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TOPIC GENERAL STUDIES 3: **ECONOMICS- ECONOMIC DEVELOPMENT- GOV POLICIES**

September 2020

1) Start-Up Village Entrepreneurship Programme (SVEP):

SVEP has made an impressive progress and has extended business support services and capital infusion to 153 blocks of 23 states as of August 2020.

• Around, 2,000 trained cadre of Community Resource Person-Enterprise Promotion (CRP-EP) are providing services to rural entrepreneurs and as on August 2020, around 100,000 enterprises are supported by them.

What is Start-Up Village Entrepreneurship Programme (SVEP)?

Implemented by Deendayal Antyodaya Yojana –National Rural Livelihoods Mission (DAY-NRLM), Ministry of Rural Development, as a sub-scheme since 2016.

Focus of the scheme: Providing self-employment opportunities with financial assistance and training in business management and soft skills while creating local community cadres for promotion of enterprises.

• Entrepreneurship Development Institute of India (EDII), Ahmedabad is the technical support partner of SVEP.

• SVEP promotes both individual and group enterprises, set-up and promote enterprises majorly on manufacturing, trading and service sectors.

Who are community resource persons – enterprise promotion?

The programme seeks to develop pool of community resource persons – enterprise promotion (CRP-EP) who are local and support entrepreneurs setting-up rural enterprises.

• The CRP-EPs are certified and provides business support services to the entrepreneurs.

2) AGRICULTURAL REFORMS

Recently, the Government of India passed three Acts with an aim to reform agriculture in India, namely- The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020, The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020 and The

Essential Commodities (Amendment) Act, 2020.

What was the need for these reforms?

• Unremunerative of farming: The infographic highlights the trends of increasing indebtedness, stagnation of trade and migration patterns among others.

• Issues with APMCs: The Standing Committee on Agriculture (2018-19) identified following issues:

o Most APMCs have a limited number of traders operating, which leads to cartelization and reduces competition. Traders, commission agents, and other functionaries organize themselves into associations, which do not allow easy entry of new persons into market yards, stifling competition.

o Undue deductions in the form of commission charges and market fees.

o The Acts are highly restrictive in promotion of multiple channels of marketing (such as more buyers, private markets, direct sale to businesses and retail consumers, and online transactions) and competition in the system.

• Other motivations:

o A High-Powered Committee of seven Chief Ministers recommended changes to the Essential Commodities Act, 1955 (which provides for control of production, supply, and trade of essential commodities) for attracting private investment in agricultural marketing and infrastructure.

Why is there opposition to these reforms?

The opposition to the Acts has been coming from farmers as well as traders. Apart from the issues and apprehensions from the Acts (they are mentioned alongside the analysis of the Bills), there were other procedural issues with the implementation of the Bill also-

• Violating the federal spirit of the Constitution: Various State Governments like Punjab and Haryana have objected that since Agriculture is a State subject, the passage of national laws, on a state subject, undermines India's federal consensus.

• Interfering in state subjects is administratively unwise: The Constitution assigned jurisdiction over agriculture markets to states due to the very localized nature of farm production. The first sale between the farmer and he trader is linked with the production process. This is location specific and it is states who are best placed
to determine the contours of production and sale including, taxation, credit, building farmer producer
organizations and physical markets.

• Not inclusive of farm organizations: Various organizations have stated that no consultations were held with major farm organizations.

• Limited discussion in Parliament: The opposition parties have been protesting the fact that very limited discussion happened on the Act and all political parties were not approached as part of the deliberations.

Other recent initiatives reforms taken by the Government

KRITAGYA Hackathon

• With an aim to promote potential technology solutions for enhancing farm mechanization with special emphasis on women-friendly equipment, the Indian Council of Agricultural Research (ICAR) has announced KRITAGYA (Krishi-TaknikGyan) hackathon under the National Agricultural Higher Education Project (NAHEP). o NAHEP aims to develop resources and mechanism for supporting infrastructure, faculty and student advancement, and providing means for better governance and management of agricultural universities. The project is proposed on 50:50 cost sharing basis between the World Bank and the Government of India, implemented at the Education Division, ICAR, New Delhi.

• Students, faculties, and innovators or entrepreneurs from universities and technical institutions can apply and participate in the event in the form of a group.

Centralized Farm Machinery Performance Testing Portal

• The portal was launched by the Minister for Agriculture and Farmers Welfare. It was developed by the Department of Agriculture, Cooperation and Farmers Welfare to improve services of farm machinery testing institutions and create transparency in the process of testing and evaluation of machines.

• It will facilitate manufacturers in applying, communicating and monitoring the progress of testing of their machines in a seamless manner from any location.

3) THE FARMERS' PRODUCE TRADE AND COMMERCE (PROMOTION AND FACILITATION) ACT, 2020

Key features of the Act

• Trade of farmers' produce: The Act allows intra-state and inter-state trade of farmers' produce outside:

(i) the physical premises of market yards run by market committees formed under the state APMC Acts and

(ii) other markets notified under the state APMC Acts.

• Electronic trading: It permits the electronic trading of scheduled farmers' produce (agricultural produce regulated under any state APMC Act) in the specified trade area. An electronic trading and transaction platform may be set up to facilitate the direct and online buying and selling of such produce through electronic devices and internet.

o The following entities may establish and operate such platforms:

(i) companies, partnership firms, or registered societies, having permanent account number under the Income Tax Act, 1961 or any other document notified by the central government, and

(ii) a farmer producer organization or agricultural cooperative society.

• Market fee abolished: The Act prohibits state governments from levying any market fee, cess or levy on farmers, traders, and electronic trading platforms for trade of farmers' produce conducted in an 'outside trade area'.

Intended benefits of the Act

• Reduced role of intermediaries: The new legislation could create an ecosystem where the farmers and traders will enjoy freedom of choice of sale and purchase of agri-produce. Thus, ending the monopoly exercised by traders and other intermediaries resulting in full realization of the price.

o For example, a turmeric farmer now could sell her produce to BigBasket in Delhi, without any mandi tax or trader commission, at a mutually agreed upon price.

• Integrated Market: Barrier-free inter-state and intra-state trade and commerce would enable farm surplus to move freely from surplus to deficit regions. It will advance the idea of 'one Nation, one Agri-market'.

o Currently, the agricultural markets are very fragmented. For instance, the monthly average price of rice in 2019 ranged from ₹2,042 per quintal in Agra (Uttar Pradesh) to ₹5,102 in Gangtok (Sikkim). The variation is more pronounced in case of vegetables.

• Encouraging APMC reforms: Private markets could put pressure on APMC markets (the Act does not repeal the APMC laws) to infuse more transparency and efficiency in their functioning. The State governments have a significant role in reforming the APMC system:

o depoliticize the committees and make them more farmer friendly.

o to allow APMC markets to compete with private markets; the cess levied on market transactions can be waived. o privatizing mandis that are not viable.

Potential issues from the Act

• Sudden changes in market mechanisms may not bode well for the market. For instance, in 2006, Bihar repealed its APMC Act with an objective to attract private investment

in the sector and gave charge of the markets to the concerned sub-divisional officers in that area. This resulted in: o Erosion of the existing infrastructure over time due to poor upkeep.
o farmers facing issues such as high transaction charges and lack of information on prices and arrival of produce.
• The Act creates an artificial distinction between "market areas" (regulated by the mandi system under state governments) and "trade areas" (now under the central Acts), thus risking a problem of dual regulatory market.
o Also, the new unregulated market space called the 'trade area' will have no oversight and the government will have no information or intelligence about who the players are, who is transacting with who for what quantities and at what prices.
• The newly created 'trade areas' would have a clear regulatory advantage over 'market areas' vis-à-vis the mandi tax. This could potentially lead to a collapse of the APMC system and initiatives like e-NAM which are riding on top of physical mandi structure in the country.
• The Act leaves a critical institutional space- how state-specific implementation investments, crucial for running efficient markets, will be negotiated and managed, if APMC are bypassed.
• State Governments will lose mandi tax, which is a major source of revenue for States like Punjab and Haryana.

4) THE FARMERS (EMPOWERMENT AND PROTECTION) AGREEMENT ON PRICE ASSURANCE AND FARM SERVICES ACT, 2020

Key features of the Act

• Farming agreement: The Act provides for a farming agreement between a farmer and a buyer prior to the production or rearing of any farm produce.
o The minimum period of an agreement will be one crop season, or one production cycle of livestock. The maximum period is 5 years, unless the production cycle is more than 5 years.
• Pricing of farming produce: The price of farming produce should be mentioned in the agreement. For prices subjected to variation, a guaranteed price for the produce and a clear reference for any additional amount above the guaranteed price must be specified in the agreement.
o Further, the process of price determination must also be mentioned in the agreement.
• Dispute Settlement: A farming agreement must provide for a conciliation board as well as a

conciliation process for settlement of disputes.

The Board should have a fair and balanced representation of parties to the agreement.

o At first, all disputes must be referred to the board for resolution. If the dispute remains unresolved by the Board after thirty days, parties may approach the Sub-divisional Magistrate for resolution.

Parties will have a right to appeal to an Appellate Authority (presided by collector or additional collector) against decisions of the Magistrate.

o Both the Magistrate and Appellate Authority will be required to dispose of a dispute within thirty days from the receipt of application. The Magistrate or the Appellate Authority may impose certain penalties on the party contravening the agreement. However, no action can be taken against the agricultural land of farmer for recovery of any dues.

Intended benefits of the Act

• Promote Contract Farming: Giving a legal framework to contract farming will ensure groups of growers and entrepreneurs come together in a contractual relationship which will provide a ready market for growers for their produce, and ready access to raw material for the entrepreneurs (sponsors). o The Act empowers farmers to engage with processors, aggregators, wholesalers, large retailers, exporters etc., on a level playing field without any fear of exploitation.

• Lower risk for farmers: It will transfer the risk of market unpredictability from the farmer to the sponsor. Due to prior price determination, farmers will be shielded from the rise and fall of market prices.

• Improved inputs: It may provide farmer access to high quality seeds, better technology, fertilizers and pesticides along with impetus to research and new technology in agriculture sector.

• Attracting investments: This Act will act as a catalyst to attract private sector investment for building supply chains for supply of Indian farm produce to national and global markets, and in agricultural infrastructure.

• Reduced cost of marketing for farmers: Since, after signing contract, farmer will not have to seek out traders. The purchasing consumer will pick up the produce directly from the farm.

• Dispute Resolution: The Act also provides for effective dispute resolution mechanism for clear timelines. **Potential Issues from the Act**

• Farmers have expressed apprehension that once these Acts are passed, they would pave the way for dismantling of the minimum support price (MSP) system and leave the farming community at the "mercy" of big corporates.

o As a corollary, the farmers feel that the proposed legislations will suit big corporations more than farmers who will subsequently dominate the market.

o However, the Government has clarified that these Acts would not have any impact on the Minimum Support Price (MSP) mechanism which will continue.

• The Act, while offering protection to farmers against price exploitation, does not prescribe the mechanism for price fixation or a methodology for regulatory oversight.

• According to the Act, companies are not required to have a written contract with the farmer, making it difficult for farmers to prove terms.

o As a result, if a farmer gets into a dispute regarding her/his contract with a private company, it will be very difficult for the farmer to have the dispute settled in her/his favor.

o Also, in case of disputes, the District Administration has been entrusted with the responsibility to resolve; but it may not be well equipped to settle disputes.

5) THE ESSENTIAL COMMODITIES (AMENDMENT) ACT, 2020

Key features of the Act

• Regulation of food items: The Act provides that the central government may regulate the supply of certain food items including cereals, pulses, potatoes, onions, edible oilseeds, and oils, only under extraordinary circumstances. These include:

(i) war,

(ii) famine,

(iii) extraordinary price rise and

(iv) natural calamity of grave nature.

o The Essential Commodities Act, 1955 empowered the central government to designate certain commodities (such as food items, fertilizers, and petroleum products) as essential commodities. The central government may regulate or prohibit the production, supply, distribution, trade, and commerce of such essential commodities.

• Stock limit: The Act requires that imposition of any stock limit on agricultural produce must be based on price rise. A stock limit may be imposed only if there is:

(i) a 100% increase in retail price of horticultural produce; and

(ii) a 50% increase in the retail price of non-perishable agricultural food items.

o The increase in price will be calculated over the price prevailing immediately preceding 12 months, or the average retail price of the last five years, whichever is lower.

Intended benefits of the Act

• Ends harassment of Businessmen and traders: Governments had restrictions on hoarding on food commodities and could seize any excess stocks maintained by the traders. This resulted in widespread harassment of traders and rent-seeking behavior. Now with the new Act, inventories can be managed without such interference.

• Helps reduce wastage as storage facilities improve: Despite India losing a third of the agri. produce post harvest, businesses found it difficult to devise solutions to decrease that loss, mainly due to the regulation.

• Likely to attract private investment in Cold Storage, warehouses and processing: These reforms may accelerate growth in the sector through private sector investment in building infrastructure and supply chains for farm produce.

• Will bring price stability and raise farm incomes: Exempting selected commodities from ECA will improve the marketability of the crop for growers. Processors, exporters and traders will now be able to build inventory without fear of penal action.

Potential Issues from the Act

• Some experts fear that the Act would effectively legalize hoarding, as licenses will no longer be required to trade in these commodities. o Such a situation can lead to anti-competitive behavior by particular buyers in the food chains.

• Complete deregulation of these commodities could lead to dangerous situation of food supply problems during extraordinary circumstances as the Government will have no information on who the players are, and the levels of stocks are not clear.

6) AMENDMENTS TO PUBLIC PROCUREMENT ORDER, 2017

Recently, Public Procurement (Preference to Make in India) Order, 2017 was amended to give more preference to local suppliers.

Key highlights of the amended order

• Enables nodal Ministries/ Departments to notify higher minimum 'local content' requirement for Class-I & Class-II local suppliers.

o Earlier, Class-I local suppliers were defined as those having local content equal to or more than 50%, ClassII suppliers as having local content between 20 and 50%. o Local content is defined as the total value of the item procured less the value of imported content in the item as a proportion of the total value.

• Specifying foreign certifications/ unreasonable technical specifications/ brands/ models in the bid document is considered restrictive and discriminatory practice against local suppliers.

o Foreign certification shall be stipulated only with the approval of Secretary of the Department concerned.

• Entities of countries which do not allow Indian companies to participate in their government procurement for any item, shall not be allowed to participate in government procurement in India for all items related to that nodal ministry or department, except for the list of items published by the ministry or department permitting their participation.

• All administrative Ministries/ Departments whose procurement exceeds Rs. 1000 Crore per annum shall notify their procurement projections for the next 5 years on their respective website.

• An upper threshold value of procurement beyond which foreign companies shall enter into a joint venture with an Indian company to participate in government tenders shall be notified. About Public Procurement (Preference to Make in India), Order 2017

• It was issued under General Financial Rules 2017 to promote domestic value addition in public procurement.

• Under this, as revised in June 2020, only Class-I and Class-II local suppliers are eligible to bid in procurement of all goods, services or works, and with estimated value of purchases less than Rs. 200 crores.

o Global tender enquiry can be issued with the approval of the competent authority for purchases less than Rs. 200 crores.

• It is applicable on procurement of goods, services and works (including turnkey works) by a Central Ministry, Department, attached, subordinate offices, autonomous bodies controlled by the Government of India, Government companies, their Joint Ventures and Special Purpose Vehicles.

• For the verification of the local content, self-certification would be necessary. Nodal Ministries may also constitute committees with internal and external members for independent verifications of the self-declarations.

• A committee in Department for Promotion of Industry and Internal Trade will oversee the implementation of this order. Issues faced by local suppliers

• Some departments and PSUs impose mandatory eligibility clauses, such as a minimum turnover limit and the number of purchase orders previously executed for the procurement of materials.

• The time, cost and effort required for the tendering process, inadequate opportunities for buyer-seller interactions, inadequate information, complex vendor registration processes acts as obstacles to domestic suppliers.

• Many MSMEs complain that several traders have become vendors through GeM platform, which is hurting the interests of genuine MSEs. Suggestions Public procurement from MSE has been growing 3-4% year-on-year. From 23.11% in 2017-18, the procurement went up to 30.95% in 2019-20.

Some suggestions to further improve this are:

• There needs to be a digitised, easily-accessible central database of MSE vendors across the country. Authorities must also relax the qualification criteria of MSMEs vis-a-vis their large corporate counterparts to level the playing field.

• The major procuring ministries must undertake measures for training MSE vendors as well as PSUs and their procurement officers to inculcate greater knowledge of the sector and markets amongst them to encourage better cooperation and efficiency.

• Semi-independent testing labs should be established in every state to ensure fair and quick testing of the products.

• A feedback and grievance redressal portal, as well as an on-ground team, shall be set up.

7) BILATERAL NETTING

Recently Bilateral Netting of Qualified Financial Contracts Act, 2020 was enacted with an aim to ensure financial stability and promote competitiveness in Indian financial markets.

About Bilateral Netting

• A bilateral netting agreement enables two counterparties in a financial contract to offset claims against each other to determine a single net payment obligation due from one counterparty to the other. o Netting refers to offsetting of all claims arising from dealings between two parties, to determine a net amount payable or receivable from one party to other.

• Similarly, a multilateral netting agreement allows counterpartiesto offset claims against each other through a Central Counterparty (CCP) in a clearing house under the Payment and Settlement Systems (Amendment) Act (2015).

• Earlier, Indian financial contract laws did not permit bilateral netting, however, they did allow multi-lateral netting.

• In India, Bilateral contracts constitute 40% of total financial contracts, while multilateral contracts constitute 60%.

• Netting is very common in advanced economies where the settlement is based on net positions in bilateral or multilateral financial arrangements rather than by gross positions.

o At present, major jurisdictions such as the U.S., U.K., Australia, Canada, Japan, France, Germany, Singapore and Malaysia have legal provisions in place for netting agreements.

o Global regulatory bodies such as the Financial Stability Board (FSB) and the Basel Committee on Banking Supervision have supported the use of such netting. About Bilateral Netting of Qualified Financial Contracts Act, 2020

• It seeks to provide a legal framework for bilateral netting of qualified financial contracts (QFC) which are over the counter derivatives (OTC) contracts.

• Act seeks to provide o designation of any bilateral agreement or contract or transaction, or type of contract, as qualified financial contract by the Central Government or any of the regulatory authorities namely: ▪ Reserve Bank of India (RBI),

▪ Securities and Exchange Board of India (SEBI),

▪ Insurance Regulatory and Development Authority of India (IRDAI),

▪ Pension Fund Regulatory and Development Authority (PFRDA)

▪ International Financial Services Centres Authority (IFSCA).

o determination of the net amount payable under the close-out netting in accordance with the terms of the netting agreement.

o imposing of certain limitations on powers of administration practitioner.

Significance of this move

• Reduce credit risk and regulatory capital burden for banks, freeing up capital for other productive uses and also reduce systemic risk during defaults.

o Without bilateral netting, Indian banks have had to set aside higher capital against their trades in the overthe-counter (OTC) market, which impacts their ability to participate in the market.

o The capital saving would enable banks to provide price efficiency in offering hedging instruments to businesses in India, and catalyse the corporate bond market through developing the credit default swap (CDS) market.

• Reduce hedging costs and liquidity needs for banks, primary dealers and other market-makers, thereby encouraging participation in the OTC derivatives market to hedge against risk.

o Increased market participation in the CDS market would also provide an impetus for corporate bond market development.

• Establish an efficient recovery mechanism for financial contracts under instances of default by a counterparty.

• Adhere to India's G20 and FSB commitment to implement global regulatory reforms in the OTC derivatives market.

o A strong netting system generally gives rise to a thriving derivatives market, as it provides the most accurate picture of a company's financial position, solvency and liquidity risk.

8) Basel III compliant bonds

State Bank of India has raised ₹7,000 crore by issuing Basel III compliant bonds.

Key points:

● Bonds issued qualify as tier II capital of the bank, and has face value of Rs 10 lakh each.

● They bear coupon rate of 6.24 per cent per annum payable annually for a tenor of 10 years.

● There is call option after 5 years and on anniversary thereafter. Call option means the issuer of the bonds can call back the bonds before the maturity date by paying back the principal amount to investors. What are Basel guidelines? Basel guidelines refer to broad supervisory standards formulated by group of central banks- called the Basel Committee on Banking Supervision (BCBS). The set of agreement by the BCBS, which mainly focuses on risks to banks and the financial system are called Basel accord.

● Basel is a city in Switzerland which is also the headquarters of Bureau of International Settlement (BIS).

● The purpose of the accords is to ensure that financial institutions have enough capital on account to meet obligations and absorb unexpected losses.

BASEL-I:

● Introduced in 1988.

● Focused almost entirely on credit risk, it defined capital and structure of risk weights for banks.

● The minimum capital requirement was fixed at 8% of risk-weighted assets (RWA).

● India adopted Basel 1 guidelines in 1999. BASEL-II: Published in 2004.

The guidelines were based on three parameters:

● Banks should maintain a minimum capital adequacy requirement of 8% of risk assets.

● Banks were needed to develop and use better risk management techniques in monitoring and managing all the three types of risks that is credit and increased disclosure requirements. The three types of risk are- operational risk, market risk, capital risk.

● Banks need to mandatory disclose their risk exposure to the central bank.

Basel III: In 2010, Basel III guidelines were released. These guidelines were introduced in response to the financial crisis of 2008.

● Basel III norms aim at making most banking activities such as their trading book activities more capital-intensive.

● The guidelines aim to promote a more resilient banking system by focusing on four vital banking parameters viz. capital, leverage, funding and liquidity.

9) Pradhan Mantri Matsya Sampada Yojana launched:

Key features of the scheme:

1. It is a scheme for focused and sustainable development of fisheries sector in the country.
2. Rs. 20,050 crores has been sanctioned for its implementation during a period of 5 years from FY 2020- 21 to FY 2024-25 in all States/Union Territories, as a part of AatmaNirbhar Bharat Package.
3. The scheme focuses on beneficiary-oriented activities in Marine, Inland fisheries and Aquaculture.
4. It seeks to adopt 'Cluster or Area based approaches'.

Aims and targets of the scheme:

1. Enhance fish production by an additional 70 lakh tonne by 2024-25.
2. Increase fisheries export earnings to Rs.1,00,000 crore by 2024-25.
3. Double incomes of fishers and fish farmers. 4. Reduce post-harvest losses from 20-25% to about 10%.
5. Generate additional 55 lakhs direct and indirect gainful employment opportunities in fisheries sector and allied activities.

Uniqueness of the scheme: While aiming to consolidate the achievements of Blue Revolution Scheme, PMMSY envisages many new interventions such as fishing vessel insurance, support for new/up-gradation of fishing vessels/boats, Bio-toilets, Aquaculture in saline/alkaline areas, Sagar Mitras, FFPOs/Cs, Nucleus Breeding Centres, Fisheries and Aquaculture start-ups, Incubators, etc. Other initiatives announced at the launch of PMMSY scheme: 1. Establishment of Fish Brood Bank at Sitamarhi.

2. Aquatic Disease Referral Laboratory at Kishanganj.

3. One-unit fish feed mill at Madhepura and two units of 'Fish on Wheels' assisted at Patna under Blue Revolution. 4. Comprehensive Fish Production Technology Centre at Dr. Rajendra Prasad Central Agricultural University, Pusa, Bihar.

10) Rashtriya Gokul Mission

PM recently inaugurated the following under Rashtriya Gokul Mission:

1. Semen Station with state of the art facilities in Purnea, Bihar.

2. IVF lab established at Animal Sciences University, Patna.

3. Sex sorted semen in artificial insemination by Baroni Milk Union in Begusarai district of Bihar.

What is Rashtriya Gokul Mission:

To conserve and develop indigenous bovine breeds, government launched 'Rashtriya Gokul Mission' in 2014 under the National Programme for Bovine Breeding and Dairy Development (NPBBD).

What are the main objectives of the mission?

1. developmentt and conservation of indigenous breeds.

2. undertake breed improvement programme for indigenous cattle breeds so as to improve the genetic makeup and increase the stock.

3. enhance milk production and productivity.

4. upgrade nondescript cattle using elite indigenous breeds like Gir, Sahiwal, Rathi, Deoni, Tharparkar, Red Sindhi. 5. distribute disease free high genetic merit bulls for natural service.

How is the scheme implemented?

1. Implemented through the "State Implementing Agency (SIA viz Livestock Development Boards).

2. State Gauseva Ayogs will be given the mandate to sponsor proposals to the SIA's (LDB's) and monitor implementation of the sponsored proposal.

3. All Agencies having a role in indigenous cattle development will be the "Participating Agencies" like CFSPTI, CCBFs, ICAR, Universities, Colleges, NGO's, Cooperative Societies and Gaushalas with best germplasm.

What are Gokul Grams?

Funds under the scheme will be allocated for the establishment of Integrated Indigenous Cattle Centres viz "Gokul Gram".

Where they can be established?

Gokul Grams will be established in: i) the native breeding tracts and ii) near metropolitan cities for housing the urban cattle.

Roles and responsibilities of Gokul Grams:

1. Act as Centres for development of Indigenous Breeds and a dependable source for supply of high genetic breeding stock to the farmers in the breeding tract.

2. They will be self sustaining and will generate economic resources from sale of A2 milk (A2 milkis cow's milk that mostly lacks a form of β-casein proteins called A1 and instead has mostly the A2 form), organic manure, vermi-composting, urine distillates, and production of electricity from bio gas for in house consumption and sale of animal products.

3. They will also function as state of the art in situ training centre for Farmers, Breeders and MAITRI's.

4. The Gokul Gram will maintain milch and unproductive animals in the ratio of 60:40 and will have the capacity to maintain about 1000 animals. Nutritional requirements of the animals will be provided in the Gokul Gram through in house fodder production.
5. Metropolitan Gokul Gram will focus on genetic upgradation of urban cattle.

11) CAROTAR 2020 Rules:

The Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020 (CAROTAR, 2020) came into force on September 21.

What are these rules?

They set guidelines for enforcement of the 'rules of origin' for allowing preferential rate on imports under free trade agreements.

- They supplement the existing operational certification procedures prescribed under different trade agreements (FTA/ PTA/ CECA/ CEPA).

Background:

They were notified on 21st August, 2020 by the Department of Revenue. 30 day period was given to importers and other stakeholders to familiarize themselves with new provisions.

CAROTAR rules:

- An importer is now required to do due diligence before importing the goods to ensure that they meet the prescribed originating criteria.
- A list of minimum information which the importer is required to possess has also been provided in the rules along with general guidance.
- An importer would now have to enter certain origin related information in the Bill of Entry, as available in the Certificate of Origin.

Implications:

The new norms have been framed with a view to check inbound shipments of low quality products and dumping of goods by a third country routed through an FTA partner country.

- Under these rules, a country that has inked an FTA with India cannot dump goods from some third country in the Indian market by just putting a label on it.

Significance of these rules:

The new Rules will support the importer to correctly ascertain the country of origin, properly claim the concessional duty and assist Customs authorities in smooth clearance of legitimate imports under FTAs.

- The new Rules would also strengthen the hands of the Customs in checking any attempted misuse of the duty concessions under FTAs.

12) Coal Gasification and Liquefaction:

Union Minister of Coal and Mines recently addressed a webinar on Coal Gasification and Liquefaction. He said;

1. India aims for 100 million tonnes (MT) coal gasification by 2030 with investments worth over Rs. 4 lakh crores.
2. For encouraging use of clean sources of fuel, government has provided for a concession of 20% on revenue share of coal used for gasification. This will boost production of synthetic natural gas, energy fuel, urea for fertilisers and production of other chemicals.

What is coal gasification?

It is the process of producing syngas, a mixture consisting carbon monoxide (CO), hydrogen (H_2), carbon dioxide (CO_2), natural gas (CH_4), and water vapour (H_2O).

• During gasification, coal is blown with oxygen and steam while also being heated under high pressure.

During the reaction, oxygen and water molecules oxidize the coal and produce syngas.

Benefits of gasification:

1. Transporting gas is a lot cheaper than transporting coal.
2. Help address local pollution problems.
3. Has greater efficiency than conventional coal-burning because it can effectively use the gases twice: the coal gases are first cleansed of impurities and fired in a turbine to generate electricity. The exhaust heat from the gas turbine can be captured and used to generate steam for a steam turbine-generator.

Concerns and challenges:

Coal gasification is one of the more water-intensive forms of energy production.

There are also concerns about water contamination, land subsidence and disposing of waste water safely.

What is coal liquefaction?

Also called Coal to Liquid (CTL) technology, it is an alternative route to produce diesel and gasoline and makes economic sense only in a world of high crude oil prices.

• The process involves gasification of coal, which in turn will produce synthetic gas (a mix of CO+H_2). The synthetic gas can be liquefied to its fuel equivalent in presence of cobalt/iron-based catalysts at higher pressure and temperature.

• However, liquefied coal emits twice as much CO_2 as burning oil. It also emits a large volume of SO_2.

Benefits of liquefaction:

The CO_2 emissions are more readily and cheaply captured from CTL plants than from conventional coal-fired power stations. The captured CO_2 can be transported and injected into underground storage reservoirs (a procedure known as "carbon capture and storage"—CCS—or "geosequestration").

13) Streets for People Challenge launched:

What is it?

• It is the response to the need for making our cities more walkable and pedestrian friendly.

• The Challenge builds on the advisory issued by MoHUA for the holistic planning for pedestrian-friendly market spaces, earlier this year.

Implementation:

Fit India Mission, under Ministry of Youth Affairs and Sports, along with the India program of the Institute for Transport Development and Policy (ITDP) have partnered with the Smart Cities Mission to support the challenge.

What is the challenge all about? What it seeks to achieve?

• It supports cities across the country to develop a unified vision of streets for people in consultation with stakeholders and citizens.

• Adopting a participatory approach, cities will be guided to launch their own design competitions to gather innovative ideas from professionals for quick, innovative, and low-cost tactical solutions.

• It aims to inspire cities to create walking-friendly and vibrant streets through quick, innovative, and low-cost measures.

• All cities participating in the challenge shall be encouraged to use the 'test-learn-scale' approach to initiate both, flagship and neighbourhood walking interventions. Interventions under the challenge may include: Creating pedestrian-friendly streets in high footfall areas, re-imagining under-flyover spaces, re-vitalizing dead neighbourhood spaces, and creating walking links through parks and institutional areas.

14) Electricity Act amendment:

The Telangana government has resolved to present a strong case against the proposed amendment to the Electricity Act, 2003 by the Central government, terming it as a "unilateral decision and a blatant attempt against the federal spirit aimed at usurping the States' powers".

Key points:

● The State Legislative Assembly adopted a resolution voicing its strong opposition to the proposed amendment, claiming it was aimed at centralisation of powers, and would impose a huge burden on States.

● The resolution demanded that the Centre immediately rescind its moves that were harmful to the interests of the people, farmers and underprivileged sections in particular.

Contentious clauses in the Electricity Amendment Bill, 2020: The Bill seeks to end subsidies. All consumers, including farmers, will have to pay the tariff, and the subsidy will be sent to them through direct benefit transfer.

States are worried about this clause because:

- This would mean people would have to pay a huge sum towards electricity charges, while receiving support through direct benefit transfer later.
- This would result in defaults leading to penalties and disconnection. The Bill "divests" the States of their power to fix tariff and hands over the task to a Central governmentappointed authority.
- This is discriminatory, since the tariff can be tweaked according to the whims and fancies of the Central government. The Bill also makes it compulsory for the State power companies to buy a minimum percentage of renewable energy fixed by the Centre.
- This would be detrimental to the cash- strapped power firms.

Other key provisions in the Bill:

Renewable Energy Policy: It delegates the Central Government with the power to prepare and notify a
National Renewable Energy Policy "for promotion of generation of electricity from renewable sources", in
consultation with State Governments.

Cross Border Trade: The Central Government has been delegated with the power to prescribe rules and
guidelines to allow and facilitate cross border trade of electricity.

Creation of Electricity Contract Enforcement Authority: It has been proposed to be given sole jurisdiction to
adjudicate upon matters on performance of obligations under a contract regarding sale, purchase and
transmission of electricity, which exclusion of this specialized authority's jurisdiction on determination of tariff
or any other dispute regarding tariff.

15) COMPANIES (AMENDMENT) ACT, 2020

Recently, Companies (Amendment) Act, 2020 was.

Background

- The Companies (Amendment) Act, 2020 has been based on the Company Law Committee (CLC) which was set up under the Chairmanship of Shri Injeti Srinivas in September, 2019.
- The CLC was constituted with a view to decriminalize offences and provide ease of doing business as part of the government Covid-19 relief package to the corporates and other stakeholders.

Key amendments made

- Decriminalising offenses: Amendment removes the penalty, imprisonment for 9 offenses which relate to non-compliance with orders of the national company law tribunal (NCLT), and reduces the amount of fine payable in certain cases. o However, there will be no relaxation for serious offences, including fraud and those that cause "injury to public interest or deceit"

o Also under the Act, one-person companies or small companies are only liable to pay up to 50% of the penalty for certain offences.

▪ Amendment extends this provision to all producer companies and start-up companies.

• Exclusion from listed companies: Amendment empowers the Centre in consultation with the SEBI, to exclude companies issuing specified classes of securities from the definition of a "listed company".

• Producer companies: Under the 2013 Act, certain provisions from the Companies Act, 1956 continue to apply to producer companies. These include provisions on their membership, conduct of meetings, and maintenance of accounts.

o Amendment removes these provisions and adds a new chapter in the Act with similar provisions on producer companies which will particularly benefit to Farmers Producer companies. o Producer companies include companies which are engaged in the production, marketing and sale of agricultural produce, and sale of produce from cottage industries.

• Corporate Social Responsibility (CSR): Under 2013 Act, companies with net worth, turnover or profits above a specified amount are required to constitute CSR Committees and spend 2% of their average net profits in the last three financial years, towards its CSR policy.

o Now, Amendment exempts companies with a CSR liability of up to Rs 50 lakh a year from setting up CSR Committees. Also, eligible companies under CSR provision will be allowed to set off any amount spent in excess of their CSR spending obligation in a particular financial year towards such obligation in subsequent financial years.

• Benches of NCLAT: Amendment seeks to establish benches of the National Company Law Appellate Tribunal in New Delhi.

• Remuneration to non-executive directors: Amendment extends special provisions for payment of remuneration to non-executive directors, including independent directors if the company has inadequate or no profits in a year.

Related News Insolvency and Bankruptcy Code (Second Amendment) Act, 2020 • Recently Insolvency and Bankruptcy Code (Second Amendment) Act, 2020 was also enacted as an step to improve ease of doing business. • It amends the Insolvency and Bankruptcy Code, 2016 which provides a time bound process for resolving insolvency in companies and also among individuals.

• The legislation seeks to temporarily suspend initiation of the corporate insolvency resolution process (CIRP) under the Code. o It provides that for defaults arising during the six months from 25th of March this year, CIRP can never be initiated by either the company or its creditors.

o Central government may extend this period to one year through notification.

o Insolvency is a situation where individuals or companies are unable to repay their outstanding debt.

• It replaces the Insolvency and Bankruptcy Code (Amendment) Ordinance, 2020 promulgated in June this year.

• Amendments were brought due to the Covid-19 situation to give the immunity to the business from insolvency proceedings in this critical situation.

Factoring Regulation (Amendment) Bill, 2020

• Recently, The Factoring Regulation (Amendment) Bill, 2020 was passed in Lok Sabha.

• Bill seeks to amend the Factoring Regulation Act, 2011 to widen the scope of entities which can engage in factoring business.

• Bill seeks to help micro, small and medium enterprises by providing additional avenues for getting credit facility, especially through Trade Receivables Discounting System.

• 2011 Act was enacted to provide for regulating the assignment of receivables to factors, registration of factors carrying on factoring business and the rights and obligations of parties to the contract for assignment of receivables. o Factoring business is a business where an entity (referred as factor) acquires the receivables of another entity (referred as assignor) for an amount.

o Receivables is the total amount that is owed or yet to be paid by the customers (referred as the debtors) to the assignor for the use of any goods, services or facility.

o Factor can be a bank, a registered non-banking financial company or any company registered under the Companies Act.

16) RESTRUCTURING OF LOANS

Recently, Reserve Bank of India (RBI) appointed K V Kamath committee submitted its report on resolution framework for bank loans which were stressed on account of the COVID-19 pandemic.

• Earlier, RBI announced "Resolution Framework for COVID-19 related Stress" as a one-time restructuring scheme for lenders.

• It will allow lenders to change repayment terms for their borrowers. Lenders will be able to consider borrower's account as standard and will not have to tag them as defaulters or their account as a nonperforming loan.

o The accounts turn non-performing assets (NPAs) after 90 days of overdue in making payments.

The accounts are classified as standard before this 90-day period.

• Kamath committee was set up to make recommendations on the required financial parameters to be factored in the resolution plans, along with sector specific benchmark ranges for such parameters. About Loan restructuring • It is a process used by companies and individuals facing financial distress or on the brink of insolvency to lower and renegotiate their debts and restore liquidity so that companies can continue their business.

• Basically, loans are restructured to avoid the risk of default on existing debt. The restructuring enables borrowers to reschedule their loan payment, get a limited loan repayment holiday, or lower interest rates on their existing loans.

Key Findings/Suggestions made by the Committee

• It recognizes that COVID-19 pandemic has affected the best of companies, these businesses were otherwise viable under pre-COVID-19 scenario, its impact is pervasive across several sectors but with varying severity – mild, moderate and severe.

o A segmented approach of bucketing these accounts under mild, moderate and severe stress, may ensure quick turnaround.

• About 70% of banking sector loans have been impacted due to the COVID-19 pandemic, adding that about 45% were stressed even before the pandemic, and only 30% is impacted due to COVID-19 and the consequent lockdown.

• The Committee identified financial ratios related to solvency, liquidity, and coverage for assessment of resolution plans.

o Solvency ratios (such as total debt to earnings before interest, depreciation and tax ratio) denote the ability of a company to meet long-term financial obligations.

o Liquidity ratio or current ratio denotes the ability to meet short-term obligations.

o Coverage ratio (such as debt service coverage ratio) denotes the extent to which cash flow can cover debt payments (in a given time period).

• Based on the outstanding and the severity impact, the Committee selected 26 sectors including power, construction, NBFCs and real estate, for the purpose of recommending financial parameters to be factored in the Resolution plan

17) REVISED PRIORITY SECTOR LENDING (PSL) GUIDELINES

The Reserve Bank of India (RBI) revised priority sector lending (PSL) guidelines to include entrepreneurship and renewable resources, in line with emerging national priorities.

What is Priority Sector Lending (PSL) and how it works?

The concept of 'Priority sector lending' focuses on the idea of increasing the lending of the banks towards few specified sectors and activities in the economy. The banks are mandated to encourage the growth of such sectors with adequate and timely credit.

Following are the key features of PSL methodology:

• The rate of interest on bank loans is as per directives issued by the Department of Banking Regulation of RBI, from time to time. Priority sector guidelines do not lay down any preferential rate of interest for priority sector loans.

• The provisions of PSL apply to every Commercial Bank [including Regional Rural Bank (RRB), Small Finance Bank (SFB), Local Area Bank] and Primary (Urban) Co-operative Bank (UCB) other than Salary Earners' Bank licensed to operate in India by the Reserve Bank of India.

o All scheduled commercial banks and foreign banks (with a sizable presence in India) are mandated to set aside 40% of their Adjusted Net Bank Credit (ANDC) for lending to these sectors. o Regional rural banks, co-operative banks and small finance banks have to allocate 75% of ANDC to PSL.

✓ Total PSL target for urban cooperative banks will also be increased from present 40% of their adjusted net bank credit (ANBC) to 75% by 31 March 2024.

• To ensure continuous flow of credit to priority sector, the compliance of banks is monitored on 'quarterly' basis.

• Shortfall on PSL targets:

o Banks having any shortfall in lending to priority sector are allocated amounts for contribution to the Rural Infrastructure Development Fund (RIDF) established with NABARD and other funds with NABARD/NHB/SIDBI/ MUDRA Ltd., as decided by the Reserve Bank from time to time.

o Non-achievement of priority sector targets and sub-targets is also taken into account while granting regulatory clearances/approvals for various purposes.

What has been changed in the revised PSL guidelines?

For this review, RBI considered the recommendations made by the UK Sinha-led expert committee on Micro, Small and Medium Enterprises and the MK Jain led Internal Working Group to Review Agriculture Credit apart from discussions with all stakeholders.

Some of the salient features of revised PSL guidelines are:

• Fresh categories included in the PSL category:

o bank finance of up to ₹50 crore to start-ups.

o loans to farmers both for installation of solar power plants for solarisation of grid-connected agriculture pumps.

o for setting up compressed biogas (CBG) plants.

• Higher weightage has been assigned to incremental priority sector credit in 'identified districts' where priority sector credit flow is comparatively low.

o Accordingly, from FY 2021-22, a higher weight (125%) would be assigned to the incremental priority sector credit in the identified districts where the credit flow is comparatively lower and a lower weight (90%) would be assigned for incremental priority sector credit in the identified districts where the credit flow is comparatively higher.

• The targets prescribed for 'small and marginal farmers' and 'weaker sections' are being increased in a phased manner.

• Higher credit limit has been specified for farmer producer organisations (FPOs)/farmers producers companies (FPCs) undertaking farming with assured marketing of their produce at a pre-determined price.

• Loan limits for renewable energy have been doubled.

• For improvement of health infrastructure, credit limit for health infrastructure (including those under 'Ayushman Bharat') has been doubled.

What are potential benefits from this revision?

• Provide support to farmers: Provisions like support for installation of solar power plants and support to small and marginal farmers provide the requisite financial support farmers, thus encouraging the agricultural sector. o Also, higher credit limit to FPOs/FPCs would encourage development of such institutions.

• Address regional disparities: New guidelines have the potential to address the regional disparities in the flow of priority sector credit via the new 'identified districts' methodology.

• Create environmentally friendly lending policies: Encouragement to sectors like renewable energy and development of Biogas Plants also aim to encourage and support environment friendly lending policies to help achieve Sustainable Development Goals (SDGs).

• Health Infrastructure: The revision in PSL guidelines will incentivise credit flow towards health infrastructure thus providing increased financial space to developing agencies in COVID and post-COVID financial scenario.

18) INNOVATION ECOSYSTEM: WHAT, WHY AND HOW?

Recently, India's rank improved in the Global Innovation Index (GII) by four places to 48th place in 2020 from 52nd position last year.

About GII

• It has been developed by the World Intellectual Property Organization (WIPO) together with top business universities like Cornell University, INSEAD etc.

• It measures the innovative capacity and outputs of 131 economies, using 80 indicators ranging from standard measurements such as research and development investments and patent and trademark filings, to mobilephone app creation and high-tech net exports.

Key Findings of the document

• COVID-19 crisis will impact innovation, leaders need to act as they move from containment to recovery.

o The pharmaceuticals and biotechnology sector are likely to experience R&D growth.

Other key sectors, such as transport, will have to adapt faster as the quest for clean energy is receiving renewed interest.

• The financial system is sound so far but money to fund innovative ventures is drying up. Venture Capital deals are in sharp decline across North America, Asia, and Europe.

• Geography of innovation is continuing to shift, as evidenced by the GII rankings.

Over the years, China, Vietnam, India, and the Philippines are the economies with the most significant progress in their GII innovation ranking over time. All four are now in the top 50.

• Despite some innovation catch-up, regional divides exist with respect to national innovation performance: Northern America and Europe lead, followed by South East Asia, East Asia and Oceania, and more distantly by Northern Africa and Western Asia, Latin America and the Caribbean, Central and Southern Asia, and SubSaharan Africa, respectively.

• For the first time, the GII 2020 presents the top 100 clusters ranked by their S&T intensity—that is, the sum of their patent and scientific publication shares divided by population.

o The top 100 clusters are located in 26 economies, of which 6— Brazil, China, India, Iran, Turkey, and the Russian Federation— are in middle-income economies. The U.S. continues to host the largest number of clusters (25), followed by China (17), Germany (10), and Japan (5).

What is an Innovation Ecosystem?

• An innovation ecosystem refers to a loosely interconnected network of companies and other entitiesthat co-evolve capabilities around a shared set of technologies, knowledge, or skills, and work cooperatively and competitively to develop new products and services.

o It is made up of different actors, relationships and resources who all play a role in taking a great idea to transformative impact at scale.

o The effectiveness of each part is moderated by other parts of the system (e.g. entrepreneurs depend on being able to access financing).

o A change to one part leads to changes in other parts of the innovation ecosystem (e.g. an increase in internet connectivity will accelerate the design and testing of new technologies).

• The three defining characteristics of an innovation ecosystem are the dependencies established among the members, a common set of goals and objectives and a shared set of knowledge and skills.

Why innovation ecosystems are important?

• Innovation ecosystems create an active flow of information and resources for ideas to transform into reality. It can develop and launch solutions to solve real-world problems, faster.

• Technological innovation is considered as a major source of economic growth. It increases productivity and generate greater output with the same input.

• Countries depend on innovation as new digital technologies and innovative solutions create huge opportunities to fight sickness, poverty and hunger.

• An effective innovation ecosystem enables entrepreneurs, companies, universities, research organisations, investors and government agencies to interact effectively to maximise the economic impact and potential of their research and innovation.

• Innovation is a key driver for sustenance and prosperity of start-ups, conglomerates, governments by helping them improve their service delivery and performance.

What are the challenges faced by innovation ecosystems in India?

• Indian innovations are invariably incremental and not disruptive- They are often 'first to India' and not 'first to the world'.

• Lack of Scalability- to create competitive marketable products with speed, scale and sustainability.

• Slower progress - Even though India is within touching distance of breaking into the top-50 innovator countries in the world, it is still quite far from a China, which filed, for instance, 53,345 patent applications with the WIPO in 2018 versus India's 2,013.

• Weak university research: India is an odd juxtaposition of stellar successes like the Chandrayaan and digital payments and a large number of unemployable engineering graduates and institutes that have very limited autonomy. Moreover, while our top-rung universities and institutes (IITs Delhi & Mumbai, IISc) do well regionally, they have consistently remained out of the global 100.

• Quality of the STEM talent pool- the gross enrollment ratio at the tertiary education level in India is a low 26% meaning, a vast reserve of potential research talent is lost.

Steps taken to improve the innovation ecosystem

• The India Innovation Growth Programme (IIGP) 2.0 is a unique tripartite initiative of the Department of Science and Technology (DST), Government of India, Lockheed Martin and Tata Trusts which enables innovators and entrepreneurs through the stages of ideation, innovation and acceleration, to develop technology-based solutions for tomorrow.

• Fiscal incentives by Government's Department of Scientific and Industrial Research (DSIR) for R&D activities performed by institutions, academia, and industry for supporting, nurturing, and leading their innovations towards fruition.

• SIDBI manages the India Innovation Fund—a registered venture capital fund that invests in innovation-led, early-stage Indian firms.

• Innovate India: It is a unique platform to display, promote and recognize innovations happening across the nation. It has been launched in collaboration with AIM-NITI Aayog and MyGov. Citizens from all parts of the country are eligible to share the innovation on the platform.

• Technology Development Board (TDB) provides soft loans and promotes the equity of Indian industry through the development and commercialization of indigenous technology and by adapting imported technology for domestic applications.

• Accelerating Growth of New India's Innovations (AGNIi): It aims to support the ongoing efforts to boost the innovation ecosystem in the country by connecting innovators across industry, individuals and the grassroots to the market and helping commercialize their innovative solutions.

• Various schemes such as Ramanujan Fellowship Scheme, the Innovation in Science Pursuit for Inspired Research (INSPIRE) Faculty scheme and the Ramalingaswami Re-entry Fellowship, Visiting Advanced Joint Research Faculty Scheme (VAJRA), Knowledge Involvement in Research Advancement through Nurturing (KIRAN), ATAL Innovation Mission (AIM), Self-Employment and Talent Utilization (SETU) etc.

Conclusion

India has the potential to boost its innovation ecosystem if it can tap all its ecosystem stakeholders simultaneously i.e. sectors like the government, industry, academia and society will have to work in tandem. The synergy created by simultaneous action will automatically provide the much-desired link between industry, academia and the research institutions. This link will also increase investments and encourage private sector participation in the ecosystem.

19) RESULTS OF RANKING OF STATES ON SUPPORT TO STARTUP ECOSYSTEMS

The Department for Promotion of Industry and Internal Trade (DPIIT) recently conducted the second edition of the States' Startup Ranking Exercise.

What is a Startup?

An entity will be considered a startup if it fulfills the conditions mentioned below:

• Entity Type: Incorporated as a private limited company (as defined in the Companies Act, 2013) or Registered as a partnership firm (under the Partnership Act, 1932) or Registered as a limited liability partnership (under the Limited Liability Partnership Act, 2008) in India

• Turnover: Must not exceed 100 crore rupees in any fiscal year

• Age: Below 10 years from date of incorporation

• Nature of Activity: Given that the entity is working towards – Innovation, Development or improvement of products/processes/services, Scalability, Job Creation or Wealth Creation. About States' Startup Ranking Framework 2019

• A total of 22 States and 3 Union Territories participated in the exercise.

• The framework has 7 broad reform areas consisting of 30 action points ranging from Institutional Support, Easing Compliances, Relaxation in Public Procurement norms, Incubation support, etc.

• To establish uniformity and ensure standardization in the ranking process, States and UTs have been divided into two groups

o Category 'Y'- with UTs except Delhi and all States in North East India except Assam o Category 'X'- All other States and UT of Delhi

• For ranking, States are classified into 5 Categories: Best Performers, Top Performers, Leaders, Aspiring Leaders and Emerging Startup Ecosystems.

Rankings

• Category X: Best Performer- Gujarat and Top Performers- Karnataka and Kerala

• Category Y: Best Performer- Andaman and Nicobar Islands and Leader- Chandigarh

• Leaders across 7 Reform Areas

o Karnataka for reforms in areas of Institutional Leaders, Regulatory Change Champions and Procurement Leaders

o Gujarat for reforms in areas of Incubation Hubs, Awareness and Outreach Champions and Scaling Innovations Leaders

o Bihar for reforms in areas of Seeding Innovation Leaders.

Significance of Startups in India

• Boosts employment: The startup ecosystem, tangibly adds to job creation in the nation. On an average 12 jobs created per startup totaling up to more than 3.5 Lakh jobs.

• High potential for growth: It is estimated that the number of unicorns in India will increase by three times, to 95 in 2025 with a cumulative valuation of approximately $390 billion.

• Fulfilling societal needs: Startups hold the key to address the critical needs of the country in areas like affordable healthcare, education, financial inclusion, etc.

• Fostering a culture of Innovation and technology: Startups work in an environment of changing technology and try to maximize profits by innovation. This also induces backward and forward linkages which stimulate the process of economic development in the country.

• Attracting foreign Investment and stimulating domestic investment: Indigenous startups have the potential to grow into large multinational firms and enterprises and thus can initiate an attractive and flourishing investment environment.

20) PANDEMIC RISK POOL

A working group of IRDAI has recommended setting up of an Indian Pandemic Risk Pool with public-private government participation to provide coverage for losses resulting from pandemics like COVID-19 in future.

What is pandemic risk pool?

• A pool refers to the practice of insurance companies coming together and committing funds to meet claims arising out of any particular insured risk in proportion to the business they do. In this manner, claim pay-out is shared among all pool participants.

• This method is followed when there is too much uncertainty about the risk for any insurer to take a call, like in nuclear risks, or when the losses are high and companies are reluctant to issue policies.

• Currently, it was suggested in the backdrop of COVID-19, which has affected not just health but all sectors of the economy, including but not limited to manufacturing, aviation, tourism, transportation, construction, services, agriculture and many others

• Thus, a risk pool could offer protection for business interruption without material damage, loss of income and livelihood and other related pandemic related losses currently not insured in India.

• Thus, IRDAI has proposed the mechanism of a Pandemic Risk Pool and setup a committee to recommend the structure and operating model for the pool.

• Similar pandemic pool proposals across the world, including in the US, France and Germany, are in various stages of approval.

Key recommendations of the committee

• Formation and Structure: Risk pooling mechanism with public-private-government participation would be more appropriate as the quantum of loss due to an epidemic/pandemic risk event is huge and hence is beyond the capacity of public and/ or private companies and/or government alone.

• Administration: General Insurance Corporation of India (GIC Re), which has experience of managing the Indian Terrorism Pool and Indian Nuclear pool shall be administrator for the proposed pandemic pool.

• Size and Financial capacity: Suggested setting up of a pandemic risk pool with a Rs 75,000 crore backstop (as security) guarantee from the government in the initial stages, with a view to help MSME workers and migrant labourers facing loss of income. o In the subsequent phases, the pandemic coverage will be extended to other lines of business, then the exposure will go up and the government backstop requirement will peak up to Rs 1,25,000 crore and then it will start gradually reducing.

Advantages of Pool Structure

• Affordability of coverage: With pooling a large share of country's exposure to an event like pandemic, aggregate cost of coverage would be lower than individual insurers could achieve on their own.

• Risk diversification: A single pool providing coverage for all the MSME's of a country on mandatory basis would create a more diversified portfolio of risks and reduce the anti-selection.

• Reduced cost of reinsurance: The cost of reinsurance tends to decline as the level of participation from the government increases so the cost to reinsure a single and diversified pool of risks with public participation would be lower.

• Maximizing the role of private insurers: The objective of pandemic pool should be to maximize the contribution of private markets to providing coverage over a period of time.

• Anti-selection: A compulsory cover through pandemic pool can eliminate the possibility of anti-selection.

Anti-Selection occurs when an employee or group of employees purchase or select coverages with a greater than likely loss at the expense of an insurance company.

21) GREEN TERM AHEAD MARKET

Recently, Central Electricity Regulatory Commission (CERC) approved Green term ahead market (GTAM) contracts on the Indian Energy Exchange (IEX) platform.

• This step comes after Real Time Market (RTM) trading was approved in power exchanges in June 2020.

• IEX currently trades through following models:

o Day Ahead Market (DAM), where transactions in electricity are allowed for a day in advance;

o Term Ahead Market (TAM), where electricity is traded the same day to up to 11 days in advance;

o Renewable Energy Certificate (REC), where green energy attributes of electricity are traded; and

o Real time Market (RTM), where auction sessions are conducted at even time blocks on the hour, and delivery commences one hour after the trade session is closed.

• Though the renewable penetration in the country is increasing, the participation of renewable energy in the existing DAM and TAM segment has remained negligible (less than 1%) as there has been no segregation between conventional power and green power by the system. To overcome this issue, an alternative new model, namely GTAM was introduced.

About GTAM

• GTAM has been specifically introduced for selling off the power by the renewable developers in the open market without getting into long term Power Purchase Agreements (PPAs).

• GTAM will provide an exclusive platform for short-term trading of Renewable Energy.

• Key features of GTAM:

o Energy scheduled through GTAM contract shall be considered as deemed RPO compliance of the buyer.

✓ Earlier, buyer of power from wind or a solar company could not claim that he had met RPO.

o Also, transactions through GTAM will be bilateral in nature with clear identification of corresponding buyers and sellers, there will not be any difficulty in accounting for Renewable Purchase Obligations (RPO).

o There will be separate contracts for both Solar and Non-Solar energy to facilitate Solar and Non-Solar RPO fulfillment.

o It will have Green Intraday (Ten Hourly Contracts for Same Day), Day Ahead Contingency (Hourly Contracts for Next Day), Daily (All or a block of Hours in a single day) and Weekly Contracts (Monday to Sunday).

o Price discovery will take place on a continuous basis i.e. price time priority basis.

Potential Benefits

• It would lessen the burden on RE-rich States and incentivize them to develop RE capacity beyond their own RPO. • This, along with the recently launched real-time trading in electricity will support seamless integration of RE power

• It would enable Obligated entities to procure renewable power at competitive prices to meet their RPO.

• Promote RE merchant capacity addition and help in achieving RE capacity addition targets of the country.

• GTAM platform will lead to increase in number of participants in RE sector. Buyers of RE through competitive prices and transparent and flexible procurement and RE sellers by providing access to pan- India market

o GTAM witnessed an encouraging response since its launch and has registered trade of three million units (MU) in the first 11 days.

• It will provide a platform to environmentally conscious open access consumers and utilities to buy green power.

About Renewable purchase obligation (RPO)

• RPO is a mechanism by which the obligated entities are obliged to purchase certain percentage of electricity from Renewable Energy sources, as a percentage of the total consumption of electricity. o Obligated Entities include Discoms, Open Access Consumers and Captive power producers.

• RPOs are categorized as Solar and Non Solar RPO.

• RPOs are provided under Electricity Act 2003 and the National Tariff Policy 2006.

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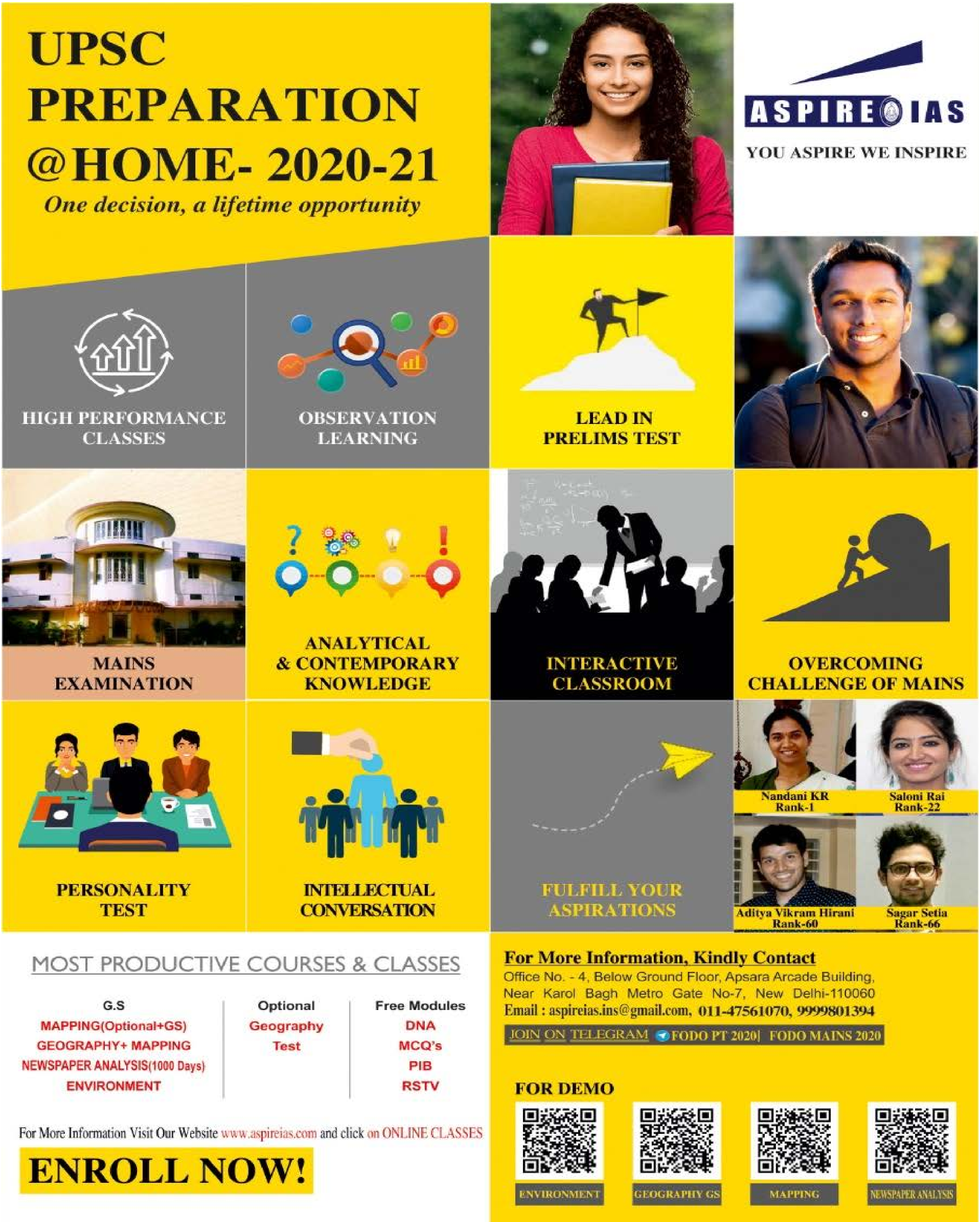
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