhaar-seeded bank accounts were also introduced subsequently. While ensuring that wages reach workers without any leakages is laudable, its **practicability at the ground level** as well as its **implications** remains a concern. Even as the execution of such measures can be improved over time, **they reverse the process of decentralised participatory development**.
- Under the NeFMS, **funds remain centralised** in one account under the control of the Government of India, while the allocation of money to the implementing agencies is only notional.
- The implementing agencies generate claims for wages as per the muster rolls through FTOs. After the generation of FTOs, the programme officer uploads them for payment. The process has debilitating weaknesses.
- Reports from different states suggest that sometimes payments are not transferred to the accounts of the MGNREGA workers and suppliers for three to four months, even more in some cases, all due to pending FTOs. This is corroborated by growing evidence of pending wage arrears and material payments in many states.

Guarantee of payment:

- A **serious implication** of this is the violation of the rights of workers who are entitled to receive full payment of their wages within 15 days of working in the programme. Without the “guarantee of payment,” the work programme loses teeth. Over time, it loses appeal among workers, who are then driven to more **precarious forms of work and distress migration**.
- The poor need cash on a daily basis **to meet their consumption needs**, and are forced to turn away from the programme and look for alternative employment. This delay of payments and uncertainty about wages rob the soul of the programme.
- Second, the **centralised mechanism** reverses the process of strengthening panchayati raj institutions, which, even after 25 years of being a part of federal constitutional arrangements, remain weak for **lack of devolution of power, functions, and functionaries: the three Fs**.

MGNREGA:

- “Mahatma Gandhi National Rural Employment Guarantee Act”, MGNREGA), is an Indian labour law and social security measure that aims to guarantee the “Right to Work”.
- MGNREGA guarantee “Right To Work” for at least one member of family for 100 days annually , 150 days for SC/STs during non-agricultural seasons . Employment provided within 15 days of enrollment , failing to which the government will give unemployment wages to work-seekers

Importance of MGNREGA:

- The objective of the Act is to **enhance livelihood security** in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work.
- MGNREGA is to be implemented mainly **by gram panchayats (GPs)**. The involvement of contractors is banned. Labour-intensive tasks like creating infrastructure for water harvesting, drought relief and flood control are preferred.
- MGNREGA stands out in its **worker-centric legislation** and **stated emphasis on transparency and accountability**. Several potentially progressive measures such as a **real-time management information system** have been put in place.

- MGNREGA, in one stroke, provided all three. In many of the states, for the first time, gram panchayats opened bank accounts, and received money on a regular basis in their accounts. These processes that empowered gram panchayats became redundant after the **introduction of the NeFMS and FTOs**.
- **Delayed wage payments** need immediate attention, but there is a need to revisit the wage policy as well. While the Ministry of Rural Development revises the wages on an annual basis based on the **consumer price index for agricultural labourers**, the minimum and actual wages for agricultural labour in many states are now higher than the MGNREGA wages.
- **Providing a minimum wage rate** that is lower than the prevailing wage rate is only a de jure guarantee.
- The third point is about **stagnating MGNREGA wages**. Delinking of MGNREGA wage rates from the Minimum Wages Act (MWA), 1948 has contributed to this.
- MGNREGA wages are a less lucrative option for the marginalised, being lower than the minimum agricultural wages in most States. As primary beneficiaries of the Act, women, Dalits and Adivasis could be the most affected and pushed to choose more vulnerable and hazardous employment opportunities. Such contravention of the MWA is illegal.

Gram Rozgar Sevak:

- The **gram rozgar sevak**, the backbone of the entire scheme, who works part-time, living in the same village, does not get paid on time. The technical assistants who make site visits are **inadequate in number**. The process of planning, which has to prepare works ready to use so that they can be on the shelf, so to speak, when demand arises, falls short.
- Moreover, the design of almost every structure is based on **model estimates rather than being site-based**. This affects the quality and financial estimates of projects adversely.

Conclusion:

- **Timely payment of wages** is central to the rights-based realisation of minimum guaranteed income under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA).
- Under the previous arrangement of a revolving fund, implementing agencies at each level had their own accounts and authorised signatories for making payments.
- **This was a devolutionary fund transfer arrangement to strengthen decentralised development by local institutions.**

MGNREGA now faces a triple but correlated crisis — a lack of sufficient funds, rampant payment delays, and abysmal wage rates.

- What this reflects is not only a legal crisis created by the Centre but also a moral one where the fight is not even for a living wage but one for subsistence. One hopes for a just order from the judiciary.
- All these problems lead to work not starting on time, payments not being made on time—and also, reluctance on the part of field functionaries to accept demand applications.
- Since the banking infrastructure in many rural areas is woefully bad, the presence of banking correspondents is absolutely necessary. Though this facility has been in place for quite some time, it is being implemented at a snail's pace.
- The state employment guarantee council, which is meant to oversee the functioning of this programme, is yet to be formalized. Most importantly, there is no way for the labourer's voice to reach the higher officers since the helpline does not function well.
- Clearly, it's a mixed bag when it comes to MGNREGA. Much more needs to be done to get this programme to deliver on its promises.

16. A 'pilgrimage' to Nepal

Context:

- Prime Minister, Narendra Modi visited Nepal. His third time visit since he became Prime Minister in 2014. Each of the visits has been **markedly different**, in terms of both **atmospherics and outcomes**. This is due to the political backdrop against which it took place, reflecting the evolving Nepali domestic political transition from a **centralised monarchy to a federal republic** and the complex nature of India-Nepal relations.
- Mr. Modi visit this time was not just good neighbourliness but more a realisation that the relationship had deteriorated in recent years and there was **an urgent need to arrest the slide**.

- The focus of Prime Minister Modi's latest visit to Nepal was **more on connectivity and trade**, in comparison to earlier emphasis on ensuring relief and rehabilitation of the people affected by the devastating earthquake of 2015.

Nepal's importance:

- Nepal was among Mr. Modi's first destinations abroad, in keeping with his '**neighbourhood first**' policy. However, there is an concern with Nepal because, Part of the reason was **Nepal's ongoing political transition** — a Maoist insurgency in Nepal which lasted from the mid-1990s till 2005, a delicate peace process which was mid-wifed by India and a new constitution-drafting exercise that began in 2008. This time Mr. Modi's visit was a **successful exercise** in correcting this perception.
- He addressed the **Constituent Assembly**, the only foreign leader to have done so, touching all the thorny issues in the relationship and hitting the right notes. He spoke about respecting **Nepali sovereignty**, reiterated readiness to revise the **1950 Friendship Treaty** in line with Nepali wishes, offered encouragement for the **constitution-drafting process** while wisely refraining from any suggestions, offered generous terms for power purchase and announced a billion-dollar line of credit on generous terms.
- A long joint statement was issued, highlighting (**HIT – Highways, Information ways and Transmission ways**) **connectivity projects** with clear timelines. Political parties and civil society were unanimous in concluding that a new chapter in India-Nepal relations was being opened.
- During his visit when he spoke about the **need for the spirit of consensus** to guide the constitution-drafting so that it could become an instrument to fulfil the **aspirations of all Nepali citizens**, it was criticised as gratuitous advice and even described by some as interference in Nepal's internal affairs.
- The problem lies in the **fractured politics of Nepal**. Traditionally, **hill elites (Bahuns and Chettris) who constitute 29%** of the population have ruled Nepal. This is as true today as during the monarchy for the leadership of the three main political parties — Nepali Congress (NC), United Marxist-Leninist (UML) and the Maoists — is drawn from the same elites.
- The **Madhesis constitute 35%** but have traditionally been marginalised, live in the **Terai areas bordering India** and share close ties (*roti-beti ka rishta*) with their kin across the border.
- **Nationalism, anti-Indianism:**
- Relations with India often become an issue in Nepal's domestic politics as politicians seek to don the mantle of Nepali nationalism which invariably carries within it a grain of anti-Indianism.
- India's desire to play favourites also contributes to it, particularly when **different elements in India convey different messages**.

The "catalytic role of connectivity" between India and Nepal:

- The two sides specially emphasised the "catalytic role of connectivity". With **cross-border connectivity** being a crucial factor to "enhance people-to-people linkages and promote economic growth and development", the two leaders lent a renewed dynamism to several infrastructural schemes and projects.
- Inaugurated an **integrated check post at Birgunj in Nepal** to facilitate cross-border movement of people and cargo.
- The ground-breaking of the **Motihari-Amlekhgunj pipeline** done for petroleum supplies from India to Nepal.
- Decided to **develop "cost-efficient", economical movement of cargo** through inland waterways, besides providing sea-connectivity to landlocked Nepal.

A new beginning:

- Mr. Modi realised that the **political landscape was shifting**. China was now keen to expand its presence in the region with ambitious projects. However, Mr. Oli made India his first foreign destination and Mr. Modi has reciprocated with a quick return **visit**. **Janakpur and Muktinath** were included in the itinerary and a confidence.
- **Muktinath Temple** is regarded as sacred place for both Hindus and Buddhists located in Muktinath Valley. The temple at an altitude of 3,710 metres at the foot of the **Thorong La pass** in mountainous Mustang district.
- The visit was **high on symbolism**, less so on substance. Mr. Modi described it as a **visit by the 'Prime Pilgrim'**. With prayers offered in Janaki Mandir, Muktinath and Pashupatinath, the **focus was on religious and cultural commonalities**.
- A bus service **between Janakpur and Ayodhya** was inaugurated.

- Only one of the earlier commitments, **the 900 MW Arun III hydel project**, has progressed and both Prime Ministers jointly laid its foundation stone. Of the four planned **Integrated Check Posts**, one is now functional after over a decade.

Conclusion:

- The **2018 statement** prioritises
- Cooperation in agriculture, inland water-ways, a survey for a railway line from Raxaul to Kathmandu and increasing air connectivity.
- The **2014 announcements** included:
 - A railway services agreement, additional air links connecting Lucknow, Pokhara and Nepalgunj in six months, setting up of the Pancheshwar Development Authority to complete the detailed project report in a year, concluding an MoU for the Nepal Police Academy, pledge of \$1 billion (increased by another \$1 billion after the 2015 earthquake) and creating a Buddhist circuit connecting Lumbini with Sarnath and Bodh Gaya.
- **Most of these have remained announcements.** With China stepping up its game in Nepal, this is **no longer a tenable situation.**
- **Deepen and strengthen cooperation** in areas like trade, economic, investments, water resources, energy cooperation, security, efforts, culture, education and people-to-people ties. **A permanent bilateral mechanism** is required to save the plains population of Nepal suffering from massive floods that have also affected downstream areas across the border.

Way Forward:

- A pilgrimage is **part expiation and part a new beginning.** The first may have been achieved but a new beginning based on the principles of **“equality, mutual trust, respect and mutual benefit”**, phrases that Nepal now insists on, will require time, avoiding mixed messaging and a sustained effort by India in ensuring implementation of **long-pending economic cooperation projects.**
- India has shown rare vision and courage to proceed **towards building the Raxaul-Kathmandu rail link**, it should seize the occasion to build its self-confidence and among its neighbours by completing the project in record time. The Raxaul-Kathmandu rail link has the potential of having a **‘transformational impact’** on the region.
- India must focus on connectivity as a leverage to **increase its strategic influence** in the neighbourhood. India must make swift and effective implementation of **infrastructure and development projects** in Nepal.

17. The ease of doing business: A confusing and difficult problem

Introduction:

- The **World Bank’s Doing Business (DB) rankings for 2018**, India has made a very significant jump, improving its rank from 130th in 2017 to 100th.
- Not only has India improved its position in terms of rankings, which is relative, it has also made improvement in absolute terms, measured by the so-called **“distance to frontier” metric.**
- Even though the DB rankings may not be the sole determinant for attracting investment, the improvement is likely **to boost investor confidence** as it reflects the **government’s commitment to reforms.**
- The World Bank’s rankings are **based on the country’s performance in following areas:**
 - Starting a business.
 - Dealing with construction permits.
 - Getting electricity
 - Registering property.
 - Getting credit.
 - Protecting minority investors.
 - Paying taxes.
 - Trading across borders.
 - Enforcing contracts; and
 - Resolving insolvency.

Present Concern w.r.t Ease of doing business:

- Why India continues to **perform relatively poorly** in many perception based surveys of trade facilitation and ‘open-ness’ despite all these major reform initiatives.

- For instance, despite all the effort, **India's rank in dealing with construction permits** is 181 among 190 countries. The time taken for enforcing a contract has, in fact, worsened from what it was 15 years ago. Consequently, India's rank in this category is a poor 164 in that sector.

Methodology challenge-

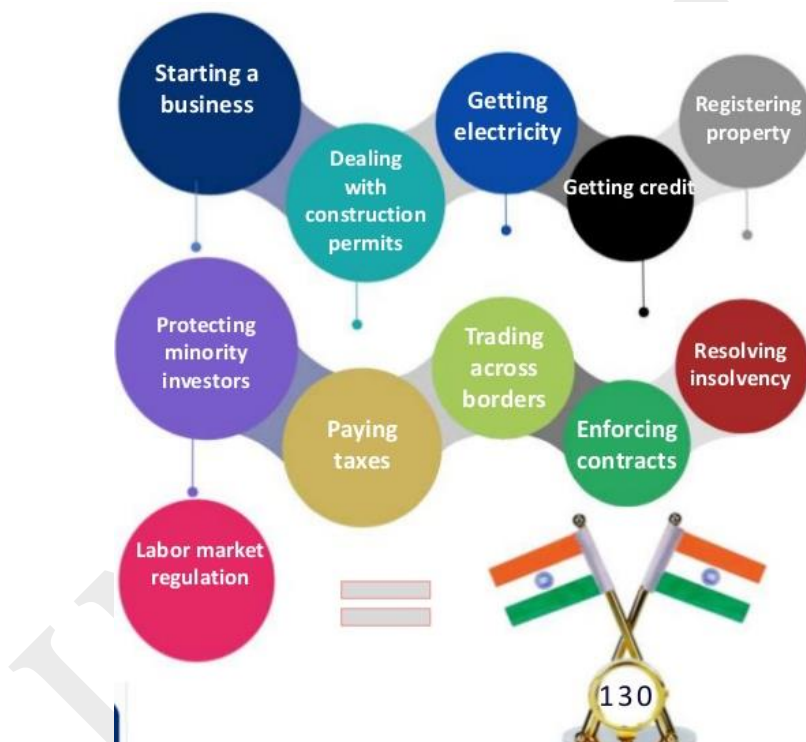
- Expand the coverage of the index to make it more real. The kind of laws the index looks at are at state level laws and not national laws. So more importance has to be also given to the state level exposures and business performances.

Need for factor market reforms-

- The areas of **making the land available** should be improved from 190 days. Land allotment, construction permits should be encouraged. The labour reforms- in terms of hiring and retrenching mechanism should be there.
- Cross border business:** proper trade policy is required to enhance business opportunities.

The governance challenge:

- Mismatch between the intent of reforms and quality of actual enforcement and transparency on the ground, — the governance challenge.
- All businesses, Indian and foreign, complain that risk management and transparency related reforms that are boldly announced by senior officers in ministries are not adopted in spirit and content by their junior colleagues responsible for enforcement.
- This is aggravated by the lack of a time-bound grievance redress mechanism, and the absence of independent 'auditors' who monitor on-ground enforcement quality and ensure there is accountability for poor decisions made in the field.



EQUATION
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BUSINESS

The design challenge:

- Procedures are often designed to cater to the few instances of failure or non-compliance and **not for efficiency and facilitation.**
- For instance, India is perhaps the **only country in the world** that requires a **boarding pass to be stamped** after security check at airports (earlier even luggage tags needed the stamp).
- The management challenge:**
- There is a tendency to blame **poor quality of government services** on lack of infrastructure or human resources. This often over-looks the fact that there are many examples of better services with effectively less resources.

- Take a very commonly discussed problem, the **quality of policing in India**. Yes, per capita police personnel deployed is one of the lowest in India. But this cannot be an excuse to make the simplest of tasks, the **filing of a formal complaint (i.e. FIR)**, to become an insurmountable challenge for the common person.

Solutions:

- The key to the puzzle lies in the fact that perceptions about India reflect the **actual interface between investors and businesses** interacting with regulators and government departments on the ground. It is on this ground level experience that India falters, even compared with countries in the wider Asia-Pacific region that are perhaps **formally more trade restrictive**, or have **less transparent laws and regulations**.
- Prime Minister Narendra Modi and his Cabinet colleagues must be commended for their focus **on incremental reforms** that resulted in India breaking into the top 100 in the World Bank's Doing Business rankings for the first time.
- The government should understand the **de facto situation faced by firms** that wanted improvements in the country's business environment.
- In order to undertake effective policies to **improve the business environment** in India, we need to understand what causes it to be relatively good in some situations and poor in others.
- A recently concluded **NITI Aayog-IDFC study** throws light on some of the broad trends in the **country's business environment**, but fails to provide a **deeper understanding of its causes** due to the **lack of a conceptual framework** to analyse the data.
- The implementation of the **goods and services tax (GST)** has not been accounted for in this year's rankings. Therefore, if the problems associated with GST are addressed quickly, it is likely that the GST will help boost India's ranking further next year.
- To improve the score related to **registering property** we need measures like updating and digitising land records, improving titling and streamlining procedures on transfer of property.

Way Ahead:

- With its demographics, the size of the economy and a **well-functioning capital market**, India stands a real chance of projecting itself as a preferred destination for investments.
- The Ease of doing business rankings thus, should not be seen as the **ultimate marker reform success**. Likewise, investors who are considering the prospects for investment in **India should recognize** what the rankings do and do not tell us.
- The process of improvement has to be continuous and there can be no let up. Both the Central and state governments will need to work in a **number of areas to improve India's competitiveness**.
- While we can truly be proud of the **extent of India's macro-policy reforms**, it is time we started to focus on **the micro-policies of enforcement**.
- Top down macro reforms can only be effective if they are twinned with **bottom-up micro reforms**. Unless the **day-to-day experience of doing business improves**, we will continue to under-perform relative to our true potential.
- In a **real-time financial ecosystem**, we exist in what could well be the medieval ages. We can't have a **vibrant entrepreneurial ecosystem** unless Indian entrepreneurs are given a level-playing field with global players. The time for that is today.

18. Women & Banking: India's financial inclusion suffers from a gender gap

- Financial inclusion key to close India's gender gap: **Mary Ellen Iskenderian on International Women's Day 2018**.

Context:

- The **World Bank** recently published the results of its **Global Findex Survey (2017)**, the third in the series from 2011. **Findex surveys** provide valuable information on **financial inclusion and behaviours** across countries.
- For India, the acceleration in **account ownership (Jan Dhan Yojana)** has already been highlighted, as has the extremely low utilisation: 80% Indian adults now have a bank account, **27 points higher** than the 53% estimated in Findex 2014 round.

Introduction:

- **With present trend**, it will take 217 years for women's access to economic opportunity to be on a par with that of men.
- The fast progress is accompanied by **higher inactivity as 48% of accounts** saw no deposits or withdrawals in 2017, compared to 44% in 2014. This gap in access and usage is even **more telling for females**, where evidence indicates inclusion policies providing entry to formal finance **fail to bridge gender inequalities**, for which **specific, broader intervention efforts** are needed.

**Bank Account for Female: A Gateway for Financial Inclusion:**

- **Findex 2017** estimates that **77% of Indian women** now own a bank account against respective 43% and 26% in 2014 and 2011.
- On this basic measure of financial inclusion, females are more financially included than before. The male-female difference, or the gender gap, in account ownership narrowed to 6.4 percentage points in 2017, it was 19.8 in 2014.
- A **bank account is the gateway** to other financial services, but doesn't automatically translate into actual use of or access to these. What is the depth of female financial engagement once the entry barriers are overcome?
- The evidence on **broader inclusion of women into formal finance** is disappointing. They score disproportionately low on ordinary functions such as savings and borrowings: of more than three-fourths who have a bank account, less than a fifth (16.7%) save formally, i.e., at banks; 10% did so in 2014.
- The **low preference for formal savings** compares unfavourably with 30% of their Chinese and 26% global peers who save at a financial institution.
- Women trail behind even more in **access to formal credit markets**. The extent of their access to bank loans and dependence upon informal sources remained unchanged between 2014 and 2017 as per two Findex rounds in these years.
- **Only 5% took out a loan**—less than half their Chinese counterparts (11%) and below the global 9%; while **30% continue to borrow informally** (family and friends), the same as in 2014.

Why does female exclusion in finance exist, persists?

- Numerous **demand and supply-side constraints** apply specifically to women. Findex surveys repeatedly establish the unbanked and low use of financial services correspond to low incomes and regions, low educational attainment, non-participation in the labour force as well as gender.
- In India, most factors unite to **accentuate gender inequalities** in finance:
 - Gender gaps are large and persistent in unemployment, wages, average years of schooling, unpaid care work;
 - Female labour force participation rates are amongst the world's lowest, falling;
 - Safety concerns, socio-cultural restrictions prevent their empowerment, bargaining and decision-taking strength;
 - Lack of collateral (title or formal ownership of material assets) makes many of them high-risk borrowers;
- These inherent disadvantages discourage many from approaching banks, who in turn, do not often inspire their confidence.
- The **gender gap in bank borrowings** widened 3.3 against 2.8 in 2014. There is a hint of further marginalisation in this regard as the percentage borrowing to start a farm or business halved to 3% in 2017, and higher proportion (7.3%) saved for these purpose than before (3.6%, 2014).
- **Gender inequalities in access to formal credit** have long manifested in India's scarce gender-wise financial statistics. For example, distribution of outstanding credit in small borrower accounts shows 24.5% share of female account owners against 72% by men as on March 2017; in March 2015, female share was 21%, reflecting the snail-paced progress.
- In its **financial inclusion report (2015)**, RBI noted the **All-India Debt and Investment Survey** suggests interest rates paid by female household heads are on average higher than their male counterparts;
- The gender differential reduces with per capita income improvements, showing poverty accentuates gender divisions.

- Considering that about **10% of India's total entrepreneurs are women**, and that 98% of women are concentrated in micro-enterprises and informal (99%) segments, the **virtual lack of access to formal credit is a huge constraint**.
- **Indian women are less financially included** than men by other metrics as well. They are half as likely to own debit cards (22% versus 43% of men), comparing poorly with 63% of Chinese women who do with lower gender gap (7 points) and the 35% in developing countries and 43% globally who too face lower gender gaps (10 and 11). Account usage for remittances, including digitally, by women is low (22%) while credit-card ownership (2%) and use (6%) abysmal.

Conclusion:

- While **India is ranked** an impressive 15th out of 144 countries in political empowerment, it is ranked 112th for education and 141st for health and survival. The economic participation ranking is 139th out of 144 with a 66 percent gender gap.
- An **overall lack of empowerment** therefore reflects in low awareness and demand for financial inclusion. The evidence emphasises that gender-inclusive financial sector policies have to gear in several dimensions for broader, deeper inclusion of women in formal financial markets.
- **Even leveraging of digital technologies** via mobile/smartphones—a low-cost, effective means for scaling-up—proves difficult for women (only 28% owned a mobile phone in 2015, estimated the GSMA, and 81% had never used internet on mobile).
- Abundant global evidence about **low female presence in formal financial markets** has spurred international efforts for improvement, acquiring developmental focus at various forums.

Way Forward:

- **Broader interventionist efforts** are required to enhance female presence in finance, which must be prioritised if only because of more and more proof that this has **positive growth and employment effects**. But to even orient policies, India has to fill numerous data and information gaps that exist, including at national-level official statistics.
- Financial inclusion of women was specifically integrated into **the G20's global development agenda (2012)** and features in its action plan to achieve its commitment **to reduce the gender workforce participation gap by 25% by 2025 (25 by 25)**; it figures indirectly in gender equality and female empowerment goals of the UN's Sustainable Development Goals.
- The **World Bank and IMF** have actively gathered evidence and promoted research to help formulate appropriate policies in recent years.
- India can complement these beyond what achieved through opening bank accounts through **complementary policies and actions** to promote access and usage by women.
- The **Global Gender Gap Report** sheds light on the economic challenges that exist for women in India and around the world. Financial service providers that invest in understanding the **women's market and design products** to reach them will be rewarded with a loyal and profitable client base.

19. The smart cities project must promote diversity

Context:

- India is urbanizing at **100 times the scale** of the first country in the world to urbanize—the UK.
- India has launched a **big urban agenda** focused on building 100 smart cities.
- India's urban population will reach **600 million people by 2030**, twice the size of the US. India will urbanize in just one-tenth of the time taken by developed countries.

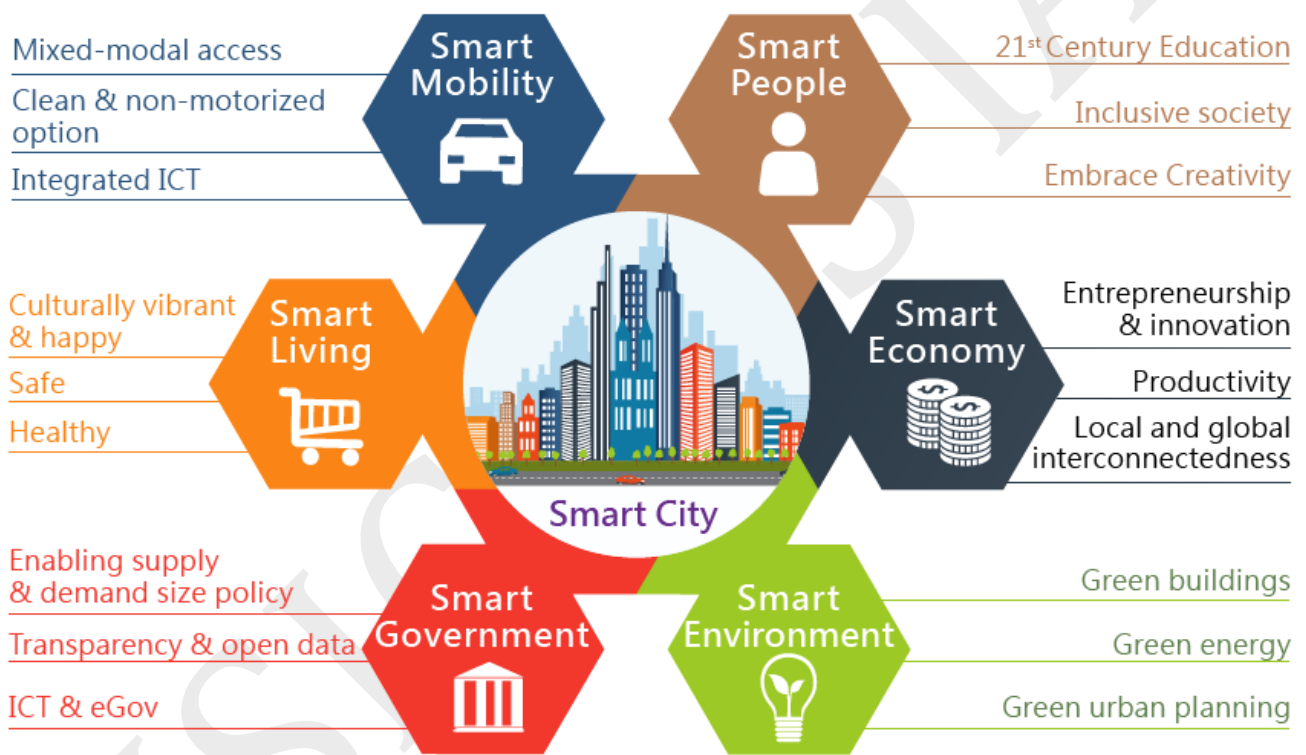
Present Concern in Smart cities:

- How will urbanization and smart cities **impact growth and jobs?** Will it take place through specialisation or diversification?
- The field of **city agglomeration and city clusters** notes that similar firms from the same industry benefit from locating together.
- Smart cities function as special purpose vehicles diverged from **regular urban governance structures**. It can create islands of development rather than an inclusive all round development of the city.

- State and local governments **lack fine-grained data** or the capability to analyse them in order to understand the evolving needs of their communities. Although India's Smart Cities Mission has identified more than 20 priority areas, interventions by the **respective agencies are weak**.
- There is an inadequate emphasis on the functioning of urban local bodies. The **Area Based Development approach** – development of a sewage system somewhere or a web of roads in another city – will cover just about three per cent of the urban areas associated with these smart cities.
- **Urban local bodies** lack both technical and human capacity and professionalism.

Diversity Index:

- The diversity index considers the **district's industrial composition**. It asks, looking across all industries in a district, the overall degree to which the district resembles India.
- A **highly diversified district** contains an industrial structure that is similar to India's overall employment distributions nationally.
- We use **enterprise and establishment-level data** that comes from the economic censuses of India (e.g. Annual Survey of Industries, National Sample Survey).
- Our idea of **designing a future city** was that it should be able to significantly improve the life of the citizens. In that sense, the focus is on the project being able to provide an extra free hour for its residents.



Indices on specialization and diversification:

- Indices on specialization and diversification are **related to each other but not redundant**. The two indices measure different things. Specialization captures extreme concentration of one industry in one location, while diversity looks at the whole picture for a district. It is quite feasible for a district to have specialization and diversity values that are both above average.
- A **district can be both specialized and diversified**.
- This happens, for example, if it has a **large industrial base** in many different industries. For example, **Jaunpur district in Uttar Pradesh** exhibits high specialization in radio equipment, and also has a high level of diversity.
- In 2000, about 20% of India's districts had above-median values on both indices, while 20% of districts had below-median values on both indices.
- Some examples of **highly specialized districts** are Kavaratti in Lakshadweep (water transport), Darjeeling in West Bengal (paper products), Panchkula in Haryana (office, accounting), Wokha in Nagaland (wood products), Dhubri in Assam (water transport), Bhopal, Gorakhpur and Saharsa.

Trends that can be observed on how specialization and diversification have impacted city growth:

- Overall employment in India is **strongly linked to local diversity**. That is, districts that have a broad set of industries have exhibited greater employment growth.
- As providing jobs and employment opportunities is a key objective for policymakers, this trend is very important to observe.
- Initial clusters of modern services have experienced abnormally high employment growth.
- Since the smart city mission in India is **largely devoted to turning existing cities into modern ones**, using redundant buildings or complexes for newer purposes could be of significant advantage. This would also require the **state government being quick and flexible** in allowing people to change the usage of their land, something that is quite cumbersome at present.

Conclusion:

- Smart Cities are an **incredibly complex concept**, combining the adoption of new technologies, the development of new governance, the establishment of a new link with citizens, the cross-functional operation of the city and the improvement of the experience of the users of the city.
- The Smart Cities will therefore emerge from chaos and diversity. I do not imply that certain projects are **short-term necessarily costly and unnecessary**.
- Each Smart City project must **have its own strategy**, its close objectives in relation to the challenges that the city must address and find, over time, the right compromise between benchmarking and innovation in order to feed this movement of **mutual fertilization needed by all the cities** of the world.
- The strongest expressions of employment growth due to diversity are in settings **not often linked to the theories of diversity's benefits**. The effects are sharper in rural areas of districts, in districts with low population density, and among the small enterprises in the unorganized/ informal sector.
- Great cities across the world like London, or Madrid all are **self-sustained** and **generate own resources**. They are well governed by elected mayor, and have financial, geographic, and political scale. External help has limited role to play in smart city project and **local sources will bring ultimate success**.

Way Ahead:

- India's city growth shows the **"inclusive nature" of smart urbanization** where city diversification promotes employment growth. There are many channels through which **diversity is linked to local employment growth**.
- Beyond the standard arguments about diversity in nursery cities and innovation, we need to understand **the role of diversity** outside of the most prominent clusters.
- India needs to further build on the inclusive nature of smart urbanization, which has **integrated a broader set of industries** and exhibited greater employment growth.
- **Using existing structures** for alternative and relevant purposes is the need of the hour in the current economic times when economic disruption cause fast changes

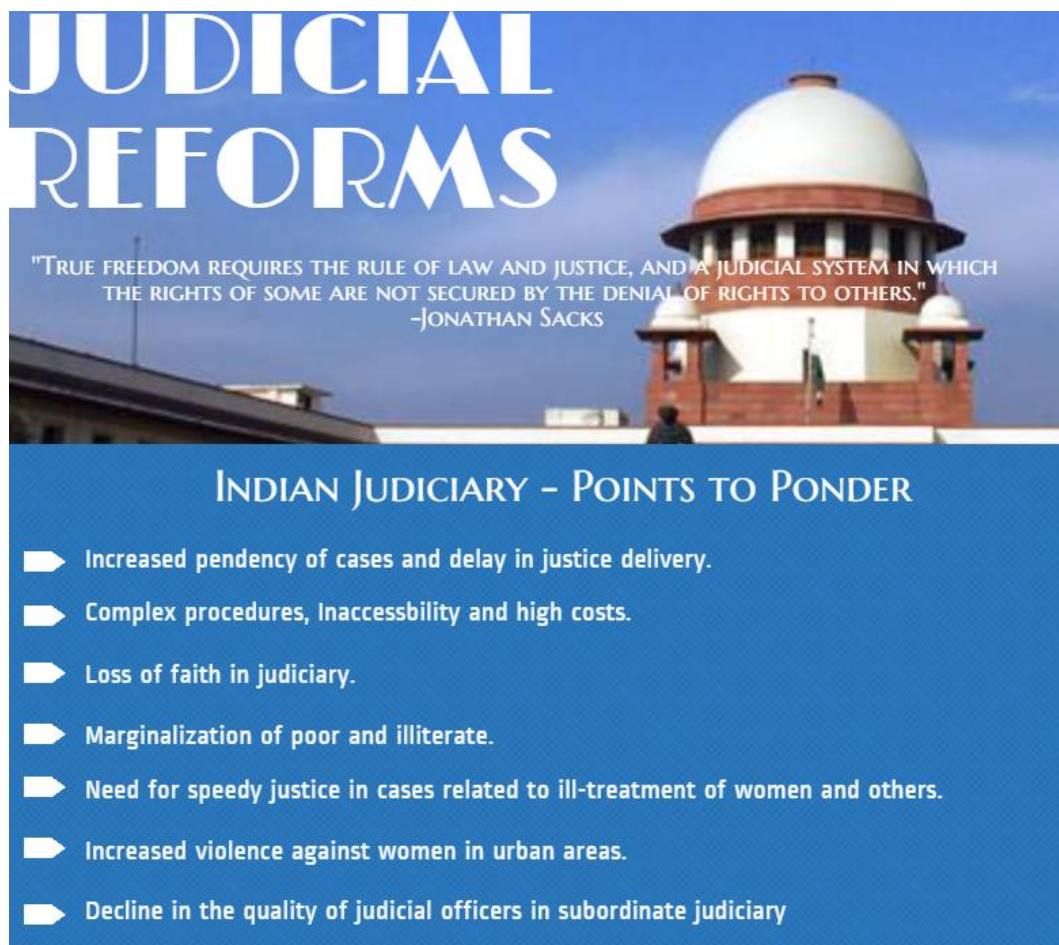
20. Steering reform in clogged courts**Context:**

- On the last day before breaking for the summer vacation, **Justice Shahrukh J. Kathawalla of the Bombay High Court** was hearing matters beyond 3 a.m.
- The HC witnessed lawyers, court staff and a judge sitting in court room way past midnight to complete his work on more than 130 matters.
- This was a rare occasion in the court's 156-year history, the incident highlights the **systemic issues common to courts in India**.
- Ad hoc measures such as what the judge did, though laudable and well meaning, hardly resolve these issues. Instead, they can only be addressed through a **transformation of court processes**.

Glitches in Indian Judicial System:

- There is general acceptance that the Indian judicial system suffers **from case delay and the use of antiquated methods**, the discourse on judicial reform remains focussed on areas such as appointments and vacancies. There is a need to identify other areas such as organisational barriers, infrastructure and court processes that also contribute to case delay are studied.

- **Nearly 2.8 crore cases** are pending in the district and subordinate courts across the country and there are **only 16,874 judges to try them** — that's around 1,540 cases per judge.
- Another issue is Gender gap in Judiciary, **Only 28% of lower judiciary judges** in the country are women, a first-of-its-kind study by Delhi-based Vidhi Centre for Legal Policy has revealed.
- The **lack of gender diversity** is not limited to the lower judiciary. The Supreme Court has only seen six women judges in its six decades of existence, and currently has one woman judge out of 25 judges.
- In the 24 High Courts across the country, just over 10% judges are women.



Concerning Areas:

- According to the report, **systemic defects in the appointment process** most certainly contributed to vacancies in the lower judiciary. "Exams are not conducted frequently enough to fill vacancies as they arise. Even when they are, the High Courts are often unable to find enough meritorious candidates to fill the vacancies advertised.
- Unclear recruitment procedures and difficulties in coordination between the High Courts and the State Public Service Commission also frequently give rise to **disputes and litigation surrounding recruitment**, further stalling the process.
- It is not uncommon to **see over 100 matters** listed before a judge in a day. When a judge is pressed for time, not only does the **quality of adjudication** suffer but it also means that several cases will inevitably go unheard.
- Matters listed towards the end usually cases near the final stage of hearing tend to be left over **at disproportionate rates** and often **end up getting stuck in the system**.
- The another important issue is **infrastructure**: from **inadequate support staff** for judges to the dearth of basic courtroom facilities. **Without research and secretarial support**, judges are unable to perform their functions in a timely manner.
- For instance, in an interview, a judge said that even though he managed to **hear close to 70 cases in a day**, it took two days for the stenographers to finish typing the orders.
- A **2016 report published by the Supreme Court** showed that existing infrastructure could accommodate only 15,540 judicial officers against the all-India sanctioned strength of 20,558.
- The **lack of infrastructure** also raises serious concerns about access to justice. **Even basic needs** such as drinking water, usable washrooms, seating and canteen facilities are often not available in some court complexes.

Solution:

- The **Centre for Research and Planning report** stresses that mere case pendency is not to be seen as a bane since it is the inevitable concomitant of growth: economic, educational and social, an indicia of prosperity and awareness.
- The report, however, stated that the existence of a large number of pending cases hampers the ability of judges to deal with fresh cases.
- The **120th Law Commission of India report** on Manpower Planning in Judiciary, 1987, contained significant suggestions for reducing pendency and, for the first time, suggested a **judge strength fixation formula**. It suggested that the judge-population ratio in India be increased immediately from the then **ratio of 10 judges to 50 judges per million**.
- It is time that **organisational barriers and court processes** that also contribute to case delay are studied.
- We have to focus on two areas that greatly affect court efficiency: **case listing practices and court infrastructure**.
- Registry staff must manage the **massive task of re-listing leftover matters** in an already bulging docket, instead of streamlining case flow.
- Solutions for infrastructure challenges will require a **fundamental shift in how courts are administered**. Judicial policymakers will also have to expand their reliance on **empirical data and courtroom technology**.

Way Forward:

- **Bringing external support agencies** to manage daily management operations of the court, increasing reliance on empirical data and courtroom technology, e-courts, national judicial data grid, Case Information System, file-tracking and knowledge management systems, provide Interoperability and compatibility with National Case Management System.
- Interoperable Criminal Justice System, National Legal Services Authority (NALSA) and other programmes to enhance the quantity and quality of Justice Delivery System etc are to be **strictly and immediately implemented**.
- **Recording and analysing** appropriate court-related data is thus the first step in addressing any problem that plagues courts from arriving at reasonable case listing limits to **improving infrastructure**.
- **Court processes must be modernised**, and the role of technology is critical. Courts have taken various initiatives over the years to **digitise case records** and filing; the **case information system (CIS) 2.0** is currently being implemented across the country.
- But as judges rightly pointed out, **using technology in courts** cannot remain limited to digitising records alone but must affect **how cases actually move through the system**.
- Initiatives such as CIS must be supplemented with **file-tracking and knowledge management systems**, to help courts achieve an optimal level of functioning.
- For courts in India to **dispense speedy justice**, there must be a **change in leadership thought and the willingness** to seek help where it is evidently required.

21. Draft National Digital Communications Policy – 2018

Context:

- The Department of Telecommunications (DoT) has released draft of new Telecom policy – **National Digital Communications Policy, 2018**. The policy seeks to unlock transformative power of **digital communications networks** to achieve the goal of **digital empowerment and well-being** of the people of India.
- **National Digital Communications Policy, 2018:**
- The National Digital Communications Policy, 2018 seeks to **unlock the transformative power of digital communications networks** to achieve the goal of digital empowerment and well-being of the people of India; and towards this end, attempts to outline a set of goals, initiatives, strategies and intended policy outcomes.

The National Communications Policy aims to accomplish the following Strategic Objectives by 2022:

1. Provisioning of Broadband for All
2. Creating 4 Million additional jobs in the Digital Communications sector
3. Enhancing the contribution of the Digital Communications sector to 8% of India's GDP from ~ 6% in 2017
4. Propelling India to the Top 50 Nations in the ICT Development Index of ITU from 134 in 2017

5. Enhancing India's contribution to Global Value Chains
6. Ensuring Digital Sovereignty

Time to make Digitally Empowered India:

- The task before India's policy makers is to ensure that the advantages of the new technologies are **accessible to all equitably and affordably**, while securing them against existing and emerging threats.
- India needs to particularly ensure that its **communications infrastructure** supports the entire population, whose demographic profiles vary widely across various indices such as literacy, economic conditions and urbanisation.
- It is important for India to remain sensitive to these factors and promote policies that **increase opportunities** for their **social and economic development**
- Digital infrastructure and services are increasingly emerging as **the key enablers** and **critical determinants** of a country's growth and well-being
- India's **digital profile and footprint** is one of the fastest growing in the world. With over a billion mobile phones and digital identities and half a billion internet users, India's mobile data consumption is already the highest in the world.
- Over 200 million Indians **regularly use social media** and in the last year alone, over 200 million Indians took to mobile banking and digital payments. At the current pace of digitisation and digitalisation, it is estimated that India's digital economy has the potential **to reach one trillion USD by 2025**.

Objective of National Digital Communications Policy, 2018:

- The objective of this document is to lay out a policy and principles framework that will enable creation of a **vibrant competitive telecom market to strengthen India's long term competitiveness** and serve the needs of our aspiring nation.
- It has been broadly estimated that a **10% increase in broadband penetration** in a country could potentially lead to an **over 1% increase in GDP**.
- However, studies in India estimate that the impact could be significantly higher for the country, given the increased productivity and efficiency gains that are likely to accrue to the economy.
- It is necessary **to explore and utilise the opportunities** presented by next generation-networks like 5G and other pioneering network access technologies including satellite communications.
- It would be critical to focus on **fixed infrastructure development initiatives** related to fibre deployment and Right of Way clearances that will form the bedrock of next generation technologies.
- Implementing a '**Fibre First Initiative**' to take fibre to the home, to enterprises and to key development institutions in Tier I, II and III towns and to rural clusters.

Implementation of the broadband initiatives, to be funded through USOF and Public Private Partnerships:

- i. **BharatNet** – Providing 1 Gbps to Gram Panchayats upgradeable to 10 Gbps
- ii. **GramNet** – Connecting all key rural development institutions with 10 Mbps upgradeable to 100 Mbps
- iii. **NagarNet** – Establishing 1 Million public Wi-Fi Hotspots in urban areas
- iv. **JanWiFi** – Establishing 2 Million Wi-Fi Hotspots in rural areas

Secure India: Ensuring Digital Sovereignty, Safety and Security of Digital Communications 2022 Goals:

- Establish a **comprehensive data protection regime** for digital communications that safeguards the privacy, autonomy and choice of individuals and facilitates India's effective participation in the global digital economy.
- Ensure that **net neutrality principles** are upheld and aligned with service requirements, bandwidth availability and network capabilities including next generation access technologies.
- Develop and deploy **robust digital communication network security frameworks**.
- **Build capacity** for security testing and establish appropriate security standards.
- **Address security issues** relating to encryption and security clearances.
- **Enforce accountability** through appropriate institutional mechanisms to assure citizens of safe and secure digital communications infrastructure and services.

Conclusion:

- The **job of a national policy on digital communications** is to prepare the country and its citizens for the future.
- Achieving these goals would require that **the key stakeholders** – namely the Centre, the States, local governments, Telecom Service Providers, Internet Service Providers, handset and equipment manufacturers,

the academic community, the innovators and start-ups come together to forge a coalition to deliver this national policy and missions.

- It is hoped that this policy will facilitate the unleashing of the **creative energies of citizens, enterprises and institutions in India** and play a seminal role in fulfilling the aspirations of all Indians for a **better quality of life**.

22. Signals from a bankruptcy

Context:

- Making the first major resolution of a bankruptcy case under the new **Insolvency and Bankruptcy Code (IBC)**, Tata Steel acquired 73% stake in the bankrupt firm Bhushan Steel for about Rs.35,000 crore.
- The **banking problem** is closely related to **high corporate leverage**. The two problems are known as the **'twin balance sheet' challenge**. If it does not effectively address that challenge, India will continue to **face weak private investment and modest economic growth**.

State of Bad loan recovery rate in India:

- Between **April 2014 and September 2017**, the bad loan recovery rate of public sector banks was as low as 11%, with non-performing assets worth 2.41 lakh crore written off from their books.
- The Finance Ministry now expects banks to **recover more than 1 lakh crore** from the resolution of the other cases referred by the RBI to the NCLT.
- Further, **weak corporate and bank balance sheets** in India also contributed to a **sharp slowdown in investment**, thus, simply lowering policy interest rates was not enough to revive investment in that country.
- The **new bankruptcy code** and the **recapitalisation package** for public sector banks are expected to support a gradual recovery in private investment.

Importance of Bankruptcy in India's reform plan:

- Bankruptcy is an **important piece of India's reform plan** across the three big areas of monetary policy, fiscal policy and structural change.
- Bankruptcy is an important ingredient in fixing our **Rs 10 lakh crore bad loans**, but we shouldn't rest till we have a self-healing system with zero tolerance in bad loan revealing, recognising and resolving. Everything in detail once we resolve to stop stealing from our grandchildren.
- The Bhushan bankruptcy represents another **brick in the wall of a new corporate meritocracy** where the rule of law matters, more equity is raised, and a market for corporate control is born.
- Monetary policy is now set by a fiercely **independent committee**. Fiscal policy has been disciplined. And structural change that **raises productivity** — formalisation, financialisation, urbanisation, industrialisation and human capital.

Customer rights remain grey area in Insolvency & Bankruptcy code:

- The key issue still remains whether **advances paid by customers** are treated similar to that of debt owed by the company to banks and other vendors in the normal course of business and the order of priority in which **repayment will be made in the insolvency process**.
- The Supreme Court should step in to clarify this major grey area in the code, which is proving a pain point for customers of assorted kinds and where a **quick solution needs to emerge**.

Reality check for loan defaulters

The Amendment to the Bankruptcy Code is aimed at preventing defaulters from walking back into the management by paying only a fraction of the loan amount of a company

The Bill bars the following from submitting a debt resolution plan or participating in the liquidation process in case of defaults:

- Wilful defaulters

- Promoters or management of the company if it has an outstanding non-performing debt for over a year

- Disqualified directors

 The government cannot allow loan defaulters to merrily walk back

ARUN JAITLEY,
Union Minister
for Finance
& Corporate
Affairs



- The **strict time limit for the resolution process** as mandated by the IBC is an area that has drawn much attention, and it merits further review in order to balance the twin objectives of **speedy resolution** and **maximising recovery for the lenders**.
- To its credit, the government has been willing to hear out suggestions. It would do well to implement **the recommendations of the Insolvency Law Committee** which, among other things, has vouched eligibility criteria.

Conclusion:

- Enthused by successful conclusion of Bhushan Steel case, the Finance Ministry expects banks to write back **more than 1 lakh crore after the resolution of all 12 NPA cases** referred to insolvency proceedings by the RBI in its first list.
- Bhushan's bankruptcy — an **important and beginning** in bending the arc of history towards economic justice — needed political courage and many selfless, honest and competent public servants at the RBI, Department of Financial Services and Economic Affairs, Ministry of Company Affairs, IBBI, and NCLT.
- Their rewards lie in the prayers of our grandchildren for a banking system that doesn't confiscate public money desperately **needed in healthcare and education**.
- The amount coming from resolution under the **Insolvency and Bankruptcy Code (IBC)** will directly add to the bottomline and help in reduction of NPAs of the Public sector banks.
- Going forward, **amendments** to the **bankruptcy code** should primarily be driven by the goal of maximising the sale price of stressed assets.
- This requires a **robust market for stressed assets** that is free from all kinds of **entry barriers**.
- With regard to the **medium-term outlook, potential economic growth** is on a downward trend in several countries owing to population ageing, slower capital accumulation and modest productivity growth, said United Nations.
- At the same time, **rapid technological advancements**, while promising immense opportunities are also posing considerable challenges in terms of job polarisation and income and wealth inequalities.

Way Ahead:

- Maybe even consider differentiated and risk adjusted premiums for deposit insurance. Most importantly, acknowledge that the **"tone-from-the-top" on bad loans** which created an enforcement **"conflict of conviction"** is ending but needs persistence. We must now take the long view and shift from fire-fighting to a **building safety code**.
- A **modern banking system with zero tolerance** can't co-exist with case-by-case regulatory flakiness and forbearance.
- Maybe move nationalised banks to an **independent holding company** that can provide a **strong voice of capital, effective governance and a new human capital thought world** such as postings, promotions, transfers, training and specialisation.
- We **need sharper accountability** for bank boards, board members, auditors, executives, shareholders, regulators, and supervisors. Maybe merge some banks while simultaneously **encouraging competition** by selling some and licensing more.

23. EC has a Plan B for simultaneous polls: One year, one election

Context:

- Recently, the **Election Commission (EC)** has suggested **"one year one election"** as an alternative to Prime Minister pitch for "one nation one election".
- The poll panel floated the idea in its response to a letter from the Law Commission in which the Law Commission had sought the EC's views on **aligning all state elections with the Lok Sabha polls**.
- Elections in India signify the **world's largest democratic exercise** but on the other hand frequent elections across the country consume a significant amount of resources and divert much of the time of the political parties at the central level.
- As mentioned above, The PM has suggested many times, the idea of one nation one election. And recently Election Commission presented the **idea of one year one election in place of one nation one election**.

Arguments in support of holding Simultaneous Elections

- In 79th Report of the Department related Parliamentary Committee on the 'Feasibility of Holding Simultaneous Elections to the House of People (Lok Sabha) and State Legislative Assemblies' says that the holding of simultaneous elections to Lok Sabha and state assemblies **would reduce**:
 - 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 man-power that is deployed during election time;
 - The disruption to normal public life associated with elections, such as increased traffic and noise pollution.



Law Commission stance:

- The Justice B P Jeevan Reddy-headed Law Commission said in its **170th Report in May 1999** that “we must go back to the situation where the **elections to Lok Sabha and all the Legislative Assemblies are held at once**”.
- Presently, The Law Commission had asked for the **EC's position on five Constitutional issues, and 15 sociopolitical and economic issues**, that need to be addressed before the government can gear up to hold simultaneous polls.
- The Law Commission's “**Draft working paper — Simultaneous Elections — Constitution and Legal Perspectives**”, which has been sent to the Union Law Ministry, states: “Simultaneous elections may be restored in the nation by **amending the Constitution, the Representation of the People Act 1951 and Rules of Procedure of Lok Sabha and those of the State Legislative Assemblies.**”

Election Commission on Simultaneous Polls:

- The **Election Commission had suggested** as early as in 1983 that a system should be evolved so that elections to Lok Sabha and state legislative Assemblies could be held simultaneously.
- While the EC has reiterated its support for holding simultaneous polls, provided **the legal and financial challenges are overcome**, it is also learnt to have alternatively suggested that **all the elections due in a year may be held together.**
- Currently, the Commission conducts elections together for states where the term of assemblies end within a few months of each other. This is because **Section 15 of the Representation of the People Act, 1951**, prohibits the EC from notifying elections more than six months before the term of a state assembly is about to expire.
- According to sources, **accomplishing “one year one election”** will be easier as it doesn't require as many legal amendments as simultaneous polls for which the Centre will have to make five amendments to the Constitution.
- According to the EC, **Articles in our Constitution** which are to be tweaked are,
- **Article 83**, which deals with the duration of Houses of Parliament, along with **Article 85** (dissolution of Lok Sabha by the President), **Article 172** (duration of state legislatures), **Article 174** (dissolution of state assemblies) and **Article 356** (President's Rule), to facilitate simultaneous polls.
- Former legal advisor to EC, said the **suggestion for “one year one election”** can be executed by **amending Section 15 of the RP Act 1951**. If the six-month stipulation is extended to nine or 10 months, elections to all states, whose term is expiring in one year, can be held together.

Consequences of Aligning and simultaneous Elections

Centralization of Polity:

- Political incentives for aligning elections is to increase the extent to which national politics dominates state-level electoral contests, or in other words to centralise political life.
- It would attempt to reverse the trend of the last several decades in which state politics has been the pre-eminent arena of Indian politics. Evidence from other countries suggests that simultaneous elections do indeed have a nationalising effect on political competition.

- The trend of choosing the same party at the state and the centre has gone from 68 per cent in 1999 to 77 per cent in 2004 to 76 per cent in 2009 and 86 per cent in 2014.

International Scenario:

- **Evidence from countries** like Brazil, Argentina, Canada, Germany, the US and Europe supports the idea that elections that are held simultaneously **produce greater alignment** between national and regional election outcome.

Conclusion:

- In his **first address to Parliament**, President of India, Ram Nath Kovind marked the beginning of the Budget session by making a strong pitch for **simultaneous elections to the Lok Sabha and state assemblies**.
- President of India, Ram Nath Kovind's remarks echoed Prime Minister Modi who has been advocating simultaneous polls citing expenses, deployment of forces and other arrangements while pointing out that **elections consume time, energy and money**.
- If all elections in a year are **clubbed together**, the terms of state assemblies, which are expiring later in the year, need not be curtailed. They can complete their term that year and the new government can be sworn in after that.
- The EC expressed **its support for simultaneous elections** to the Parliament and State Assemblies in 2016. On May this year, it reiterated its support for the idea in a meeting with members of the Law Commission.
- 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.
- **Election Commission's idea of "one year one election"** will better suited as it will require fewer amendments to the constitution, it will respect the essence of the exercise of popular will, unlike one nation one election which prioritizes economic costs of elections over the exercise itself, it will avoid clubbing of national and state issues, **it will not disturb federalism much**, not much issues generated by emergencies like need to hold by-election etc will be addressed by this option.

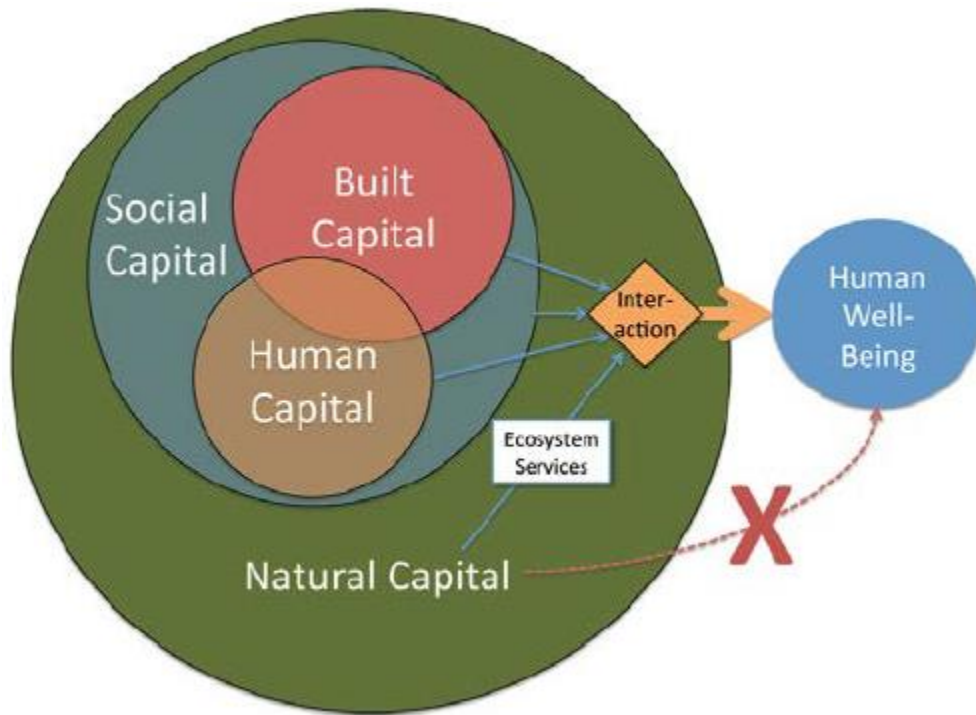
24. Natural capital in the 21st century

Context of Natural Capital in India:

- A few years ago, India suffered a **cost of \$550 billion, about 8.5% of GDP**, due to air pollution, according to a World Bank report. The **cost of externalities** such as water pollution and land degradation were possibly far higher.
- Through commodity exports, we effectively transfer natural capital to our trade partners, raising **the risk of desertification and land being degraded** significantly.
- Within a century, our **food production could see a loss of 10-40%** if these trends continue. So when we crow about GDP growth, we should also consider the decline in **natural capital in our national accounts**.
- **Ecosystem services science (ESS)** is inherently an **integrated, transdisciplinary science** that is concerned with the way these four forms of capital assets (built, human, social and natural) contribute to human well-being and the synergies and trade-offs among them.
- The challenge in ecosystem services analysis and valuation is to assess the relative contribution of the natural capital stock in this interaction and to balance our assets **to enhance sustainable human well-being**.

Estimation is a challenge w.r.t National Accounts:

- The idea of having a **national account for wealth accrued** over a year is accepted in most major economies. Such national accounts (GDP, net national product, gross savings) provide a measure of an **economy's performance** and form the basis for **socio-economic policies**, while highlighting the gap between potential and actual economic output.



Estimates done by International Agencies:

- **GDP computations** indicate the economic activity in a country, with rising GDP growth rate often leading to international prestige. However, such estimates often exclude the **variations in natural capital** by assuming them to be constant and indestructible.
- Environment provides us with the necessities of life and basic material for development. In the pursuit of more development, **most nations have ignored the economic aspects of the exploitation of environment.**

Instances of Natural Capital Depletion:

- In a modern economy, the challenge is to estimate of depreciation to natural capital.
- Such natural capital is often self-generating (water, clean air) but needs to be handled in a **sustainable way in order to avoid depletion.**
- Natural capital can cover entire ecosystems such as fisheries and forests, besides other hidden and overlooked services.
- For example, the regeneration of soil, nitrogen fixation, nutrient recycling, pollination and the overall hydrological cycle.
- **Valuing such ecosystems can be challenging**, with their market value often termed as zero. When pollution happens, it is actually a **depletion of our natural capital.**
- For example, **acid rain damages forests** and industrial seepage affects water quality.
- Consider **groundwater**. Most groundwater basins in India are subjected to unrestricted extraction until the 'marginal value of extracting water is less than the unit extraction cost' i.e. when the water table drops so low new borewells are needed. Effectively, **any rents due to groundwater depletion are dissipated indefinitely.**

Environmental Kuznets curve:

- Now many economists have pushed for an "environmental Kuznets curve", highlighting that the 'relationship between GDP per capita and the concentration of sulphur dioxide in the local air' is an inverted U curve. Such a relationship leads to the postulation that people from 'developing countries can't place a weight on natural environment' and should consider pollution as an acceptable side-effect of GDP growth.
- However, this inverted U curve is found primarily for local pollutants that lead to short-term damages (sulphur, particulates) and not for pollutants that lead to long term and dispersed costs (carbon dioxide). In addition, the inverted U curve hides systemic consequences of emissions. We are long past treating natural capital as a luxury. In fact, it is a necessity.
- India routinely suffers from high levels of air pollution that impose costs on **local transport, health and liveability** in urban and rural areas.
- When economic growth leads to the destruction of forests, wetlands and woodlands for agriculture, mining or even urban expansion, it is typically the poorest of the traditional dwellers who suffer. Ecological collapse

can soon come, examples being the **Darfur region in Sudan and countries in the Horn of Africa**. All were subject to **rapid socio-economic decline**.

Some attempts to consider “Green GDP” in the Past:

- **Green GDP** aims to capture the true position of a country as it includes the condition of the natural resources of the country, which in fact affect the quantum as well as pace of development.
- India has sought to **unveil “green GDP” figures** in the past. In 2009, the Centre announced that it would **publish a “green GDP”** that would include the environmental costs of degrading and depleting our forests, grasslands and natural stock.
- An expert programme, sponsored by the Ministry of Statistics and Programme Implementation, released a **Compendium of Environment Statistics 2013**.
- The group recommended that India shift to a **system of measuring comprehensive national wealth**, which includes items such as human capital, capital equipment and natural capital. However, implementation of such well-founded recommendations has been constrained by the **lack of micro-level data on capital formation**, particularly in a natural context.
- While the **12th Five Year Plan** undertook **groundwater resource mapping** at the national level, a similar focus is essential for data on land usage, forests and mineral wealth.
- **India’s current national accounts** incorporate such environmental considerations in a limited fashion. GDP includes the value of: minerals extracted; timber, fuelwood and non-timber forest products; natural growth of cultivated assets for some crops; and the output from dung manure.
- In addition, **‘gross fixed capital formation** contains output estimates from the improvement of land along with irrigation works and flood control projects’.
- However, even in GDP estimates of timber value, there is significant under-estimation, non-monetised goods and services provided from timber forests are not considered.

Conclusion:

- While India might have a **GDP of \$2.65 trillion in nominal terms**, it fails to take into account the externalities of such economic growth.
- India should seek to **publish “green GDP” figures** that take into account depreciation of natural capital stock due to economic exploitation and environmental degradation. This can follow the template provided by the **UN’s System of Environmental-Economic Accounting**.
- A few studies have tried to document the ecological services offered by natural capital in India. But we **need a ‘greater push for empirical studies of the potential value of such ecosystem services’**.
- Adapting our national accounts in line with this framework will help in incorporating the **value of the environment in our growth** while helping us to focus on developing a **feasible transition path to a green economy**.

Way Ahead:

- Interaction between built, **social, human and natural capital** required to produce human well-being. Built and human capital (the economy) are embedded in society which is embedded in the rest of nature.
- **Ecosystem services** are the relative contribution of natural capital to human well-being, they do not flow directly. It is **therefore essential to adopt a broad, transdisciplinary perspective** in order to address ecosystem services.

25. Rules for the Elders

Context:

- Vice President of India, Mr. Venkaiah Naidu appointed a **two-member committee** to make recommendations for **revising the rules of the Upper House**.
- **V K Agnihotri, former secretary general of the House**, is heading the committee. Media reports suggest that the committee is mandated to submit its report in three months. The reports also indicate that the committee may give some of its recommendations **before the monsoon session of Parliament**.

Need of Rajya Sabha Reforms:

- The Rajya Sabha has been functioning for 67 years. During this time, **governance** has become complicated and the **subjects of laws more technical**. But the rules governing the functioning of the Rajya Sabha have **not kept pace with the times**.
- The individual goals obstruct a highly needed mandate. Therefore, there is a **need to establish rules** as the British did to implement legislative sanctions.
- Another important factor is **waste of time**. There is a need to establish a **fast track methodology** to reach unanimous decisions so that economy can move forward on the growth path.
- The Upper House has turned into a **tool for offering patronage**. The smooth functioning is weighed down by other deficiencies like indiscipline, unwanted ruckus and absenteeism.
- There is a need to have **more responsible independent members** who can contribute and bring a changed perspective to the functioning of the upper house. Also, they **should not be biased in terms of party-political considerations**.
- In those instances when the lower house is unable to come up with the efficient discussion before passing a bill, **Rajya Sabha plays its crucial role**. It helps to explore more refined intricacies in the proposed policy.
- These hidden details should ideally be discussed before the conversion of the proposal to a law. Rajya Sabha has to be there to clearly place the projects before the common man.

Rules Governing Both the Houses:

- In 1952, these were the rules of the Constituent Assembly, the body which had framed the Constitution. **Sarvepalli Radhakrishnan** the first chairman of Rajya Sabha, amended these to be used as the rules of procedure.
- Both Houses of Parliament have their **own rules of procedure**. These rules govern every detail of how the Houses function on a daily basis. They **determine MPs' participation in parliamentary proceedings** while making laws, passing budgets, questioning the government and representing us.
- These rules are the **bulwark of our parliamentary democracy**. For Parliament to be effective in its role, these rules **require regular updating and strengthening**. The Constitution, through,
- **Article 118(1)**, gives the two Houses of Parliament the power **to make rules to regulate their functioning**.
- **Article 118(2) of the Constitution** provided an interim mechanism for Rajya Sabha rules. Under this article, the **chairman of Rajya Sabha** had the power to modify and adopt rules that were in place before the commencement of the Constitution.

Term of individual member - 6 yrs**Roles**

- Enables Parliament to legislate on a state matter of national importance
- Creation of all India service common to all states and UTs

**Key Members**

- 1 Ex officio Chairman: Vice President of India
- 2 Deputy Chairman - elected by members of RS
- 3 Leader of the House: Seniormost Minister, as appointed by the Prime Minister
- 4 Leader of the Opposition
- 5 Chief Whip

Agnihotri Committee to suggest Recommendations:

- The **Agnihotri committee** has been set up at a time when the two Houses of Parliament are facing **similar structural challenges**.

- So its recommendations, while meant for the Rajya Sabha, will also influence rule-making for the Lok Sabha. **Four fundamental issues** would require the committee's attention.
 - First, it seems that the two Houses of Parliament meet **mostly for transacting government business**. The committee will have to balance completion of government business with discussions raised by other political parties.
 - Second, the **existing mechanisms** like Question Hour, for securing the government's accountability to Parliament **have lost their edge**.
 - The committee will have to suggest measures for **completely overhauling these mechanisms**.
 - Third, issues facing Parliament are now **more complex and technical than ever**. In such an environment, the committee's suggestions for strengthening deliberations in the House will be crucial.
 - Finally, the **disruption of parliamentary proceedings** has become a routine affair. The committee will have the difficult task of **suggesting solutions for protecting the sanctity** of parliamentary proceedings.

Conclusion:

- There should be a **periodic review of the rules of procedure of both Houses**. The last such review for the Rajya Sabha happened in 2009, incidentally when Agnihotri was its secretary general. Nine years later, his committee again has **the critical task of going beyond the symptoms of dysfunction and recommending changes to strengthen Rajya Sabha**.
- As **federalism is deep-rooted in India** and plays out in different ways, the Upper House too **needs to reflect the views and divisions** on the same criteria by its unique nature of party-political hegemony.
- As India starts to discuss and introduce the next-gen of key economic reforms and as the deep-seated issues of market, property rights, human rights and redistribution reforms rule the political background, there is a **need of more responsible members to take the nation on growth path**. In the absence of accountability, no matter how many times new reforms are established, nothing is really going to work.
- In addition to its **role of representation and accountability**, the Upper House must reflect the difference in our polity — difference marked not merely by **its culture but its diversity**.
- **Rajya Sabha Reforms are the very much need of the country.**

26. Creating a National Agriculture Market(NAM)

National Agriculture Market (NAM):

- National Agriculture Market (NAM) is a **pan-India electronic trading portal** which networks the existing APMC mandis to create a **unified national market for agricultural commodities**.
- Single National Agriculture Market (NAM) in the country, with a view to enable farmers to get a **better price and for consumers** to pay a lower price for agri-produce, a win-win situation at **both ends of agri-value chains**.
- **Advantages of NAM Portal:**
- The NAM Portal provides a **single window service** for all APMC related information and services. This includes commodity arrivals & prices, buy & sell trade offers, provision to respond to trade offers, among other services. While material flow (agriculture produce) continue to happen through mandis, an **online market reduces transaction costs and information asymmetry**.
- **Agriculture marketing is administered by the States** as per their agri-marketing regulations, under which, the State is divided into several market areas, each of which is administered by a separate **Agricultural Produce Marketing Committee (APMC)** which imposes its own marketing regulation.

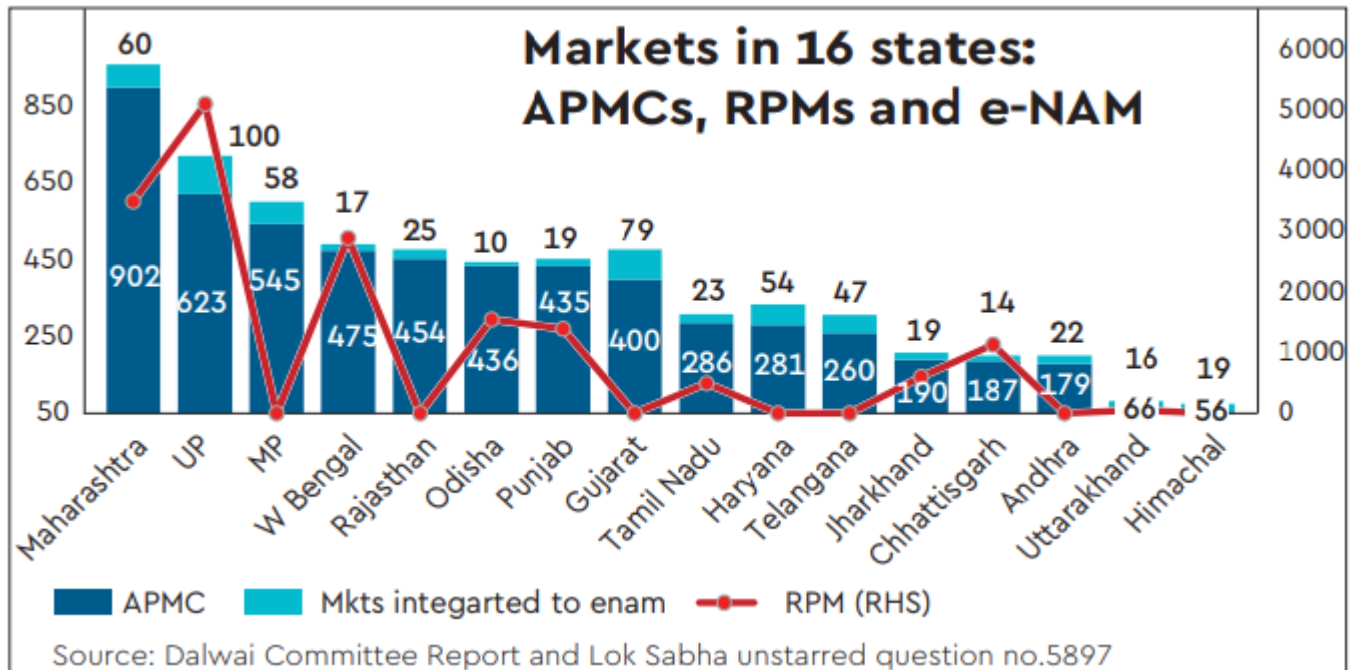
NAM: A Game Changer for Market:

- Almost **40 per cent of all fruits and vegetables** are lost annually in India between the grower and the consumer mainly due to lack of storage facilities, a weak transportation system and bad roads.
- **Climate change** is expected to make the situation worse.
- States alone **cannot revamp the agricultural marketing sector**, primarily due to paucity of funds and technology.

NAM addresses these challenges by **creating a unified market** through **online trading platform**, both, at State and National level.

It promotes uniformity, streamlining of procedures across the integrated markets, removes information asymmetry between buyers and sellers and promotes real time price discovery, based on actual demand and

supply, promotes transparency in auction process, and access to a nationwide market for the farmer, with prices commensurate with quality of his produce and online payment and availability of better quality produce and at more reasonable prices to the consumer.



Agri-Market reforms in the Past:

- Some reforms in domestic agri-markets were attempted, when a **model Agricultural Produce Marketing (Regulation) Committees (APMC) Act 2003** was suggested to states. As many as 22 states have adopted it in some form, yet it failed to transform the agri-marketing structure in India.
- The system kept suffering from **highly fragmented markets with insufficient infrastructure**; levies and intermediation fees remained high and uneven across states; APMC licensees monopolized trade, leading to rent-seeking and lower share of farmers in the selling price.

Why market integration is important?

- The country's food production has increased tremendously from just 51 million tonnes in 1950-51 to about **252 million tonnes in 2014-15**. However, farm income did not grow much. This was also highlighted by the **National Commission on Farmers (NCF)** headed by **MS Swaminathan**.
- Recent incidents of farmers reportedly dumping their bumper produce of tomatoes and onions and emptying cans of milk into drains is evidence of it. Had the markets been integrated, the surplus produce would have been **transferred to deficit regions**.
- The **seasonal spike in prices of perishable commodities** that pushes up the food inflation cannot be addressed without market reforms.
- Production and marketing** should march together in order to benefit farmers and consumers. Farmers need to be empowered to decide when, where, to whom and at what price to sell.

Recent Reforms:

- The Government came out with the **APLM 2017**, or the **Agricultural Produce and Livestock Marketing (Promotion and Facilitation) Act**.
- It shifted the focus from regulation (under APMC), to promotion and facilitation (under APLM), setting the right tone for agri-marketing reforms.

Ashok Dalwai Committee Report:

- The **Dalwai Committee on Doubling Farmers' Income** has pointed out that the **share of farmers in consumer's price is very low**; it generally varies from **15 to 40 per cent**. Studies conducted by the **International Food Policy Research Institute and World Bank** have confirmed this. The dominant role of middlemen among others is primarily responsible for farmers not realising a reasonable price for their produce, lowering farm income and profitability. This was recognised by the **12th Plan's Working Group on Agriculture Marketing (2011)**.

- The agriculture markets are crowded with middlemen and commission agents. As pointed out by Ramesh Chand, in Punjab, there are as many as 22,000 commission agents and innumerable middlemen in each market. **According to Ashok Gulati**, former chairman of the Commission for Agricultural Costs and Prices, commission agents in Delhi charge exorbitant fees ranging from 6 per cent to 15 per cent.

As per the **Dalwai Committee Report 2017-18**, there are close to **29,547 marketing points**. Of these, **22% or 6,615**, are regulated markets under the APMC and 22,932 are regional periodical markets (RPMs).

Out of these 6,615 markets, the **NAM scheme aimed to bring 585 markets** (i.e. 9%) on its e-market platform by the end of financial year 2017-18. As on March 2018, all **targeted mandis**, i.e., 585 that are in 16 states and 2 UTs, (Chandigarh and Puducherry), have been integrated with the NAM-platform.

But, these 585 mandis brought only **90.5 lakh farmers onto the platform**, which is **less than 7% of the 14 crore Indian farmers**.

But, the value is **only about 2% of India's total value of agricultural output**.

As per the **Department of agriculture cooperation and farmers welfare**, most of the reported transactions are **intra-mandi**. **Inter-mandi and inter-state trading** on the platform are minimal.

What this means is that the states on e-NAM have not been able to provide farmers with **better price discovery** in other mandis of the same state or across states. The department also acknowledges **that e-payment facility is not available** in most mandis, and that there is no competitive bidding reported in these states.

Conclusion:

- This clearly implies that the monopoly of the APMCs continues unabated even in the 18 states/UTs, and the **aim of creating a truly unified NAM** with an efficient price discovery mechanism is still a far-fetched dream.
- Therefore, the following **steps are taken in a concerted manner**:
 - Unyielding focus on agri-market reforms starting with basics of assaying, sorting, and grading facilities for primary produce as per **nationally recognised and accepted standards**;
 - Creating **suitable infrastructure at mandi-level** (like godowns, cold storages, and driers) to maintain those standards;
 - Bringing **uniformity in commissions and fee structures** that together do not go beyond, say 2%, of the value of produce; and
 - Evolving a **national integrated dispute resolution mechanism** to tackle cases where the quality of goods delivered varies from what is shown and bid for on the electronic platform.
- This would require significant investments, and changes in state APMC Acts. This is feasible, provided PM Modi takes a lead and presses for it, **bringing uniformity in agri-marketing rules and infrastructure** in all the states. Roping in the private sector for investments would **create jobs and promote efficient agri-value chains**.

Way Forward:

- The real challenge is to change the nature of the market – a **single unified pan-India market**. We need to devise a **set procurement model** along with the States but we also need to link it to the public distribution system. With better prices, what is also important is **better access to the market**. States need to support some of the reforms and be a part of the e-NAM initiative.
- **e-NAM** could help to break this logjam – **it is a virtual market**.
 - All the markets will be linked through the platform
 - Infrastructure facilities like quality testing
 - Storage facilities if the produce are not sold at that time
 - Can get a loan even on the produce stored
 - Can choose where he sells his products, in a different state where he might get better returns
- The Agriculture ministry will have to **strengthen e-NAM platform** with **new and user-friendly features** by rolling out MIS Dashboard for better analysis, BHIM payment facility by traders, mobile payment facility by traders, enhanced features on Mobile App such as gate entry and payment through mobile, integration of farmer's database, eLearning module in e-NAM website etc.
- To **double farmers' income by 2022** and that farmers should become part of mainstream development. The objective was to bring **more transparency and competition** and provide remunerative prices to farmers. Keeping in view the need of making marketing of commodities easier for farmers.

INSIGHTS IAS