1. A Bold Effort at Public Investment-Led Growth

Why in News?

- The Union Budget starts with an announcement that India's domestic output (GDP) is likely to grow 9.2% this year (2021-22) over last year — the highest among the world's Large Economies.

Budget seeks to Boost Public Investment:

- This year's Budget seeks to boost public investment by 35.4% at current prices over last year to raise its share in GDP to 2.9% from 2.2% last year.
- Investment-led growth: The Budget hopes to trigger a virtuous investment-led output and employment growth by arguing in favour of the "crowding-in" effect of public investment on private investment.
- Challenge of mobilising resources: The crux will be to mobilise resources to finance the investment as the Budget seeks to reduce the fiscal deficit ratio, as per the schedule laid out in the last Budget.
- With the threat of higher (imported) inflation (on account of rising international oil prices) and rising interest rates (on account of the US Federal Reserve's decision), meeting the ambitious investment target would be challenging, but it is worth attempting.

Decline in Employment:

- How the budget will address the sharp decline of three percentage points of GDP in private consumption, which is likely to be caused by loss of employment?
- The derived demand for labour from an infrastructure boost may be limited, as the suggested projects are machinery intensive, not labour intensive.
- The employment crisis would call for enhanced allocation for the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and initiating a similar scheme for meeting urban unemployment.

Stangnat Manufacturing Sector:

- The manufacturing sector's share in GDP has been stagnating at around 15% of GDP for quite a while.
- Lack of demand is the real problem, with low capacity utilisation. Indeed, the proposed public investment would create demand for capital and Intermediate Goods.

- But if a substantial share of such investment "leaks" out as imports, then the industrial output may not get the desired boost.
- Growing import dependence: India has become an import-dependent Economy, Especially on China.
- Despite the clarion call for Atmanirbhar Bharat, India's trade deficit with China has gone up from $57.4 billion in 2018 to $64.5 billion in 2021.
- And the deficit would be even higher if exports from China and Hong Kong to India are combined.
- Improved EDB ranking and its limits: India launched the "Make in India" initiative in 2014-15 to raise the manufacturing sector's share in GDP to 25% and create 100 million new jobs in the industry by 2022.
- However, the Government diagnosed the principal barrier to increasing manufacturing in India as excessive and dysfunctional regulation holding back the private initiative.
- The solution, it was argued, was to improve India's rank in the World Bank's Ease of Doing Business (EDB) index.
- India did splendidly to improve its rank — from 142 in 2014 to 63 by 2019-20.
- But the improved ranking failed the industrial sector miserably, with a steady slowdown, noted above.
- Last year, the World Bank scrapped the index as it was flawed globally and reportedly politically motivated.

Limited Success of PLI Scheme:

- India launched a production linked incentive scheme (PLI) for numerous technology-intensive products, starting with mobile phone assembly a few years ago to augment production and reduce imports.
- The Budget has mentioned the overwhelming response to the scheme.
- However, evidence on the number of such projects that have taken off, their investment and employment generation and rise in domestic content in such industrial units is too sparse.

2. Digital Rupee

Why in News?

- The Union Finance Minister has announced the launch of the Digital Rupee — a Central Bank Digital Currency (CBDC) — 2022-23 Onwards.

Who will Launch the CBDC?

- The Reserve Bank of India will launch the CBDC from the upcoming Financial Year.
- This follows the Government's plans to launch the CBDC that will be backed by Blockchain Technology.

What is a CBDC?

- CBDC is a Legal Tender issued by a central bank in a digital form.
- It is Similar to a fiat currency issued in paper and is interchangeable with any other fiat currency.
- One chief Difference will be that a Digital Rupee transaction will be instantaneous as opposed to the current digital payment experience.

Features of CBDC:

- **High-security Instrument:** CBDC is a high-security digital instrument; like paper banknotes, it is a means of payment, a unit of account, and a store of value.
- **Uniquely Identifiable:** And like paper currency, each unit is uniquely identifiable to prevent counterfeit.
- **Liability of Central Bank:** It is a liability of the central bank just as physical currency is.
- **Transferability:** It's a digital bearer instrument that can be stored, transferred, and transmitted by all kinds of digital payment systems and services.

What is the need for CBDC?

- Online transactions: India is a leader in digital payments, but cash remains dominant for small-value transactions.
- High currency in circulation: India has a fairly high currency-to-GDP ratio.
- Cost of currency management: An official digital currency would reduce the cost of Currency Management while enabling real-time payments without any inter-bank Settlement.

Key Benefits Offered:

- **Faster System:** CBDC can definitely increase the transmission of money from central banks to commercial banks and end customers much faster than the present system.
- **Financial Inclusion:** Specific use cases, like financial inclusion, can also be covered by CBDC that can benefit millions of citizens who need money and are currently unbanked or banked with limited banking services
- **Monetary Policy Facilitation:** The move to bring out a CBDC could significantly improve monetary policy development in India.
- **Making of a Regional Currency:** In the cross-border payments domain, India can take a lead by leveraging digital Rupee especially in countries such as Bhutan, Saudia Arabia and Singapore where NPCI has existing arrangements.

Why is CBDC Preferred over Cryptocurrency?

- **Sovereign Guarantee:** Cryptocurrencies pose risks to consumers. They do not have any Sovereign Guarantee and hence are not legal tender.
- **Market Volatility:** Their speculative nature also makes them highly volatile. For instance, the value of Bitcoin fell from USD 20,000 in December 2017 to USD 3,800 in November 2018.
- **Risk in security:** A user loses access to their cryptocurrency if they lose their private key (unlike traditional digital banking accounts, this password cannot be reset).
- **Malware Threats:** In some cases, these private keys are stored by technical service providers (cryptocurrency exchanges or wallets), which are prone to malware or hacking.
- **Money Laundering:** Cryptocurrencies are more vulnerable to criminal activity and money laundering. They provide greater anonymity than other payment methods since the public keys engaging in a transaction cannot be directly linked to an individual.
- **Regulatory bypass:** A central bank cannot regulate the supply of cryptocurrencies in the Economy. This could pose a risk to the financial stability of the country if their use becomes widespread.
- **Power Consumption:** Since validating transactions is energy-intensive, it may have adverse consequences for the country's energy security (the total electricity use of bitcoin mining, in 2018, was equivalent to that of mid-sized economies such as Switzerland).

What does the Budget Announcement mean?

- The announcement in the Budget essentially expresses the government's intention on cryptocurrencies and other virtual currencies.
- The RBI has on several occasions flagged concerns of money laundering, terror financing, tax evasion, etc with private Cryptocurrencies like Bitcoin, Ether, etc and had planned to announce its own CBDC.

What does this change for Citizens?

- There are several models proposed by technology experts on how the Digital Rupee could be Transacted.
- But a formal announcement by the Reserve Bank of India will likely detail how the Digital Rupee will be transacted by citizens.

Way Forward:

- The launch of CBDCs may not be a smooth affair and still requires more clarity in India. There are still a lot of misconceptions about the concept of digital currency in the country.
- The effectiveness of CBDCs will depend on aspects such as privacy design and Programmability.
- There is a huge opportunity for India to take a lead globally via a large-scale rollout and Adoption of Digital Currencies.

3. Draft National Higher Educational Qualification Framework (NHEQF)

Why in News?

- The University Grants Commission (UGC) has recently released a Draft National Higher Educational Qualification Framework (NHEQF) as a part of the National Education Policy (NEP) 2020 to assess students at different levels.

Highlights:

- The framework is not intended to promote a uniform curriculum or national common syllabus. The purpose is to bring up/elevate all HEIs (Higher Education Institutions) to a common level of benchmarking to ensure that all institutions are providing quality education.
- The draft framework has outlined several learning level "descriptors" or parameters based on which students can be assessed at Every Level.

- These parameters include generic learning outcomes, constitutional, ethical, and moral values, employment ready skills, entrepreneurship mindset, and application of knowledge and skills among others.
- The NHEQF has divided parameters into levels 5 to 10. Levels 1 to 4 cover the school education.
- The NHEQF level 5 represents learning outcomes appropriate to the first year (first two semesters) of the undergraduate programme of study, while Level 10 represents learning outcomes appropriate to the doctoral-level programme of study.
- The NHEQF envisages that students on completion of a programme of study must possess and demonstrate the expected graduate profile/attributes acquired.
- It also fixes the number of credits required to clear the different levels of the four-year undergraduate programme, postgraduate degrees and doctoral degrees.
- The NEP 2020 allows multiple entry and exits at the undergraduate level. It effectively means that students can exit after completing one year of undergraduate programme with a certificate, after two years with a diploma, after three years with a bachelor's degree, or can complete four years and get an honours degree with an honours/research degree.
- India recognized the need for NQF both for general education and for Vocational Education and Training (VET).
- The Ministry of Labour and Employment developed the National Vocational Qualifications Framework (NVQF) and the Ministry of Human Resource Development (renamed as Ministry of Education, after NEP 2020 recommendations) developed the Vocational Education Qualifications Framework (NVEQF).

4. Kerala Lokayukta Act, 1999

Why in News?

- The Kerala Government has recently proposed to amend the Kerala Lokayukta Act, 1999 with an ordinance, a move that has drawn Criticism from the Opposition.

Highlights:

- The proposed ordinance envisages to limit the powers of the anti-corruption watchdog.
- The Kerala cabinet has recommended to the Governor that he Promulgates the Ordinance.
- The proposal sought to give the government powers to "either accept or reject the verdict of the Lokayukta, after giving an Opportunity of being heard".

- By this ordinance, the quasi-judicial institution will turn into a toothless advisory body, whose orders will no longer be Binding on the Government.
- The Lokpal and Lokayukta Act, 2013 provided for the establishment of Lokpal for the Union and Lokayukta for States.
- These institutions are statutory bodies without any constitutional status.
- They perform the function of an "ombudsman" and inquire into allegations of corruption against certain public functionaries and for related matters.
- The Lokpal and Lokayuktas Act, 2013 provides for establishing a Lokpal headed by a chairperson, who is or has been a Chief Justice of India, or is or has been a judge of the Supreme Court, or an eminent person who fulfills eligibility criteria as specified.
- Of its other members, not exceeding eight, 50% are to be judicial members, provided that not less than 50% belong to the SCs, STs, OBCs, minorities, or are women.
- The Lokpal was appointed in March 2019 and it started functioning since March 2020 when its rules were framed. The Lokpal is at present headed by former Supreme Court Justice Pinaki Chandra Ghose.
- The Lokpal has jurisdiction to inquire into allegations of corruption against anyone who is or has been Prime Minister, or a Minister in the Union government, or a Member of Parliament, as well as officials of the Union government under Groups A, B, C and D.
- Also covered are chairpersons, members, officers and directors of any board, corporation, society, trust or autonomous body either established by an Act of Parliament or wholly or partly funded by the Centre.
- It also covers any society or trust or body that receives foreign contributions above Rs. 10 lakhs.

5. Nal Se Jal scheme

Why in News?

- An allocation of Rs 60,000 crore has recently been made to cover 3.8 crore households in 2022-23 under Har Ghar, Nal Se Jal scheme.

Highlights:

- It is launched in 2019. The Nodal Agency is Ministry of Jal Shakti
- It aims to provide piped drinking water to every rural home by 2024
- It is a component of the government's Jal Jivan Mission.

- The scheme is based on a unique model where paani samitis (water committee) comprising villagers will decide what they will pay for the water they consume.
- The tariff they fix will not be the same for everyone in the village. Those who have large households will pay more, while poor households or households where there is no earning member, will be exempted.
- According to a 2018 NITI Aayog report, 600 million Indians face high to extreme water stress and about two lakh people die every year due to inadequate access to safe water.
- By 2030, the country's water demand is projected to be twice the available supply, implying severe water scarcity for hundreds of millions of people and an eventual ~6% loss in the country's GDP.
- Studies also show that 84% of rural homes have no access to piped water, with more than 70% of the country's water contaminated.
- Jal Jeevan Mission envisages supply of 55 litres of water per person per day to every rural household through Functional Household Tap Connections (FHTC) by 2024.
- It is under the Ministry of Jal Shakti. It was launched in 2019.
- The Mission is based on a community approach to water and includes extensive Information, Education and Communication as a key component of the mission.
- JJM looks to create a jan andolan for water, thereby making it everyone's priority.
- The fund sharing pattern between the Centre and states is 90:10 for Himalayan and North-Eastern States, 50:50 for other states, and 100% for Union Territories.

6. Project to Link Five Rivers

Why in News?

- Union Finance Minister Nirmala Sitharaman has recently proposed a project to link five rivers in India in her budget speech.

Highlights:

- The rivers identified for linking are Godavari-Krishna, Krishna-Pennar and Pennar-Cauvery, Damanganga-Pinjal and Par-Tapi-Narmada.

- Krishna, the fourth largest river in India, originates in Mahabaleshwar in Maharashtra and flows through Maharashtra, Karnataka, Telangana and Andhra Pradesh.
- Cauvery originates in Kodagu and flows through Karnataka and Tamil Nadu.

- Penna originates in Chikkaballapura and flows through Karnataka, Tamil Nadu and Andhra Pradesh.
- Godavari which is the third largest river in India originates in Nashik and flows through Maharashtra, Telangana, Andhra Pradesh, Chhattisgarh and Orissa.
- The Damanganga-Pinjal river linking aims to divert surplus water from the Damanganga basin to provide domestic water for Mumbai city.
- The Par-Tapi-Narmada project proposes to provide water to doubt-prone regions of Kutch and Saurashtra by diverting excess water from seven reservoirs in the Western Ghats in North Maharashtra and south Gujarat.
- Interlinking of rivers is a very expensive proposal. It will adversely affect land, forests, biodiversity, rivers and the livelihood of millions of people.
- Interlinking of rivers will lead to destruction of forests, wetlands and local water bodies, which are major groundwater recharge mechanisms.
- It causes massive displacement of people. Huge burden on the government to deal with the issue of rehabilitation of displaced people.
- Due to interlinking of rivers, there will be decrease in the amount of fresh water entering seas and this will cause a serious threat to the marine life.