



CURRENT AFFAIRS 2012: DECEMBER

Polity and Governance	9	Status of Police Reforms	16
Good Governance and Human Rights		Defence	
Aadhar scheme		Warships	
A cost benefit analysis of Aadhar scheme	9	INS Tarkash	17
Center-State Relations		Social issues	
Centre-State Legislative Relations		Poverty and Exclusion	
National legal framework on water resources	9	Food Security	
Constitutional Bodies		Chhattisgarh Food Security Act, 2012	18
Election commission		SC/ST/OBC/Minorities	
The Election Commission's proposed ban on opinion polls	12	Disadvantages section	
Gujarat Assembly elections	13	Andhra Pradesh SCs Sub-Plan and STs Sub-Plan (Planning, Allocation and Utilisation of Financial Resources) Bill, 2012	19
Himachal Pradesh Assembly Elections	13	Tribal Welfare	
Judiciary		De-notified tribes and 12th Plan	20
Judicial Accountability		Women	
Judicial Standards and Accountability Bill (Update)	13	Women's safety	
Internal Security/Law and Order		Women police stations	21
Internal Security Laws		Usha Mehra Commission	22
The Unlawful Activities (Prevention) Amendment Bill 2011	14	Justice Verma Committee	22
Section 66 (A) of IT Act	15	Steps take to to ensure the safety of women in the Capital	22
Police Reform		Health	
		Global Burden of Disease (GBD) Report	

Global Burden of Disease (GBD) Study 2010	23	Financial Stability Report (FSR) 2012	35
Sanitation		Industry	
eToilet(India's First Electronic Public Toilet)	24	Energy Sector	
Other		House panel for penal action on RIL for drop in gas output	38
Manual Scavengers and Safai Karamacharis		Industrial Growth	
Maila Mukti Yatra (MMY)	25	Index of Industrial Production (IIP)[Oct 2012]	38
Planning		Pharma Industry	
Model Ward for People's Planning ..	26	National Pharmaceutical Pricing policy (NPPP)	39
Social Infrastructure		WHO clearance on Indian vaccines	40
Social and physical infrastructure in India: An analysis	26	Power Sector	
Urban transport		Fuel supply agreements (FSAs)	40
Importance of Cycling	27	Agriculture and Rural Development	
Economy of India	29	Agriculture sector	
Banking		India is world's largest rice exporter	41
Banking Sector		Fertilizer Issues	
Banking laws (amendment) bill 2012	29	New urea investment policy	41
Local Area Banks	31	External Sector	
Foreign Banks	31	Balance of Payment(BOP)	
Capital Market		Gold-backed schemes to curb imports	42
Sahara OFCD issue	32	Euro Zone Crisis	
Suggestions to improve the sluggish Corporate Bond market	33	Eurozone bank supervisor	42
BSE Carbonex	35	external commercial borrowings (ECB)	
MCX-SX	35	ECBs and low-cost housing	43
Chandrashekhar panel on foreign investors	35	FDI issues	
The Reserve Bank of India (RBI)		FDI in services sector up 5% in April-Oct	44

Infrastructure		History of Modern India and Indian Culture	
National Investment Board (NIB)		Freedom Struggle	
Cabinet Committee on Investment (CCI)	44	1857 and Before	
National Offset Policy		South India's role in freedom struggle	54
National Offset Policy	45	Others	
Urban infrastructure		Language issues	
CAG's report on JNNURM	46	Endangered Languages	54
Economic Development		India and World	55
Economic Growth		Major Powers	
Mid-Year Economic Analysis 2012-13	48	India - Europe Relations	
RBI's Mid-Quarter Monetary Policy Review	49	Germany remains India's top trading partner within Europe	55
Economy: External Sector	51	India - USA Relations	
Others		SERIOUS	55
LIBOR		India- Russia relations	
LIBOR fixing scandal	51	13th India-Russia Annual Summit ...	56
Geography of India	52	Neighbour	
Ecology and Environment		India-Bangladesh	
Saving Ganga		UN report on India-Bangladesh Trade	59
Programme for Clean Ganga	52	Land for India-specific SEZs sought in Bangladesh	60
Human and Economic		India-Myanmar relations	
Sustainable Development		India- Myanmar Relations (Update)	60
Implementing sustainable development initiatives (Dr Kalam)	53	India-Pakistan Relations	
Physical		New Visa Agreement between India and Pakistan	61
Earthquakes		India-Sri Lanka	
Earthquake prediction in Himalayas	53		

Sri Lanka's perspective on Hambantota port being built by China	61	Israel Palestine Conflict	
Indian Ocean Region (IOR)		Non-member Observer Status to Palestine	68
India-Sri Lanka-Maldives: trilateral agreement on maritime cooperation	62	Japan	
ASEAN		Parliamentary election in Japan	69
India - ASEAN Relations	76	Kuwait	
India-ASEAN FTA in services, investments	63	Parliamentary Election	69
Others		Mali issue	
India-Ukraine Relations		Mali (recent timeline)	69
India-Ukraine pact	63	North Korea	
International Affairs and Institutions		Kwangmyongsong-3	70
Country Watch		Pakistan	
Afghanistan		Malala Fund for Girls' Right to Education	71
Strategic partnership agreement between Afghanistan and Pakistan	64	Philippines	
Egypt		Family-planning bill	71
Egypt's new constitution	65	Typhoon Bopha	71
Egypt Recent Timeline	66	Romania	
France		Parliamentary Election in Romania	72
Tax on the ultra wealthy persons ..	66	South Korea	
Ghana		Park Geun-hye	72
Ghana's presidential election	67	Sri Lanka	
India-Afghanistan		Shirani Bandaranayake	72
Afghanistan requests India for military aid	67	Syrian Conflict	
Ireland		Patriot missiles issue	73
Abortion law in Ireland	68	Conflict between Russia and Turkey over Syria	73
		USA	
		U.S. surveillance law extended	73
		Institutions	
		United Nations	

United Nations Observer Status to CERN	74	Particle Physics	
United Nations Integrated Mission in Timor-Leste (UNMIT)	75	WIMP , SUSY, Dark Matter and DINO	80
Conventions and Treaties		SARAL	
NPT		SARAL	82
UN's Resolution calling on Israel to join NPT	75	IT	
Others		Aakash project	
Romani people		Aakash 2	82
The Romani or Gypsies	76	Cyber Issues	
Science and Technology	77	Privacy and Security with mobile applications	83
New Technologies, Devices and Discoveries		IT Applications	
Higgs Boson		Censusinfo India Software	83
Discovery about Higgs Bosons	77	Business intelligence applications	83
Light Bulb		Mobility for a dynamic workforce ..	85
Plastic light bulb	77	Huawei and ZTE Row	85
Plants		Social Networking	
Plants respond to touch	77	Qyuki	86
Space		Defense	
Space Discoveries		Defense	
Search for "alien earth"	78	Tarangini	86
Beidou		Indian Missile System	
Beidou Navigation Satellite System (BDS)	78	K-15, Sagarika	87
International space station		Biotech	
Soyuz TMA-07M	79	BRAIN-COMPUTER INTERFACE	
MISSION CURIOSITY		Robotic arm gives new life to a quadriplegic	87
NASA's Curiosity updates	80	Ecology and Environment	
Moon crafts		Global Warming	
Moon crash site name in honor of first American woman in space	80	Effect of global warming on Antarctica	88
		Tiger Conservation	

Tiger population in South India	88	SANGEET NATAK AKADEMI	
WWF		FELLOWSHIPS AND AKADEMI	
Report on elephant, rhino		AWARDS 2012	95
poaching in 2011 by WWF	89	Sahitya Akademi Awards -2012	97
Health		2012 Shakti Bhatt First Book	
Diseases		Prize	98
Asia's First Bio-Safety Level-IV		Scientific, Academic, Legal and related.	
Laboratory	89	The National Medal of	
New gene causing Type 2		Technology and Innovation	98
diabetes discovered	89	Fundamental Physics Prize	98
Fish Oil		International Jurists Awards and	
Fish oil helps heal bedsores of		National Law Day Awards-2012	98
critically ill patients	90	Events	
Malaria		Delhi Metro	
The WHO's World Malaria Report		10 years of Delhi Metro	99
2012	90	Encounter Killings	
Public Health		Sarkeguda killing/Commission	99
A new system for better		Terrorism	
healthcare	91	Curbing terrorism	99
Other		Persons	
Nuclear Desalination Demonstration Plant		Appointments	
Hybrid desalination plant	91	Naina Lal Kidwai	100
Internet: New Developments		John Kerry	100
The Internet's Impact on India	93	Sachin Dev Pavithran	100
Water Resources		Sudeep Sen	100
Cauvery Water Dispute(recent		Obituary	
timeline)	93	Pandit Ravi Shankar	100
Water Disputes	94	N. Joseph Woodlandd	101
Current Affairs	95	Hiral Lal Sibal	101
Awards		Jacinta Saldanha	101
Film and Television, Beauty contest etc		Devendra Lal	101
Miss Universe	95	Dave Brubeck	102
Literature			

Other Persons		R.K. Herojit Singh	105
Queen Elizabeth II	102	Sandy Hook Elementary School shooting	106
Places		Khaled el-Masri	106
Indira Gandhi Centre for Sustainable Development		Avigdor Lieberman	106
Indira Gandhi Centre for Sustainable Development	102	Speed of gravity	106
Reports		World's largest radio telescope	106
Transparency International		IIT-GN takes up research on alternate source of gasoline	107
Corruption Perception Index (CPI)2012	103	Earth's biodiversity map updated	107
Summits		A bulb powered by gravity	107
International arms treaty		Mohammed Khalil Chishti	107
Draft UN General Assembly resolution on Arms Trade Treaty ..	104	Polar bears in danger	108
Others		Companies in News	
Also in News		Infosys and China	108
Newsweek	105	Wanda Group	108
Time Person of the Year 2012	105	'SmartOffers'	108

How to use

Dear Students,

These current affairs notes are prepared with the objective to provide a comprehensive analysis of the important issues in news. While utmost effort has been taken to select only the news which is relevant and important, it is inevitable that the size of notes becomes large. This is due to the fact that an extensive coverage of the fundamentals associated with the news, background information of what has happened before in the same issue, timelines of events in international arena, and associated issues which are important alongside the main issues have been provided in the notes. Data points are for reference and it is not necessary to put your energy into memorizing them unless and until they are important. As the trend of UPSC is changing from mere knowing or memorization of issues/facts-and-figures to the in-depth knowledge of fundamentals associated and the awareness of the broad picture, we have tried to cover the points from which questions can be asked.

Notes are organized into 4 levels (section-subsection-topic-heading) for consolidation and retention. We have also divided current affairs notes into two parts – with second part dealing with in-depth analysis of major issues, important for all and especially helpful for interview and Mains preparation.

Our endeavor is to provide best for our students. Our utmost concern is to enrich your preparation in any and all the ways possible. Put the current affairs notes to their maximum use by following the background and generating an overall picture for effectively tackling any questions asked in the examination. As improvement is always possible, we look forward to hearing your views and feedback on the notes.

Best wishes

Team Vision IAS

POLITY AND GOVERNANCE

Good Governance and Human Rights

Aadhar scheme

A cost benefit analysis of Aadhar scheme

- A recent study at the National Institute of Public Finance Policy (NIPFP) undertook a cost-benefit analysis of Aadhaar Scheme.
- The main conclusion of the study is that it is worth undertaking the expenditure on Aadhaar, if only to plug leakages arising from ghost and duplicate beneficiaries. The financial justification for Aadhaar does not require it to cover the entire population, and it does not require the scheme to have multiple uses.
- **The study finds that substantial benefits would accrue to the government by integrating Aadhaar with schemes such as PDS, MNREGS, fertilizer and LPG subsidies as well as certain housing, education and health programmes.**
- After taking into account all the costs, and making modest assumptions about leakages, the study finds that **the Aadhaar project would yield an internal rate of return of 52.85 percent to the Government.**
- The Twelfth Plan document aims at financial inclusion by providing Aadhaar linked banking services to all desirous households and progressively moving to 'cash transfers' for major subsidies and beneficiary payment programme.
- The NIPFP study argues that **if we were to add more programmes and expand the scope of the analysis, and also include the intangible benefits, the likely returns will be higher.**
- The concerns about **privacy** can be reduced by **limiting Aadhaar to those individuals who benefit from subsidies.**
- The construction of the UIDAI, and the consequent transformation of the existing subsidy programmes, is thus well justified.
- If the government must run subsidy programmes, it should make sure there are no leakages. These leakages are not just about wasted money: we also have to worry about the political economy of business strategies that are rooted in subverting state structures and stealing.

Center-State Relations

Centre-State Legislative Relations

National legal framework on water resources

- The central government has decided to frame a **National Water Framework law** and the **law on River Basin Management**.
- Former Planning Commission member, Y. K. Alagh has been appointed by the Central Government to head the panel for drafting the National Water Framework Act that will **enable the centre to legislate on matters**

relating to major concerns like equity, climate change, groundwater rights and international aspects of water resource utilization.

- Hitherto water has been solely a state subject and several disputes about river water sharing between the states are being adjudicated by tribunals setup for the purpose. **This overarching legislation will help in making ground water a public property, rationalize Inter-State Water Disputes and the River Board Acts.**
- The rationale for the proposed national water law was spelt out in a concept paper submitted to the Planning Commission earlier by the former Water Resources Secretary Ramaswamy R. Iyer.

Why is a national water law necessary?

1. If a national law is considered necessary on subjects such as the environment, forests, wildlife, biological diversity, etc., a national law on water is even more necessary. Water is as basic as those subjects.
2. Under the Indian Constitution water is primarily a State subject, but it is an increasingly important national concern in the context of:
 - a. the right to water being a part of the fundamental the right to life;
 - b. the perception of a water crisis because of the mounting pressure on a finite resource;
 - c. the inter-use and inter-State conflicts that this leads to, and the need for a national consensus on water-sharing principles, and on the arrangements for minimising conflicts and settling them quickly without resort to adjudication to the extent possible;
 - d. the threat to this vital resource by the massive generation of waste by various uses of water and the severe pollution and contamination caused by it;
 - e. the long-term environmental, ecological and social implications of efforts to augment the availability of water for human use; the equity implications of the distribution, use and control of water: equity as between uses; users; areas; sectors; States; countries; and generations;
 - f. the international dimensions of some of India's rivers; and
 - g. the emerging concerns about the impact of climate change on water and the need for appropriate responses at local, national, regional, and global levels.

All the aspects enumerated earlier cannot be brought within the ambit of the existing Central laws. Therefore, the need for a national water law is self-evident.

3. Several States are enacting laws and policies on water and related issues. These can be quite divergent in their perceptions of water, but they have to be within reasonable limits set by a **broad national consensus** on certain basics.
4. Different State Governments tend to adopt different positions on the rights of different States over the waters of a river basin that straddles more than one State. Such legal divergences tend to render the resolution of inter-State river-water conflicts even more difficult than they already are. **A national statement** of the **general legal position and principles** that should govern such cases seems desirable.

What will be the nature and scope of a national water law in India?

1. The proposed national water law is **not intended to centralise** water management or to change the Centre-State relations in any way. What is proposed is not a Central water management law or a command-and-control law of the usual kind, but a framework law, i.e., an umbrella statement of general principles governing the exercise of legislative and/or executive (or devolved) powers by the Centre, the States and the local governance institutions.

2. However, the law is intended to be justiciable in the sense that the laws passed and the executive actions taken by the Central and State Governments and the devolved functions exercised by PRIs will have to conform to the general principles and priorities laid down in the framework law, and that deviations can be challenged in a court of law.

Apprehensions expressed by the States over proposed national legal framework on water resources

- It would impinge on states' constitutional right and centralise the water resources sector.
- Water is a State subject and the States have exclusive power of legislation on the subject. Distribution of powers under the federal structure should in no case be tinkered with by change in the framework of existing laws. Each State has its own consideration in planning, management and use of water resources which varies from State to State, region to region.
- The proposal could be “misconstrued” as an encroachment on States’ constitutional jurisdiction.
- The policy proposes a framework for the creation of a system of laws which will violate the federal principles enshrined in the Constitution.
- The policy refers to “demand side” management without addressing the “supply side.”

Government's Response

- Centre has no intention to encroach states' rights on water management.
- In spite of “vital importance” of ground water there is no regulation for its extraction and coordination among competing uses.
- There is need to initiate steps to minimise misuse of groundwater by regulating the use of electricity for its extraction.
- Rapid economic growth and urbanisation were widening the demand supply gap and worsening the country’s **water-stress index**.
- We therefore need to rise above political, ideological and regional differences and also move away from a narrow project-centric approach to a broader holistic approach to water management.
- Integrated water resources planning at the basin level, conservation of water, preservation of river corridors, recharging of the aquifers and their sustainable management and improvement of water use efficiency are the broad areas that need an integrated approach
- Our irrigation systems need to shift from a narrow engineering-construction-centric approach to a more multi-disciplinary and participatory approach. Incentives need to be provided to narrow the gap between irrigation capacities created and those being utilised.
- The local communities have to be involved actively in the management of water resources.
- The outlays for water management will deliver only if they are matched and supported by better management and good governance.
- An **urgent national consensus** on the common denominators of water governance is therefore essential and the first critical step towards achieving water security and sustainability for all.

Constitutional Bodies

Election commission

The Election Commission's proposed ban on opinion polls

The Election Commission's proposal

- The Election Commission has suggested to ban public opinion polling during election campaigns.

The EC's argument

- Opinion polls misinform voters.
- The dissemination of polls “has the potential to influence the electors when they are in the mental process of making up of their minds to vote or not to vote for a certain political party or a candidate.
- The rights of a free press have to be balanced with “the rights of the electorate in the matter of exercise of their franchise in a free and fair manner, uninfluenced by any extraneous factors. In striking such balance, it would not be unreasonable and unfair to place certain reasonable restrictions on the dissemination of information, particularly unverified information, by the print and electronic media, on the eve of polls.
- Such polls are sometimes sponsored by one or the other political party
- The political parties have supported the proposed ban
- A restriction “would be in the wider interests of free and fair elections as such opinion polls often tend to cause prejudicial effect on the minds of electors.”

Counter-argument

- The EC's proposed ban on opinion polls may deprive voters of valuable pre-election information
- Polling results give voters valuable information.
- Knowing what one's fellow citizens think about leaders and policies and parties is not an “extraneous” factor, nor is “potential to influence the electors” necessarily a bad thing, when placed against votes cast under other kinds of influence.

Issue of Exit polls

- We should not confuse opinion polling with exit polling.
- Releasing **exit poll results** until all the phases of voting is over has been prohibited in India.
- Exit polls are conducted by approaching voters as they leave the polling station, and typically ask them to fill out a dummy ballot with additional questions (their personal characteristics and beliefs), which is then deposited in a ballot box.
- In multi-party elections like India's, late-in-the-day voters might also consult exit polls to shift their vote from a third- or fourth-party candidate to one of the two front-runners.

Gujarat Assembly elections

Party	Seats won	comment
BJP (Bharatiya Janata Party)	115	<ul style="list-style-type: none">Chief Minister Narendra Modi was chosen for third consecutive term (in power since October 2001)The BJP has been in power in Gujarat since 1995.
Congress (Indian National Congress)	61	
GPP (Gujarat Parivartan Party)	2	Lead by Keshubhai Patel (former-CM, former-senior Bharatiya Janata Party (resigned Aug 2012))
NCP (Nationalist Congress Party)	2	
JD(U) (Janata Dal (United))	1	
Independent	1	
Total	182/182	<ul style="list-style-type: none">election was held in two phases : 13 and 17 December 2012counting on 20, Dec 2012

Himachal Pradesh Assembly Elections

Party	Seats won	comment
BJP (Bharatiya Janata Party)	26	It is believed that BJP lost due to a huge anti-incumbency wave arising mainly out of corruption and lack of good governance.
Congress (Indian National Congress)	36	leadership of Virbhadra Singh
Independent	6	
Total	68/68	<ul style="list-style-type: none">election was held on 4, Nov 2012 and counting on 20 Dec 2012

Judiciary

Judicial Accountability

Judicial Standards and Accountability Bill (Update)

- The Union government has approved a controversial clause in the Judicial Standards and Accountability Bill.
- While deciding to retain the controversial clause, it made some changes to ensure it stands the test of Article 14 which deals with equality before law.

- The earlier clause prohibited judges from making “**unwarranted comments against the conduct of a constitutional or statutory authority or statutory bodies or statutory institutions or a chairperson or member or officer thereof, or on the matters which are pending or likely to arise for judicial determination.**”
- The amended clause debars judges from making unwarranted comments against conduct of any “**constitutional body and other persons.**”

Bill Status: passed in the Lok Sabha and pending in the Rajya Sabha

Internal Security/Law and Order

Internal Security Laws

The Unlawful Activities (Prevention) Amendment Bill 2011

- Introduced on December 29, 2011.
- According to the statement of objects and reasons, the Bill amends the Unlawful Activities (Prevention) Act, 1967 to make it more effective in preventing unlawful activities, and meet commitments made at the Financial Action Task Force (an intergovernmental organization to combat money laundering and terrorism financing).

Proposed Changes

- The Bill amends the original Act **to include the definition of a ‘person’**. A ‘person’ shall include (i) an individual; (ii) a Hindu undivided family; (iii) a company; (iv) a firm; (v) an association of persons or a body of individuals; (vi) every artificial juridical person; (vii) any agency, office or branch owned or controlled by any person falling within any of the preceding sub-clauses.
- The Bill increases the period for which an association can be declared as unlawful from **two years to five years**.
- The Bill inserts **new sections to include offences by companies, societies or trusts**. Every person who, at the time of the offence, was responsible for the conduct of the business shall be punishable with imprisonment for seven or more years and a fine between **five to ten crore rupees**.

Criticism

- The People’s Union for Civil Liberties (PUCL) claims that there was enough evidence to show that Unlawful Activities Prevention Act (UAPA) was being **extensively abused** in the name of combating left wing extremism, forcing innocent citizens to languish in prisons.
- It criticised that the new amendments aim at changing the definition of person [Section 2] which is a **direct attack on Article 19 [of the Constitution]**, as now the government can label any unregistered association of persons as unlawful.
- It also criticised that the government is planning to extend the ban on organisations from two to six years. These and other amendments go against the letter and spirit of the Constitution and represent one more step towards **silencing people posing a challenge to the government**.

The safeguard

- Union Home Minister has assured Parliament that the government would never allow the misuse of the Unlawful Activities Prevention Act (UAPA).

Section 66 (A) of IT Act

The issue?

- Row over alleged misuse of **Section 66 (A) of IT Act** in recent few cases.
 1. Two girls in Palghar over a Facebook post on late Shiv Sena founder Bal Thackeray.
 2. A 19-year-old boy was questioned by the police in Palghar over an alleged Facebook post against Maharashtra Navnirman Sena chief Raj Thackeray.
- A Delhi student has also filed a public interest litigation (PIL) in the Supreme Court challenging Section 66(A) of the Information Technology Act which was invoked to arrest two girls in Palghar. The petition wants the offence under Section 66(A) of the Information Technology Act to be made non-cognizable.

Section 66 (A) of IT Act says:

- Punishment for sending offensive messages via electronic mail message
- Any electronic mail message that is grossly offensive or is menacing
- Any false info causing annoyance, insult, danger
- Causing inconvenience
- Deceiving or misleading recipient
- If guilty, faces up to 3 years in jail and a penalty.

Why misused?

- There are ambiguous terms and can be easily misinterpreted.
- Problematic terms include “grossly offensive”, “annoyance” and “insult”, which are open to subjective interpretation.
- There are no objective criteria to define "offense" and thus any person can claim of being offended by a post on any site whether that post addressed him or not.

The problem?

- If its language is made more specific to reduce opportunities for wilful misinterpretation, then an exhaustively detailed law may also be too rigid to cover all bases in a rapidly evolving medium.

Way forward

- A **mean** must be discovered between these extremes.
- streamlining the **working of the law**, not only the law itself.

Recent changes implemented by Government

- The concerned police officer or police station will not register any complaints (under Section 66 (A)) unless he has obtained prior approval at the level of an officer not below the **DCP rank** in urban and rural areas and **IG level in metros**.

Police Reform

Status of Police Reforms

- Each time there is a major crime in any metro or terror attack in the country's mainland, there is a renewed nationwide war cry on reforming India's archaic police system.
- Neither the Centre nor states have been pro-active in improving the quality of policing.
- Official records show that **only 14 states** have either enacted the new Police Act or amended their existing laws to incorporate SC's suggestions. (see Background)
- States like Uttar Pradesh, Maharashtra, Madhya Pradesh, Karnataka, Andhra Pradesh, Tamil Nadu, Odisha and West Bengal have been laggards.
- Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Kerala, Meghalaya, Mizoram, Punjab, Rajasthan, Sikkim, Tripura and Uttarakhand, however, have initiated marginal reforms.
- Though these states have enacted the new Police Act, **most of them retain the powers of politicians (chief ministers) to have a say in appointment of police chief and other top posts**.
- Their amended laws are **mainly focused on setting up of police complaints authority** (to look into complaints against police officers) which is only one of the seven key directives of the Supreme Court.
- Measures like setting up of state security commission (to check political or bureaucratic pressure on police); merit-based selection of state police chief from among three senior most cops; giving them security of tenure; separate the investigation and law and order functions of the police and setting up of police establishment board (deciding all transfers, promotions, postings and other service related matters) are yet to see the light of day in majority of the states.

Why apathy

- Retired IPS officer Prakash Singh, on whose petition the SC had come out with its judgment in 2006, said, "Reforms are not happening due to states' cussedness. Chief Ministers treat police department as their zamindari (fiefdom). They are against reforms because they don't want to give police autonomy".

Background

- 1979- the National Police Commission (NPC) was set up to report on policing and give recommendations for reform. The Commission produced eight reports, dozens of topic specific recommendations and also a Model Police Act. None of the major recommendations were adopted by any government.
- 1996- A Public Interest Litigation (PIL) filed in the Supreme Court asking the Court to direct governments to implement the NPC recommendations.

- In the course of the 10 year long case, what is popularly referred to as the **Prakash Singh case** the Court set up various committees
 - 1998- Ribeiro Committee
 - 2000- Padmanabhaiah Committee
- 2005- the Police Act Drafting Committee (PADC or Soli Sorabjee Committee) that drafted a new model police bill to replace the colonial 1861 Police Act.
- In 2006 the Court delivered its verdict, and the states and union territories were directed to comply with seven binding directives-
 1. Constitute a State Security Commission (SSC) to: (i) Ensure that the state government does not exercise unwarranted influence or pressure on the police, (ii) Lay down broad policy guideline and (iii) Evaluate the performance of the state police
 2. Ensure that the DGP is appointed through merit based transparent process and secure a minimum tenure of two years
 3. Ensure that other police officers on operational duties (including Superintendents of Police in-charge of a district and Station House Officers in-charge of a police station) are also provided a minimum tenure of two years
 4. Separate the investigation and law and order functions of the police
 5. Set up a Police Establishment Board (PEB) to decide transfers, postings, promotions and other service related matters of police officers of and below the rank of Deputy Superintendent of Police and make recommendations on postings and transfers above the rank of Deputy Superintendent of Police
 6. Set up a Police Complaints Authority (PCA) at state level to inquire into public complaints against police officers of and above the rank of Deputy Superintendent of Police in cases of serious misconduct, including custodial death, grievous hurt, or rape in police custody and at district levels to inquire into public complaints against the police personnel below the rank of Deputy Superintendent of Police in cases of serious misconduct
 7. Set up a National Security Commission (NSC) at the union level to prepare a panel for selection and placement of Chiefs of the Central Police Organisations (CPO) with a minimum tenure of two years.
- March 2010- The Ministry of Home Affairs (MHA) issued two memoranda, the first setting up a single Security Commission to cover all the Union Territories (UTs), and the second setting up Police Complaints Authorities (PCAs).

Defence

Warships

INS Tarkash

- Talwar-class (or called Krivak-III class in Russia) **stealth frigate(warship)**

- The frigate is armed with advanced combat suite. Its arsenal includes **BrahMos supersonic cruise missiles, a surface-to-air missile system, an upgraded 100 mm medium range gun**, an optically-controlled 30 mm close-in weapon system, **torpedoes** and **anti-submarine rockets**.
- These ships use stealth technologies and a **special hull design** to ensure a reduced radar cross section.
- The main difference between Tarkash and the earlier Talwar-class ships is the use of **BrahMos missiles** in place of the **Klub-N missiles** in the earlier ships
- This is the second of the three frigates constructed at the Yantar Shipyard, Kaliningrad in Russia, the first being **INS Teg**, third being **INS Trikand**
- **Status:** commissioned on November 9 in Kaliningrad by Vice-Admiral Shekhar Sinha, Flag Officer Commanding-in-Chief of the Western Naval Command, Tarkash arrived at the Western Naval Command headquarters in Mumbai on 27 Dec 2012

SOCIAL ISSUES

Poverty and Exclusion

Food Security

Chhattisgarh Food Security Act, 2012

- First Food Security Act in the country.
- It was passed on December 21, 2012, by the State Assembly unopposed to ensure **“access to adequate quantity of food and other requirements of good nutrition to the people of the State, at affordable prices, at all times to live a life of dignity.”**
- The Act divides households into **four groups — Antodaya, Priority, General and Excluded households**.
- All Antodaya (poorest of poor) households and priority households will get 35 kg of foodgrain at Rs 1 per kilo, two kg of black gram at Rs 5 per kg, two kg of pulses at Rs 10 per kg, and two kg of iodised salt, every month.
- The priority households will have monthly public distribution system (PDS) entitlement of **35 kg rice, wheat flour, pulses, gram and iodised salt at subsidised price**.
- The Act also provides for 15 kg of foodgrain at subsidised rates to every household in the general category (people above poverty line).
- Act covers about 90% of population (42 lakh families).
- The act will **not cover** those who are **income tax payees, own over 4 hectares of irrigated or 8 hectares of non-irrigated land in non-scheduled areas and who are liable to pay property tax in urban areas**.
- The Act provides for schemes to offer **free meals to the destitute and homeless, through local anganwadis**. **The Act also has provisions to provide cooked meals to pregnant women and lactating mothers and take-home meals for children up to six years.**

- The entitlements will be given **on the basis of per household and not on per person**. The entitlements are **not restricted to food-grains but there is provision for iodised salt, pulses, black gram**.
- The new initiative will put a burden of Rs. 2311 crore on the state exchequer.

Criticisms:

- About 45 per cent of the population of Chattisgarh is below poverty line while benefits are extended to 90 per cent population.
- How will the State offset the cost? Naturally, it will have to raise taxes on something.
- How will Chhattisgarh ensure that the foodgrains reach the targeted people?
- It would have been in the fitness of things, had the State Government chosen to provide more job opportunities and ways to improve the livelihood of the people, rather than resort to a political gimmick, in the guise of a food security law.

Answer to criticisms

- As per the act leakages will be reduced by **one-use of technology** (for example, full computerisation of PDS); **two, greater transparency** (public scrutiny of all records) and **three, strengthening accountability** (public institutions such as Gram Panchayats have priority in running ration outlets).
- These reforms, in place since 2004 in Chhattisgarh, have yielded good results: **Estimated diversion of PDS grain fell from half in 2004-05 to 10 per cent in 2009-10.**
- Covering 90% population will help in **easing inflation**.
- Cost should not deter to take necessary step to ensure **life of dignity to all citizens**.
- Setting aside political considerations, there is a strong case for such an Act: Economic and food security.
- In Tamil Nadu, 60 per cent of the **“poverty gap”** has been wiped out due to implicit transfers through the PDS; the figure for Chhattisgarh is 40 per cent and nearly 20 per cent at the all-India level.
- The case against cash-for-food is equally strong: Poorly developed banking infrastructure and markets in rural areas, inflationary pressures and so on.

Conclusion

- The Chhattisgarh Government has other faults, but this is one lesson to learn from it.

[Note: State Act asked in UPSC: **Mains 2011**: The Bihar Special Courts Act, 2009 and why it has been in news recently?]

SC/ST/OBC/Minorities

Disadvantages section

Andhra Pradesh SCs Sub-Plan and STs Sub-Plan (Planning, Allocation and Utilisation of Financial Resources) Bill, 2012

- A new chapter was opened in Andhra Pradesh Assembly unanimously adopted a Bill to give legislative backing to the Sub-Plans for Scheduled Castes and Scheduled Tribes with a mandatory provision for allocation of nearly a fourth of the State's annual plan of the budget for them hereafter.

The Issue

- The weaker sections constitute a majority of those living below the poverty line and it is the State's duty to apply the Directive Principles to protect them.
- However, it has been alleged that funds earmarked under SC and ST sub-plans have regularly been diverted for sundry projects unconnected to their welfare and development, such as the cleaning of Hussainsagar Lake in Hyderabad.
- A similar diversion of funds is taking place in many States with reckless disregard for Dr. B.R. Ambedkar's vision for the downtrodden.
- A positive feature in the endeavour to reverse this deplorable trend has been the role played by civil society groups. They were instrumental in pressuring the government to enact a law, mandating not merely allocation of funds for SCs and STs but ensuring they are properly spent.

Significance

- This makes AP the first State in the country to enact the law according **legal status to the Sub-Plans** as insisted for a long time on States by the Planning Commission and National Development Council (NDC).
- The legislation would convert the Sub-Plans a right of the SCs and STs, binding on successive Chief Ministers.
- As of now, there was no constitutional provision to prevent lapsing of SC/ST funds, as the Assembly was empowered to adopt annual budget merely for one year.
- The Bill is aimed at bringing the State's disadvantaged sections on a par with the rest of society in economic, educational and human development terms in the next 10 years.

Tribal Welfare

De-notified tribes and 12th Plan

- According to the 12th Plan documents, A nation-wide survey of de-notified tribes' settlements is to be conducted to form the basis for introducing a suitable shelter programme for them.
- They could be entitled to free or subsidised housing under various government schemes.
- An effective way of extending developmental support for them will be to provide special and relevant support and facilities for them within the existing facilities for the ST, SC and OBC categories, as applicable.
- Access to scholarships and hostel facilities need to be given priority.
- capacity-building programmes for skill development and marketing and loans for economic empowerment should be given priority

[Note: All this is also recommended by NCDNSNT(see below)]

Background

De-notified tribes

- Denotified Tribes (DNTs), also known as vimukta jati, are the tribes that were originally listed under the Criminal Tribes Act of 1871, as Criminal Tribes and "**addicted to the systematic commission of non-bailable offences.**"
- Once a tribe became "notified" as criminal, all its members were required to register with the local magistrate, failing which they would be charged with a crime under the Indian Penal Code.
- The Criminal Tribes Act of 1952 repealed the notification, i.e. 'de-notified' the tribal communities.
- This act, however, was replaced by a series of **Habitual Offenders Acts**, that asked police to investigate a suspect's criminal tendencies and whether his occupation is "conducive to settled way of life." The denotified tribes were reclassified as habitual offenders in 1959.
- The UN's anti-discrimination body **Committee on the Elimination of Racial Discrimination (CERD)** asked India to repeal the Habitual Offenders Act (1952) and effectively rehabilitate the denotified and nomadic tribes on March 9, 2007.
- In 2008, the **National Commission for Denotified, Nomadic and Semi-Nomadic Tribes (NCDNSNT)** (constituted in 2005 under the chairmanship of Balkrishna Sidram Renke) of Ministry of Social Justice and Empowerment recommended equal reservations, as available to Scheduled Castes and Scheduled Tribes, for around 11 crore people belonging to the denotified, nomadic or semi-nomadic tribes in India.

Problems with Denotified tribes

- There is no authentic data on these tribes and no census has been conducted.
- They are found in almost all the States and belong mostly to the Other Backward Classes category in some large States and in Scheduled Castes and the Scheduled Tribes categories in other States.
- Some of them are not covered by any of the three categories.
- Even those covered under the three categories are often not able to avail the benefits because either they do not have caste certificates or because quotas are exhausted by non-nomadic/non de-notified communities in the reserved categories.
- DNTs do not possess traditional land rights or house titles, they remain denied of most citizenry, including voting, rights.
- Several groups of DNTs have congregated around urban areas, occupying degraded land at the periphery, seeking informal means of livelihood.
- apart from having to face the stigma of criminality, these communities had been driven away from their traditional occupations and were being prosecuted under a plethora of new laws in the name of forest conservation, wildlife protection, cruelty to animal, prevention of beggary, and so on.

Women

Women's safety

Women police stations

According to the Bureau of Police Research and Development (BPR&D) data-

- 13 States and union territories, including Delhi, have no women police stations.

- The ratio of men-women police personnel is also dismal.
- Women personnel comprise a dismal 3-4 per cent of the total police force in India
- In Delhi, out of 82,000 personnel, women comprise just 5,200.
- Today, women are being taken into the police force just to tackle women protesters.

The issue

- Things (crime against women etc) would not change until our police force remains men-dominated and where women fear to approach police stations to report crimes against them.
- A complete overhaul of the police system is the need of the hour.

Alternate suggestion

- Some women rights activists feel that instead of opening women police stations, States should focus on setting up a women's cell or desk at each station so that more and more women can go there freely and report crimes against them.

Usha Mehra Commission

- The Cabinet recently approved setting up of a Commission of Enquiry to look into the incident of rape and assault on a young woman on 16th December, 2012 in Delhi and to suggest measures to improve the safety and security of women. The Commission of Enquiry will be set up under the Chairmanship of Ms. Justice Usha Mehra, retired Judge of the High Court, Delhi.

Justice Verma Committee

- to Review Existing Laws on Safety of Women
- The Commission will suggest ways to make stricter rape laws.

Steps take to ensure the safety of women in the Capital

A number of steps have recently been taken in Delhi, including the following:-

- (i) Improving the public transport system by increasing the number of buses at night.
- (ii) Installation of GPS on all public transport vehicles to ensure that they do not stray from their scheduled routes.
- (iii) Ensuring that all personnel deployed on public transport carry identification badges and are verified.
- (iv) Proactive and enhanced patrolling by police vans/motor cycles along routes taken by families and women returning late at night from entertainment hubs and work places.

Health

Global Burden of Disease (GBD) Report

Global Burden of Disease (GBD) Study 2010

What is GBD?

- The **WHO** global burden of disease (GBD) measures burden of disease using the **disability-adjusted life year (DALY)**.
- This time-based measure combines years of life lost due to premature mortality and years of life lost due to time lived in states of less than full health.
- The DALY metric was developed in the original GBD 1990 study to assess the burden of disease consistently across diseases, risk factors and regions.

2010 Report (Published by Lancet on Dec 13, 2012)

- The Global Burden of Disease Study 2010 (GBD 2010) is the largest ever systematic effort to describe the global distribution and causes of a wide array of major diseases, injuries, and health risk factors.
- **Non-communicable diseases killing more than communicable diseases**
- **The results show that infectious diseases, maternal and child illness, and malnutrition now cause fewer deaths and less illness than they did twenty years ago.**
- As a result, fewer children are dying every year, but more young and middle-aged adults are dying and suffering from disease and injury, **as non-communicable diseases, such as cancer and heart disease, become the dominant causes of death and disability worldwide.**
- Since 1970, men and women worldwide have gained slightly more than **ten years of life expectancy** overall, but they spend more years living with injury and illness.

FACTUAL HIGHLIGHTS, 2010

- ISCHAEMIC HEART DISEASE was the leading cause of disability adjusted years (DALYs) worldwide in 2010 (up from fourth rank in 1990, increasing by 29%), followed by lower respiratory infections (top rank in 1990; 44% decline in DALYs), stroke (fifth in 1990; 19% increase), diarrhoeal diseases (second in 1990; 51% decrease), and HIV/AIDS (33rd in 1990; 351% increase)
- TWO MOST important risk factors were high blood pressure, estimated to be responsible for 9.4 million deaths, and tobacco smoking, including second-hand smoke, which was responsible for 6.3 million deaths. Alcohol use was the third most important risk factor, thought to be responsible for 5.0 million deaths.
- DIETARY FACTORS and physical inactivity were responsible for 12.5 million deaths, with the most prominent dietary risks found to be diets **low in fruit and diets high in sodium.**

What about India?

- The headline message from the research data is that public health policy must, in coming years, be directed as much towards non-communicable diseases as infectious ones.

Challenge for INDIA?

- Alcohol consumption is growing in India. ASSOCHAM projects a 30-per-cent year-on-year national growth in liquor consumption, more than doubling the present offtake by 2015.
- The number of tobacco users (age 15 and higher) in India is 274.9 million.
- The intensity of smoking is 6.1 cigarettes a day, while various other forms such as bidi, chewing tobacco and snuff are consumed heavily, often as a combination.
- Three powerful sectors (tobacco, alcohol and the packaged food industry) have enormous political influence in India.
- Both tobacco and alcohol are now accessible to adolescents and young adults, with a strong influence on their entire life course.
- The weakest link in the Indian approach to assessing disease burdens is its surveillance system for non-communicable diseases.

The way forward:

- The country has to embark on a mission to turn tobacco fields into fruit orchards. (Fruits with potassium help stabilise blood pressure at healthy levels, while salt, which is commonly added to packaged foods, produces the opposite, negative effect.)
- Regulation of salt content and compulsory labelling to encourage salt-free or low sodium products.
- Build a robust surveillance system.

Background:

Ischaemic Heart Disease

- Ischaemic Heart Disease (coronary artery disease or CAD) is a condition in which atheroma (fatty deposits) builds up in the linings of the walls of the coronary arteries
- When the heart muscle becomes ischemic, a person may experience angina or a heart attack.

Sanitation

E-Toilet (India's First Electronic Public Toilet)

- e-Toilets are **innovative public toilet system**
- e-Toilet is positioned as the ultimate solution to ensure public toilets across the country are **maintained hygienically**, with the **minimum of manual intervention, and substantial energy and water savings as well.**
- It synergizes technologies in **Electronics, Mechanical, Information Technology**, etc., for a very cost effective and modular design.
- It is developed by Eram Scientific Solutions, the Thiruvananthapuram based scientific R&D firm.

- In News: After Kerala it would now be set up in Jammu and Kashmir also, customized as per the region's own geographical and sub-zero climatic conditions.

More

- The e-Toilet works on **total auto mode**: The insertion of a coin opens the door for the user, switches on the light - thus saving energy - and even directs the user with audio commands. The toilets are programmed to flush 1.5 liters of water if the user takes up to 3 minutes, and 4.5 liters of water if the usage is longer.
- They can also be programmed to clean the platform after every 5 or 10 persons use the toilet.
- The e-Toilet is the result of a convergence of electronics, web and mobile technologies, featuring automated door opening, power flushing, automatic closet washing and sterilization, and automatic platform cleaning mechanism, all backed by SMS alerts to inform the control room about the status of water tank and bio gas plant in the event of any errors or failures through which the downtime can be minimized.
- The solid and liquid wastes are treated scientifically. A bio-membrane reactor is used to treat solid wastes and the water used is purified for reuse. The uniqueness of the solution lies in the built-in electronic innovations that will facilitate self cleaning of the toilets with minimum water usage, and treatment of solid waste and water with an environment friendly sewage treatment solution.
- eToilet also incorporates a **unique advertisement revenue model** which ensures the unit's sustainability and adds to its ambience. The ad panels offer manifold revenue opportunities as this is a highly lucrative model especially in metros and several public locations. Also the units have the capability of adopting high-tech advertisement displays such as revolving ads which adds to its aesthetics and sustainability.

Other

Manual Scavengers and Safai Karamacharis

Maila Mukti Yatra (MMY)

- **Maila Mukti Yatra (MMY)** is a nationwide campaign involving 11,000 Dalit women going around the country - to create awareness among women still engaged in manual scavenging, though the government banned the practice two decades ago.
- The campaign aims at setting free 50,000 people from inhuman practice of manual scavenging.

Background

- According to the 2011 Census, there are still 7, 94, 390 dry latrines, where human excreta are cleaned up by humans. Continuance of such inhuman practice is violation of 'The Employment of Manual Scavengers and Construction of Dry Latrines Prohibition Act, 1993.'
- In villages, Manual Scavengers are still forced to clean human excreta out of the compulsion of the caste system.
- People threaten them from drawing water from the same well.
- Their children are denied education.

- They are not allowed to worship in the same temples and cremate in the same ground.

Planning

Model Ward for People's Planning

- Mumbai's most underprivileged municipal ward may soon become India's first model for **People's Planning Process (PPP)**, involving all the stakeholders, including **citizens, government and municipal bodies, NGOs and educational institutes. Tata Institute of Social Science (TISS)** on Saturday, announced the completion of the socio economic surveys conducted in the ward, which mark the first phase of the project, which is called **M ward initiative**. Using the data collected in the surveys, in the second phase of the project, TISS along with the stakeholders will be releasing a comprehensive plan for the development of the ward, by prioritizing needs of the people in the ward.
- M-East ward of Mumbai has the lowest Human Development Index among all 24 municipal wards in Mumbai. As per the objectives of the project, the Infant Mortality Rate (**IMR**) and Maternal Mortality Rate (**MMR**) will be brought down by 50% in the next five years. Universal Pre Natal care, Institutional delivery, post natal services and 100% immunisation will be achieved during the same period, through the people's involvement. In education sector, the project is aiming at 100% enrolment in school and to reduce drop rate by 50% in next five years

Social Infrastructure

Social and physical infrastructure in India: An analysis

- The key engines for India's growth are our social and physical infrastructure, which require continued investments to accelerate growth prospects.
- CRISIL Research analysis reveals that between 2003-04 and 2010-11, budgetary spending on social infrastructure heads (such as health and education) grew at a compounded annual growth rate (CAGR) of 18.7 per cent, ahead of CAGR of nominal GDP at 15.3 per cent.
- Spending on physical infrastructure (15.7 per cent) was nearly on par with nominal GDP during the same period.
- Overall, the share of physical infrastructure spending in GDP rose only marginally from 4.5 per cent to 4.6 per cent between 2003-04 and 2010-11.
- Therefore, the challenge before the government right now is to sustain the present momentum in social infrastructure spends, while pumping financial resources into physical infrastructure.
- This requires a three-pronged approach:
 1. more private participation, especially in physical infrastructure such as power projects and ports,
 2. effective deployment of government funds and
 3. rationalising of subsidies and social welfare expenditure.

- This will result in inflow of private funds on one hand and savings on government spending on the other, which can be allocated towards areas that will help reap long-term benefits.
- Within physical infrastructure, one obvious solution is increased **public sector thrust in areas such as irrigation and railways**, and greater **private sector participation in others, such as ports and power**.
- To attract greater private participation in these sectors, the government first needs to **remove policy bottlenecks related to fuel linkage, land acquisitions and other such contentious issues**.
- On the social infrastructure side too, return on government spending must be carefully monitored so that measurable results can be derived.
- Finally, there is also a pressing need to optimise subsidy and social welfare spends in a balanced and rational way.
- The considerable savings that will accrue from curtailing subsidies in fuel, fertilisers and food can be re-allocated to building much-needed infrastructure.

Kelkar panel recommendations

- The Vijay Kelkar panel (set up to chart a roadmap towards fiscal consolidation) recently called upon the government to prioritise and efficiently use available financial resources, which would potentially save up to \$3.8 billion in planned expenditure, equivalent to about 0.2 percent of GDP.
- The panel's recommendations, along with the proposed direct cash transfer of subsidies to its beneficiaries, will spur the move towards reducing subsidy expenditure significantly over the next few years and concurrently, making more funds available for much-needed expansion of infrastructure.

Background

What is Infrastructure and Social Infrastructure ?

- Infrastructure provides supporting services in the main areas of industrial and agricultural production, domestic and foreign trade and commerce. These services include roads, railways, ports, airports, dams, power stations, oil and gas pipelines, telecommunication facilities, the country's educational system including schools and colleges, health system including hospitals, sanitary system including clean drinking water facilities and the monetary system including banks, insurance and other financial institutions.
- **Some divide infrastructure into two categories — economic and social. Infrastructure associated with energy, transportation and communication are included in the former category whereas those related to education, health and housing are included in the latter.**
- Social Infrastructure does not typically extend to the provision of social services, such as the provision of teachers at a school.

Urban transport

Importance of Cycling

- More people are able to commute to work with ease, Mobility has improved, congestion has eased and pollution has reduced.

- European cities are leading this renaissance and their **successful bicycle programmes** are widely replicated in various cities, from China to the United States, with a great sense of urgency.
- Cities consume 75 per cent of the energy and emit 80 per cent of the greenhouse gases. Promoting cycling is critical to reduce emissions and make cities resource efficient.
- A recent study estimates that in the case of the **Vélib bicycle system** in Paris, which covers an estimated 312,000 km a day, the saving is approximately 57,720 kg of CO a day.
- Reduction in pollution levels also improves public health. Research in UK shows that every £1 invested in cycling generates about £9 worth of benefits in decreased congestion and health costs.
- Asian cities, once a haven for cycles, are showing a sense of urgency in rediscovering cycling. Hangzhou in China started its **bike sharing programme** in 2008 and quickly grew to be the largest in Asia with a fleet of 65,000 bicycles and more than 2,500 docking stations.

Status in India

- Indian cities have hardly made plans to promote bicycles.
- Roads are planned to accommodate only motorised transport, edging out the bikes. The share of bicycles trips has gone down to 11 cent by 2008.
- Indian cities have been lethargic and have not harnessed the available potential and people continue to rely increasingly on motorised transport and bear the burden of spiralling fuel costs.
- The **National Urban Transport Policy, 2006** announced that a more equitable allocation of road space and greater use of non-motorised transport would be among its thrust areas, but not much happened in the years that followed.
- The **National Mission for Sustainable Development**, proposed in 2008 and set up in 2010 to promote green cities, did not push for bicycle programmes.
- In 2011, the government announced a comprehensive **national scheme to promote bicycle use** and followed it up with toolkits published recently to help the States. A few cities have taken the initiative and are in the initial stages of rolling them out.

The Need

- Local governments should have the will to invest in this sustainable mode of transport.
- Marking dedicated, well-designed cycle lanes on roads and ensuring safe riding are not only crucial for the success of cycling, it will also be a demonstration of the state's commitment to share road space more equitably.

ECONOMY OF INDIA

Banking

Banking Sector

Banking laws (amendment) bill 2012

- Parliament recently passed Banking Laws (Amendment) Bill, 2012, and Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Bill, 2012.
- The Banking Bill was approved by the Lower House earlier after the government dropped the controversial clause concerning allowing banks to trade in commodity futures.

What are the benefits?

- It will strengthen the financial sector.
- help in establishing large-sized banks.
- help in promoting financial inclusion. (Banks have opened 6,489 branches in 2011-12 alone, that is around 18-19 per day. We need more branches to continue the trend.)
- It is expected to create more confidence among investors, depositors and the public in the banking system.
- It will help in creating world class Indian banks (China has three among the world's top 20)
- Not only big corporate houses but will also allow eligible public sector entities to enter the banking sector.

Provisions and benefits in details including benefits to the ordinary banking public

- **More powers to the Reserve Bank of India**
 - The main purpose of this bill is to strengthen the hands of the Reserve Bank of India (RBI) with powers to supersede the entire boards of the recalcitrant banks which fail to comply with the directions of RBI. At present the RBI has powers only to remove a director or officers of a banking company, but not the full board. This amendment gives powers to the RBI to supersede the entire board in public interest and appoint an administrator to run the bank for a period not exceeding 12 months.
 - The amendment also gives powers to the central bank to call for information and returns from the associate and group companies of the banking companies and to inspect them, if necessary. These powers will come handy if and when the RBI proposes to grant licenses to industrial houses for setting up new banks, which is on the anvil now. The bill also substantially increases the penalties and fines for some of the violations of the Banking Regulation Act and the rules framed there under. These powers are expected to create an environment for better compliance of regulations by banks, ultimately benefiting the banking public and the economy of the country.
- **The bill paves the way for new banking licenses**

- The central government has been persuading the RBI to issue new banking licenses for expanding the banking network, mainly for financial inclusion and expansion of banking facilities to unbanked areas in the country. The RBI has been insisting on getting the additional powers mentioned above, so as to ensure a healthy growth of the banking institutions. Now that the bill has been cleared, the RBI may consider permitting new banks to be set up in the private sector, which in turn will create more competition among banks in the country. More the competition, better it is for bank customers, as it will provide more choices to the banking public and might bring down bank charges to some extent. The RBI should, however, ensure that new banking licenses are given only to the deserving applicants, which have a record of total dedication to provide transparent, committed and superior customer service and not to fly-by-night operators, who wish to make quick money by floating a bank and then resort to all sorts of manipulations at the cost of the banking public.
- **The bill raises the voting rights in banks**
 - At present there is a cap of 1% on voting rights to private investors in public sector banks. This in effect means that the private investors had no meaningful role to play in the functioning of the bank even as a shareholder. This cap is now proposed to be raised to 10%, paving the way for more investment in public sector banks by the foreign institutional investors, who have been sitting on the sidelines so far in respect of investing in these banks.
 - Similarly, there is a cap of 10% on voting rights to investors in private sector banks, which is now proposed to be raised to 26% through this bill. This in effect means that the promoters and their group can have voting powers up to 26%, which, in fact, is a double edged sword. On the one hand, it gives the promoters a better say in the management of the bank and coupled with the higher commitment of the promoters it could be a spring board for the faster growth of the bank. On the other hand, it can influence the decisions of the management, which may or may not be in the best interest of the bank and its other stakeholders. The RBI should, therefore, keep a close watch on the functioning of all private banks, so that these additional voting rights serve the interest of all stakeholders equitably.
- **The bill provides for issue of bonus shares by public sector banks**
 - So far only private sector banks, particularly old generation banks have been giving away free shares to their shareholders as bonus shares, though all private sector banks are allowed to issue bonus shares according to the Companies Act, under which they are incorporated. But public sector banks, though holding huge reserves, have not issued any bonus shares so far. This is mainly because there were no provisions to issue bonus shares in the enactments through which they were nationalized. The present bill, therefore, provides for issue of bonus and rights shares, including splitting of shares into lower denomination, by the public sector banks, which is good news for banks' shareholders.
 - Public sector banks are expected to issue bonus shares soon. This step will also create a conducive environment for banks to raise fresh capital more easily from the market and thus help in meeting their capital adequacy requirements prescribed under Basel III norms.

Why are bank unions against this bill?

- The left parties had opposed the bill and voted against it in the Lok Sabha. The banks unions are also against this bill as they feel that these amendments will dilute the interest of the public sector banks. Besides, these amendments will facilitate corporate entry into banking, which they feel is not desirable, as the public

money deposited in these banks can be misused for the benefit of few corporate bigwigs and not for the benefit of the general public. They are also opposed to the increase in voting rights to shareholders, as it may dilute the powers of the government in public sector banks.

- Whether these apprehensions are justified or not, only time alone will tell, but these amendments have increased not only the powers of the RBI but also its responsibilities to ensure that the banking industry progresses on sound lines for the benefit of the economy and the people of this country.

Conclusion

- In short, these measures contained in the bill, which will become law shortly, are expected to create more confidence among investors, depositors and the public in the banking system in our country. But a lot more requires to be done in the area of improving corporate governance, better customer service, transparency in banking operations and more importantly freeing the public sector banks from the political interference and the dual control of banks by the finance ministry and the RBI, as some times, they appear to be working at cross purposes to the detriment of the banks, which are the life line of the nation.

Local Area Banks

- With a view to bring about a competitive environment and to overcome the deficiencies of Regional banks, Government permitted establishment of a new type of regional banks in rural and semi-urban centres under private sector known as 'Local Area Banks'.
- Conceived in the 1996 Union budget to mobilise rural savings and make them available for investments in local areas. They are expected to bridge the gaps in credit availability and enhance the institutional credit framework in rural and semi-urban areas.
- These banks require a low **Capital base of Rs. 5 crore only**. The entire share capital has to be mobilized from **private sector**. They are permitted to operate only within a region of **2 or 3 contiguous districts**.

In News:

- The Reserve Bank of India plans to allow more local area banks
- According to the official, these banks will be on the lines of six local area banks that were given licences by the RBI in 1996.

Foreign Banks

- The Reserve Bank of India is expected to relax norms soon allowing opening of more foreign banks.
- India and Pakistan are negotiating issues with regard to opening of bank branches in each other's territory to facilitate trade and commerce.
- As per the World Trade Organisation agreement, India allows opening of 12 branches of foreign banks in a year.
- **Last year, the RBI in a discussion paper suggested that foreign banks should be incentivised to operate in India as wholly-owned subsidiaries, as against the present system of having presence through branch network.**

- At present, there are about 34 foreign banks operating in India, with five major banks, including StanChart, HSBC, Citibank and Deutsche

Capital Market

Sahara OFCD issue

Timeline

- **5 Dec 2012:** The Supreme Court gave a breather to the Sahara group by directing it to deposit Rs.5,120 crore immediately and pay its investors in two instalments, the first instalment of Rs.10,000 crore in the first week of January 2013 and the balance amount, including interest, in the first week of February.
- **Nov 2012:** ED begins the probe to detect money laundering etc. because it is also alleged that the investors who invested in Sahara were bogus and fictitious.
- **31 Aug 2012:** The Supreme Court held that the economic offences committed by Saharas must be dealt with by an iron hand and directed the Sahara India Real Estate Corporation Ltd. (SIRECL) and the Sahara Housing Investment Corporation Ltd. (SHICL) to refund over Rs. 24,400 crore collected from 2.21 crore depositors along with 15 per cent interest.



The issue?

- Sahara (Sahara India Real Estate Corporation Ltd ('Sahara Real Estate') and Sahara Housing Investment Corporation Ltd ('Sahara Housing')) issued optionally fully convertible debentures (**OFCDs**) violating the norms.

- When this information came to the notice of the capital market regulator, it started its investigation and passed an ex-parte order on 24 November 2010 restraining the company from mobilising funds under a red herring prospectus (**RHP**).
- Sahara went to Securities Appellate Tribunal (SAT). The senior advocates for the Sahara companies strongly contended that the OFCD issues were a **private placement(not public issue)**. They also claimed that OFCDs were not securities and that even if the issue of OFCDs was deemed to be in violation of the provisions of the Companies Act, 1956, SEBI had no power to investigate or pass any order. Their defence was that the issuer companies never intended to have the OFCDs listed.
- After hearing both sides SAT upheld the SEBI order and inter alia held that SEBI can exercise its jurisdiction under the SEBI Act to protect the interests of Investors and regulate the securities issued by unlisted public companies. SAT further observed that issue of **OFCD's in present case being offered to more than 50 (fifty) persons would also be treated as a 'public issue'** under the Companies Act, 1956 and were thus required to be listed on a Stock Exchange.
- Sahara went to Supreme Court against SAT order.
- Supreme Court also upheld the order and directed Sahara to return the money to the investors.

Lessons Learned

- Among the important lessons to be learnt by regulators from this episode is that any loophole that allows a group like Sahara to shop around for a favourable regulator needs to be plugged.
- Secondly, regulators like the RBI and SEBI need to exchange information with one another.
- This justified the need for a unified regulatory authority for the financial sector as recommended by a high-level committee headed by Justice Srikrishna.

Background

Optionally Fully Convertible Debentures (OFCD): OFCD is a type of debt security where the option is given to the holder if he wants to convert his debenture into equity share after stipulated time. This instrument does not yield interest in the initial period of say, 6 months. After this period option is given to the holder of OFCDs to apply for equity at a "premium" for which no additional amount needs to be paid.

Red Herring Prospectus: A company making a public issue of securities has to file a Draft Red Herring Prospectus with SEBI through an eligible merchant banker prior to filing a prospectus with the Registrar of Companies. It is a prospectus which does not have details of either price or number of shares being offered or the amount of issue. This means that in case price is not disclosed, the number of shares and the upper and lower price bands are disclosed. On the other hand, an issuer can state the issue size and the number of shares are determined later.

Suggestions to improve the sluggish Corporate Bond market

- One of the classic long-term issues for India is developing a robust corporate bond market.
- You need it for a variety of purposes. Most important reason is for infrastructure funding.
- In the last few years, several measures have been devised. **First, the government has doubled the limit for foreign investment in the Indian debt market to \$40 billion.** Today, it is much easier for a company to list its

debt. **Procedural complications**, which were there a few years ago, have been **simplified**. We have also introduced measures such as **credit default swaps**.

- All these measures have been designed to give a fillip to the bond market and yet we don't see that much of a pick-up. Partly it has to do with general economic conditions. But **there are some more measures which are important for improving the corporate bond market**.
- **They are the restrictions on the investor**. Today, an insurance company can invest only up to AA paper. It can invest in A+ paper only after a specific approval from the investment committee.
- Investors only invest in highest rated papers, partly because of regulatory reasons and partly because they believe that the paper rated below AAA is risky.
- **An analysis shows that even on a risk-adjusted basis, A papers offer better returns. So, there is a strong case for investors to re-look at their investment norms and invest beyond AAA paper to AA and A category more.**
- When investors look at papers which are below AAA, it would be an important milestone in the development of corporate bond markets.
- **Infrastructure debt funds** are one more step in this regard. Because you are structuring IDFs as a AAA rated entity, you are able to get money from investors who have no risk appetite and put the money into more risky projects in infrastructure.
- It is estimated that IDFs should be able to raise about Rs.20,000 crore in capital immediately. It is not the only solution but it is one more step to develop the bond market.

Infrastructure Debt Funds (IDFs)

- The Finance Minister had in his budget speech for the year 2011-2012 announced the setting up of Infrastructure Debt Funds (IDFs), to facilitate the flow of long-term debt into infrastructure projects. The IDF will be set up either as a trust or as a company. A trust based IDF would normally be a Mutual Fund (MF) while a company based IDF would normally be a NBFC. IDF- NBFC would raise resources through issue of either Rupee or Dollar denominated bonds of minimum 5 year maturity. The investors would be primarily domestic and off-shore institutional investors, especially insurance and pension funds which would have long term resources. IDF-MF would be regulated by SEBI while IDF-NBFC would be regulated by the Reserve Bank.
- To attract off-shore funds into IDFs, the Finance Minister had also announced that **withholding tax** on interest payments on the borrowings by the IDFs would be reduced from 20% to **5%**(applicable for foreign investors). Income of the IDFs has also been **exempt from income tax**(applicable for Indian investors).
- India's First Infrastructure Debt Fund(IDF) structured as a Non-Banking Finance Company (IDF-NBFC) was setup by **ICICI Bank , Bank of Baroda, Citi and LIC** with shares 31%, 30%, 29% and 10% respectively.
- IDFCs are needed because
 1. Infrastructure projects require long-term funding for 20-25 years and banks are currently not able to adequately fund them. Bank generally funding for 5-7 years infra projects.
 2. IDFC has better rating (+Tax exemptions) and will attract more investments.

BSE Carbonex

- The Bombay Stock Exchange (BSE) launched BSE Carbonex, **the first carbon-based thematic index in the country**, which takes a strategic view of organisational commitment to climate change mitigation.
- This index has been launched with the aim of creating a benchmark, and increasing awareness about the risks posed by climate change.
- **It will enable investors to track performance of the constituent companies of BSE-100 index regarding their commitment to greenhouse gases emission reduction.**

MCX-SX

- MCX Stock Exchange Limited (MCX-SX), **India's new stock exchange**, commenced operations in the **Currency Derivatives (CD)** segment on October 7, 2008
- In News: MCX-SX has received the final go-ahead from SEBI for going live in **new product segments such as equity, wholesale debt (bonds) and interest rate derivatives.**

Chandrashekhar panel on foreign investors

- SEBI (Securities and Exchange Board of India) has appointed a committee under **ex-Cabinet secretary K M Chandrashekhar** to frame a **single set of guidelines for all types of foreign investors.**
- The committee will suggest ways to simplify the investment process for all overseas entities like foreign institutional investors, foreign venture capital investors (FVCIs), qualified financial/institutional investors (QFIs), and NRIs, among others, and also to strengthen surveillance over them.

The Reserve Bank of India (RBI)

Financial Stability Report (FSR) 2012

- The **sixth issue** of the Financial Stability Report (FSR) of the Reserve Bank of India is being released in an environment of global macroeconomic instability and uncertainty. Economic growth in India has moderated in recent quarters, buffeted by **global headwinds and domestic policy uncertainties.** Growth, however, needs to accelerate if the momentum of poverty reduction, employment generation and pay off from the demographic dividend is to be accelerated. The Report reflects the collective assessment of the Sub Committee of the **Financial Stability and Development Council (FSDC)** on risks to financial stability.

Highlights:

- **Global risks remain elevated** due to delays in resolution of issues like the European sovereign debt crisis and the imminent US fiscal cliff.
- **Risks to domestic growth arise from structural impediments** such as fall in **domestic savings, persistently high inflation, regulatory and environmental issues.** These have caused a fall in investment demand and moderation in consumption spending leading to decline in growth.

- External sector imbalances remain a worry. **Rising gold imports have worsened the current account deficit.** Domestic savings have been falling. Moreover, **a lower proportion of household savings is channelled towards financial products.** (Post 2008, there has been a general shift from financial savings to physical savings. Gold has been the most reliable asset for Indian household. both the things are not good for economy)
- **Financial markets remained largely stable** but exchange rate volatility was high relative to that of some peers and advanced economies. Financial sector dominated the corporate bond issuance, reducing effective disintermediation.
- **Corporate sector's ability to service debt has been falling since 2009-10.** Some industrial groups with greater exposure to key infrastructure sectors like power have witnessed high growth in leverage in recent years.
- The Reserve Bank's latest Systemic Risk Survey conducted in October 2012 among bankers, consultants, academicians, etc. revealed concerns about the evolving global risks such as the fall in global growth and sovereign risk/contagion and a host of domestic factors like the increasing fiscal deficit, deterioration in growth outlook and bank asset quality. Respondents, however, remained confident about the stability of the domestic financial system.
- Distress dependencies between banks have remained largely unchanged in the period under review.
- While there has been no major shift in the pattern of interconnectedness or contagion risks in the system in the recent periods, an assessment of the impact of the liquidity contagion in the Indian banking system has been attempted for the first time in this issue of the FSR.
- **Asset quality of the banking system came under stress during the period under review with greater recourse to restructuring.** Banking sector, however, remained resilient to credit, market and liquidity risks and capable of withstanding macroeconomic shocks, given their comfortable capital positions.
- Regulatory reforms initiated in the wake of the global financial crisis are in various stages of implementation across countries. Some reforms may have unintended consequences for emerging markets.
- The recent deterioration in asset quality and regulatory changes requiring higher provisions **may pose challenges for banks in India as they migrate to Basel III.**
- There are **challenges in migrating all OTC**(Over-The-Counter) derivative transactions(trade via a dealer network as opposed to on a centralized exchange such as BSE) to central clearing given problems in standardisation, insufficient liquidity and opacity in pricing information of some products/markets.
- **Financial Inclusion, Financial Literacy and Consumer Protection have been recognised as intertwining threads in pursuit of financial stability.** This edition of the FSR, for the first time, discusses the various regulatory initiatives to achieve this objective.

THE HINDU Reports: **Risk to banking sector increasing, says RBI**

- The risks to banking sector had been increasing in recent years with a continued deterioration in the stability of the banking sector since 2010.
- An analysis of the components contributing to banking stability show that **tight liquidity, deteriorating asset quality and reducing soundness** are the major contributors to the decline in stability of the banking system

- However, it said that a marginal improvement in the indicator during the last two quarters was observed primarily because of better liquidity condition, due to **regulatory prescriptions and enhanced profitability ratios, arising out of lower provisioning coverage.**
- The **Banking Stability Map**, which reflects the relative changes in the vulnerabilities since the previous FSR, further reveals that the asset quality and soundness indicators have deteriorated vis-à-vis their position in March 2012
- Despite faster credit growth relative to deposit expansion, the **credit-deposit (C-D) ratio has declined**
- The **asset quality of banks has seen considerable deterioration during the half-year under review.** Gross non-performing advances (GNPA) ratio for all banks rose sharply to 3.6 per cent from 2.9 per cent. Net NPA ratio stood at 1.7 per cent as against 1.2 per cent.
- The concerns on asset quality are also underscored by the increasing trend in the slippage ratio as well as ratio of slippages to actual recoveries (excluding upgradations).
- Restructuring of loans, particularly of big ticket loans, under the **corporate debt restructuring (CDR)** mechanism, has recently come under closer scrutiny due to the steep rise in the number and value of such advances.
- The apex bank further said that the pressure on **asset quality in the power sector had worsened since FSR 2011.**

Background/Key Terms

- **CDR**
- The need for a corporate debt restructuring often arises when a company is going through financial hardship and is having difficulty in meeting its obligations. If the troubles are enough to pose a high risk of the company going bankrupt, it can negotiate with its creditors to reduce these burdens and increase its chances of avoiding bankruptcy.
- CDR is generally done by several methods such as decreasing the rates paid, increasing the time, giving the share of company to creditors etc.
- **Financial Stability Map and Indicator**
- The Financial Stability Map and Indicator depict the overall stability condition in the Indian financial system. The Financial Stability Indicator (FSI) is based on the three major indicators namely, Macro Stability Indicator (MSI), Financial Markets Stability Indicator (FMSI) and Banking Stability Indicator (BSI). FSI was derived using simple average of MSI, FMSI and BSI.
- **credit-deposit (C-D) ratio or Loan-To-Deposit Ratio - LTD**
- A commonly used statistic for assessing a bank's liquidity by dividing the banks total loans by its total deposits. This number, also known as the LTD ratio, is expressed as a percentage. **If the ratio is too high, it means that banks might not have enough liquidity to cover any unforeseen fund requirements; if the ratio is too low, banks may not be earning as much as they could be.**

Industry

Energy Sector

House panel for penal action on RIL for drop in gas output

- The Parliamentary Standing Committee on Petroleum and Natural Gas has **expressed its disappointment over the Petroleum Ministry's failure to initiate penal action on Reliance Industries Ltd. (RIL)** for its failure to achieve the production outlined under the Field Development Plan (FDP) for the KG D6 block.
- RIL has drilled only 22 out of the 31 wells that it had outlined in the investment plan for D1&D3, the largest of the 18 gas finds in the KG-D6 block. Of these, only 18 were put on production and even out of those put on production, six wells have shut due to high water and sand ingress.

Industrial Growth

Index of Industrial Production (IIP)[Oct 2012]

	Growth (Oct 2012)	Comment
IIP	8.2 %	mainly on account of good performance of the manufacturing and power sectors, and higher output of capital as well as consumer goods.
Mining	(-) 0.1%	
Manufacturing	9.6%	
Electricity	5.5%	

Background:

What is IIP?

Index of Industrial Production (IIP) is an abstract number, the magnitude of which represents the status of production in the industrial sector for a given period of time as compared to a reference period of time. It is a statistical device which enables us to arrive at a single representative figure to measure the general level of industrial activity in the economy. Strictly speaking the IIP is a short term indicator measuring industrial growth till the actual result of detailed industrial surveys become available. This indicator is of paramount importance and is being used by various organisations including Ministries/Departments of Government of India, Industrial Associations, Research Institutes and Academicians.

How and when is it computed?

The scope of the index has been confined to **mining, manufacturing and electricity sectors** and does not cover gas, water supply and construction.

The IIP estimate for a given month is always released within six weeks from that month. The data for the IIP estimate is supplied by 14 source agencies which include Department of Industrial Policy and Promotion, Indian Bureau of Mines, Central Statistical Organisation and Central Electricity Authority, among others.

The distribution of items covered by the index with 2004-05 year are as follows :-

No. of Items

Sector	2004-05(new)
Mining	61(14.1%)
Manufacturing	620(75.5%)
Electricity	1 (10.3%)
Total	682

Pharma Industry

National Pharmaceutical Pricing policy (NPPP)

- (statues: approved by cabinet on 22 Nov 2012)
- The ceiling price of the **348 drugs covered under the National List of Essential Medicines (NLEM) 2011** will be fixed by adopting **simple average price** of all brands having a market share more than or equal to 1% of the total market turnover of that medicine. (This approach is different from the weighted average price of top brands which was a severely criticised feature of the earlier policy. Experts believed that the **weighted average** calculation method would have driven up prices of essential drugs rather than reduced them.)
- **Imported drugs** have been brought within the purview of the policy for the first time.
- Drugs patented under the Indian Patents Act, 1970 and which have been made as a result of indigenous products or process have been exempted from price control for a **period of five years**. (it seems to have been brought in to incentivise investment by pharma companies.)
- One of the fears was that since the new policy introduces price controls at the formulation stage manufactures could easily bypass price control by combining the essential drug with another drug or a non-essential drug however the policy addresses this problem by stating that in such cases manufacturers shall be required to seek price approval from the Government before launching the new drug
- Prices of non price control drugs will also be regulated to a certain extent, the policy states that the Government will ensure that their prices are not raised by more than **10% in a year**.
- There is still no final decision of the status of patented drugs. Their prices will be decided by a separate committee.

Response

- mixed feelings
- Most feel that the recent changes to the calculation of prices **will definitely bring down prices of drugs** but will severely hit the larger players (who may have to take a hit of about 15%-20% in revenues) in the market which could in turn effect investment in the sector.
- Expert say that it is a good thing that the government has chosen to adopt a market-based mechanism as against a cost-based mechanism, thus protecting industry interest to a large extent as also ensuring that drugs reach patients in a cost-effective manner

- The main bone of contention for the **activists** seems to be the government's decision to opt for **market based pricing** rather than **cost based pricing**. They feel that this method will almost certainly lead to an overall rise in prices.

Background:

- It was 2003 when the Supreme Court had struck down a proposal to bring down the number of drugs under price control from 74 to 38 and directed the government to frame a policy to regulate prices of all essential drugs. (PIL filed by NGO the All India Drugs Action Network (AIDAN))

WHO clearance on Indian vaccines

- In a major boost to the country's private vaccine manufacturing pharmaceutical companies, the World Health Organisation (WHO) has said that India's national regulatory authority — **Central Drugs Standard Control Organisation (CDSCO)** — and its affiliated institutions **meet the prescribed international standards**.
- India is a **major vaccine producer** with 12 major vaccine manufacturing facilities.
- These vaccines are used for the national and international market, reaching nearly 150 countries. **Every second child in the world is vaccinated for measles using a vaccine produced in India.**

Significance

- The regulatory functions of India's National Regulatory Authority (NRA) — the CDSCO — and its affiliated institutions were assessed for compliance against the WHO indicators and marketing authorisation and licensing, post-marketing surveillance, including adverse events following immunisation and so on.
- India is **the first country** in 2012 to have passed the strict levels of seven indicators.
- WHO pre-qualification is a guarantee that a specific vaccine meets international standards of quality, safety and efficacy.
- Passing of this test means that 12 private vaccine manufacturing units from India are eligible and retain the pre-qualification status for supplying vaccines to international bodies like the WHO, UNICEF and the World Bank.
- **It will boost investment in the pharmaceutical sector and push exports higher**(which touched \$13 billion last year and is expected to touch \$26 billion this year), as **two-thirds of the vaccines produced in India are exported**.

Power Sector

Fuel supply agreements (FSAs)

- The Central government has announced that most of the contentions issues pertaining to fuel supply agreements (FSAs) had been resolved and power companies were likely to ink pacts with Coal India Limited (CIL) in a month's time.

Background

- To ensure fuel security to coal-based power producers, the Indian Government issued a presidential directive to CIL in April 2012, asking it to sign fuel supply agreements (FSAs) with power companies.

- Private power companies have raised concerns over certain FSA clauses, which they claim are in favour of PSUs.

Agriculture and Rural Development

Agriculture sector

India is world's largest rice exporter

- India has emerged the world's largest rice exporter, displacing Thailand from its leadership position, with rice exports in **marketing year** 2011/12 (October-September) placed at a record 10.4 million tonnes.

Reasons

- In February 2011 Government lift a four-year ban on exports of non-basmati varieties of rice paving the way for a rise in exports.
- Thailand's policies.

Fertilizer Issues

New urea investment policy

- The Policy based on the recommendations of the Sen Committee aims at attracting investments in urea sector for addition of production capacities through revamp and expansion of existing units, revival of eight closed units of Fertilizer Corporation of India Ltd. (FCIL) and Hindustan Fertilizer Corporation Ltd. (HFCL), and the Greenfield projects.
- The government controls the urea sector and has fixed the maximum retail price. Subsidy is give to manufacturers to cover the losses.
- **The new policy seeks to benchmark prices , within a range, against imports(Import Parity Price (IPP) benchmark with floor and ceiling price).**
- Under the New Policy, only non-APM(Administered pricing mechanism) gas will be considered for the new investments in urea sector.
- **The Coal gasification based urea projects will also be treated on par with a revival or a Greenfield project as the case may be.**
- **The Joint venture projects abroad in gas rich countries are also proposed to be encouraged.**
- **The New Investment Policy is a departure from the existing policies which are based on cost plus approach with a 12% post tax return to the manufacturers.**
- It is expected that the pricing policy based on market parameters will encourage investments in the sector and also substantial improvement in efficiencies.
- Nitrogen (Urea) is the only fertilizer where the country can not only become self-sufficient but also a net exporter, based on the available and projected hydrocarbon (natural gas) resources in the country. However, the Import dependence in this sector has increased in last 4 years. The demand- production gap is

rising every year and may reach upto 19 million tonnes by 2011-12. In order to reduce this rising gap, there was a need to increase investments in Urea sector, as there has been no significant investment in last 10 years, in this sector.

Criticism

- To make up for the gap, including with long-term imports from JVs in areas of cheap feedstock, we **need to rationalise and decontrol domestic prices of urea**. Otherwise, fertiliser subsidy would run amok.

External Sector

Balance of Payment(BOP)

Gold-backed schemes to curb imports

- Attributing the surge in gold imports to high current account deficit, the government said it was considering schemes such as **gold deposits, accumulation plans, gold-linked accounts and pension products** to curb demand for the precious metal
- The government said gold-backed products would help investors **enjoy benefits of investment in the metal without investing in the physical commodity**.
- It is an **unproductive instrument** but Gold imports into the country had risen considerably in the last 3-4 years.
- Gold imports touched a record high(\$60 billion) last year, pushing up the current account deficit to a historic high of 4.2 per cent in the year.
- In the April-June quarter of the current fiscal, however, gold imports had contracted.

Euro Zone Crisis

Eurozone bank supervisor

The Euro Zone

- On January 1, 1999, the euro was introduced as the new currency for use in the European Union. To join the currency, member states had to qualify by meeting the terms of the treaty in terms of budget deficits, inflation, interest rates and other monetary requirements. 17 out of the 27 member states of the EU, currently use the euro.
- These 17 countries are referred to as the "euro zone".

Why Euro Zone

- To strengthen the trade ties and economies of euro zone members.
- Specifically, the euro zone would make it easier for small economies to borrow money from international financial markets and investors at a much lower rate than had been possible for them in the past.

- Initial guidelines restricted governments from borrowing more than 3% of their economies output annually in an effort to prevent euro zone members from accumulating too much debt, and based on the assumption that all members were capable of repaying such debt.

What went wrong

- Many euro zone members did not adhere/stick to the guidelines for borrowing which were in place, Greece being a major defaulter.

Eurozone crisis

- The European sovereign debt crisis (often referred to as the Eurozone crisis) is an ongoing financial crisis that has made it difficult or impossible for some countries in the euro area to repay or re-finance their government debt without the assistance of third parties.
- From late 2009, there was a wave of downgrading of government debt in some European states by credit rating agencies.
- The structure of the Eurozone as a monetary union (i.e., one currency) without fiscal union (e.g., different tax and public pension rules) contributed to the crisis and harmed the ability of European leaders to respond.
- Concerns led European nations to implement a series of financial support measures such as the European Financial Stability Facility (EFSF) and European Stability Mechanism (ESM)

Eurozone bank supervisor - A new measure

- E.U. Finance Ministers have agreed the framework for a joint eurozone banking supervisor- a mechanism aimed at restoring confidence in the currency bloc.
- The supervisor is intended as a first step towards **banking union**, and is a prerequisite for the **eurozone's permanent rescue fund** to directly aid struggling banks.
- Such a development will enable the vicious circle between banks and sovereigns to be broken.

External commercial borrowings (ECB)

ECBs and low-cost housing

- The Reserve Bank of India (RBI) has allowed developers/builders to raise funds through external commercial borrowings (ECBs) up to **\$1b for low-cost affordable housing projects** with immediate effect.
- A low-cost affordable housing scheme for availing ECB would be a project in which at least 60 per cent of the permissible FSI (floor space index) would be for units having a **maximum carpet area up to 60 square meters**, the RBI said.
- Builders/developers meeting the eligibility criteria can apply to the **National Housing Bank (NHB), which will act as the nodal agency** for deciding a project's eligibility as a low-cost affordable housing project.

Background:

National Housing Bank (NHB)

- The National Housing Policy, 1988 envisaged the setting up of NHB as the **Apex level institution for housing**.
- NHB was set up on July 9, 1988 under the National Housing Bank Act, 1987.
- NHB is **wholly owned by Reserve Bank of India**, which contributed the entire paid-up capital.
- It is both **bank and regulation authority**.
- The Head Office of NHB is at New Delhi.
- **Objectives:** NHB has been established to achieve, inter alia, the following objectives – To promote a sound, healthy, viable and cost effective housing finance system to cater to all segments of the population and to integrate the housing finance system with the overall financial system. To promote a network of dedicated housing finance institutions to adequately serve various regions and different income groups. To augment resources for the sector and channelise them for housing. To make housing credit more affordable. To regulate the activities of housing finance companies based on regulatory and supervisory authority derived under the Act. To encourage augmentation of supply of buildable land and also building materials for housing and to upgrade the housing stock in the country. To encourage public agencies to emerge as facilitators and suppliers of serviced land, for housing.

FDI issues

FDI in services sector up 5% in April-Oct

- India's foreign direct investment (FDI) inflows into the services sector increased by a mere 5 per cent to \$3.6 billion during the April-October period of this fiscal, according to the latest data of Industry Ministry.
- In 2011-12, foreign investment in the services sector, which contributes over 50 per cent in India's GDP, rose to \$5.21 billion from \$3.29 billion in 2010-11.
- **The other sectors which have received high level of FDI during the first seven months of current fiscal include hotel and tourism (\$3.11 billion), metallurgy (\$1.21 billion), construction (\$691 million) and automobile (\$743 million).**
- Country wise, high levels of FDI came during the period from Mauritius (\$6.75 billion), Japan (\$1.52 billion), Singapore (\$1.24 billion) the Netherlands (\$1.05 billion) and the UK (\$611 million), the Department of Industrial Policy & Promotion (DIPP) data showed.

Infrastructure

National Investment Board (NIB)

Cabinet Committee on Investment (CCI)

- The Union Cabinet has created a new **Cabinet Committee on Investment (CCI)** to expedite decisions on infrastructure and manufacturing projects over Rs. 1,000 crore.

- The new CCI will be **chaired by Prime Minister Manmohan Singh** and include ministers in charge of infrastructure sectors as its members.
- The Committee will **prescribe time limits for decisions on approvals and clearances and will then monitor the process to ensure that those deadlines are met.** It could review cases which face delays, and facilitate the removal of bottlenecks in the process.

Background:

- The idea of high-powered panel for according speedy clearance to infrastructure projects was initially mooted by Finance Minister P Chidambaram. He had suggested that the body be called **National Investment Board (NIB)**. The Cabinet, however, renamed the proposed body as Cabinet Committee on Investment.
- The cabinet diluted some of the original powers envisaged for the committee to accommodate concerns of environment minister Jayanthi Natarajan and rural development minister Jairam Ramesh who were staunchly opposed to the proposal.
- Controversial references to the mega-investment body's possible intervention in the case of "failure" of concerned Ministries to observe the stipulated time frame, even going so far as to "call unto itself the power of the Ministry concerned" have been **deleted**.

National Offset Policy

National Offset Policy

What is offset agreement?

- **An offset agreement is an agreement between two parties whereby a supplier agrees to buy products from the party to whom it is selling, in order to win the buyer as a customer and offset the buyer's outlay.** Generally the seller is a foreign company and the buyer is a government that stipulates that the seller must then agree to buy products from companies within their country. **Often, the aim of this process is to even-up a country's balance of trade.** This is frequently an integral part of international defense contracts.

Status in India

- Such arrangements are already in place in Defence hardware acquisitions above Rs 300 crore that require the overseas supplier to 'offset' at least 30 per cent of the contract value by sourcing sub-assemblies, components and services from within the country.
- The latest plan is to have an 'overarching' offset policy that extends beyond Defence to cover imports by all government departments, including Space, Atomic Energy and even public sector undertakings (PSU). Each of these agencies would give advance information of their procurements above Rs 500 crore to a **National Offset Authority**, which will then identify and allocate potential offsets among the various departments and user industries. The idea, by itself, is not bad, considering the significant quantum of imports that take place on government account alone every year. While offsets cannot be imposed on private party imports, it may still be worth implementing on governmental purchases with a view to correcting trade imbalances and creating local manufacturing opportunities.

Criticism

- The proposal is not without problems, though. The most questionable part is subjecting PSU capital acquisitions to offset preconditions. Whether a PSU such as NTPC chooses turbines and boilers from Chinese vendors or sources them from BHEL and L&T should be decided based on its own commercial judgment, rather than the outcome of a public policy favouring local manufacture. Oversight by an Offset Authority would only add an extra layer of decision-making, slowing down the process. Enforcing offsets are further problematic in listed PSUs that are accountable to non-government shareholders. Even when it comes to non-PSUs, the implementation of offsets on say, imported nuclear reactors is best left to the Department of Atomic Energy than a centralised authority manned by non-specialist bureaucrats. The same goes for Defence, where there is an already-existing 'offset facilitation agency' that also has representatives from industry. While an offset policy for major governmental import procurements is desirable, it is better to have general guidelines for implementation by individual departments, taking into account sector-specific ground realities.

In News

- The state-run Oil and Natural Gas Corporation (ONGC) has asked the Petroleum and Natural Gas Ministry for complete exemption from following the National Offset Policy as a special case as following such a policy would have a direct impact on ONGC's operations and performance.
- **Reasons cited:**
 - goods and services required for ONGC's operations are highly specialised in nature, for which **sources are very limited in the global market**. Insisting for additional obligations from seller (in form of Offset policy) could lead to non-participation by many of the prospective bidders thereby reducing fair competition in tenders, it added.
 - **it could lead to higher costs**, since the participating bidders would pad up their bids on account of such conditions.
 - **policy on "offsets" may delay the tender finalisation** within the stipulated period, besides delays in project completion.

Urban infrastructure

CAG's report on JNNURM

The points of Failure

- The Mission shows huge deficiencies. For instance, only 22 of the 1,517 projects approved in 2005 and 231 of 1,298 approved in 2011 were completed as of March 31, 2011.
- The Mission had failed to strengthen urban local bodies, even though it was supposed to make them more accountable and efficient.
- All the mandatory and optional reforms were not implemented as per the commitments made in the Memorandum of Agreement. Thus the objective of bringing about reforms in institutional, financial and structural governance structure of the ULBs to make them efficient, accountable and transparent could not be achieved as has been envisaged.

- The ministries of the Central Government were not equipped to monitor a project of JNNURM's magnitude.
- "The JNNURM guidelines had been deficient as they did not give adequate advisory to States regarding the parking of funds and the utilisation of interest thereof. There was no uniformity in utilising interest earned on parked funds amongst the States/Union Territories and the revolving fund had also not been created in almost all the States.
- There were delays in release of funds to States and the guidelines did not contain any directions to stipulate the time in which such releases should be made.
- The audit's findings indicated the risk of ineligible beneficiaries of the schemes meant for the urban poor.
- There were diversion of funds for projects not admissible under JNNURM. For instance, at Kathua in Jammu & Kashmir about Rs.2.21 crore was distributed to unverified beneficiaries for housing construction.
- Under the Urban Infrastructure & Governance scheme, not even a single project has been completed in Uttar Pradesh's seven mission cities. In Delhi, only four of 28 have been completed, in Gujarat 33 of 71 and in Karnataka 16 of 46.

Recommendations

- The CAG recommended that the government consider suitable incentives to states that have implemented the reforms envisaged under JNNURM guidelines.
- The Ministry of Urban Development and the Ministry of Housing and Urban Poverty Alleviation should introduce a zero-tolerance policy at all levels with respect to irregular expenditure and diversion of funds.
- It also recommended identifying the deficiencies in the monitoring of the scheme, at both Central and State levels, and to address these within the next two years.

Background

JNNURM

- JNNURM was launched by the Government of India on 3rd December 2005.
- JNNURM is a **reform driven**, fast track programme to ensure planned development of identified cities with focus on efficiency in urban infrastructure/service delivery mechanisms, and through community participation and enhanced accountability of ULBs/parastatal agencies towards citizens.
- The programme was planned to operate on a mission mode by facilitating large scale investments in the urban sector, policy and institutional reforms, leading to sustainable socio-economic growth in the cities.
- Phase II of project would be carried out over the next five years(2012-17).