

# 18 Apr 2020: UPSC Exam Comprehensive News Analysis

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## B. GS 2 Related

### Category: INTERNATIONAL RELATIONS

#### 1. 'Food supply chain disruption a concern'

##### Context:

- The World Bank President David Malpass's tele-briefing.

##### Details:

- The World Bank president has outlined major concerns regarding the COVID-19 pandemic and has called for a co-ordinated action. The World Bank president also addressed the **Development committee** which includes the World Bank and International Monetary Fund's shareholders.

##### Concerns:

##### Major recession:

- The WHO president has stated that the world can expect a **major global recession more severe than even the Great Recession of 2007-09.**

##### Capital outflow:

- The WHO president pointed to the **huge capital outflow from developing countries in the context of COVID-19 pandemic.** This could badly affect the prospects of the developing economies which are crucial for the world economy.

##### Trade restrictions:

- There have been reports of countries **restricting export of medical supplies and other items,** thus **crippling global trade prospects** and also restricting access to essential items to needy countries.

##### Food supply disruption:

- There is a **double problem of supply and demand sides** being disrupted in the food and agricultural supply chains.
- Labour shortages are impacting harvesting and logistics and loss of jobs and income has impacted people's ability to afford food.
- Disruptions in domestic food supply chains would be a pressing issue as the COVID-19 pandemic unfolds.

##### World Bank's initiatives:

- The World Bank would have pandemic-related programmes in 100 countries, with **\$160 billion of financing** over the next 15 months. Around \$50 billion of the total package will be **on grant and highly concessional terms**.
- India had received a \$1 billion health sector emergency loan from the World Bank recently.

### Way forward:

#### **Reversing capital flows:**

- The World Bank president suggested steps to **improve debt transparency and investment quality** that are critical to reversing these capital flows.

#### **Commercial creditors:**

- The World Bank president suggested that commercial creditors of governments should not “free ride” and should help **sovereign debt reduction efforts**.
- Governments that are part of **the International Development Association support system should get credit on concessional terms** from commercial creditors.
  - The International Development Association supports a group of 76 of the poorest World Bank Group member countries. India is not eligible for IDA support.

#### **Ensure continued trade:**

- The World Bank president has requested the countries to not use the crisis to close or block markets and suggested a barter system. He called upon the countries to **allow markets to function** and allow the supplies to go to those most in need.

#### **Ensuring food security:**

- Given the vulnerability of the food supply systems to the current disruption, there is the need for **enhanced state focus and support** to this sector.

## C. GS 3 Related

### **Category: SCIENCE AND TECHNOLOGY**

#### **1. New indigenous kit may soon accelerate testing**

##### Context:

- A research laboratory funded by the Department of Science and Technology has developed a **rapid diagnostic test for COVID-19**.

##### Background:

- **Rapid-Reverse Transcriptase Polymerase Chain Reaction (RT-PCR) tests** are considered the gold standard for detecting the virus.

- RT-PCR involves extracting RNA from a swab, collected from the throat or nose, converting it into DNA, magnifying the quantity of DNA and using chemical probes to bind target genes that distinguish SARS-CoV2 from other viruses.
- This test takes two hours to extract RNA from a given batch of samples and another two and a half hours to detect the presence (or absence) of virus in a given batch.

### Details:

- The new diagnostic test kit named Chitra GeneLAMP-N, made by scientists at the Sree Chitra Tirunal Institute for Medical Sciences and Technology (SCTIMST), Thiruvananthapuram can **speed up the testing by 15 times and cut costs by two-thirds**.
  - Sree Chitra Tirunal Institute for Medical Sciences & Tech, Trivandrum is an **Institute of National Importance of the Department of Science and Technology**.
- The new kit employs its in-house technology called **reverse transcriptase loop-mediated amplification of viral nucleic acid (RT-LAMP)**, which zooms in on regions of the virus' nucleocapsid (N) gene and analyses a batch in 10 minutes.
  - Most RT-PCR kits focus on two different genes, the E (envelope) gene and the RdRP (RNA dependent RNA polymerase) gene as recommended by the WHO. The U.S.'s Centres for Disease Control recommends an N Gene test, which is a confirmatory test and employed in Germany and China among other countries.
- A total of 30 samples can be tested in a single batch.
- The diagnostic kit has been qualified by the National Institute of Virology Alappuzha but still awaits formal approval by the Indian Council for Medical Research and a licence from the **Central Drugs Standard Control Organization**.

### **Category: ECONOMY**

#### **1. RBI to pump in 1 lakh crore**

### Context:

- The Reserve Bank of India (RBI) has announced **liquidity measures to ease financial stress and increase credit flows** in the Indian economy.

### Details:

#### **Ensuring liquidity:**

- The newly announced measures include **liquidity infusion of 1 lakh crore rupees**, of which **50,000 crore rupees is exclusively for Non-Banking Finance Companies (NBFCs), via banks**.
- While the NBFCs have extended the loan moratorium option to their customers, the banks have not offered the NBFCs any moratorium for repayment, due to which the NBFCs have experienced liquidity shortage.
- The RBI has extended another 50,000 crore rupees to **refinancing agencies like NABARD, SIDBI and National Housing Bank**.

### Help for States:

- The RBI has **increased the Ways and Means Advances (WMA) limits of States by 60%**, over and above the level as on March 31, 2020. The increased limit will be available till September 30, 2020.
- Ways and means advances is a mechanism used by Reserve Bank of India under its credit policy to provide to States, banking with it, to help them tide over temporary mismatches in the cash flow of their receipts and payments.
- The increased limit for WMAs will **help the states plan their market borrowing programmes** better while ensuring greater containment and mitigation efforts by the states.

### Inflation:

- The RBI Governor has stated that inflation could be on a declining trajectory given the fact that it has fallen by 170 basis points from its January 2020 peak. The retail inflation for March 2020 stands at 5.9%.
- Food inflation has decreased by around 160 bps though in other categories of the CPI, inflation pressures remained firm.
- The RBI Governor has predicted that the **inflation could recede** even further in the absence of supply disruption shocks and may **settle well below the target of 4% by the second half of 2020-21**.
- Such a favourable outlook for Inflation trends would **make policy space available to address the risks to growth** and financial stability brought on by COVID-19. This would allow room for reduction in interest rates.

### Interest rates:

- The surplus liquidity in the banking system has risen significantly in the wake of government spending and the various liquidity enhancing measures by RBI.
- This had led the banks to park **9 lakh crore rupees in the RBI through the reverse repo window**.
- The RBI has **reduced the reserve repo rate by 25 bps to 3.5%**, to discourage banks from parking their excess liquidity with RBI. Reverse repo rate cut will nudge banks to lend more.
- The repo rate has not been changed.

## 2. NBFCs get 50,000-cr. liquidity booster

### Context:

- The Reserve Bank of India (RBI) has announced measures to provide **support to the Non-Banking Financial Companies (NBFCs)**.

### Details:

- The RBI has announced measures to provide **liquidity support to NBFCs**.
- The RBI has stipulated that **small and mid-sized NBFCs and micro-finance institutions (MFIs)** should receive at least **50% of the funds availed by the banks under targeted long-term repo operation (TLTRO)**.

- Banks can avail 50,000 crore rupees through the targeted long-term repo operation.
- The first auction of TLTRO for 25,000 crore rupees will be conducted on April 23.
- The newly announced measures by the RBI requires the banks to invest the funds availed by the banks under TLTRO in **investment grade bonds, commercial paper, and non-convertible debentures of NBFCs**.
- Of the 50% stipulated for smaller entities, 10% has to be invested by banks in securities of MFIs, 15% in securities issued by NBFCs with asset size of 500 crore rupees and below; and 25% in securities issued by NBFCs with assets size between 500 crore and 5,000 crore rupees.
- The RBI would be providing **special refinance facility of 50,000 crore rupees to NABARD, SIDBI and NHB** to enable them to meet sectoral credit needs.
- This involves 25,000 crore rupees to NABARD for refinancing Regional Rural Banks (RRBs), cooperative banks and Micro Finance Institutions (MFIs); 15,000 crore rupees to SIDBI for on-lending/refinancing; and 10,000 crore rupees to NHB for supporting Housing Finance Companies (HFCs).

### **Significance:**

#### **Maintaining liquidity:**

- Given the fact that lender banks have not provided moratorium on payment for NBFCs though the NBFCs have done so for their customers, this move will help **ease the liquidity problem faced by NBFCs and MFIs** to some extent.

#### **Avoiding financial instability:**

- Since the current situation has led to delays in projects which have availed loans from the NBFCs, the regulator has allowed non-banking institutions to **extend the date for commencement for commercial operations (DCCO) by an additional one year**, without treating the same as restructuring, since the project is delayed due to reasons beyond the control of the promoter.

#### **Commercial real estate sector:**

- The new measures provide certain benefits for loans extended to the **crucial commercial real estate sector**.
- The allotment of **10,000 crore rupees to the National Housing Bank** is a big move for the real estate sector reeling under a liquidity crisis. It will help provide capital to HFCs and eventually provide major relief to developers battling liquidity issues.
- For real estate, the announcement that loans given by NBFCs to real estate companies would get similar benefits as those given by the scheduled commercial banks is positive. This involves measures like loan moratorium and extended timeframe for NPA classification.
- The RBI's decision will provide some relief to the sector, which had already been dealing with its own set of issues prior to the pandemic.

## **D. GS 4 Related**

*Nothing here for today!!!*

## E. Editorials

### Category: GEOGRAPHY

#### 1. A season of change

##### Context:

In the season of the abnormal, the **India Meteorological Department (IMD)** has announced that the **monsoon this year would likely be normal**.

##### Forecast System:

- The agency follows a **two-stage forecast system**:
  - Indicating in April whether there are chances of drought or any other anomaly.
  - Then a second update, in late June, with a more granular look at how the monsoon will likely distribute over the country and whether danger signs are imminent.
- **‘Normal’ means India will get 100% of its long period average**, with a potential 5% error margin.

##### Issues:

- The IMD’s April forecast is not much to go by especially if the agency declares it ‘normal’ as rarely do weather models catch signs of an impending shortfall or a large excess in April.
- Also being a part of a hierarchical government set-up, the **agency defaults to being conservative**.
  - **For example:** In April last year, it said the monsoon would be near normal, an arbitrary category. Private forecasters expected a shortfall, predicated on the development of a future El Niño. The IMD did account for this but said it was unlikely El Niño would strengthen enough to dampen the monsoon. It however kept its estimate on the lower side of ‘normal.’ In the end, India received excess rains, the highest in a quarter century.
- The April forecast is a **vestige of the agency’s reliance on the ‘statistical forecast system’** where values of selected meteorological parameters are recorded until March 31 and permutations of these are computed and compared to the IMD’s archive of weather data.
- It is also **reflective of an era when landline telephones were the state-of-the-art in personal communication**.

##### Way forward:

- Along with connectedness, weather forecasting has metamorphosed.
- Climate, as well as technological change, allows **new weather variables** — such as surface temperatures from as remote as the southern Indian Ocean and regular updates from the Pacific Ocean — to be mapped.
- **Powerful computers mathematically simulate the weather** based on these variables and extrapolate onto desired time frames. IMD can incorporate these learning.

- Using these dynamical models is a change the IMD has incorporated and experimented with for years.
- It made **two key changes this year:**
  - Reducing the definition of 'normal' rainfall by 1 cm, to 88 cm
  - Officially updating monsoon onset and arrival dates for many States.
- This was long due and constituted acknowledgement of the accumulated impact that global warming has been having on monsoon patterns, particularly for cities and States.
  - The monsoon was arriving later in many places, had long weak spells, and lingered longer.

### Conclusion:

These points have already heralded thinking, in the agency, on **whether India should move to a new monsoon-accounting calendar** instead of the century-long tradition of June-September. This would signal a truly momentous break from the past. It is time for the **IMD to incorporate the lessons from the new normals.**

## Category: POLITY AND GOVERNANCE

### 1. A virus, social democracy, and dividends for Kerala

#### Context:

- A range of responses in battling the COVID-19 pandemic, being seen at the national and subnational levels reveal not only existing inequalities but also the political and institutional capacity of governments to respond.
- In case of India, the Central government ordered a lockdown but it is States that are actually implementing measures, both in containing the spread and addressing the welfare consequences of the lockdown.
- A government's capacity to respond to a cascading crisis such as the COVID-19 pandemic relies on a very fragile chain of mobilising financial and societal resources, getting state actors to fulfil directives, coordinating across multiple authorities and jurisdictions and maybe, most importantly, getting citizens to comply.
- An **effective response begins with programmatic decision-making.**
- The editorial talks about **Kerala's response in battling the COVID-19 Pandemic.**

#### Details:

- **Kerala was primed to be a hotspot** owing to its:
  - Population density.
  - Deep connections to the global economy.
  - High international mobility of its citizens.
- It was the first state with a recorded case of coronavirus.
- Though Kerala once led the country in active cases, it now ranks 10th of all States and the total number of active cases has been declining and is below the number of recovered cases.



- It is also worth noting that it is the **state that has done the most aggressive testing in India.**

### **Flattening the curve – Why does Kerala stand out in India and internationally?**

- Kerala has not only flattened the curve but also has rolled out a comprehensive ₹20,000 crore economic package before the Centre even declared the lockdown.
- The current crisis underscores the comparative advantages of social democracy.
  - Taming a pandemic and rapidly building out a massive and tailored safety net is fundamentally about the relation of the state to its citizens.
  - From its first Assembly election in 1957, through alternating coalitions of Communist and Congress-led governments, iterated cycles of social mobilisation and state responses have forged what is in effect a robust social democracy.
  - Social democracies are built on an encompassing social pact with a political commitment to providing basic welfare and broad-based opportunity to all citizens.
- In Kerala, various movements not only nurtured a strong sense of social citizenship but also drove reforms that have incrementally strengthened the legal and institutional capacity for public action.
  - The social pact itself emerged from recurrent episodes of popular mobilisation — from the temple entry movement of the 1930s, to the peasant and workers’ movements in the 1950s and 1960s, a mass literacy movement in the 1980s, the Kerala Sasthra Sahithya Parishad (KSSP)-led movement for people’s decentralised planning in the 1990s, and, most recently, various gender and environmental movements.
- The emphasis on rights-based welfare has been driven by and in turn has reinforced a vibrant, organised civil society which demands continuous accountability from front-line state actors.
- Constant demand-side pressure of a highly mobilised civil society and a competitive party system has pressured all governments in Kerala, regardless of the party in power, to deliver public services and to constantly expand the social safety net, in particular a public health system that is the best in India.
- The pressure has also fuelled Kerala’s push over the last two decades to empower local government.
  - Nowhere in India are local governments as resourced and as capable as in Kerala.
- Finally, all of this ties into the greatest asset of any deep democracy, that is the generalised trust that comes from a State that has a wide and deep institutional surface area, and that on balance treats people not as subjects or clients, but as rights-bearing citizens.

### **So how has this built-up capacity translated into both flattening the curve and putting broad and effective welfare measures in place?**

- From the moment of the first reported case in Kerala, Chief Minister convened a State response team that coordinated 18 different functional teams, held daily press conferences and communicated constantly with the public. Kerala’s social compact demanded no less.
- Not only did the CM directly appeal to Malayalees’ sense of citizenship by declaring that the response was less an enforcement issue than about people’s participation, but also pointedly reminded the public that the virus does not discriminate, destigmatising the pandemic.

- The **government was able to leverage a broad and dense health-care system that despite the recent growth of private health services, has maintained a robust public presence.**
  - Kerala's public health-care workers are also of course highly unionised and organised.
  - From the outset the government lay emphasis on protecting the health of first responders.
- The government **activated an already highly mobilised civil society.** As the cases multiplied, the government called on two lakh volunteers to go door to door, identifying those at risk and those in need.
  - A State embedded in civil society — the women's empowerment **Kudumbasree movement** being a case in point — was in a good position to co-produce effective interventions, from organising contact tracing to delivering three lakh meals a day through Kudumbasree community kitchens.
- In the given situation, the key has been the **capacity of state actors and civil society partners to coordinate their efforts at the level of panchayats, districts and municipalities.**
- A recent survey in 10 Indian cities by Bengaluru non-governmental organisation Janaagraha, shows that Malayalees have extremely **high levels of trust** in both their institutions and locally elected local representatives.
- This, more than anything, points to the robust nature of Kerala's social compact.

### **Conclusion:**

- This brutal, unpredictable, external shock is laying bare the most essential as well as the most complicated challenges of democratic citizenship. In moments like these, the authoritarian temptation for some is irresistible.
- At a time when questions were being raised about India's democracy, it is important to be reminded that Kerala has managed the crisis with the most resolve, the most compassion and the best results of any large State in India.
- The state has done it precisely, by **building on legacies of egalitarianism, social rights and public trust.**

## **2. Institutional fixes and the need for ethical politics**

### **Context:**

The Editorial talks about how States have managed to **bypass the anti-defection law and toppling elected governments** – pointing to the political crisis in Madhya Pradesh just as India was about to go for a lockdown in its efforts to contain the Coronavirus Pandemic.

### **New method of bypassing the anti-defection law:**

#### **The Karnataka example:**

- The Congress-JD(S) government was brought down in 2019, with 17 MLAs of the ruling coalition resigning and joining the BJP.

- Under this novel method, a set of **legislators of the party in power are made to resign from the Assembly to reduce the total strength of the House enough for the other party to cross the halfway mark to form government.**
- This method of mass defection circumvents the provisions of the Tenth Schedule of the Constitution (better known as the anti-defection law) that prescribes the grounds for disqualification of legislators:
  - Voluntarily giving up party membership
  - Voting or abstaining to vote against party directions etc.
- Though resignation is not mentioned as a ground for disqualification, the Speaker in Karnataka disqualified them for the rest of the Assembly's term, thereby barring them from contesting the by-polls.
- While the Supreme Court upheld the disqualification, it struck down the bar from contesting by-polls.
- In the ensuing by-elections, the members who resigned were then fielded as BJP candidates (most of whom have been re-elected in the case of Karnataka).

In Madhya Pradesh, since the Speaker has accepted the resignation of the MLAs, the defectors can in any case contest the by-polls.

**Know more about the [Anti-defection Law](#).**

#### Concerns:

- The recurrence of this model of defection in Madhya Pradesh as well, **signals the exploitation of the inherent weaknesses of the anti-defection law.**
- While solo legislators jumping ship might have reduced now, **“horse-trading” persists.**
- This **threatens the underpinnings of India's electoral democracy** since such surreptitious capture of power essentially **betrays the people's mandate in a general election.**
- Further, as the by-polls are held after the alternate political formation has assumed office, the turncoats now have an upper-hand in the election as members of the ruling dispensation.
- The constitutionality of the Tenth Schedule was challenged for violating the Basic Structure of Constitution with regard to parliamentary democracy and free speech.
  - But the Supreme Court in *Kihoto Hollohan v. Zachillhu* (1992) in a 3-2 verdict upheld the law while reserving the right of judicial review of the Speaker's decision.

#### Way forward:

- In this context, it is important to examine whether the anti-defection law fulfils any purpose.
  - This law raises fundamental concerns regarding the **role of a legislator in a parliamentary democracy.**
  - It **denies the legislator the right to take a principled position on a policy matter** and reduces her to an involuntary supporter of the whims of party bosses.
- The anti-defection law, on the one hand, severely restricts the freedom of a legislator and makes her a slave of party whips.

- On the other hand, **it has not been able to meet its primary objective of preventing horse-trading** and continues to be circumvented to bring down elected governments.
- This calls for reforms that address concerns at both ends of the spectrum.
- For addressing the first issue, as the **Dinesh Goswami Committee** also suggested, the scope of the binding whip should be restricted to a vote of confidence.
- For addressing the second issue, it is best to **institutionalise the Karnataka Speaker's decision to bar the defected members from contesting in the ensuing by-poll**, if not for a longer period, and **thereby disincentivise MLAs from jumping ship**.
- These reforms would require a constitutional amendment to the Tenth Schedule, an uphill task under the current circumstances.
- Beyond institutional fixes, there is a need for **popular articulation of an ethical politics** that causes the public to shun such political manoeuvres.

## F. Tidbits

### 1. Minor forest produce in exemption list

- The new Ministry of Home Affairs (MHA) guidelines regarding the lockdown relaxation has added the collection, harvest and process of minor forest produce to the list of activities that will be permitted.
- **Minor forest produce include non-timber items** such as bamboo, roots, seeds, fruits, flowers and plants.
  - A number of people from the **Scheduled Tribes and other forest dwelling communities depend on the collection and sale** of such items for their livelihood.

### 2. Tribals using indigenous practices to sustain during lockdown

- Faced with the challenge of sustaining themselves during the national lockdown, tribal communities in southern Rajasthan are utilizing their **indigenous practices of food and agricultural management**.
- With an enormous storehouse of knowledge on food gathering and cultivation, the tribal communities have embraced a pragmatic food management.
  - The **kitchen gardens** developed in the tribal households during the last few years were helping in regular supply of vegetables and spices to these labourers.
- Tribals have adopted a number of **micronutrient-rich plant foods as their daily dietary intake**.
  - The region's commonly consumed foodgrains and vegetables, such as rajan, dhimda, kodra, bati, baota, kang, cheena, hama, hamli and gujro, are rich in iron and dietary fibre content. The consumption of these grains and maintenance of **diverse food habits based on the locally available oilseeds, pulses, fruits and spices** have helped the tribal people develop immunity against diseases.
- Though the tribals generally do not have access to market-based products of oil, spices and sugar, their food security has been ensured through their own **resource management in agriculture, forestry, animal husbandry, pasture and medicinal products**.

### 3. Post-lockdown, India's infection growth rate has slowed down

- The Union Health Ministry has stated that the **doubling rate of positive COVID-19 cases was now down to 6.2 days**, compared to 3 before the nationwide lockdown that began on March 25, 2020.
- India has registered an average growth factor of 1.2 % since April 1, compared to 2.1 in the two weeks preceding that [March 15 to March 31] which marks a 40% decline in infection rates.

## G. Prelims Facts

### 1. India says IMF liquidity boost may be costly

- The Indian Finance Minister has stated that India would not support a **general allocation of new Special Drawing Rights (SDR) by the International Monetary Fund (IMF)**.
  - This move would provide all 189 members of IMF with **new foreign exchange reserves** with no conditions.
- There are concerns that this major liquidity injection might not be effective in easing COVID-19-driven financial pressures and would rather produce potential side-effects if countries used the funds for “extraneous” purposes.

## H. UPSC Prelims Practice Questions

### 1. Special Drawing Rights is associated with which of the following?

- a) World Bank
- b) International Monetary Fund
- c) G-20
- d) Asia development Bank

**Answer: b**

**Explanation:**

- Special drawing rights (SDR) refer to an international type of monetary reserve currency created by the International Monetary Fund (IMF) in 1969 that operates as a supplement to the existing money reserves of member countries.
- SDRs are units of account for the IMF and not a currency per se. They instead represent a claim to currency held by IMF member countries for which they may be exchanged.
- It is pegged with U.S. dollar, euro, Chinese yuan, Japanese yen, and pound sterling.

### 2. Which of the following statement/s is/are correct?

1. The Ministry of Consumer affairs, food and Public distribution is in charge of the central sector scheme for marketing of Minor forest produce through the Minimum support price mechanism.

2. The Minimum support price for Minor forest produce is decided by the Commission for agricultural costs and prices.

Options:

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

**Answer: d**

**Explanation:**

- The Government of India has launched a central sector scheme for marketing of Minor Forest Produce through Minimum Support Price (MSP) and development of value chain to ensure fair monetary returns to MFP gatherers for their efforts in collection, primary processing, storage, packaging, transportation etc.
- The Ministry of Tribal Affairs (MoTA) is in charge of the scheme.
- The scheme envisages fixation and declaration of Minimum Support Price for the selected MFP based on the suggestions /inputs received from Tribal Cooperative Marketing Development Federation of India (TRIFED) and the States concerned. Procurement and marketing operation at pre- fixed MSP is undertaken by the designated State agencies.
- The Tribal Cooperative Marketing Development Federation of India (TRIFED), a government body under MoTA meant to facilitate socio-economic development of tribal people by marketing tribal products.

**3. Which of the following statement/s is/are correct?**

1. The International Development Association (IDA) is an international financial institution which offers concessional loans and grants to the world's poorest developing countries.
2. The International Development Association is part of the World Bank.
3. India is not eligible for IDA support.

Options:

- a) 1 and 2 only
- b) 2 and 3 only
- c) 1,2 and 3
- d) 1 only

**Answer: c**

**Explanation:**

- The International Development Association (IDA) is an international financial institution which offers concessional loans and grants to the world's poorest developing countries.
- The IDA is a member of the World Bank Group and is headquartered in Washington, D.C. in the United States.
- It was established in 1960 to complement the existing International Bank for Reconstruction and Development by lending to developing countries which suffer from the lowest gross national income, from troubled creditworthiness, or from the lowest per capita income.
- Together, the International Development Association and International Bank for Reconstruction and Development are collectively generally known as the World Bank.
- Eligibility for IDA support depends first and foremost on a country's relative poverty, defined as GNI per capita below an established threshold and updated annually (\$1,175 in fiscal year 2020). Some countries do continue to receive loans even if they cross the limit set.
- India is currently not eligible for IDA support.

**4. Which of the following statement/s is/are correct?**

1. Ways and Means Advances option can be exercised only by the central government.
2. The interest rate for Ways and Means advances is aligned with the reverse repo rate.

Options:

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

**Answer: d**

**Explanation:**

- Ways and means advances is a mechanism used by Reserve Bank of India under its credit policy to provide to States, banking with it, to help them tide over temporary mismatches in the cash flow of their receipts and payments.

- It is a facility for both the Centre and states to borrow from the RBI.
- Section 17(5) of the RBI Act, 1934 authorises the central bank to lend to the Centre and state governments subject to their being repayable “not later than three months from the date of the making of the advance”
- The interest rate on WMA is the RBI’s repo rate, which is basically the rate at which it lends short-term money to banks. That rate is currently 4.4%.
- The governments are, however, allowed to draw amounts in excess of their WMA limits. The interest on such overdraft is 2 percentage points above the repo rate, which now works out to 6.4%. Further, no state can run an overdraft with the RBI for more than a certain period.

## I. UPSC Mains Practice Questions

1. Discuss the significance of the activities of the Indian Meteorological Department and suggest the necessary changes for the organisation to remain relevant in the current times. (15 Marks, 250 Words)
2. With legislators circumventing the provisions of the Tenth Schedule of the Constitution with novel methods, is it time to overhaul the Anti-defection Law? Comment. (15 Marks, 250 Words).