



NEWS ANALYSIS

16 SEPTEMBER 2024

Today's Prelims Practice Question

Q)Which of the following Indian cities name recently changed as Sri Vijaya Puram by the Union Government?

- A. Kavaratti**
- B. Port Blair**
- C. Indore**
- D. Bhubaneswar**

Explanation

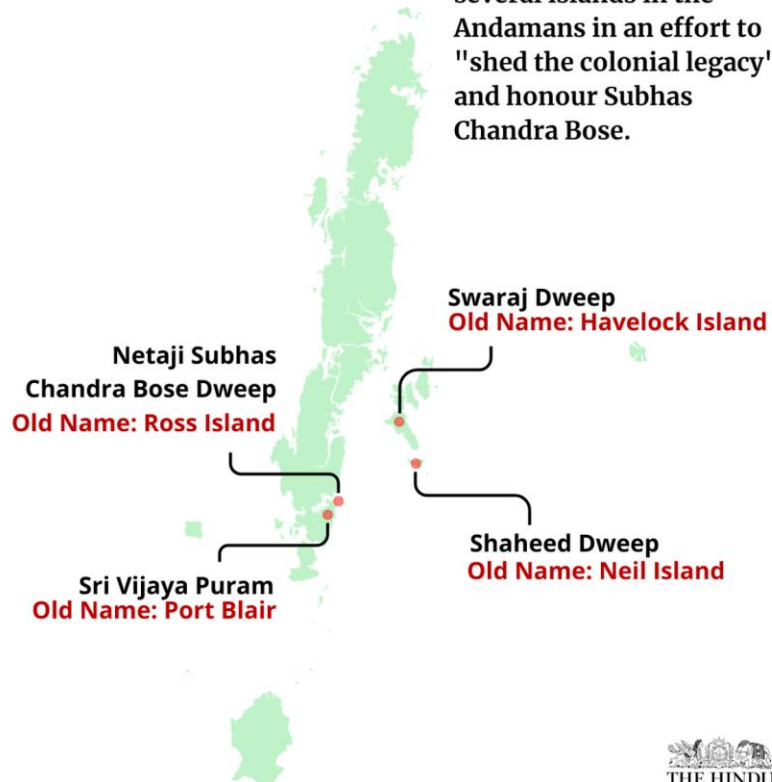
BREAKING NEWS

The name of Port Blair has been changed. The new name is 'Shri Vijay Puram,' as announced by Home Minister Amit Shah



Renaming Islands in Andaman

In recent years, the Narendra Modi government has renamed several islands in the Andamans in an effort to "shed the colonial legacy" and honour Subhas Chandra Bose.



Today's Prelims Practice Question

Q) In Economy, Kuznets' theory is related to

- a) GDP per capita
- b) Inequality
- c) Fiscal deficit
- d) Population growth

Realizing Rural-Urban Continuum

Realising the rural-urban continuum

This century is supposed to be India's urban century due not only to massive demographic shifts, with the country soon becoming more urban than rural, but also to the demand for the infrastructure required to support these large shifts. These demographic changes are occurring in Tier II and Tier III cities, as well as the peripheries of major urban centres and urban agglomerations. India addresses challenges by viewing them as either rural or urban; it needs to instead look at them as part of an urban-rural continuum.

Current policy framework

There has been an over-centralisation of finances in recent times. Financial decentralisation, which provides autonomy to local bodies, has been compromised. The 13th Finance Commission pointed out this issue by mentioning how local bodies were getting "asphyxiated".

Some of these financial constraints arise from the tied nature of grants linked to centrally sponsored schemes and even financial devolution. For example, the rise in property tax in cities should be commensurate with the rise in the State Goods and Services Tax. If there is no linkage, most towns are at risk of losing tied money grants, which have increased relative to untied grants over the years.

Flagship programmes such as the Swachh Bharat Mission and the Atal Mission for Rejuvenation and Urban Transformation (AMRUT), launched by successive National Democratic Alliance governments at the Centre, miss the urban-rural continuum. As far as urban infrastructure for liquid waste management is concerned, funding is proposed under AMRUT, which initially covered 500 cities but has now been extended to all statutory towns. However, these towns account for only a portion of the urban population. Many people live in



Tikender Singh Panwar

Former deputy mayor, Shimla, and Member, Kerala Urban Commission

India sees challenges as either rural or urban; instead, it needs to address them as part of a continuum

census towns (with a minimum population of 5,000) and in the more than 23,000 urban villages. These areas are contiguous, with census towns adjoining statutory towns, and urban villages accommodating large numbers of migrant and informal workers. When urban infrastructure for liquid waste, such as sewage treatment plants, is designed, and funding is sought under AMRUT, these contiguous areas do not qualify for funding. The waste flow in cities and peri-urban areas does not adhere to urban-rural nomenclature, yet the planning process is obsessed with it. This issue has been a challenge for many States, particularly Kerala. NITI Aayog has pointed out that 90% of Kerala is urban. In such a situation, AMRUT grants cannot be utilised to create infrastructure.

AMRUT also does not support solid waste management infrastructure in urban areas. This falls under the Swachh Bharat Mission, which is now Swachh Bharat Mission 2.0. The goals of the Mission are twofold. For Swachh Bharat Mission-Urban, the aim is to go beyond being open defecation free to focusing on making urban India garbage-free and proposing sustainable solutions and practices for waste management. Similarly, Swachh Bharat Mission-Rural focuses on maintaining the open defecation free status, managing solid and liquid waste in rural India, and constructing household toilets. It also addresses liquid waste management, which Swachh Bharat Mission-Urban does; however, treatment plants by the two cannot be built jointly.

Both these programmes, run by the Government of India, aim for nearly the same outcomes, so realising these through imaginative practices could yield better results. Solid waste management plants in peri-urban and urban areas could be designed collaboratively at the district or regional levels. Such liberty and autonomy will pave the way for better urban

governance, rather than implementing programmes and projects from a centralised perspective.

Governance models

In this context, the framework established by the 73rd and 74th Constitution Amendments needs to be revisited and strengthened. It appears that three decades ago, there was more imaginative thinking in addressing such challenges than there is now. Under this framework, District Planning Committees comprising the Zila Panchayats and urban local bodies need to be strengthened and mobilised. While the intended governance model envisioned the district bureaucracy being subordinate to the District Planning Committees, at present, in most States, the District Planning Committees have become appendages of the district bureaucracy. Stronger District Planning Committees can help address the challenge of a urban-rural continuum.

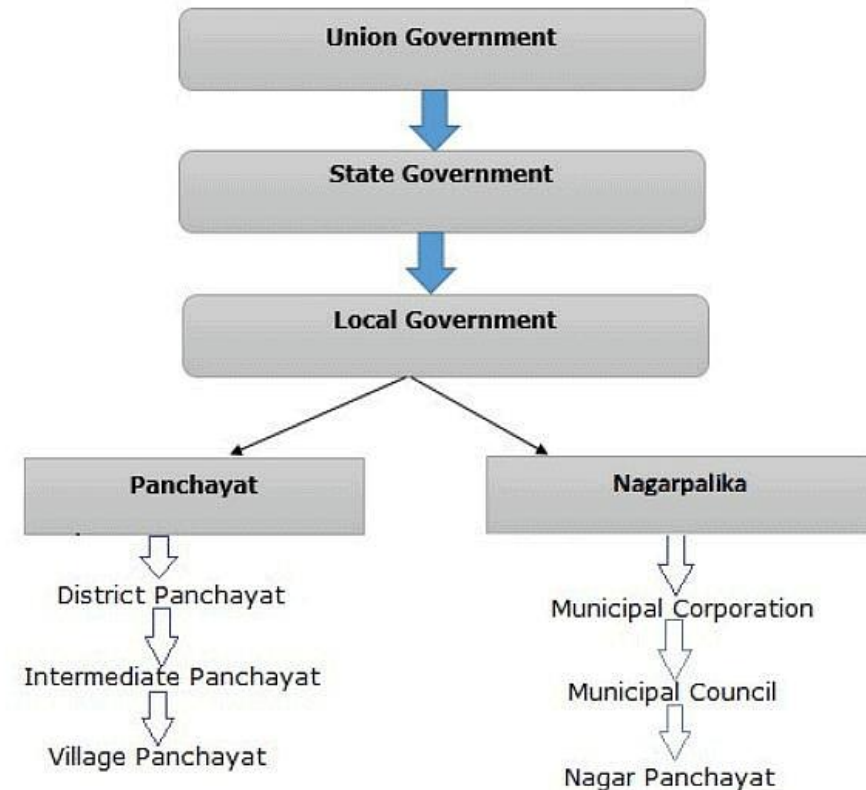
During a conversation with the Minister for Local Self Governments in Kerala, I learned that a proposed solid waste landfill site in the periphery of a town had to be withdrawn due to public pressure. This was possible only because both rural and urban local bodies fall under the same Ministry. In other States, this would have taken much longer.

Thus, the urban and rural continuum in rapidly expanding urban areas needs urgent interventions at both the infrastructure and governance levels. The previous models of separate urban and rural local bodies need to be updated in today's India, which is fast becoming urban. We need to question why finances and resources are provided in such a compartmentalised manner to urban and rural India, when the lines between the two are blurred. There must at least be some liberty in imaginatively designing plans in a joint manner.

- ❑ As India transitions to an urban-centric era due to significant demographic shifts, challenges arise in addressing infrastructure needs and governance across urban and rural areas.
- ❑ The existing policy frameworks and flagship programmes like **AMRUT and Swachh Bharat Mission** often fail to integrate the urban-rural continuum, leading to inefficiencies and inadequate infrastructure development.

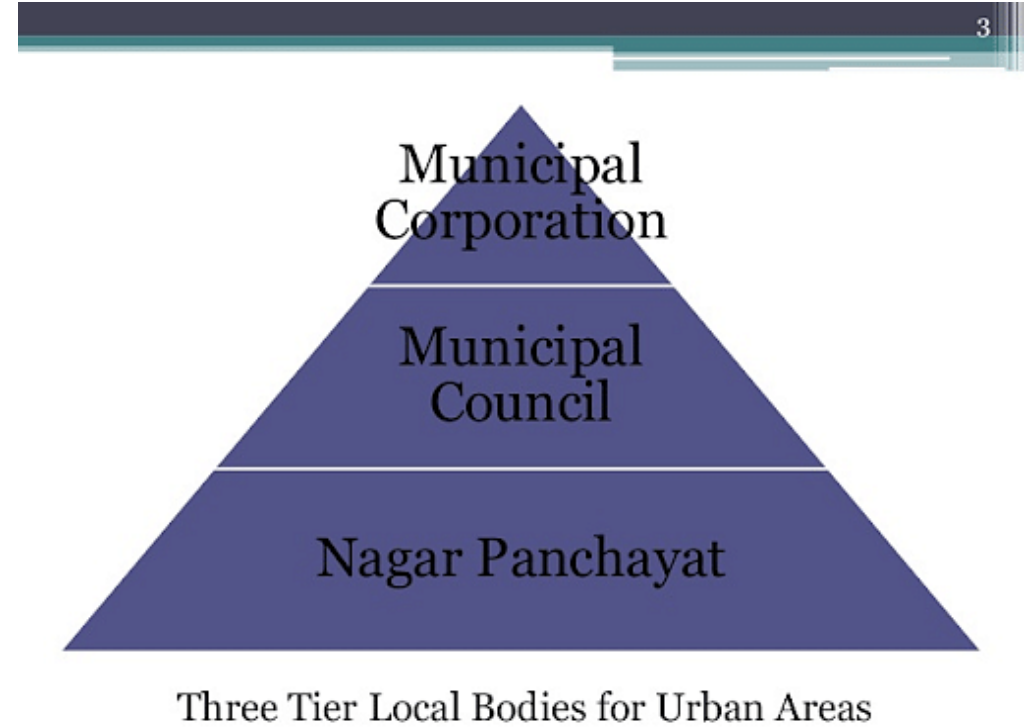
Financial Decentralization and Constraints:

- ❑ Recent years have seen over-centralization of finances, with local bodies facing severe financial constraints. The **13th Finance Commission** highlighted the "**asphyxiation**" of local bodies due to tied grants linked to central schemes.
- ❑ The rise in property tax should ideally align with the **State Goods and Services Tax (SGST)** to prevent loss of tied grants. The disconnect between these components risks diminishing financial resources for towns.
- ❑ **Financial devolution** has increasingly favored tied grants over untied ones, limiting the flexibility of local bodies and impacting their ability to address local needs effectively.



Issues with Existing Urban-Rural Programmes:

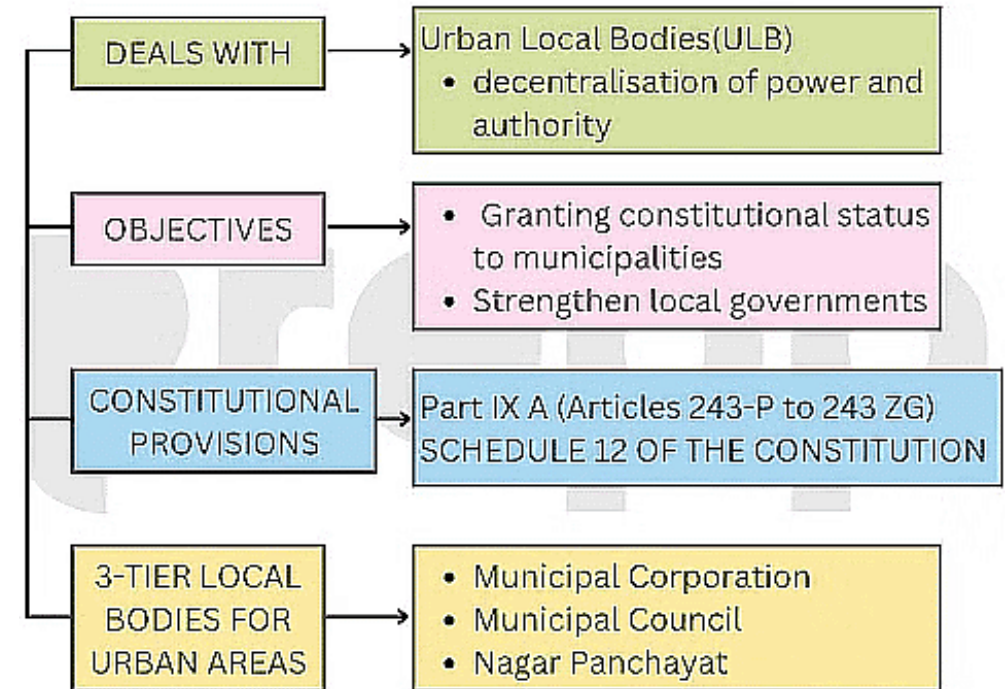
- ❑ **The Atal Mission for Rejuvenation and Urban Transformation (AMRUT)** targets urban infrastructure but excludes contiguous areas like census towns and urban villages, which are significant in the waste flow cycle.
- ❑ **The Swachh Bharat Mission** addresses solid and liquid waste management separately for urban and rural areas. This division creates inefficiencies, as **integrated waste management solutions are needed for peri-urban and urban areas.**
- ❑ Both **AMRUT and Swachh Bharat Mission** could benefit from collaborative planning at the district level to address infrastructure needs more holistically and reduce bureaucratic centralization.



Need for Governance Reforms:

- ❑ The **73rd and 74th Constitutional Amendments** aimed to address urban and rural challenges but now require strengthening to better reflect contemporary needs.
- ❑ **District Planning Committees**, which should ideally lead planning and resource allocation, have often become extensions of district bureaucracy rather than autonomous entities.
- ❑ **Case Study of Kerala:** In Kerala, integrated management of urban and rural issues, such as the withdrawal of a landfill site due to combined local governance, demonstrates the benefits of unified oversight.

74TH CONSTITUTIONAL AMENDMENT ACT



A human Touch to India's mineral ecosystem

A human touch to India's mineral ecosystem

In the year 2014, the higher judiciary turned the spotlight on the allotment of coal blocks with the Comptroller and Auditor General of India's report of 2012 focusing on the allocation of coal blocks between 2004 and 2009.

In 2015, the Narendra Modi government amended the Mines and Minerals (Development and Regulation) Act mandating auctions. As a part of the Bill, the government created a new body in the form of a District Mineral Foundation (DMF) where licensees and leaseholders pay the DMF a certain amount of the royalty. This was driven by the Prime Minister's firm belief that local communities are the key stakeholders in the nation's natural resource-led development.

A transformation

Today, ten years later, the DMF has received a corpus of almost ₹1 lakh crore through which decentralised community-centric development works are carried out in mining affected districts. The journey from huge losses in crores to the national exchequer to an almost ₹1 lakh crore corpus in the DMF is a transformation worth narrating. September 16 is District Mineral Foundation Day as the Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKKY) scheme enters its tenth year. Today, the DMFs have resulted in three lakh projects being sanctioned across 645 districts in 23 States, transforming mineral wealth into a lifeline for development in mining affected regions. The objective in the PMKKKY is to implement developmental and welfare projects/programmes in mining affected areas alongside existing schemes/projects of State and central governments; minimising the impacts of mining on the people in mining districts and ensuring that those affected have long term sustainable livelihoods.

At a recent DMF Gallery launch in New Delhi, I had the privilege of meeting some talented women from self-help groups set up by DMFs in Odisha. These women were not just artisans but



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Union Minister of Coal and Mines and represents the Secunderabad Lok Sabha Parliamentary constituency

Each District Mineral Foundation embodies cooperative federalism and is an example of how economic growth is being balanced with local welfare and rights

were also entrepreneurs in the making. In Katni, Madhya Pradesh, DMFs are helping young minds master drone technology. Many have landed jobs and others are gearing up for new opportunities.

In India's rapidly evolving mining landscape, where we have just launched the National Critical Minerals Mission to secure our footing in strategic and critical minerals and are expanding our global footprint through our international public sector unit, Khanij Bidesh India Ltd. (KABIL), DMFs complement this goal through the welfare of the local communities in mining areas. DMFs institutionalise this strategy by making State governments active partners and stand as a veritable picture of the philosophy of 'Sabka Saath Sabka Vikas Sabka Vishwas Sabka Prayas'.

With a District Collector at the helm, funds flow to where the needs are greatest. The 'National DMF Portal' digitises the administration and the oversight of DMFs across India, enabling greater transparency and efficiency in operations. DMFs are not only spearheading national priorities but also supplementing efforts of the district administration in improving the socio-economic and human development indicators of the region.

Innovation at every DMF

It is also interesting to note how every DMF is innovating to maximise the impact of the initiatives and devising strategies to address unique challenges and needs. For instance, some DMFs are ensuring inclusivity by including elected representatives in the governing bodies while some have non-elected members of gram sabhas as well. Some DMFs have also adopted measures such as establishing a dedicated engineering department and deputing personnel from the State Public Works Department to ensure the efficient implementation of projects.

Ensuring a well-planned outlook, DMFs are also chalking out a three-year plan to ensure targeted goal achievement. After studying these

various models, our aim now is to ensure that such best practices are standardised across all DMFs without taking away the local context and knowledge that resides within the district. These efforts will ensure that DMFs take up long term and well-planned projects while avoiding the earlier fragmented approach.

To further integrate DMFs operations, we are encouraging district administrations to dovetail the activities and goals of the DMFs with ongoing central and State schemes in aspirational districts and supplement efforts towards achieving the Sustainable Development Goals. We are also aiming to use DMFs to augment the livelihood of forest dwellers by taking up projects in the plantation, collection and processing of medicinal herbs. The DMFs will also identify and nurture rural athletes while developing sports infrastructure and facilities. DMFs, in short, can be seen as microcosms of the government's 'whole of government' approach, and will continue to be leveraged to reach out to the impacted communities

Advantage of convergence

The DMFs are a fine example of cooperative federalism and have the unique advantage of converging central and State schemes. Aligning goals and resources at three levels of governance ensures that national priorities meet local needs and amplify the impact and reach. Moving forward with a 'whole of government' approach, DMFs are becoming powerful tools for truly inclusive governance, reaching every corner of the nation. By tapping into India's mineral wealth, these initiatives are transforming historically underserved regions, turning natural resources into drivers of local development. Beyond just empowering marginalised communities, India is reshaping how the world thinks about resource management, setting an example of how nations must balance economic growth with social welfare and rights.

- ❑ In 2014, scrutiny of coal block allocations and the **Comptroller and Auditor General's 2012 report** led to the government amending the **Mines and Minerals (Development and Regulation) Act in 2015.**
- ❑ This amendment introduced mandatory auctions and established **District Mineral Foundations (DMFs)** to channelize mining revenues for local development.
- ❑ The DMFs have been instrumental in **local community development** over the past decade, marking a significant transformation from past practices.

Establishment and Purpose:

- ❑ The **Mines and Minerals (Development and Regulation) Act** was amended in 2015 to mandate auctions for mineral allocations and to create **District Mineral Foundations (DMFs)** as a new body for channelizing mining revenues.
- ❑ **Objective of DMFs:** DMFs were established to ensure that a **portion of mining revenues is invested in community-centric development projects** in mining-affected districts, thus aligning with the Prime Minister's vision of integrating local communities into the **resource-led development model**.
- ❑ Over the past decade, DMFs have accumulated nearly Rs 1 lakh crore, funding three lakh projects across 645 districts, significantly contributing to the **socio-economic development in mining regions**.

Achievements and Innovations:

- ❑ DMFs have spearheaded various projects such as **skills development, infrastructure enhancement, and socio-economic upliftment**. Notable examples include self-help groups in Odisha and drone technology training in Madhya Pradesh.
- ❑ The **'National DMF Portal'** has been introduced to digitize administration and oversight, ensuring greater transparency and efficient fund utilization.
- ❑ Each DMF has adopted unique strategies, such as including elected representatives and establishing engineering departments, to address local needs and challenges effectively.



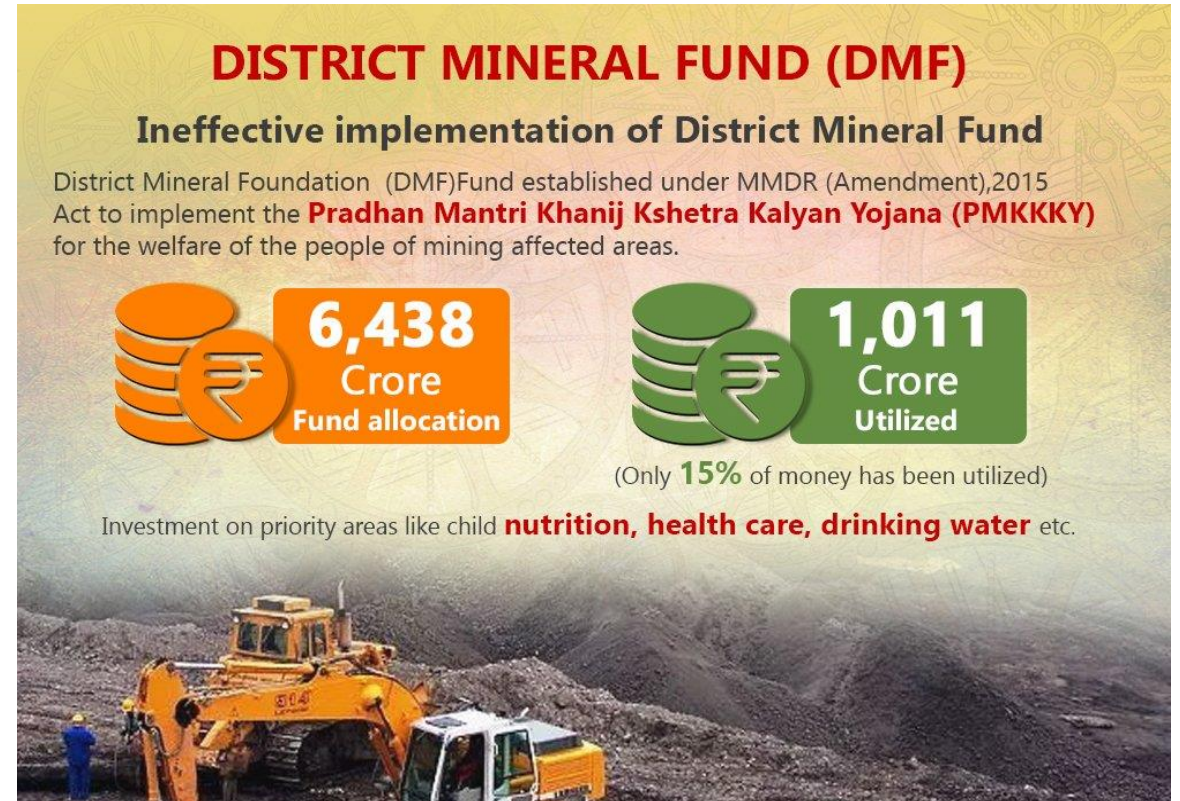
The Ministry of Mines has notified the Mines and Minerals (Contribution to District Mineral Foundation) Rules, 2015, on 17.9.2015, which prescribes the rate of contribution to district mineral fund (DMF) from miners as follows:

10%
of royalty in respect of
mining leases granted
on or after 12.1.2015

30%
of royalty in respect of
mining leases granted
before 12.1.2015

Future Directions and Integration:

- ❑ Efforts are underway to **standardize best practices across DMFs** while maintaining local context. This includes creating three-year plans for targeted goal achievement.
- ❑ DMFs are encouraged to align with central and state schemes to enhance their impact and support sustainable development goals.
- ❑ Future initiatives include using **DMFs to support forest dwellers, develop sports infrastructure**, and integrate broader development goals with ongoing government schemes.



Powering ahead with Competition



POWERING AHEAD WITH COMPETITION

Governments should encourage more players in the power sector, not less

ANN JOSEY, SHANTANU DIXIT, ASHWIN GAMBHIR AND ASHOK SREENIVAS

TWO DECADES AGO, India introduced competitive bidding for electricity power procurement, which has yielded significant results in the form of greater competition and increased investments.

Competitive bidding based price discovery leveraged rapid technological advancements to achieve efficient pricing for solar power. Tariffs fell from Rs 15/kWh in the initial bidding rounds of 2010 to Rs 2.80/kWh by 2018. About 27 GW of capacity was added, driven by the private sector. In the wind space, competitive bidding led to tariffs falling from Rs 5.30/kWh to Rs 2.50/kWh in just two years. The benefits of competitive procurement extended to smaller projects as well.

Recently, the renewable energy (RE) sector introduced several innovations to meet the growing demand for reliable power supply. Since 2018, over 9 GW of RE and 15 GWh of storage have been contracted through storage-linked tenders to overcome the challenges of intermittent renewables. The benefits of competition are also evident in battery energy storage procurement where the discovered price has fallen sharply.

The RE sector has lower entry barriers compared to traditional power sources encouraging participation from big as well as smaller players. This is due to several factors – shorter gestation periods, lower investment requirements, absence of fuel-related risks and the modular nature of technologies, especially solar and battery energy storage. The sector demonstrates a continuous learning curve, adapting with each new tender. This

Allocating a majority of the future capacity to a single tender is akin to putting all eggs in one basket. This approach not only excludes smaller players due to the massive investments required but also eliminates potential tariff reductions and innovations that could result from spreading procurement across years – a benefit particularly relevant for solar projects with shorter gestation periods.

evolution is evident in three key areas: increased capacity, price reduction, and improvements in tender conditions to meet the complex requirements of procurers.

A recent development threatens this positive trend. Some states are inviting bids for capacity from both coal and solar sources using a composite bid structure. These tenders require bidders to supply both energy sources, with selection based on an average tariff. For example, one tender is for 1600 MW of coal-based power and 5000 MW of solar, and another in a different state requires 3200 MW of coal power and 8000 MW of solar. In the former, the entire capacity can be shared by at most two bidders and in the latter the total quantum is to be offered by each bidder. This would mean an investment of about Rs 28,000 crore from one or two parties in the first case and an investment of about Rs 52,000 crore from a single party in the other case. These tenders represent the majority of both coal and solar capacity needs for these states over the next six to 10 years. However, despite the composite bidding, actual power delivery timelines will differ significantly. Coal plants require about six to seven years to become operational, compared to one-and-a-half to two years for solar projects.

Allocating a majority of the future capacity to a single tender is akin to putting all eggs in one basket. This approach not only excludes smaller players due to the massive investments required but also eliminates potential tariff reductions and innovations that could result from spreading procurement across

years – a benefit particularly relevant for solar projects with shorter gestation periods. The requirement for bidders to commit to substantial solar and coal capacity simultaneously has adverse implications. This approach effectively excludes many developers from the bidding process. Some players may struggle to secure the necessary capital for investments at this scale. Developers without expertise in building and operating thermal power plants also find themselves at a disadvantage, though they may be competitive in the solar sector. Thermal as well as solar plants will continue to operate independently, offering no particular advantage due to composite tendering. By concentrating procurement in large, composite tenders, states will be foregoing benefits of a more diverse, competitive, phase-wise and innovative power procurement.

Whether these proposals will translate to procurement and if so, at what price point is yet to be seen. The advancement towards a robust wholesale power price discovery through competitive bidding should not be undermined by such arrangements. Measures are needed to foster competition and innovation. Distribution utilities should consider implementing an annual procurement calendar to acquire capacity, providing investors with greater clarity and certainty. Given the ever-growing demand for reliable and affordable power, it is crucial that we continue to move forward towards fostering competition and market development, and not take a stepback.

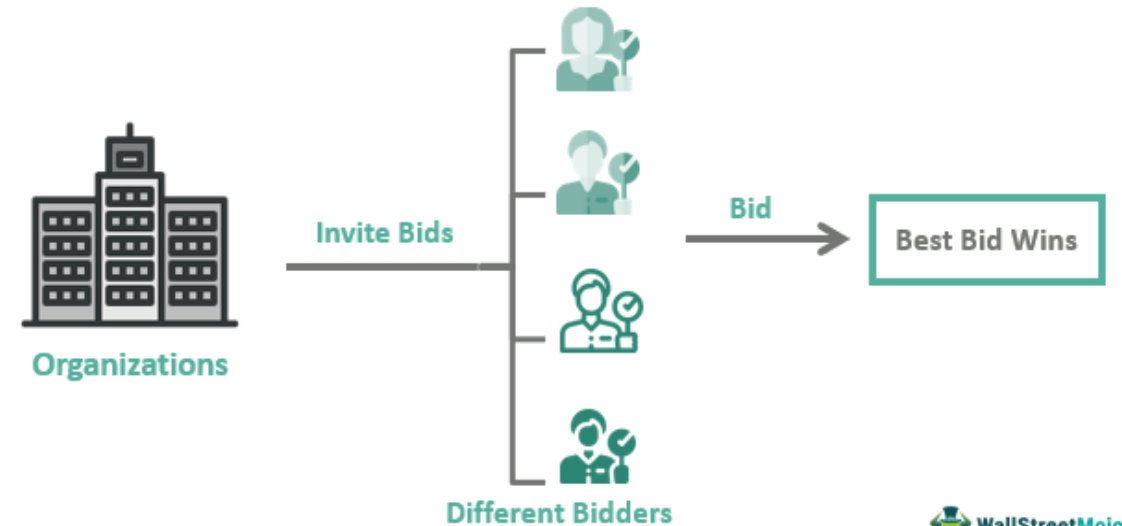
The writers are with Prayas (Energy Group)

- ❑ India's shift to competitive bidding for electricity procurement over the past two decades has significantly advanced the **renewable energy (RE) sector** by fostering competition and driving down tariffs.
- ❑ However, recent developments involving **composite bidding structures** for coal and solar capacities threaten to undermine these gains.
- ❑ This new approach could potentially **hinder competition, innovation, and price reductions** in the RE sector.

Achievements of Competitive Bidding:

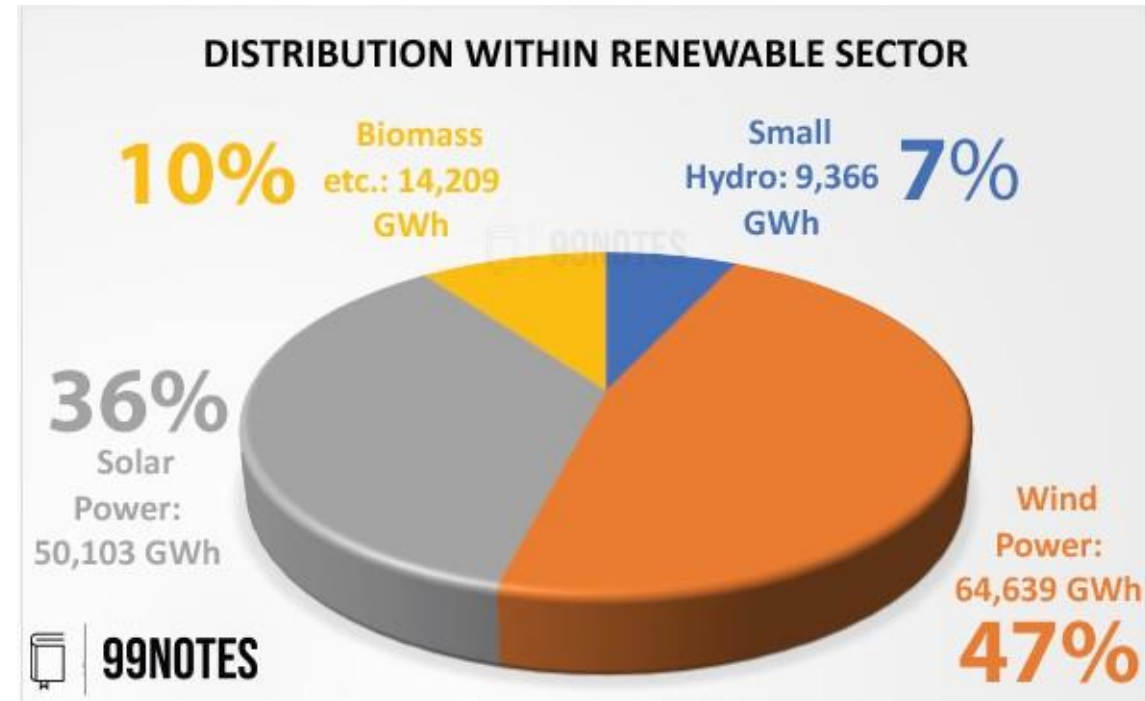
- ❑ **Competitive bidding** for solar power has dramatically reduced tariffs from Rs 15/kWh in 2010 to Rs 2.80/kWh by 2018, and in wind energy from Rs 5.30/kWh to Rs 2.50/kWh in two years.
- ❑ Approximately 27 GW of solar capacity and substantial wind capacity have been added through **competitive procurement**, driven by private sector investment.
- ❑ **Recent innovations in storage-linked tenders** have led to the addition of over 9 GW of RE and 15 GWh of storage, improving the reliability of renewable power despite its intermittent nature.

What is Competitive Bidding?



Issues with Composite Bidding Structures:

- ❑ Composite bids requiring both coal and solar capacities involve **massive investments**, potentially Rs 28,000 crore to Rs 52,000 crore, which **may exclude smaller players from participating**.
- ❑ Coal plants, which require six to seven years to become operational, contrast sharply with solar projects that take only 1.5 to 2 years. Composite tenders **create mismatches in power delivery timelines**.
- ❑ By **centralizing procurement in large tenders**, states risk concentrating market power, which could stifle competition and innovation, and may result in higher overall costs and reduced tariff benefits.



Recommendations for Future Procurement:

- ❑ To maintain the benefits of competitive bidding, states should avoid large composite tenders and instead spread procurement across multiple smaller tenders. This approach would **foster greater competition and innovation**.
- ❑ **Distribution utilities should implement an annual procurement calendar** to offer greater clarity and stability for investors, which can promote more efficient and competitive bidding processes.
- ❑ Measures should be taken to ensure that smaller developers can compete effectively, including **reducing entry barriers and encouraging a wider range of players** to participate in the renewable energy market.



Q) Analyse the role of Co-operative societies as an economic driver towards national development. Suggest measures to strengthen cooperative societies in India.

Aim to digitise 65,000 cooperative societies by March: Nabard chief

Press Trust of India
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NEW DELHI: Nabard chairman Shaji K V on Wednesday said the government aims to computerise about 65,000 cooperative societies by March 2024 in order to improve transparency and efficiency of such cooperatives.

The National Bank for Agriculture and Rural Development (Nabard) has been designated as project manager for computerisation of cooperative societies under the guidance and directions of the National Level Monitoring and Implementation Committee and ministry of cooperation.

"Close to 10,000 cooperative societies have already been digitised. We are targeting 65,000 societies to be digitised by March 2024," he said at a conference organised by Sa Dhan.

Observing that cooperatives have created lot of inefficiencies over the years, he said, "we are trying to clean up by improving



Nabard chairman Shaji K V.

transparency and making them important value chain players through computerisation of these entities."

Nabard is also building a data warehouse for cooperatives and the rural sector, he said, adding, it should be in place in about six months. Once that is in place, it will be available for players to use data for their and borrowers' benefit.

Pointing at the regional dis-

parity with regard to microfinance exposure, Shaji said, it is skewed more towards East and South. Microfinance exposure in these two regions is about two-thirds, while the rest of India comprising North, Central and West has only one-third, he said.

"It raises the question, whether we are addressing regional disparity properly. If you extrapolate this data with GDP contribution or with the National Income contribution, then we can find certain inequality here," he said.

The southern region, which is good in banking penetration, has got a very high credit to GDP ratio whereas North and West, which contribute much to national income, are low on priority sector lending, he said adding, this needs to be corrected.

On gender equality, Shaji said, Nabard is sensitising Regional Rural Banks (RRBs) to keep this in mind while giving credit.

Approach

- ❑ Introduce cooperative societies
- ❑ Role of Co-operative societies as an economic driver towards national development.
- ❑ Measures to strengthen functioning of cooperative societies
- ❑ Conclude the answer by mentioning significance of cooperative societies.

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled. The need for profitability is balanced by the needs of the members and the wider interest of the community

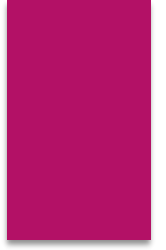
Role of Co-operative societies as an economic driver towards national development

- ❑ India is an agricultural country and laid the foundation of World's biggest cooperative movement in the world.
- ❑ There are over 8 lakh cooperatives of all shapes and sizes across sectors in India
- ❑ It provides agricultural credits and funds where state and private sectors have not been able to do very much.
- ❑ It provides strategic inputs for the agricultural-sector; consumer societies meet their consumption requirements at concessional rates.
- ❑ It is an organization for the poor who wish to solve their problems collectively.

Measures to strengthen functioning of cooperative societies

- ❑ Implementing the steps provided by the Vaidyanathan committee on credit cooperative societies.
- ❑ The idea of cooperatives must take the agenda beyond agriculture, milk, credit and housing cooperatives
- ❑ New areas are emerging with the advancement of technology and cooperative societies can play a huge role in making people familiar with those areas and technologies.
- ❑ There is a need to create more cooperatives with women at the helm of it.
- ❑ Principle of the cooperative movement is to unite everyone, even while remaining anonymous. The cooperative movement has the capacity to solve people's problems.
- ❑ However, there are irregularities in cooperatives and to check them there have to be rules and stricter implementation.

The cooperative sector has a potential to turn India into a USD 5-trillion economy, Union Home and Cooperation Minister reiterated recently speaking at an event in Anand, Gujarat, to commemorate 75 years of dairy products giant Amul.





Thank you

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