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## PRS Capsule August 2020

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## **Polity and Governance**

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### **CSR Expenditure On Medical Research**

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- The Ministry of Corporate Affairs released the **Companies (Corporate Social Responsibility Policy) Rules, 2020**, amending the Companies (Corporate Social Responsibility Policy) Rules, 2014.
- As per the 2014 Rules, **Corporate Social Responsibility (CSR)** Policy refers to programs undertaken by companies related to a specified list of activities, outside the normal course of business.
- Some activities which may be included under CSR are:
  - promotion of education,
  - promotion of gender equality, and
  - combating HIV, AIDS and other diseases.
- The list of eligible CSR policies has been amended twice since March 2020. The list includes: (i) contribution to Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) and (ii) contribution to incubators or research projects in the field of science, technology, and medicine (funded by the central government, state government, any of their agencies, and public funded Universities).
- The 2020 Rules amend the coverage of CSR Policy to include: (i) research and development of new vaccine, drugs, and medical devices undertaken in the normal course of business and (ii) research and development activity related to COVID-19 for three financial years from 2020-21 to 2022-23.
 

Such research activity must be carried out in collaboration with central or state government or specified public institutes.

## Credit Guarantee Scheme for MSMEs

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- The **Ministry of Micro, Small and Medium Enterprises (MSME)** has released the guidelines for credit guarantee scheme for subordinate debt to stressed MSMEs.
- The Scheme was announced in May 2020 as a part of the announcements under the **Atma Nirbhar Bharat Abhiyaan** and was launched in June 2020.
- It aims to **provide personal loans to the promoters of stressed MSMEs**. The credit will be used to infuse equity in the MSME entity for the purpose of restructuring.
- It will provide **guarantee cover** to the promoter of the MSME unit and they will be given credit (personal loan) equal to 15% of their stake (equity and debt) or Rs 75 lakh, whichever is lower.
- The scheme will be operationalised through Credit Guarantee Fund Trust for Micro and Small Enterprises. The Ministry of MSME will provide an initial corpus of Rs 4,000 crore to the Fund for operationalisation of the scheme.

## Rules for Use of Aadhaar Authentication Under the Aadhaar Act

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- The Ministry of Electronics and Information Technology (MeitY) notified the Aadhaar Authentication for Good Governance (Social Welfare, Innovation, Knowledge) Rules, 2020.
- These rules have been notified under the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (**Aadhaar Act**).
- The Aadhaar Act allows the central government to frame rules for purposes for which Aadhaar authentication may be sought.
- The Rules provide that the central government may allow entities to seek Aadhaar-based authentication for certain purposes in the interest of good governance, preventing leakage of funds, promoting ease of living of residents and enabling better access to services.
- The authentication may be sought for the following purposes: (i) usage of digital platforms to ensure good governance, (ii) prevention of leakage of social welfare benefits and (iii) enablement of innovation and spread of knowledge.
- Authentication for these purposes shall be on a voluntary basis.
- Any central ministry or state government wanting to use Aadhaar authentication for the above purposes shall prepare a proposal and submit it to the **Unique Identification Authority of India** for approval.

## **Empanelment of Social Media Platforms**

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- The Ministry of Information and Broadcasting released policy guidelines for empanelment of social media platforms with the Bureau of Outreach and Communication.
- The Bureau is the nodal agency within the Ministry responsible for paid outreach campaigns through print media, electronic media, outdoor media, or websites on behalf of the ministries or departments of the Government of India.

- Key aspects of the guidelines include:
  - **Eligibility for engagement:** The social media platform must have a minimum of 25 million unique users from India per month (based on data of previous three months). Further, the platform must have been in operation for at least six months under the same domain name.
  - **Engagement:** The social media platform will have to enter into a contract with the Bureau. The terms of agreement of the contract include that the platform should ensure that their content is not anti-national, obscene, violative of communal harmony and national integrity, or in violation of any cyber laws.
    - The Bureau will determine which platforms are relevant for the planned outreach activity of the client ministry/department based on the content, target audience, budget and duration of the campaign. Preference will be given to platforms based in India.
  - **Pricing:** The Bureau will participate in the bidding process for buying inventory/space for government messages. These messages may be in the form of texts, video ads, carousel ads, collection ads, among others.
  - **Duties of platforms:** The social media platform will be responsible for ensuring digital reports through a real time dashboard which shows quantifiable outcomes related to the campaign (such as number of views, clicks, impressions, followers added).
    - Further, platforms seeking engagement should not have been suspended or blacklisted by any ministry or agency of the Government of India.

## **Aadhaar Enrolment Required for Beneficiaries under Nai Roshni Scheme**

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- The **Ministry of Minority Affairs** administers the **Nai Roshni Scheme for Leadership Development of Minority Women**.
- The Scheme is aimed at providing minority women with the tools for interacting with government systems, banks, and intermediaries.
- The Ministry has notified that beneficiaries must furnish proof of possession of an Aadhaar number to receive benefits under the Scheme.
- For persons who are not yet enrolled under Aadhaar, they shall be required to enroll prior to joining the training programmes available under the Scheme.

## **Economy**

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### **GDP Contracted by 23.9% in the First Quarter of 2020-21**

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- Gross Domestic Product (GDP) (at constant 2011-12 prices) contracted by 23.9% in the first quarter (April-June) of 2020-21 over the corresponding period in 2019-20. In comparison, GDP growth was 3.1% in the fourth quarter of 2019-20.

- The main **components** of GDP are **private consumption** (spending by households on goods and services), **government consumption** (spending by government on goods and services), **fixed capital formation** (spending on investment such as construction, machinery), and **net exports** (exports minus imports).
  - While government consumption increased by 16%, private consumption and fixed capital formation contracted by 27%, and 40% respectively.
  - While exports were lower by 20%, imports fell 40%, resulting in an increase in net exports.
- The Ministry of Statistics and Programme Implementation is responsible for the collection and publication of statistical data. The Ministry noted that data collection was affected due to COVID-19 and the lockdown imposed by the government.
  - It further added that the estimates published for the first quarter of 2020-21 are based on alternative data sources and are likely to undergo revision.

## **Borrowing Options to States to Meet GST Compensation Gap**

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- The central government presented its projections for **GST compensation** for 2020-21 to the **GST Council** and proposed two options to states to meet the shortfall in compensation cess collections.
- Under the GST (Compensation to States) Act, 2017, the central government is required to pay compensation to states if their GST revenue grows slower than 14% in any year during the period July 2017-June 2022.
- Under the Act, the central government can meet the compensation requirement of states using the collections of the GST compensation cess.
  - The cess is levied on certain luxury and sin goods, such as cigarettes and tobacco products, pan masala, caffeinated beverages, coal, and certain passenger vehicles, in addition to the 28% GST.
- **Projections for 2020-21:** The compensation requirement of states for 2020-21 is projected to be close to Rs 3 lakh crore, while the collections from cess are projected at Rs 68,704 crore.
  - This will result in a shortfall of nearly Rs 2.3 lakh crore. The central government attributed Rs 97,000 crore shortfall to the implementation of GST, and the remaining shortfall was attributed to the COVID-19 pandemic.
- **Borrowing options:** The central government has proposed two options to states to meet the Rs 2.3 lakh crore shortfall:
  - **Borrow in 2020-21 only to meet the shortfall related to GST implementation** (Rs 97,000 crore), with the rest payable after 2022 from surplus cess collections, or
  - **Borrow in 2020-21 to meet the entire shortfall.** States will be able to individually exercise their options.

- Key features of the two borrowing options include:
  - **Repayment:** Under both the options, the borrowings done by states will be repaid from future cess collections. In Option 1 (partial borrowing), the interest payable on the borrowings will also be paid from future cess collections.
    - However, in Option 2 (full borrowing), states need to pay the interest at market rates using their own resources.
  - **Fiscal deficit limit:** Every year, the central government approves the fiscal deficit limit for states, up to which they can borrow during that year. For 2020-21, the central government has approved a revised fiscal deficit limit of 5% of GSDP, of which 1% of GSDP is contingent on implementation of certain reforms by states.
    - Any borrowing done by states under Option 1 will be over and above the 5% of GSDP allowed to them i.e. it will not be counted within the limit of 5% of GSDP.
    - In contrast, borrowings done by states under Option 2 will not be exempted from the fiscal deficit limit of 5% of GSDP. They will form a part of the unconditional fiscal deficit allowed to states. However, any borrowing done by the state in excess of 1% of GSDP will be exempted.

## **National Strategy for Financial Education**

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- The **National Centre for Financial Education** released the second **National Strategy for Financial Education (NSFE)** for the period 2020-25 in consultation with Reserve Bank of India, Securities Exchange Board of India, Insurance Regulatory and Development Authority of India, and Pension Fund Regulatory and Development Authority.

- Key aspects of the NSFE include:
  - **Objectives:**
    - Inculcating **financial literacy** through financial education to make it a life skill.
    - Encouraging active savings behaviour.
    - Encouraging participation in financial markets to meet financial goals.
    - Developing credit discipline and encourage availing credit from formal financial institutions.
  - **Policy design:** The components of financial education include: (i) basic concepts such as importance of savings, interest rate, inflation, need for insurance, (ii) sector-specific knowledge on the kinds of financial services available, including information on the safe use of digital financial services, and (iii) process education to ensure knowledge translates to behaviour (covering topics such as use of ATM card, purchasing insurance cover, and filling a loan application).
  - **Action Plan:** NSFE seeks to achieve its objectives through a focus on (i) developing financial literacy content for schools, colleges, training establishments, (ii) developing capacity of financial service providers, (iii) adopting a community-led approach to disseminating financial literacy, (iv) using technology and mass media communication to disseminate financial education messages, and (v) collaboration among stakeholders to create a digital repository of all financial literacy programmes and integrate financial literacy in training programmes.
 

The Action Plan outlines the timelines for achieving each of the five objectives. For example, the plan aims to update the school curriculum for financial education for classes VI to X by March 2021.
  - **Monitoring and evaluation:** Oversight for NSFE is vested with the Financial Stability and Development Council (chaired by the Union Finance Minister). A Technical Group on Financial Inclusion and Financial Literacy (TGFIFL) (chaired by the Deputy Governor, RBI) will monitor implementation of NSFE.
 

A mid-term evaluation will be undertaken at the end of three years of implementation of NSFE in 2022-23. A National Survey will be conducted at the end of the NSFE implementation period in 2025.

## **Umbrella Entities Focussed on Retail Payments**

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- RBI notified a framework for the establishment of pan-India umbrella entities focussed on retail payment systems.
- Currently, RBI operates an umbrella organisation for retail payments and settlement system incorporated as a not-for-profit organisation called **National Payments Corporation of India** (NPCI).

- Key features of the framework include:
  - **Establishment:** The entity must be incorporated under the Companies Act, 2013 and may be a for-profit company. It will be regulated and supervised by RBI under the Payment and Settlement Systems Act, 2007.
  - **Activities:** The scope of activities of the entity include: (i) establishing, managing and operating new payment systems in the retail space including ATMs, Aadhaar-based payment and remittance services, and newer payment methods, and (ii) performing clearing and settlement functions for participating banks and non-banks.
  - **Eligibility for promoters:** Any entity holding more than 25% of the paid-up capital of the umbrella entity shall be deemed to be a promoter. The promoter must be a resident Indian citizen (as per the **Foreign Exchange Management Act, 1999 (FEMA)**) with at least three years' experience in the payments ecosystem. The promoter shall also conform to 'fit and proper' criteria specified by RBI.
  - **Foreign investment: Foreign direct investment** and foreign portfolio investment will be permitted as governed by rules under the FEMA.
  - **Capital:** The entity must have a minimum paid-up capital of Rs 500 crore. No single Promoter can hold more than 40% investment in the capital of the Entity. The promoter shareholding can be diluted to a minimum of 25% after five years of commencement of business of the entity.
  - **Processing of applications:** An External Advisory Committee will scrutinise applications for the umbrella entity and submit recommendations to RBI's **Board for Regulation and Supervision of Payment and Settlement Systems** (BPSS). BPSS will be the final authority adjudicating application.

## Online Dispute Resolution System For Digital Payments

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- RBI introduced an **online dispute resolution** system for resolving customer disputes pertaining to digital payments.
- Authorised bank and non-bank payment system operators (PSOs) shall put in place systems for online dispute resolution which are technology-driven, rule-based, user-friendly, and transparent.
- A payment system enables payment to be effected between a payer and a beneficiary, involving clearing, payment or settlement service.



- RBI issued minimum requirements of the online dispute resolution system. These include:
  - **Applicability:** The requirements apply to all authorised PSOs and participating members.
  - **Structure:** Each PSO shall institute a system for resolving disputes and grievances arising out of failed transactions. Customers must be provided access for lodging grievances irrespective of such transactions being on-us or off-us. On-us transactions affect accounts within a single bank only or non-bank entity and do not require settlements across entities.
  - **Types of transactions:** Initially the scope of the online dispute resolution system will be limited to grievances related to failed transactions. The system for failed transactions must be implemented by January 1, 2021. The system would later be extended to cover grievances other than those related to failed transactions.
  - **Lodging and tracking of grievances:** Customers must be provided with at least one channel (such as web-based, paper-based complaint form, mobile app, call centre, or SMS) for lodging disputes and grievances. The resolution system must provide a facility for tracking the status of complaints using a unique reference number.

## Pilot Scheme for Offline Retail Payments

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- RBI launched a pilot scheme to allow small value payments in offline mode.
- It was noted that lack of internet connectivity, especially in remote areas, is an obstacle to adoption of digital payments. This problem could be partially addressed by making payment options available in offline mode.
- Under the scheme, authorised bank and non-bank payment system operators, with certain restrictions will be able to provide offline payment solutions using cards, wallets or mobile devices.

## New Routes Under the Ude Desh Ka Aam Nagrik (UDAN) Scheme

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- The Ministry of Civil Aviation approved 78 new routes under the 4<sup>th</sup> round of **Regional Connectivity Scheme (RCS)-UDAN**.
- The approval was awarded through a bidding process, which also incorporates helicopters and seaplanes.
- The 4<sup>th</sup> round of the Scheme was launched in December 2019, with special focus towards North Eastern regions, hilly states and islands.
- Some of the routes approved in different regions are (i) Guwahati to Tezu, Rupsi, Tezpur, Passighat, Misa and Shillong, (ii) Hissar to Chandigarh, Dehradun and Dharamshala, and (iii) Varanasi to Chitrakoot and Shravasti.

## Ude Desh Ka Aam Nagarik (UDAN)

- UDAN was launched in 2016 to make air travel affordable for people through subsidised ticket rates. The aim is to connect smaller places through the air network by using under-served and unserved airports.
- Under UDAN, fares for a specified number of seats are capped and the government provides a viability gap funding (VGF) to the carriers to make up for the below-market pricing.
- At present, a total of 766 routes have been sanctioned under the Scheme. Out of these, 274 routes have been made operational.

## Social Justice

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### Draft Health Data Management Policy

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- The Ministry of Health and Family Welfare has released the **draft Health Data Management Policy** for public feedback.
- This policy sets out the manner in which data privacy will be maintained once the **National Digital Health Mission (NDHM)** is implemented. The NDHM aims to digitize health records and maintain registries for healthcare professionals and health facilities.

- Key aspects of the Draft Health Data Management Policy include:
  - **Applicability:** The Policy will be applicable to all entities involved in the NDHM such as: (i) healthcare professionals, (ii) health information providers, (iii) payers (central or state government, and insurers, among others), (iv) pharmaceutical manufacturers, and (v) research bodies.
  - **Objectives:** The Policy will set out a framework for the secure processing of personal data of individuals who are part of the National Digital Health Ecosystem (NDHE).
    - Further, it aims to create a system of digital personal and medical health records which is easily accessible to individuals and health service providers.
    - Other objectives include: (i) increasing awareness on the importance of data privacy, and (ii) ensuring national portability in provision of health services.
  - **Consent and rights of data principals:** Data principals should be given complete control and decision-making power over the manner in which their personal data is collected and processed.
    - Consent of the data principal will be considered valid if it is: (i) given freely, (ii) informed, (iii) specific, (iv) clearly given, and (v) capable of being withdrawn.
  - **Health ID:** A data principal may request for the creation of a health ID at no cost. The ID will enable them to participate in the NDHE. The personal data of the data principal will be linked to his/her health ID.

## **National Council for Transgender Persons constituted**

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- The **Transgender Persons (Protection of Rights) Act, 2019**, requires the central government to constitute a **National Council for Transgender Persons**.
- In this context, the Ministry of Social Justice and Empowerment has constituted the **National Council for Transgender Persons**.
- The Council will be chaired by the Minister, Ministry of Social Justice and Empowerment.
- **Functions of the Council include:** (i) advising the central government on formulation of policies, legislation, and projects for transgender persons, (ii) monitoring impact of policies and programmes designed for the benefit of transgender persons, and (iii) redressing grievances of transgender persons.
- The Council will have representatives of various Ministries such as **Ministry of Social Justice and Empowerment, Ministry of Health and Family Welfare, Ministry of Home Affairs** and **Ministry of Minority Affairs**.

- Further, the Council will have **five representatives** from the transgender community, five experts from NGOs working for the welfare of transgender persons, and representatives of the National Human Rights Commission and the National Commission for Women.
- The state government representatives will include persons from Jammu and Kashmir, Andhra Pradesh, Odisha, Gujarat, and Tripura (one state each from North, South, East, West and North East regions selected by rotation).

## Security

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### Draft Defence Production and Export Promotion Policy 2020

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- The Ministry of Defence has released the draft Defence Production and Export Promotion Policy 2020.
- The Policy aims to give a thrust to defence production capabilities of the country, reduce dependence on imports, and promote exports for self-reliance in the defence industry.
- Key aspects of the Policy include:
  - **Turnover of defence industry:** The size of the domestic defence industry (including aerospace and naval shipbuilding) is currently estimated to be about Rs 80,000 crore. The Policy aims to achieve a turnover of Rs 1,75,000 crore in aerospace and defence goods and services by 2025.
  - **Domestic procurement:** Currently, the procurement from the domestic industry is nearly Rs 70,000 crore (60% of overall defence procurement). The Policy aims to double this to Rs 1,40,000 crore by 2025.
  - **Research and innovation:** The Defence Research and Development Organisation will set up missions in select areas to develop critical futuristic systems such as hypersonic missiles, secure communication devices, and airborne sensors.
    - The **innovations for Defence Excellence (iDEX) initiative** will be scaled up to engage with 300 more startups and develop 60 new technologies over the next five years.
    - The iDEX initiative aims to encourage technology development in defence by engaging research institutes, academia, industries, and start-ups by providing them funding or grants.
  - **Reforms in DPSUs:** The Policy notes that ordnance factories and Defence Public Sector Undertakings (DPSUs) need to be reformed for future so that they work in tandem with the private industry.
 

It proposes that disinvestment of DPSUs will be pursued and ordnance factories will be corporatised to make them competitive. They will be mandated to have at least 25% of their revenue from exports by 2025.

## Science and Technology

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### Reforms Proposed in the Mining Sector

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- The Ministry of Mines invited comments on the reforms proposed in the mining sector.
- These reforms seek to implement the announcements made under the Atma Nirbhar Bharat Abhiyan for enhancing private enhancements in the mining sector.
- Certain amendments to the Mines and Minerals (Development and Regulation) Act, 1957 and Rules notified under the Act have been proposed to give effect to these reforms.
- Key reforms proposed include:
  - **Removal of end-use restrictions:** All mines in future will be auctioned without any end-use restriction. Further, the right of first refusal available to existing captive mines will also be removed. Currently, captive mines can sell up to 25% of total mineral excavated in the previous year. This limit is proposed to be enhanced to 50%.
  - **Exploration by private entities: Prospecting-cum-mining lease** will be provided for partially explored mineral blocks through auction. This lease is a composite license providing for both prospecting and mining activities. Private entities will be engaged in exploration work. Exploration work of private entities will be funded from the National Mineral Exploration Trust Fund.
  - **Re-allocation of non-working mines:** The mines owned by private companies which are not made operational within three years can be vested back to the concerned state for re-allocation through auction. Similar action can be taken against the mines allocated to Public Sector Utilities (PSUs) which have not been brought into production.
  - **Definition of illegal mining:** The Ministry noted that currently, there is no differentiation between illegal mining done outside leasehold area and mining in violation of clearances inside a mining lease area.

Amendments in the 1957 Act are proposed to provide that illegal mining outside the leasehold area will be treated distinct and separate from that within the leased area.

### Railways Introduces Drone-based Surveillance System For Security

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- The Railways has procured nine drones and two Ninja Unmanned Aerial Vehicles for establishing a drone-based surveillance system. These will be used by the Railway Protection Force for the purposes of railway security.

- The drones will be deployed for: (i) inspection of railway assets, (ii) surveillance of criminal and anti-social activities such as gambling, throwing of garbage in railway premises, (iii) helping in rescue, recovery, and restoration at disaster sites, and (iv) certain data collection exercises such as measuring of crowd magnitude.

## **Drone**

- Drone is a layman terminology for Unmanned Aircraft (UA). There are three subsets of Unmanned Aircraft- Remotely Piloted Aircraft, Autonomous Aircraft and Model Aircraft.

Remotely Piloted Aircraft consists of remote pilot station(s), the required command and control links and any other components, as specified in the type design.

- Remotely piloted aircraft have been divided into five categories-
  - Nano : Less than or equal to 250 grams.
  - Micro : From 250 grams to 2kg.
  - Small : From 2 kg to 25kg.
  - Medium : From 25kg to 150kg.
  - Large : Greater than 150kg.