

2020



drishti

# CURRENT AFFAIRS

**ECONOMIC DEVELOPMENT**

20<sup>th</sup> January - 25<sup>th</sup> January



BusinessLine



## **1. Adjusted Gross Revenue (AGR)**

### **Why in News?**

The Licensing Finance Policy Wing of the **Department of Telecommunications (DoT)** directed all departments not to take any action against telecom operators if they failed to clear adjusted gross revenue (AGR)-related dues.

- In October 2019, the Supreme Court had directed telecom service providers to pay the pending dues –**aggregating to over Rs 1.47 lakh crore** – to the government.

### **Adjusted Gross Revenue (AGR)**

- It is the **usage and licensing fee** that telecom operators are charged by the Department of Telecommunications (DoT).
- It is divided into spectrum usage charges and licensing fees that are fixed between 3-5% and 8% respectively.

### **Spectrum Usage Charge**

- It is the charge that is required to be paid by the licensees providing mobile access services, as a percentage of their Adjusted Gross Revenue (AGR).
- The spectrum slabs/rates for the same are notified by the Government from time to time.

## **2. World Employment and Social Outlook: Trends 2020**

### **Why in News?**

Recently The World Employment and Social Outlook: Trends 2020 (WESO) report has been released by the **International Labor Organisation**.

- The report analyses key labour market issues, unemployment, labour underutilisation, working poverty, income inequality, labour income share and factors that exclude people from decent work.

### **Key Points:**

#### **Global unemployment**

- Global unemployment is projected to rise by around 2.5 million in 2020 due to slow global economic growth.
- Some 267 million young people aged 15-24 are not in employment, education or training, and many more endure substandard working conditions.
- Work-related inequalities and exclusion are preventing people from finding decent work and better futures

### **Working Poverty**

- Working poverty is defined as earning less than USD 3.20 per day in purchasing power parity terms.
- It is expected to rise in 2020-21 in developing countries which makes it difficult for these countries to achieve Sustainable Development Goal 1 on eradicating poverty.

### **Unpaid Work**

- 165 million people do not have enough paid work, and 120 million have either given up actively searching for work or otherwise lack access to the labour market.

### **Reasons for Rising Unemployment**

- **Global Economic Slowdown:**
  - It is one of the major reasons for not creating enough new jobs to absorb new entrants to the labour market.
  - In addition, many African countries are experiencing a drop in real incomes and a rise in poverty.
- **Rising Protectionism:**
  - A rise in trade restrictions and protectionism restricts national as well as global employment generation.
- **Decreasing Value of Human Capital:**
  - Labour underutilisation and poor-quality jobs mean our economies and societies are missing out on the potential benefits of a huge pool of human talent.
- **Inequalities:**
  - Inequalities related to gender, age and geographical location continue to plague the job market, these factors limit both individual opportunity and economic growth.

### **Recommendations**

- Invest in national care systems to address the disproportionate responsibility for care work done by women and girls.
- End extreme wealth to end extreme poverty.
- Legislate to protect the rights of all carers and secure living wages for paid care workers.
- Challenge harmful norms and sexist beliefs.

### **International Labour Organisation**

- The International Labour Organisation came into existence as part of the Treaty of Versailles in 1919 to advocate social justice in the world labour market.
- It became a specialized agency of the United Nations in 1946.
- India is a founder member of the International Labour Organization.

- It is Headquartered at Geneva in Switzerland.

### 3. Global Social Mobility Index

#### Why in News?

The **World Economic Forum (WEF)** has come out with its **first-ever Global Social Mobility Report**.

- The Social Mobility Report showed that across the Global Social Mobility Index, only a handful of nations have put in place the right conditions to promote social mobility.

#### Social Mobility

- **Absolute social mobility** is the ability of a child to experience a better life than their parents.
- While, **relative social mobility** is an assessment of the impact of socio-economic background on an individual's outcomes in life.
- It needs to be noted that the **concept of social mobility is much broader than just looking at income inequality**. E.g.
  - In economies such as China and India, economic growth can lift entire populations upward in terms of absolute income, but an individual's status in society relative to others remains the same.

#### Global Social Mobility Index

- The WEF's Global Social Mobility Index assesses the 82 economies on **"10 pillars"** spread across the following **five key dimensions** of social mobility:
  - Health;
  - Education (access, quality and equity, lifelong learning);
  - Technology;
  - Work (opportunities, wages, conditions);
  - Protection and Institutions (social protection and inclusive institutions).
- **Top Performers:** The Nordic nations hold the top five spots
  - Denmark in the first place (scoring 85 points)
  - Norway, Finland and Sweden (83 points)
  - Iceland (82 points)
- **Among the G7 economies:**
  - Germany is the most socially mobile - ranking 11th
  - France in 12th position
- **Among BRICS grouping**
  - The Russian Federation (39th)
  - China (45th)
  - Brazil (60th)
  - India (76th)

- South Africa (77th)

### India's Performance

- India's overall ranking is a poor - **76 out of the 82 countries**
- However, India is among the five countries that stand to gain the most from a better social mobility score.
  - **Economies that would gain the most from increases in social mobility:** China followed by US, India, Japan, Germany and Russia.

### Findings from the Report

- **Increasing social mobility** by 10% would benefit social cohesion and **boost the world's economies by nearly 5% by 2030.**
- The report also makes **a powerful case for stakeholder capitalism.** By comparison, economies that are organized more on “shareholder value maximization”, or “state capitalism”, tend to perform less well.
  - **Stakeholder capitalism** is a system in which corporations are oriented to serve the interests of all their stakeholders.
    - Under this system, a **company's purpose is to create long-term value and not to maximize profits** and enhance shareholder value at the cost of other stakeholder groups.
  - **State Capitalism** is an economic system in which private capitalism is modified by a varying degree of government ownership and control.
- It calls for **a new financing model for social mobility:**
  - Improving tax progressivity on personal income,
  - Policies that address wealth concentration
  - Rebalancing the sources of taxation can support the social mobility agenda.

### 1. Global Investment Trend Monitor Report: UNCTAD

#### Why in News?

**The Global Investment Trend Monitor Report** published by the United Nations Conference on Trade and Development (UNCTAD) has ranked India among the top 10 recipients of Foreign Direct Investments (FDI) in 2019.

#### Key Highlights

- Global Outlook:
  - The global FDI marked a decline by 1% from revised \$1.41 trillion (in 2018) to \$1.39 trillion (in 2019).
  - The FDI to European Union fell by 15% to \$305 billion.

#### Reasons:

1. This was due to weaker macroeconomic performance.

2. Policy uncertainty for investors in the midst of ongoing trade tensions.
  - Developing economies continued to attract more than half of global FDI flows.
  - The FDI flows to developed countries has decreased further.
    - Despite this, the United States remained the largest recipient of FDI, followed by China and Singapore.
- **Regional & India:** South Asia recorded a 10% increase in FDI and this growth was driven by India marking a 16% increase in FDI inflows.
  - India attracted \$49 billion FDI inflows in 2019 as compared to \$42 billion (in 2018). The majority of this went into services industries, including Information Technology.
- Cross-border Mergers & Acquisitions (M&As) decreased by 40% in 2019 (the lowest level since 2014).
  - The underlying reasons for this fall were sluggish Eurozone growth and Brexit.
  - The fall in global cross-border M&As sales was deepest in the services sector, followed by manufacturing and primary sector.

#### Way Forward:

- UNCTAD expects FDI flows will rise moderately in 2020.
- The GDP growth, gross fixed capital formation and trade are projected to rise, at the global level (especially in many large emerging markets).
- Such an improvement in macroeconomic conditions could prompt Multinational Enterprises (MNEs) to resume investments in productive assets (provided their easy access to cheap money).
- However, significant risks persist, including high debt accumulation among emerging and developing economies, geopolitical risks and concerns about a further shift towards protectionist policies.

#### UNCTAD

- UNCTAD is a **permanent intergovernmental body** established by the United Nations General Assembly in 1964.
- Its headquarters are located in Geneva, Switzerland.
- It is part of the **UN Secretariat**.
- It supports developing countries to access the benefits of a globalised economy more fairly and effectively.

#### 5. Stagflation

##### Why in News?

The rise in retail price inflation to a nearly six-year high of 7.35% in December,



2019 has led to increasing worries that the Indian economy may be headed towards stagflation.

- Core inflation in December was at 3.7% - within the RBI's targeted range.
  - It is the change in the costs of goods and services but does not include those from the food and energy sectors.
  - It excludes these items because their prices are much more volatile.

### Key Points:

- Stagflation is said to happen when an economy faces stagnant growth as well as persistently high inflation.
  - Inflation refers to the rise in the prices of most goods and services of daily or common use.
  - Inflation measures the average price change in a basket of commodities and services over time.
- The term was coined by Iain Macleod, a Conservative Party MP in the United Kingdom, in November 1965.
- Due to stalled economic growth, unemployment tends to rise and existing incomes do not rise fast enough in comparison to general price rise.
- Some economists believe that the current slowdown is due to the lack of sufficient consumer demand.
  - They prescribe greater spending by the government and the central bank to resuscitate the economy.
  - But stagflation ties the hands of the government and the RBI from taking such countercyclical policy steps.
- Retail inflation is already above the targeted range of 2-6%.

## 6. Global Inequality Crisis Report: Oxfam International

### Why in News?

A report titled - **Time to Care: Unpaid and Underpaid Care Work and the Global Inequality Crisis**, has been released by Oxfam.

- It underlines that economic inequality is out of control with extremes of wealth existing alongside great poverty.

### Key Highlights

#### Global:

- The number of billionaires has doubled in the last decade, despite their combined wealth having declined in 2018.
- 22 of the world's richest men have a combined wealth that is more than the wealth of all the women of Africa.

- The world's richest 1% have more than twice as much wealth as 6.9 billion people.
- An additional 0.5% tax on the wealth of the richest 1% over the next 10 years can create 117 million jobs in education, health and elderly care.

### India Specific

- India's richest 1% hold more than four times the wealth held by the 953 million who make up for the bottom 70% of the country's population.

### Women

- The great inequality is based on a flawed and sexist economic system.
- The present economic system exploits the labor of women and girls and systematically violates their rights.
  - Globally, extreme poverty rates are 4% higher for women than men.
    - This gap rises to 22% during women's peak productive and reproductive ages (25-34); aged 25-34 largely due to childcare responsibilities.
  - \$10.8 trillion is the estimated minimum annual monetary value of the unpaid care work by women aged.
  - Globally, 42% of working age women are outside the paid labour force, compared due to unpaid care responsibilities.
    - 90% of Women who work as domestic workers have no access to social security such as maternity protection and benefits.

### Oxfam International

- Oxfam International is a group of independent non-governmental organisations formed in 1995.
- The name "Oxfam" comes from the Oxford Committee for Famine Relief, founded in Britain in 1942.
- It aims to maximize efficiency and achieve greater impact to reduce global poverty and injustice.
- It campaigned for food supplies for starving women & children in enemy -occupied Greece during the second world war.
- Its secretariat is based in Nairobi, Kenya.

## 7. Global Talent Competitiveness Index

### Why in News?

India has moved up eight places to the **72<sup>nd</sup> position** in the **2020 Global Talent Competitiveness Index (GTCI)**.

- **Switzerland topped the list** of 132 nations, followed by the US and



Singapore.

### Global Talent Competitiveness Index

- The GTCI report is compiled by INSEAD in collaboration with human resource firm Addeco and Google.
- It was **launched for the first time in 2013** and is an **annual benchmarking** report.
  - It measures and ranks countries based on their ability to grow, attract and retain talent.
  - The index includes 70 variables such as ease of hiring, gender earnings gap, and prevalence of training in firms.

### Key Points of GTCI 2020

- **Theme for 2020 was ‘Global Talent in the Age of Artificial Intelligence’.**
  - It explores how the development of artificial intelligence (AI) is not only changing the nature of work but also forcing a re-evaluation of workplace practices, corporate structures and innovation ecosystems.
- The gap between high income, talent-rich nations and the rest of the world is widening.
- More than half of the population in the developing world lack basic digital skills.

### India's Position

- The report stated that **India's GTCI score and GDP per capita are both lower** than the other emerging market economies such as BRICS.
  - China (42nd), Russia (48th), South Africa (70th) and Brazil (80th).
- India's key strength relates to growing (44th) talent, due to its levels of lifelong learning (40th) and access to growth opportunities (39th).
  - However, more could be done to improve the country's educational system (68th in Formal Education).
- The country's **highest-ranked sub-pillar is employability** but the ability to match labour market demand and supply stands in contrast to the country's poor "mid-level skills".
- **Challenges:**
  - Weak ability to attract and retain talent
  - Strengthening role of minorities and women
  - Weak vocational and technical skills

## 8. Maharashtra Agribusiness and Rural Transformation Project

### Why in News?

The Government of India, the Government of Maharashtra and the World Bank signed a loan agreement of USD 210 million for the agribusiness and rural transformation project in Maharashtra.

### Maharashtra Agribusiness and Rural Transformation Project

- The project will be implemented in all 36 districts of Maharashtra.
- It will help small farmers to:
  - facilitate agri-business investments
  - participate in competitive agriculture value chains
  - increase market access and productivity in focus commodities
  - build resilience of crops to recurrent floods or droughts
  - increase credit linkages to formal financing institutions
  - improve Sanitary and Phytosanitary (SPS) standards
  - increase farmers links to organized domestic and export markets

### Focus on Women:

- At least 43% of farmers and farm-workers participating in project activities are expected to be women.
- Specific focus will be given to women-led enterprises and the participation of women in the decision-making processes of farmer producer organizations.

## 9. Income Tax Appellate Tribunal

### Why in News?

The Income Tax Appellate Tribunal (ITAT) celebrated its 79th foundation day on 25th January, 2020.

### Income Tax Appellate Tribunal

- ITAT is a **quasi judicial institution** set up in January, 1941 under Income Tax Act, 1922.
- It deals with **appeals under the Direct Taxes Acts**, namely, Income Tax Act, 1961.
- Initially, it had three Benches - one each at Delhi, Kolkata (Calcutta) and Mumbai (Bombay).
  - Presently ITAT has 63 Benches at 27 different stations covering almost all the cities having a seat of the High Court.
- The **orders passed by the ITAT are final**, an appeal lies to the High Court only if a substantial question of law arises for determination.
- ITAT draws inspiration from its motto '**Nishpaksh Sulabh Satvar Nyay**', which means impartial, easy and speedy justice.

- **Significance:**
  - Expeditious and inexpensive justice
  - Easily accessible forum
  - Expert knowledge on the subject of Direct Taxes
- ITAT is referred to as '**Mother Tribunal**' being the oldest Tribunal in the country.
- ITAT includes a President, a Senior Vice-President, Vice-Presidents and members in the judicial functioning and thereafter the supporting staff.
  - A sitting or retired judge of a High Court is appointed as President.

## 10. GeM Samvaad

### Why in News?

Public procurement platform '**Government e-Marketplace (GeM)**' has launched a national outreach program called **GeM Samvaad** to attract sellers to sell products online to government buyers.

- The government is trying to reach out to stakeholders across the country and also local sellers in order to **facilitate the on-boarding of local sellers** on the marketplace while catering to specific requirements and procurement needs of buyers.
- Under the '**Voice of Customer**' initiative, the GeM is also looking forward to receiving feedback from users which will be used for making improvements and advancements in the system.

### Government e-Marketplace (GeM)

- GeM is a one-stop **National Public Procurement Portal** to facilitate online procurement of common use Goods & Services required by various Central and State Government Departments / Organizations /Public Sector Undertakings ( PSUs).
- It was **launched in 2016** to bring transparency and efficiency in the government buying process.
- It operates under the **Ministry of Commerce and Industry**.
- The procurement of goods and services by Ministries and the Central Public Sector Enterprises (CPSEs) is mandatory for goods and services available on GeM.
- It also provides the tools of **e-bidding and reverse e-auction** to facilitate the government users achieve the best value for their money.
- At present, GeM has more than 15 lakh products, around 20,000 services, and more than 40,000 Government buyer organisations.

## 11. National Startup Advisory Council

### Why in News?

The **Ministry of Commerce & Industry** has set up a **National Startup Advisory Council** to advise the Centre on measures needed to **build a strong ecosystem for nurturing innovation and start-ups in the country**.

- India ranks 136 on the parameter **starting a business** in the **World Bank's Ease of Doing Business** table against an overall rank of 63.

### **National Startup Advisory Council**

- **Functions:**
  - The Council will suggest measures to foster a **culture of innovation** amongst citizens and students, in particular, promote innovation in all sectors of the economy across the country.
  - It will also suggest measures to facilitate public organisations to assimilate innovation with a view to improving public service delivery, promote creation, protection and commercialization of intellectual property rights.
  - Further, it will suggest measures to make it easier to start, operate, grow and exit businesses by reducing regulatory compliances and costs, promoting ease of access to capital for startups.
- **Composition of the Council:**
  - Chairman: Minister for Commerce & Industry.
  - Convener of the Council: Joint Secretary, Department for Promotion of Industry and Internal Trade.
  - Ex-officio Members: Nominees of the concerned Ministries/Departments/Organisations not below the rank of Joint Secretary.
  - Non-official members: to be nominated by the Central Government, from various categories like founders of successful startups, veterans who have grown and scaled companies in India, persons capable of representing the interests of investors into startups, etc.
    - The term of the non-official members will be for a period of **two years**.

## **12. International Arbitration Tribunal**

### **Why in News?**

The Ministry of Finance has announced that the **International Arbitration Tribunal** has dismissed all claims against India in entirety in relation to cancellation of Letters of Intent for providing 2G services.

- A **Letter Of Intent (LOI)** is a document declaring the preliminary commitment of one party to do business with another.

### **International Arbitration Tribunal**

- The Tribunal was constituted in 2019, in accordance with the United Nations Commission on International Trade Law (UNCITRAL) Arbitration Rules 1976.
- The proceedings are administered by the **Permanent Court of Arbitration (PCA)**.
- It is an independent non-governmental panel of independent and impartial experts.
- It generally comprises three members nominated by the Parties (or appointed by the International Arbitration Institution, or by a National Court) on the basis of their legal and practical expertise and knowledge, to render a final and binding award.

### **Permanent Court of Arbitration**

- It is an intergovernmental organisation dedicated to serving in the field of dispute resolution between States.
- It was established in 1899.
- Headquarters is in Hague, Netherlands.
- **Structure:**
  - **Administrative Council** - to oversee its policies and budgets,
  - **Members of the Court** - a panel of independent potential arbitrators,
  - **International Bureau** - its Secretariat, headed by the Secretary-General.

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