



News Analysis (25 May, 2019)

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Restructuring of Indian Statistical System

The government has decided to merge the National Sample Survey Office (NSSO) with the Central Statistics Office (CSO) under the Ministry of Statistics and Programme Implementation (MoSPI). The order dated 23rd May 2019 has cleared formation of an overarching body - National Statistical Office (NSO) through the merger of the NSSO and the CSO.

- The order states that the proposed NSO would be headed by Secretary (Statistics and Programme Implementation), but **skips any mention of National Statistical Commission (NSC)**, which has been the overseeing body for all the statistical work done in the country.
- The order also does not equate the Secretary (Statistics and Programme Implementation) with the Chief Statistician of India as was done in the earlier resolution notified by the MoSPI on 1st June, 2005.
- There is a **concern** that with the merger of NSSO and CSO, **the autonomy of NSSO will go away and the NSC's control over NSSO will not be there**. NSC oversees all technical aspects of the statistical work—which survey needs to be done, when and how it needs to be done.
- The order for restructuring the Indian official statistics system has been **issued in order to streamline and strengthen the present nodal functions of the ministry** and to bring in more synergy by integrating its administrative functions within the ministry.

2019 Order vs 2005 Resolution

- The 2005 resolution notified initiation of the **setting up of the NSC along with proposing the single entity, National Statistical Organisation**, as the executive wing of the government for statistics which would act according to the policies and priorities as laid down by the NSC.

- The **resolution** proposed **NSO with two wings, CSO and NSSO** while **2019 order** states that the statistics wing, comprising the NSO, with constituents as CSO and NSSO, to be an integral part of the main Ministry, with **CSO and NSSO to be merged into NSO**.

Present Structure

- The Ministry of Statistics and Programme Implementation has **two wings**, one relating to Statistics and the other- Programme Implementation.
- The Statistics Wing called the **National Statistical Office (NSO)** consists of the **Central Statistical Office (CSO)**, the **Computer Center and the National Sample Survey Office (NSSO)**.
 - CSO coordinates the statistical activities in the country and also evolves statistical standards.
 - NSSO is responsible for conduct of large scale sample surveys in diverse fields on an all India basis.
- **The Programme Implementation Wing has three Divisions**, namely, (i) Twenty Point Programme (ii) Infrastructure Monitoring and Project Monitoring and (iii) Member of Parliament Local Area Development Scheme.
- Besides these two wings, there is **National Statistical Commission** created through a resolution of the Government of India (MOSPI) and one autonomous Institute, viz., **Indian Statistical Institute** declared as an institute of national importance by an act of the Parliament.
 - NSC has a mandate to evolve policies, priorities and standards in statistical matters.

Issues in the present structure

- **The NSC and the office of the chief statistician of India (CSI)** - who apart from being the secretary to the MoSPI is also the secretary to the NSC - have been **at loggerheads for most of the period, fighting battles over turf and resources.**
 - The **use of the untested database in national accounts**, the lack of transparency about it, and the lack of any effective audit of the GDP database all point to the **lack of effective oversight of the CSO.**
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Snakebite Envenoming

WHO has presented a strategy aimed at cutting snakebite-related deaths and disabilities in half by 2030, as snake bite can soon become a major **Global Public Health Emergency** if not dealt properly.

Facts

- Each year, nearly **three million** people are bitten by poisonous snakes, with an

estimated **81,000-138,000 deaths**.

- Another **400,000 survivors suffer permanent disabilities** and other after-effects, according to the WHO figures.
- **Snake venom** can cause **paralysis that stops breathing, bleeding disorders that can lead to fatal haemorrhage, irreversible kidney failure and tissue damage** that can cause permanent disability and limb loss.
- From very long time snake bite has been neglected and dangerously under-estimated to the extent that in 2017 **WHO, categorised "snakebite envenoming" as a Neglected Tropical disease**.

Snakebite Envenoming

Snakebite envenoming is a potentially life-threatening disease that typically **results from the injection of a mixture of different toxins (venom)** following the bite of a venomous snake and can also be **caused by having venom sprayed into the eyes** by certain species of snakes that have the ability to spit venom as a defence measure.

- Snakebite envenoming is a particularly important **public health problem in rural areas of tropical and sub-tropical countries situated in Africa, the Middle-East, Asia, Oceania and Latin America**.
- In these regions the risk of snakebite is a daily concern, especially for **rural and peri-urban communities where hundreds of millions of people depend on agriculture** or subsistence hunting and gathering in order to survive.
- **Children often suffer more severe effects** than adults because of their smaller body mass.
- **Lack of footwear** contributes significantly to the risk of snakebite for both adults and children.

Concerns

- Many snakebites **go unreported**, often because victims seek treatment from **non-medical sources or do not have access to health care**.
- **Snake antivenoms** are effective treatments to prevent or reverse most of the harmful effects of snakebite envenoming and are included in the **WHO Essential Medicines list but because of inaccessibility and unaffordability of drugs**, many families are either not able to access the anti venoms or go into debt in order to pay for antivenom.

WHO's Roadmap for Snake Envenoming

- To make antivenoms accessible and affordable WHO's plan is to **increase production of quality antivenoms**.

- In order to create the **sustainable market for antivenoms** there is a need for a **25% increase in the number of competent manufacturers by 2030**.
 - WHO planned a pilot project to create a **global antivenom stockpile**.
 - **Integrating snakebite treatment and response into national health plans** in affected countries, including better training of health personnel and educating communities.
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PEGASUS

The technical document "PEGASUS" i.e. **Phycomorph European Guidelines for a Sustainable Aquaculture of Seaweeds**, highlights the current state of European seaweed production and pinpoints challenges for the development and proposes recommendations for short-term and long-term improvements at different levels of the chain.

- **Phycomorph** is a network of international academic laboratories each addressing one or several issues related to **macroalgal development**. The dynamics of the network is based on regular meetings and student exchanges in order to share both recent progress and experience in technical skills preparing guidelines for **sustainable seaweed aquaculture in Europe**.

The main aim of PHYCOMORPH is to unify a scattered European research landscape to enable a step-change in the basic knowledge of macroalgal reproduction and development.

- **Macroalgae (seaweeds)** are multicellular organisms living mainly in marine or freshwater (a few live almost permanently out of water).
 - **Seaweed** is plant-like organisms, playing a key ecological role in coastal ecosystems. It is a promising **bioresource** for the future and the demand for high-value seaweed-derived compounds (cosmetics, food) is growing across the world.
 - Like plants, they **use light to fix atmospheric carbon dissolved in water**. Macroalgae are amongst the **most powerful carbon-fixing organisms** on earth. Their size ranges from a few millimetres up to 50 metres.

Importance of aquaculture of Seaweeds

- **Food security:** By 2050, the edible bioresource biomass will have to satisfy the 9 billion people predicted to live on the planet.
 - Seaweed aquaculture can help to address global challenges related to nutrition, health and sustainable circular bio-economy.
 - Domestication of the oceans is widely regarded as a possible solution to increase food and could be one of the next most important developments in human history.

- **Environment protection:** It will support food web, coastal protection of erosion, bioremediation by removal of possible pollutants like nitrogen or phosphate and CO₂ sequestration.
- **Pharmaceutical and medical applications:**
 - Antibacterial and antifungal activity of various macroalgae has been demonstrated.
 - It contains some promising compounds in the field of curing cancer. It shows a potent cytotoxic activity (inhibition of cell growth and multiplication) against human cancer cell lines.
 - It could be potentially useful as therapeutic agents against Adult T-cell leukaemia (ATL).
 - It can be used as an anti-oxidant and anti-inflammatory agent.
- **Renewable energy source:** Algal biofuels dispose of quite some benefits compared to fuels of terrestrial origin, such as a higher energy content; a fast growth and the fact that they complement terrestrial biofuels instead of competing with it.
- **Cosmetics products:** Because of the lipids they contain which can be used to produce oils, these are an excellent choice for the preparation of cosmetic products.
- **Job creation:** The algal industry is able to create a wide variety of jobs ranging from research to engineering, from constructing to farming and from marketing to financial services.

Seaweed production in India

According to a report from the **Central Marine Fisheries Research Institute (CMFRI)**, only 30 million tonnes of seaweeds, valuing €8 billion, are being harvested every year.

- In India, seaweeds grow abundantly along the Tamil Nadu and Gujarat coasts and around Lakshadweep and the Andaman and Nicobar islands.
- Of the nearly 700 species of marine algae found in both inter-tidal and deepwater regions of the Indian coast, about 60 species are commercially important.

Aquaculture is breeding, raising, and harvesting fish, shellfish, and aquatic plants. Basically, it's farming in water. It is an environmentally responsible source of food and commercial products, helps to create healthier habitats, and is used to rebuild stocks of threatened or endangered species.

Central Marine Fisheries Research Institute (CMFRI) was established by Government of India on February 3, 1947, under the Ministry of Agriculture and Farmers Welfare.

- In 1967, it joined the Indian Council of Agricultural Research (ICAR) and emerged as a leading tropical marine fisheries research institute in the world.

- The Headquarters of the ICAR-CMFRI is located in Kochi, Kerala.
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HR Khan Working Group on FPI

The Securities and Exchange Board (SEBI) released the report of the working group formed under the chairmanship of former RBI deputy governor HR Khan last year.

- The report stated that **international investors are a key source of capital to the Indian economy** and hence it is important to ensure a **harmonised and hassle-free investment experience** for international investors and **improve transparency as economic regulations evolve**.
- Against this background, the group's primary objectives were consolidation, simplification, rationalisation and liberalisation of the Foreign Portfolio Investment framework.

Key recommendations

- To **streamline the regulations to encourage foreign inflows** in the Indian market, the Group has proposed **fast track on-boarding procedure** for investors, apart from a **simplified registration process**.
- The group has recommended **pension funds to be considered for Category I Foreign Portfolio Investors (FPIs) registration, removal of opaque structure** and the **review of broad-based conditions for appropriately regulated entities**.
- It has proposed a **liberalised investment cap** under a review of prohibited sectors for foreign investment for FPIs, **restriction on Sovereign Wealth Funds (SWFs) for investment in corporate debt securities**, and **permitting FPIs for off-market transactions**.
- The Committee has also proposed **alignment of regulations for FPIs and Alternative Investment Funds (AIFs)** and the **harmonisation between investment restrictions in FPI regulations and Foreign Exchange Management Act (FEMA)**.
- In terms of restrictions on FPI investments in mutual funds, the group recommended for further deliberations on whether such restrictions should be there.

NOTE: FPIs are currently not permitted to invest in liquid and money market mutual fund schemes.

Categories of Foreign Portfolio Investors (FPIs)

- **Category I (Low Risk)** which would include Government and entities like Foreign Central banks, Sovereign Wealth Funds, Multilateral Organizations etc.
- **Category II** FPIs largely include regulated institutions, persons, broad-based funds and university, pension and endowment funds.

- **Category III (High Risk)** which would include all other FPIs not eligible to be included in the above two categories.

Alternative Investment Fund (AIF)

- AIF is any privately pooled investment fund in the form of a trust or a company or a body corporate or a Limited Liability Partnership (LLP) which are not presently covered by any Regulation of SEBI governing fund management nor coming under the direct regulation of any other sectoral regulators in India-IRDA, PFRDA, RBI.
- Hence, in India, AIFs are private funds which are otherwise not coming under the jurisdiction of any regulatory agency in India.
- Categories of AIF:
 - **Category I AIFs** are those AIFs which generally invests in start-ups or early stage ventures which the government or regulators consider as socially or economically desirable. Eg: Venture capital funds (Including Angel Funds), SME Funds.
 - **Category II AIFs** do not fall in Category I and III and which do not undertake leverage or borrowing other than to meet day-to-day operational requirements and as permitted in the SEBI (Alternative Investment Funds) Regulations, 2012. Eg: real estate funds, private equity funds.
 - **Category III AIFs** employ diverse or complex trading strategies and may employ leverage including through investment in listed or unlisted derivatives. Eg: hedge funds, Private Investment in Public Equity Funds.

India's New SOP for Arms Export

India has finalised a new system to speed up sale of military equipment to friendly countries like Bangladesh, Vietnam, Sri Lanka, Afghanistan, Myanmar and others through **defence lines of credit (LoC)**.

Features of SOP

- At present, SOP is being operationalised for **defence PSUs** and the **Ordnance Factory Board**. It will be extended for private sector companies producing defence equipment after its working stabilises.
- It is akin to the much-touted **foreign military sales (FMS)** programme of the US. India has bought most of its weapon systems from the US, like the C-17 Globemaster-III strategic airlifters, C-130J "Super Hercules" planes and M-777 ultralight howitzers, through its **FMS programme**.
 - FMS route is much swifter and cleaner than the cumbersome global tender process, which takes several years and is often derailed by allegations of

corruption.

- The SOP will be extended to both fresh as well as unutilised defence LoCs.
 - India has extended defence LoCs to Vietnam and Bangladesh but their actual execution has been quite patchy.
 - **Major hurdle:** in the implementation of defence LOCs has been the long-winded complex process of “**price discovery**” of the defence products identified by the friendly countries.

Advantages

- The new standard operating procedure (SOP) will substantially enhance the pace of utilisation of the defence LoCs extended to friendly countries.
 - This will prevent third parties like China from undercutting India in countries like Bangladesh, Sri Lanka and Myanmar in terms of weapon supplies
- The Indian defence companies will now “**directly quote**” the prices of the identified products at the rate they were sold to the Indian armed forces, with built-in escalation and exchange costs.
 - Earlier, the process would get bogged down in bottle-necks. The overall aim of the new SOP is to shorten the negotiations and price discovery process.

India’s Defence Manufacturing Capabilities

- India still does not have a robust defence production sector, it does have some weapons systems like the BrahMos supersonic cruise missiles, produced in collaboration with Russia, and indigenous ones like the Akash surface-to-air missile systems, Tejas light combat aircraft and Dhruv advanced light helicopters, which can be successfully exported to other countries.
- China has emerged as the world’s fifth largest arms exporter after the US, Russia, France and Germany — by a determined focus on indigenous defence production and reverse-engineering of advanced military technology.
 - China’s biggest arms clients are Pakistan, Bangladesh and Algeria, with Beijing even supplying submarines and corvettes to Dhaka.

A Line of Credit (LOC)

It is an arrangement between a financial institution—usually a bank—and a customer that establishes the maximum loan amount the customer can borrow. The borrower can access funds from the line of credit at any time as long as they do not exceed the maximum amount (or credit limit) set in the agreement and meet any other requirements such as making timely minimum payments.

Foreign Military Sales (FMS)

The U.S. Department of Defense's **Foreign Military Sales (FMS)** program facilitates sales of U.S. arms, defense equipment, defense services, and military training to foreign governments.

- The purchaser does not deal directly with the defense contractor, instead, the **Defense Security Cooperation Agency** serves as an intermediary, usually handling procurement, logistics and delivery and often providing product support, training, and infrastructure construction (such as hangars, runways, utilities, etc.).
- The Defense Contract Management Agency often accepts FMS equipment on behalf of the US government.
- FMS is based on countries being authorized to participate in the mechanism to procure services, and a deposit in a US Trust Fund or appropriate credit and approval to fund services.

RBI Proposes Liquidity Norms for NBFCs

RBI in its draft circular on “**Liquidity Risk Management Framework for NBFCs and Core Investment Companies (CICs)**” (to be adopted by all deposit-taking and non-deposit taking NBFCs with an asset size of Rs 100 crore and above and all CICs registered with the RBI) has **proposed certain guidelines for dealing with the Liquidity and IL&FS type of debt crisis in NBFCs.**

About IL&FS Debt Crisis

IL&FS Financial Services, a group company, defaulted in payment obligations of bank loans (including interest), term and short-term deposits and failed to meet the commercial paper redemption obligations.

- Consequent to defaults, rating agency ICRA downgraded the ratings of its short-term and long-term borrowing programmes.
- The defaults not only adversely affected hundreds of investors, banks and mutual funds associated with IL&FS but also resulted into Liquidity Crisis in NBFCs.

RBI Guidelines

- **Introduction of Liquidity Coverage Ratio:** Liquidity Coverage Ratio (LCR) rule would be introduced in all deposit taking Non-Banking Financial Companies (NBFCs) and non-deposit taking shadow banks with an **asset size of Rs 5,000 crore** and above.
 - **LCR** is a requirement under Basel III whereby banks are required to hold an amount of **high-quality liquid assets (HQLA)** that's enough to fund cash outflows for 30 days.
 - **HQLA** are liquid assets that can be **readily sold or immediately converted**

into cash at little or no loss of value or can be used as collateral for borrowing purposes.

- **Mandatory holding of Government Securities** by NBFCs in the form of high quality liquidity assets.
- **Comprehensive Risk Mitigation Policies:** Board of all NBFCs with assets of more than 5,000 crore are required to ensure an **Asset liability management committee, asset risk management committee, and an asset-liability management support group in NBFCs** for implementing Liquidity risk mitigation policies.
- **Asset-Liability mismatch** can not be more than **10% of the total outflows** of NBFCs.
- NBFCs are required to formulate their **Contingency Funding Plan** as a liquidity crisis management tool that will help them with **alternative sources of funding** in liquidity crisis and will **prevent over reliance on single source** of funding like it is suspected that over reliance of NBFCs over commercial papers can bring them to default of over 1 lakh crore commercial papers issued by them in the past.

Commercial papers are short term debt instruments issued by companies to raise funds for a time period of up to one year

A granular maturity bucket system has been proposed to keep a check on mismatches across tenures. Under new norms, the 1-30 days bucket would be bifurcated into 1-7 days, 8-14 days, and 15-30 days buckets. Also, NBFCs will need to monitor their cumulative mismatches (running total) across all other time buckets up to 1 year by establishing internal prudential limits with the approval of their boards.

Important Facts For Prelims (25th May 2019)

DRDO Test Fired the Guided Bomb

- The Defence Research and Development Organisation (DRDO) successfully test fired **an indigenously developed 500Kg class Inertial Guided Bomb** from a Su-30 MKI Aircraft at Pokhran test range in Rajasthan.
- The weapon system is capable of carrying different warheads.
- The guided bomb achieved the desired range and hit the target with high precision.
- This test firing of the guided bomb came two days after the Indian Air Force (IAF) successfully test fired the aerial version of the supersonic BrahMos cruise missile from a Sukhoi jet at the Andaman and Nicobar islands.

Deathly Traffic at Mt Everest

- Recently, three more Indian climbers have died on Mount Everest, taking the toll of Indian mountaineers who have perished while hiking the world's highest mountain to

eight this season.

- **Mount Everest lies on the border between Nepal and the Tibet Autonomous Region of China.** Reaching an elevation of **8,850 metres**, it is the **highest mountain** in the world.
 - **More than 200 mountaineers have died on the peak since 1922**, when the first climbers' deaths on Everest were recorded.
 - At the last ridge from the southern Nepali side, **there is only one fixed rope, everyone hangs onto this one rope.** When it is crowded, there are two lines of people - one going up, and one going down the summit.
 - At present, **one of the reasons cited for deaths is heavy traffic** - massive long lines due to a few days of good weather - on the mountain.
 - **'Traffic jam'** occurs when **many climbers vie for the summit at the same time**, and can be especially **dangerous above 8,000 metres, known as the 'death zone'**.
 - In a traffic jam, exhausted climbers are often forced to wait for several hours for their turn to ascend or descend on a single rope, increasing chances of **exhaustion, frostbite or altitude sickness**. The climbers could also **run out of oxygen** during the final phase of the ascent.
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