VISIONIAS
INSPIRING INNOVATION

QUICK REVISION MODULE (UPSC PRELIMS 2024)

INDIA & INTERNATIONAL INSTITUTIONS

After the **Great Depression of the 1930s,** there was a need to establish a framework for economic **cooperation and development** that would lead to a more stable and prosperous global economy.
Therefore, an international Conference of 44 nations was held **Bretton Woods, New Hampshire, United States** in **July 1944.** This led to formation of **Bretton Woods Twins.**

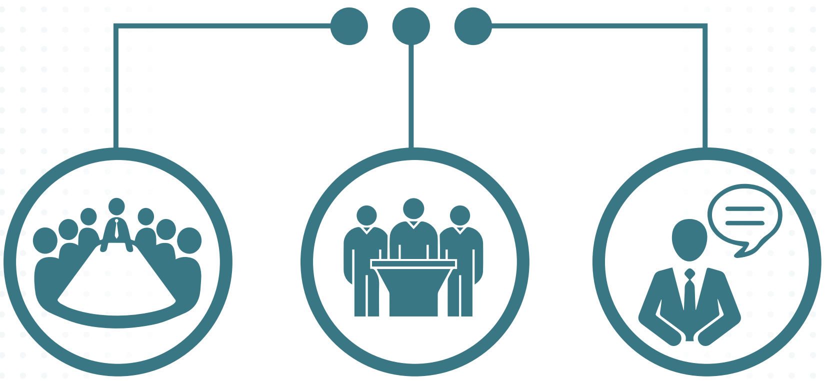
BRETTON WOODS TWINS

- **INTERNATIONAL MONETARY FUND (IMF)**
- **WORLD BANK (WB)**

International Monetary Fund (IMF)

About	• It was created in 1945. • It is a specialized agency of the United Nations.
Membership	190 countries. India is a founder member of IMF.
Headquarters	Washington, D.C.

Governance Structure



Board of Governors	Executive Board	Managing Director
Every member country delegates a representative, usually heads of central banks or ministers of finance.	It is entrusted with the management of day-to-day policy decisions. The Board comprises 24 executive directors	Head of IMF who is elected by the Executive Board for a 5 year term of office.

Primary aims	• Promote international monetary cooperation. • Facilitate the expansion and balanced growth of international trade. • Promote exchange stability. • Assist in the establishment of a multilateral system of payments. • Make resources available (with adequate safeguards) to members experiencing balance-of-payments difficulties.

* Reduce Poverty (Function)

* Surveillance.

→ Global Financial stability Report

→ World economic Outlook.

Ensure stability of global monetary system by:

1. **Keeping track** of global economy and the economies of member countries:
   - a. **Bilateral surveillance** – On a regular basis, usually once a year, IMF conducts in depth appraisals of each member country's economic situation.
   - b. **Multilateral surveillance** – It carries out extensive analysis of global and regional economic trends.
2. **Lending to countries** with balance of payments difficulties.
3. **Giving practical help to members** to modernise their economic policies and institutions. (Technical Assist)

QUOTAS = Weighted average of GDP (50%), Openness (30%), Economic Variability (15%) and International Reserves (5%)

- It is the capital subscriptions that each member countries contribute to IMF.
- It is broadly based on relative position of the member country in the world economy.

Resource Contributions
Quotas determine the maximum amount of financial resources a member is obliged to provide to the IMF.

Voting Power
Quotas are a key determinant of voting power in IMF decisions. Members get one vote per SDR100,000 of quota plus basic votes, which are the same for all members.

Access to Financing
Quotas determine the maximum amount of loans a member can obtain from the IMF under normal access.

SDR Allocations
Quotas determine a member's share in a general allocation of SDRs.

Voting power of a country is based on its quotas. Thus vote share of:
- o U.S. = 17.43%, China's = 6.40%, and India's = 2.75%

Special Drawing Rights (SDR)

It is an interest bearing international reserve asset, which can be exchanged for freely usable currencies. It was created by the IMF in 1969. SDRs are allocated to the member in proportion to their quota subscriptions. Value of the SDR is based on a **basket of five major currencies:**

$	€	¥	¥	£
43.38%	**29.31%**	**12.28%**	**7.59%**	**7.44 %**
US Dollar	**Euro**	**Chinese Renminbi**	**Japanese Yen**	**British pound sterling**

Criteria for inclusion in the SDR basket:

- If the member is one of the top five exporters of the world.
- Determined to be "freely usable" currency by the IMF.

Lending by IMF	• The total amount that a country is entitled to draw is determined by the amount of its quota. • **'Gold tranche' or 'Reserve tranche'** - o It is the borrowing of **first 25% of the member's quota.** o It can be easily drawn by countries with BOP problems. o No conditions are attached to such drawings. o No interest for the first credit tranche is required to be paid. o But the repayment has to be done within 3-5 years period. • Beyond reserve tranche, the credit is available with limits on its amount and subjected to IMF approval.

High inflation, unregulated credit mkt
Cyber attacks
Geopolitical Risk
Semi-Annual Report by IMF
Released Twice a year
Financial & structural imbalances (Global financial stability & access to financing.

Prepared Twice a year.
Latest public finance dvlpts.

World Economic situation & Prospect Report: 2024
{Not IMF} {UN (Deptmt of Eco & social affairs}

YEAR 2022 **IMF**

Q23. "Rapid Financing Instrument" and "Rapid Credit Facility" are related to the provisions of lending by which one of the following?

(a) Asian Development Bank

(b) International Monetary Fund

(c) United Nations Environment Programme Finance Initiative

(d) World Bank

ANSWERS B

EXPLANATION

- **Recent context:** The Finance minister of Sri Lanka has started bailout talks with the lender of last resort (IMF) and seeking the IMF's rapid financial assistance to tackle growing shortages of food, fuel and medicines.
- The **Rapid Financing Instrument (RFI)** provides rapid financial assistance, which is available to all member countries facing an urgent balance of payments need. The RFI was created as part of a broader reform to make the IMF's financial support more flexible to address the diverse needs of member countries. The RFI replaced the IMF's previous emergency assistance policy and can be used in a wide range of circumstances. Financial assistance under the RFI is provided in the form of outright purchases without the need for a full-fledged program or reviews. A member country requesting RFI assistance is required to cooperate with the IMF to make efforts to solve its balance of payments difficulties and to describe the general economic policies that it proposes to follow. Prior actions may be required where warranted.
- The **Rapid Credit Facility (RCF) of IMF** provides rapid concessional financial assistance to low-income countries (LICs) facing an urgent balance of payments (BoP) need with no ex post conditionality where a full-fledged economic program is neither necessary nor feasible. The RCF was created under the Poverty Reduction and Growth Trust (PRGT) as part of a broader reform to make the Fund's financial support more flexible and better tailored to the diverse needs of LICs, including in times of crisis.
- **Hence option (b) is the current answer.**

Q26. Consider the following statements:

Statement-I : India accounts for 3.2% of global export of goods.

Statement-II : Many local companies and some foreign companies operating in India have taken advantage of India's 'Production-linked Incentive' scheme.

Which one of the following is correct in respect of the above statements?

(a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I

(b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I

(c) Statement-I is correct but Statement-II is incorrect

(d) Statement-I is incorrect but Statement-II is correct

YEAR 2023 GLOBAL INSTITUTIONS

Q28. Consider the following statements:

The 'Stability and Growth Pact' of the European Union is a treaty that

1. limits the levels of the budgetary deficit of the countries of the European Union
2. makes the countries of the European Union to share their infrastructure facilities
3. enables the countries of the European Union to share their technologies

How many of the above statements are correct?

(a) Only one

(b) Only two

(c) All three

(d) None

ANSWERS A

EXPLANATION

- The **Stability and Growth Pact (SGP)** is a set of rules designed to ensure that countries in the European Union pursue sound public finances and coordinate their fiscal policies. Described as the Eurozone's fiscal rulebook, the SGP is a set of fiscal rules designed to prevent EU countries from spending beyond their means. Since 1997, member states have agreed that they should keep GDP ratios of deficit and debt below 3% and 60% respectively. The European Commission and the Council finance ministers have the main duty of surveillance. They issue an annual recommendation on policy measures every year and also monitor EU countries to ensure each nation is compliant with budget regulations. Countries that break the rules for three consecutive years are fined a maximum of 0.5% of their GDP. The SGP does not make countries of the European Union share their infrastructure facilities or technologies. **Hence only statement 1 is correct and option (a) is the correct answer.**

Q5. With reference to India, consider the following statements:

1. Retail investors through demat account can invest in 'Treasury Bills' and 'Government of India Debt Bonds' in primary market.
2. The 'Negotiated Dealing System-Order Matching' is a government securities trading platform of the Reserve Bank of India.
3. The 'Central Depository Services Ltd' is jointly promoted by the Reserve Bank of India and the Bombay Stock Exchange.

Which of the statements given above is/are correct?

(a) 1 only

(b) 1 and 2

(c) 3 only

(d) 2 and 3

ANSWERS B

EXPLANATION

- In February, 2021, RBI allowed retail investors to directly purchase government bonds by opening gilt accounts with RBI. RBI has provided retail investors with online access to the government securities market (primary and secondary) through the RBI (Retail Direct). **Hence statement 1 is correct.**
- Previously, retail investors can purchase government bonds by registering themselves on stock exchanges for non-competitive bids. Other route for retail investors is to buy government bonds is government securities (gilt) mutual funds. These are mutual funds which in turn invest in government securities. Negotiated Dealing System-Order Matching (NDS-OM) is a screen based electronic anonymous order matching system for secondary market trading in Government securities owned by RBI. The membership of the system is open to entities like Banks, Primary Dealers, Insurance Companies, Mutual Funds etc. i.e. entities who maintain SGL accounts with RBI. **Hence, statement 2 is correct.**
- Central Depository Services Ltd (CDSL) was promoted by BSE Ltd. jointly with leading banks such as State Bank of India, Bank of India, Bank of Baroda, HDFC Bank, Standard Chartered Bank and Union Bank of India. CDSL was set up with the objective of providing convenient, dependable and secure depository services at affordable cost to all market participants. A Depository facilitates holding of securities in the electronic form and enables securities transactions to be processed by book entry. **Hence, statement 3 is not correct.**

YEAR 2020 **FDI**

Q17. With reference to Foreign Direct Investment in India, which one of the following is considered its major characteristic?

(a) It is the investment through capital instruments essentially in a listed company.

(b) It is a largely non-debt creating capital flow.

(c) It is the investment which involves debt-servicing.

(d) It is the investment made by foreign institutional investors in the Government Securities.

ANSWERS **B**

RBI → Financial Stability Report

* Report published by RBI

* Contribution by FSDC (Financial stability dvlpt Council)

* Domestic & external domestic economic environment, financial markets & various sectors like Banks, NBFCs etc.

* ## Recent Report : 2023
  * Resilience of Indian Economy : ↑ Good.
  * Commercial Banks Health :-

    CRAR : 16.8% , CET_1 – 13.7%

    GNPA : 3.2% , NNPA : 0.8%
  * NBFC Resilience improved
  * Credit & Deposit Growth : Good.
  * Risks :- Recent weight adjustments in Retail loan categories may impact NBFC Credit growth at sectoral & sub sectoral levels.

IMF'S Quota

- Availing loan facilities from the IMF requires membership by **buying a Quota** usually in relation to the output of the economies & their stature in the world.
- The quota in turn **determines voting rights** for various policy decisions including loans to be provided to the affected economies by the IMF.
- Quota is bought by paying **25% in any Widely Accepted Currency** (WAC) comprising of the USD, Euro, Pound Sterling & Japanese Yen denominated in **Special Drawing Rights** (SDR's).
- Effective from October 2016, the IMF added the Chinese Renminbi to the basket of currencies that make up the Special Drawing Rights (SDR).
- The **remaining 75%** can be bought in home currency & maintained with the central bank of that country but cannot be withdrawn without authorisation of IMF.
- Quotas are reviewed at least after every 5 years.
- Currently, the formula used to derive quota of a member country is the weighted average of:
  - **Member country's GDP,** with assigned weight of 50%.
  - Its economic openness, weighing 30%.
  - Its economic variability, weighing 15%.
  - International Reserves, weighing 5%.
- **Role of Quota** – Quota determines.
  - Subscriptions to IMF * Financial Resources.
  - Voting Power
  - Access to IMF funding

Quota: (0.50 * GDP) + 0.30 * (Openness) + 0.15 * Variability + 0.05 * Reserv

Present IMF Quota and vote share of some member countries

Member country	Quota (%)	Vote Share (%)
US	17.44 (Highest)	16.51 (Highest)
China	6.41	6.08
UK	4.24	4.03
India	**2.76**	**2.63**

In terms of quota and vote share, the largest member is the **United States** and the smallest member is **Tuvalu.**

Special Drawing Rights

- SDR is not intrinsically a currency but is a unit of account maintained by IMF.
- It is an international reserve asset created by the IMF in 1969 to supplement its member countries official reserves.
- It is neither a proper currency nor a claim on IMF.
- Its value is based on the basket of following five major currencies.

Currency	Which determined in the 2022 review	Fixed number of units of currency for a 5 year. Starting 1st August 2022
U.S. dollar	43.38	0.57813
Euro	29.31	0.37379
Chinese Yuan	12.28	1.00 993
Japanese Yen	7.59	13.452
Pound Sterling	7.44	0.0 80870

- This basket is reviewed after every 5 years.
- The value of SDR's keep changing due to continuous fluctuations in exchange rates.
- Unlike other currencies SDR is not traded in forex market.

* Imp- Prelims

SDR → Not a Currency
→ 5 Currencies values
→ Not a claim on IMF
→ Potential claim on Freely useable Currencies
→ International Reserve Asset.
→ SDRs Not traded in exchanges.

- Criterion for inclusion of a currency in the SDR basket
  - **Export Criterion**
    - Issuer the currency must be an A IMF member slash monetary union which has IMF members.
    - It should also be among the largest exporters of the world.
  - **Currency to be freely used**
    - Currency must be widely used in international transactions for making payment and should be widely traded in principal exchange markets.

SDR → Stability in Internatnl Finance
→ Supplementing existing Reserves
→ Less Reliance on Key Currencies.

Used For

* Forex
* Loan
* Indirect trade.

Who can hold SDRs?

→ IMF

→ IMF Member Countries

→ Prescribed holders

* Regional Central Banks
* Development Banks.
* Inter governmental Monetary Institutions.

Note :- Individuals, Pvt players } Cannot hold SDRs!

YEAR 2020 | IMF (GOLD TRANCHE)

Q15. "Gold Tranche" (Reserve Tranche) refers to

(a) a loan system of the World Bank

(b) one of the operations of a Central Bank

(c) a credit system granted by WTO to its members

(d) a credit system granted by IMF to its members

ANSWERS **D**

EXPLANATION

- **A reserve tranche is a portion of the required quota of currency each member country must provide to the International Monetary Fund (IMF) that can be utilized for its own purposes without a service fee or economic reform conditions.**
- The IMF is funded through its members and their quota contributions. The reserve tranche is basically an emergency account that IMF members can access at any time without agreeing to conditions or paying a service fee.
- The reserve tranches that countries hold with the IMF are considered their facilities of first resort, meaning they will tap into the reserve tranche at a short notice before seeking a formal credit tranche. The reserve tranche represents the member's unconditional drawing right on the IMF, created by the foreign exchange portion of the quota subscription, plus increase (decrease) through the IMF's sale (repurchase) of the member's currency to meet the demand for use of IMF resources by other members in need of balance of payments financing.

ANALYSIS:

FINANCIAL RESOURCES OF IMF

payment and should be widely traded in principal exchange markets.

Financial Resources of IMF

1. **Quotas –** IMF's main source is the funds provided by the member countries to IMF as per assigned quota.
2. **Multilateral borrowings through NAB** - it's an additional source of funding for IMF. These borrowings are made by IMF presently through NAB (till 2018 - through both GAB and NAB)

   GAB and NAB are credit arrangements between IMF and group of member countries and institutions to provide supplementary resources to IMF to get additional funds required to meet exceptional situations of financial crisis.

   - **General Arrangements to Borrow (GAB)** - Existing since 1962 but lapsed in December 2017.
   - **New Arrangements to Borrow (NAB)** - Has 40 participant member countries with total fund size of us to US $ 250 billion , India gave 12 million U.S. dollars loan to IMF under NAB to meet sovereign debt crisis of Europe.
3. **Bilateral Borrowing Arrangements** - After quotas & NAB, in order to meet financial needs of members, IMF also goes for **Bilateral Borrowing Agreements (BBA)** . BBA also has 40 participants with total commitment of 440 billion U.S. dollars.

* How IMF Gives Loans:-

News: PAK : BOP issues:

→ Standby Arrangement.

* India → Took loan before 1993.

→ Is a lender to IMF

Now → Good.

1) Stand By Arrangement:- Provides short term financial assistance to countries facing BOP problems.

2) **Stand-By credit Facility**:- Provides financial assistance to low income countries with short term BOP needs. The SCF is under "Poverty Reduction & Growth Trust"

'PRGF' is an arm of IMF which lends to worlds poorest countries
[Poverty Function] → Remember students.

* **Extended Fund Facility (EFF)**:- To countries facing serious Medium term BOP problems because of structural weaknesses that require time to address.

{To help countries implement medium term structural reforms.
{Longer Repayment period}

* **Extended Credit facility**:- Medium term financial assistance to low income countries with BOP problems.
ECF is under Poverty reduction & growth Trust.

* **Resilience & Sustainability Facility**:- Affordable long term financing to countries undertaking reforms to reduce risks to prospective BOP crisis.
{CLIMATE Change & Pandemic Preparedness}

* Precautionary & Liquidity Line : Designed to meet the liquidity needs of member countries with sound economic fundementals with some problems that preclude them from using Flexible Credit Line.

Financial Transaction PLAN OF IMF

* IMF selects countries with strong BOP & forex reserves positions for contributing to FTP.
{BOP needs of other countries}
* NAB → India's Forex reduced because of FTP, NAB,

* **Notes Purchase Agreements (NPA):**
Mechanism used by IMF to enhance its ability to provide financial assistance to member countries

WORLD BANK (WB)

THE WORLD BANK

About

- It was founded in 1944 as the International Bank for Reconstruction and Development (IBRD) and was soon called the World Bank.
- It has expanded to a group of 5 development institutions called the World Bank Group.
- The term World Bank is used for two organisations – IBRD and IDA.

Headquarters	Washington D.C. (USA)

WORLD BANK GROUP (WBG)

International Bank for Reconstruction & Development (IBRD) (189 Members)

- It offers assistance to middle-income and poor, but creditworthy, countries.
- It works as an umbrella for more specialized bodies under the World Bank.
- It was responsible for the reconstruction of post-war Europe.

International Development Association (IDA) (174 Members)

- It was founded in 1960.
- It puts greater emphasis on lending to the poorest countries.
- These loans come in the form of "credits" and are essentially interest-free.

International Finance Corporation (IFC) (186 Members)

- Founded in 1956 to promote private sector investments (foreign and local).
- It acts as an investor in capital markets and helps governments to privatize inefficient public enterprises.

Multilateral Investment Guarantee Agency (MIGA) (182 Members)

- MIGA offers insurance against the political risk (turmoil or instability) that an investment in a developing country may bear.

YEAR 2019 REPORTS

Q10. Which one of the following is not a sub-index of the World Bank's 'Ease of Doing Business Index'?

(a) Maintenance of law and order

(b) Paying taxes

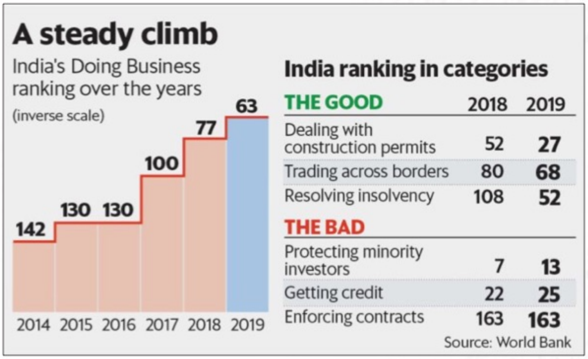
(c) Registering property

(d) Dealing with construction permits

ANSWERS **A**

EXPLANATION

- Doing Business measures regulations affecting 11 areas of the life of a business. Ten of these areas are included in this Doing Business 2019 ranking on the ease of doing business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. Doing Business also measures labour market regulation, which is not included in this year's ranking. **Hence option (a) is the correct answer.**



ANALYSIS:

- The Doing Business Report 2019 was released recently.

YEAR 2019 REPORTS

Q11. The Global Competitiveness Report is published by the

(a) International Monetary Fund

(b) United Nations Conference on Trade and Development

(c) World Economic Forum

(d) World Bank

ANSWERS **C**

International Centre for Settlement of Investment Disputes (ICSID) has 165 members (signatory and contracting states).

It facilitates and works toward a settlement in the event of a dispute between a foreign investor and a local country.
India is not a member to ICSID.

Membership

To become a member, a country must first join IMF.
Membership in IDA, IFC and MIGA are conditional on membership in IBRD.

Organisation Structure:

- World Bank Group is governed through **Boards of Governors** and **Boards of Executive Directors.**
- President of World Bank comes from the largest shareholder (United States) and members are represented by a board of governors.

WORLD BANK GROUP

Five Institutions, One Group

IBRD
The International Bank for Reconstruction and Development

IDA
The International Development Association

IFC
The International Finance Corporation

MIGA
The Multilateral Investment Guarantee Agency

ICSID
The International Centre for Settlement of Investment Disputes

The World Bank Group

- An offshoot of the agenda of Bretton Woods Conference meetings.
- Set up for rebuilding economies post World War 2.
- With 189 member countries, staff from more than 170 countries, and offices in over 130 locations, the World Bank Group is a unique global partnership: five institutions working for sustainable solutions that reduce poverty and build shared prosperity in developing countries.
- The World Bank Group is one of the world's largest sources of funding and knowledge for developing countries. Its five institutions share a commitment to reducing poverty, increasing shared prosperity, and promoting sustainable development.

Mission of World Bank

1. To end extreme poverty: By reducing the share of the global population that lives in extreme poverty to 3 percent.
2. To promote shared prosperity: By increasing the incomes of the poorest 40 percent of people in every country.

Name	Established in	HQ's	Members	Is India a member
IBRD	1945	Washington DC	189	Yes
IDA	1960	Washington DC	174	Yes
IFC	1956	Washington DC	185	Yes
MIGA	1988	Washington DC	182	Yes
ICSID	1966	Washington DC	156	No

1. International Bank for Reconstruction & Development (IBRD)

- Original World Bank Institution – first to be established among group of five.
- The world's largest development bank with **189 members,** IBRD provides financial products and policy advice to help countries reduce poverty and extend the benefits of sustainable growth to all of their people.
- It supports the World Bank Group's mission by providing loans, guarantees, risk management products, and advisory services to middle-income and creditworthy low-income countries, as well as by coordinating responses to regional and global challenges. (Post war Reconstruction (earlier).
- Works closely with all institutions of the World Bank Group and the public and private sectors in developing countries to reduce poverty and build shared prosperity.
- India is the founding member.
- Shareholding of India in IBRD is 3.15% (7th largest)
- Voting right of 3.01 %.
- It supports India with an integrated package of financing, advisory services & knowledge.

2. International Development Association (IDA)

- The soft lending arm of the World Bank with **174 member countries** that helps the world's poorest countries—75 to be exact.
- IDA provides loan on zero or very low interest rate for a longer period stretched over 30 to 38 years along with 5-to-10-year grace period.
- Along with concessional loans IDA also provides grants to countries at risk of debt distress.
- It's the largest single source of donor funds for basic services (primary education, basic health facilities, clean water supply & sanitation) in these countries and aims to eliminate extreme poverty.
- IDA's most recent replenishment, IDA20, resulted in a historic $93 billion financing package for IDA countries for fiscal years 2022-2025.
- Funded largely through borrowings from financial market and contributions from the government of its richer member countries.

3. International Finance Corporation (IFC)

- IFC - a member of the World Bank - is the largest global development institution with **186 member countries** focused exclusively on the **private sector** in developing countries.
- IFC applies financial resources, technical expertise, global experience, and innovative thinking to help partner countries to overcome financial, operational, and other challenges.
- It focuses on private sector by providing investments, technical expertise, and advisory services to build a sound & robust private sector in developing economies.
- Provides loans to private companies rather than to governments.
- Renewable energy generation, improving food security and infrastructure building are the focus area of IFC.
- IFC raises funds by issuing bonds in the international capital market. These include.
  - U.S. Dollar Benchmark Bond
  - Local currency bond
  - Theme bonds (supporting a specific program example green bond, social bonds etc.,)
- IFC floated Rupee bound & Masala bond in the global credit market to fund Indian companies.
- India has been the largest country in IFC's investment portfolio for several years.

4. Multilateral Investment Guarantee Agency (MIGA)

- A member of world bank and its mandate is to promote cross-border investment one being FDI in developing countries by providing guarantees (political risk insurance and credit enhancement) to investors and lenders.
- Guarantees protect investments against non-commercial risks and can help investors obtain access to funding sources with improved financial terms and conditions.
- Shareholders include most countries of the world. This enables MIGA to provide an umbrella of **deterrence against government actions** that could disrupt projects, and assist in the resolution of disputes between investors and governments.

MIGA can help cross-border investors and lenders deal with non-commercial risks by insuring eligible projects against losses related to:

- Also offers its clients extensive knowledge of emerging markets and of international best practice in environmental and social management.
- The guarantees issued in FY23 are expected to create over 8700 direct jobs, add 40 million new subscribers to the internet network mainly in Sub-Saharan Africa, generate more than $128 million in tax revenue to the host governments per year, and avoid nearly a million metric tons of CO2 emissions annually.

World Bank Report

→ Global Economic Prospect.

→ World Development Report {Migrant Refugee & society}

→ *Migration & Development Brief

*India Leads Global Remittances (125B$) in 2023.

1) USA
2) UAE
3) UK
4) Singapore.

Membership in World Bank: Requires being IMF member first

INTERNATIONAL BANKS

Issuing Masala Bonds.

ASIAN DEVELOPMENT BANK (ADB)

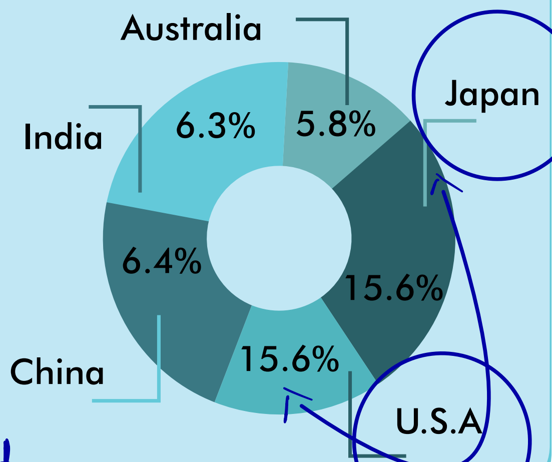
ADB ASIAN DEVELOPMENT BANK

About

- **Established in 1966** to foster economic growth and co-operation in the region of Asia and the Far East.
- It is owned by **68 members** of whom 49 are from Asian Region.
- It is an official UN Observer.

Headquarters	Manila, Philippines

Five largest Share holders



Report:- Asian Dvlpt outlook.

* IF-CAP → Innovative Finance facility for climate in Asia & Pacific.

IF-CA provides guarantees for parts of ADB's sovereign loan portfolios to enable ADB to free up capital

Organisation Setup

President

- He is also the Chairperson of ADB's Board of Directors.
- Elected by ADB's Board of Governors.

Board of Governors

- ADB's highest policy-making body.
- It comprises of one representative from each member nation.

Board of Directors

- The Governors elect 12 members to form the Board of Directors.

Foreign Banks issuing Maharaja Bonds. → Loan to Gujarat (News)

NEW DEVELOPMENT BANK (NDB)

BRICS to issue Maharaja Bonds in Local Currencies.

NDB
Brazil
Russia
India
CHINA
S. Africa
Bangladesh
Egypt
UAE.

About

- Founded by BRICS Nations (Brazil, Russia, India, China and South Africa).
- Formed at the 6th BRICS Summit (Fortaleza, Brazil) in 2014.
- Initial authorized capital: US$ 100 billion. → One country one vote
- 1st chair of the Board of Governors shall be from Russia.
- 1st chair of the Board of Directors shall be from Brazil.
- 1st President of the Bank shall be from India.

* Brics members & NDB members (Not same)

Headquarters	Shanghai, China

Function

To support infrastructure and sustainable development efforts in BRICS and other underserved, emerging economies for faster development through innovation and cutting-edge technology.

15th BRICS Summit — Added Egypt, Iran, Saudi Arabia, UAE, Ethiopia, Argentina Joined BRICS

ASIAN INFRASTRUCTURE INVESTMENT BANK (AIIB) — 2016.

ASIAN INFRASTRUCTURE INVESTMENT BANK

About

- It is multilateral development bank focused on developing Asia, but with members from all over the world.
- It was established by the AIIB Articles of Agreement.
- Members: 109 countries → USA ×

Headquarters	Beijing, China.

India – Second largest shareholder (7.62%) after China (26.06%)

ORGANISATION

Board of Governors

It consists of one Governor and one Alternate Governor appointed by each member country.

Board of Directors

They are responsible for the direction of the Bank's general operations and exercising all powers delegated to it by the Board of Governors.

AFRICAN DEVELOPMENT BANK (AFDB)

AFRICAN DEVELOPMENT FUND

FONDS AFRICAIN DE DEVELOPPEMENT

About

- It is a financial provider to African governments and private companies investing in the regional member countries (RMC).
- Founded in 1964.

Members

- 81 Members.
- India is a member of AfDB.

Headquarters	Abidjan, Cote d'Ivoire.

YEAR 2019 | AIIB

Q9. With reference to Asian Infrastructure Investment Bank (AIIB), consider the following statements:

1. AIIB has more than 80 member nations.
2. India is the largest shareholder in AIIB.
3. AIIB does not have any members from outside Asia.

Which of the statements given above is/are correct?

(a) 1 only

(b) 2 and 3 only

(c) 1 and 3 only

(d) 1, 2 and 3

ANSWERS **A**

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)

European Bank for Reconstruction and Development

About

- Initially focused on former Eastern Bloc. Later, it expanded support to more than 30 countries from Central Europe to Central Asia.
- Founded in 1991.

Members

- 71 Members.
- India joined as the 69th member in 2018.

Headquarters London, United Kingdom.

ISLAMIC DEVELOPMENT BANK GROUP (ISDB)

IsDB

About

- Focused on Islamic finance.
- Saudi Arabia is the largest shareholder.
- Founded in 1975.

Members

- 57 Members.
- India is not a member

Headquarters Jeddah, Saudi Arabia.

DEVELOPMENT BANK OF LATIN AMERICA – CAF

CAF DEVELOPMENT BANK OF LATIN AMERICA

About

- Also known as Corporacion Andina de Fomento – Banco de Desarrollo de América Latina.
- Founded in 1968

Members

- 21 Members.
- India is not a member.

Headquarters Caracas, Venezuela.

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Revision is crucial in the preparation for the UPSC Prelims due to the vast syllabus and the highly competitive nature of the examination. Effective revision consolidates knowledge, aids in long-term retention, and boosts confidence, allowing aspirants to access information quickly and accurately during the exam.

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- Enhanced Retention and Recall
- Identification of Weak Areas
- Integration of Current Affairs
- Effective Time Management
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Smart Revision Techniques

1. Active Recall: Practice retrieving information from memory to enhance retention.

2. Spaced Repetition: Revisit topics at regular intervals, to solidify memory.

3. Mock Tests: Regularly simulate exam conditions to identify focus areas and current status.

4. Focused Revision: Prioritize high-yield topics and current affairs.

5. Mind Maps: Use visual aids such as infographics, mind maps, etc. to organize and connect concepts.

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Smart revision is key to mastering the UPSC Prelims. By adopting strategic revision techniques and leveraging VisionIAS Quick Revision Classes, aspirants can enhance their preparation and boost their exam confidence.

QUICK REVISION MODULE (UPSC PRELIMS 2024) ECONOMICS

THE WTO

The World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments. The goal is to ensure that trade flows as smoothly, predictably and freely as possible.

WTO

FACT FILE

- **Location:** Geneva, Switzerland
- **Established:** 1 January 1995
- **Created by:** Uruguay Round negotiations (1986-94)
- **Membership:** 164 members representing 98 per cent of world trade
- **Budget:** 197 million Swiss Francs for 2020
- **Secretariat staff:** 623
- **Head:** Ngozi Okonjo-Iweala

FACT

YEAR 2017 WTO

Q3. Consider the following statements:

1. India has ratified to Trade Facilitation Agreement (TFA) of WTO.
2. TFA is a part of WTO's Bali Ministerial Package of 2013.
3. TFA came into force in January 2016.

Which of the statements given above is/are correct?

(a) 1 and 2 only

(b) 1 and 3 only

(c) 2 and 3 only

(d) 1, 2 and 3

- TFA has remained regularly in news for last 3 years.

YEAR 2017 DOMESTIC CONTENT REQUIREMENT

Q4. The term 'Domestic Content Requirement' is sometimes seen in the news with reference to

(a) Developing solar power production in our country

(b) Granting licenses to foreign T.V. channels in our country

(c) Exporting our food products to other countries

(d) Permitting foreign educational institutions to set up their campuses in our country

YEAR 2017 INTELLECTUAL PROPERTY RIGHTS

Q5. With reference to the 'National Intellectual Property Rights Policy', consider the following statements:

1. It reiterates India's commitment to the Doha Development Agenda and the TRIPS Agreement.
2. Department of Industrial Policy and Promotion is the nodal agency for regulating intellectual property rights in India.

Which of the above statements is/are correct?

(a) 1 only

(b) 2 only

(c) Both 1 and 2

(d) Neither 1 nor 2

Q7. Which of the following gives 'Global Gender Gap Index' ranking to the countries of the world?

(a) World Economic Forum

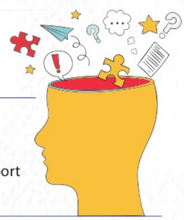
(b) UN Human Rights Council

(c) UN Women

(d) World Health Organization

ANSWERS A

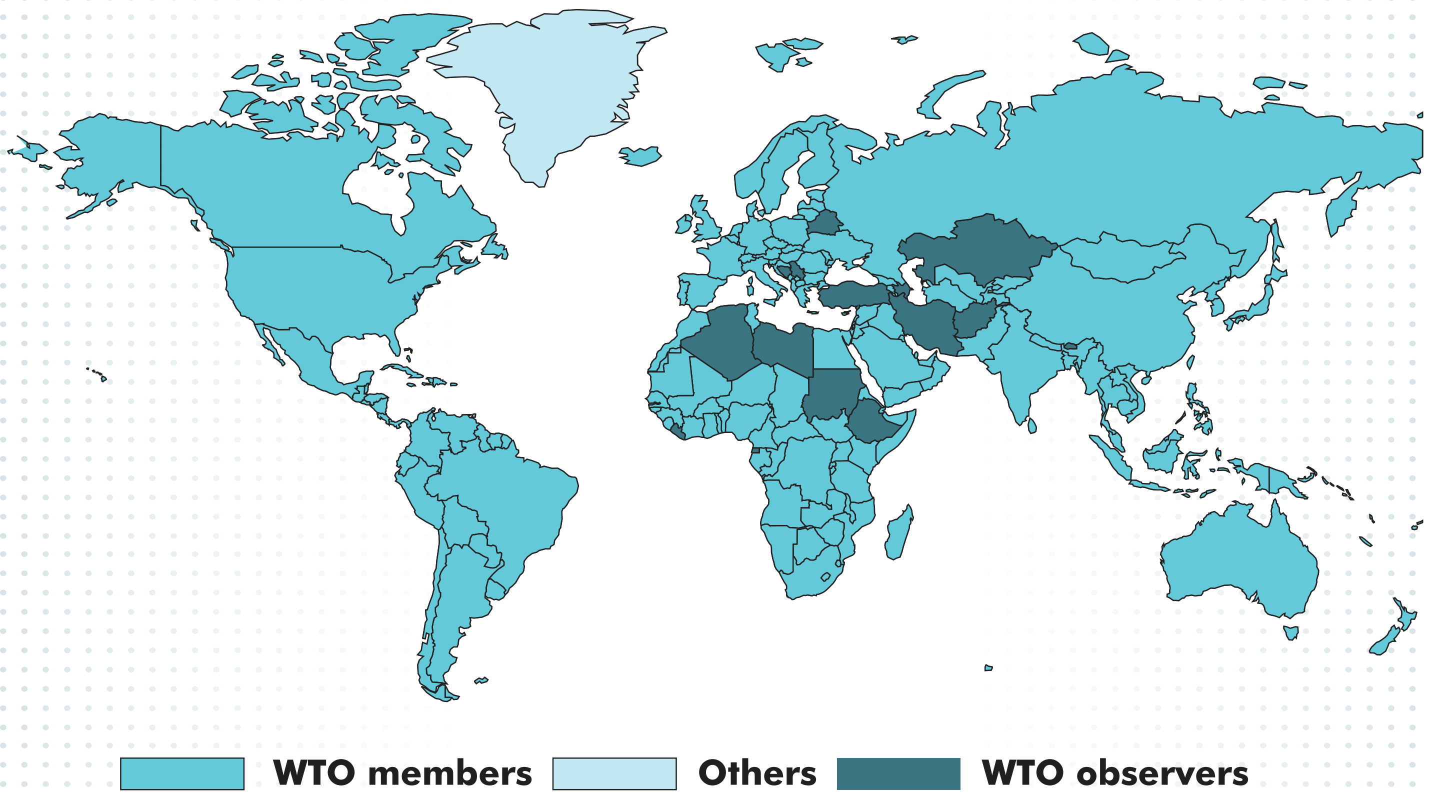
Additional Information



ORGANISATION	REPORT
WEF (World Economic Forum)	1. Global Competitiveness Report (GCR) 2. Global Gender Gap Report 3. Travel and Tourism Competitiveness Report 4. Global Information Technology Report
UNCTAD (United Nations Conference on Trade and Development)	1. World Investment Report
IMF (International Monetary Fund)	1. World Economic Outlook 2. Global Financial Stability Report 3. Fiscal Monitor
Financial Action Task Force	1. Global Money Laundering Report
WIPO (World Intellectual Property Organization)	1. World Intellectual Property Report (WIPR)
World Bank	1. Ease of Doing Business 2. World Development Report
International Labour Organisation (ILO)	1. World Social Protection Report Global 2. Wage Report 3. World Employment and Social Outlook 4. World of Work Report
United Nations Development Programme (UNDP)	1. Human Development Report

•Functions:
- Administering WTO trade agreements
- Forum for trade negotiations
- Handling trade disputes
- Monitoring national trade policies
- Technical assistance and training for developing countries
- Cooperation with other international organizations

WTO MEMBERS AND OBSERVERS



The WTO has 164 members, accounting for 98% of world trade. A total of 25 countries are negotiating membership.

EVOLUTION OF THE WTO

The WTO's creation on 1 January 1995 marked the biggest reform of international trade. It also brought to reality — in an updated form —the failed attempt in 1948 to create an International Trade Organization. Over the years, efforts and attempts made by GATT to reinforce and extend the multilateral system, resulted in the **Uruguay Round** culminating to the Marrakesh Declaration and the creation of the WTO (Refer the following timeline related to the evolution of WTO.)

GATT YEARS

	1947 GATT	1960-61 Dillon Round	1964-67 Kennedy Round	1973-79 Tokyo Round	1986-94 Uruguay Round	1995 WTO
Number of countries	23	26	62	102	123 number of members	(the Marrakesh Declaration)
Subjects covered	Tariffs	Tariffs	Tariffs & Anti-dumping measures	Tariffs & Non-Tariffs measures, "Framework" agreements	**Transitional Stages** Tariffs, Non-Tariffs measures,services, intellectual property, dispute settlement, creation of WTO etc	

WTO SECRETARIAT

– The WTO Secretariat, based in Geneva, is headed by a Director- General.

Note: The Secretariat does not itself have a decision-making role.

– The Secretariat's main duties are to supply technical support for the various councils/committees/Ministerial conferences/ developing, to analyze world trade etc

ACCESSIONS

To join the WTO, a government has to bring its economic and trade policies in line with WTO rules and negotiate its terms of entry with the WTO membership.

DECISION MAKING OF WTO

WTO is a member-driven consensus-based organization. All major decisions in the WTO are made by its members. A majority vote is also possible but it has never been used in the WTO. The WTO's agreements have been ratified by all members parliaments.

Ministerial Conference

General Council

General Council meeting as **Trade Policy Review Body**

General Council meeting as **Dispute Settlement Body**

Appellate Body
Dispute Settlement Panels

Committees on
- Trade and Environment
- Trade and Development
- Sub-Committee on Least-Developed Countries
- Regional Trade Agreements
- Balance of Payments Restrictions
- Budget, Finance and Administration

Working parties on
- Accession

Working groups on
- Trade, debt and finance
- Trade and technology transfer

Inactive:
- Relationship between Trade and Investment
- Interaction between Trade and Competition

Plurilateral
- Information Technology Agreement Committee

Council for Trade in Goods

Committees on
- Agriculture
- Anti-Dumping Practices
- Customs Valuation
- Import Licensing
- Market Access
- Rules of Origin
- Safeguards
- Sanitary and Phytosanitary Measures
- Subsidies and Countervailing Measures
- Technical Barriers to Trade
- Trade Facilitation
- Trade-Related Investment Measures

Working party on
- State Trading Enterprises

Council for Trade-Related Aspects of Intellectual Property Rights

Council for Trade in Services

Committees on
- Trade in Financial Services
- Specific Commitments

Working parties on
- Domestic Regulation
- GATS Rules

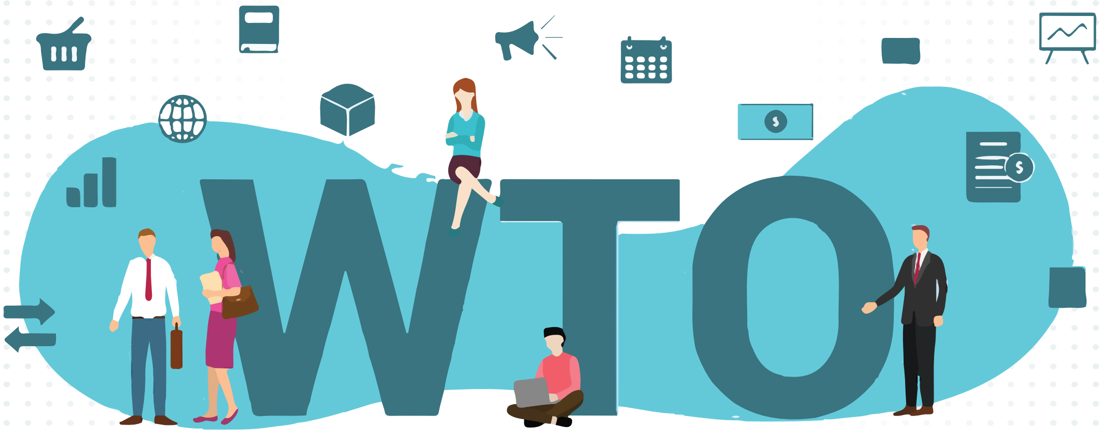
Plurilaterals
- Trade in Civil Aircraft Committee
- Government Procurement Committee

Trade Negotiations Committee

Doha Development Agenda Negotiations:
- Trade Negotiations Committee and its bodies

Special Sessions of
- Services Council/ TRIPS Council/ Dispute Settlement Body/ Agriculture Committee/Trade and Development Committee/ Trade and Environment Committee

Negotiation groups on
- Market Access
- Rules



BASIC PRINCIPLES

PRINCIPLES OF THE TRADING SYSTEM

Trade without discrimination: Most Favoured Nation and National Treatment.

Encouraging **development and economic reform**, more beneficial for less developed countries - giving them more time to adjust, greater flexibility, and special privileges.

Promoting fair competition: discouraging "unfair" practices such as export subsidies and dumping products etc.

Predictability: through binding and transparency.

Free trade: gradually, through negotiation (lowering tariff and non-tariff barriers through "progressive liberalization").

MOST - FAVOURED NATION

Non - discriminatory treatment between products of WTO Members. But there are some exceptions to these provisions of MFN, e.g. Special **exceptions** allowed under FTA, special access to developing countries, protection against unfair trade practices etc.

NATIONAL TREATMENT

Non-discriminatory treatment between imported and domestic products.
Note: National treatment only applies once a product, service, or an item of intellectual property has entered the market. Therefore, charging customs duty on an import is not a violation of national treatment.

TIMELINE OF MINISTERIAL CONFERENCE

Geneva, Switzerland 12 -17 June 2022 (12th Ministerial conference "Geneva package" adopted)"

Buenos Aires, 10-13 December 2017(The Elevent Ministerial Conference TFA signed.)

Nairobi, 15-19 December 2015.

Bali, 3-6 December 2013(Key takeaway: Peace clause)

Geneva, 15-17 December 2011.

Hong Kong, 13-18 Decenber 2005.

Cancun, 10-14 September 2003.

Doha, 9-13 November 2001(DDA,NAMA etc Issue taken up: Public stockholding, Special and differential treatment, Compulsory licensing etc)

Seattle, November 30 December 3,1999.

Abu Dhabi, UAE 26 -29 February 2024 (13th Ministerial conference)

Singapore, 9-13 December 1996.

Geneva, 18-20 May 1998.

DDA: DOHA DEVELOPMENT AGENDA

The Doha Round of trade negotiations which began in 2001 remains unfinished due to differences among members on various issues (Some of them are shown below.)

DOHA DEVELOPMENT AGENDA

G20 (Including India and Brazil)

Greater market access to industrial products and services

The Doha Deadlock

- Lowering of agricultural tariffs

EU

US

- Deeper cuts in domestic agricultural subsidies
- Accepting lower EU market access

WHAT IS TRADE FACILITAION AGREEMENT?

The TFA is an agreement that is for expediting the movement, transit, release, and clearance of goods to enchance global trade. In order for the TFA to enter force, it was necessary for two thirds of the WTO membership (110 members) to ratify the Agreement. On 22 February 2017, the two-third requirement was reached (112 members).

BACKGROUND OF TFA

Bureaucratic inefficiencies and red tape.

Unnecassary costs and delays for trades.

High cost of trade.

Restriction on global trade growth.

NAMA

NAMA (Non-Agricultural Market Access) refers to all products not covered by the Agreement on Agriculture. They are sometimes referred to as industrial products or manufactured goods. It is part of the WTO negotiations in Doha Development Round. It aims to reduce both tariffs and non-tariff barriers.

AGREEMENTS

The WTO oversees about 60 different agreements which have the status of international legal texts. Some of the most important agreements are as follows:

1. GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT)

This agreement deals with reduction in trade barrier for goods. Some of the specific sectors or issues dealt: Agriculture, Health regulations for farm products (SPS), Textiles and clothing, Product standards (TBT), Investment measures, Anti-dumping measures, Customs valuation methods, Rules of origin, Import licensing, Subsidies and counter-measures etc.

General Agreement on Tariff and Trade
GATT

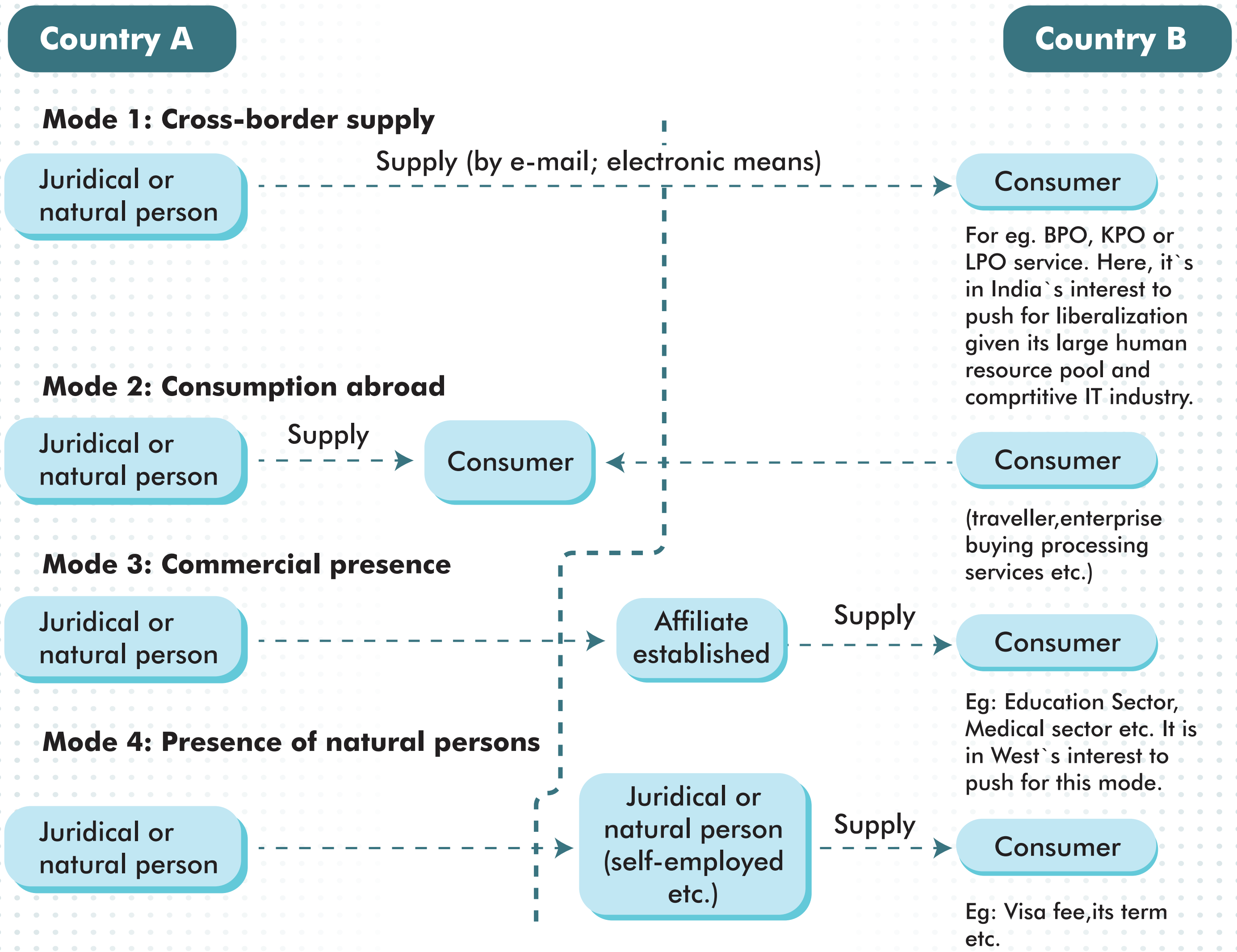
GATT EXCEPTIONS AND WAIVERS

The GATT recognized that there are circumstances in which strict adherence to these principles would be inappropriate.

General exceptions	E.g. measures considered "necessary" to protect public health, provided their application does not constitute arbitrary or unjustifiable discrimination.
Customs Unions and Free Trade Agreements	Countries that offer each other more favourable treatment within a cutom`s union or RTA were allowed to waive full adherence to the MFN clause.
Others	Include exceptions related to national security or balance of payment problem; waivers e.g. permissions granted by WTO Members allowing another Member to not comply with its normal commitments.

2. GENERAL AGREEMENTS ON TRADE IN SERVICES (GATS)

The GATS was inspired by essentially the same objectives as its counterpart in merchandise trade, GATT. Services negotiations in the WTO follow the so-called positive list. West is pushing hard to move from **positive list approach to negative list approach**. India is against this concept as it will throw open almost whole Indian services sector to western multinational giants. Negotiations in services under GATS are classified in **4modes**, interests of different countries depend upon this classification –



3. TRIPS

The TRIPS Agreement plays a critical role in facilitating trade in knowledge and creativity, in resolving trade disputes over intellectual property. Intellectual Property comprises 2 distinct forms:

a) LITERARY & ARTISTIC WORKS

b) INDUSTRIAL PROPERTY

(TRIPS contains requirements that nations' laws must meet for **copyright rights; geographical indications,** including appellations of origin; **industrial designs; integrated circuit layout-designs; patents;** monopolies for the developers of new plant varieties; **trademarks;** trade dress; and undisclosed or confidential information etc.)

4. TRIMS

The Agreement on Trade-Related Investment Measures (TRIMS) states that WTO members may not apply any measure that discriminates against foreign products or that leads to quantitative restrictions, both of which violate basic WTO principles E.g., **local content requirements.**

YEAR 2020 **TRIMS**

Q18. With reference to Trade-Related Investment Measures (TRIMS), which of the following statements is/are correct?

1. Quantitative restrictions on imports by foreign investors are prohibited.
2. They apply to investment measures related to trade in both goods and services.
3. They are not concerned with the regulation of foreign investment.

Select the correct answer using the code given below:

(a) 1 and 2 only

(b) 2 only

(c) 1 and 3 only

(d) 1, 2 and 3

ANSWERS C

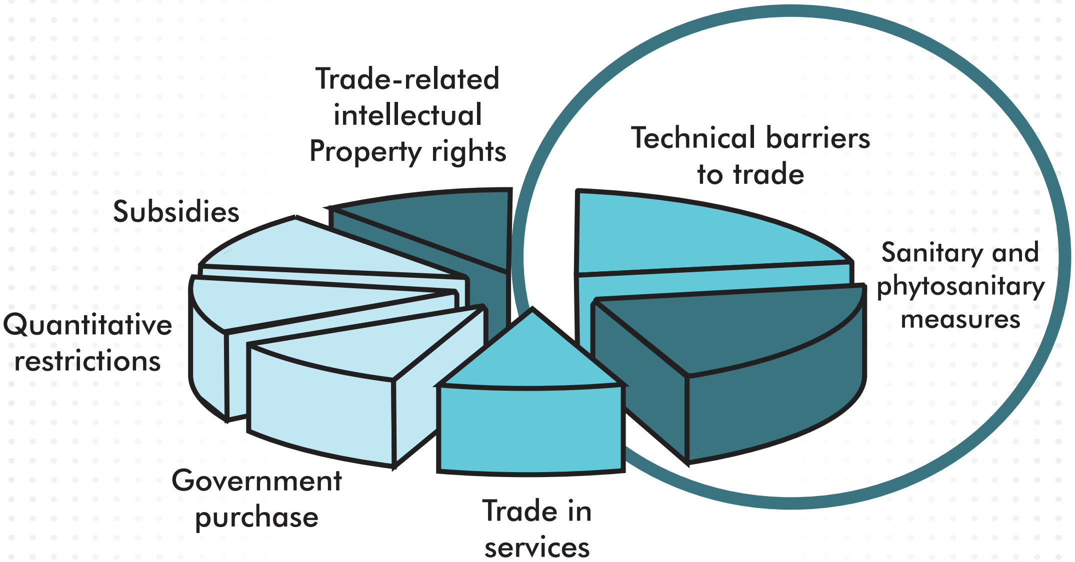
EXPLANATION

- Under the Agreement on Trade - Related Investment Measures of the World Trade Organization (WTO), (TRIMs Agreement), WTO members have agreed not to apply certain investment measures related to trade in goods that restrict or distort trade. (TRIMs Agreement is a multilateral agreement on trade in goods, and not services). **Hence statement 2 is not correct.**
- The TRIMs Agreement prohibits certain measures that violate the national treatment (Article III) and quantitative restrictions requirements (Article XI) of the General Agreement on Tariffs and Trade (GATT) 1994. The list of TRIMs agreed to be inconsistent with these articles includes measures which require: - particular levels of local procurement by an enterprise ("local content requirements"), - restrict the volume or value of imports such an enterprise can purchase, - use to an amount related to the level of products it exports ("trade balancing requirements"). **Hence statement 1 is correct.**
- TRIMs Agreement stipulates that certain measures adopted by Governments to regulate FDI can cause trade-restrictive and distorting effects. However, the agreement is only concerned with the trade effects of investment measures. It is not intended to deal with the regulation of investment as such and does not impact directly on WTO members' ability to regulate and place conditions upon the entry and establishment of foreign investment. **Hence statement 3 is correct**

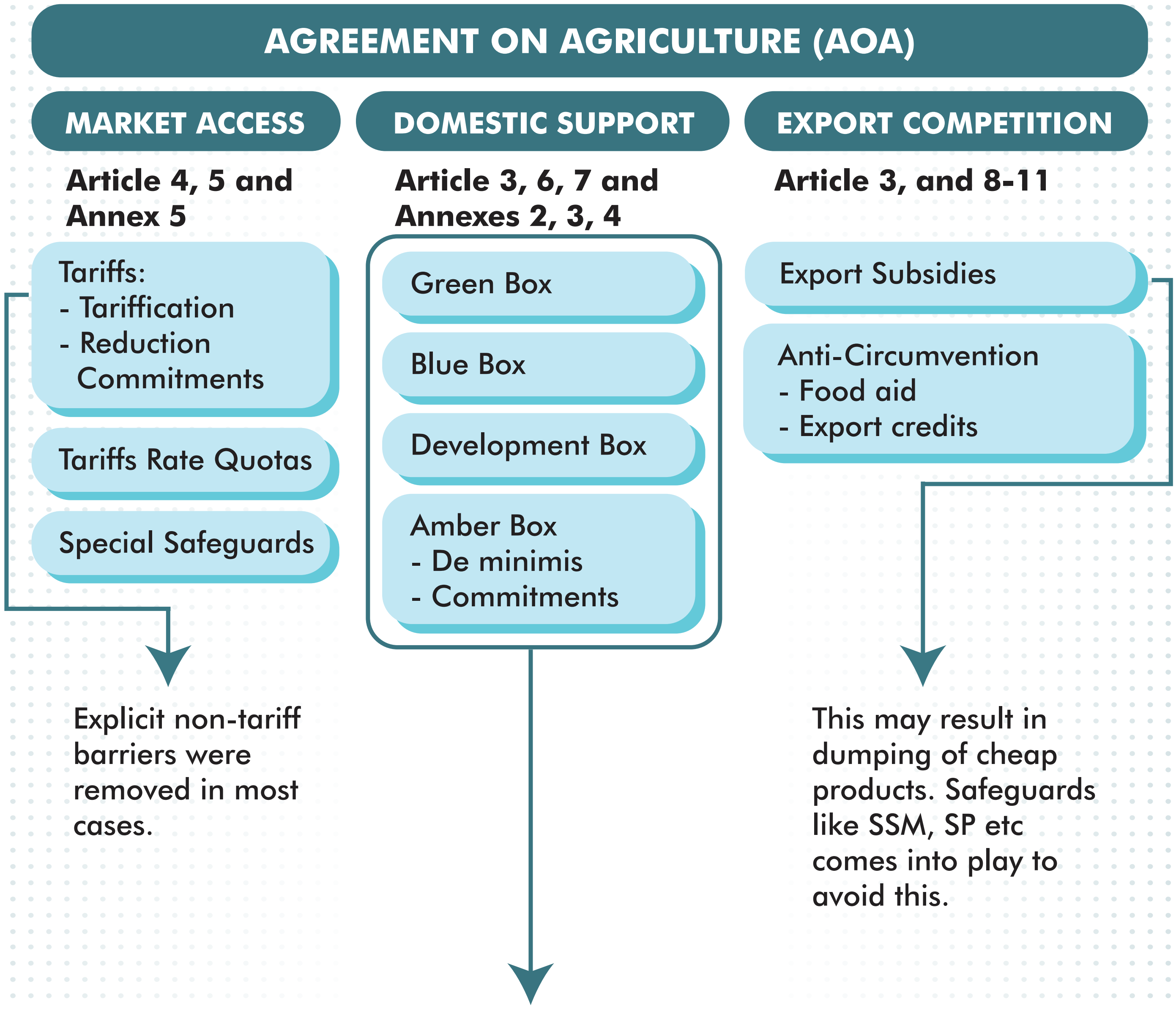
5. AGREEMENT ON AGRICULTURE

Agriculture Agreement is to reform trade in the sector and to make policies more market oriented. The agreement does allow governments to support their rural economies, but preferably through policies that cause less distortion to trade. It also allows some flexibility in the way commitments are implemented.

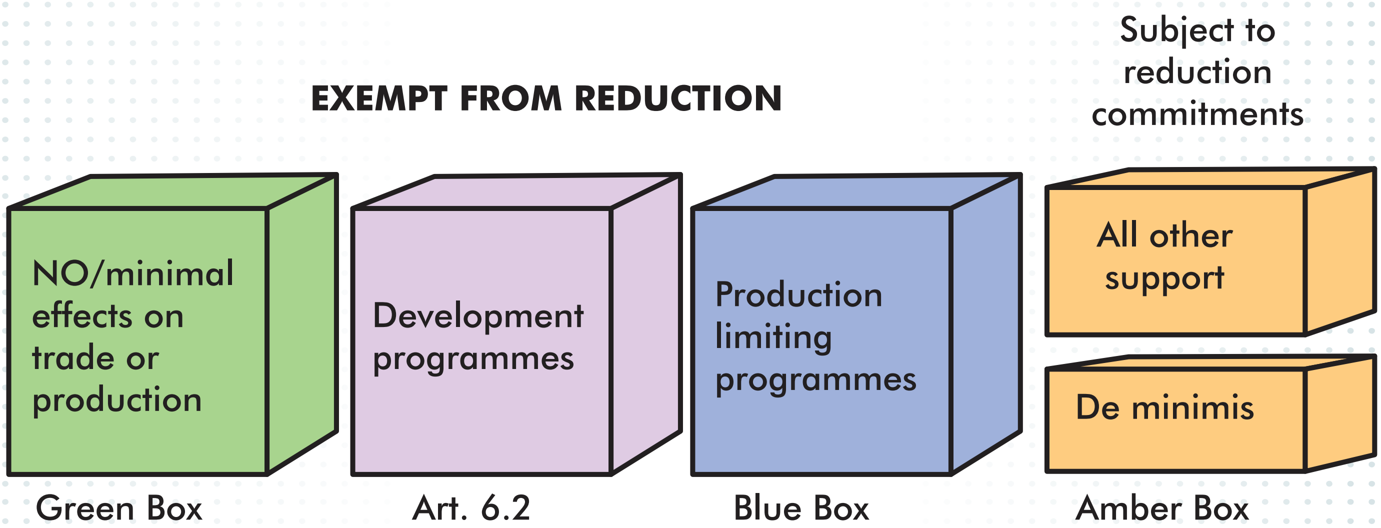
NON-TARIFF MEASURES (NTMS)



THREE "PILLARS" OF THE AGREEMENT ON AGRICULTURE



CATEGORIES OF DOMESTIC SUPPORT

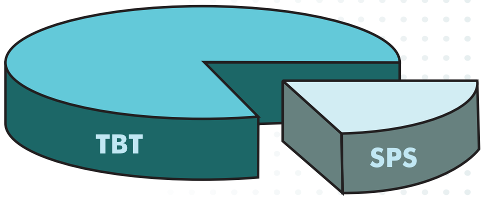


6. THE TECHNICAL BARRIERS TO TRADE AGREEMENT (TBT)

Even though countries' rights to adopt the standards they consider appropriate, is recognized, this agreement is to ensure that regulations, standards, testing and certification procedures do not create unnecessary obstacles.

AGREEMENT ON TECHNICAL BARRIERS TO TRADE

It applies to all goods...
- Technical regulation (mandatory)
- Standards (voluntary)
- Conformity assessment procedures



But: its provisions do not apply to sanitary or phytosanitary (SPS) MEASURES

THE WTO TBT AGREEMENT

VOLUTARY

MANDATORY

Conformity Assessment Procedures

Standards

Technical Regulations

Avoid unnecessary barriers to international trade

Non-discrimination

Safeguarding the right of Members to regulate for legitimate objectives (E.g. human health and safety, environment protection, consumer protection, quality)

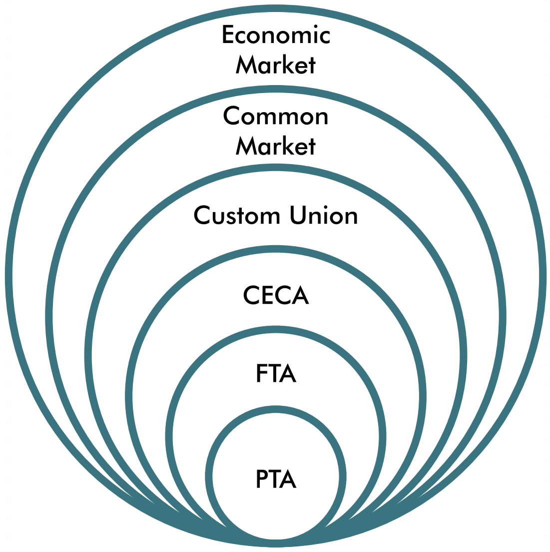
Use of relevant international standards

7. THE SANITARY AND PHYTOSANITARY (SPS) AGREEMENT

It came into effect on January 1, 1995 with the establishment of the World Trade Organization (WTO). The SPS Agreement is a government-to-government interaction and applies only to those governmental measures that can affect international trade. It is concerned with the application of food safety and animal and plant health regulations.

ECONOMIC INTEGRATION

Economic integration is an arrangement among nations that typically includes the reduction or elimination of trade barriers and the coordination of monetary and fiscal policies.



Specialists in this area define seven stages of economic integration as shown in the diagram.

1. PTA – PREFERENTIAL TRADE AGREEMENT

A preferential trade agreement, is a trading bloc that gives preferential access to certain products from the participating countries. This is done by reducing tariffs but not by abolishing them completely. A PTA can be established through a trade pact. It is the first stage of economic integration where there is a positive list of products on which duty is to be reduced.

Some examples:
- **Asia-Pacific Trade Agreement (APTA) :** It an initiative of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP).
- **India-Mercosur Preferential Trade Agreement (PTA)**

2. FTA – FREE TRADE AGREEMENT

A FTA is a trade bloc which eliminates tariffs, import quotas, and preferences on most (if not all) goods and services traded between them. Thus, there is only a **negative list** on which duty is not reduced E.g.
- Evolution of SAPTA to SAFTA (South Asian PTA to FTA)
- ASEAN FTA (Trade agreement within the Southeast Asian nations)

3. CECA COMPREHENSIVE ECONOMIC COOPERATION AGREEMENT & CEPA COMPREHENSIVE ECONOMIC PARTNERSHIP AGREEMENT

When the countries go beyond FTA and agree for a greater degree of economic intergration which includes improving the attractives to capital and human resources, and to expand trade and investment, it would result in CECA or CEPA.

CEPA has a bit wider scope than CECA as it includes trade in services and investments too.

4. CUSTOMS UNION

An agreement among countries to have free trade among themselves and to adopt common external barriers against any other country interested in exporting to these countries. Some examples:

- **Southern Common Market – Mercosur**
- **Gulf Cooperation Council (GCC)**
- **East African Community (EAC)**

5. COMMON MARKET

A type of custom union where there are common policies on product regulation, and free movement of goods and services, capital and labour.

6. ECONOMIC UNION

An economic union is a type of trade bloc which is composed of a common market with a customs union. The participant countries have both common policies on product regulation, freedom of movement of goods, services and the factors of production (capital and labour) and a common external trade policy.

7. MONETARY UNION

When an economic union involves unifying currency, it becomes an economic and monetary union. E.g. – Euro!

INDIA AND FTAS

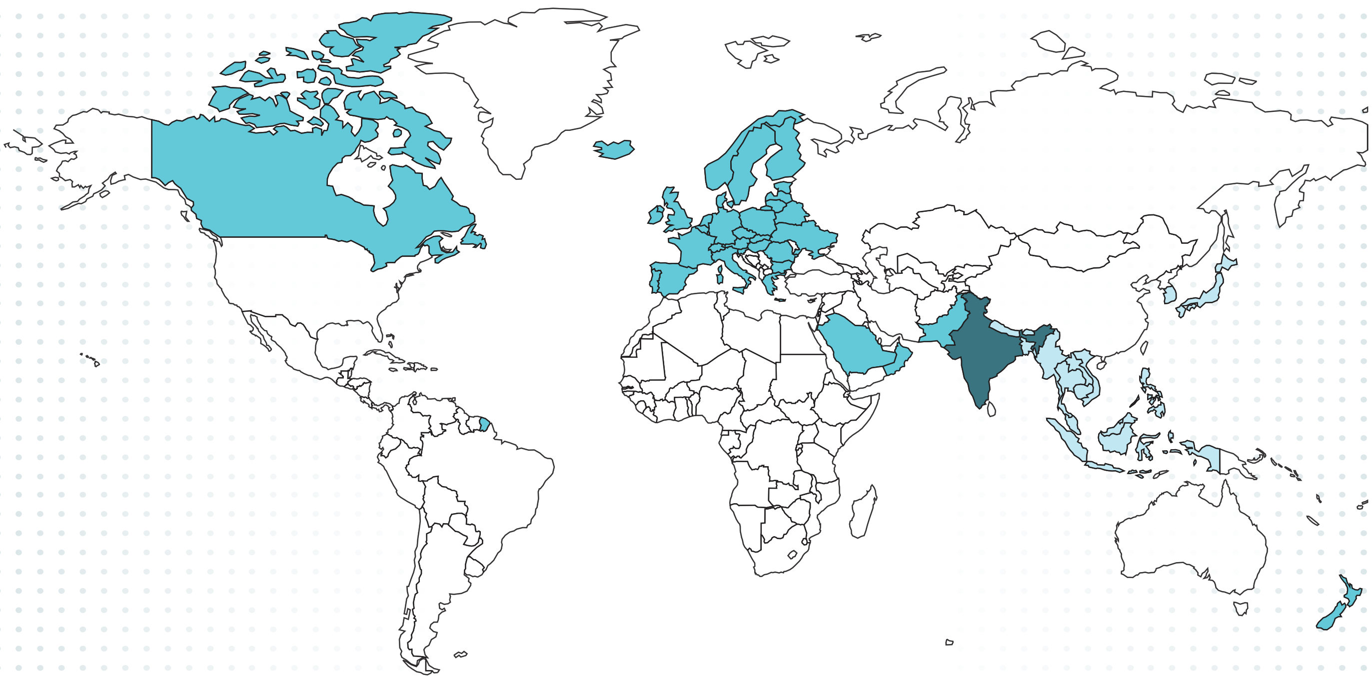
- India has long-standing **commitment to multilateralism** under WTO agreements but in line with global trends, India has made use of FTAs as a key component of its trade and foreign policy.
- So far, India has mainly **focused on partnering with other Asian countries**, and in goods more so than in services (e.g.: Sri Lanka, Afghanistan, Thailand, Singapore, Bhutan, Nepal, Korea, Malaysia and Japan and regional trade agreements SAFTA and ASEAN).
- More recently India has signed 3 FTAs i.e. India-Mauritius CECPA (implemented in 2022), India-UAE CEPA (implemented in 2022), India-EFTA FTA (expected to be implemented in 2025)

CONCEPT OF SPAGHETTI-BOWL EFFECT / NOODLE BOWL EFFECT

Concept was propounded by world's foremost trade economist Prof Jagdish Bhagwati. He argues that so many FTAs with their differential tariff rates, rules, procedures etc. leads to complexity and discriminatory trade policy and results in often contradictory outcomes amongst bilateral and multilateral trade partners.

MEGA-REGIONALISM

Until recently, FTAs were signed mainly bilaterally and regionally but of late PTAs have begun to transcend into mega-regional agreements, which would encompass a large share of world GDP and trade. E.g.: TPP, TTIP (trans-Atlantic trade and investment partnership between EU and USA)



India
Current Bilateral/Multilateral FTA's
Proposed/Suspended Bilateral/Multilateral FTA's

QUICK REVISION MODULE [UPSC PRELIMS 2024]

INDUSTRY

PART-1

Industrial Policies

Pre-reform period

Pre-Reform Industrial Policy Regime - Key Features	**Relied heavily on the public sector** for the development of infra-structure needs and providing direction.
	Certain strategic areas reserved for the public sector Iron and steel, coal, transport, power, mineral oils, atomic energy, arms and ammunition, and allied items of defence equipment.
	The state acted as the leading entrepreneur in machine tools, non-ferrous metals, fertilizers, etc.
	The private sector was expected to play a major role, especially in **consumer goods provision** and for building up the **small-scale industries sector.** The private sector was controlled through **industrial licensing** (required for making investments in new units and for substantial expansion of capacity in existing units).

	Protectionist Policy - High import tariffs, 'Import Licence' required for items where domestic substitutes were being produced, restrictive policies towards foreign investments.

Industrial Policies in the Pre-Reform Period

Industrial Policy Resolution (IPR), 1948

- Gave the public sector a vast area to operate
- Laid the foundation of a mixed economy
- Divided the industries **into four broad categories:**

Industries with Exclusive State Monopoly

Atomic energy, railways and arms and ammunition.

Industries with Government Control

18 industries of national importance - For e.g. fertilizers, heavy chemicals, heavy machinery etc.

Industries in the Mixed Sector

* Private and public sector, both allowed to operate
* Government was allowed to review the situation to acquire any existing private undertaking.

Industries Under Private Sector

Industries not covered under any of the above categories fell into this category.

Industries (Development and Regulation) Act (IDRA), 1951

- Gave powers to the government to regulate the industry-capacity (and hence output) and prices.
- Main provisions:

This Act brought under Union's control the development and regulation of a number of important industries which was deemed expedient in 'public interest'.

It provides for the constitution of Advisory and Development Councils to advise the Government of India on matters concerning the development and regulation of the Scheduled industries (mentioned in First Schedule of the Act)

It also provides for registration, licensing and investigation of the Scheduled industries. It envisages regulation of production, distribution and prices including prohibition on reducing the production.

It also enables the union to levy and collect a cess on the Scheduled industries. Management of any undertaking can also be taken over.

<table>
<tr><td></td><td>

- **The state was given the primary role** for industrial development as capital was scarce and entrepreneurship not well-developed.

</td></tr>
<tr><td>Industrial Policy Resolution, 1956</td><td>

<table>
<tr><th colspan="3">New classification of Industries</th></tr>
<tr><th>Schedule A</th><th>Schedule B</th><th>Schedule C</th></tr>
<tr><td>

- The industries that were the **monopoly of the state or Government.**
- It included 17 industries.
- Of these, four industries viz. arms and ammunition, atomic energy, railways and air transport were to be government monopolies. In the remaining thirteen industries, all new units were to be established by the government or public sector, but existing units in the private sector were allowed to exist and expand.

</td><td>

- Under this, industries which were government-owned and in which the private sector enterprises were expected to supplement the efforts of the government were included.
- **Example -** Chemical industries, fertilizers, synthetics, rubber, aluminum etc.

</td><td>

- The industries not mentioned in Schedule A or B.
- Although these industries were left to the private sector, the sector was kept under state control through a system of licenses. No new industry was allowed unless a license was obtained from the government.

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Encouragement to small-scale and cottage industries: through cheap credit, subsidies, reservation etc.

Emphasis on reduction of regional disparities: Fiscal concessions were granted to open industries in the backward regions.

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<tr><td>Monopolies Inquiry commission</td><td>

- It was to inquire into the existence and effect of the concentration of economic power in private hands.
- On the basis of its recommendations, the **Monopolies and Restrictive Trade Practices Act (MRTP Act), 1969** was enacted.
  - The act sought to control the establishment and expansion of all industrial units that had an asset size above a particular limit.

</td></tr>
<tr><td>Industrial Policy Statement, 1973</td><td>

- It identified high-priority industries where investment from large industrial houses and foreign companies would be permitted.
- The list of industries reserved for small scale sector was expanded.

</td></tr>
</table>

Industrial Policy Statement, 1977	**Development of Small-Scale Sector (SSS)** - Wide-spread promotional and supportive measures - SSS classified into **3 categories viz. Cottage and household industries** which provide self-employment; **tiny sector** and **small-scale industries.** - Specific policy measures for each category. - Considerable expansion of the list of reserved items for exclusive manufacture in SSS. **Restrictive approach towards large business houses** - The large scale sector was **allowed in basic, capital goods and high-tech industries.** - The large sector should generate its own finance for financing new projects or expansion of existing business. - Funds from financial institutions should be largely made available for the development of the small sector. **Expanding role of public sector** - The public sector would be used not only in the **strategic areas** but also as a stabilizing force for maintaining the **essential supply for the consumer.** Restrictive policy towards foreign capital whereby the majority interest in ownership and effective control should rest in Indian hands.

Industrial Policy, 1980	- It was guided by the considerations of capital intensive growth with employment generation taking a somewhat backseat. Key measures suggested in the policy were:
	  - **Effective Operational Management of the Public Sector** to re-establish its lost credibility
	  - **Promotion of Economic Federalism** through integrated industrial development by removing the divisions between small scale and large scale industries
	- **Redefining small-scale industries:** The investment limit was raised
	  - For tiny sector - raised from Rs. 1 lakh to Rs. 2 lakh
	  - For small scale unit - from Rs.10 lakh to Rs.20 lakh
	  - For ancillaries - from Rs.15 lakh to Rs. 25 lakh.

	◐ **Focused attention on promoting competition** in the domestic market, technological upgradation and modernization. Laid the foundation for increasingly competitive export based industries and for encouraging foreign investment in high-technology areas ◐ Removal of Regional Imbalances through dispersal of industries to backward, rural and urban areas ◐ It simplified the process of regularisation of unauthorised excess capacity in the private sector. However, for firms falling within the MRTP Act and Foreign Exchange Regulation Act (FERA), this was not applied. ◐ For promoting exports, exemption of export oriented units from MRTP Act and allowing duty free import of capital goods and raw materials was envisaged. ◐ Specifying that deliberate mismanagement and financial impropriety would not be tolerated, genuine sick units were proposed to be merged with the healthy ones wherever possible.

Assessment of Pre-1991 Industrial Policies

Positives

- Helped create **broad-based infrastructure** (power, communications, roads etc.) and basic industries.
- Achievement of a **diverse industrial structure with self-reliance for a large number of items.**
- **Modern management techniques** were introduced.
- An entirely new **class of entrepreneurs** came up with the support system from the Government
- A large number of **new industrial centers** were developed in most parts of the country.

Shortcomings

-Industrial licensing system promoted **inefficiency** and resulted in a high-cost economy.
-Corruption and rent-seeking due to considerable discretionary powers in the licensing authorities. It resulted into the pre-emption of the entry of new enterprises and adversely affected competition.

New Industrial Policy, 1991

The liberalized Industrial Policy aimed at rapid and substantial **economic growth and integration with the global economy** in a harmonized manner.

Important elements of NIP, 1991

Public Sector De-Reservation and Privatization through Dis-Investment:

- **Reduced the number of industries reserved for the public sector:** Only three, atomic energy, mining and railway operations.
- Emphasized bringing down government equity in all non-strategic PSUs to **26 percent or lower.**
- Adopted the **MoU system** to improve the performance of PSUs.
- Many sick public

Industrial De-licensing

- The objective of industrial delicencing was to enable business enterprises to respond to the fast changing external conditions to enable **technological dynamism.**
- With a few exceptions, investors were free to set up new industrial enterprises, expand an industrial enterprise substantially, change the location of an existing industrial enter-

Amendment of MRTP Act, 1969

- The MRTP Act was restructured and **previous restrictions removed** with regards to prior approval for establishment of a new undertaking, expansion, amalgamation, merger, take over, and appointment of directors of companies.
- The asset restriction and market share for defining an MRTP firm had been done away with.

sector units had been referred to the **Board for Industrial and Financial Reconstruction (BIFR)** for rehabilitation or, where necessary, for winding up.

- Introduced **VRS** to shed surplus manpower in PSUs.
- **Disinvestment and privatization** of existing PSUs had been adopted to improve corporate efficiency, financial performance and competition amongst PSUs.

prise and manufacture a new product through an already established industrial enterprise.

- The MRTP Act was now applicable to both private and public sector enterprises and financial institutions.
- **Today,** only restrictive trade practices of companies are monitored and controlled. **The MRTP Act has been replaced by the Competition Act, 2002. This law aims at upholding competition in the Indian market.**

Liberalized Foreign Investment Policy

- **FERA, 1973 had been repealed and Foreign Exchange Management Act (FEMA)** came into force with effect from June 2000.
- **Investment and returns could be freely repatriated,** except where approval was subject to specific conditions such as lock-in period on original investment, dividend

Foreign Technology Agreement

- **Automatic approvals** for technology agreements were allowed for industries within specified parameters.
- Indian companies were **free to negotiate the terms** of technology transfer with their foreign counterparts according to their own commercial judgments.

Dilution of Protection to Small Scale Industries (SSI) and Emphasis on Competitiveness

- The **number of items reserved** exclusively for small industry manufacturing was **gradually brought down.**
- **Concession elements in lending** rates for small industry was largely withdrawn during the 1990s.
- The number of products reserved exclusively for **purchase from small industries by the**

cap, foreign exchange neutrality etc. as specified in the sector specific policies.

- The Foreign Contribution (Regulation) Act, 2010 had been enacted by the Parliament to consolidate the law to regulate the acceptance and utilization of foreign contribution.
- **FDI was allowed in all sectors** including the services sector except atomic energy and railway transport.

government had also been reduced.

- Measures had been adopted to improve technology and export capabilities of SSIs.

Organised and Unorganised Sector

		Enterprise Type: Organised	Enterprise Type: Unorganised
Employment Type	**Formal**	Regular salaried work with some job security and benefits, in enterprises employing 10 or more workers.	Regular salaried employment with some benefits, in enterprises employing less than 10 workers.
Employment Type	**Informal**	Various types of contract work and employment of short duration, without job security, in enterprises employing 10 or more workers.	All types of casual work, work for daily, weekly or monthly wages and self-employment with no benefits or security, in enterprises employing less than 10 workers.

Public Sector Undertakings in India

There were 389 Central Public Sector Enterprises under the administrative control of various Ministries/Departments as on 29.2.2024

The endeavour of the Government is to make Central Public Sector Enterprises (CPSEs) autonomous board managed companies. Under Articles of Association, the Board of Directors of CPSEs enjoys autonomy in respect of recruitment, promotion and other service conditions of below board level employees.

The Government has granted enhanced powers to the Boards of the profit-making enterprises under various schemes like Maharatna, Navratna and Miniratna.

Maharatna Scheme

- Empowers big sized CPSEs to expand their operations and emerge as global giants.
- Presently there are **ten** Maharatna CPSEs, viz.
  (i) Bharat Heavy Electricals Limited
  (ii) Bharat Petroleum Corporation Limited
  (iii) Coal India Limited
  (iv) GAIL India Limited
  (v) Hindustan Petroleum Corporation Limited
  (vi) Indian Oil Corporation Limited
  (vii) NTPC Limited
  (viii) Oil & Natural Gas Corporation Limited
  (ix) Power Grid Corporation of India Limited
  (x) Steel Authority of India Limited.

Navratna

- Identifies Central Public Sector Enterprises (CPSEs) that had comparative advantages and supports them in their drive to become global giants.
- Under this scheme, the Boards of Navratna CPSEs have been delegated enhanced powers in the areas of
  (i) capital expenditure
  (ii) investment in joint ventures/subsidiaries
  (iii) mergers & acquisitions
  (iv) human resources management etc.

Miniratna

- Under this, the Government had decided to grant enhanced autonomy and delegation of financial powers to some other profit-making companies subject to certain eligibility conditions and guidelines to make them efficient and competitive.

Eligibility Criterion

Maharatna Scheme	Navratna	Miniratna
• Having Navratna status. • Listed on Indian stock exchange with minimum prescribed public shareholding under SEBI regulations. • An average annual turnover of more than Rs. 25,000 crore during the last 3 years. • An average annual net worth of more than Rs. 15,000 crore during the last 3 years. • An average annual net profit after tax of more than Rs. 5,000 crore during the last 3 years. • Should have significant global presence/international operations.	• The CPSEs which are Miniratna I, Schedule 'A' and have obtained 'excellent' or 'very good' MOU rating in three of the last five years and have a 'Composite Score' of performance to be 60 or above in six identified performance parameters are eligible to be considered for grant of Navratna status.	• Category-I CPSEs should have made profit in the last three years continuously, the pre-tax profit should have been Rs. 30 crores or more in at least one of the three years and should have a positive net worth. • Category-II CPSEs should have made profit for the last three years continuously and should have had a positive net worth. • The Boards of these CPSEs should be restructured by inducting at least three non-official Directors as the first step before the exercise of enhanced delegation of authority.

Privatisation of the Public Sector Enterprises

Owing to several shortcomings, the functioning of the public sector has often been questioned. Thus, privatization of some PSUs was advocated and disinvestment was the process through which this privatization could take place.

Disinvestment

Rationale Behind Disinvestment

- Releases a large amount of public resources locked up in the non-strategic PSUs.
- Transferring the commercial risk to the private sector where it is willing to share it.
- Reduction in the Public Debt.
- Enables the public to have ownership or say in the management of some PSUs.

Proceeds of Disinvestment

Proceeds go into the National Investment Fund (in the Public Account under the head 'NIF')

Purpose is to invest the proceeds to generate earnings without depleting the corpus.

Earning of the Fund were to be used for selected Central Social Welfare Schemes.

National Investment Fund (NIF)

Created in 2005, all the proceeds from the **disinvestment of CPSEs** were to be channelized in this fund.

- 75% of the fund will be used in **social sector schemes** while 25% is to be utilized in the **revival of PSUs**.
- This rule was relaxed during global economic slowdown and the government approved 100% NIF income utilization for social sector from 2009 to 2013.

It was further decided that proceeds of NIF can be utilized for the following purposes:

- Subscribing to the shares being issued by the CPSE including PSBs and Public Sector Insurance Companies, on rights basis so as to ensure that 51% ownership of the Government in those CPSEs/PSBs/Insurance Companies is not diluted.
- Preferential allotment of shares of the CPSE to promoters as per SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 so that Government shareholding does not go down below 51% in all cases where the CPSE is going to raise fresh equity to meet its Capex programme.
- Recapitalization of public sector banks and public sector insurance companies.
- Investment by Government in RRBs/IIFCL/NABARD/Exim Bank.
- Equity infusion in various Metro projects.
- Investment in Bhartiya Nabhikiya Vidyut Nigam Limited and Uranium Corpora tion of India Ltd.
- Investment in Indian Railways towards capital expenditure.

The role of advising the government on how to utilize the proceeds from disinvestment from the Department of Investment and Public Asset Management (DIPAM) has been given to the Department of Economic Affairs.

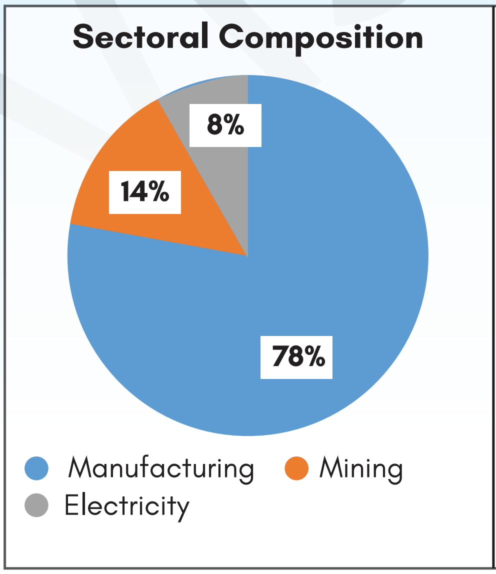
National Investment and Infrastructure Fund (NIIF)

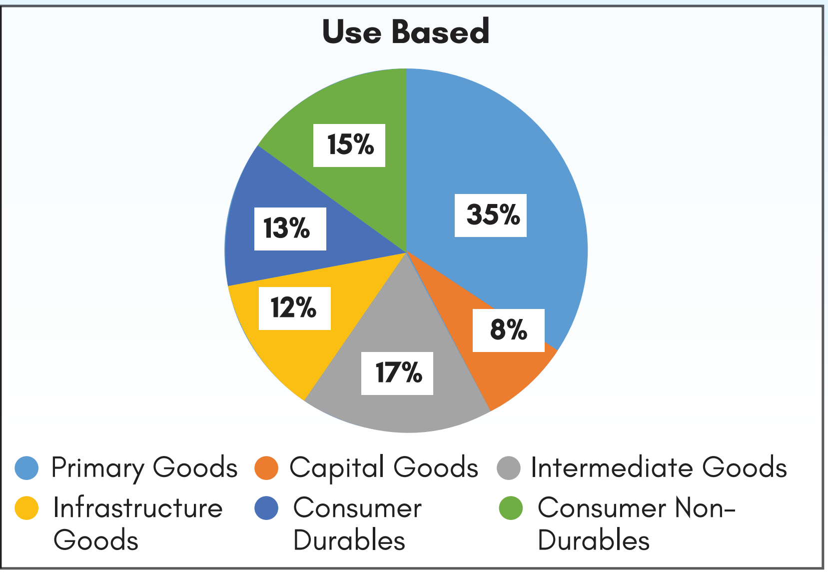
NIIF is different from NIF
NIIF is **India's first sovereign wealth fund** that seeks to create long-term value for domestic and international investors seeking investment in **greenfield, brownfield and stalled** infrastructure projects.
This fund will invest only in **commercially viable projects**, which can pay back returns.
NIIF is **registered with SEBI** as a Category II Alternative Investment Fund with a planned corpus of Rs. 40,000 crore.
It is **run as a professional body** with a full time CEO. But the **governing Council, headed by Finance Minister,** oversees the activities.

Key Indices Related to the Industrial Sector

Index of Industrial Production

The IIP essentially tracks the change in the volume of production of Indian industries. To do this, we take a basket of industrial products and create an index by assigning different weights to different products. We then look at the monthly values of this index and compare it with the index value in the same month last year to arrive at the rate of growth. This rate of growth (positive or negative) in IIP signals India's industrial health or the lack of it.
There are two ways to classify the basket of products, as mapped:





Important Facts Related to IIP	
◐ It measures **short term changes.** ◐ IIP data is compiled and published monthly by the **Central Statistics Office** under **Ministry of Statistics and Programme implementation.** ◐ Manufacturing, Mining and Electricity are the three broad constituents of IIP. ◐ Base year is 2011-12.	◐ **Primary Goods** (consisting of mining, electricity, fuels and fertilisers). ◐ **Capital Goods** (e.g. machinery items) ◐ **Intermediate Goods** (e.g. yarns, chemicals, semi-finished steel items, etc.). ◐ **Infrastructure Goods** (e.g. paints, cement, cables, bricks and tiles, rail materials, etc.). ◐ **Consumer Durables** (e.g. garments, telephones, passenger vehicles, etc.). ◐ **Consumer Non-durables** (e.g. food items, medicines, toiletries, etc.).

IIP has witnessed a contraction over a base that contracted in FY20. The **maximum contraction** is happening in the two sectors — **manufacturing and mining** — which are also the most crucial sectors for creating new jobs.

Index of Industrial Production

Growth Rates	Manufacturing (weight: 78%)	Mining (weight: 14%)	Electricity (weight:8%)	IIP (overall)
January 2023	4.5%	9%	12.7%	5.8%
January 2024	3.2%	5.9%	5.6%	3.8%

Growth Rates	Primary Goods (wt:34%)	Capital Goods (wt: 8%)	Intermediate Goods (wt:17%)	Infrastructure Goods (wt:12%)	Consumer Durables (wt: 13%)	Consumer Non-Durables (wt:15%)
January 2023	9.8%	10.5%	1.4%	11.3%	-8.2%	6.5%
January 2024	2.9%	4.1%	4.8%	4.6%	10.9%	-0.3%

Index of Eight-Core Industries

Eight-core industries that support infrastructure, such as coal, crude oil, natural gas, refinery products, fertilizers, steel, cement, and electricity have **a total weight of nearly 40%** in the IIP.

Sectors with maximum and least weightage in the core

- **Refinery Products** (28.04%)
- **Fertilizers** (2.63%).

The Office of the Economic Adviser, DPIIT, **Ministry of Commerce and Industry** releases Index of Eight Core Industries

PMI

The Manufacturing Purchasing Managers' Index (PMI) is a diffusion index incorporating survey results conducted on manufacturing firms throughout the country.

A reading above fifty suggests the manufacturing sector is expanding, while a reading below fifty suggests the manufacturing sector is in contraction.

Different Industrial Sectors

Steel - Key Facts

India is the second-largest steel producer globally after China. India has become the 2nd largest consumer of finished steel in the world after China.

Steel being a **deregulated sector,** the Government does not set any annual targets for steel production.

Mission Purvodaya: Accelerated Development of Steel Sector

- It aims at the accelerated development of eastern India through the establish ment of an integrated steel hub in Kolkata, West Bengal.
- It would encompass **Odisha, Jharkhand, Chhattisgarh, West Bengal and Northern part of Andhra Pradesh;** thereby increasing the contribution of the eastern region to total steel production from the present 70% to 87%

- The objective of this hub would be to enable swift capacity addition and improve overall competitiveness of steel producers both in terms of cost and quality.

National Steel Policy 2017 (Key Highlights)

- It aims to develop a total steel **production capacity of 300 million tonnes by 2030-31,** where ~200 million tonnes is envisaged from the five eastern states.
- It seeks to **increase per capita steel consumption** to the level of 160 kg by 2030 from the existing level of ~ 60 Kg.
- It places emphasis on i**mproving R&D** in the sector through the establishment of Steel Research and Technology Mission of India (SRTMI).

Textile - Key Facts

The domestic apparel & textile industry in India contributes approx. 2.3 % to the country's GDP, 13% to industrial production and 12% to exports. India has a 4% share of the global trade in textiles and apparel.

India is one of the largest producers of cotton and jute in the world. India is also the 2nd largest producer of silk in the world and 95% of the world's hand-woven fabric comes from India. Total textile exports are expected to reach $65 Bn by FY26 and is expected to grow at 10% CAGR from 2019-20 to reach $190 Bn by 2025-26.

The textiles and apparel industry in India is the 2nd largest employer in the country providing direct employment to 45 Mn people and 100 Mn people in allied industries.

Mega Investment Textiles Parks (MITRA) Scheme

- It aims to enable the textile industry to become globally competitive, attract large investments, and boost employment generation and exports.
- It will create world-class infrastructure with plug and play facilities to enable creation of global champions in exports.

PowerTex India Scheme

- It is a comprehensive scheme for Powerloom sector development.
- The components of the scheme are (i) Insitu Upgradation of Plain Powerloom, (ii) Group Workshed Scheme, (iii) Yarn Bank, (iv) Common Facility Centre, (v) Solar Energy Scheme, (vi) Pradhan Mantri Credit Scheme, (vii) Tex Venture Fund, (viii) Grant-in-aid & modernization of Powerloom Service Centres and (xi) Facilitation and Information Technology.

SAMARTH scheme - 'Scheme for Capacity Building in Textile Sector (SCBTS)'

- Its objectives include:
  - To provide demand driven, placement oriented National Skills Qualifica tions Framework (NSQF) compliant skilling programmes to incentivize and supplement the efforts of the industry in creating jobs in the organized textile and related sectors, covering the entire value chain of textile, excluding Spinning and Weaving.

- To promote skilling and skill upgradation in the traditional sectors of hand looms, handicrafts, sericulture and jute.
- To enable provision of sustainable livelihood either by wage or self-employ ment to all sections of society across the country.

- It targets to train 10 lakh persons (9 lakhs in the organised & 1 lakh in the traditional sector).

Electronics Sector - Key Facts

India's domestic production has increased at a CAGR of 13% from $49 Bn in FY17 to $101 Bn in FY23. The country's electronics export is expected to reach $120 Bn by FY26. Electronic exports have become the 6th largest export commodity group as of Mar 2023

The electronics market in India is valued at $155 Bn with domestic production accounting for 65%. 100% FDI is allowed under the automatic route. In the case of defence electronics, FDI up to 49% is allowed through automatic route and beyond 49% requires government approval.

India ranks 60 in Network Readiness Index 2023, a jump of 7 ranks from 67 in 2021.

The Electronics and Computer Software Promotion

- It was formed to provide a platform for India's IT & electronics industry.
- With exports to more than 200 countries, ESC has successfully steered the direction of India's electronics and software exports.
- ESC offers a comprehensive database of industry companies, and products and capabilities of all major players.
- The council facilitates import/export collaborations, joint ventures, sub-con tracting tie-ups, and technology transfers for industry players.
- It provides access to published reports on markets, products and trade statistics, business opportunities, and government policies.

- **Semicon India Program:** It was launched with an incentive outlay of $10 Bn with the vision to develop a sustainable semiconductor and display ecosystem in the country. This program will establish India as global hub for semiconductor and display manufacturing, promote self-reliance, strengthen resilience in global supply chains, and pave the way for India's technological leadership in the industry.

Petroleum and Natural Gas - Key Facts

- India is the 3rd largest energy and oil consumer in the World. India is the 4th largest importer of liquefied natural gas (LNG).
- India consumed 192.7 MMT petroleum products and 55.1 BCM natural gas in Apr-Jan 2024, making a growth of 5.2% and 9.9% over the Apr-Jan 2023.
- As on Apr 2022, estimated reserves of crude oil in India stood at 651.77 Mn tonnes, and natural gas stood at 1138.67 Bn cubic meters.
- India has set a target to raise the share of natural gas in the energy mix to 15% by 2030 from about 6.7% now.

- India increased the ethanol blending in petrol from 1.53% in 2013-14 to 10.17% in 2022 and advanced its target of 20% ethanol blending in petrol from 2030 to 2025-26. Further, Ethanol blending with Petrol was 12.2% during Jan 2024 and cumulative ethanol blending during Nov-Jan 2024 was 11.2%. India has set a target of setting up 12 Commercial Scale 2G Bio-Ethanol Projects with Viability Gap Funding of up to INR 150 Cr per project under the Pradhan Mantri Ji-VAN Yojana.
- Target of setting up 5000 Compressed Biogas (CBG) units under the Sustainable Alternative Towards Affordable Transportation (SATAT) Scheme.

Key terms

Terms	Explanation
Mixed Economy	A mixed economic system is a system that **combines aspects of both capitalism and socialism.** A mixed economic system protects private property and allows a level of economic freedom in the use of capital, but also allows for governments to interfere in economic activities in order to achieve social aims.
Memorandum of Understanding (MoU)	A memorandum of understanding is a **performance contract,** a freely negotiated document between the Government and a specific public enterprise.
Disinvestment	Disinvestment refers to the government selling or liquidating its assets or stakes in PSEs (public sector enterprises). It is also referred to as **divestment or divestiture.** - Disinvestment was popularized in India post the New Economic Policy of 1991. Disinvestment is mainly done when a PSU has been running in losses for years and becomes a burden on the government. - Disinvestment proceeds can help the government fund its fiscal deficit.
Privatisation v/s Disinvestment	Disinvestment happens when a government sells only a part of its stake in a public sector company and retains the majority of it and **privatization** is when the entity is handed over to a private company. By **selling its stake to below 50%,** the ownership passes, and the company works like any other private sector enterprise.
Strategic Sale or Strategic Disinvestment	When the government decides to **transfer the ownership and control** of a public sector entity **to** some other entity, **either private or public**, the process is called strategic disinvestment.

	Strategic disinvestment would imply the sale of a substantial portion of the Government shareholding of a CPSE of up to 50%, or such higher percentage as the competent authority may determine, along with **transfer of management control.**
National Investment Manufacturing Zones	- These are envisaged as integrated industrial townships with state of the art infrastructure, land use on the basis of zoning, clean and energy efficient technology, necessary social infrastructure, skill development facilities etc. to promote **world-class manufacturing activities.** - At least **30% of the total land area** proposed for the NIMZ will be utilized for location of **manufacturing** units. - On receipt of final approval, the NIMZ will be **declared by the State Government** as an industrial township under Article 243Q(1)(c) of the Constitution. - **Central government provides external physical infra structure linkages** to the NIMZs including rail, road, ports, airports and telecom, in a time-bound manner and also provides **viability gap funding** wherever required. - The **Department for Promotion of Industry and Internal Trade** (former DIPP) is the nodal agency for NIMZ.

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