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Catastrophe Bonds

The recent floods in Kerala have set off a debate about the need for timely aid required to kickstart the relief process.

- The damage from natural disasters can impose severe financial burden on governments.
- Specially in developing countries, governments may have to **divert state funds**, including those earmarked for development projects, to disaster relief and rebuilding efforts. One way to **bridge this financial gap** is through the issuance of catastrophe bonds.
- The idea that catastrophe risk could be securitised and that it could be dispersed among a wide number of investors was first mooted in **1992 after hurricane 'Andrew'** caused massive damages in the United States.
- The **World Bank** has also set up the **Multicat Program in 2009** to facilitate access of member countries and public entities to the catastrophe bond market. It also assists the country on its natural disaster risk management policy.

What Is It?

- Catastrophe bonds, also known as **Cat bonds**, allows the transfer of risks to bond investors.
- For **the issuer—typically governments, insurers, and reinsurers**—cat bonds signify financial protection in case of a major natural catastrophe, such as a hurricane or an earthquake.
- For **the investor**, buying the bonds means they may **get high returns** for their investment, which is not subject to financial market fluctuations.
- In case a qualifying catastrophe or event occur the investors will lose the principal they invested and the issuer (often insurance or reinsurance companies) will receive that money to cover their losses.

- Generally, insurance and reinsurance companies currently dominate the cat bonds market, but more and more sovereign cat bonds have been issued as governments seek ways to transfer risks amid increasing frequency of natural disasters.

How It Works

- Cat bonds are also a type of **insurance-linked securities**.
- A **Special Purpose Vehicle (SPV)** is set up to facilitate the transaction.
- The SPV invests the money from investors and pay interests to them.
- At the end of the term, the SPV will return the investors' money if a disaster does not happen.
- However, a payout is made to the issuer upon the occurrence of a specified climate event.

Advantages

- It addresses the risk of loss and damage from climate change because it allows vulnerable countries to raise capital that can be disbursed quickly in the event of a catastrophe.
- Cat bonds can also provide multi-year coverage to the issuing governments.
- Reduces the stress on the balance sheets of governments at Centre and State.
- They are a class of bonds that is not tied to economic performance parameters and therefore diversify the risks.
- The investors are compensated by a rate of return which is higher than that of normal government or corporate bonds.
- Since investors will always have an eagle eye on the preparedness of dealing with catastrophes, it encourages more investments into technology and also raises awareness among people for such events.

Disadvantages

- They have **high transaction costs, long structuring period, and strict terms** and conditions compared with traditional risk financing, such as insurance.
- In addition, they do not always meet countries' needs, as governments may prefer longer term protection, while investors tend to prefer shorter term bonds.
- Another obstacle is that cat bonds are usually available only to institutional investors, **limiting their market reach**.

Ecosystems Under Threat

In the aftermath of **Kerala's devastating floods**, key **ecologically sensitive zones** must be protected through immediate remediation. The destruction in Kerala should serve as warning for other equally sensitive zones.

India's Ecological Hotspots Under Threat

- **The Western Ghats: A Threatened Ecosystem:** Madhav Gadgil report described the Western Ghats as a biodiversity treasure trove and designated the entire region as an ecologically sensitive area, in varying degrees.
 - **Threats**
 - Pollution, mining and deforestation.
 - Original natural vegetation converted to cultivated lands, coffee and tea plantations.
 - Hydroelectric reservoirs.
 - **Measures for Conservation**
 - Some form of protection is needed by balancing the development in the region.
 - Gadgil committee report should be considered for the sustainable development of the Ghats as a whole.
- **Himalayas: Unstable and Ecologically Fragile:** It is one of the most unstable and fragile mountain regions in the world.
 - **Threats**
 - It is witnessing one of the highest rates of warming globally, impacting the lifecycle and habitat of several species.
 - Due to warming, Glaciers are shrinking.
 - Increase in the frequency of snow avalanches in the western Indian Himalayas poses a risk to the people of the region.
 - Overexploitation of natural resources, road buildings and hydroelectric dams.
 - **Measures for Conservation**
 - Anthropogenic activities like exploitation of natural resources, building of massive hydroelectric dams etc should be controlled.

- **Ganga: The Clean-up Challenge:** The Ganga basin covers 26% of the country. Ganga-Brahmaputra basins support the subsistence and commerce of more than 800 million people.
 - **Threats**
 - Water pollution and solid waste.
 - Dams, barrages and irrigations indiscriminately extract water from the river.
 - **Measures for Conservation**
 - Problem of water pollution and unsafe disposal of solid waste should be tackled in a mission mode.
 - Participation of all the stakeholders including the local community along the river basins.
- **The Sunderban: A Critically Endangered Ecosystem:** The world's largest coastal mangrove forest, the Sunderbans, stands as one of the most vulnerable regions to emergent threats posed by climate change.
 - **Threats**
 - It is low-lying and the land is also sinking at a faster rate.
 - Rise of sea level along the coast is highest along the eastern coast especially near the Sunderbans.
 - Increasing agriculture and industrial activity.
 - Due to coastal erosion the maximum amount of land has lost to sea.
 - Rise in siltation and salinity threatens the survival of indigenous flora and fauna.
 - **Measures for Conservation**
 - Increasing agriculture and industrial activities which have destroyed thousands of hectares of mangrove cover should be controlled.
 - Participation of all the stakeholders including the local community along the river basins.
- **The Andamans: Vanguard for a Potential Tsunami:** This cluster of 572 islands in the Bay of Bengal is home to primitive, indigenous tribes like the Onge and the Jarawa. It is known for its mangrove forests and coral reefs.
 - **Threats**
 - NITI Aayog has come up with a development plan to promote eco-tourism projects in the Andaman and Nicobar raising concerns among ecologists.
 - The developmental works like building of railway line from Port Blair to Diglipur though kept on hold for now, may affect the ecology of the island group.
 - **Measures for Conservation**

While developing tourism, the government should keep in mind the conservation of fragile ecology, unique biodiversity and culture of the islands.

Important Facts for Prelims (27 August 2018)

World Hindi Conference

- The **11th World Hindi Conference** was recently organized in **Mauritius in 2018**, whose theme was **“Hindi World and Indian Culture”**.
- The World Hindi Conference is organized with the purpose of expanding the reach of the Hindi language at a global level.
- World Hindi Conference was started to make the Hindi language a medium of service and knowledge and enable it to move forward with the time.
- Since then, Hindi has made remarkable progress and it has become one of the prominent languages of the world.
- World Hindi conference is organized by Ministry of External Affairs.
- The concept of World Hindi Conference was mooted by the **Rashtrabhasha Prachar Samiti, Wardha in 1973**.
- **First World Hindi Conference** held in **Nagpur, India 1975**.
- The **10th World Hindi Conference** was organized in **Bhopal, India in 2015**.
- Apart from India and Mauritius, World Hindi Conference has been organized in countries like Trinidad and Tobago, United Kingdom, Suriname, South Africa and United States of America.

Share Buyback

- Prominent companies such as Infosys, TCS and L&T having gone for a share buyback mechanism.
- A share buyback is a mechanism through which a listed company buys back shares from the market.
- A buyback can be done through:
 - Open market purchases - the company buys back the shares from the secondary market.
 - Tender offer route - shareholders can tender their shares during the buyback offer.
- Historically, most companies had preferred the open market route.
- When a company has a significant cash reserve and feels that the shares are not fairly valued at the current market price, it goes for share buyback mechanism.
- For this mechanism, a special resolution needs to be passed at a general meeting and a company can use a maximum of 25% of the aggregate of its free reserves and paid-up capital for a buyback.
- The Securities and Exchange Board of India (SEBI) has recently revised the buy back regulations that stipulate 15% reservation for retail shareholders in a buyback offer which gives retail investors a fair share in the offer.

Benefits

- Since the bought back shares are extinguished, the earnings per share (EPS) rise by default.
- Shareholders get an attractive exit option, especially when the shares are thinly traded as the buyback is usually done at a higher price than the prevailing market price.
- It is also more tax-efficient than dividends as a way to reward shareholders.

Shortcomings

- There are time-bound limitations on further share issuances like preferential allotment or bonus issue post a buyback.
- A company cannot do a second buyback offer within one year from the date of the closure of the last buyback.

Revival of Cheetah Reintroduction Project

- The Madhya Pradesh forest department has written to the National Tiger Conservation Authority (NTCA) to revive the plan to reintroduce cheetahs in the State's Nauradehi sanctuary.
- The proposal was to put the felines in the enclosure with huge boundary walls before being released in the wild.
- Also, around 20 cheetahs were to be translocated to Nauradehi from Namibia in Africa.
- The project, conceived in 2009, had hit a roadblock because of lack of funds.

Cheetah (*Acinonyx jubatus*)

- **Cheetah is found only in the arid regions of eastern Iran in Asia, and in Africa.**
- It is found in isolated populations in grasslands, shrublands and open forests across the continent, especially in the countries of Botswana, Namibia and South Africa.
- It is listed as Vulnerable in IUCN Red list.
- It is under Schedule I of Wildlife Protection Act, 1972.
- The country's last spotted feline died in Chhattisgarh in 1947. Later, the cheetah, was declared extinct in India in 1952.

Nauradehi Wildlife Sanctuary

- Nauradehi sanctuary is located in Madhya Pradesh's Sagar district.
- Nauradehi was found to be the most suitable area for the cheetahs as its forests are not very dense to restrict the fast movement of the fastest land animal. And the prey base for cheetahs is also in abundance at the sanctuary.
- This is the largest wildlife sanctuary of Madhya Pradesh in terms of area covered.

- It is located in the centre of the state covering parts of Sagar, Damoh, Narsinghpur, and Raisin Districts.
- The protected area sits astride two major river basins of India, namely the Narmada and Ganges.
- Three-fourths of the wildlife sanctuary falls in the basin of Ganges tributary, the Yamuna River, and one fourth of the sanctuary falls in the Narmada basin.

National Tiger Conservation Authority (NTCA)

- NTCA, a statutory body under the Union Environment Forests and Climate Change Ministry .
- It was established in December, 2005 following the recommendations of Tiger Task Force.
- It was constituted under enabling provisions of the Wildlife (Protection) Act, 1972, and amended in 2006, for strengthening tiger conservation, as per powers and functions assigned to it .

Bombay Natural History Society Opens its First Regional Centre

- **BNHS** will open its first regional centre at **Wetland Research and Training Centre of Chilka Development Authority (CDA) near Chilka Lake, Odisha.**
- The centre will help document species-wise population of birds at major congregation sites in the lake.
- The regional unit of BNHS will impart training to CDA and wildlife staff along with volunteers on bird migration and water bird counting techniques.
- The centre will carry out research on avian disease by collecting samples and will monitor the Nalabana Bird Sanctuary.

Bombay Natural History Society

- Established in 1883.
- Based in Mumbai.
- BNHS is a pioneer non-government organisation working on conservation based on scientific research throughout the country.

Chilika Lake

- Chilika is Asia's largest and world's second largest lagoon
- It lies on the east coast of India in the state of Odisha, separated from the mighty Bay of Bengal by a small strip of sand.
- It spreads over Puri, Khurda and Ganjam districts of Odisha on the east coast of India, at the mouth of the Daya River, flowing into the Bay of Bengal, covering an area of over 1,100 square kilometers.

- It is the largest wintering ground for migratory birds on the Indian sub-continent and is home to a number of threatened species of plants and animals.
- In 1981, Chilika Lake was designated the first Indian wetland of international importance under the Ramsar Convention.
- Major attraction at Chilika is Irrawady dolphins which are often spotted off Satpada Island. Satpada, bounded by the lagoon on three sides,
- The large Nalabana Island (Forest of Reeds) covering about 16 sq km in the lagoon area was declared a bird sanctuary in 1987.
- Kalijai Temple - Located on an island in the Chilika Lake.

Shanghai Cooperation Organization Peace Mission 2018

- Indian Army recently participated in Exercise Shanghai Cooperation Organization Peace Mission 2018 in Chebarkul, Russia.
- The SCO Peace Mission Exercise is one of the major defense cooperation initiatives amongst SCO nations.
- The focus of exercise was to provide opportunity to the armed forces of SCO nations to train in **counter terrorism operations in urban scenario** in a multinational and joint environment.
- The scope of the exercise includes professional interaction, mutual understanding of drills & procedures, establishment of joint command and control structures and elimination of terrorist threat in urban counter terrorist scenario.
- For the first time, India and Pakistan armies participated in a joint anti-terror exercise.

Shanghai Cooperation Organization

- SCO is an intergovernmental organization founded in 2001. Currently, it has 8 members.
 - Headquarters of SCO: Beijing, China.
 - SCO has its origin in **Shanghai Five Grouping** founded on 26 April 1996 consisting of China, Kazakhstan, Russia, Kyrgyzstan, and Tajikistan.
 - In 2001, Uzbekistan joined Shanghai Five and it was rechristened as Shanghai Cooperation Organization. In 2017, India and Pakistan joined SCO as full time members.
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