CURRENT EVENTS AND ANALYSIS

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INDIAN ECONOMY

Editor

R.C. Reddy

R.C. REDDY IAS STUDY CIRCLE

H.No. 3-6-275, Opp. Telangana Tourism Development Corporation,
Near Telugu Academy, Himayatnagar, Hyderabad - 500 029.
Phone No. : 040-23228513; 040-27668513; 040-27612673;
9346882593; 9573462587
Email : rcreddyiasstudycircle1989@gmail.com

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ECONOMY

MACRO ECONOMIC VIEW:

Measures Announced to Stimulate Demand in Indian Economy

- On October 12, 2020, the Union Government announced a set of measures to stimulate demand in the economy by giving

a) boost to consumption expenditure, and

b) increasing capital expenditure

Rationale Behind the Measures:

- Covid 19 pandemic has adversely affected economy.
- Needs of the poor and the weaker sections have been addressed in the Atma Nirbhar Bharat package and its extensions.
- Supply constraints have eased with easing of lockdown restrictions, but consumer demand is still affected.
- Government employees and many organised sector employees have escaped the economic effects of the pandemic.
- Their salaries have been protected and savings have increased.
- They need to be incentivised to contribute to the revival of demand in the economy.

Measures Announced:

- Some of the measures announced are for advancing (or frontloading of expenditure) while others are directly linked to increase consumption.

Leave Travel Concession (LTC) Cash Voucher scheme:

- Central Govt employees get LTC twice in a block of 4 years under which they get two benefits: leave encashment and fare reimbursement for travel undertaken. (Expenses on food, shopping, lodging, etc., are not covered).
- LTC is extended to the employees as a reward for the services rendered by them to the Central Government. State Governments and some private organisations also provide LTC scheme to their employees.

- Under the Central Government LTC Scheme, air or rail fare, as per pay scale/entitlement, is reimbursed. In addition, Leave encashment of 10 days (pay + DA) is paid.
- Due to Covid-19, employees are not in a position to avail of LTC in the current block of 2018-21.
- In lieu of one LTC during 2018-21, cash payment will be made. This payment will not be taxed.
- An employee, opting for this scheme, will be required to **buy goods / services worth 3 times the fare and 1 time the leave encashment** before 31st March 2021. (This is because the employees, if they had availed LTC in normal circumstances, would have spent from

their pockets on food, lodging and shopping as these are not covered under LTC and only fares and leave encashment can be availed).

- Money must be spent on goods attracting GST of 12% or more from a GST registered vendor through digital mode. GST invoice will be required to be produced.

How Does this Measure Boost the Economy?

- If Central Government employees opt for it, cost will be around Rs. 5,675 crore. Employees of PSBs and PSUs will also be allowed this facility and the estimated cost for them will be Rs. 1,900 crore.
- The tax concession will be allowed for State Government/Private sector too, for employees who currently are entitled to LTC.
- Demand infusion in the economy by Central Government and Central PSE/PSB employees is estimated to be Rs. 19,000 crore approximately.
- Demand infusion by State Government employees will be Rs. 9,000 crore.
- Thus, the Government expects additional consumer demand generated at Rs. 28,000 crore.
- **Businesses will get benefitted due to spending and part of spending is ploughed back as revenue by the Government due to Goods and Services Tax (GST).**

Festival Advance:

- Festival advance along with other similar advances were abolished on the recommendations of 7 th Pay Commission.
- The Government restored the Festival Advance to Government employees for festivals up to 31.3.2021.
- Employees can take interest-free advance of Rs. 10,000/. It would be recovered in maximum 10 instalments.
- Rs. 4,000 crore expected to be disbursed. If given by all State Governments, another Rs. 8000 crores is likely to be disbursed. Assuming 50% adoption by states, the estimate is Rs. 4000 crores.
- Thus, additional consumer demand generated is estimated at Rs. 8,000 crore.

Capital Expenditure: Special Assistance for states:

- The Union Government announced special interest free to States for capital expenditure for Rs. 12,000 crores.
- This amount should be used for new or ongoing capital projects needing funds and / or settling contractors'/ suppliers' bills on such projects.
- This amount should be spent before March 31, 2021.
- This funding will be over and above all other additional borrowing ceilings given to states.
- Repayment would begin after 50 years. No servicing charges (interest rate) are levied till then.

Capital Expenditure of Centre:

Enhanced Budget Provision:

- As part of regular Budget 2020-21, Rs.4.13 lakh crores is being spent on capital expenditure.
- **Rs. 25,000 crores additional budget** will be provided capital expenditure on **roads, defence infrastructure, water supply, urban development, defence infrastructure and domestically produced capital equipment.**
- Allocations will be made in the Revised Estimate after discussions of Ministry of Finance with concerned ministries.

Total Estimated Impact of Stimulus Measures:

- The Union Government estimates that the measures announced for boosting consumer spending and capital expenditure will boost demand by Rs. 73,000 crore, to be spent by March 31, 2021. Private sector spending through LTC tax benefit is estimated at Rs. 28,000 crore. Hence, the total estimated demand boost is more than Rs. 1 lakh crore.

MONETARY POLICY:

RBI Retains Repo Rate at 4 Per cent, Announces Additional Measures to Support Economic Recovery

- The Monetary Policy Committee of the Reserve Bank of India which met in October, 2020 to review the monetary policy kept the repo rate unchanged at 4 per cent and announced additional liquidity measures to support the recovery of the Indian economy.
- Repo Rate is the rate at which the RBI lends the money to commercial banks to meet their short term credit requirements.

Details:

- The threat of COVID-19 is yet to abate. But, with the gradual lifting of restrictions on movement of people and opening of business establishments across the country, a resumption of economic activities is well underway.
- The role of the financial sector during this phase of recovery will continue to remain important in facilitating businesses to reach the pre-COVID levels of economic activity.
- The focus of the Reserve Bank's regulatory actions over the past few months was to first, provide an immediate relief to the borrowers from the impact of COVID-19, through extension of moratorium and other measures, and then to facilitate resolutions through the Resolution Framework for COVID-19 related Stress. Now, the lending institutions will need to start focusing on revival of activity and their core activity of lending.

  Hence, the RBI announced measures to

- enhance liquidity support for financial markets so as to revive activity in targeted sectors of the economy with linkages to other sectors;
- provide a boost to exports;
- to improve the flow of credit to specific sectors; and
- facilitate ease of doing business by upgrading payment system services.

1) **On Tap Targeted Long-Term Repo Operation (TLTRO):**

The focus of liquidity measures by the RBI will now include revival of activity in specific sectors that have both backward and forward linkages, and multiplier effects on growth. Accordingly, it has been decided to

RBI announced on tap **Targeted Long-Term Repo Operation (TLTRO)** with tenors of up to three years for a total amount of up to Rs. 1,00,000 crore at an interest rate linked to the policy repo rate (at present 4 per cent).

The scheme will be available up to March 31, 2021 with flexibility with regard to enhancement of the amount and period after a review of the response to the scheme.

Liquidity availed by banks under the scheme has to be deployed in **corporate bonds, commercial papers, and non-convertible debentures** issued by the entities in specific sectors listed by RBI

2) **Open Market operations (OMOs) in State Developments Loans (SDLs).**

At present, State Development Loans (SDLs) are eligible collateral for Liquidity Adjustment Facility (LAF) along with T-bills (Treasury Bills), dated government securities and oil bonds.

To improve liquidity facility, RBI decided to conduct open market operations (OMOs) in State Development Loans (SDLs) as a special case during the current financial year. The OMOs would be conducted for a basket of SDLs comprising securities issued by states.

3) **Individual Housing Loans - Rationalisation of Risk Weights:**

Such loans shall attract a risk weight of 35 per cent where LTV is less than or equal to 80 per cent, and a risk weight of 50 per cent where LTV is more than 80 per cent but less than or equal to 90 percent. This measure is expected to give a fillip to bank lending to the real estate sector.

Under the present regulations, differential risk weights are applicable to individual housing loans, based on the size of the loan as well as the loan-to-value ratio (LTV). In recognition of the role of the real estate sector in generating employment and economic activity, RBI decided to rationalise the risk weights and link them to LTV ratios only for all new housing loans sanctioned up to March 31, 2022. (Loan to Value represents the amount of loan extended by the Bank in relation to the value of the property i.e. House).

This measure is expected to give a fillip to the real estate sector. **Banks will be benefited with lower provisioning by lending to this segment, which will ultimately encourage the banks to offer lower interest rates to borrowers.**

New housing loans will attract a risk weight of 35 per cent where LTV is less than 80 per cent and a risk weight of 50 per cent where LTV is more than 80 per cent but less than 90 per cent.

4) **Revised Limit for Risk Weight to Small Businesses:**

Under the retail portfolio, the maximum aggregated retail exposure to one counterparty is currently capped at Rs 5 crore for business with turnover up to Rs 50 crore.

In a bid to increase credit flow to small businesses, the RBI raised banks' maximum aggregate retail exposure limit to entities with turnover up to Rs. 50 crore to Rs. 7.5 crore from Rs. 5 crore. This measure is expected to **increase the much needed credit flow to the small business segment.**

5) Automatic Caution Listing of Exporters Removed:

As part of automation of Export Data Processing and Monitoring System (EDPMS), the 'Caution / De-caution Listing' of exporters was automated in 2016.

Accordingly, the exporters were to be caution-listed automatically, if any shipping bill against them remained outstanding for more than 2 years in EDPMS and no extension was granted for realisation of export proceeds against the outstanding shipping bill. **Such listing makes availability of export credit difficult for exporters.**

Exports have also been adversely impacted by the pandemic-related contraction in external demand. In this environment, it is crucial to provide flexibility to exporters in the realisation of export proceeds.

In order to make the system more exporter friendly, it has been decided to discontinue the Automatic Caution-listing. The Reserve Bank will continue with caution-listing based on the case-specific recommendations of the Authorised Dealer (AD) bank.

6) Round-the-Clock availability of Real Time Gross Settlement System (RTGS):

In December 2019, the National Electronic Funds Transfer (NEFT) system was made available on a 24x7x365 basis and the system has been operating smoothly since then.

The Real Time Gross Settlement System (RTGS) system used for **large volume electronic transactions** is currently available for customers from 7.00 am to 6.00 pm on all working days of a week (except 2nd and 4th Saturdays of the month).

To support the ongoing efforts aimed at global integration of Indian financial markets, facilitate India's efforts to develop international financial centers and to provide wider payment flexibility to domestic corporates and institutions, it has been decided to make available the RTGS system round the clock on all days. With this, India will be one of the very few countries globally with a 24x7x365 large value real time payment system. This facility will be made effective from December 2020.

Additional Information:

Definitions:

What are Open Market Operations (OMOs)?

- OMOs are the market operations conducted by the RBI by way of sale/ purchase of Government Securities (G-Secs) to/ from the market with an objective to adjust the rupee liquidity conditions in the market on a durable basis.

- When the RBI feels that there is excess liquidity in the market, it resorts to sale of securities thereby sucking out the rupee liquidity. Similarly, when the liquidity conditions are tight, RBI may buy securities from the market, thereby releasing liquidity into the market.

What is Liquidity Adjustment Facility (LAF)?

- LAF is a facility extended by RBI to the scheduled commercial banks (excluding RRBs) and Primary Dealers (PDs) to avail of liquidity in case of requirement or park excess funds with RBI in case of excess liquidity on an overnight basis against the collateral of Government Securities (G-Secs) including State Development Loans (SDLs). The securities issued by the State Governments to raise loans are called State Development Loans (SDLs).

- Basically, LAF enables liquidity management on a day to day basis. The operations of LAF are conducted by way of repurchase agreements.
- The interest rate in LAF is fixed by RBI from time to time. LAF is an important tool of monetary policy and liquidity management.

Commercial Paper (CP):

- Commercial Paper (CP) is an unsecured money market instrument issued in the form of a promissory note and held in a dematerialised form through any of the depositories approved by and registered with SEBI.
- A CP is issued in minimum denomination of Rs.5 lakh and multiples thereof and shall be issued at a discount to face value.
- Companies, including Non Banking Financial Companies (NBFCs) and All India Financial Institutions (National Bank for Agriculture and Rural Development (NABARD), the Small Industries Development Bank of India (SIDBI) and the National Housing Bank (NHB), etc.), other entities like co-operative societies, government entities, trusts, limited liability partnerships and any other body corporate having presence in India with net worth of Rs. 100 crore or higher and any other entities specifically permitted by RBI are eligible to issue Commercial papers subject to conditions specified by RBI.
- All residents, and non-residents permitted to invest in CPs under Foreign Exchange Management Act (FEMA), 1999 are eligible to invest in CPs.

Certificate of Deposit (CD):

- Certificate of Deposit (CD) is a negotiable money market instrument and issued in dematerialised form or as a Usance Promissory Note, for funds deposited at a bank or other eligible financial institution for a specified time period.
- Minimum amount of a CD should be Rs.1 lakh and in multiples of Rs. 1 lakh thereafter.
- Banks can issue CDs for maturities from 7 days to one year whereas other eligible Financial Institutions (FIs) can issue for maturities from 1 year to 3 years.

Non-Convertible Debentures (NCDs):

- These are debt instruments issued by companies (including NBFCs) with original or initial maturity up to one year. These are issued by way of private placement. Only Companies which have a net worth of not less than Rs.4 crore are eligible to issue Non-Convertible Debentures (NCDs).

INFLATION:

Consumer Price Index for Industrial Workers Revised

- In October 2020, the Union Ministry of Labour released the new series of Consumer Price Index for Industrial Worker (CPI-IW) with base year 2016. Earlier base year was 2001.
- The series has been revised to capture the latest consumption patterns of the target population.
- As per the recommendations of International Labour Organisation (ILO), and National Statistical Commission (NSC), the base year of price index numbers should be revised at frequent intervals generally not exceeding 10 years to reflect the changes that take place in the consumption pattern of consumers.

- The series is being compiled and maintained by Labour Bureau, an attached office of Ministry of Labour& Employment.

Changes in the New Series:

- The sample size of data collection has been increased to 48384 families in 2016 series from 41040 in the 2001 series.
- The number of selected markets for collection of retail price data has also been increased to 317 markets under the 2016 series as against 289 markets covered in the 2001 series.
- The group level weights under new series have changed in comparison to earlier series (1982 and 2001).
- The weight of Food & Beverages has declined.
- Weight of Miscellaneous group (Health; Education & Recreation; Transport & Communication; Personal Care & Effects; Household Goods & Services etc.) has increased.

Weight at a Glance:

Item	Weights in % 2001 Series	2016 Series
1. Food and Beverages	46.2	39.17
2. Housing	15.27	16.87
3. Clothing and Footwear	6.57	6.08
4. Fuel and Light	6.43	5.5
5. Pan, Supari, Tobacco & Intoxicants	2.27	2.07
6. Miscellaneous	23.26	30.31

Utility of Consumer Price Index for Industrial Workers (CPI-IW):

- CPI-IW is used for measuring the inflation in retail prices.
- It is primarily used to regulate the dearness allowance of government employees and the workers in the industrial sectors.
- It is also used in fixation and revision of minimum wages in scheduled employments.

FISCAL POLICY:

Overseas Borrowings:

Overseas Sovereign Borrowing Proposal by India

- In the Union Budget 2019-20, the Union Government floated a proposal to raise a part of its borrowings overseas in external currencies. The initial idea was to raise around US $ 10 billion. The proposal was shelved after criticism over the raising from external sources.
- The proposal has been revived again now as the Government has substantially expanded its borrowing programme to mitigate the impact of COVID-19.
- The Union Government's borrowing target has been raised to Rs. 12 lakh crore for 2020-21. This borrowing is expected to continue or further increase in the next financial year as the Government increases its spending to revive the economy.

Advantages of Overseas Borrowing:

- The Government could diversify its borrowing options. So far, the Government has been borrowing from the domestic market in local currency i.e. Rupee.
- Borrowing through external sources is cheaper than the domestic market as interest rates in developed countries are cheaper than in India.
- (Many countries including Indonesia, Turkey, many African and Latin American nations resort to this tool for meeting their deficit.)
- Such borrowing also increases the availability of capital for private sector.
- Interest rates on borrowings for private sector are also likely to come down as the demand decreases.
- India's external debt to GDP ratio is 5 per cent, the lowest globally. So, servicing the debt will not be a problem.
- Moreover, foreign exchange reserves are at an all time high of US $ 555 billion. These reserves are large enough to service any moderate overseas borrowing by the Union Government.
- The government's present liabilities extend to debt that matures in 2055 and several of the long-term borrowings are at high interest rates. A reduction in the cost of this debt would significantly lower the interest burden. By issuing Government securities, the Union Government borrows for maturity periods ranging from 5 years to 40 years.

Concerns over Raising Borrowing Overseas:

- The 2019 Budget proposal was shelved due to following reasons.
- Borrowings through external sources would expose the country to exchange rate risks.
- (However, this view is countered with the fact that over the last 25 years, the rupee has been fairly stable against the US dollar so the exchange risk is minimum.)
- Critics of the proposal argue that rather than going abroad, the country should increase participation of foreign investor in the government securities which does not have any forex risk. At present, that limit is set at 6 per cent of the outstanding stock, one of the lowest globally.
- There is also opposition to the very idea of raising sovereign borrowings in foreign currency.

GST:

Global Energy Companies Call for Bringing Natural Gas under GST

- Global Energy companies like BP (British Petroleum), Total (French company), which participated in the India Energy Forum Meet held in October 2020, called on the Government to bring natural gas under Goods and Services Tax (GST).
- Currently petrol, diesel, aviation turbine fuel, natural gas and crude oil fall outside India's Goods and Services Tax (GST) regime due to revenue dependence of State Governments on these items.

Why Natural Gas Needs to be Brought under GST?

- Bringing natural gas under the GST would lead to a reduction in the cascading impact of taxes on industries such as power and steel, which use natural gas as an input as they can set off (deduct) excise duty already paid leading to tax on tax.

- When Goods and Services Tax, which amalgamated 17 different central and state levies like excise duty and VAT, was implemented in July 2017, five products - **petrol, diesel, crude oil, aviation turbine fuel, and natural gas,** were kept out of its purview for the time being.
- The inclusion of natural gas under the GST regime would do away with the central excise duty and value added tax imposed by states.
- This would lead to an increase in the adoption of natural gas in line with the government's stated goal to increase the share of natural gas in the country's energy basket from 6.3% to 15%.
- Government is also considering bringing natural gas under the ambit of the GST regime.

AGRICULTURE:

Horticulture:

Kerala Becomes the First State to Fix the Base Price of Vegetables

- In October 2020, Kerala became the first state in India to fix the base price (also called floor price) for fruit and vegetables.
- The base price is to protect farmers who produce vegetables and fruits from price fluxuations.
- The scheme came into force from November 1, 2020.

Need for the Base Price:

- The Union Government announces Minimum Support Prices (MSPs) for 22 major agriculture produce like Wheat, Rice, Maize, Jowar, etc.
- Vegetables (and Fruits) are not covered under Minimum Support Prices (MSPs).
- Though Minimum Support Prices (MSPs) are not legally mandated prices, traders use it base price for procurement of agriculture produce. Many a times actual purchase by the traders is below the MSP but it will not be not be drastically lower than MSP.
- Since vegetables and fruits are not covered under any MSPs, their prices are prone very high fluxuations based on demand and supply. This is more in the case of vegetables (tomatoes, onions, etc) which are perishable commodities.
- The Union Government has set up Market Intervention Scheme (MIS) to address the problem of distress sale of perishable commodities by famers due to bumper crops. Union Government implements Market Intervention Scheme (MIS) for a particular commodity on the request of a State Government concerned. Losses suffered are shared on 50:50 basis between Central Government and the State.

- But the corpus of this MIS fund is inadequate to meet the actual requirements. For instance, the size of the Union Government's Market Intervention Scheme (MIS) is Rs.2000 crore for the entire country.

Initiative of the Kerala Government:

- Kerala Government for the first time in the country announced base price for 16 vegetables and fruits produced in the state (Pineapple, tapioca, bitter gourd, cucumber, snake gourd, tomato, cabbage, and beans, etc.)
- The base price would be 20 per cent above the production cost of the vegetables.

- The vegetables would be graded as per quality and base price would be fixes accordingly.
- If the market price dipped below the base price of a vegetable, the produce would be procured at the base price and the money transferred to farmers' accounts.
- Local self-government institutions would play an important role in the implementation of the scheme. They would coordinate the procurement and distribution of vegetables.
- Farmers cultivating fruits and vegetables on a maximum of 15 acres in a season would be eligible for selling their produce at the base price.
- Farmers would have to register with the Agriculture Department portal to get the benefit of the base price.
- Any excess produce procured by the Government (procured at base price and could not be sold) would be converted into value added products.

Significance of Base Price for Fruits and Vegetables:

- Production of vegetables and fruits has grown significantly in Kerala in recent years.
- At present, the State produces 14.7 lakh tonnes of vegetables and fruits annually. Farmers who are cultivating these vegetables and fruits will benefit from the base price in case the market prices fall below the base price.
- The Kerala Government also expects at least additional one lakh tonnes of vegetables and fruits in the State with the implementation of base price.

Market Intervention Scheme:

Market Intervention Scheme for Procurement of Apples in Jammu and Kashmir Extended

- In October 2020, the Union Government extended the Market Intervention Scheme (MIS) for procurement of apples in Jammu and Kashmir for the 2020-21 marketing season.

Background:

- Jammu & Kashmir accounts for around 70 per cent of Apple production in the country. It is also a major source income for farmers in Jammu and Kashmir. Production was 20 lakh metric tonnes in 2018.
- After the revocation of special status for Jammu & Kashmir in August 2019, apple farmers faced difficulty in exporting their produce to other states as a result of lockdown and communication blockade.
- Hence, the Union Government in September 2019 announced a special Market Intervention Scheme for Apple growers.
- The Union Government offered to procure 13 lakh metric tonnes of apples through National Agriculture Cooperative Marketing Federation of India (NAFED). NAFED would sell these apples in various States across the country.
- Any loss incurred by the NAFED in this process would be will be shared by the Centre and the Union Territory's administration on a 50:50 basis through Market Intervention Scheme.

Extension of the Scheme:

- In October 2020, the Union Government approved extension of Market Intervention Scheme (MIS) for apple procurement in Jammu and Kashmir (J&K) for the 2020-21 season also.
- 12 Lakh Metric Tonnes (LMT) of apples can be procured under this scheme.
- Payment will be made through Direct Benefit Transfer (DBT) into Bank account of apple farmers.

Poor Implementation:

- The implementation of the Market Intervention Scheme for Apples was poor in 2019-20.
- Only 15,770 tonnes of fruit valued at ?70 crore were bought by NAFED last year, against a target of 13 lakh tonnes, according to the Home Ministry's reply to a question in the Lok Sabha in February 2020.
- Hence, the Government decided to strengthen the monitoring system.
- The procurement process will be monitored by panels headed by the Cabinet Secretary at the Centre and the Chief Secretary at the UT level.

INDUSTRY:

PLIS:

16 Companies Selected for Incentives under Production Linked Incentives Scheme (PLIS)

- 16 eligible applicants have been approved under the **'Production Linked Incentive Scheme (PLI) for Large Scale Electronics Manufacturing'** in October 2020 by the Union Government.

Background:

- Production Linked Incentive Scheme (PLI) for Large Scale Electronics Manufacturing was notified by the Union Government in April 2020 with the following objectives.
- to encourage global and domestic mobile phones and electronic components companies to set up and expand manufacturing centres in India,
- increase employment opportunities in the country, and
- promote exports.

Incentives:

- Eligible companies will be given an incentive of 4% to 6% on incremental sales of goods manufactured in India for a period of five (5) years from 2020-25.
- The Government has approved an expenditure of Rs.40,995 crores for the Production Linked Incentive Scheme (PLI).

Eligible Applicants Approved:

- Applicants were approved under three categories.
- International mobile phone manufacturers whose annual production in India is worth more than Rs.15, 000 crore annually,
- Domestic manufacturers, and
- Specified Electronic Components Manufacturers.

International Mobile Phone Manufacturers Approved:

- **Samsung, Foxconn Hon Hai, Rising Star, Wistron and Pegatron.**
- Out of these, 3 companies namely Foxconn Hon Hai, Wistron and Pegatron are contract manufacturers for Apple iPhones.
- Apple (37%) and Samsung (22%) together account for nearly 60% of global sales revenue of mobile phones and this scheme is expected to increase their manufacturing base manifold in the country.

Domestic Companies:

- Under Mobile Phone (Domestic Companies) Segment, the following Indian companies were approved:Lava, Bhagwati (Micromax), Padget Electronics, UTL Neolyncs and Optiemus Electronics.
- These companies are expected to expand their manufacturing operations in a significant manner and grow into national champion companies in mobile phone production.

Specified Electronic Components Manufacturers:

- 6 companies have been approved: AT&S, Ascent Circuits, Visicon, Walsin, Sahasra, and Neolync.

Expected Outcomes:

Production:

- Over the next 5 years, the approved companies under the PLI Scheme are expected to lead to total production of more than Rs. 10,50,000 crore **(Rs. 10.5 lakh crore).**
- Out of the total production, **international companies** have proposed a production of **over Rs. 9,00,000 crore.**
- Domestic companies segment have proposed a production of about Rs. 1,25,000 crore and those under Specified Electronic Components segment have proposed a production of over Rs. 15,000 crore.

Exports:

- The companies approved under the scheme are expected to promote exports significantly. Out of the total production of Rs. 10,50,000 crore in the next 5 years, around 60% will be exports of the order of Rs. 6,50,000 crore.

Investments:

- The companies approved under the scheme will bring additional investment in electronics manufacturing to the tune of **Rs. 11,000 crore.**

Employment:

- The approved companies will generate more than2 lakh direct employment opportunities in next 5 years along with creation of additional indirect employment of nearly 3 times the direct employment.

Domestic Value Addition:

- Domestic Value Addition is expected to grow from the current 15-20% to 35-40% in case of Mobile Phones and 45-50% for electronic components.

INFRASTRUCTURE:

NPMPF:

National Program and Project Management Policy Framework (NPMPF)Launched

- On October 28, 2020, NITI Aayog and Quality Council of India (CCI) launched 'National Program and Project Management Policy Framework' (NPMPF) to bring radical reforms in the way infrastructure projects are executed in India.

Background:

- Infrastructure sector is one of the key drivers of economic growth.
- Ensuring time bound creation of world class infrastructure in the country is crucial to propel India's overall development.
- Accordingly the Union Government has launched mega critical infrastructure projects like Bharatmala (Roads), Sagarmala (Ports), Industrial Corridors, Smart Cities Mission, Power for All, etc. to build world class infrastructure.
- The Government has estimated that an investment of Rs. 334 lakh crore (US $ 4.5 trillion) is required by 2040 for development of infrastructure sector in the country.
- However, the **track record of completing projects on time is abysmal.**
- There is significant **time** and cost **overrun** in the implementation of the projects.
- Delayed projects also mean cost escalation and **delay in the benefits of the projects to society.**
- For instance, there are 412 infrastructure projects which have been hit by cost overruns of over Rs. 4.11 lakh crore as per the data of Ministry of Statistics and Programme Implementation. The Ministry monitors the implementation of all infrastructure projects worth Rs. 150 crore and above. Of the 1683 projects, the Ministry monitored 412 projects reported cost overruns and 417 time escalation.

Significance of Project Management:

- Project management focuses on delivering projects on time and within budget.
- Countries like USA, UK, UAE, and China have institutionalised project management practices.
- These practices are also widely adopted in private sector.

- Lack of clarity of benefits and lack of client-led demand in India are the main barriers to the adoption of project management practices in the country.
- As India gears up and prepares for a stronger and resilient economy, Project Management will be the enabler.
- Project management capabilities help the country to **get better returns from public investment in infrastructure.**

Details about National Program and Project Management Policy Framework' (NPMPF):

- It aims at on-time and within budget delivery of all large scale infrastructure projects through the following initiatives.

1. **Building up capacity in Government Officials:**

   Right people with the right skill sets are essentially required for making any project a success. Managing high-value public sector projects requires a great deal of time, skill, efforts. Government officials at various levels need to be equipped with the required skill sets to manage the projects.

   Hence, Skills of all officials working on projects be enhanced through in-house training activities.

   Project Management would be included as one of the key skills for competency development of Government officials. It would be a part of their Performance Management System.

2. **Preparing a cadre of professional project management personnel:**

   Project and program management would be introduced in the core curriculum of engineering, management and other technical institutes for developing skilled project management professionals.

   The curriculum would cover project management from concept to commissioning encompassing all life cycle phases i.e. Stakeholder Management, Project Delivery system, Project Finance, Time Management, Cost Management, Quality Management, Human Resource Management, Risk Management, Procurement & Contract Management, Communication Management, Performance Evaluation and Project Monitoring Systems.

   China runs accredited degree programmes in project management. There are more than 100 institutes in China that offer courses in project management courses where as in India there are only around 10 institutes.

3. **Building Competencies of Contracting Firms and Public Sector Organisations:**

   A nodal body constituted under NPMPF would be authorized to review the intricacies of various public-sector/private/PPP contracts within definite time periods and **evolve the best contracting practices through consultation of stakeholders as implementing agencies, contractors and consultants.**

   The expert pool under the nodal body could **study the best practices in contract management followed across the world** including World Bank and other international institutions.

4. **Emphasis on Core Competence in Awarding Contracts:**

   "Project/ Program Management" would be made a core competence while awarding projects as well as while hiring Project Management Consultant (PMC). For example, PMC should demonstrate experience of managing Projects/ Programs as per global best practices and should have certified project managers in the team before hiring them.

Logistics:

India's First Multi Modal Logistics Park to Come up in Assam

- Country's first multimodal logistics park (MMLP) is coming up at Jogighopa in Assam.
- The foundation stone of the park was laid by Nitin Gadkari, Union minister for road transport and highways on October 20, 2020
- Construction cost: Rs. 693 crore.
- The park will have connectivity through air, water, road and railways. Since, there is more than one type of connectivity to the park, it is called multi modal logistics park.

- The park spread across 317 acres in Bongaigaon district of lower Assam will have direct connectivity with National Highway 17, the proposed Jogighopa waterway terminal on Brahmaputra, the newly constructed Rupsi and Guwahati airports as well as the main railway route.
- The distance of 154 km between Jogighopa and Guwahati will be covered by making a 4-lane road on this stretch, a 3-km rail line will connect Jogighopa station to the MMLP, another 3-km rail link will connect it to the IWT, and the road to newly developed Rupsi airport will be upgraded to 4-lanes for easier connectivity.
- The Park will have all the facilities like, warehouse, railway siding, cold storage, custom clearance house, yard facility, workshops, petrol pumps, truck parking, etc.
- To be completed by 2023, the park will reduce trade cost by 10%, have cargo capacity of 13 million metric tons (MMT) per year and act as a single platform for cargo, warehousing, custom clearance, parking and maintenance services.
- Around 20 lakh direct and indirect job opportunities are expected to be created.

About Multi Modal Logistics Parks:

- India is planning to **develop 35 Multi Model Logistics Parks** across the country over the next few years.

  (These are expected to come up at Bangalore, Hyderabad, Vijayawada, Coimbatore, Nagpur, Ahmedabad, Rajkot, Kandla, Vadodara, Surat, Mumbai, Indore, Patna, Ludhiana, Amritsar, Jullundur, Bhatinda, Hissar, Ambala, Sangrur, Kota, Jaipur, Jagatsinghpur, Sundarnagar. Delhi, Kolkata, Pune, Nashik, Panaji, Bhopal, Raipur, and Jammu.)
- These parks aim to reduce logistics costs; improve freight aggregation, distribution, storage, and warehousing; and create various value-added services, including labeling, packaging, tagging, and crating.
- Logistics is an essential part of the economy in any country, enabling the movement of resources along supply chains to consumption centers.
- Freight logistics-comprising transport, warehousing, and value - added services for transit by road, rail, inland water, sea, and air - drives trade and is a catalyst for economic growth.

Need forMulti Modal Logistics Parks:

- India's logistics cost are about 14% of GDP.

- In developed economies such as the US, logistics cost accounts for only 8% to 10% of GDP.
- India suffers from clogged transport networks, a skewed mix of transport modes, insufficient storage and handling facilities for in-transit commodities, and regulatory hurdles.
- There is need to allow freight movement more efficiently and seamlessly by developing world-class infrastructure.
- Multi Model Logistics Parks enable efficient inter-modal (road, rail, waterway and air) freight movement and formalised interface amongst logistics service providers.
- They would provide custom clearance facilities, round the clock services, single window services, enhanced security services, value added services (labelling, packaging), etc.

- By providing a variety of services in a single location, MMLPs enable firms to produce more and deliver faster to customers. This leads to greater time and money savings.
- These also help in reducing logistics cost to less than 10% of country's GDP

SOCIAL SECTOR:

ILO:

India Assumes Chairmanship of Governing Council of International Labour Organisation

- In October 2020, India assumed the chairmanship of the governing body of the International Labour Organisation (ILO) after a gap of 35 years.
- Secretary of Labour, Government of India, Apurva Chandra has been elected as the chairperson of the governing body of the organisation for the period October 2020- June 2021.
- The governing body is the executive body of the ILO.
- It meets thrice a year, in March, June and November.
- The Governing Body (GB) is the apex executive body of the ILO.
- It decides policies, programmes, agenda, budget and elects the Director-General.

About International Labour Organisation (ILO):

- International Labour Organisation (ILO) was established in 1919 as part of the 'Treaty of Versailles' that ended World War I with the belief **that universal and lasting peace can be accomplished only if it is based on social justice.**
- After the establishment of United Nations at the end of the World War II, ILO became its first specialised agency.
- At present it has 187 members.

The main aims of the ILO are to

- promote rights at work,
- encourage decent employment opportunities,
- enhance social protection, and
- strengthen dialogue on work-related issues.

- The ILO has developed policies covering key issues concerning labour like hours of **work (8 hours a day or 48 hours a week), minimum wages, maternity protection, night work for women up to 10 pm.**

Declaration of Philadelphia:

- Government delegates, employers and workers from 41 countries adopted the Declaration of Philadelphia as an annex to the ILO Constitution in 1944.
- The Declaration still constitutes the Charter of the aims and objectives of the ILO.
- It reaffirmed the fundamental principles on which the Organisation is based which are as follows.

- Labour is not a commodity;
- Freedom of expression and of association are essential to sustained progress;
- Poverty anywhere constitutes a danger to prosperity everywhere;
- All human beings, irrespective of race, creed or sex, have the right to pursue both their material well-being and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity.

Obligations of ILO:

The ILO has been obligated to further among nations the following under the declaration

- provision of full employment and raising the standards of living,
- framing policies in regard to wages and earnings, hours and other conditions of work to ensure a just share of the fruits of progress to all, and a minimum living wage to all employed
- effective recognition of the right of collective bargaining, the cooperation of management and labour in the continuous improvement of productive efficiency,
- the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care;
- adequate protection for the life and health of workers in all occupations;
- provision for child welfare and maternity protection;
- provision of adequate nutrition, housing and facilities for recreation and culture;
- assurance of equality of educational and vocational opportunity.

WORLD ECONOMY:

Shared Prosperity Report:

COVID Pandemic Could Push 150 Million People into Extreme Poverty: World Bank Report

- Global extreme poverty (those living on less than US $ 1.90 per day) is expected to rise for the first time in 20 years because of the disruption caused by COVID-19, exacerbating the impact of conflict and climate change, which were already slowing down poverty reduction according to the **'Poverty and Shared Prosperity Report 2020'** a bi-annual report released by the **World Bank** in October 2020.

- As many as 150 million people are likely to be pushed into extreme poverty by 2021 according to the report.
- The bi annual report focuses on poverty reduction across the world.

Global Poverty Reduction:

- Globally, extreme poverty dropped by an average of about 1 percentage point per year over the quarter century from 1990 to 2015, but the rate of decline slowed from 2013 to 2015 to just 0.6 percentage point per year. Between 2015 and 2017, the rate slowed further, to half a percentage point per year. Given this decelerating trend, the goal of bringing global extreme poverty to less than 3 percent by 2030 (UN Sustainable Development Goal) was already at risk.

COVID Impact on Poverty Reduction:

- According to updated estimates included in the report, COVID-19 is expected to push some 100 million people into extreme poverty during 2020 alone. Armed conflict is also driving increases in poverty in some countries and regions. In the Middle East and North Africa, for example, extreme poverty rates nearly doubled between 2015 and 2018, from 3.8 percent to 7.2 percent, spurred by the conflicts in the Syrian Arab Republic and the Republic of Yemen.
- Along with its direct cost in human lives, COVID-19 has unleashed a worldwide economic disaster whose shock waves continue to spread, putting still more lives at risk.
- Without an adequate global response, the cumulative effects of the pandemic and its economic fallout, armed conflict, and climate change will exact high human and economic costs well into the future. Poverty nowcasts commissioned for this report suggest that the effects of the current crisis will almost certainly be felt in most countries through 2030.
- Without an adequate global response, the cumulative effects of the pandemic and its economic fallout, armed conflict, and climate change will exact high human and economic costs well into the future. Poverty nowcasts commissioned for this report suggest that the effects of the current crisis will almost certainly be felt in most countries through 2030.
- Under these conditions, the goal of bringing the global absolute poverty rate to less than 3 percent by 2030, which was already at risk before the crisis, is now harder than ever to reach. Advancing shared prosperity - by boosting the incomes of the poorest 40 percent of people in every country - will also be much more difficult now.

COVID Impact on Employment:

- People in virtually all countries and at all levels of income are affected by the health and economic consequences of COVID-19.
- However, people who are currently poor or vulnerable are being hit especially hard. These people include those with lower levels of education and assets, those in insecure employment, and those in lower- skilled occupations, among others
- Why do the poor face greater risks? **Their jobs may be more easily disrupted or eliminated under recession conditions.** For example, **poorer people and those with lower levels of education and fewer skills are less likely to be able to work remotely. Businesses such as restaurants, hotels, and bars, along with the wholesale and retail trade,** which typically **employ less-educated workers, are rarely able to accommodate working from home.**

About Shared Prosperity:

- **Promoting shared prosperity** is **one of the twin goals of the World Bank Group** (together with eradicating extreme poverty).
- **Shared prosperity measures the extent to which economic growth is inclusive by focusing** on household income or consumption growth among the population at the bottom of the income distribution rather than on the average or on those at the top.

Significance of Shared Prosperity:

- Philosophers and economists have argued that **focusing on the least advantaged persons provides an important measure of progress on prosperity** (Ferreira, Galasso, and Negre 2018; Rawls

- 1971). US President Franklin D. Roosevelt (1937) said, **"The test of our progress is not** whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little." In a speech to the World Bank and International

- Monetary Fund Boards of Governors in 1972, World Bank president Robert McNamara (1972, 22) said, **"this poverty of the poorest 40 percent of the citizenry is of immense urgency since their condition is in fact far worse than national averages suggest."**

- The shared prosperity indicator was introduced to shine a constant light on the growth in living standards of the relatively less well-off segments of the population in any economy. Shared prosperity has no target or finish line, because the aim is to continuously improve the well-being of those at the bottom of the distribution.

Shared Prosperity Definition:

- **Shared prosperity focuses on the poorest 40 percent of a population (the bottom 40)** and is defined as the **annualized growth rate of their mean household per capita income or consumption.**

Shared Prosperity Premium:

- The World Bank also measures Shared Prosperity Premium. It is the difference in growth rates between the bottom 40 and the overall mean. **A high level of shared prosperity is an important indicator of inclusion and well-being in any country.**

- Shared prosperity and the shared prosperity premium are **important indicators of inclusion and well-being in any economy and correlate with reductions in poverty and inequality.**

Results of Shared Prosperity:

- The 2020 report presented new data on shared prosperity and the shared prosperity premium for 91 economies between 2012 and 2017.

- Growth was inclusive for most of these 91 economies: 74 had positive shared prosperity, and 53 had positive shared prosperity premiums, indicating a reduction in inequality in the majority of economies.

- But the gains are uneven: shared prosperity and shared prosperity premiums are lower, on average, in conflict-afflicted and fragile and low-income economies than in middle- and high-income economies.

- In global terms, the average shared prosperity index was 2.3 percent for 2012-17, but this figure masks wide heterogeneity.

- Upper-middle-income economies experienced an average shared prosperity of 2.9 percent, followed by high-income economies with 2.7 percent, lower-middle-income economies with 1.8 percent, and low-income economies with 0.2 percent.

- Countries affected by fragility, conflict, and violence (FCV) fared worse. For the few FCV economies where shared prosperity could be measured, the average result was a decline of 0.8 percent in the income (or consumption) of households in the bottom 40.

Additional information:

How is Global Extreme Poverty Measured?

- It is extremely difficult to measure poverty in a rigorous way, and every country sets its own standards for what is necessary for basic living. There are climate variations: what a person needs to survive in Central Asia for caloric intake, clothing, shelter, and heat is different from what is needed in a tropical location. And the standards vary with development. Richer countries will set a higher standard for what counts as poverty.
- Hence, the World Bank collects information on basic needs collected from the 15 poorest countries and then an average of poverty of these 15 poorest countries is calculated. That comes out to be about **$1.90 per day per person (2011 purchasing power parity US dollars),** and that is what we call the **global extreme poverty line.**

Additional Measurements of Poverty:

- Due to limitations in extreme poverty line definition, the World Bank, in 2018, introduced four additional poverty metrics to capture the changing nature of global poverty.

1. **Higher poverty line at US $ 3.20 lower-middle-income countries,**
2. **US $ 5.50 a day for upper-middle-income economies.**
3. **Societal Poverty line, and**
4. **Multi-dimensional Poverty.**

- The **societal poverty lines** are **tailored to the specific level of economic development of each country and are designed to measure "societal poverty".** Itadjusts to each country's income by capturing the increase in basic needs that a person requires to conduct a dignified life as a country becomes richer.
- The **multidimensional poverty** measure incorporates deprivations in three indicators of well-being (monetary poverty, access to education, and basic infrastructure), thus giving further insight into the complex nature of poverty.

IMF Report:

World Economic Outlook Report Released by IMF

The World Economic Outlook Report was released by the International Monetary Fund (IMF) in October 2020.

Details:

1) Impact of COVID Pandemic on Global Growth:

The **global economy is climbing out from the depths to which it had plummeted during the Great Lockdown in April.** But, with the COVID-19 pandemic continuing to spread, many countries have slowed reopening and some are reinstating partial lockdowns to protect susceptible populations. **While recovery in China has been faster than expected, the global economy's long ascent back to pre-pandemic levels of activity remains prone to setbacks.**

2) **Near-term Growth Outlook:**

Global growth is projected at **(-) 4.4 percent in 2020,** a less severe contraction than forecast in the June 2020 World Economic Outlook (WEO) Update.

The revision reflects better-than anticipated second quarter GDP outturns, mostly in advanced economies, where activity began to improve sooner than expected after lockdowns were scaled back in May and June, as well as indicators of a stronger recovery in the third quarter.

Global growth is projected at **5.2 percent in 2021.**

Following the contraction in 2020 and recovery in 2021, the level of global GDP in 2021 is expected to be a modest 0.6 percent.

3) Impact of the Pandemic on Global Poverty:

The pandemic will **reverse the progress made since the 1990s in reducing global poverty** and will **increase inequality.**

People who rely on daily wage labour and are outside the formal safety net faced sudden income losses when mobility restrictions were imposed. Among them, migrant workers who live far from home had even less recourse to traditional support networks. Close to 90 million people could fall below the $1.90 a day income threshold of extreme deprivation this year (2020).

In addition, **school closures during the pandemic pose a significant new challenge** that could set back **human capital accumulation** severely.

4) Need for Strong Multilateral Commitment:

Given the global nature of the shock and common challenges across countries, strong multilateral efforts are needed to fight the health and economic crisis. A key priority is funding advance purchase commitments at the global level for vaccines currently under trial to incentivize rapid scaling up of production and worldwide distribution of affordable doses.

A related priority is t**o help countries with limited health care capacity.**

5) Need for Debt Relief, Grants, and Concessional Financing:

Beyond assistance with medical equipment and know-how, several emerging market and developing economies-in particular low-income countries-require support from the international community through **debt relief, grants, and concessional financing.**

Since the onset of the crisis, the International Monetary Fund (IMF) has expeditiously provided funding from its various lending facilities to about 80 countries.

6) Challenges for Governments:

For many countries, **sustaining economic activity and helping individuals and firms most in need-while ensuring that debt remains sustainable-is a daunting task,** given high public debt, the spending needs triggered by the crisis, and the hit to public revenues.

Governments should do all that they can to combat the health crisis and mitigate the deep down turn while being ready to adjust policy strategy as the pandemic and its impact on activity evolve.

7) Need to Relax Fiscal Rules:

Where fiscal rules may constrain action, **their temporary suspension would be warranted,** combined with a **commitment** to a **gradual consolidation path after the crisis abates** to restore compliance with the rules over the medium term.

8) Increasing Investments in Healthcare:

With the pandemic continuing to spread, all countries - including those where infections appear to have peaked - **need to ensure that their health care systems can cope with elevated demand.** This means **securing adequate resources and prioritizing health care spending as needed,** including on testing; contact tracing; personal protective equipment; life-saving equipment, such as ventilators; and facilities, such as emergency rooms, intensive care units, and isolation wards.

IEA Report:

World Energy Outlook Report 2020 Released by IEA

- The **World Energy Outlook 2020,** the International Energy Agency (IEA) flagship publication which provides a comprehensive view of how the global energy system could develop in the coming decades, was released in October 2020.

Details:

- Global energy demand is set to drop by 5% in 2020, energy-related CO2 emissions by 7%, and energy investment by 18% due to the impact of the COVID Pandemic.
- The impacts vary by fuel. The **estimated falls of 8% in oil demand and 7% in coal use** stand in sharp contrast to a **slight rise in the contribution of renewables.**
- The reduction in natural gas demand is around 3%, while global electricity demand looks set to be down by a relatively modest 2% for the year.
- The 2.4 gigatonnes (Gt) decline takes annual CO2 emissions back to where they were a decade ago.
- Lower prices and downward revisions to demand, resulting from the pandemic, have cut around one-quarter off the value of future oil and gas production.
- Many oil and gas producers, notably those in the Middle East and Africa such as Iraq and Nigeria, are facing acute fiscal pressures as a result of high reliance on hydrocarbon revenues.
- Now, more than ever, fundamental efforts to diversify and reform the economies of some major oil and gas exporters look unavoidable. The US shale industry has met nearly 60% of the increase in global oil and gas demand over the last ten years, but this rise was fuelled by easy credit that has now dried up.
- Investment in oil and gas supply has fallen by one-third compared with 2019, and the extent and timing of any pick-up in spending is unclear.

- Around 580 million people in sub-Saharan Africa lacked access to electricity in 2019, three-quarters of the global total, and some of the impetus behind efforts to improve this situation has been lost due to COVID Pandemic. Governments are attending to the immediate public health and economic crisis, utilities and other entities that deliver access face serious financial strains, and borrowing costs have risen significantly in countries where the access deficit is high.
- The International Energy Agency (IEA) is an international intergovernmental organization that was established in 1974. Its stated mandate is to maintain the stability of the international oil supply, although its mission has expanded in recent years to emphasize the promotion of renewable energy sources.

About International Energy Agency (IEA):

- **Historical Background and Objectives:**
- The IEA was born with the 1973-1974 oil crisis (first oil shock), when industrialised countries found they were not adequately equipped to deal with the oil embargo imposed by major producers that pushed prices to historically high levels.
- This first oil shock led to the creation of the IEA in November 1974 with a broad mandate **on energy security and energy policy co-operation.** This included setting up a collective action mechanism to respond effectively to potential disruptions in oil supply.
- However, International Energy Agency has evolved over the years. While energy security remains a core mission, the IEA today is at the center of the global energy debate, focusing on a wide variety of issues, ranging from electricity security, investments in energy sector, climate change and air pollution, energy access, efficiency, etc.

Member Countries:

- At present IEA is made up of 30 member countries.
- The IEA's founding members were Austria, Belgium, Canada, Denmark, Germany, Ireland, Italy, Japan, Luxembourg, The Netherlands, Norway (under a special Agreement), Spain, Sweden, Switzerland, Turkey, United Kingdom, and the United States.
- Later, the following countries joined IEA: Greece (1976), New Zealand (1977), Australia (1979), Portugal (1981), Finland (1992), France (1992), Hungary (1997), Czech Republic (2001), Republic of Korea (2002), Slovak Republic (2007), Poland (2008), Estonia (2014), and Mexico (2018).

Criteria for Membership:

- Candidate country to the IEA must be a member country of the OECD. In addition, it must demonstrate several requirements. These are:
- Crude oil and/or product reserves equivalent to 90 days of the previous year's net imports, to which the government has immediate access (even if it does not own them directly) and could be used to address disruptions to global oil supply;
- A demand restraint programme to reduce national oil consumption by up to 10%; and
- Legislation and organisation to operate the Co-ordinated Emergency Response Measures (CERM) on a national basis.
- India is **not** a member country of International Energy Agency.