Prelim Bits 26-01-2023 & 27-01-2023| UPSC Daily Current Affairs

Constitution Literate District

Kollam in Kerala is India's first Constitution literate district.

- The Citizen is a Constitution literacy campaign jointly launched by the Kollam district panchayat, District Planning Committee and the Kerala Institute of Local Administration (KILA).
- The ambitious campaign involved 2,200 trainers called 'senators'.
- The senators visited schools, offices, auto stands and tribal councils to spread awareness.
- Around 16.3 lakh people in the district above the age of 10 have been educated on various aspects of the Constitution.
- The Preamble of the Constitution has been distributed in all households and installed at schools and institutions.
- Kollam will be officially declared India's first Constitution literate district by Chief Minister of Kerala.

References

1. The Hindu - India's first Constitution literate district

Sovereign Green Bonds

The Reserve Bank of India (RBI) will auction maiden tranche of sovereign green bonds (SGrB) worth Rs 8,000 crore.

- In the Union Budget 2022-2023, the government had announced the sale of green bonds as part of its market borrowing, for the first time.
- The proceeds would be deposited to the Consolidated Fund of India (CFI) in line with the regular treasury policy.
- Then deployed in public sector projects that help reduce the carbon footprint of the economy.
- The government will use the proceeds raised from SGrBs to finance or refinance expenditure (in parts or whole) for various green projects.
- The framework for the sovereign green bond was issued by the government in November 2022.
- The RBI is auctioning 2 green bonds worth Rs 4,000 crore each.
    1. New GOI SGrB 2028 with tenure of 5 and
    2. New GOI SGrB 2033 with tenure of 10 years.

Green bonds are bonds issued by any sovereign entity, inter-governmental groups or alliances and corporates with the aim that the proceeds of the bonds are utilised for projects classified as environmentally sustainable.

- **Significance -** An important financial instrument to deal with the threats of climate change and related challenges.
- Makes environmental projects connect with capital markets and investors and channel capital towards sustainable development.
- **Foreign Investment** - The foreign investors can invest in green bonds as securities under the 'Fully Accessible Route'.
- **Greenium** - The main difference between regular sovereign bond auctions and green bond auctions is the premium.
- Globally, green bonds are issued at a premium as the instrument and referred to as a "*greenium*".
- This is meant to facilitate access to cheaper capital for environment-friendly projects.

A premium refers to a lower yield or lower return, and in turn, higher price on a debt instrument.

Yield is inversely proportional to the bond prices.

References

1. Business Standard - India's Rs 8,000-cr green bond debuts
2. IE - What do Sovereign Green Bonds mean?

Agriculture Infra Fund

The Centre has approved Rs. 15,225 crore credit for over 20,000 projects so far, under Agriculture Infra Fund (AIF).

- The Agriculture Infra Fund (AIF) is a pan India ***Central Sector Scheme***, launched in July 2020.
- AIF provides a medium - long term debt financing for creation of post-harvest management infrastructure and community farm assets.
- AIF is also known as 'National Agriculture Infra Financing Facility'.
- **Lending Institute -** Multiple, including Commercial Banks, Cooperative Banks, RRBs, Small Finance Banks, NCDC, NBFCs etc.
- **Duration -** 2020-21 to 2032-33 (10 years).
- **Beneficiary -** AIF provides all-round financial support to create post-harvest management infrastructure and build community farming asset throughout the country to,
    1. Farmers and agri-entrepreneurs
    2. Farmer Producer Organisations (FPOs)
    3. Self Help Groups (SHGs)
    4. Joint Liability Groups (JLGs) and many others.
- **Target**

1. Rs. 1 lakh crore credit disbursal in 6 years from 2020-21.
2. Interest subvention and credit guarantee assistance until 2032-33.

- **Benefits**
  1. Credit Guarantee for loans up to Rs. 2 Crore.
  2. Interest subvention of 3% p.a., limited to Rs. 2 crore per project.

References

1. Business Line - Centre approves credit agri-infra projects
2. Vikaspedia - Agriculture Infrastructure Fund
3. National Agriculture Infra Financing Facility

T+1 Settlement

Indian Equity market is moving to 'T+1' trade settlement cycle from January 27, 2023.

- 'T+1' (trade plus one) settlement means that a transaction on the back of any purchase or sale of securities will reflect the next day (after a period of 1 day) in the DeMat account of the investor.
- T refers to the trading day; T+1 - trading day plus one day.

Advantages	Risks
Provides better liquidity to investors and thereby enhance trade and participation. Reduces the overall capital requirements. Boosts operational efficiency as the rolling of funds and stocks will be faster.	Any downtime for a bank or a large bank could pose a challenge in settling the trades. Higher volatility in capital markets could pose a contagion risk to the ecosystem.

Securities Exchange Board of India (SEBI) is the apex capital market regulator in India.

- **Trade settlement in India -** Earlier in India, trade settlement used to take place on a 'T+2' basis.
- SEBI had cut the number of days in the settlement cycle before as well.

Year	Settlement cycle
Before 2002	T+5 days
2002 - 2003	T+3 days
After 2003	T+2 days

- In September 2021, SEBI provided flexibility to exchanges to offer either 'T+1' or 'T+2' settlement.
- **Implementation -** The stock exchanges, NSE and BSE, decided to change to 'T+1' in a phased manner.
- In the first phase of implementation, the bottom 100 stocks in terms of market value moved to 'T+1' settlement.
- Thereafter, gradually stocks were added month after month.

- **Global Practices -** India will be the second largest market after China to implement the 'T+1' settlement cycle of stocks.
- Most international markets such as the US, Europe, and Japan are still under the 'T+2' settlement cycle.

References

1. Economic Times - T+1 settlement cycle
2. The Hindu - Indian stock markets migrating to T+1 settlement cycle

Lake Chad Basin

Droughts, flooding and a shrinking Lake Chad is fuelling conflict and migration in the region.

- Lake Chad is located in the Sahel, the vast semi-arid region south of the Sahara desert.
- It is bordered by 4 countries - Chad, Cameroon, Niger and Nigeria.
- **Source -** It is fed mainly by the Chari River through the Lagone tributary.
- The Lagone tributary used to provide 90 % of its water.

Lake Chad has shrunk 90% in 60 years, which climate change a significant contributor.

- **Significance -** The Lake is vital for indigenous, pastoral and farming communities in these countries.
- The lake has been supporting drinking water, irrigation, fishing, livestock and economic activity for over 30 million people in the region.
- **Basin -** The Lake Chad basin in west and central Africa covers 8% of the African continent and is home to 42 million people.

- **Issue -** The area is particularly sensitive to drought and the lake has shrunk in size during prolonged dry periods historically.
- As the lake shrinks, the competition for the dwindling resource increased and tensions across communities are heightened.
- Over the last decades, competition for land, water and food has increased.
- This competition is leading to the inter-communal fighting and displacement.
- A 13-year insurgency of the Boko Haram extremist group and other militant groups have destabilized the Lake Chad basin and the wider Sahel region.
- **Link between lake and conflict -** A report by a humanitarian organisation has highlighted the dangerous link between climate change and conflict in countries in the Lake Chad Basin.

References

1. Down To Earth - Climate change fuelling conflict in Lake Chad Basin
2. India Today - Climate change fuelling conflict in Lake Chad Basin



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