Crux of Indian Economy for IAS Prelims 2021 Book (July 2021 Edition)

Economy Current Affairs for the m/o September 2021

PFC issues India's first-ever Euro Green Bond (16-09-2021)

Power Finance Corporation Ltd (PFC), the leading NBFC in power sector, has successfully issued its maiden Euro 300 million 7-year Euro Bond issuance on 13.09.2021. The pricing of 1.841% achieved is the lowest yield locked in by an Indian Issuer in the Euro markets.

It is the first ever Euro denominated Green bond issuance from India. Moreover, it is the first ever Euro issuance by an Indian NBFC and the first Euro bond issuance from India since 2017.

The issuance saw a strong participation from institutional investors across Asia and Europe with a participation from across 82 accounts and was oversubscribed 2.65 times.

India scores 46th rank in the Global Innovation Index 2021 (20-09-2021)

India has climbed 2 spots and has been ranked 46th by the World Intellectual Property Organization in the Global Innovation Index 2021 rankings.

India has been on a rising trajectory, over the past several years in the Global Innovation Index (GII), from a **rank** of **81** in **2015** to **46** in **2021**. Innovation has been at the forefront of our battle against the unprecedented crisis created by the pandemic, and will be pivotal in driving the country's resilience and self-reliance, as enshrined in the Prime Ministers' clarion call on *Atma Nirbhar Bharat*.

The consistent improvement in the GII ranking is owing to the immense knowledge capital, the vibrant start-up ecosystem, and the amazing work done by the public and the private research organizations. The Scientific Departments like the Department of Atomic Energy; the Department of Science and Technology; the Department of Biotechnology and the Department of Space have played a pivotal role in enriching the National Innovation Ecosystem.

The NITI Aayog has been working tirelessly to ensure the optimization of the national efforts for bringing policy led innovation in different areas such as electric vehicles, biotechnology, nano technology, space, alternative energy sources, etc. The India Innovation Index, the latest edition of which was released last year by the NITI Aayog, has been widely accepted as a major step in the direction of decentralization of innovation across all the states of India. A constant thrust in monitoring and evaluating India's position in the global rankings has been provided by the NITI Aayog, including in the GII.

As we progress further towards saving lives and livelihoods and shaping the national economic growth trajectory, the GII-2021 will be a significant reference point for all the countries to assess their innovation capabilities and readiness, which will go a long way in boosting economic recovery.

The GII is the fulcrum for the governments – across the world – to assess the social and the economic changes in their respective countries. Over the years, the GII has established itself as a policy tool for various governments and helped them to reflect upon the existing status quo.

Government has approved Production Linked Incentive (PLI) Scheme for Textiles (08-09-2021)

Taking steps forward towards the vision of an 'Aatmanirbhar Bharat', Government led by Hon'ble Prime Minister, Shri Narendra Modi, has approved the PLI Scheme for Textiles for MMF Apparel, MMF Fabrics and 10 segments/ products of Technical Textiles with a budgetary outlay of Rs. 10,683 crore.

PLI scheme for Textiles is part of the overall announcement of PLI Schemes for 13 sectors made earlier during the Union Budget 2021-22, with an outlay of Rs. 1.97 lakh crore. With the announcement of PLI Schemes for 13 sectors, minimum production in India is expected to be around Rs. 37.5 lakh crore over 5 years and minimum expected employment over 5 years is nearly 1 crore.

PLI scheme for Textiles will promote production of high value MMF Fabric, Garments and Technical Textiles in country. The incentive structure has been so formulated that industry will be encouraged to invest in fresh capacities in these segments. This will give a major push to growing high value MMF segment which will complement the efforts of cotton and other natural fibre-based textiles industry in generating new opportunities for employment and trade, resultantly helping India regain its historical dominant status in global textiles trade.

The Technical Textiles segment is a new age textile, whose application in several sectors of economy, including infrastructure, water, health and hygiene, defense, security, automobiles, aviation, etc. will improve the efficiencies in those sectors of economy. Government has also launched a National Technical Textiles Mission in the past for promoting R&D efforts in that sector. PLI will help further, in attracting investment in this segment.

There are two types of investment possible with different set of incentive structure. Any person, (which includes firm / company) willing to invest minimum ₹300 Crore in Plant, Machinery, Equipment and Civil Works (excluding land and administrative building cost) to produce products of Notified lines (MMF Fabrics, Garment) and products of Technical Textiles, shall be eligible to apply for participation in first part of the scheme. In the second part any person, (which includes firm / company) willing to invest minimum ₹100 Crore shall be eligible to apply for participation in this part of the scheme.

In addition, priority will be given for investment in Aspirational Districts, Tier 3, Tier 4 towns, and rural areas and due to this priority Industry will be incentivized to move to backward area. This scheme will positively impact especially States like Gujarat, UP, Maharashtra, Tamilnadu, Punjab, AP, Telangana, Odisha etc.

It is estimated that over the period of five years, the PLI Scheme for Textiles will lead to fresh investment of more than Rs.19,000 crore, cumulative turnover of over Rs.3 lakh crore will be achieved under this scheme and, will create additional employment opportunities of more than 7.5 lakh jobs in this sector and several lakhs more for supporting activities. The textiles industry predominantly employs women, therefore, the scheme will empower women and increase their participation in formal economy.

Government Approves PLI Scheme for Drones and Drone Components (15-09-2021)

Taking another step towards realising our collective vision of an *Aatmanirbhar Bharat*, the Central Government under the leadership of Hon'ble Prime Minister Shri Narendra Modi, has approved the Production-Linked Incentive (PLI) scheme for **drones and drone components**.

Drones offer tremendous benefits to almost **all sectors of the economy**. These include**–** agriculture, mining, infrastructure, surveillance, emergency response, transportation, geo-spatial mapping, defence, and law enforcement to name a few. Drones can be significant creators of **employment and economic growth** due to their reach, versatility, and ease of use, especially in India's remote and inaccessible areas.

Given its traditional strengths in innovation, information technology, frugal engineering and its huge domestic demand, India has the potential of becoming a **global drone hub by 2030.**

The PLI scheme comes as a follow-through of the liberalised **Drone Rules, 2021** released by the Central Government on 25 August 2021. The PLI scheme and new drone rules are intended to catalyse super-normal growth in the upcoming drone sector.

Thanks to the new rules and the incentive scheme, the drones and drone components manufacturing industry may see an investment of over **INR 5,000 crore** over the next three years. The annual sales turnover of the drone manufacturing industry may grow from INR 60 crore in 2020-21 fold to over **INR 900 crore** in FY 2023-24. The drone manufacturing industry is expected to generate over **10,000 direct jobs** over the next three years.

The drone services industry (operations, logistics, data processing, traffic management etc.) is far bigger in scale. It is expected to grow to over **INR 30,000 crore** in next three years. The drone services industry is expected to generate over **five lakh** jobs in three years.

TOP FEATURES OF THE PLI SCHEME FOR DRONES

1. The total amount allocated for the PLI scheme for drones and drone components is INR 120 crore spread over three financial years. This amount is nearly double the combined turnover of all domestic drone manufacturers in FY 2020-21.
2. The incentive for a manufacturer of drones and drone components shall be as high as 20% of the value addition made by her.
3. The value addition shall be calculated as the annual sales revenue from drones and drone components (net of GST) minus the purchase cost (net of GST) of drone and drone components.
4. The Government, has agreed to keep the PLI rate constant at 20% for all three years, an exceptional treatment given only to the drone industry. In PLI schemes for other sectors, the PLI rate reduces every year.
5. The proposed tenure of the PLI scheme is three years starting in FY 2021-22. The PLI scheme will be extended or redrafted after studying its impact in consultation with the industry.

Government Notifies PLI Scheme for Automobile & Auto components (24-09-2021)

The PLI Scheme for the auto sector envisages to overcome the cost disabilities of the industry for manufacture of Advanced Automotive Technology products in India. The incentive structure will encourage industry to make fresh investments for indigenous global supply chain of Advanced Automotive Technology products.

It is estimated that over a period of five years, the PLI Scheme for Automobile and Auto Components Industry will lead to fresh investments of over Rs 42,500 crores, incremental production of over Rs 2.3 lakh crore and will create additional employment opportunities of over 7.5 lakh jobs. Further this will increase India's share in global automotive trade.

The PLI Scheme for Auto sector is open to existing Automotive companies as well as new Non-Automotive investor companies (who are currently not in automobile or auto component manufacturing business). The scheme has two components viz Champion OEM Incentive Scheme and Component Champion Incentive Scheme.

The scheme for Automobile and auto components will be implemented over a period of five years starting from FY 2022-2023.

An approved applicant shall be eligible for benefits for 5 consecutive Financial Years.

Financial Year 2019-20 shall be treated as the Base Year for calculation of Eligible sales.

Cabinet approves major Reforms in Telecom Sector (15-09-2021)

Liquidity needs of Telecom Service Providers addressed.

The Union Cabinet, chaired by the Prime Minister Shri Narendra Modi, approved a number of structural and process reforms in the Telecom sector. These are expected to protect and generate employment opportunities, promote healthy competition, protect interests of consumers, infuse liquidity, encourage investment and reduce regulatory burden on Telecom Service Providers (TSPs).

In the backdrop of the outstanding performance of the Telecom Sector in meeting COVID-19 challenges, with huge surge in data consumption, online education, work from home, interpersonal connect through social media, virtual meetings etc., the Reform measures will further boost the proliferation and penetration of broadband and telecom connectivity. The Cabinet decision reinforces the Prime Minister's vision of a robust Telecom Sector. With competition and customer choice, antyodaya for inclusive development and bringing the marginalized areas into the mainstream and universal broadband access to connect the unconnected. The package is also expected to boost 4G proliferation, infuse liquidity and create an enabling environment for investment in 5G networks.

Nine structural reforms and Five procedural reforms plus relief measures for the Telecom Service Providers are as below:

Structural Reforms

1. **Rationalization of Adjusted Gross Revenue: Non-telecom revenue will be excluded on prospective basis from the definition of AGR.**
2. Bank Guarantees (BGs) rationalized: Huge reduction in BG requirements (80%) against License Fee (LF) and other similar Levies. No requirements for multiple BGs in different Licenced Service Areas (LSAs) regions in the country. Instead, One BG will be enough.
3. Interest rates rationalized/ Penalties removed: From 1st October, 2021, Delayed payments of License Fee (LF)/Spectrum Usage Charge (SUC) will attract interest rate of SBI's MCLR plus 2% instead of MCLR plus 4%; interest compounded annually instead of monthly; penalty and interest on penalty removed.
4. For Auctions held henceforth, no BGs will be required to secure instalment payments. Industry has matured and the past practice of BG is no longer required.
5. Spectrum Tenure: In future Auctions, tenure of spectrum increased from 20 to 30 years.
6. Surrender of spectrum will be permitted after 10 years for spectrum acquired in the future auctions.
7. No Spectrum Usage Charge (SUC) for spectrum acquired in future spectrum auctions.
8. Spectrum sharing encouraged- additional SUC of 0.5% for spectrum sharing removed.
9. To encourage investment, 100% Foreign Direct Investment (FDI) under automatic route permitted in Telecom Sector. All safeguards will apply.

Procedural Reforms

1. Auction calendar fixed - Spectrum auctions to be normally held in the last quarter of every financial year.
2. Ease of doing business promoted - cumbersome requirement of licenses under 1953 Customs Notification for wireless equipment removed. Replaced with self-declaration.

3. **Know Your Customers (KYC) reforms**: Self-KYC (App based) permitted. E-KYC rate revised to only One Rupee. Shifting from Prepaid to Post-paid and vice-versa will not require fresh KYC.
4. Paper Customer Acquisition Forms (CAF) will be replaced by digital storage of data. Nearly 300-400 crore paper CAFs lying in various warehouses of TSPs will not be required. Warehouse audit of CAF will not be required.
5. SACFA clearance for telecom towers eased. DOT will accept data on a portal based on self-declaration basis. Portals of other Agencies (such as Civil Aviation) will be linked with DOT Portal.

Addressing Liquidity requirements of Telecom Service Providers

The Cabinet approved the following for all the Telecom Service Providers (TSPs):

1. Moratorium/Deferment of upto four years in annual payments of dues arising out of the AGR judgement, with however, by protecting the Net Present Value (NPV) of the due amounts being protected.
2. Moratorium/Deferment on due payments of spectrum purchased in past auctions (excluding the auction of 2021) for upto four years with NPV protected at the interest rate stipulated in the respective auctions.
3. Option to the TSPs to pay the interest amount arising due to the said deferment of payment by way of equity.
4. At the option of the Government, to convert the due amount pertaining to the said deferred payment by way of equity at the end of the Moratorium/Deferment period, guidelines for which will be finalized by the Ministry of Finance.

The above will be applicable for all TSPs and will provide relief by easing liquidity and cash flow. This will also help various banks having substantial exposure to the Telecom sector.

Ministry of Coal Constitutes Task Force and Expert Committee to Prepare Road Map for Coal based Hydrogen Production (07-09-2021)

On India's 75th Independence Day, the Prime Minster announced a Hydrogen Mission. Coal is one of the important sources of hydrogen making (Brown Hydrogen) apart from Natural Gas (Grey hydrogen) and renewable energy (Green Hydrogen) through electrolysis.

In case of renewable energy (Green Hydrogen) surplus solar power is used to electrolyze water into hydrogen and oxygen. The global emphasis is on substituting liquid fuels with hydrogen (as fuel in vehicles), storage of surplus renewable power as hydrogen (as power cannot be stored at a cost effective price), and cutting down emission.

Coal is one of the important sources of hydrogen making (Brown Hydrogen).

However, Coal has not been encouraged elsewhere because of the fear that while extracting hydrogen via coal (from the moisture embedded in coal) there may be carbon emission. Almost 100% of Hydrogen produced in India is through Natural Gas.

Cost of Hydrogen produced from coal can be cheaper and less sensitive to imports when compared with hydrogen production through electrolysis and Natural Gas respectively.

Production of hydrogen from coal will have challenges in terms of high emissions. However, when the carbon monoxide and carbon dioxide formed during coal to hydrogen process are trapped and stored in an environmentally sustainable manner, then, Indian coal reserves could become a great source of hydrogen.

Task Force has been constituted under the Chairmanship of Shri Vinod Kumar Tiwari, Additional Secretary Coal.

Expert Committee has been constituted under the chairmanship of Shri R.K. Malhotra, Director General of the Federation of Indian Petroleum Industry (FIPI).

Unique technology for direct generation of Hydrogen from agricultural residue developed (30-09-2021)

Indian researchers have developed a unique technology for direct generation of Hydrogen from agricultural residue. This innovation by Indian researchers can promote eco-friendly hydrogen fuel-cell electric vehicles by overcoming the challenge of hydrogen availability.

India has set a target of 60% renewable energy of about 450 GW by 2030. To achieve this feat, in the current scenario, researchers all over the world are working towards renewable energy solutions which should be sustainable with a limited carbon footprint. One of the most economical ways to achieve this is to produce hydrogen from a cheap, abundant, and renewable source. Agricultural waste, which faces a great challenge for disposal, could be one of the sources of hydrogen production, and this could solve the dual problem of energy generation and waste disposal.

A team of researchers from Agharkar Research Institute, Pune, an autonomous institute of the Department of Science and Technology (DST), GOI, in collaboration with Sentient labs of KPIT Technologies, have developed this technology at lab-scale to extract hydrogen from agricultural residues.

Government e Marketplace bags prestigious CIPS Award (23-09-2021)

Government e Marketplace (GeM) was announced as the winner in the "Best Use of Digital Technology" category at the CIPS Excellence in Procurement Awards 2021 (CIPS Awards). GeM emerged the winner in this category after competing with some of the biggest and best names in procurement across the public and private sector globally, including GEP, Jaguar Land Rover, Royal Dutch Shell, Vendigital and Shell.

The CIPS Awards are one of the leading recognitions around procurement globally, which is conducted under the aegis of The Chartered Institute of Procurement & Supply (CIPS), London. CIPS is a global not-for-profit organisation and professional body dedicated to promotinggood practices in procurement and supply management, with a community across 150 countries.

GeM offers a cashless, contactless, and paperless experience for sellers and buyers, and serves as an end-to-end solution for procurement of common use goods and services by Government buyers. GeM has completely replaced a previously fragmented public procurement ecosystem by a unified and easy-to-use e-marketplace helping to leverage competitiveness, accessibility, and economies of scale of a diverse, open and transparent procurement system.

Government e Marketplace is a 100% Government owned Section 8 Company setup under the aegis of Department of Commerce, Ministry of Commerce and Industry for procurement of goods and services by Central and State Government organizations.

Government's Borrowing Plan for Second Half (H2) of FY 2021-22 (27-09-2021)

The Government of India, in consultation with the Reserve Bank of India, has finalised its borrowing programme for the second half (H2) of FY 2021-22.

Out of gross market borrowing of ₹12.05 lakh crore projected for FY 2021-22 in the Union Budget, ₹7.24 lakh crore (60 %) was planned to be borrowed in first half (H1). The effective borrowing in H1 of FY 2021-22 was ₹7.02 lakh crore. The Government now plans to borrow the balance ₹5.03 lakh crore in second half year (H2) of FY 2021-22. The H2 FY 2021-22 projection also factors requirements for release of balance amount to states on account of back-to-back loan facility in-lieu of GST compensation during the year.

To take care of temporary mismatches in Government account, Reserve Bank of India has fixed the Ways and Mean Advance (WMA) limit for H2 at ₹50,000 crore.

WMA Limit for Government of India for the second half of the Financial Year 2021-22 (October 2021 to March 2022) (27-09-2021)

RBI, in consultation with the Government of India, has decided that the limit for Ways and Means Advances (WMA) for the second half of the financial year 2021-22 (October 2021 to March 2022) be fixed at ₹50,000 crore.

The Reserve Bank may trigger fresh floatation of market loans when the Government of India utilises 75 per cent of the WMA limit.

The Reserve Bank retains the flexibility to revise the limit at any time, in consultation with the Government of India, taking into consideration the prevailing circumstances.

The interest rate on WMA/overdraft will be:

- WMA: Repo Rate
- Overdraft: Two percent above the Repo Rate

21st Meeting of SCO Council of Heads of State in Dushanbe, Tajikistan (17-09-2021)

Prime Minister participated virtually in the 21st Meeting of the Council of Heads of State of the Shanghai Cooperation Organisation (SCO).

At Dushanbe, India was represented by External Affairs Minister Dr. S. Jaishankar.

This is the first SCO Summit held in a hybrid format and the fourth Summit that India participated as a full-fledged member of SCO.

Prime Minister chairs 13th BRICS Summit (09-09-2021)

As part of India's ongoing Chairship of BRICS in 2021, Prime Minister Shri Narendra Modi chaired the 13th BRICS Summit virtually.

The **theme of the Summit,** chosen by India, was, BRICS@15: Intra-BRICS Cooperation for Continuity, Consolidation and Consensus.

India had outlined four priority areas for its Chairship. These are Reform of the Multilateral System, Counter Terrorism, Using Digital and Technological Tools for achieving SDGs and Enhancing People to People exchanges.

The Summit saw the participation of all other BRICS Leaders - President Jair Bolsonaro of Brazil, President Vladimir Putin of Russia, President Xi Jinping of China, and President Cyril Ramaphosa of South Africa.

At the conclusion of the Summit, the leaders adopted the 'New Delhi Declaration'.

Brazil, Russia, India and South Africa extend full support to **China for its BRICS Chairship in 2022** and the holding of the XIV BRICS Summit.

Quad Leaders' Summit (25-09-2021)

On September 24, President Biden hosted Prime Minister Scott Morrison of Australia, Prime Minister Narendra Modi of India, and Prime Minister Yoshihide Suga of Japan at the White House for the first-ever in-person Leaders' Summit of the Quad.

Quad is a Quadrilateral Security Dialogue between India, US, Japan and Australia to discuss ways to balance China's growing ambitions in the Indo-Pacific region.

Joint Statement from Quad Leaders

On this historic occasion we recommit to our partnership, and to a region that is a bedrock of our shared security and prosperity—a free and open Indo-Pacific, which is also inclusive and resilient.

We reaffirm our strong support for ASEAN's unity and centrality and for ASEAN's Outlook on the Indo-Pacific, and we underscore our dedication towards working with ASEAN and its member states—the heart of the Indo-Pacific region—in practical and inclusive ways.

World Bank Group to Discontinue Doing Business Report (16-09-2021)

The World Bank Group issued the following statement on the Doing Business report:

"Trust in the research of the World Bank Group is vital. World Bank Group research informs the actions of policymakers, helps countries make better-informed decisions, and allows stakeholders to measure economic and social improvements more accurately. Such research has also been a valuable tool for the private sector, civil society, academia, journalists, and others, broadening understanding of global issues.

After **data irregularities on Doing Business 2018 and 2020 were reported** internally in June 2020, World Bank management paused the next Doing Business report and initiated a series of reviews and audits of the report and its methodology. In addition, because the internal reports raised ethical matters, including the conduct of former Board officials as well as current and/or former Bank staff, management reported the allegations to the Bank's appropriate internal accountability mechanisms.

After reviewing all the information available to date on Doing Business, including the findings of past reviews, audits, and the report the Bank released today on behalf of the Board of Executive Directors, **World Bank Group management has taken the decision to discontinue the Doing Business report.**

The World Bank Group remains firmly committed to advancing the role of the private sector in development and providing support to governments to design the regulatory environment that supports this. Going forward, we will be working on a new approach to assessing the business and investment climate. We are deeply grateful to the efforts of the many staff members who have worked diligently to advance the business climate agenda, and we look forward to harnessing their energies and abilities in new ways."

6th Eastern Economic Forum 2021 in Vladivostok, Russia (03-09-2021)

Prime Minister Shri Narendra Modi delivered a video-address during the plenary session of the 6th Eastern Economic Forum (EEF) held on 3 September 2021 in Vladivostok. It may be recalled that PM was the Chief Guest for the 5th EEF in 2019, the first by an Indian Prime Minister.

The Eastern Economic Forum was established by decree of the President of the Russian Federation Vladimir Putin in 2015 to support the economic development of Russia's Far East and to expand international cooperation in the Asia-Pacific region.

India and Singapore to link their Fast Payment Systems – Unified Payments Interface and PayNow (14-09-2021)

The Reserve Bank of India (RBI) and the Monetary Authority of Singapore (MAS) announce a project to link their respective fast payment systems viz. Unified Payments Interface (UPI) and PayNow. The linkage is targeted for operationalisation by July 2022.

The UPI-PayNow linkage will enable users of each of the two fast payment systems to make instant, low-cost fund transfers on a reciprocal basis without a need to get onboarded onto the other payment system.

The UPI-PayNow linkage is a significant milestone in the development of infrastructure for cross-border payments between India and Singapore, and closely aligns with the G20's financial inclusion priorities of driving faster, cheaper and more transparent cross-border payments. The linkage builds upon the earlier efforts of NPCI International Private Limited (NIPL) and Network for Electronic Transfers (NETS) to foster cross-border interoperability of payments using cards and QR codes, between India and Singapore and will further anchor trade, travel and remittance flows between the two countries. This initiative is also in line with RBI's vision of reviewing corridors and charges for inbound cross-border remittances outlined in the Payment Systems Vision Document 2019-21.

UPI is India's mobile based, 'fast payment' system that facilitates customers to make round the clock payments instantly using a Virtual Payment Address (VPA) created by the customer. This eliminates the risk of sharing bank account details by the remitter. UPI supports both Person to Person (P2P) and Person to Merchant (P2M) payments as also it enables a user to send or receive money.

PayNow is the fast payment system of Singapore which enables peer-to-peer funds transfer service, available to retail customers through participating banks and Non-Bank Financial Institutions (NFIs) in Singapore. It enables users to send and receive instant funds from one bank or e-wallet account to another in Singapore by using just their mobile number, Singapore NRIC/FIN, or VPA.

Competition Commission penalises beer companies for indulging into cartelization (24-09-2021)

"Cartel" includes an association of producers, sellers, distributors, traders or service providers who, by agreement amongst themselves, limit, control or attempt to control the production, distribution, sale or price of, or, trade in goods or provision of services.

Cartels are agreements between enterprises (including a person, a government department and association of persons /enterprises) not to compete on price, product (including goods and services) or customers

The objective of a cartel is to raise price above competitive levels, resulting in injury to consumers and to the economy. For the consumers, cartelisation results in higher prices, poor quality and less or no choice for goods or/and services.

A cartel is said to exist when two or more enterprises enter into an explicit or implicit agreement to fix prices, to limit production and supply, to allocate market share or sales quotas, or to engage in **collusive bidding or bid-rigging** in one or more markets. An important dimension in the definition of a cartel is that it requires an agreement between competing enterprises not to compete or to restrict competition.

An **international cartel** is said to exist, when not all of the enterprises in a cartel are based in the same country or when the cartel affects markets of more than one country.

An **import cartel** comprises enterprises (including an association of enterprises) that get together for the purpose of imports into the country.

An **export cartel** is made up of enterprises based in one country with an agreement to cartelize markets in other countries.

General Allocation of Special Drawing Rights by the IMF (23-08-2021)

The Board of Governors of the IMF had approved a general allocation of about SDR 456 billion on August 2, 2021 (effective from August 23, 2021) of which the share of India is SDR 12.57 billion.

The total SDR holdings of India now stands at SDR 13.66 billion (equivalent to around USD 19.41 billion at the latest exchange rate) as on August 23, 2021.

The SDR allocation will provide additional liquidity to the global economic system – supplementing countries' foreign exchange reserves and reducing their reliance on more expensive domestic or external debt. This most recent allocation was to address the long-term global need for reserves, and help countries cope with the impact of the COVID-19 pandemic.

SDRs are being distributed to countries in proportion to their quota shares in the IMF. To date, a total of SDR 660.7 billion (equivalent to about US$943 billion) have been allocated. This includes the largest-ever allocation of about SDR 456 billion (equivalent to about US$650 billion) approved on August 2, 2021 (effective on August 23, 2021).

There have been three prior general allocations. The most recent was in 2009, during the Global Financial Crisis, when the IMF allocated the equivalent of $250 billion in new SDRs to its membership.

About SDR

The SDR is an international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves. The SDR was created as a supplementary international reserve asset in the context of the Bretton Woods fixed exchange rate system.

The SDR was initially defined as equivalent to 0.888671 grams of fine gold—which, at the time, was also equivalent to one U.S. dollar. After the collapse of the Bretton Woods system, the SDR was redefined as a basket of currencies.

The value of the SDR is based on a basket of five major **freely usable currencies**—U.S. dollar, Euro, Chinese renminbi (RMB), Japanese yen, and Pound sterling. Chinese renminbi (also called Yuan) was included in the SDR basket from October 1, 2016.

A "freely usable" currency mean a currency that the IMF determines
- is widely used to make payments for international transactions, and
- is widely traded in the principal exchange markets.

IMF lending operations are, in practice, conducted in freely usable currencies or SDRs.

The SDR is neither a currency, nor a claim on the IMF. Rather, it is a potential claim on the freely usable currencies of IMF members. SDRs can be exchanged for freely usable currencies. Holders of SDRs can obtain these currencies in exchange for their SDRs

If SDRs are not money, how can countries use them?

Countries can exchange their SDRs for hard currencies with other IMF members. This has historically been done on a voluntary basis, with countries in a stronger financial position agreeing to help others when needed. They can also use their SDRs in a range of operations with other countries or to settle financial obligations to the Fund. Many member countries that don't need the support have used SDRs to support concessional financing to low-income countries.

Is there a cost to allocating SDRs?

An SDR allocation is cost free. Allocating SDRs does not require contributions from donor countries' budgets. SDRs are a reserve asset, not foreign aid. Most importantly, an SDR allocation does not add to any country's public debt burden.

SDR Currency Basket

The SDR basket is reviewed every five years, or earlier if warranted, to ensure that the basket reflects the relative importance of currencies in the world's trading and financial systems.

Currency	Weights determined in the 2015 Review	Fixed Number of Units of Currency for a 5-year period Starting Oct 1, 2016
U.S. Dollar	41.73	0.58252
Euro	30.93	0.38671
Chinese Yuan	10.92	1.0174
Japanese Yen	8.33	11.900
Pound Sterling	8.09	0.085946

Central Government guarantee to back Security Receipts issued by National Asset Reconstruction Company Limited for acquiring of stressed loan assets (16-09-2021)

Central Government guarantee of Rs.30,600 crore to back Security Receipts issued by National Asset Reconstruction Company Limited (NARCL) for acquiring stressed loan assets was approved by the Union Cabinet.

NARCL proposes to acquire stressed assets of about Rs. 2 Lakh crore in phases within extant regulations of RBI. It intends to acquire these through 15% Cash and 85% in Security Receipts (SRs).

NARCL has been incorporated under the Companies Act and has applied to Reserve Bank of India for license as an Asset Reconstruction Company (ARC). NARCL has been set up by banks to aggregate and consolidate stressed assets for their subsequent resolution. PSBs will maintain 51% ownership in NARCL.

India Debt Resolution Company Ltd. (IDRCL)

IDRCL is a service company/operational entity which will manage the asset and engage market professionals and turnaround experts. Public Sector Banks (PSBs) and Public FIs will hold a maximum of 49% stake and the rest will be with private sector lenders.

Why is NARCL-IDRCL type structure needed when there are 28 existing ARCs?

Existing ARCs have been helpful in resolution of stressed assets especially for smaller value loans. Various available resolution mechanisms, including IBC have proved to be useful. However,considering the large stock of legacy NPAs, additional options/alternatives are needed and the NARCL-IRDCL structure announced in the Union Budget is this initiative.

Why is a Government Guarantee needed?

Resolution mechanisms of this nature which deal with a backlog of NPAs typically require a backstop from Government. This imparts credibility and provides for contingency buffers. Hence, GoI Guarantee of up to Rs 30,600 crore will back Security Receipts (SRs) issued by NARCL. The guarantee will be valid for 5 years. The condition precedent for invocation of guarantee would be resolution or liquidation. The guarantee shall cover the shortfall between the face value of the SR and the actual realisation. GoI's guarantee will also enhance liquidity of SRs as such SRs are tradable.

How will NARCL and IDRCL work?

The NARCL will acquire assets by making an offer to the lead bank. Once NARCL's offer is accepted, then, IDRCL will be engaged for management and value addition.

What benefit do banks get from this new structure?

It will incentivize quicker action on resolving stressed assets thereby helping in better value realization. This approach will also permit freeing up of personnel in banks to focus on increasing business and credit growth. As the holders of these stressed assets and SRs, banks will receive the gains. Further, it will bring about improvement in bank's valuation and enhance their ability to raise market capital.

Why is it being set up now?

Insolvency and Bankruptcy Code (IBC), strengthening of Securitization and Reconstruction of Financial Assets and Enforcement of Securities Interest (SARFAESI Act) and Debt Recovery Tribunals, as well as setting up of dedicated Stressed Asset Management Verticals (SAMVs) in banks for large-value NPA accounts have brought sharper focus on recovery. In spite of these efforts, substantial amount of NPAs continue on balance sheets of banks primarily because the stock of bad loans as revealed by the Asset Quality Review is not only large but fragmented across various lenders. High levels of provisioning by banks against legacy NPAs has presented a unique opportunity for faster resolution.

Is the guarantee likely to be invoked?

Government guarantee will be invoked to cover the shortfall between the amount realised from the underlying assets and the face value of SRs issued for that asset, subject to overall ceiling of ₹30,600 crore, valid for 5 years. Since there shall be a pool of assets, it is reasonable to expect that realisation in many of them will be more than the acquisition cost.

How will Government ensure faster and timely resolution?

The GoI guarantee will be valid for five years and condition precedent for invocation of guarantee will be resolution or liquidation.Further, to disincentivize delay in resolution, NARCL has to pay a Guarantee fee which increase with passage of time.

What will be the capital structure of NARCL and how much will Government contribute?

Capitalization of NARCL would be through equity from banks and Non-Banking Financial Companies (NBFCs). it will also raise debt as required.The GoI guarantee will reduce upfront capitalization requirements.

What will be NARCL's strategy for resolution of stressed assets?

NARCL is intended to resolve stressed loan assets above ₹500 crore each amounting to about ₹ 2 lakh crore. In phase I, fully provisioned assets of about Rs. 90,000 crores are expected to be transferred to NARCL, while the remaining assets with lower provisions would be transferred in phase II.

Account Aggregator Network- a financial data-sharing system (10-09-2021)

Last week India unveiled the Account Aggregator (AA) network, a financial data-sharing system that could revolutionize investing and credit, giving millions of consumers greater access and control over their financial records and expanding the potential pool of customers for lenders and fintech companies. Account Aggregator empowers the individual with control over their personal financial data, which otherwise remains in silos.

This is **first step towards bringing open banking in India** and empowering millions of customers to digitally access and share their financial data across institutions in a secure and efficient manner.

The Account Aggregator system in banking has been started off with eight of the India's largest banks. The Account Aggregator system can make lending and wealth management a lot faster and cheaper.

What is an Account Aggregator?

An Account Aggregator (AA) is a type of RBI regulated entity (with an NBFC-AA license) that helps an individual securely and digitally access and share information from one financial institution they have an account with to any other regulated financial institution in the AA network. Data cannot be shared without the consent of the individual. AAs cannot read consumer data. They cannot resell consumer data.

There will be many Account Aggregators an individual can choose between.

Account Aggregator replaces the long terms and conditions form of 'blank cheque' acceptance with a granular, step by step permission and control for each use of your data.

Through Account Aggregator, a company can access tamper-proof secure data quickly and cheaply, and fast track the loan evaluation process so that a customer can get a loan. Also, a customer may be able to access a loan without physical collateral, by sharing trusted information on a future invoice or cash flow directly from a government system like GST or GeM.

How will the new Account Aggregator network improve an average person's financial life?

India's financial system involves many hassles for consumers today -- sharing physical signed and scanned copies of bank statements, running around to notarise or stamp documents, or having to share your personal username and password to give your financial history to a third party. The Account Aggregator network would replace all these with a simple, mobile-based, simple, and safe digital data access & sharing process. This will create opportunities for new kinds of services -- eg new types of loans.

The individual's bank just needs to join the Account Aggregator network**. Eight banks already have -- four are already sharing data based on consent (Axis, ICICI, HDFC, and IndusInd Banks) and four are going to be able to shortly (State Bank of India, Kotak Mahindra Bank, IDFC First Bank, and Federal Bank).**

The Account Aggregator network allows sharing of transaction data or bank statements from savings/deposit/current accounts.

What kind of data can be shared?

Today, banking transaction data is available to be shared (for example, bank statements from a current or savings account) across the banks that have gone live on the network.

Gradually the AA framework will make all financial data available for sharing, including tax data, pensions data, securities data (mutual funds and brokerage), and insurance data will be available to consumers. It will also expand beyond the financial sector to allow healthcare and telecom data to be accessible to the individual via AA.

Can AAs view or 'aggregate' personal data? Is the data sharing secure?

Account Aggregators cannot see the data; they merely take it from one financial institution to another based on an individual's direction and consent. Contrary to the name, they cannot 'aggregate' your data. AAs are not like technology companies which aggregate your data and create detailed profiles of you.

The data AAs share is encrypted by the sender and can be decrypted only by the recipient. The end to end encryption and use of technology like the 'digital signature' makes the process much more secure than sharing paper documents.

G-33 Virtual Informal Ministerial Meeting (17-09-2021)

The G-33 Virtual Informal Ministerial Meeting organized by Indonesia was held, to discuss the Agricultural Priority Issues of G33 and the Way Forward for the Twelfth WTO Ministerial Conference (MC-12) scheduled to be held from 30th November to 3rd December 2021 in Geneva, Switzerland.

MC12 was originally scheduled to take place from 8 to 11 June 2020 in Kazakhstan's capital, Nur-Sultan, but was postponed due to the COVID-19 pandemic

G-33 also called “Friends of Special Products” in agriculture.

It is a coalition of developing countries pressing for flexibility for developing countries to undertake **limited market opening in agriculture.**

WTO members (47): Antigua and Barbuda, Barbados, Belize, Benin, Bolivia, Plurinational State of, Botswana, China, Congo, Côte d’Ivoire, Cuba, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, **India**, Indonesia, Jamaica, Kenya, Korea, Republic of, Madagascar, Mauritius, Mongolia, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, Philippines, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sri Lanka, Suriname, Chinese Taipei, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela, Bolivarian Republic of, Zambia, Zimbabwe.

India’s official delegation for the meeting was headed by Shri Piyush Goyal, the Minister of Commerce & Industry, Consumer Affairs & Food & Public Distribution and Textiles. In his intervention the Minister emphasized that as part of the trust-building exercise for MC 12, G-33 must strive for positive outcomes on **permanent solution to Public Stockholding (PSH) for food security purposes** which is of utmost importance, finalization of a Special Safeguard Mechanism (SSM) quickly and a balanced outcome on Domestic Support. He highlighted that Agreement on Agriculture at the WTO was riddled with deep imbalances, which favour the developed countries and have tilted the rules against many developing countries and therefore as a first step in agriculture reform, the historical asymmetries and imbalances must be corrected in order to ensure a rule-based, fair and equitable order.

Miscellaneous

1. The Central Board of Indirect Taxes and Customs (CBIC) has declared Kushinagar Airport (UP) as a Customs notified airport. This would also facilitate international passenger movements including that of Buddhist pilgrims. (13-09-2021)

2. RBI removed the Indian Overseas Bank from the Prompt Corrective Action Framework (PCA) after reviewing the bank’s financial status. (29-09-2021). Earliar UCO bank was removed from PCA framework on 09-09-2021.

3. Himachal Pradesh, Tamil Nadu, Madhya Pradesh and Uttar Pradesh given “in-principle” approval to set-up Medical Device Parks under the “Scheme for Promotion of Medical Device Parks”.(24-09-2021)

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