CURRENT EVENTS AND ANALYSIS

(July 2020)

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

CURRENT EVENTS AND ANALYSIS

CONTENTS

JULY 2020 CURRENT AFFAIRS: Economy Section

ECONOMY

AGRiCULTURE:

Agri-Infrastructure:

Agriculture Infrastructure Fund Set up

On July 8, 2020, the Union Government approved setting up of Agriculture Infrastructure Fund (AIF).

Highlights:

- Under AIF, the Central Government will facilitate flow of Rs. 1 lakh crore for strengthening agriculture infrastructure in the country.
- Rs.10,000 crore will be disbursed in the 2020-21 financial year, and
- Rs.30,000 crore each will be disbursed in the next three financial years.

What Type of Infrastructure will be created?

- Post harvest infrastructure like cold storages, warehouses,
- Assaying, grading and packaging units,
- e-marketing platforms, etc.

Who will be given Loans?

- Primary Agricultural Credit Societies (PACS),
- Marketing Cooperative Societies,
- Farmer Producers Organizations (FPOs),
- Self Help Group (SHG),
- Multipurpose Cooperative Societies,
- Agri-entrepreneurs, Startups,
- Aggregation Infrastructure Providers, and
- Central/State agency or Local Body sponsored Public Private Partnership Project.

What is the role of the Government?

- The Central Government would provide 3 per cent interest subvention annually on the loans up to Rs. 2 crores.
- Interest subsidy will be provided for a period of seven years.

- The Central Government will also will also provide credit guarantee (of 75 per cent) on the loans up to Rs. 2 crore through Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). This means, if a borrower defaults on repayment of the loan, 75 per cent of Rs. 2 crore loan (1.5 crore) will be paid to the bank by the Central Government.
- Most of the first generation entrepreneurs cannot provide collateral (an asset pledges as a security to cover defaults) or third party guarantee which is necessary for availing loans. Government's guarantee encourages Banks to disburse loans to such entrepreneurs.

Significance of the Fund:

- Agriculture infrastructure (cold storages, warehouses, processing centres, etc.) is weak in the country.
- This is leading to post-harvest losses and wasteges.

- Farmers also do not get remunerative prices as they cannot hold the produce and wait for the right prices due to absence of storage facilities.

The Agriculture Infrastructure Fund would

- expand the agriculture infrastructure in the country by channelizing funds and involving Agri-entrepreneurs, Startups, Self Help Group (SHG), Farmer Producers Organizations (FPOs), etc.
- minimise the post-harvest losses and wastages through building up of scientific storage facilities,
- ensure farmers better prices for their produce, and
- facilitate value addition of agricultural produce.

Monitoring Implementation:

- National, State and District level Monitoring Committees will be set up to ensure real-time monitoring and effective feed-back on the working of the Agriculture Infrastructure Fund.

Food Processing:

Zoram Mega Food Park Inaugurated

- The Zoram Mega Food Park (MFP), the first mega food park in the state of Mizoram, was inaugurated on July 20, 2020.
- It will provide direct and indirect employment to 5,000 persons and benefit about 25,000 farmers in Mizoram.

About Mega Food Parks:

- The Union Government is implementing the Mega Food Parks Scheme to provide modern infrastructure for food processing for the benefit the farmers.
- It aims at

a) minimising wastage of agriculture produce,

b) ensuring maximizing value addition,

c) increasing farmers income, and

d) creating employment opportunities particularly in rural sector

- Each mega food park typically consist of supply chain infrastructure including collection centers, primary processing centres, central processing centers, cold chain and around 25-30 fully developed plots for entrepreneurs to set up food processing units.
- Under the **Mega Food Park Scheme,** Government of India provides financial grant of 50 per cent of the project cost (of setting up of a mega food park) in general areas and 75per cent grant in north eastern and hill states.

- The maximum grant is capped at Rs. 50 crores for each mega food park.
- Each mega food park is established in an area of 50 to 100 acres.
- It provides direct and indirect employment to 5000 people and also benefits 25000 farmers.

Mega Food Parks in India:

- Presently, 18 Mega Food Park Projects are under implementation in various states and 19 Mega Food Parks have already become functional in the States.
- 6 of them are in the North eastern region. 2 MFPs in North eastern Region are operational at Assam and Mizoram.

Oil Palm:

Prime Minister Calls for Oil Palm Cultivation in the North-Eastern States

- Prime Minister Narendra Modi called on the North-Eastern States to take up oil palm cultivation to make India **self-sufficient in edible oils.** He was gave this call while delivering an address during an online foundation stone laying ceremony of Manipur Water Supply Project in July 2020.
- The Prime Minister recommended the State governments of N-E region to set up oil palm missions in their respective States to promote cultivation of the oilseed.

High Import Dependence:

- India is heavily dependent on imported edible oils.
- Around 68 per cent of edible oil requirements of India are met through imports.
- In absolute terms, country's annual requirement is about 22 million tonnes.
- Out of this, nearly 15 million tonnes of edible oils is imported.
- Of the total 15 million tonnes of imports, nearly 60 per cent or about 9 million tonnes is palm oils.
- North-East region has about 2,80,000 hactares of land potential for oil palm plantations but only 30,000 hactares are covered.

OPDPA Welcomes Government's Call:

- The Oil Palm Developers and Processors Association (OPDPA) welcomed the government's move to encourage oil palm production in the North-East and stated that the region has the potential to become the largest oil palm hub in the country as the agro-climatic conditions of the region are very well suited for oil palm cultivation.
- OPDPA asked the Union Government to usher in structural and policy changes to leverage the domestic potential in oil palm cultivation.
- The association sought
- **minimum support price (MSP) for the oil palm crop** as prescribed by the Commission for Agricultural Costs and Prices (CACP) in 2018. This would **protect oil palm growers from price fluctuations.**
- A special package for the North-East to bring large areas of land under oil palm plantation.
- It stated that the government should also consider giving huge land parcels owned by it for this purpose, the association said.
- The region has the potential to cover over two lakh acres and produce capacity to produce $1-billion worth crude oil palm.
- Country could also save foreign exchange and generate employment.

Honey Testing Lab:

World Class Honey Testing Lab Inaugurated at Anand, Gujarat

- A 'World Class State of Art Honey Testing Laboratory' was inaugurated in Anand, Gujarat on July 8, 2020.
- It has been established by National Dairy Development Board (NDDB) with support of National Bee Board (NBB).

Why was the Testing Laboratory Set up?

- The Government is working to bring about 'Sweet Revolution'.

- The Sweet Revolution aims at increasing the production of honey by encouraging beekeeping by farmers as it has

a) export potential, and

b) also provides additional source of income for small and marginal farmers.

- However, adulteration is a major problem in honey production. Honey is being adulterated with high fructose corn syrup or rice, tapioca, sugarcane and beet syrup that are cheaper and resemble honey in physical and chemical properties.
- Establishment of this Honey Testing Laboratory will help in
- ensuring quality production of honey, and
- promoting quality exports to other countries.

Major Honey Producing States:

- Punjab,
- West Bengal,
- Uttar Pradesh,
- Bihar,
- Kerala,
- Karnataka

Exports of Honey:

- Honey exports from India were US $ 105 million (around 800 crores) in 2018-19.
- US is the largest importer of honey in the global market and it is also top destination for Indian honey. Other major export destinations are Germany, France, UK, Japan, Saudi Arabia, United Arab Emirates, Qatar.
- In 2018, global honey sales stood at US $ 2.26 billion (around Rs. 16,000 crore).
- China is the largest honey exporter in the world. In 2018-19, its honey exports stood at US $ 235 million.

Government Measures to Increase Honey Production:

- The Government is implementing National Bee Keeping and Honey Mission. Under the mission,

1. Farmers who are interested in beekeeping domestically are imparted scientific beekeeping practices. Over 30 lakh farmers have been trained in bee keeping.

   Assistance (up to 40 per cent of the cost) is given for setting up honey bee colonies through beekeeping equipment.

2. Assistance is also provided to entrepreneurs to set up post harvest management infrastructure for beekeeping products, including collection, processing, storage, marketing, value addition, etc.

   Apart from honey, honeybees produces other products like bee wax (used in candle, pharmaceutical, and cosmetic industry), bee venom (used for treatment of arthritis), and royal jelly which is widely claimed to reduce inflammation

3. Farmers are also assisted through exposure visits both within the country and outside the country to learn scientific bee keeping practices.

500 Crore Allocation:

- Recently, the Union Government announced Rs. 500 crore to encourage bee keeping.
- The amount would be spent on infrastructure development related to integrated beekeeping development centres, collection, marketing and storage centres, post harvest & value addition facilities etc.

INDUSTRY:

Public Procurement:

Public Procurement Bidding Regulations Tightened to Restrict China's Products

- On July 23, 2020, Government of India tightened public procurement bidding regulations for countries that share border with i.e. China, Nepal, Bhutan, Pakistan, Bangladesh and Myanmar.
- Though the Government states that bidding regulations are for countries with which India shares borders, these restrictions are mainly **aimed at China due to the recent border clashes between both the countries.**

Details:

- The Government amended the **General Financial Rules, 2017,** imposing restrictions on public procurement from bidders of countries that share a land border with India, citing grounds of **defence and national security.**
- Bidders from these countries will be eligible only **if they are registered with the Registration Committee** constituted by the Department for Promotion of Industry and Internal Trade (DPIIT).
- They will also be required to take mandatory **political and security clearance** from the ministries of External Affairs and Home.
- For national security reasons, the Home Ministry **is not required to give reasons for rejection/ cancellation of registration of a bidder.**

Who Should Follow Above Directions?

- Apart from ministries and departments, and subordinate bodies of the Central Government, this new restriction will be applicable to all autonomous bodies, public sector banks and financial institutions, central public sector enterprises, public private partnerships receiving financial support from the government or public sector undertakings, and all union territories.
- The central government has also directed state governments to implement this order for all public procurement.

Exceptions:

- Relaxation from bidding restriction has been provided for procurement of Covid medical supplies till December 31, 2020.
- Prior registration will not apply for countries to which the government extends lines of credit or provides development assistance, even if they share a land border with India.

- Government has extended lines of credit to Bangladesh, Nepal, Bhutan and Myanmar, exempting them from the new order.

Earlier Measures:

The present restrictions follow a series of steps taken in recent months to prevent the influx of Chinese products and investments into India.

1. Preference to Local content in Purchase of Goods in Government e-Marketplace (GeM):

On June 23, 2020 the government made it mandatory for sellers on the Government e-Marketplace (GeM) portal to clarify the country of origin of goods whole registering new products. Government e-Marketplace (GeM) is an online platform launched by the Union Government in 2016 to promote transparency in public procurement.

As per the changes made, for bids below Rs 200 crore, only Class I and Class II local suppliers are eligible to bid in the Government e-Marketplace (GeM).

Class I Local suppliers are those whose products have more than 50 per cent local content (Indian content).

Class II Local suppliers are those whose products have more than 20 per cent local content (Indian content).

2. Foreign Investment Restrictions:

In April 2020, the Government of India amended FDI rules mandating prior approval for investment by entities in countries that share land borders with India to prevent "opportunistic takeovers" of domestic firms following the pandemic.

The move came days after China's central bank, People's Bank of China (PBoC), raised its shareholding in Housing Development Finance Corporation (HDFC) to over one per cent due to fall in valuations under the impact of COVID-19

Others:

National Land Management Corporation

- The Union Government is planning to set up a National Land Management Corporation to facilitate monetisation of land and act as an asset manager for land owned by the Centre as well as central public sector enterprises (CPSEs).

Need for Such Corporation:

- At present, apart from Railways and Defence, other government departments do not have a specialised organisation to handle commercial development of government land.
- There is a need for a separate authority which can work with various departments to utilise the surplus land assets of government and CPSEs effectively.

Planned Functions of Land Management Corporation:

- All the surplus land belonging to Central government ministries/departments or CPSEs will be transferred to the National Land Management Corporation (NLMC).

National Land Management Corporation (NLMC) will

- carry out commercial exploitation of land,
- manage land concessions, and
- raise funds for re-investment in CPSEs and for infrastructure development.

It will also consider

- development or co-development of land belonging to Defence or Railways if required by these agencies.
- co-development of private land parcels adjoining government lands so as to maximise revenue.
- The NLMC would concession land following competitive and transparent processes by auctions.
- The agency will be responsible for identifying real estate opportunities and optimising value for land under its management.
- The board of SPV could have representation from the Ministry of Housing and Urban Affairs, Department of Economic Affairs, Department of Public Enterprises, Department of Investment and Public Asset Management, and independent directors from real estate and finance domains.
- A professional CEO could be hired from the market along with a sound technical team to run the National Land Management Corporation.

INFRASTRUCTURE:

Investments in Infrastructure by Sovereign Wealth Funds and Global Pension Funds Get Tax Exemption

- Dividends, interest income and capital gains from investments in infrastructure projects in India by sovereign wealth funds and global pension funds would have been given 100 per cent tax exemption.
- This decision was announced by the Central Government in Budget 2020-21. The Central Board of Direct Taxes issued the notification on July 6, 2020.

Details:

- Investments made from April 1, 2020 would be eligible for tax exemption.
- All investments made up to March 31, 2024 would be eligible for tax exemption.
- A minimum lock-in period of 3 years is mandatory for claiming tax exemption i.e. sovereign wealth funds and global pension funds should not withdraw their investments in less than three years after making investments.

Why was the Tax Exemption Given?

- India needs enormous requirements in infrastructure. The Economic Survey 2019-20 estimated that to achieve the GDP target of 5 trillion by 2025, India needs to spend about US 1.4 trillion on infrastructure. Such huge requirements cannot be met by budgetary allocations and domestic private investments alone.
- Hence, tax exemption has been given to incentivise and attract investments in to infrastructure sector.
- Sovereign Wealth Funds and Global Pension Funds have huge reserves which are invested in various countries to maximise returns. Global Pension Funds have US $ 40 trillion under their management. Tax exemption would act as an incentive for them to invest in India.
- Infrastructure sub sectors like roads, airports, ports, telecommunications, oil and gas pipeline industry, electricity, etc are expected to benefit from the tax exemption.

What are Sovereign Wealth Funds?

- Sovereign wealth funds are state owned investment funds which are set up by some countries out of budget surpluses or profits of state owned enterprises mainly oil companies.
- **The world's largest sovereign wealth fund is Government Pension Fund of Norway.** It was set up in 1990 out of profits from the oil revenues to ensure wealth benefits both for the present and future generations. At present, it has more than one trillion dollars under its management.
- Some countries like China, Singapore have set up more than one sovereign wealth fund.

Major Sovereign Wealth Funds:

Name of the Fund	Total Assets (in US $ Billions)
1. Norway Government Pension Fund	1186
2. China Investment Corporation	940
3. Abu Dhabi Investment Authority, UAE	579
4. Kuwait Investment Authority	533
5. Hong Kong Monetary Authority Investment Portfolio	528
6. Government of Singapore	

Investment Corporation (GIC))	453
7. Temasek Holdings, Singapore	375
8. Public Investment Fund of Saudi Arabia	360
9. National Social Security Fund, China	324
10. Qatar Investment Authority	295

Cost and Time Overrun of Infrastructure Projects

- The Ministry of Statistics and Programme Implementation monitors the **progress of infrastructure projects worth Rs 150 crore and above periodically.**
- The report of the Ministry released in July 2020 which reviewed progress of the 1,686 infrastructure projects found that
- 403 reported cost overruns, and
- 530 time escalation.
- Total original cost of implementation of the 1,686 projects was Rs 20, 66,771 crore.
- Their anticipated completion cost is likely to be Rs 24, 71,947 crore.
- This reflects overall cost overruns of 4, 05,175 crore (19.60 per cent of original cost).
- Out of 530 delayed projects,
- 155 have overall delay in the range of 1 to 12 months,
- 114 have delay of 13 to 24 months,
- 148 reflect delay in the range of 25 to 60 months and
- 113 projects show delay of 61 months and above.
- The average time overrun in these 530 delayed projects is 41.16 months.

Reasons for Cost and Time Overruns are

- delays in land acquisition,
- environmental and forest clearances,
- fund constraints with the contractor,
- shortage of labour,
- court cases,
- law and order issues in naxal infested areas, etc.

Railways:

Indian Railways Opens up to Private Sector; Invites Bids from Private Players to Run Passenger Trains

Indian Railways, a departmental undertaking owned by Government of India, has been opened up to private sector.

On July 1, 2020, Ministry of Railways invited bids from private players to run passenger trains in 109 pair of routes. 151 trains would be allowed to run on these routes.

The 151 trains would constitute 5 per cent of total train operations of Indian Railways.

Why Private Sector participation has been invited?

1. There is **demand supply mismatch** in the passenger train segment.

   Annually there are around 9 crore waitlisted passengers who cannot be accommodated due to lack of capacity. Without expansion, Indian Railways risks losing its share of travellers to roads and airways.

2. Allowing private passenger trains would **expand the passenger handling capacity** of Indian Railways.

3. Railways also **need not invest in rolling stock** (train coaches and engines).

4. The resources saved on this account can be utilised for **expanding railway track network.**

   In 2015, the expert panel led by Bibek Debroy, which was constituted by the Ministry of Railways, **recommended allowing entry of private operators** to encourage growth and improve services of Indian Railways.

   It also recommended a **regulatory mechanism** to **promote healthy competition and protect the interests of all stakeholders.**

What are the freedoms and conditions for Private Players?

1. Private players would be selected through transparent bidding criteria.

2. Once selected, they would be given **right to run passenger trains for 35years (concession period).**

3. Private players will have **freedom to fix fares that are on par with airfare or air conditioned bus fares.**

4. They will have **to share a percentage of gross revenue with the railways.** This percentage would be decided through bidding in the tendering process.

5. Besides private players would have to pay **fixed haulage charges** for using railway track, **energy charges** based on actual consumption.

Other Conditions:

- Rolling stock (train coaches and engines) should be **designed for a maximum speed of 160 km per hour** and should **be based on latest technology** to provide

a) enhanced safety,

b) world class travel experience,

c) reduce transit time and maintenance cost.

- The trains would be run by drivers and guards of Indian Railways.

Estimated Investment at Rs. 30,000 crores:

The Government expects Rs. 30,000 crore investment from private players.

Criticism on Private Participation:

1. Pricing freedom to private players will make travel through private trains beyond the common man's reach.

2. Fare concessions extended to several categories of people will not be made available by the private investor.

3. The very objective of commissioning the Railways as a public welfare transport organisation is defeated.

4. Government's priorities are also being questioned. The government of India along with Gujarat and Maharashtra state Governments is investing over lakh-crore rupees on the Bullet train which would cater to the elite.

Hence, Rs.30, 000 crore investment which is expected from private sector can be spent by Government itself so that these trains would be affordable to common man and also the objective of public welfare would be achieved.

Waterways:

Inland Waterways Usage Charges Waived Off

- On July 24, 2020, the Union Ministry of Shipping waived off waterway usage charges levied by the Inland Waterways Authority of India (IWAI).

Why were the charges waived off?

- Inland waterways transport is eco-friendly and cheaper.
- But, currently only 2% of total cargo traffic moves through waterways.
- It is **Government of India's vision to promote inland waterways** as a **supplementary, eco-friendly and cheaper mode of transport.**
- Hence, the charges have been waived off. This waiver will be initially for three years.
- The waiver is expected to
- attract the industries to use the national waterways for their logistical needs, and
- also reduce the burden on other transport modes (roadways, railways).

Present Charges:

- Presently, Inland Waterways Authority of India (IWAI) levies the waterway usage charges at a rate of
- Rs 0.02 per gross registered tonnage (GRT) per kilometer for plying of Inland cargo vessels and,
- Rs. 0.05 per gross registered tonnage (GRT) per kilometer for plying of Cruise vessels on national waterways.
- In 2019-20, 72 Million Metric Tonnes (MMT) of cargo was transported through national waterways. The waiver of water charges is expected to increase the cargo transport to 110 million metric tonnes by 2022-23.

National Waterways in the Country:

- India has about 14,500 km of navigable waterways comprise of rivers, canals, backwaters, creeks, etc.
- The Union Government has declared 111 waterways as National Waterways.
- At present, 13 National Waterways are operational. To expedite the development of waterways, the Central Government amended the Central Road Fund Act, 2000 which allows cess on petrol and high speed diesel. Through the amendment, the Government allocated 2.5 per cent of cess collected for development of national waterways.

Sl. No.	National Waterway (NW) No.	Length (km)	Location (S)
1.	NW-1: Ganga-Bhagirathi-Hooghly River System (Haldia - Allahabad)	1620	Uttar Pradesh, Bihar, Jharkhand, West Bengal
2.	NW-2: Brahmaputra River (Dhubri - Sadiya)	891	Assam
3.	NW-3: West Coast Canal (Kottapuram - Kollam), Champakara and Udyogmandal Canals	205	Kerala
4.	NW-4: Phase-1development of the stretch Muktiyala to Vijyawada of river Krishna	82	Andhra Pradesh
	Waterways in Maharashtra		
5.	NW-10 (Amba River)	45	
6.	NW-83 (Rajpuri Creek)	31	Maharashtra
7.	NW-85 (Revadanda Creek - Kundalika River System)	31	
8.	NW-91 (Shastri river-Jaigad creek system)	52	
	National Waterways in Goa		
9.	NW-68 - Mandovi - Usgaon Bridge to Arabian Sea (41 km)	41	
10.	NW-111 - Zuari- Sanvordem Bridge to Marmugao Port (50 km).	50	Goa
	National Waterways in Gujarat		
11.	NW-73- Narmada river-	226	
12.	NW-100- Tapi river	436	Gujarat &Maharastra
13.	Sunderbans Waterways (NW-97): Namkhana to AtharaBankiKhal in West Bengal.	172	West Bengal

SOCIAL SECTOR:

Social Security:

Union Government Extends Contribution of Both 12% Employees' Share and 12% Employers' Share under Employees Provident Fund

- On July 8, 2020, the Union Government extended the contribution both 12% employees' share and 12% employers' share under Employees Provident Fund, totaling 24% for another 3 months from June to August, 2020.

Background:

- As part of the package announced by the Government under Pradhan Mantri Garib Kalyan Yojana (PMGKY) in the light of COVID-19 Pandemic, the Union Government had announced that it would contribute the both 12% employees' share and 12% employers' share under Employees Provident Fund, totaling 24% for 3 months March, April and May 2020 months.
- All establishments having upto 100 employees and 90% of such employees earning less than Rs. 15,000 monthly wage are eligible for such contribution.

- This contribution has been extended for another 3 months i.e. June, July and August 2020 as the COVID-19 Pandemic is continuing.
- About 72.22 lakh workers working in 3.67 lakh establishments will be benefited.
- Government will provide Budgetary Support of Rs.4800 crore for the year 2020-21 for this purpose.

Skill Development:

World Youth Skills Day

- The United Nations General Assembly designated July 14th as the **World Youth Skills Day** to **drive the importance of equipping young people** with **skills** for **employment, decent work and entrepreneurship.**

Prime Minister Addresses Digital Conclave:

- Prime Minister Narendra Modi addressed a Digital Conclave, organised by the Ministry of Skill Development and Entrepreneurship, on the occasion of World Youth Skills Day on July 15, 2020.
- The day marks the 5th anniversary of the launch of Skill India Mission.
- The Prime Minister exhorted the youth to skill, reskill and upskill in order to remain relevant in the rapidly changing business environment and market conditions.
- The Prime Minster also brought out the distinction between 'knowledge' and 'skills' with a simple example: knowing how a cycle runs is 'knowledge' while actually being able to ride a cycle was a 'skill'. He said that it is important for the youth to realise the difference between the two
- He stated that the National Skill Development Mission launched five years back on World Youth Skills Day has led to creation of a vast infrastructure for skilling, reskilling and upskilling and enhancing opportunities to access employment both locally and globally.
- Due to concerted efforts under National Skill Development Mission, more than five crore youth have been skilled in the last five years.

Under the Mission, 20 Central Ministries/Departments including Ministry of Skill Development and Entrepreneurship are involved in the implementation of more than 40 schemes/programmes on Skill Development. Major schemes include Pradhan Mantri Kaushal Vikas Yojana (PMKVY), National Apprenticeship Promotion Scheme (NAPS), Rural Self Employment and Training Institutes (RSETI), Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY), etc.

There has also been a substantial increase in Industrial Training Institutes (ITI). Close to 5000 ITIs have been established over the last 5 years with total number of institutes now close to 15,000. 63 course curricula have been upgraded in ITIs with industry consultations.

BALANCE OF PAYMENTS:

FDI

Google to Invest US $ 10 Billion in India

- On July 13, 2020, Google, US based global technology giant, announced that it would invest close to $10 billion (around Rs 75,000 crore) in India over the next five to seven years through a **"Google for India Digitisation Fund".**
- Sundar Pichai, chief executive officer of Google, said that investments will focus on **four areas important to digitization** in India i.e.

1. enabling affordable access and information for every Indian in their own language,
2. building products and services that are deeply relevant to India's unique needs,

3. empowering businesses in their digital transformation journey, and
4. leveraging technology and Artificial Intelligence (AI) for social good, in areas like **health, education, and agriculture.**

- In India, Google has already invested in multiple startups - either directly or via its parent company Alphabet's growth fund 'CapitalG'. Some of these start ups are Dunzo, Fynd, Halli Labs, Where is My Train, Aye Finance, Cardekho, Cuemath, Freshworks and Practo.

Free Trade Agreements (FTAs):

India to Recalibrate Free Trade Agreements (FTAs) Strategy

- The Government of India is recalibrating its strategy on entering into new Free Trade Agreements (FTAs) and also existing FTAs to ensure that these treaties provide balanced trade.
- India has entered into Free Trade Agreements with many counties which aim at eliminating or reducing tariff tariffs on imports and exports on most of the products.
- Free Trade Agreements cover trade in Goods, Services, and protection for investments.

Problems in the Existing FTAs:

- Due to reduction of tariffs after FTAs, imports increased more than exports leading to trade deficits with some trading partners.
- Trade deficit widened with ASEAN, Japan and South Korea. With ASEAN, India has around US $ 21 billion trade deficit and with Japan US $ 8 billion trade deficit.
- India was expected to benefit more from opening up of service sector. Particularly, software professionals, nurses were expected to get easier access to markets such as Japan, Singapore, South Korea and Malaysia. But, these countries did not adequately open up the markets for these professionals.
- Hence, India wants to ensure that FTAs lead to a fair and balanced trade with mutual benefits instead of increasing trade deficit for India.

Present Free Trade Agreements of India:

- India has Free Trade Agreements (FTAs) with
- Sri Lanka (signed in 1998)
- Afghanistan (2003)
- Thailand (2004),
- Singapore (2005),
- Bhutan (2006)
- Nepal (2009)
- South Korea (2009),
- Malaysia (2011),
- Japan (2011),
- Association of South East Asian Nations -ASEAN (2010), and
- South Asian Free Trade Agreement - SAFTA (2004).

Outside Asia:

- Chile (2006)
- MERCUSOR (2004).

Countries with which FTA Negotiations are Going on:

- Australia
- USA
- European Union,
- New Zealand
- United Kingdom,
- Mauritius.

Additional Information:

ASEAN: The Association of Southeast Asian Nations (ASEAN) is a regional intergovernmental organization comprising ten countries in Southeast Asia: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam.

SAFTA: The South Asian Free Trade Area (SAFTA) is the free trade arrangement of the South Asian Association for Regional Cooperation (SAARC) member countries: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.

MERCOSUR : It is an economic and political bloc comprising Argentina, Brazil, Paraguay, Uruguay, and Venezuela

External Assistance:

$ 750 Billion World Bank Assistance for Micro, Small and Medium Enterprises

- On July 6, 2020, Government of India signed an agreement with the World Bank for $750 million MSME Emergency Response Program to support increased flow of finance for micro, small, and medium enterprises (MSMEs), severely impacted by the COVID-19 crisis.
- The World Bank's MSME Emergency Response program will address the immediate liquidity and credit needs of some 1.5 million viable MSMEs to help them withstand the impact of the current shock and protect millions of jobs.

Background:

- The COVID-19 pandemic has severely impacted the MSME sector.
- Non Banking Financial Companies (NBFCs) and Banks have turned extremely risk averse as they are concerned about borrowers' ability to repay.
- This is resulting in limited flow of credit even to the viable enterprises in the sector leading to loss of livelihoods and jobs.
- The World Bank assistance will be utilised by the Government of India for providing targeted guarantees to the NBFCs and banks for the loans extended by them to the MSMEs.
- Credit guarantee would incentivise NBFCs and Banks to continue lending to viable MSMEs to help sustain them through the crisis.

Total World bank Assistance to India to Mitigate the Impact of COVID-19:

- The World Bank has to date committed $2.75 billion to support India's emergency COVID-19 response, including the new MSME project.
- The first $1 billion emergency support was announced in April this year for immediate support to India's health sector.
- Another $1 billion project was approved in May 2020 to increase cash transfers and food benefits to the poor and vulnerable.

World Bank:

India Stays in Lower Middle Income Nations Group in the World Bank's Classification

On July 1, 2020, the World Bank released the revised grouping of countries according to per capita income thresholds.

These thresholds are updated annually at the beginning of the World Bank's fiscal year (i.e., July 1), with an adjustment for inflation.

The World Bank's financial year is from July 1st to June 30th. The present financial year is 2020-21 (July 1, 2020 to June 30, 2021).

Grouping of Economies:

Economies are divided into four groups: Low Income Countries, Lower Middle Income Countries, Upper Middle Income Countries, and High Income Countries.

The following is the classification for 2020-21 financial year of the World Bank.

Grouping	Threshold Income Per capita in US $
Low Income Countries	$ 1,035
Lower Middle Income Countries	$ 1,036 to $ 4,045
Upper Middle Income Countries	$ 4,046 to $12,535
High Income Countries	$ 12,536 or More

India, its Neighbouring Countries:

Upper Middle Income Group:

Maldives ($9,310) and

Sri Lanka ($4,060) are the only two countries in South Asia in the upper-middle-income group.

Sri Lanka entered into upper middle income country in the 2020 revised classification.

Lower Middle Income Group:

India ($2,020)

Bangladesh ($1,750),

Bhutan ($3,080) and

Pakistan ($1,580) fall in the lower-middle-income group.

Low Income Group:

Afghanistan ($550) and

Nepal ($960) are among the low income group economies.

India and BRICS:

Among fellow developing economies -BRICS, India is the only country in the lower-middle-income group.

The others - Brazil ($9,140), Russia ($10,230), China ($9,470) and South Africa ($5,720) - are in the upper-middle-income group.

WTO:

WTO Sets up Dispute Settlement Panels on India's ICT Tariffs

- On July 19, 2020, the World Trade Organisation (WTO) set up two Dispute Settlement Panels at the request of Japan and Taiwan on import duties imposed by India on Information and Communication Technology (ICT) products.
- A similar complaint has already been filed by the European Union and a Dispute Settlement Panel has been set up. Thus, there are three Dispute Settlement Panels against India.

What are the Complaints of Japan and Taiwan?

- India has signed the Information Technology (ITA) Agreement of the World Trade Organisation (WTO) in 1997.
- The ITA requires each participant to eliminate and bind customs duties at zero for all products specified in the Agreement.
- The ITA covers a large number of high technology products, including computers, telecommunication equipment, semiconductors, semiconductor manufacturing and testing equipment, software, scientific instruments, as well as most of the parts and accessories of these products.
- Japan and Taiwan stated that India's import duties on mobile phones, and other Information and Communication Technology (ICT) products violate WTO ITA agreement which mandate zero duties on these products.
- India imposes import tariffs ranging from 10 to 20 per cent on these products.
- Some of the ICT products on which India levies import duties are switching and routing apparatus; parts of telephone sets, apparatus for the transmission or reception of voice, images or other data, etc.

What it India's Stand?

- India stated that it is levying tariffs on products which are part of ITA-II Agreement which expanded the list of ICT products.
- The ITA-II agreement was signed in 2015. It added another 201 ICT products to the list of products whose tariffs were to be brought to Zero. The annual global trade in these 201 products is valued at over $ 1.3 trillion per year.
- India states that it is not signatory to the ITA-II agreement and all the ICT products which have been raised by Japan and Taiwan were not part of original ITA agreement signed in 1996. Hence, it is not bound to reduce the duties to zero.

What is Dispute Settlement Panel?

- Whenever there is dispute between members of the World Trade Organisation (WTO) over violation of trade agreements, WTO agreement provides for settlement through consultations among themselves.
- If the dispute is not solves through consultations, a Dispute Settlement Panel is set up by the Dispute Settlement Body (DSB) of the WTO. The DSB consists of all the members of the WTO.
- The Dispute Settlement Panel will hear both sides of the parties to the dispute and submit its findings as to whether the member on who the complaint is made has violated the trade agreement or not.
- If the panel decides that the disputed trade measure does break a WTO agreement or an obligation, it recommends that the member may be made to conform with WTO rules. The panel may suggest how this could be done.

- The report becomes the Dispute Settlement Body's ruling or recommendation within 60 days unless a consensus rejects it. Both sides can appeal against the report in Appellate Body of the WTO.
- Appeal is heard by three members of a permanent seven-member Appellate Body set up by the Dispute Settlement Body.
- The Appellate Body can uphold, modify or reverse the Dispute Settlement Panel's findings and conclusions.
- The Dispute Settlement Body has to accept or reject the appeals report within 30 days and rejection is only possible by consensus of all WTO members.

Poverty:

2020 Global Multidimensional Poverty Index (MPI) Released

- 2020 Global Multidimensional Poverty Index (MPI), prepared by United Nations Development Programme (UNDP) and the Oxford Poverty and Human Development Initiative (OPHI), was released in July 2020.

What is Multidimensional Poverty Index?

- Poverty is generally measured on the basis of income.
- The Multidimensional Poverty Index (MPI) looks beyond income to understand how people experience poverty in multiple and simultaneous ways.
- It identifies how people are being left behind across three key dimensions:

1. Health,
2. Education, and
3. Standard of living,

- 10 indicators are measured in above three areas. Details are given in the table.
- People who experience deprivation in at least one third of these weighted indicators fall into the category of multidimensionally poor.

Highlights of 2020 Global Multidimensional Poverty Index:

- The Report covered 107 developing countries for which data is available.
- (Other developing countries were not included due to data constraints. The report also does not cover developed countries and studies multidimensional poverty only developing and least developed countries.)
- These 107 countries accounted for 5.9 billion people. Out of these, 1.3 billion people live in multidimensional poverty.

- Children show higher rates of multidimensional poverty: half of multidimensionally poor people (644 million) are children under age 18. One in three children is poor compared with one in six adults.
- About 84.3 percent of multidimensionally poor people live in Sub-Saharan Africa (558 million) and South Asia (530 million).

India Reports Progress:

- India has recorded the largest reduction in the number of people living in multidimensional poverty.
- About 273 million Indians moved out of multi-dimensional poverty between 2005-6 and 2015-16,

Multidimensional Poverty Index Detailed Indicators:

Dimensions of Poverty	Indicator	Deprived if living in the household where...	Weight
Health	Nutrition	Any adult under 70 years of age or any child for whom there is nutritional information is undernourished.	1/6
	Child mortality	Any child under the age of 18 years has died in the family in the five-year period preceding the survey.	1/6
Education	Years of schooling	No household member aged 'school entrance age + six4 years or older has completed six years of schooling.	1/6
	School attendance	Any school-aged child is not attending school up to the age at which he/she would complete class eight.	1/6
Standard of living	Cooking Fuel	The household cooks with dung, wood, charcoal or coal.	1/18
	Sanitation	The household's sanitation facility is not improved (according to SDG guidelines) or it is improved but shared with other households.	1/18
	Drinking Water	The household does not have access to improved drinking water or improved drinking water is at least a 30-minute walk from home, round trip.	1/18
	Electricity	The household has no electricity.	1/18
	Housing	At least one of the three housing materials for roof, walls and floor are inadequate: the floor is of natural materials and/or the roof and/or walls are of natural or rudimentary materials	1/18
	Assets	The household does not own more than one of these assets: radio, television, telephone, computer, animal cart, bicycle, motorbike or refrigerator, and does not own a car or truck.	1/18

Questions for Practice:

Mains Practice Questions:

1. Channelising private investments into agriculture infrastructure like post harvesting and marketing infrastructure can greatly contribute the goal of doubling of farmers' income. Discuss.
2. What is the significance of waterways in India. What measures have been taken by the Union Government to promote waterways in India?
3. The objective of public welfare would be defeated with the opening of Railways to the private sector. Examine.

Questions to Build Awareness:

1. What are Sovereign Wealth Funds? Why are they setup?
2. What is Multidimensional Poverty Index (MPI)? How is it different from conventional measurement of poverty?

Prelims Practice Questions

1. The Agriculture Infrastructure Fund which was set by the Union Government aims at

1. Expanding irrigation infrastructure in the country

2. Expanding post harvesting and marketing infrastructure in the country.

Choose the correct answer using codes given below.

a) 1 Only b) 2 Only

c) Both 1 and 2 d) Neither 1 Nor 2

2. The world class honey testing laboratory was recently inaugurated at

a) Anand

b) Bangalore

c) Bhopal

d) Sanand

3. Consider the following statements regarding Sovereign Wealth Funds.

1. These are set up and owned by the Governments.

2. These are set up by wealthy private individuals in oil rich countries.

3. Sovereign Wealth Funds make investments only in developed countries.

Which of the above statements is/or correct?

a) 1 Only b) 1 and 2

c) 2 Only d) 1, 2, and 3

4. Consider the following statements regarding National Waterways in India.

1. At present, there are 13 national waterways in the country.

2. Waterway usage charges have been exempted for cargo and cruise transport to promote use of waterways.

3. Waterways development gets share of funds under Central Road Funds Act, 2000.

Which of the above statements is/or correct?

a) 1 Only b) 1 and 2

c) 1, 2, and 3 d) 2 Only

5. Consider the following statements.

1. India is self sufficient in edible oil production

2. Oil palm is covered under Minimum Support Prices (MSPs) announced by the Government every cropping season.

Which of the above statements is/or correct?

a) 1 Only b) 2 Only

c) Both 1 and 2 d) Neither 1 Nor 2

6. Which of the following is amongst the indicators used in Multidimensional Poverty Index (MPI)?

1. Cooking Fuel

2. Sanitation

3. Drinking Water

4. Child Mortality

5. Electricity

6. Housing

Which of the above statements is/or correct?

a) 1, 2, 5, 6 b) 4 Only

c) 3, 4, 5, 6 d) 1, 2, 3, 4, 5, 6