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Economic Relief Package after Covid- Second Wave

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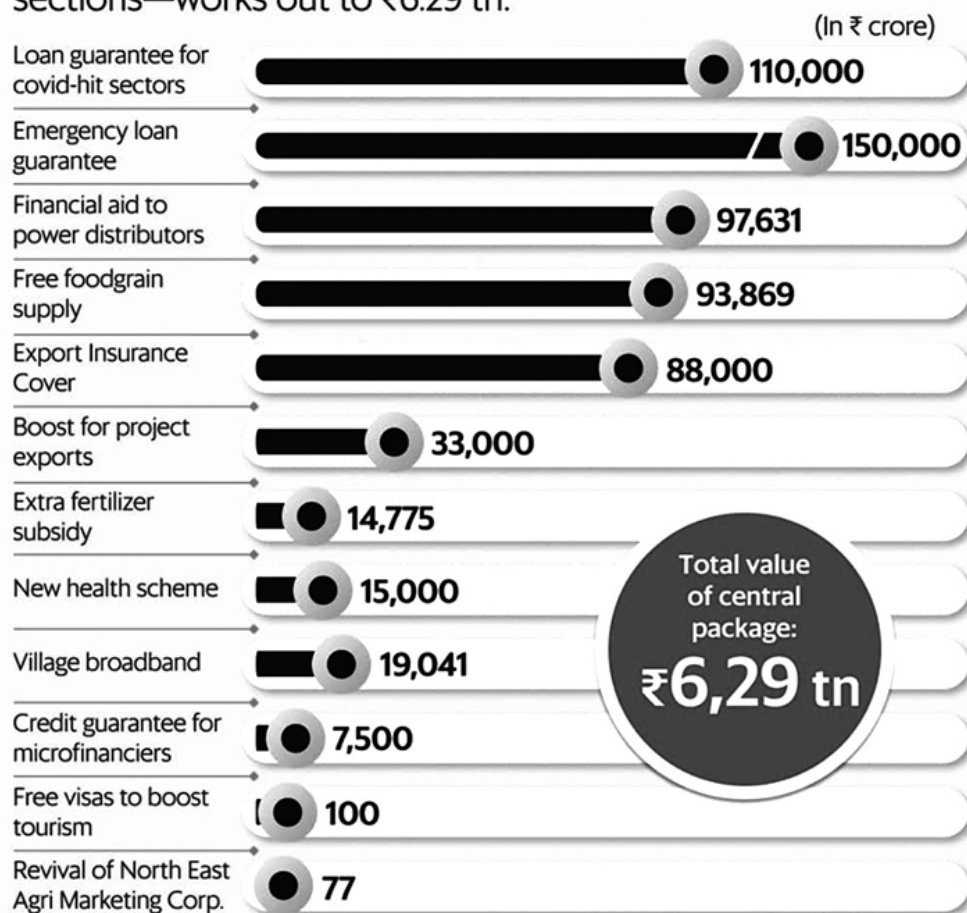
Why in News

Recently, the **Ministry of Finance** announced a slew of **measures to provide relief to diverse sectors** affected by the second wave of Covid-19 pandemic.

- It aims to **prepare the health systems for emergency response** and provide **impetus for growth and employment**. However it will **increase the Fiscal Deficit by 0.6%** as per a report of State Bank of India.
- A total of **17 measures amounting to Rs. 6,28,993 crore** were announced in the Economic Relief Package.

A SHOT IN THE ARM

The package that includes two initiatives announced already—fertilizer sops and free foodgrain for vulnerable sections—works out to ₹6.29 tn.



Key Points

- **Economic Relief from Pandemic:**

- **Loan Guarantee Scheme for Covid Affected Sectors:**

- Additional credit of Rs 1.1 lakh crore will flow to the businesses. This includes Rs 50,000 crore for the health sector and Rs 60,000 crore for other sectors, including tourism.

The health sector component is aimed at **scaling medical infrastructure targeting underserved areas** (i.e. non-metropolitan areas).

- **Guarantee Coverage:** 50% for expansion & 75% for new projects.

For **aspirational districts**, the guarantee cover of 75% will be available for both new projects and expansion.

- Maximum loan admissible under the scheme is Rs. 100 crore and guarantee duration is up to 3 years.

- **Emergency Credit Line Guarantee Scheme:**

Expand the **Emergency Credit Line Guarantee Scheme (ECLGS)**, launched as part of **Atmanirbhar Bharat Package** in May, 2020, by Rs 1.5 lakh crore.

- **Credit Guarantee Scheme for Micro Finance Institutions:**

- It is a new scheme which aims to benefit the smallest of the borrowers who are served by the network of **Micro Finance Institutions (MFIs)**.

- Guarantee will be provided to **Scheduled Commercial Banks** for loans to new or existing **Non-Banking Financial Company (NBFC)-MFIs** or MFIs for **on lending upto Rs 1.25 lakh to approximately 25 lakh small borrowers**.

- **Extension of Aatmanirbhar Bharat Rozgar Yojana (ANBRY):**

ANBRY incentivises employers for creation of new employment, restoration of loss of employment through **Employees' Provident Fund Organisation (EPFO)**.

- **Pradhan Mantri Garib Kalyan Ann Yojana:**

To the beneficiaries under the **National Food Security Act (NFSA), 2013**, 5 kg of food grains per month free will be provided during May-November 2021.

- **Strengthening Public Health:**

- New Scheme for Children and Paediatric Care:**

- A new scheme for **strengthening public health infrastructure and human resources with outlay of Rs. 23,220 crore** was also announced.
- It will **focus on short term emergency preparedness** with special emphasis on children and paediatric care/paediatric beds.

- **Growth & Employment:**

- **Free one month tourist visa** to 5 lakh tourists.
- Additional Subsidy for **DAP & P&K fertilizers**.
- **Climate Resilient Special Traits Varieties:**
 - **Indian Council of Agricultural Research (ICAR)** has developed **biofortified crop** varieties having high nutrients like protein, iron, zinc, vitamin-A.
 - These varieties are **tolerant to diseases, insects, pests, drought, salinity, and flooding**, early maturing and amenable to mechanical harvesting also developed.
 - 21 such varieties of **rice, peas, millet, maize, soyabean, quinoa, buckwheat, winged bean, pigeon pea & sorghum** will be dedicated to the nation.
- **Revival of North Eastern Regional Agricultural Marketing Corporation :**
 - A revival package of Rs 77.45 crore will be provided to **North Eastern Regional Agricultural Marketing Corporation (NERAMAC)**.
 - NERAMAC has facilitated registration of 13 **Geographical Indicator (GI)** crops of North-East.
 - It has prepared a plan to give **10-15% higher price to farmers by-passing middlemen/agents**.
 - It also proposes to set up **North-Eastern Centre for Organic Cultivation**, facilitating equity finance to entrepreneurs.
- **Boost for Project Exports:**

It has been decided to provide an additional corpus to the **National Export Insurance Account (NEIA)** over 5 years. This will enable it to underwrite additional Rs. 33,000 crore of project exports.

 - **NEIA Trust promotes Medium and Long Term (MLT) project exports** by extending risk covers.
 - It provides cover to buyer's credit, given by **EXIM (Export-Import) Bank**, to less credit-worthy borrowers and supporting project exporters.
- **Boost to Export Insurance Cover:**

It has been decided to **infuse equity in Export Credit Guarantee Corporation (ECGC)** over 5 years to boost export insurance cover by Rs. 88,000 crore.
- **Digital India:**
 - Additional Rs. 19,041 crore will be provided to implement **Bharat Net in PPP model in 16 States** on **viability gap funding** basis.
 - This will **enable expansion and upgradation of Bharat Net to cover all Gram Panchayats and inhabited villages**.

- **Extension of PLI Scheme:**
 - Tenure of **Production-Linked Incentive (PLI) scheme** for **Large Scale Electronics Manufacturing** has been decided to be extended by one year i.e. till 2025-26.
- **Reform-Based Result-Linked Power Distribution Scheme:**
 - **Revamped Reforms-Based, Result-Linked power distribution scheme** of financial assistance to DISCOMS for infrastructure creation, up-gradation of system, capacity building and process improvement was announced in the **Union Budget of 2021-22**.
 - It aims at **state specific intervention** and to provide **assistance for installation of 25 crore smart meters, 10,000 feeders, 4 lakh km of LT overhead lines.**
 - The amount available under the scheme is **in addition to the allowed additional borrowing of 0.5% of Gross Domestic Product** of State which will be available to the States annually for the next four years subject to carrying out specific power sector reforms.
 - Ongoing works of **Integrated Power Development Scheme (IPDS)**, **Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY)** and **SAUBHAGYA** will also be merged in the scheme.
- **New streamlined process for PPP Projects and Asset Monetization:**
 - A new policy will be formulated for appraisal and approval of **Public-Private Partnerships (PPP)** proposals and monetization of core infrastructure assets, including through **Infrastructure Investment Trusts (InvITs)**.
 - The policy will aim **to ensure speedy clearance of projects to facilitate private sector's efficiencies** in financing construction and management of infrastructure.

Significance of the Package

- It would usher in much-needed liquidity and help **revive the employment-intensive sectors such as tourism.**
- It will help **save livelihoods and mitigate further closures and also create new job opportunities.**
- It will **bolster efforts for any such healthcare challenges** in the future.
- It will **enable the Covid-affected Sectors to rise from the challenges** they had faced over the past year and a half.
- The liquidity for small businesses could **indirectly revive the fortunes of larger industries** they source from and help repair broken supply chains.

Source: PIB