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PRS Capsule March 2020

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COVID-19

Coronavirus disease 2019 (COVID-19) is an infectious disease caused by a new type of virus. The disease originated in Wuhan, China and since then has spread globally. On March 11, 2020, the World Health Organisation declared the COVID-19 as a global pandemic.

The first confirmed case in India was on January 30, 2020. Since then, there has been a consistent rise in the number of cases within the country. With the spread of COVID-19, the central government has announced several policy decisions to contain the spread, and financial measures to support citizens and businesses who would get affected.

Key Announcements

Lockdown Notified in the Country

- To contain the spread of COVID-19, the **National Disaster Management Authority** (NDMA) directed the central and state governments, as well as various State Disaster Management Authorities (SDMAs) to take measures to ensure **social distancing**.
- These measures were issued under the provisions of the **Disaster Management Act, 2005**.
 - The Act sets up the NDMA and SMDAs and provides certain powers to these authorities for the effective management of disasters.
- During the lockdown, all establishments, other than those selling or producing essential goods or providing essential services, and activities related to agricultural operations have been closed.
- Essential goods include items such as food, medicine, and electricity. Essential services include banking services, telecommunications, and pharmaceuticals.
- Transportation of all goods (whether essential or non-essential) will continue to remain functional.
- Further, certain bodies, such as the district administration, police, and defence services will continue to operate.
- The Union Home Secretary further directed all state/union territory governments, as well as various State/Union Territory Disaster Management Authorities to issue orders to their District Magistrates or Deputy Commissioners, and Senior Superintendent of Police (SP), SP, or Deputy SP to:
 - Ensure adequate arrangements of temporary shelter and food for the needy, including stranded migrant workers,
 - Relocate migrant workers who have moved out to reach their hometown, to the nearest shelter home, and to quarantine them for at least 14 days.
 - Direct employers to pay wages during the lockdown, and to ensure landlords do not demand rent from workers for one month.

Pradhan Mantri Garib Kalyan Yojana to Provide Relief Against COVID-19

- In light of the COVID-19 pandemic, the Finance Minister announced a **relief package under the Pradhan Mantri Garib Kalyan Yojana** for the poor.
- An amount of Rs 1.7 lakh crore has been allocated for the same.
- Key features of the package under the scheme are:
 - Insurance cover of Rs 50 lakh for public health workers (such as doctors, nurses, paramedics and ASHA workers) who are treating patients of COVID-19.
 - The scheme will cover all health workers working in government health centres, wellness centres, and hospitals of the centre and states.
 - The insurance cover will be over and above any other insurance cover being availed by the beneficiary.
 - Five kilograms of wheat or rice and one kilogram of preferred pulses will be provided for free every month to poor families for the next three months.
 - This will be over and above the current entitlements under the **National Food Security Act**.
 - 20.4 crore women account holders under the **Pradhan Mantri Jan Dhan Yojana** will get Rs 500 per month for next three months.
 - Further, eight crore poor families will be given three gas cylinders free of cost over the next three months.
 - The first instalment of Rs 2,000 due in 2020- 21 under the **PM-KISAN Yojana** will be advanced and paid in April, 2020.
 - Wages under the **Mahatma Gandhi National Rural Employment Guarantee Scheme** will be increased from Rs 182 to Rs 202 per day.
 - Centre will direct state governments to utilise the funds available under District Mineral Fund for medical testing, screening and other requirements for treatment and prevention of spread of COVID-19.
 - Further, states will also be directed to utilise funds under the Building and other Construction Workers Welfare Fund to provide assistance and support to workers.

RBI Announces Measures for Financial Stress Caused by COVID-19

- The **Reserve Bank of India (RBI)** has announced several measures to address the stress in financial conditions caused by COVID-19. These include: (i) cutting policy rates, (ii) expanding liquidity in the market to ensure that financial markets and institutions are able to function normally, and (iii) relief to borrowers in repayment of loans.
- Key measures are detailed below:

- **Policy Rates:**
 - The repo rate (the rate at which RBI lends money to banks) was reduced from 5.15% to 4.4%.
 - The reverse repo rate (the rate at which RBI borrows money from banks) was reduced from 4.9% to 4.0%.
 - The marginal standing facility rate (the rate at which banks can borrow additional money) and the bank rate (the rate at which RBI buys bills of exchange) were reduced from 5.4% to 4.65%.
 - The accommodative stance of monetary policy will be continued in order to revive growth and mitigate the impact of coronavirus on the economy.
- **Liquidity management:**
 - The Cash Reserve Ratio (CRR) for all banks has been reduced from 4% to 3% till March 26, 2021.
 - CRR is the amount of liquid cash that banks have to maintain with the RBI, as a percentage of their total deposits (net demand and time liabilities).
 - The daily required minimum CRR balance has been also reduced from 90% to 80%, till June 26, 2020. Further, the RBI will conduct auctions of targeted term repos of up to three years tenor.
 - Under the marginal standing facility (MSF), banks can borrow overnight from RBI by dipping into their statutory liquidity ratio (SLR).
 - SLR is the ratio of liquid assets such as gold, treasury bonds and government securities to net demand and time liabilities (NDTL).
 - The borrowing limit for MSF has been increased from 2% of NDTL to 3% of NDTL till June 30, 2020.
 - These steps are expected to inject a total liquidity of Rs 3.74 lakh crore.
- **Relief to borrowers:**
 - All banks and financial institutions (including NBFCs) are permitted to grant a moratorium of three months on payment of all term loan instalments (including agricultural, retail and crop loans) and interest on working capital loans (such as overdraft facilities), which are due between March 1, 2020 and May 31, 2020.
 - Such deferment will not result in a downgrade in asset classification.

Social Distancing Measures Proposed

- The Ministry of Health and Family Welfare has released several advisories and notifications addressing: (i) citizens, (ii) hospitals, (iii) state governments/ departments/ Ministries, and (iv) employees.
- Key notifications include:

- **Testing laboratories:**

The **Indian Council of Medical Research** allowed for free of cost diagnosis to all individuals with COVID19 symptoms. For this purpose, the government approved certain private laboratories to test individuals for COVID-19.

- **Social distancing measures:**

The government also proposed for certain interventions to be followed by state governments to ensure social distancing. These include:

- Closure of all educational establishments (schools, universities), gyms, museums, cultural and social centres, swimming pools and theatres.
- Postponing of exams and ongoing exams to be conducted only after ensuring physical distance of one meter amongst students.
- Encourage private sector organisations/ employers to allow employees to work from home wherever feasible.

Census and NPR Postponed

- In December 2019, the Union Cabinet had approved proposals to: (i) conduct the **Census of India 2021** throughout the country, and (ii) update the **National Population Register (NPR)** in all parts of the country, except the state of Assam.
- The Census was to be conducted in two phases:
 - A house listing and housing census between April and September 2020, and population enumeration in February 2021.
 - The NPR was to be updated along with the house listing and housing census (except in Assam).
 - NPR is a register of the usual residents in the country.
 - Usual residents refer to those who have either resided in a local area for the past six months or more, or intend to reside in that area for the next six months or more.
- In view of the COVID-19 pandemic, the census and updation of NPR have been postponed until further orders.

Foreign Trade Policy 2015-20 Extended

- The Ministry of Commerce and Industry announced an extension of the **Foreign Trade Policy**, applicable for the period 2015-20, by one year, i.e, up to March 31, 2021.
- The extension has been announced to provide continuity in the policy regime, given the current situation due to the coronavirus pandemic.

- Following are some of the key features of the Policy:
 - All export promotion schemes, except the Service Exports from India Scheme (SEIS) will be available till March 31, 2021.
 - Exemption from payment of GST and compensation cess on certain imports will continue during this period.

Finance

Direct Tax Vivad se Vishwas Bill, 2020

- The **Direct Tax Vivad se Vishwas Bill, 2020** was passed by Parliament.
- The Bill provides a mechanism for resolution of pending tax disputes related to income tax and corporation tax.
- **Key features of the Bill include:**
- **Appellant:**
 - The Bill defines an appellant as the person in whose case any appeal or petition, filed by him or the income tax authority, was pending before the appellate forums as on January 31, 2020.
 - These appellate forums are the Supreme Court, the High Courts, the Income Tax Appellate Tribunals and the Commissioner (Appeals).
- **Resolution mechanism:**
 - The Bill proposes a mechanism under which an appellant can file a declaration to the designated authority to initiate resolution of pending direct tax disputes.
 - The designated authority will determine the amount payable by the appellant against the dispute, and grant a certificate, containing particulars of the amount payable, within 15 days.
 - The appellant must pay this amount within 15 days and inform the designated authority. The amount paid will not be refundable.
- **Amount payable for resolution:**
 - The amount payable by an appellant for dispute resolution is determined based on whether the dispute relates to the payment of tax, or the payment of interest, penalty, or fee.
 - An additional amount is required to be paid if such payment is made after March 31, 2020.

Consolidation of 10 Public Sector Banks

- The Union Cabinet has approved the **consolidation of 10 public sector banks (PSBs) into four PSBs.**
- The amalgamation will be effective from April 1, 2020.
- This measure was announced by the Finance Minister in August 2019 to help achieve scale and higher capacity for PSBs.

- The banks to be merged are:
 - Oriental Bank of Commerce and Union Bank of India to be merged into Punjab National Bank.
 - Syndicate Bank to be merged into Canara Bank.
 - Allahabad Bank to be merged into Indian Bank.
 - Andhra Bank and Corporation Bank to be merged into Union Bank of India

Supreme Court strikes down RBI Circular Regulating Virtual Currencies

- The **Supreme Court struck down a circular issued by the Reserve Bank of India (RBI)** in April 2018 with respect to virtual currencies on the grounds of proportionality.
- The circular prohibited entities regulated by the RBI from dealing in virtual currencies or providing services for facilitating any person or entity in dealing with virtual currencies.
- A virtual currency is a digital representation of value, which can be used as a medium of exchange, a store of value or a unit of account.
- It usually does not have the status of a legal tender.
 - A legal tender is guaranteed by the central government and all parties are legally bound to accept it as a mode of payment.
- The Court held that anything which may pose a threat to the financial system of the country falls within the purview of regulatory powers of the RBI.
 - This is irrespective of whether the activity forms part of the credit or payment system.
- However, it held that the availability of power is different from the manner and extent to which it can be exercised.
- The Court held that the RBI did not provide any evidence that virtual currencies have negatively impacted the entities regulated by it.
- Further, it noted that the Inter- Ministerial Committee, constituted in November 2017, was of the opinion that a ban might be an extreme tool and would not be achievable through regulatory measures.
- Considering these, the Court held that the RBI's action of prohibiting entities regulated by it from dealing in virtual currencies was not proportional and the above directive should be set aside.

recapitalisation of Regional Rural Banks

- The Cabinet Committee on Economic Affairs approved the continuation of Scheme for **recapitalisation of Regional Rural Banks (RRBs)** for the year 2020-21.
- RRBs primarily cater to the credit and banking requirements of enterprises operating in the rural sector.

- In 2011, a Scheme for Recapitalisation of RRBs was approved by the Cabinet and an amount of Rs 2,900 crore was allocated for it till 2019-20.
- The Scheme is aimed at improving the **Capital to Risk Weighted Assets Ratio (CRAR)** of RRBs.
 - CRAR measures the bank's total available capital as a percentage of its total assets.
 - RBI has prescribed a minimum CRAR of 9% to be maintained by all banks on an ongoing basis.
- Recapitalisation will be done for those RRBs that have been unable to maintain this required CRAR of 9%.
- An amount of Rs 670 crore has been approved for this purpose by the central government.
- This will be released upon release of an equal instalment by the sponsor banks.

A sponsor bank is a scheduled commercial bank which shares ownership of the RRB.

Health

Medical Termination of Pregnancy (Amendment) Bill, 2020

- The **Medical Termination of Pregnancy (Amendment) Bill, 2020** was passed by Lok Sabha in March 2020.
- The Bill amends the Medical Termination of Pregnancy Act, 1971 which provides for the termination of certain pregnancies by registered medical practitioners.
- The Bill adds the definition of termination of pregnancy to mean a procedure undertaken to terminate a pregnancy by using medical or surgical methods.
- **Termination of pregnancy:** Under the Act, a pregnancy may be terminated within 12 weeks, if a registered medical practitioner is of the opinion that:
 - Continuation of the pregnancy may risk the life of the mother, or cause grave injury to her health.
 - There is a substantial risk that the child, if born, would suffer physical or mental abnormalities.
- For termination of a pregnancy between 12 to 20 weeks, two medical practitioners are required to give their opinion.
- The Bill amends this provision to state that a pregnancy may be terminated within 20 weeks, with the opinion of a registered medical practitioner.
- Approval of two registered medical practitioners will be required for termination of pregnancies between 20 to 24 weeks.
- The termination of pregnancies up to 24 weeks will only apply to specific categories of women, as may be prescribed by the central government.

- The central government will notify norms for medical practitioners whose opinion is required for terminating the pregnancy.
- **Constitution of a Medical Board:** Under the Bill, every state government is required to constitute a Medical Board.
- It states that the upper limit of termination of pregnancy will not apply in cases where such termination is necessary due to the diagnosis of substantial foetal abnormalities.
- These abnormalities will be diagnosed by a Medical Board.
 - Medical Boards will consist of the following members: (i) a gynaecologist, (ii) a paediatrician, (iii) a radiologist or sonologist, and (iv) any other number of members, as may be notified by the state government.

The National Commission for Indian System of Medicine Bill, 2019 passed by Rajya Sabha

- The **National Commission for Indian System of Medicine Bill, 2019** was passed by Rajya Sabha in March 2020.
- The Bill repeals the Indian Medicine Central Council Act, 1970.
- Key features of the Bill include:
- **Constitution of the National Commission for Indian System of Medicine:**
 - The Bill provides for the establishment of the National Commission for Indian System of Medicine (NCISM).
 - The NCISM will consist of 39 members, appointed by the central government.
 - Members of the NCISM will include:
 - Chairperson
 - The Presidents of the Board of Ayurveda and the Board of Unani, Siddha, and Sowa-Rigpa
 - 10 members (part-time) to be appointed on a rotational basis from amongst the nominees of states in the Advisory Council.
- **Functions of the NCISM include:**
 - Framing policies for regulating medical institutions and medical professionals of Indian System of Medicine.
 - Ensuring compliance by the State Medical Councils of Indian System of Medicine of the regulations made under the Bill.
 - Ensuring coordination among the autonomous boards set up under the Bill.

- **Autonomous boards:**

The Bill sets up certain autonomous boards under the supervision of the NCISM. These boards are:

- The Board of Ayurveda and the Board of Unani, Siddha, and Sowa-Rigpa: They will be responsible for formulating standards, curriculum, and granting recognition to medical qualifications in their respective disciplines.
- The Medical Assessment and Rating Board: It will determine the process of rating and assessment of medical institutions.
- The Ethics and Medical Registration Board: It will maintain a National Register of all licensed medical practitioners of the Indian System of Medicine.

Mining

The Mineral Laws (Amendment) Bill, 2020

- The **Mineral Laws (Amendment) Bill, 2020** was passed by Parliament.
- It amends the Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act), and the Coal Mines (Special Provisions) Act, 2015 (CMSP Act).
 - The MMDR Act regulates the overall mining sector in India.
 - The CMSP Act provides for the auction and allocation of mines whose allocation was cancelled by the Supreme Court in 2014.
 - Schedule I of the Act provides a list of all such mines; Schedule II and III are sub-classes of the mines listed in Schedule I.
 - Schedule II mines are those where production had already started then, and Schedule III mines are ones that were earmarked for a specific end-use.

Key features are as follows:

- **Removal of restriction on end-use of coal:**
 - Earlier, companies acquiring Schedule II and Schedule III coal mines through auctions could use the coal produced only for specific end-uses such as power generation and steel production.
 - The Bill removes this restriction on the use of coal mined by such companies.
 - Companies will be allowed to carry on coal mining operations for their own consumption, sale or for any other purposes, as may be specified by the central government.
 - The Bill also adds that companies are not required to possess any prior coal mining experience in India to participate in the auction of coal and lignite blocks.

- **Composite license for prospecting and mining:**
 - Earlier, separate licenses were provided for prospecting and mining of coal and lignite, called prospecting license, and mining lease, respectively.
 - Prospecting includes exploring, locating, or finding mineral deposits.
 - The Bill provides for an additional prospecting license-cum- mining lease.
 - This license will allow both prospecting and mining activities.
- **Transfer of clearances to new bidders:**
 - Earlier, upon expiry, mining leases for specified minerals (minerals other than coal, lignite, and atomic minerals) were transferred to new persons through auction.
 - The new lessee was required to obtain statutory clearances before starting mining operations.
 - The Bill provides that the various approvals, licenses, and clearances given to the previous lessee will be extended to the new lessee for two years.
 - During this period, the new lessee will be allowed to continue mining operations. However, the new lessee must obtain all the required clearances within this two-year period.

Defence

Draft Defence Procurement Procedure 2020

- The Ministry of Defence released the Draft Defence Procurement Procedure, 2020 (Draft DPP, 2020).
- The DPP governs the purchase of weapons and equipment for India's defence forces.
- The draft DPP revises the **DPP-2016** with the aim of increasing indigenous manufacturing and reducing timelines for procurement of defence equipment.

Key features of the revised DPP, along with some of the major changes proposed include:

- **Leasing:**
 - The revised DPP has introduced 'leasing' as a new mode of acquisition.
 - Leasing substitutes initial capital outlays with periodical rental payments.
 - This is preferred in some situations such as where: (i) procurement is not feasible within time, or (ii) the asset is required only for a specific time.

- **Enhancement of Indigenous Content (IC):**
 - The DPP-2016 specified five categories of capital acquisition
 - Buy (Indian-IDDMM)
 - Buy (Indian)
 - Buy and Make (Indian)
 - Buy and Make
 - Buy (Global).
 - The revised DPP adds a sixth category as Buy (Global-Manufacture in India).
 - Further, it has enhanced the IC requirement in various categories of procurement.
- **Product support:**

The revised DPP states that the original equipment manufacturer also needs to specify long term product support through performance based logistics and comprehensive maintenance contract.

Environment and Forests

Draft Environment Impact Assessment Notification, 2020

- The Ministry of Environment, Forest and Climate Change released the Draft Environment Impact Assessment Notification, 2020.
- It seeks to replace the **Environment Impact Assessment Notification, 2006**.
- It proposes certain conditions and thresholds on undertaking new infrastructure projects, and on expansion or modernisation of existing infrastructure projects.
- These projects include dams, mines, airports, and highways.
- Key features of the proposed notification include:
 - **Categorisation of projects and activities:**
 - All infrastructure projects and activities will be divided into three categories based on their potential social and environmental impacts and the extent of such impact.
 - All projects will require prior environment clearance from the concerned regulatory authority before commencement of any construction, installation, establishment, or any such activity.
- **Exemption:**
 - The 2006 notification defines 'public consultation' as the process by which the concerns of local affected persons and other stakeholders are addressed and taken into account while designing the project.
 - The draft notification exempts certain projects from public consultation. These include all building, construction and area development projects, inland waterways, expansion or widening of national highways, and modernisation of irrigation projects.

- **Violations:**

Violations will be reported to the Appraisal Committee, who will assess if the cases of violation can be run sustainably under compliance of environmental norms.

Agriculture

System of Fertilizer Subsidy

- The Standing Committee on Chemicals and Fertilizers (Chair: Ms. K. Kanimozhi) submitted its report on the subject **'System of Fertilizer Subsidy'**.
- The central government provides subsidies to fertilizer manufacturers and importers so that farmers can buy them at affordable prices.

Key observations and recommendations of the Committee include:

- **Change in the subsidy policy:**
 - The Committee noted that fertilizer subsidy resulted in a tremendous growth of agricultural productivity, which was necessary for food security of the huge population of the country.
 - However, it has also led to negative effects such as over and imbalanced use of fertilizers, and soil degradation.
 - The Committee noted that any drastic change in the existing fertilizer subsidy policy would have a huge bearing on the country's food security.
- **It recommended that:**
 - Any such drastic change must be effected only after an in-depth study and wider consultations with all stakeholders (including the concerned central and state government departments, fertilizer industry, and farmers and their associations).
 - It also recommended that education and awareness of farmers about balanced use of fertilizers should be an integral part of the policy.

- **Direct subsidy to farmers:**

- The Committee observed that many fertilizer manufacturing plants are operating with very old technology and systems, and not at their highest efficiency.
- The government bears the cost of their inefficiency in the form of higher subsidy.
- The Committee recommended that the companies should be set free to manufacture, supply, and sell fertilizers as per their own system.
- A farmer should have the choice of buying from various brands of fertilizers, while getting the subsidy directly in his bank account.
- Such a system will push manufacturers to produce and sell fertilizers in the most cost- effective manner, and push the inefficient ones out.
- It also recommended that the government should set out a clear and firm roadmap to switch to a system where farmers directly get the subsidy and the manufacturing and importing of fertilizers is set free to the market forces.

New and Renewable Energy

Atal Jyoti Yojana Phase-II Extended

- **Atal Jyoti Yojana Phase-II** has been extended up to March 31, 2021.
- The scheme was launched in December 2018.
- As per the original timeline, the scheme was valid until December 2019.
- The scheme provides for the installation of solar street lighting systems in specified areas.
- Under the scheme, 75% of the cost is borne by the central government and the balance 25% is provided through the **Member of Parliament Local Area Development Fund (MPLAD)**.
- Under the Phase-II of the scheme, a total of 3.04 lakh solar street lights are to be installed.