



News Analysis (01 Nov, 2018)

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World Bank's Ease of Doing Business Report 2019

India improved its ranking by 23 places to secure 77th rank in World Bank's latest 'Ease of Doing Business' report, 2019.

- New Zealand topped the list of 190 countries in ease of doing business, followed by Singapore, Denmark, and Hong Kong.
- The report also recognises India and Djibouti as the only economies to be top 10 improvers in this year's assessment, for the second successive time. Moreover, India is the only large country this year to have achieved such a significant shift.
- India has improved its rank in 6 out of 10 indicators and has moved closer to international best practices (Distance to Frontier score) on 7 out of the 10 indicators.
- The most dramatic improvements have been registered in the indicators related to '**Construction Permits**' and '**Trading across Borders**'. In grant of construction permits, India's rank improved from 181 in 2017 to 52 in 2018, an improvement of 129 ranks in a single year. In 'Trading across Borders', India's rank improved by 66 positions moving from 146 in 2017 to 80 in 2018.
- In 2018 report, India had leapfrogged by 30 places to move into the top 100 rankings among 190 countries.

India's Initiatives for Improvement in Doing Business

- **Starting a Business:** India made starting a business easier by fully integrating multiple application forms into a general incorporation form. India also replaced the value added tax with the GST (Goods and Services Tax) for which the registration process is faster. At the same time, Mumbai abolished the practice of site inspections for registering companies under the Shops and Establishments Act.

- **Dealing with Construction Permits:** India streamlined the process of obtaining a building permit and made it faster and less expensive to obtain a construction permit. It also improved building quality control by introducing decennial liability and insurance.
- **Getting Electricity:** The Delhi Electricity Regulatory Commission reduced charges for low voltage connections. Getting electricity was also made easier in Delhi through a reduction in the time for the utility to carry out the external connection works.
- **Getting Credit:** India strengthened access to credit by amending its insolvency law. Secured creditors are now given absolute priority over other claims within insolvency proceedings.
- **Paying Taxes:** India made paying taxes easier by replacing many indirect taxes with a single indirect tax, the GST, for the entire country. India also made paying taxes less costly by reducing the corporate income tax rate and the employees' provident funds scheme rate paid by the employer.
- **Trading across Borders:** India reduced the time and cost to export and import through various initiatives, including the implementation of electronic sealing of containers, the upgrading of port infrastructure and allowing electronic submission of supporting documents with digital signatures.
- Separately, the government had also announced implementation of **eBiz portal** which will offer **Government-to-business (G2B)** services for investors and business activities, through a single window to cut time and cost and improve business environment.
- The **establishment of debt recovery tribunals** in India "reduced non-performing loans by 28 percent and lowered interest rates on larger loans, suggesting that faster processing of debt recovery cases cut the cost of credit.
- Under its **National Trade Facilitation Action Plan 2017-2020**, India implemented several initiatives that improved the efficiency of cross-border trade, reducing border and documentary compliance time for both exports and imports.
- Investor facilitation cell created under the **Invest India agency**.
- Government of India has also started to rank its 36 states and Union Territories "to further promote Ease of Doing Business" in the country which is promoting Competitive Federalism.

Ease of Doing Business Report

- The report was introduced in **2003** to provide an assessment of objective measures of business regulations and their enforcement across 190 economies on **ten parameters** affecting a business through its life cycle.
- The 10 parameters are- starting a business, construction permits, getting electricity, getting credit, paying taxes, trade across borders, enforcing contracts, and resolving insolvency.

- It ranks countries on the basis of **Distance to Frontier (DTF)**, a score that shows the **gap of an economy** to the **global best practice**. For example, a score of 75 means an economy was 25 percentage points away from the frontier constructed from the best performances across all economies and across time.
- This year, India's DTF score improved to 67.23 from 60.76 in the previous year (2018).
- Other reports published by World Bank:
 - World Development Report
 - Global Economic Prospects Report
 - Human Capital Index

Challenges

- India is facing challenges primarily in two criteria: enforcing contracts and registering property because of the complexities involved.
- Although, the Central Government has amended the Commercial Courts, Commercial Divisions and Commercial Appellate Divisions Act, 2015, to allow district court-level commercial courts. Similarly, the state governments of Delhi and Maharashtra have invested heavily in digitizing land records and building online solutions for registration and mutation.
- But these efforts are merely the first steps in the right direction as the time taken to complete these formalities underlies primarily why we continue to lag on these indicators.
- Lack of transparency, accountability, clearances complexity, and lack of clarity in policy direction- leading to lack of investment pose the biggest challenges in doing business in India.

Way forward

- India's rapid growth will offer opportunities for both local and global business and will also create jobs which are the need of the hour due to the rising demographic dividend.
 - Better rank in ease of doing business and greater awareness about opportunities in Indian business sector would attract foreign investors to invest in India and will also bring advanced technologies to the country.
 - If India aims to reach a higher rank in the index then there is lot of work which needs to be done.
 - India's jump in ease of doing business rankings will hopefully be a spur for further reforms, which, if successful, will lead both to a better business environment and greater prosperity for all.
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Payment Firms Begins Process of Data Localisation

Global card payment companies like Visa and MasterCard have started to comply with the Reserve Bank of India's (RBI) norms on data localization.

- The **RBI gave October 15 as the deadline for global financial technology** companies to comply with its data localization norms in India and to store transaction data of Indian customers within India.
- In a circular in April 2018 RBI said that all system providers shall ensure that the entire data relating to payment systems operated by them are stored in a system only in India.
- This covered not only card payment services by Visa and MasterCard but also of companies such as Paytm, WhatsApp and Google which offer electronic or digital payment services.
- This data includes the full end-to-end transaction details/ information collected/carried/processed as part of the message/payment instruction.
- **RBI's directives were followed by the draft data protection law recommended by the Srikrishna committee.**

What is Data Localisation?

- Data localization is the **practice of storing data on any device that is physically present within the borders of the country** where the data is generated. As of now, most of these data are stored, in a cloud, outside India.
- Localization mandates that companies collecting critical data about consumers must store and process them within the borders of the country.

Importance of Data Localisation

- The main intent behind data localization is to **protect the personal and financial information of the country's citizens and residents** from foreign surveillance like social media giant Facebook sharing user data with Cambridge Analytica, which is alleged to have influenced voting outcomes.
- It gives **local governments and regulators the jurisdiction to call for the data when required**. This aspect has gained importance after a spate of lynchings across States which was linked to WhatsApp rumor.
- RBI has said that unfettered access to data stored by system providers and third-party vendors in the payments ecosystem will ensure better monitoring.
- **Data localization is essential to national security**. Where data is not localized, the agencies need to rely on mutual legal assistance treaties (MLATs) to obtain access, delaying investigations.
- On-shoring global data could also create domestic jobs and skills in data storage and analytics too.

- Global service providers like Facebook and Google collect all sorts of data about its consumers. It is necessary to have greater accountability from these firms about the end-use of the data.
- **India's one billion-strong consumer market prove to be a stronger bargaining chip when it comes to pushing for data localization.**

Issues with respect to Data Localisation

- Maintaining multiple local data centers may lead to **significant investments in infrastructure and higher costs for global companies.**
- One of the argument is that localization will help in enhancing data security. But, by storing data at multiple locations, service providers enhance their data security in case of a breach at one location.
- The impact of data localization on the **economy and on data-driven innovation will be highly negative.** European Centre for International Political Economy - ECIPE 2014 Study has estimated GDP loss of 0.8%, reduced growth by 20%, decrease in FDI by 1.9%. World GDP grew by 10.1% on account of trade of \$7.8 trillion – out of which data flows account for \$2.8 trillion (Mckinsey Study 2016) and India's share is a mere \$175 billion.
- Clouds and large service providers implement risk-based security programs that track the latest threats and vulnerabilities, with the latest technology tools, and highly skilled manpower. **Small organizations can not invest that much for security, while the risks are similar.** The norms should not discourage that since India as the global hub of IT/BPM industry is home to such data processing.

Way Forward

- Data localization may not entirely avoid Facebook-Cambridge Analytica-like episodes but it can ensure that domestic law enforcement can respond more effectively to such issues.
- It is said that data localization will help avoid the vulnerabilities of relying on the fiber optic cable network. The Cyber Security Report 2017 released by Telstra reported that businesses in India were most at risk to cybersecurity attacks. Thus, a mandatory border control provision may not be the solution to avoiding security breach incidents. Instead, using superior encryption and adoption of robust security measures will help to prevent the security breach.

The **Justice Srikrishna Committee Report** and the **Personal Data Protection Bill, 2018** (Data Protection Bill) has proposed:

- all personal data to which the law applies must have at least one serving copy stored in India

- personal data critical to national interest must be stored and processed only in India
 - the Centre will have the power to exempt transfers on the basis of strategic or practical considerations.
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Building Resilient Cities

Every year, **World Cities Day is observed on 31st October**. The concept was first brought about by the **United Nations**.

- According to the UN, the day is expected to:
 - promote the international community's interest in global urbanisation,
 - push forward cooperation among countries in meeting opportunities and addressing challenges of urbanisation, and
 - contributing to sustainable urban development around the world.
- The theme for World Cities Day 2018 was '**Building Sustainable and Resilient Cities**' because cities need support to become resilient and develop their capacity to absorb the impact of hazards, protect and preserve human life and limit damage to and destruction of public and private assets while continuing to provide infrastructure and services after a crisis.

Why the world needs to focus on resilience

- About 1.4 million people move to cities around the world every week and nearly **55% of the world's population now lives in urban areas**. Such **rapid urbanisation** can strain local capacities, contributing to increased risk from natural and human made disasters.
- As **more people are concentrated in cities**, dependent on local services and networks, the risks from natural and human made disasters grow.
- The **poor and vulnerable, living in substandard, hazardous places** are most at risk with around 1 billion people living in slums.
- People exposed to natural hazards in poorest nations are more than seven times likely to die than those in the richest.
- Challenges to resilience can also be economic, cultural, civic and social and develop over time such as economic downturns or crises, high unemployment, lack of inclusion, social cohesion or discrimination, disease outbreaks and terrorism.

How to build resilience

- Cities can protect against economic shocks by **diversifying their economy, creating opportunities for business and employment**, and engaging the private sector.

- They can build **socially cohesive societies becoming democratic, sustainable and inclusive** by ensuring residents from all backgrounds take part in decision making.
- To build **climate and environment resilience**, authorities need to plan cities properly to minimize the overall effect on the environment as well as ensuring resilience through **strengthened infrastructure, good planning and public education**.
- **Responses to disasters in urban areas** can promote **greater resilience to future crises** and support long-term development goals.
- The need for resilient cities is recognised in the **Sustainable Development Goals, the Paris Agreement for Climate Change, the Sendai Framework** and in the **New Urban Agenda (Habitat-III)**.

UN-Habitat

- **UN-Habitat** is the **United Nations programme** working towards a better urban future. Its mission is to promote socially and environmentally sustainable human settlements development and the achievement of adequate shelter for all.
 - The first international UN conference to fully recognize the challenge of urbanization was held in 1976 in **Vancouver, Canada (Habitat I)**
 - In 1996, the United Nations held a second conference – **Habitat II in Istanbul, Turkey** to assess two decades of progress since Habitat I in Vancouver and to set fresh goals for the new millennium.
 - In 2016, at the **UN Conference on Housing and Sustainable Urban Development (Habitat III) in Quito, Ecuador**, New Urban Agenda was signed. This is an action-oriented document which sets **global standards of achieving SDG11**, rethinking the way cities are built and managed.
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109th session of UNWTO Executive Council

Indian delegation attended the 109th session of United Nations World Tourism Organization (UNWTO) Executive Council in Manama, Bahrain. The three-day session started on 30th October 2018.

- The Executive Council discussed several topics on the agenda that are related to the development of the global tourism sector.
- The UNWTO is responsible for the promotion of **responsible, sustainable and universally accessible tourism**.
- As the leading international organization in the field of tourism, **UNWTO promotes tourism as a driver of economic growth, inclusive development, and environmental sustainability**.

- UNWTO's membership includes 158 countries, 6 Associate Members and over 500 Affiliate Members representing the private sector, educational institutions, tourism associations, and local tourism authorities.
- Structure of UNWTO
 - **General Assembly**

The General Assembly is the principal gathering of the World Tourism Organization. It meets every two years to approve the budget and programme of work and to debate topics of vital importance to the tourism sector.
 - **Regional Commissions**

UNWTO has six regional commissions-Africa, the Americas, East Asia and the Pacific, Europe, the Middle East, and South Asia. The commissions meet at least once a year
 - **Executive Council**

The Executive Council is UNWTO's governing board, responsible for ensuring that the Organization carries out its work and adheres to its budget. It consists of 35 members elected by the general assembly. India is the second-vice chair at the council.
 - **Committees**

Specialized committees of UNWTO Members advise on management and programme content.

Few initiatives by UNWTO

- **World Tourism Day:** 27th September
 - **Silk Road initiative:** Silk Road initiative functions as a collaborative platform designed to enhance sustainable tourism development along the historic Silk Road routes.
 - **ST-EP:** The UNWTO Sustainable Tourism - Eliminating Poverty Initiative (ST-EP) promotes poverty alleviation through the initiative which focuses to encourage sustainable tourism.
 - **World Tourism Barometer**
 - The UNWTO World Tourism Barometer monitors short-term tourism trends on a regular basis to provide global tourism stakeholders with up-to-date analysis of international tourism.
 - The report is published six times a year and includes an analysis of the latest data on tourism destinations.
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US Birthright Citizenship

US president Donald Trump has recently said that he will bring an executive order to end birthright citizenship in the US to clamp down on illegal migrants.

Birthright Citizenship

- The 14th amendment to US constitution states that “All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are the citizen of United States and of the state wherein they reside.”
- The 14th amendment was passed by Congress in 1866 after the Civil War and was adopted in 1868 after ratification from 3/4th states.
- 14th amendment was aimed at giving citizenship rights to former slaves and their descendants.
- This amendment has been interpreted to give children born in the US, even to non-citizens and unauthorized immigrants, the right to US citizenship.
- Two exceptions to this right are the children born to enemy aliens or children of Diplomats posted in the United States.

Anchor Babies

- Anchor babies are children born to non-citizen residents in a country with birthright citizenship.
- Such children are citizens of that country by virtue of their birth and hence can sponsor the citizenship of their parents after they have become adult.

Jus Soli

- Jus Soli (Latin: Right of the soil) means a rule that the citizenship of a child is determined by the place of its birth or simply, birthright citizenship.
- More than 30 countries subscribe to the principle of jus soli. Jus soli is law in Canada, the United States and almost all countries in South and Central America.
- In Europe, 8 countries (Belgium, Finland, France, Greece, Italy, Netherlands, Spain, and the United Kingdom) have strong jus soli dispositions, where children born from foreign parents can acquire nationality quite easily (for example, in France, with a 5 years residency condition).

Global Compact on Migration

Recently Austria announced that it would not sign the Global Compact on Migration, criticising its pro-migration approach, which represented a danger to Austria's national security.

Background

- In September 2016, with Europe overwhelmed by waves of migrants from Africa and West Asia, all 193 UN member states adopted **New York Declaration for Refugees and Migrants** for a comprehensive approach to human mobility and enhanced cooperation at the global level leading to the adoption of a global compact in 2018.
- In December 2017, US pulled out of the negotiations on the compact, stating that its provisions were “inconsistent with US immigration and refugee policies”.

Global Compact for Migration (GCM)

- The Global Compact for **Safe, Orderly and Regular Migration** is the **world’s first, intergovernmental negotiated agreement covering all dimensions of international migration** in a holistic and comprehensive manner.
- It was finalised under **United Nations** auspices on July 13 2018, and is due to be formally approved at a meeting in Marrakech, Morocco, on December 11-12 2018.
- The compact has 23 objectives that seek to boost cooperation to manage migration and numerous actions ranging from technical issues like the portability of earnings by migrant workers to reducing the detention of migrants.
- The global compact is non-legally binding.

Need for GCM

- The UN estimates that there are **over 258 million migrants living outside their country of birth today** — a figure that is likely to rise with growing population, increasing connectivity and trade, rising inequality, and climate change.
 - **Migration provides immense opportunity and benefits** for the migrants, host communities and communities of origin. However, when poorly regulated it can create significant challenges which include overwhelming social infrastructures with the unexpected arrival of large numbers of people and the deaths of migrants undertaking dangerous journeys.
 - The global compact is a **significant opportunity to improve the governance on migration**, to address the challenges associated with today’s migration, and to strengthen the contribution of migrants and migration to sustainable development.
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Important Facts for Prelims (1st November 2018)

NASA Kepler Telescope to Retire

- NASA has decided to retire the Kepler space telescope within its current, safe orbit, away from Earth after almost a decade of service. The telescope has run out of fuel needed for further science operations.

- The Kepler mission was named in honor of 17th-century German astronomer Johannes Kepler, who discovered the laws of planetary motion.
- The Kepler Mission was launched in 2009 with the expected mission life of one year.
- It was NASA's first planet-hunting mission - It discovered more than 2,600 of around 3,800 exoplanets — the term for planets outside our solar system — that have been documented in the past two decades.
- Kepler's observations have suggested that planets outnumber stars in the Milky Way and that potentially Earth-like worlds are common in the universe.
- Kepler is succeeded by NASA's Transiting Exoplanet Survey Satellite, or TESS, which was launched in April 2018. TESS is the new planet hunter for NASA.

Pradhan Mantri Bhartiya Janaushadhi Pariyojana (PMBJP)

- Recently the Government of India informed that PMBJP has led to the total savings of approximately Rs. 600 crores for common people, as these medicines are cheaper by 50% to 90% as compared to average market price of branded medicines.
- The PMBJP medicines are procured from only World Health Organisation-Good manufacturing practice (WHO-GMP) certified manufacturers and each batch is tested at National Accreditation Board for Testing and Calibration Laboratories (NABL) accredited independent labs.

- Good manufacturing practice (GMP) is a system for ensuring that products are consistently produced and controlled according to quality standards.
- It is designed to minimize the risks involved in any pharmaceutical production that cannot be eliminated through testing the final product.
- GMP covers all aspects of production; from the starting materials, premises and equipment to the training and personal hygiene of staff.

- Pradhan Mantri Bhartiya Janaushadhi Pariyojana (PMBJP) is a campaign launched by the Department of Pharmaceuticals in November 2008 under the name Jan Aushadi Campaign.
- Bureau of Pharma PSUs of India (BPPI) is the implementation agency for PMBJP.

Salient Features

- It aims to provide quality medicines at affordable prices to the masses. PMBJP stores have been set up to provide generic drugs, which are available at lesser prices but are equivalent in quality and efficacy as expensive branded drugs.
- Extend coverage of quality generic medicines so as to reduce the out of pocket expenditure on medicines and thereby redefine the unit cost of treatment per person.
- Create awareness about generic medicines through education and publicity so that quality is not synonymous with only high price.

- Create demand for generic medicines by improving access to better healthcare through low treatment cost and easy availability wherever needed in all therapeutic categories.
-