News Analysis (24 Aug, 2019)

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Economic Measures to Boost Economy

Recently, the Finance Minister had announced a slew of economic measures, which not only seek to revive economic growth (through fiscal stimulus) but also promised to end tax terrorism.

- These measures were brought in the backdrop of the economic slowdown in India
- The slowdown was also reflected by the major international economic institution which downgraded India's growth forecast,
  - For example, Moody's Investors Service pared India's growth estimate from 6.8% to 6.2% in the current fiscal year.

Economic Measure	Effect
• **Extra Surcharge** that was announced in **Budget 2019**, on any capital gain from the sale of shares has **been scrapped.** • The highest surcharge will thus be restored to the pre-budget level of 15%.	This will **check the outflows of FPIs** as the shares worth over Rs 22,000 crore were sold in July and August 2019.
The Government will expedite **capital infusion of Rs 70,000 crore** for public sector banks announced in the budget 2019.	It will help **banks to lend** to firms and buyers, boosting demand for homes and automobiles.
Banks will be asked to link their loan rates to the central bank's repo rate Currently, the repo rate is 5.4% vs SBI's 1-year MCLR of 8.25%	It will check **incomplete transmission of monetary policy** and help buyers to get loans cheaper and faster.

Angel Tax on startups has been withdrawn.	**Startups will be relieved** as the angel tax had made it difficult to attract new funding.
National housing board will extend additional liquidity of Rs 20,000 crore to 7 housing finance companies, bringing the total support to Rs 30,000 crore.	• This will help developers starved of funds to complete their stuck projects. • It will also alleviate the plight of buyers, waiting for years to get their homes.
Violation of provisions related to **corporate social responsibility (CSR)** will not be treated as a criminal offence but a civil liability.	The government is in **favour of penalties rather than prosecution,** as the earlier provision could attract a jail term of up to three years along with a fine.
• **Micro, small and medium enterprises** will get their GST refunds in 30 days. • The MSME Act will be amended to move towards a single definition.	• This will ease liquidity for MSMEs who often have to wait for long to get GST refunds. • A single definition will remove ambiguity and improve the ease of doing business.
Non-banking financing companies (NBFC) will be allowed to use a bank's Aadhaar-authenticated know-your-client (KYC) data for lending to customers.	• NBFCs will be able to access the KYC of customers and onboard them faster. • Customers will get loans quicker while those lenders will be able to improve their efficiency.

- These economic measures are being dubbed as **mini-budget.**
- These are based on the **ideology of reform, perform and transform,** as highlighted by the Indian Prime Minister.

Source: TH

Development Finance Institution to Fund Infrastructure

The government has proposed to set up a **development financial institution (DFI)** to solve the **infrastructure financing needs** of the country.

- The establishment of such an institution is considered as a positive step as **banks do not have the long-term funds to finance such projects.**

- Banks cannot afford to lend for such projects because that would shrink their lending capacity as the funds get locked up in such projects for that time period.
- **Why India needs DFIs to Fund Infrastructure?**
    - To boost **economic growth** which would increase capital flows and energise capital markets.
    - To improve long term finances.
    - To provide credit enhancement for infrastructure and housing projects
    - As India does not have a development bank, DFI would fulfil the need for us to have an institutional mechanism.
    - Debt flow towards **infrastructure** projects would be improved.
- The **RBI** had also specified in 2017 that specialised banks could cater to the wholesale and long-term financing needs of the growing economy and possibly fill the gap in long-term financing.

Thus, it would be wise to revive the concept of DFI if the government wishes to keep societal, cultural, regional, rural and environmental concerns intact.

- **What is Development Finance Institution?**
    - These are specialized institutions set up primarily to provide development/ Project finance especially in developing countries.
    - These DFIs are usually majority-owned by national governments.
    - The source of **capital of these banks** is national or international development funds.
    - This ensures their creditworthiness and their ability to provide project finance in a very competitive rate.
- **How is it different from commercial banks?**
    - It strikes a balance between commercial operational norms as followed by commercial banks on the one hand, and developmental responsibilities on the other.
    - DFIs are not just plain lenders like commercial banks but they act as companions in the development of significant sectors of the economy.
- **Evolution of DFIs in India:**
    - The first DFI was the Industrial Financial Corporation of India (IFC) that was launched in 1948.
    - IDBI, UTI, **NABARD**, EXIM Bank, **SIDBI**, **NHB**, **IIFCL** etc are the other major DFIs.
    - Later several of them were converted into banks as industry like ICICI Bank, IDBI Bank etc.
- **Classification of development Financial Institutions:**
    - **Sector specific financial institutions:** These financial Institutions focusses on a particular sector to provide project finance. Ex: NHB is solely related to Housing projects, EXIM bank is oriented towards import export operations.
    - **Investment Institutions** : These are specialized in providing services designed

to facilitate business operations, such as capital expenditure financing and equity offerings, including initial public offerings (IPOs).Ex: LIC, GIC and UTI

Source: TH

Auto Trigger Mechanism in RCEP

Recently, India has stated it will push for several crucial issues for acceptance at negotiating round of the **RCEP countries** that have started in Jakarta.

Key demands of India

- To protect the domestic industry, India proposes the **'auto-trigger' mechanism** to check import surges.
    - According to it, in case **there is a flood of imports** (once duties are eliminated or reduced for RCEP members), after reaching a certain **threshold,** the auto-trigger of **safeguard duties** on imports should be initiated.
    - Through this India can accord some **protection to its local industry.**
- India is opposed to the proposed **Investor-State Dispute Settlement** (ISDS) body, as it does not want its domestic laws to be challenged outside India.
    - However, RCEP countries are in favour of ISDS, because of certain issues faced by companies in India like:
        - Operational permits of international investors in telecom companies were cancelled by the Supreme Court in the wake of the **2G scam.** etc.
- India is pushing for stringent norms for **'Rules of origin'** to prevent goods being routed through nations with lower duties
    - India is apprehensive that after signing of RCEP, the Indian market will be flooded with the cheap import of the third country which is not a member of RCEP but has signed FTA with other RCEP member.

Rules of origin are the criteria needed to determine the national source of a product. Their importance is derived from the fact that duties and restrictions in several cases depend upon the source of imports.
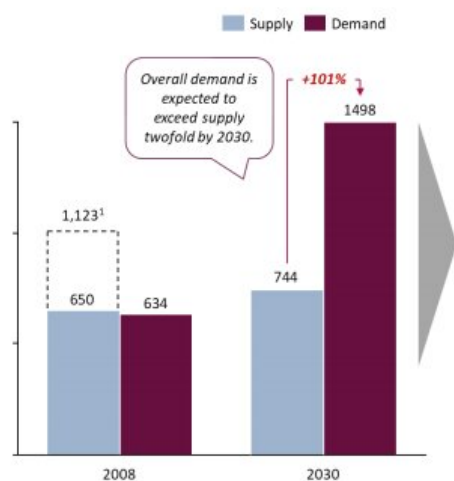
Apart from this India wants **greater market access in the services sector.**

Source: THBL

Composite Water Management Index 2.0

NITI Aayog in association with **Ministry of JAL Shakti and Ministry of Rural Development** released **Composite Water Management Index 2.0.**

Background to CWMI

India is experiencing a very significant water challenge, approximately 820 million people of India - living in twelve river basins across the country have per capita water availability close to or lower than 1000m3 – the official threshold for water scarcity as per the **Falkenmark Index.**
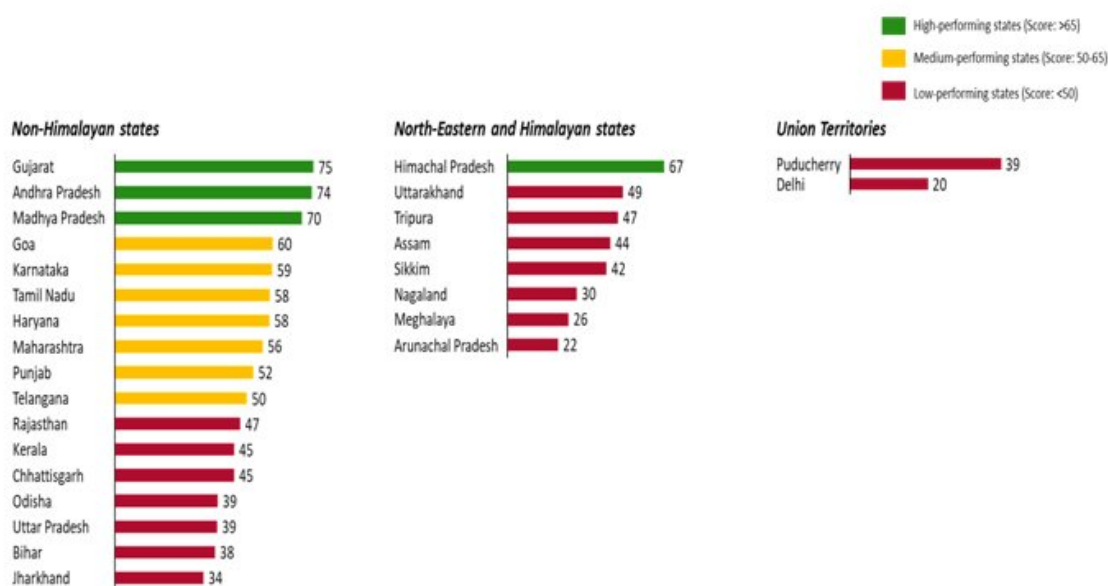

About Report

- **NITI Aayog** first launched and conceptualized the **Composite Water Management Index in 2018** as a tool to instill a sense of **cooperative and competitive federalism** among the states.
- It provided **actionable guidance** to States on where they were doing well absolutely and relatively and what they needed to focus on to secure their water
- The index comprises 9 themes.

Indicator themes and weights

No.	Themes	Weights
1	Source augmentation and restoration of waterbodies	5
2	Source augmentation (Groundwater)	15
3	Major and medium irrigation—Supply side management	15
4	Watershed development—Supply side management	10
5	Participatory irrigation practices—Demand side management	10
6	Sustainable on-farm water use practices—Demand side management	10
7	Rural drinking water	10
8	Urban water supply and sanitation	10
9	Policy and governance	15
	Total	**100**

Key Findings

- **CWMI 2.0** ranks various states for the **reference year 2017-18** as against the **base year 2016-17.**
- Gujarat (continues to hold on to its **rank one** in the reference year (2017-18), followed by Andhra Pradesh, Madhya Pradesh, Goa, Karnataka and Tamil Nadu.
- In **North Eastern and Himalayan States, Himachal Pradesh** has been awarded rank 1 in 2017-18 followed by **Uttarakhand, Tripura and Assam.**
- For the **first** time Union Territories have submitted their data and **Puducherry** has been declared the top performer.
- **80% of the states** (19 out of 24) have shown improvement in their water management scores over the last three years.

Falkenmark indicator' or 'water stress index

- It is one of the most commonly used measures of water scarcity.

- It defines water scarcity in terms of the total water resources that are available to the population of a region; measuring scarcity as the amount of renewable freshwater that is available for each person each year.
- If the amount of renewable water per person per year in a country is
    - **below 1,700 m3,** the country is said to be experiencing **water stress.**
    - **below 1,000 m3,** it is said to be experiencing **water scarcity.**
    - **below 500 m3,** it is experiencing **absolute water scarcity.**

Source: PIB

India France

India's Prime Minister on his two day visit to France held discussion on spectrum of issues with France President. Both the countries have condemned cross-border terrorism in all its forms and manifestations. They have called for halting cross-border movements of terror outfits based in Pakistan and engaged in anti-India activities, particularly in Jammu and Kashmir.

The followings are key takeaways of recently concluded visit:
- **Terror:** France backed the PM's proposal to hold a global conference on terrorism. The two leaders asked UN countries to support organising new **"No Money for Terror"** International Conference on Fighting Terrorist Financing in Melbourne.
    - Two countries, agreed to enhance their operational cooperation and launch fresh efforts to fight radicalisation, especially Online **Radicalisation.**
    - The two leaders reaffirmed their support for the implementation of the **Christchurch Call to Action** to eliminate terrorist and violent extremist online content adopted in Paris last May.
- **Defence:** Both countries showed satisfaction towards the progress in implementation of agreements signed and reaffirmed their commitment to further strengthen cooperation in defence industry field in the spirit of **"Make in India"** and for mutual benefit of both countries.
    The first of the 36 **Rafale aircraft** is likely to be delivered in the third week of September.
- **Nuclear:** Both countries expressed satisfaction with the progress in negotiations between NPCIL and EDF since the conclusion of the **Industrial Way Forward Agreement** between the two parties in 2018 for construction of **six nuclear power reactors** in Jaitapur, Maharashtra.
- **Space:** Both have decided to deepen space cooperation to meet new challenges together, whether it concerns **planetary exploration or human spaceflight.**

They took the decision to train **medical support personnel** for Indian astronauts, who will be part of India's manned space mission by 2022.

- **Cyber:** Both countries adopted a cybersecurity and digital technology roadmap aimed at expanding Indo-French bilateral cooperation, particularly in the strategic sectors of high performance computing and Artificial Intelligence, with the target of bringing start-up ecosystems closer to each other.
- **Maritime:** Based on a shared commitment to **maintaining the freedom of navigation,** particularly in the Indo-Pacific zone.
    - France and India reviewed the swift implementation of the conclusions of the Joint Strategic Vision of India-France Cooperation in the Indian Ocean Region, adopted during the last visit of France president.
    - For implementation of the **White Shipping agreement,** India and France agreed on the appointment of a French liaison officer at the **Information Fusion Centre** – Indian Ocean Region (IFC-IOR) in Gurgaon.
    - They signed an Implementing Arrangement for establishment of a framework for the realisation of **joint maritime domain awareness mission.** This is to keep an eye on Chinese assertive moves in the Indian Ocean region.
- **Economic engagement:** The two sides decided to have an appropriate framework to find ways to further promote bilateral trade and investment
- **Issue of Afghanistan:** The two sides decided to cooperate actively for international peace and security. They supported an inclusive peace and reconciliation process in Afghanistan which is **Afghan-led, Afghan-owned and Afghan-controlled,** leading to a lasting political solution based on preservation of the gains, including the constitutional order, human rights, particularly women's rights, and liberties gained over the past 18 years.

    They called for timely holding of Presidential elections; cessation of terrorist violence; and end to terrorist safe havens for enduring and sustainable peace, security and stability in Afghanistan.

White shipping Agreement

- White shipping information refers to exchange of relevant advance information on the identity and movement of commercial non-military merchant vessels.
- Ships would be classified into white (commercial ships), grey (military vessels), and black (illegal vessels).
- The seas of the entire world are interlinked and vessels can sail routinely around the globe in pursuit of cargo. Thus a vessel that is in Indian waters today maybe sailing towards a distant destination and similarly several vessels set sail from ports around the globe could be bound for India.

    This information is likely to be available with the country from whose port it sails. The information is equally relevant for the destination country and those it

passes enroute. Thus mutual exchange of such information, called white shipping information, is extremely useful for all concerned.
- India has signed white shipping agreements with several countries including The United States and Singapore and is seeking similar agreements with more countries.

Source: IE

World Youth Conference For Kindness

The **first**-ever **World Youth Conference for Kindness** was organised by the **UNESCO's Mahatma Gandhi Institute of Education for Peace and Sustainable Development (MGIEP)** and **Ministry of Human Resource (MHRD)** at New Delhi.

About Conference

- The theme of the conference was **'Vasudhaiva Kutumbakam: Gandhi for the Contemporary World: Celebrating the 150th birth anniversary of Mahatma Gandhi.'**
- The main purpose of the conference was to impart critical competencies (i.e. empathy, compassion, mindfulness and critical inquiry) in global youth to inspire, empower and enable them to transform themselves and build long-lasting peace in their communities.
- The conference comprises of following:
    - intensive **youth-led capacity building workshops** to enhance the capacities of youth on social and emotional learning skills and competencies such as empathy, mindfulness, compassion, kindness and critical inquiry through the prism of identity and global issues.
    - a platform to **celebrate inspiring acts of kindness** that are effecting change in the world and action programming for youth agency.
    - a generative space consisting of experts panels and TAG^e plenary for youth and experts to share and critically engage with the concept of peace through kindness and nonviolence.

Mahatma Gandhi Institute of Education for Peace and Sustainable Development (MGIEP)

- It is the **first UNESCO** institute of its kind in the **Asia-Pacific region** situated in New Delhi.
- It is UNESCO's **category 1 Research Institute** that focuses on Sustainable Development Goal (SDG) 4.7 towards education for building peaceful and sustainable societies across the world.
- It has developed a social and emotional learning (SEL) curriculum called Libre, which was designed to build four competencies – critical inquiry, mindfulness, empathy and

compassion.
- The flagship publication of MGIEP i.e **"Blue Dot"** focuses on social and emotional learning.

Source: The Hindu

Akademik Lomonosov

Akademik Lomonosov, a **Russian ship** that has **floating nuclear units,** started its first journey from the Russian port of Murmansk to the arctic town of Pevek despite **opposition from environmental groups.**

- It the world's only floating power unit and the world's northernmost nuclear installation.
- Significance of a **floating nuclear plant.**
  - It is suited for powering remote areas and island states that require stable, green sources of energy.
  - It will power the extraction of natural resources in the Arctic region.
  - The portable nuclear plants will help to reduce emissions of carbon dioxide, thus help in mitigating climate change.
  - China and the US are also working on sea-based nuclear power plants, and France has explored the possibility.
- However, the environmental group Greenpeace has called the plan **"Chernobyl on Ice".**

  Chernobyl accident is the 1986 nuclear power plant meltdown in erstwhile USSR, which released large levels of nuclear radiation into the atmosphere, forced thousands to flee their homes and sparked long-term fears of health and environmental repercussions.

Source: BBC

Pakistan in FATF Blacklist

Recently, the Asia Pacific Group of the Financial Action Task Force (FATF) has placed Pakistan in the Enhanced Expedited Follow-up List (Black List) for failure to meet its standards.

- Pakistan has been found **non-compliant on 32 of the 40** compliance parameters of **terror financing and money laundering.**
- Earlier also, the FATF had placed **Pakistan in grey list** and warned that its failure to complete its action plan on terror financing could possibly lead to the country getting blacklisted.

UNSC on Persecution of Minorities

China and Pakistan were targeted at **Arria-Formula Meeting** of the **United Nation Security Council** for their persecution of religious minorities.

- Many members of religious groups in China — including ethnic Uighur, Kazakhs and other Muslims, Tibetan Buddhists, Catholics, Protestants and Falun Gong — face severe persecution and repression.
- In Pakistan, religious minorities like Christians, Hindu, Ahmadiyas and other ethinic groups continue to suffer from persecution, either at the hands of non-state actors or through discriminatory laws and practices.
- Arria-Formula Meeting on **'Advancing the Safety and Security of Persons Belonging to Religious Minorities in Armed Conflict'** was organised by Poland.
    - It was organised to mark the **first International Day Commemorating the Victims of Acts of Violence Based on Religion or Belief.**
- The Arria Formula is an **informal arrangement** that allows the Security Council greater flexibility to be briefed about international peace and security issues. It has been used frequently and assumed growing importance since it was first implemented in March, 1992.

International Day Commemorating the Victims of Acts of Violence Based on Religion or Belief

- The General Assembly designated 22 August as **"International Day Commemorating the Victims of Acts of Violence Based on Religion or Belief"** recognizing the importance of providing victims of acts of violence based on religion or belief and members of their families with appropriate support and assistance in accordance with applicable law.
- The Day comes right after the **"International Day of Remembrance and Tribute to the Victims of Terrorism",** 21 August
- Freedom of religion or belief, freedom of opinion and expression, the right to peaceful assembly and the right to freedom of association are interdependent, interrelated and mutually reinforcing. They are enshrined in **Articles 18, 19 and 20** of the **Universal Declaration of Human Rights.** Upholding these rights plays an important role in the fight against all forms of intolerance and of discrimination based on religion or belief.