Saving the economy from COVID-19

Will India's 20 lakh crore relief package deliver?

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Analysis of Government of India's Response to the Covid-19 Crisis

On May 12, 2020, India's Prime Minister, Narendra Modi, addressed the nation through a televised address whereby he outlined the plan for India's continuing response to the Covid-19 pandemic. He said, "There is unprecedented crisis but India will neither get tired nor give up the fight against coronavirus", and asserted that "we have to protect ourselves and move ahead as well." He urged self-reliance and promotion of Indian enterprises. He also announced a special economic package, and said that the recent announcements by the government as well as the measures by the RBI, combined with the May 12 financial package amount to Rs. 20 lakh crore — nearly 10% of India's GDP. The details of this special economic package were announced by the Finance Minister, Nirmala Sitharaman, through daily press briefings. This document analyses the measures announced by the Finance Minister.

A careful perusal of the measures indicates a far lower fiscal outgo than what would have been expected for a stimulus equalling Rs. 20 lakh crore. Many announcements are a reiteration of earlier expenditure measures, and some others focus on monetary policy interventions to increase money supply. Several measures aim at long-term impact, without having any direct implications for the short-term COVID-19 recovery process. Fitch solutions, a macro intelligence firm estimates the fiscal impact of the additional stimulus to be only about 1% of GDP as opposed to the suggested 10%.[1]

Furthermore, a large chunk of these measures are aimed at structural changes in the Indian economy and target liberalization of various industries. The potential benefits of such measures can only be reaped in the long run, thereby not alleviating any of the problems being faced currently due to the COVID-19 crisis. Many analysts have thus called out the government's tepid response to the crisis, especially given the economic contraction that India is staring at, with GDP slump projected to be as high as 45% for the quarter and 5% for the entire financial year.[2]

In many ways, India's response seems to pale in comparison with those of other countries, even when compared with ones that did not impose as widespread a lockdown as India did. Countries like the USA and UK have been focusing on saving jobs and keeping demand from collapsing. In the USA, a one-time $1,200 cheque to every adult earning up to $75,000 — or a $2,400 cheque for joint tax filers earning up to $150,000 — plus $500 for every child they have, is being given. According to the Tax Policy Center in the US, around 90% of households would benefit from these cheques. Similarly, the UK Government has committed to paying 80% of salary for staff who are kept on by their employer, covering wages of up to £2,500 a month. Self-employed people are also being offered the option to apply for a grant worth 80% of their average monthly profits over the last three years, up to £2,500 a month.

While a like to like comparison is of course not possible, and the lack of formalisation in the Indian economy certainly makes it difficult for the government to implement a stimulus package as effectively as it is done in the developed world, the idea of the above comparison is to highlight the wide difference in the quantum of support. In the pages that follow, we enumerate the different measures announced by the Finance Minister and analyse the likely impact of each measure on India's immediate economic recovery, while highlighting potential challenges in implementation.

[1] https://www.hindustantimes.com/business-news/fiscal-impact-of-stimulus-about-1-of-gdp-fitch/story-puqo5ZB1wGoacDUbD0bctM.html
[2] https://www.deccanchronicle.com/nation/current-affairs/190520/india-will-suffer-worst-recession-since-1979-goldman-sachs.html

Relief Package dated May 13, 2020

Measures for MSMEs, Discoms, Real Estate Developers, Contractors, Taxation and EPF contributions

Finance Minister's Relief Package dated May 13, 2020 - Part I (for MSMEs)

Measures	Channel/Beneficiary	Comments on Implementation
Loan Guarantee Schemes Rs 3 lakh crore Emergency Working Capital Facility for businesses, including MSMEs. To provide relief to the business, additional working capital finance of 20% of the outstanding credit as on 29 February, 2020, in the form of a term loan at a concessional rate of interest will be provided. This will be available to units with upto Rs. 25 crore outstanding and turnover of up to Rs. 100 crore whose accounts are standard. The units will not have to provide any guarantee or collateral of their own. The amount will be 100% guaranteed by the GOI. The government will also provide Rs 4,000 crore to Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) that will offer partial credit guarantee support to banks for lending to MSMEs. **Rs 20,000 crore subordinate debt** MSMEs declaring NPAs or those stressed	MSME – RBI/Government	MSMEs, which make up ~45% of the country's total manufacturing output, 40% of exports, and almost 30% of the national GDP,[3] are a key constituent of the Indian economy. With a large number of MSMEs being in the micro segment (6.3 crore out of total 6.33 crore MSMEs), cash flow has become a huge impediment for them during the lockdown.[4] Thus, the large allocation to towards working capital finance is a welcome move. Easily available funds can drive immediate credit creation and a credit guarantee may be better than the government absorbing losses directly in the form of lost taxes and potential bank bailouts. For the government, the costs of this guarantee would be spread over several years, with at most 10% incurred in the current fiscal year.[5] However, certain issues may crop up during the implementation of this measure. These include: 1. While MSMEs already running loan accounts with banks may benefit immediately, companies that take loan for the first time may face difficulties.[6] 2. Bankers say more clarity is needed in the case of the proposed Rs 20,000 crores subordinate debt provision.[7] 3. There's no clarity on whether the RBI will provide this money through its liquidity window or if it will be routed through a mechanism like MUDRA which is registered with the RBI as an NBFC, or SIDBI.[8] 4. This move could adversely affect credit culture as banks may become lenient in credit assessment. Whether banks will follow stringent credit appraisal for loans that are fully backed by state guarantee is debatable.[9] A 12-month moratorium

[3] https://indianexpress.com/article/explained/explained-will-banks-open-fund-tap-to-msme-sector-govt-guarantee-helps-but-a-lot-hinges-on-the-fineprint-6409229/
[4] https://www.financialexpress.com/industry/sme/msme-fin-msmes-may-not-survive-if-cash-flow-problem-occurs-amid-lockdown-ficci-tells-govt-suggests-steps/1907123/
[5] https://indianexpress.com/article/opinion/columns/the-credit-lifeline/
[6] https://www.financialexpress.com/industry/sme/msme-fin-finance-minister-nirmala-sithraman-6-relief-measures-for-msmes-small-businesses-to-survive-covid-19/1958150/
[7] ibid
[8] ibid
[9] ibid

will be eligible for support as the government will facilitate the provision of Rs 20,000 crore as subordinate debt. *Note:* The difference between subordinate debt and senior debt is the priority in which the debt claims are paid by a firm in bankruptcy or liquidation.		on repayment could also mean that any problem of expected non-performing assets will be pushed down the road with NPA's materializing in subsequent years.
Equity Infusion Govt. will set up a Fund of Funds with a corpus of Rs 10,000 crore that will provide equity funding support for MSMEs. The Fund of Funds shall be operated through a Mother and a few Daughter funds. It is expected that with leverage of 1:4 at the level of daughter funds, the Fund of Funds will be able to mobilise equity of about Rs 50,000 crores. *Note:* A "fund of funds" (FoF) is an investment fund that uses an investment strategy of holding a portfolio of other investment funds rather than investing directly in enterprises.	MSME-RBI/Government	The frozen business environment has depleted the capital base of firms. Indemnifying it, if not growing it is important. Funds earmarked for equity support will enhance the availability of funds in the market, even as global and local venture capitalists continue to operate.[10] However, the fund of funds route to invest in enterprises has been attempted by the government before (as in the case of Start-Up India and the National Investment and Infrastructure Fund) and it has met with limited success. Experience suggests that government equity funding is characterized by long processes and heavy red-tape. A case in point is the Start-Up India action plan. In 2016, the fund of funds was created with a target of sanctioning Rs. 10,000 crore by year 2025. However, by 2017 only 600 crore were sanctioned and only one firm received a meager Rs. 5.66 crore of the Rs. 600 crore sanctioned amount.[11] Moreover, in dramatically changed circumstances, it will be difficult for the government to assess the viability of different business models, which poses a question on the allocation efficiency of the fund. This issue can hopefully be overcome to some extent by the provision for daughter funds, which can bring in requisite specialization to improve allocative efficiency.
New definition of MSME Definition of MSME will be revised by raising the Investment limit. An additional criterion of turnover is also being introduced. The distinction between	MSME	As per the revised definition, any firm with investment up to Rs 1 crore and turnover under Rs 5 crore will be classified as "Micro". A company with investment up to Rs 10 crore and turnover up to Rs 50 crore will be classified as "Small" and a firm with investment up to Rs 20 crore and turnover under Rs 100 crore will be classified as "Medium". The lower threshold in the older MSME definition prevented many companies from growing beyond the threshold as such growth meant losing out on

[10] https://indianexpress.com/article/opinion/columns/the-credit-lifeline/
[11] https://economictimes.indiatimes.com/small-biz/policy-trends/modis-mega-startup-snag-why-in-a-year-only-one-business-got-money-from-rs-10k-crore-fund/articleshow/57508634.cms?from=mdr

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manufacturing and service sector will also be eliminated.		benefits. Also, a turnover based classification brings in greater transparency as it is easier for the government to verify a company's turnover using GST data than to verify its investment in machinery etc.[12]
e-market linkage for MSMEs e-market linkage for MSMEs will be promoted to act as a replacement for trade fairs and exhibitions. MSME receivables from Government and CPSEs will be released in 45 days.	MSMEs – Fintech	E-market linkages are likely to help MSMEs find a platform to interact with buyers which is currently stifled due to social distancing and lockdown measures. The invoicing data may also be used to boost transaction-based lending using the data collected by the e-marketplace through fintech enterprises.[13] However, similar measures by the government (Mahila e-Haat and TRIBES India) have met with limited success due to lack of specialization in government to manage such e-market linkages. Moreover transaction based lending is already active on several private e-commerce platforms.
No global tenders for Government tenders of up to Rs 200 crores. General Financial Rules (GFR) of the Government will be amended to disallow global tender enquiries in procurement of goods and services of value of less than Rs 200 crores.	State Governments/ State Real Estate Authorities	Intuitively, this measure transfers the revenue pie of more cost efficient foreign producers to MSMEs in India, such that domestic firms are able to recover faster. However, some analysts believe that it is too early to comment on the initiative. "Unless the finer details of the announcement are out, it is very difficult to analyse its impact. Because, there could be multiple items in one tender to increase the value above Rs 200 crore to fit the criteria for a global tender," said Anil Bhardwaj, secretary general of Federation of Indian Micro and Small & Medium Enterprises. Currently there is no financial limit fixed to floating a global tender.[14] Another important aspect is centre-state cooperation. Currently the central government has announced the limit on global tenders. However the increase in demand will be 'very partial' if only central PSUs follow the norms and states do not.[15]

Finance Minister's Relief Package dated May 13, 2020 – Part II (Others)

Measures	Channel/Beneficiary	Comments on Implementation
Employees Provident Fund Support for business and organised workers	EPFO Contribution	This measure will benefit 72.22 lakh employees and accrues to about Rs. 2500 crores. Given that this covers only the organized sector, beneficiary identification is easily

[12] ibid
[13] https://www.financialexpress.com/industry/sme/msme-fin-finance-minister-nirmala-sithraman-6-relief-measures-for-msmes-small-businesses-to-survive-covid-19/1958150/
[14] https://www.financialexpress.com/economy/no-global-tender-for-government-procurement-of-up-to-rs-200-crore/1958417/
[15] https://indianexpress.com/article/india/new-msme-definition-has-a-message-no-longer-have-to-stay-small-to-avail-benefits-6408875/

The scheme, first introduced as part of the PM Garib Kalyan Program, under which Government of India contributes 12% of salary each on behalf of both employer and employee to EPF, will be extended by another 3 months for salary months of June, July and August 2020. Only available for firms with up to 100 employees where 90% earn less than Rs. 15,000 per month.		implementable, however it will benefit only a small percentage of the labour force (1.4% of the labour force).[16] The intention of the government seems to be to increase demand by increasing the amount of disposable income. However, experts like CA Vivek Jalan contend that those who are getting salary during the COVID crisis are better off and do not require funds in hand now at the cost of savings for the future.[17] Other experts like Pronab Sen, ex-Chief Statistician of India, contend that demand can only be increased by providing money in the hands of people who will use this extra money to buy things, as opposed to salaried employees who may sit on the extra disposable income given the uncertainties of the time.[18]
EPF Contribution to be reduced for Employers and Employees for 3 months Statutory PF contribution of both employer and employee reduced to 10% each from existing 12% each for all establishments covered by EPFO for next 3 months.	EPFO Contribution	This move will provide relief to about 6.5 lakh establishments covered under EPFO and about 4.3 crore such employees.[19] It will provide liquidity of about Rs.2250 crore per month. As above, beneficiary identification is easily implementable; however the move will benefit only a small percentage of the labour force and its effectiveness with respect to demand creation will be dented by issues discussed in the cell above.
Rs. 90,000 crore Liquidity Injection for DISCOMs Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) will infuse liquidity in the Power Distribution Companies (discoms) to the extent of Rs. 90,000 crores in two equal instalments. This amount will be used by discoms to pay their dues to Transmission and Generation companies (gencos).	Loans will be given by PFC/REC to discoms against receivables for which guarantees will be given by respective states. These loans will be for the exclusive purpose of discharging liabilities of distribution companies to gencos.	Discom payables to power generation and transmission companies currently stand at Rs 94,000 crore.[20] Thus this measure potentially would clear out a large portion of the dues of gencos, which in turn would allow gencos to service interest payments to banks for power projects and ensure continuity in operations.[21] However, it seems that these loans would be contingent on discoms meeting milestones to improve operational efficiency-such as state governments clearing their dues to discoms within three years, installing smart meters, improving billing and collection as well as reducing losses due to theft and old infrastructure.[22] Therefore, this measure is not only to improve the present liquidity situation of the power sector but also to make the power sector operationally more efficient in the long term. However, loans

[16] https://data.worldbank.org/indicator/SL.TLF.TOTL.IN?locations=IN
[17] https://timesofindia.indiatimes.com/business/india-business/government-lowers-employee-employers-epf-outgo/articleshow/75727787.cms
[18] https://www.youtube.com/watch?v=Sog4zShb65Q at 23:40
[19] https://www.hindustantimes.com/business-news/employers-employees-contribution-to-epf-reduced-to-10-announces-fm-sitharaman/story-46nUQIcYoVndsRwS26uTyO.html
[20] https://energy.economictimes.indiatimes.com/news/power/pfc-rec-to-infuse-rs-90000-crore-liquidity-injection-to-ailing-discoms-nirmala-sitharaman/75719574
[21] https://www.livemint.com/industry/energy/power-sector-npas-set-to-surge-by-rs-3-trillion-as-state-discoms-delay-payments-1553441084072.html
[22] https://timesofindia.indiatimes.com/business/india-business/discoms-get-rs-90000-crore-booster-shot/articleshow/75728561.cms

Further, Central Public Sector Enterprises (CPSE) gencos will give a rebate on fixed charge to discoms on the condition that the same is passed on to the final consumers as a relief towards their fixed charges.		contingent on increasing operational efficiency have been tried before under the UDAY Scheme, which has been touted a failure by some experts.[23] Separately, the provision for rebate on fixed charges[24] would help industries who have stopped operating in the short term. This is crucial because pricing by discoms is set below the actual cost for agricultural sector and domestic households in order to make power affordable for them and the gap is met through a combination of direct subsidy transfers and cross-subsidy from higher tariffs applied to the industrial and commercial sector. The rebate on fixed charges by CPSE gencos follows various states announcing reduction or waiver of fixed charges. These include Karnataka deferring fixed charge payments for 2 months for MSME's, Haryana giving Rs. 10,000 rebate on fixed charges to industrial consumers for 2 months, Punjab exempting fixed charge payments for industrial consumers in the next two months, Uttar Pradesh deferring fixed charge payments for 2 months for industrial consumers, and Maharashtra and Delhi providing moratorium on payment of fixed charges for next 3 billing cycles for industrial and commercial consumers.
Relief to Contractors All central agencies like Railways, Ministry of Road Transport and Highways and CPWD will give extension of up to 6 months for completion of contractual obligations.	Ministries involved in infrastructure development.	As infrastructure projects have come to grinding halt due to the lockdown, the sector needs measures to prevent these projects from getting stuck and becoming subjects of litigation. Stuck infrastructure projects are one of the major causes of the high NPA levels of Indian banks[25] and given the long-term nature of such investments, any miscalculation or change in economic fortunes will lead to asset-liability mismatches for commercial banks, pushing them into the pit, as has been the case in recent times. Thus, a temporary relief to such projects should be a welcome move. The success of this measure however will depend on the long term policy of the government with respect to dispute resolution in infrastructure projects. Due to complex agreements, there seems to be a very high number and value of infrastructure projects stuck in courts/arbitration (as high as Rs. 1.5 lakh crore worth of projects)[26], thus a shift in policy towards lesser litigation is required for the infrastructure sector to

[23] https://ihsmarkit.com/research-analysis/indias-distribution-sector-reform-uday-fails-to-deliver.html
[24] Are charges levied by discoms even when there is no consumption.
[25] https://www.thehindubusinessline.com/opinion/caution-infra-financing-by-banks-is-rising-again/article27526608.ece
[26] https://www.firstpost.com/india/cabinet-secretariat-steps-in-as-mounting-litigation-stalls-rs-1-5-lakh-cr-worth-of-infra-projects-leading-to-delays-cost-overruns-5742401.html

		be able to fulfil its potential.
Relief to Real Estate Projects State Governments are being advised to invoke the Force Majeure clause under Real Estate Regulation Act (RERA.) The registration and completion date for all registered projects will be extended up to 6 months and may be further extended by another 3 months based on the State's situation. Various statutory compliances under RERA will also be extended.	State Governments/ State Real Estate Authorities	As real estate projects have come to grinding halt due to the lockdown, the sector needs measures to prevent activation of the penal provisions under RERA. However, the implementation of this measure will depend on the individual states, but the prod on part of the Central Government is a welcome move for an industry already in dire straits. While industry leaders have welcomed this measure, they have also asked for reduction of interest rates they are paying on loans. Sushil Mohta, President of CREDAI West Bengal, pointed out that banks are currently getting funds at sub-4% repo rate but the real estate players are paying loans at 10-12%. [27]
Reduction in Rates of 'Tax Deduction at Source' and 'Tax Collected at Source" The TDS rates for all non-salaried payment to residents, and tax collected at source rate will be reduced by 25 percent of the specified rates for the remaining period of FY 20-21. The due date of all Income Tax Returns for Assessment Year 2020-21 will be extended to 30 November, 2020. Similarly, tax audit due date will be extended to 31 October 2020. The date for making payment without additional amount under the "Vivad Se Vishwas" scheme will be extended to 31 December, 2020.	Income Tax Department	Reduction of TDS/TCS would provide additional liquidity to the tune of Rs. 50,000 crore and create additional demand from professionals, self-employed, and senior citizens dependent on interest or rental income. However, in terms of total TDS, the non-salaried portion of TDS is miniscule compared to the salaried portion. TCS too is collected on sale of a few goods only including liquor, timber, tendu leaves, forest produce, scrap, mineral, parking lot fees, mining and quarrying, bullion above Rs. 2 lakhs and jewellery above Rs. 5 lakhs. Thus, the scope of non-salaried TDS and TCS is small compared to the entire at source collection of the government. The extension of dates for IT returns and tax audit has been done to give leeway to businesses and other income earners in these times of uncertainty. This extra time might be helpful for businesses to get their books in order, given the uncertainty faced in March 2020 (last month of the financial year). The Vivad Se Vishwas Scheme provided amnesty from penalty in long standing tax disputes stuck in litigation. The extension of this scheme holds promise to unlock Rs. 9.32 lakh crore of tax claims. However, the success of the scheme is not assured as similar tax amnesty schemes in the recent future have not met their potential.[28]

[27] https://timesofindia.indiatimes.com/business/india-business/realtors-give-mixed-reactions-on-central-package/articleshow/75727011.cms
[28] https://www.timesnownews.com/business-economy/budget/article/government-refusing-to-learn-the-lessons-of-the-past-with-latest-taxpayer-amnesty-scheme/550300

Relief Package dated May 14, 2020

Vulnerable sections of the society such as migrant labourers, farmers, street vendors and tribals

Finance Minister's Relief Package dated May 14, 2020 - The measures announced on May 14 targeted alleviation of difficulties faced by various vulnerable sections of the society like migrant labourers, farmers, small and micro enterprises, street vendors and tribals. An analysis of these measures follows.

Measures	Channel/Beneficiary	Comments on Implementation
Free food grains supply to migrants for 2 months Additional food grains to all the States/UTs at the rate of 5 kg per migrant labourer and 1 kg chana per family per month for two months i.e. May and June, 2020 shall be allocated free of cost. Migrant labourers not covered under the National Food Security Act (NFSA) or without a ration card in the State/UT in which they are stranded at present will be eligible. Under this measure, an estimated 8 Lakh MT of food-grain and 50,000 MT of chana shall be allocated. The entire outlay of Rs. 3,500 crore will be borne by Government of India.	Food distribution to migrants who are neither NFSA nor State Card beneficiaries in the state they are stationed.	This measure has been announced in response to the many publicized cases of migrants going hungry due to loss of income and not having PDS cards of the state they are currently in. State Governments are responsible for implementation, including identification of migrants and distribution of grains. While this is definitely a welcome move, certain logistical problems could be faced in its implementation. Since every public distribution shop has a fixed number of registrants based on which the stock of food grains is supplied to the shop, allowing accessibility to non-cardholders may result in (temporary) shortage of supplies at these outlets.[29]
One Nation One Ration Card Scheme **Use of technology for enabling migrants to access PDS from any Fair Price Shop (FPS) in India by March, 2021.** Pilot scheme for portability of ration cards will be extended to 23 states. 67	For migrant labour through integration of PDS system using Aadhaar seeding of ration cards and installation of PoS devices at Fair Price Shops.	This is a much-awaited measure as non-portability of PDS benefits has been a huge sticking point for the estimated 13.9 crore internal migrant population of India.[30] In the present system, a ration cardholder can buy food grains only from an FPS that has been assigned to her in the locality in which she lives. A large percentage of these 13.9 crore people are daily wage labourers and often need to use their NFSA/PDS benefits to stave off hunger but are unable to do so because their PDS cards are only usable in the place of issuance. While the intent of One Nation, One Card is laudable, certain administrative issues would need to be ironed out for it to be a success. As per Pronab Sen, former Chief Statistician of India, "One India, One Card will create problems as grains are supplied on the basis of the

[29] https://indianexpress.com/article/india/covid-economic-package-govt-safety-net-for-migrant-workers-and-poor-has-little-for-now-more-for-later-6410487/
[30] https://blogs.worldbank.org/peoplemove/internal-migration-india-grows-inter-state-movements-remain-low

crore beneficiaries covering 83% of PDS population are expected to be covered by national portability of ration cards by August, 2020. 100% national portability will be achieved by March, 2021.		number of ration card holders tied to that shop. There will be practical problems if a whole lot of migrant workers land up at that shop without ration cards."[31]
Rs 5,000 crore credit facility for Street Vendors A **special scheme will be** launched within a month to facilitate easy access to credit to Street vendors, for enabling them to restart their businesses. Under this scheme, bank credit facility **for initial working capital up to Rs. 10,000 for each enterprise** will be extended. This scheme will cover urban as well as rural vendors doing business in the adjoining urban areas. The government estimates that **50 lakh street vendors** will be benefitted under this scheme.	Street Vendors to benefit from credit facility through banks.	While this is a much needed intervention, the number of street vendors covered seems to be fairly low compared to previous estimates of street vendors in India. Estimates of the National Federation of Hawkers suggest that India has over 4 crore street vendors.[32] Thus, the overall coverage of street vendors seems inadequate given that most of them would have lost income opportunities during the lockdown. (Although estimates wildly vary, with a recent statement by the Minister of Housing and Urban Development in the Lok Sabha suggesting that there are only 11.56 lakh street vendors. The Minister may have been talking about the registered street vendors under the Street Vendors Act, 2014).[33] Given this, it is now even more important for states to fast-track the implementation of the Street Vendors Act, 2014 and operationalize its important provisions: two and a half percent of the land in every city being set aside for street vendors, setting up of Town Vending Committees, registration and licensing of hawkers etc. The modalities of the scheme will also need to be studied to understand how credit disbursal will be incentivized for a population that is largely mobile, and often, without collateral.
Rs 6,000 crore for Creating employment using CAMPA funds Approximately Rs 6,000 crore of funds under Compensatory Afforestation Management & Planning Authority	Labour in search of employment	Compensatory Afforestation Fund Management and Planning Authority (CAMPA) was set up under the Compensatory Afforestation Fund Act, 2016. The Act constituted national and state level authorities to oversee afforestation activities and manage funds created through levies on projects diverting forest land. The national authority and the national fund CAMPA is under the administrative control of the Ministry of Environment and

[31] https://www.telegraphindia.com/india/covid-19-economic-package-centre-a-scrooge-with-cash-transfers/cid/1773165?ref=india_india-page
[32] https://thewire.in/labour/street-hawkers-lockdown
[33] http://164.100.24.220/loksabhaquestions/annex/172/AS146.pdf

(CAMPA) will be used for **afforestation and plantation works**. This will create job opportunities in urban, semi-urban and rural areas and also for tribals.		Forests. The aim of this measure is to reduce the adverse effects of the lockdown on tribals and others affected by the lockdown. Tribals in particular have been affected[34] because of the following reasons: 1. Closure of weekly haats where they sell Minor Forest Produce (especially given that March-June is the blooming season of one of the major MFPs, the mahua flower). 2. MSP for MFP Scheme not being implemented at full scale. 3. Traders not allowed to move around; traders usually buy MFP from tribals in absence of weekly haats. Thus, the Rs. 6,000 crore fast-track approval of projects from CAMPA funds is a welcome move. However, this allocation needs to be used quickly and efficiently. Governments have been fairly laggard in utilization of their CAMPA Funds in the past.[35] Moreover, it is important to keep in mind that the money made available here is not additional funding, but already earmarked afforestation funds that were lying unspent.
Scheme for Affordable Rental Housing Complexes (ARHCs) for Migrant Workers and Urban Poor to be launched ARHCs will be created by converting government funded houses in cities into ARHCs under PPP mode. Manufacturing units, industries etc. will also be allowed to develop ARHCs on their private land and operate them. The exact details of the scheme are yet to be released.	Urban poor and migrant population to benefit	Affordable housing is an urgent need as cash deficient migrants and urban poor struggle to provide for basic needs such as food and shelter, and are threatened with eviction by their landlords for not paying rent. Given that the guidelines for incentivising the private sector and the structure of the PPP model are yet to be tabled, it will be difficult to conclusively comment on the efficacy of the initiative. Even assuming the measure is to be implemented efficaciously, the benefits of it will not be experienced in the short-term and this can only be looked at as a medium-term measure to improve the lives of urban migrant workers and the urban poor.
Interest Subvention on MUDRA Loans in the Shishu Category (Loans	MSMEs, Entrepreneurs through RBI/Financial	Interest subvention is a welcome move to relieve financial stress on MSMEs and entrepreneurs. Small businesses are reeling under a lot of economic stress owing to frozen

[34] https://thewire.in/government/coronavirus-lockdown-tribals-forest-produce
[35] https://scroll.in/article/809334/just-6-of-funds-to-repair-destroyed-forests-have-been-used-and-thats-a-good-thing-and-bad

worth < Rs.50,000)	Institutions	cash flows and low demand. Although the initiative will relieve stress, industry experts believe that the relief may not be sufficient. Firstly, interest subvention is tied to timely payment of dues by the borrower. In an uncertain business environment, firms may not have enough capacity to service the instalment even if the size of the instalment has been reduced. They may prefer to not part with cash and wilfully default on the loan, to provide for a buffer in the face of future uncertainty. The method of interest subvention is also not stated explicitly. If in the short run the financial cost is to borne by the banking sector, it can lead to unreasonable pressure on the banks, which is already reeling under the pressure of high Non-Performing Assets (NPAs) created by the MUDRA Scheme (about Rs. 16,500 crores as of FY19).[36]
Rs 70,000 crore boost to housing sector and middle income group through extension of Credit Linked Subsidy Scheme (CLSS) for MIG under PMAY (Urban) The Credit Linked Subsidy Scheme for Middle Income Group will be extended to March 2021. This is estimated to benefit 2.5 lakh middle income families during 2020-21 and lead to investment of ~Rs 70,000 crore in housing sector. *Note: Credit link subsidy scheme is an interest subvention scheme for housing loans, wherein the amount of interest subvention is dependent on the income of the beneficiary.*	Middle Income Households to benefit	The move is expected to be a demand side boost. Under this scheme, eligible families with annual household income between Rs. 6 lakh to Rs. 18 lakh per annum will now get another year to benefit from an upfront interest subsidy of up to Rs. 2.35 lakh on their approved home loans. This can trigger a spur in the demand for affordable houses, which, in turn, will relieve the stress experienced by developers.[37] Although reduced costs may induce some demand, major concerns persist, including: 1. In uncertain times, reduced interest costs may not be sufficient to induce greater demand as households prefer to hold on to cash. 2. The major imports linked with the construction industry are iron and steel, technical construction equipment, electronic equipment, plastic and fibre elements, solar panels, furniture and fittings. Heavy reliance on China for such imports will pose a challenge for the construction sector.[38] 3. Paucity of labour will exacerbate the supply side bottlenecks.

[36] https://www.livemint.com/industry/banking/rbi-deputy-governor-red-flags-rising-stress-in-mudra-loans-11574770846059.html
[37] https://economictimes.indiatimes.com/wealth/real-estate/credit-linked-housing-subsidy-scheme-for-middle-income-group-extended-to-march-31-20201/articleshow/75738215.cms?from=mdr
[38] https://www.architecturaldigest.in/content/coronavirus-impact-indian-real-estate-construction-industry-covid-19-india-economy/

Rs 30,000 crore additional emergency working capital for farmers through NABARD NABARD will extend additional re-finance support of Rs. 30,000 crore for meeting crop loan requirements of Rural Cooperative Banks and Rural Regional Banks (RRBs). This refinance will be front-loaded and available on tap. This is over and above Rs. 90,000 crore that will be provided by NABARD to this sector in the normal course. This move is expected to benefit around 3 crore farmers, mostly small and marginal and it will meet their post-harvest rabi and current kharif requirements.	Farmer loans refinanced by NABARD through cooperative banks and RRBs.	The lockdown broke agricultural supply chains owing to confusion in state policies.[39] As a result of this, a number of farmers and workers in the agricultural sector suffered heavy losses. Such losses have depleted the working capital availability of farmers. In this context, the emergency working capital support is well timed. However, the policy may suffer from large-scale exclusion errors. As per estimates, about 39.7% of the rural market for credit was served by non-institutional sources of finance in 2013.[40] Thus, a large percentage of small and marginal farmers may not even be able to access the emergency working capital facility, leaving the facility open only for larger farmers. Therefore, this plan will potentially exclude persons who are most in need of it.
Rs 2 lakh crore credit boost to 2.5 crore farmers under Kisan Credit Card (KCC) Scheme A special drive to provide concessional credit to PM-KISAN beneficiaries through Kisan Credit Cards. Fisherman and animal husbandry farmers will also be included in this drive.	Farmers – Through KCC cards via NABARD.	KCC enables farmers to get credit to purchase crop seeds, fertilisers, diesel and other inputs at 4% interest. The farmer can draw money to the extent of limit sanctioned, as per requirement and as many times as he/she wants. The farmer is not required to approach a bank for sanction of such loans. While this is a good move, it may suffer from problems similar to the ones discussed above. Data suggests that currently there are 6.67 crore active KCCs in the country as of 6th February, 2020,[41] and there are 3 crore PM-KISAN beneficiaries who do not have a KCC yet.[42] It is also unclear why the intervention estimates benefiting only 2.5 crore beneficiaries.

[39] https://thewire.in/economy/covid-19-border-lockdown-how-precariously-placed-are-our-food-supply-chains
[40] https://www.thehindubusinessline.com/economy/agri-business/access-to-formal-credit-increases-income-of-farmers/article26488290.ece
[41] http://www.pmkisan.gov.in/Documents/finalKCCCircular.pdf
[42] http://www.pmkisan.gov.in/Documents/finalKCCCircular.pdf

Relief Package dated May 15, 2020

Funding of farm related infrastructure, support for fishermen, food processing micro enterprises, farmers and changes in marketing of agricultural produce

Finance Minister's Relief Package dated May 15, 2020 - The measures announced on May 15 targeted additional funding of farm related infrastructure, support for fishermen, food processing micro enterprises, medicinal herbs, beekeepers as well as changes in marketing of agricultural produce. It is important to keep in mind that all these measures are aimed at long-term impact and institute structural changes in many sectors, without having a direct impact on the short-term COVID-19 recovery process.

Measures	**Channel/Beneficiary**	**Comments on Implementation**
Rs. 1 lakh crore Agri Infrastructure Fund for farm-gate infrastructure for farmers Financing facility of Rs. 1,00,000 crore will be provided for funding agriculture Infrastructure projects at farm-gate & aggregation points.	**To benefit players in the agriculture supply chain, including** **P**rimary Agricultural Cooperative Societies, Farmers Producer Organizations, Agriculture entrepreneurs, Start-ups, etc.	Infrastructure facilities to move farm produce to warehouses/ processing plants/ mandis is extremely poor in India.[43] Recognizing the problem, the SAMPADA Scheme[44] was launched in 2015 to address deficits in warehouses, cold storages, collection/packaging/ grading centres etc. and to strength food processing capacities while facilitating the creation of Mega Food Parks.[45,46] However, the SAMPADA Scheme has not been successful and is affected by numerous issues including high land acquisition cost and issues in logistics, compounded further by policy flip-flops in government announcements.[47] Since its launch, the government has released funds just upwards of 1,800 crore between 2016 and 2019, against the allocated 6,000 crore for the 2016-2020 period for the SAMPADA scheme.[48,49] While the lack of adequate farm gate facilities continues to exact a high price on farmers and the agrarian economy by way of post-harvest losses, especially in perishables, and therefore the targeted outlay is a welcome step, it remains to be seen if this intervention will be effective.
Rs 10,000 crore scheme for formalisation of Micro Food Enterprises (MFE) A Scheme will be launched to help 2 lakh MFEs who need technical upgradation to	Beneficiaries to include existing Micro Food Enterprises, Farmer Producer Organisations, Self	This Scheme envisages a cluster based approach focused on promotion of signature produce (e.g. Mango in UP, Tomato in Karnataka, Chilli in Andhra Pradesh, Orange in Maharashtra etc.). The goal is to assist unorganised enterprises in scaling up food safety standards to earn the products certification and build brand value. This scheme is of importance because

[43] https://www.thehindubusinessline.com/economy/agri-business/Food-processing-Key-challenges-and-deliverables-for-success/article20343935.ece-More than 30 per cent of the produce from farm gate is lost due to inadequate cold chain infrastructure (covering only 1 per cent of total F&Vs production) and inadequate logistics.
[44] https://www.india.gov.in/spotlight/pradhan-mantri-kisan-sampada-yojana
[45] https://mofpi.nic.in/Schemes/pradhan-mantri-kisan-sampada-yojana
[46] https://www.intellecap.com/wp-content/themes/intellecap/pdf/Public-Facing-Report.pdf
[47] https://thewire.in/agriculture/policy-flip-flops-pms-food-processing-investment-scheme-make-non-starter
[48] http://loksabhaph.nic.in/Questions/QResult15.aspx?qref=10010&lsno=17
[49] https://mofpi.nic.in/Schemes/pradhan-mantri-kisan-sampada-yojana

attain FSSAI food standards, build brands and marketing.	Help Groups and Cooperatives to be supported. The focus will be on women and SC/ST owned units and those in Aspirational districts.	currently the food processing industry has a high concentration of unorganised segments, representing almost 75% across all product categories.[50] However, the success of the scheme will depend on the modalities of implementation, especially how enterprises are identified and supported.
Rs 20,000 crore for fisherman through Pradhan Mantri Matsya Sampada Yojana (PMMSY) The Government will launch the PMMSY for development of marine and inland fisheries. Rs 11,000 crore for activities in marine, inland fisheries and aquaculture and Rs. 9,000 crore for Infrastructure.	Fishermen to benefit through scheme managed by Department of Fisheries.	Fishing infrastructure includes fishing harbours, cold chain, markets, cage culture, seaweed farming, new fishing vessels, laboratory network etc. The scheme to invest in the abovementioned infrastructure is crucial for the 1.6 crore fishermen[51] in India, as the fisheries sector is hamstrung by inadequate infrastructure at present.[52] The scheme will also include provisions for *ban period* support to fishermen (i.e. during the period when fishing is not permitted), personal & boat insurance etc.[53]
National Animal Disease Control Programme and Animal Husbandry Infrastructure Development Fund National Animal Disease Control Programme for Foot and Mouth Disease (FMD) and Brucellosis launched with total outlay of Rs. 13,343 crore. An Animal Husbandry Infrastructure Development Fund of Rs. 15,000 crore will be set up, with an aim to support	Livestock farmers likely to benefit from this measure through interventions by the Department of Animal Husbandry.	100% vaccination of cattle, buffalo, sheep, goat and pig population for foot and mouth disease (FMD) and for brucellosis will be done. This intervention is required as FMD causes losses of upto Rs. 20,000 crore year[54] and till date, only 1.5 crore cows & buffaloes have been tagged and vaccinated out of aa population of around 50 crore.[55] Having said that, the National Animal Disease Control Programme for Foot and Mouth Disease and Brucellosis is a pre-existing program that had already been launched by the PM in September of 2019 with an outlay of Rs.12,652 crore from 2019 to 2024.[56] Therefore the current move, at best, just improves the allocation marginally. With regard to the Animal Husbandry Fund - Given India is the largest dairy producer in the world, it makes sense to leverage such advantage by directing investment into the dairy

[50] https://www.thehindubusinessline.com/economy/agri-business/Food-processing-Key-challenges-and-deliverables-for-success/article20343935.ece
[51] http://dof.gov.in/sites/default/filess/Handbook%20on%20FS%202018.pdf
[52] http://www.agademy.in/2019/10/status-of-fishery-sector-in-india-challenges-and-opportunities/
[53] https://indianfisheries.icsf.net/-61% of fishermen families are BPL.
[54] http://www.fao.org/fileadmin/user_upload/eufmd/docs/India_meeting_feb_2012/32_Kumar_Socio_economic_impacts.pdf
[55] Livestock Census, 2019-http://dadf.gov.in/sites/default/filess/20th%20Livestock%20census-2019%20All%20India%20Report.pdf
[56] https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1584369

private investment in dairy processing, value addition and cattle feed infrastructure. Incentives will be given for establishing plants for export of niche products.		sector. Value addition to milk products has great potential in India as currently only 35% of milk produce is processed.[57] However, a Dairy Processing & Infrastructure Development Fund (DIDF) was already set up by the 2017 budget with a corpus of Rs. 10,881 crore and the **Animal Husbandry Infrastructure Development Fund (AHIDF)** in 2018 with a corpus of Rs. 2,450 crore.[58] So, it is unclear how the current announcement builds on the funds that are already in place.
Other measures • **Promotion of Herbal Cultivation: Outlay of Rs. 4,000 crore** • **Beekeeping initiatives – Rs. 500 crore** • **From 'TOP' to TOTAL – Rs. 500 crore (Extension of the Operation Greens Scheme to avoid wastage of fruits and vegetables** These are meant to support cultivation, marketing and storage, create a network of medical plant markets and boost post-harvest facilities.	Growers and others involved in the sale and produce of the said items	While these measures are likely to help improve the incomes of growers and other relevant stakeholders in the long term, their importance for economic boost in the context of COVID is minimal.
Amendment Essential Commodities Act (EC Act). Agriculture food stuffs including cereals, edible oils, oilseeds, pulses, onions and potato shall be deregulated. Stock limit will be imposed under very exceptional circumstances like national calamities, famine with surge in prices. Further, no	The amendment is likely to be made through an Ordinance as per Food and Civil Supply Minister Ram Vilas Paswan.	This measure has been suggested since a long time by industry leaders. The EC Act was a legislation in times when India wasn't food secure and needed to regulate the supply of food to prevent hoarding. With nearly 300 MT of foodgrains production expected in India this year and it being the largest exporter of rice today, the EC Act has lost relevance when it comes to agricultural produce. Many analysts believe that it hinders food processors and exporters from planning long term by regulating their food stocks and by making offences under the act criminal. Thus, the exclusion of the aforementioned food items from the EC Act should encourage

[57] https://pdfs.semanticscholar.org/11ad/e2ca1c0d535aada71cf67f403b39f86098bd.pdf
[58] http://www.uniindia.com/budget-2018-lays-special-emphasis-on-animal-husbandry-radha-mohan/states/news/1163721.html

such stock limit shall apply to processors or value chain participants, subject to their installed capacity or to any exporter.		the food processing industry in India and bring in further investment into the sector.
Agriculture Marketing Reforms **Central law will be formulated to provide** - • adequate choices to the farmer to sell their produce at remunerative price; • barrier free inter-state trade; • a framework for e-trading of agriculture produce. **Agriculture Produce Pricing and Quality Assurance** The Government will finalise a *facilitative legal framework* to enable farmers to engage with processors, aggregators, large retailers, exporters etc.	Farmers across the country	Under the current legal regime regulating agricultural marketing, each state has its own Agricultural Produce Marketing Committee Act. The common problems arising from these State laws have been: i) Multiple levels of fees (market fees, agent fees, weighing fees etc.) increasing transaction costs. ii) Geographical boundaries to selling of produce inhibiting price discovery. iii) Multiple licenses for sale in each state acting as a barrier to market entry. iv) Political clout of agents and arhatiyas resulting from wide powers provided to Market Committees (who often act as proxies of the agents and arhatiyas). v) Inhibiting opening of private markets due to stringent regulatory requirements. These problems have led to farmers being allowed to sell produce to a restricted list of licensed traders, who often end up exploiting the farmers. The Central law proposed by the government is another longstanding demand of experts, which would expand the market for farmers and hence potentially raise farmer incomes. The intervention to finalize a quality assurance and price mechanism is also an encouraging step as agri-commodity markets have been hindered by a lack of assured quality control mechanism and assured prices, thereby leading to loss in farmer incomes. However, as agriculture and related markets are under the State List in the Constitution, it would be difficult for the Parliament to pass such law without it being challenged in court. Moreover, the government has not been able to implement similar measures successfully in the past. The model APMC Act has not been adopted by all States and the much publicized e-NAM initiative to electronically link markets within and across states has seen minimal uptake with traders hesitant to buy online due to issues in quality assurance, lack of grading, transportation and cold storage.[59,60]

[59] http://www.igidr.ac.in/igidr-working-paper-long-road-transformation-agricultural-markets-india-lessons-karnataka/
[60] https://www.thehindubusinessline.com/economy/agri-business/why-the-enam-platform-hasnt-taken-off-despite-all-the-fanfare/article9776034.ece

Relief Package dated May 16, 2020

Private sector participation and liberalization in various industries like coal, atomic minerals, ordnance factories, space exploration, maintenance, repair and operations (MRO) of aircraft

<u>Finance Minister's Relief Package dated May 16, 2020</u> - The measures announced on May 16 targeted increased participation of the private sector and liberalization in various industries like coal, atomic minerals, ordnance factories, space exploration, maintenance, repair and operations (MRO) of aircrafts etc. It is important to keep in mind that <u>all these measures, expect possibly the opening of additional airspace for commercial airlines, are aimed at long term impact</u> and institute structural changes in many sectors, without having a direct impact on the short term COVID-19 recovery process.

<u>Measures</u>	**<u>Channel/Beneficiary</u>**	**<u>Comments on Implementation</u>**
Liberalization of Mining Sector 1. **Coal -** The Government will introduce commercial mining of coal, revenue sharing model, coal gasification projects, licenses for extracting coal bed methane, and spend Rs. 50,000 crore towards infrastructure development in mining. 2. **Atomic Minerals -** Private investment in PPP mode for production of medical isotopes through reactors as well as research on food irradiation technology. 3. **Other Minerals -** Enhance private participation in mineral mining through improved license terms and remove distinction between captive and non-captive mines.	Eased regulation of mining industries.	Despite having the third highest coal reserves in the world, India still need to import a part of its coal demand. This has been blamed on factors[61] like delayed clearances, land acquisition problems, low productivity, monopoly of Coal India and resultant inefficiencies etc. Similar issues plague the mining industry for other minerals too.[62] While ensuring private participation through improved license terms is a step forward for bringing in additional funding and increased specialization, these measures do not address other major issues faced by the mining industry like delayed clearances, land acquisition, environmental problems etc. Furthermore, some of these measures had already been laid down in the National Mineral Policy, 2019 – in particular, revenue sharing model, additional private participation etc. Therefore, this announcement seems to reiterate existing commitments. Also, while private participation in atomic energy/mineral research is a good measure, it may not offer any tangible benefits in the near future because of long gestation periods of such interventions.
Liberalization in the Defence Sector 1. Increased automatic FDI limit from 49% to 74% in defence manufacturing.	Increase in FDI and efficiency of defence industry	Increased FDI limits in the defence sector may encourage sharing of latest technology by foreign behemoths like Boeing and Raytheon due to increased control in their Indian subsidiaries/joint ventures, leading to increase in specialization of the domestic defence industry as well as reduced import costs.[63] While this will help, other issues like policy inconsistency and complex defence procurement procedures

[61] https://www.pwc.in/assets/pdfs/industries/power-mining/icc-coal-report.pdf; Pgs. 14-17
[62] https://www.mining-technology.com/features/mining-in-india-future/
[63] https://www.business-standard.com/article/economy-policy/higher-fdi-in-defence-sector-to-attract-mncs-give-make-in-india-a-boost-120051900698_1.html

2. Corporatization of OFBs (Ordnance Factory Board). 3. Ban on imports of certain defence equipment.		must be ironed out to make the Indian defence industry competitive. In 2018-19, only $2.18 million foreign investment was received in defence in India.[64] The OFB is tasked with managing the network of ordnance factories across the countries which are engaged in indigenous production of defence hardware and equipment for the Indian armed forces.[65] Corporatization of OFB implies that the government will convert the OFB into a public sector undertaking which is fully owned by the government. Currently it's administration is under the control the Department of Defence Production.[66] The ban on imports of certain defence equipment has been announced in light of India recently becoming the No. 1 importer of defence equipment in the world,[67] which is not ideal in terms of increased import costs and dependence on other countries for national security. This move will also help spur domestic production. However, given the gestation period of any such investment, the economic impacts of domestic production will only be felt in the longer term.
Civil Aviation 1. Efficient Airspace Management for Civil Aviation 2. More World-Class airports through PPP 3. Promotion of domestic Aircraft Maintenance, Repair and Overhaul (MRO) through tax incentives, defence sector-civil sector convergence etc.		Efficient airspace management promises to save airlines Rs. 1,000 crores by opening up airspace for private airlines, which have been hit hard by the COVID-19 crisis and resultant grounding of flights. Currently civil aircrafts can operate in only 60% of the airspace.[68] Opening up additional airspace will allow airlines to use less fuel and deploy time efficient routes and thereby decrease operational costs. Such measures will therefore provide a cushion to the airlines in the short run. Other measures such as those for PPP in airports and MRO promotion have long term benefits for the civil aviation industry in terms of diversification of work, creation of jobs etc.
PPP Model in Social Infrastructure	Private	Social infrastructure includes infrastructure in health systems, education, agriculture, housing, sports and food.[69] Viability gap funding is a one-time grant provided to

[64] https://theprint.in/opinion/apart-from-fdi-limit-increase-modi-govts-defence-reforms-wont-boost-make-in-india/423481/
[65] https://www.thehindu.com/business/ordnance-factories-board-is-a-cautious-bet/article31603424.ece
[66] https://timesofindia.indiatimes.com/business/india-business/more-autonomy-for-ofb-under-planned-corporatisation-but-job-security-to-go/articleshow/70378838.cms
[67] https://www.livemint.com/news/india/govt-raises-fdi-limit-in-defence-production-to-74-from-49-11589628871672.html
[68] https://www.ndtv.com/india-news/restrictions-on-indian-air-space-will-be-eased-for-better-utilisation-nirmala-sitharaman-2229920
[69]http://164.100.117.97/WriteReadData/userfiles/DEA%20IPF%20NIP%20Report%20Vol%201.pdf

The Government will enhance the quantum of Viability Gap Funding (VGF) upto 30% each of total project cost as VGF by the Centre and State/statutory bodies. For other sectors, VGF existing support of 20% each from Government of India and States/statutory bodies shall continue. Total outlay of Rs. 8,100 crore.	Entrepreneurs/Government	support infrastructure projects that are economically justified but fall short of financial viability. This measure to increase VGF to 30% for social infrastructure projects is a progressive move, especially given the low government expenditure on human capital interventions. Detailed guidelines are yet to be issued from the government. In the absence of the guidelines it will be difficult to conclusively analyse the potential impact of the policy, however, it can be said that the impact of this move will only be felt in the long term.
Boosting private participation in the Space Sector Private companies shall be given a level playing field, and a predictable policy and regulatory environment, in satellites, launches and space-based services. The private sector will be allowed to use ISRO facilities and other relevant assets to improve their capacities. Projects for planetary exploration, outer space travel etc. shall also be open for the private sector. A liberal geo-spatial data policy for providing remote-sensing data to tech-entrepreneurs shall also be launched.	ISRO/Private Companies	The decision to involve private players in the space sector is looked at as a positive move by space industry experts; it would likely lead to more innovation and additional funding of space related projects.[70] The private sector's contribution until now has been limited to providing and assembling components of space equipment in ISRO operations. The new opening will allow the private sector greater participation in space projects like deep space exploration, building satellite infrastructure etc. and may create additional avenues of work and increased specialization through technology transfer from ISRO.[71] However, as is the case with the other measures announced on May 16, the potential benefits of this move can only be felt in the long term.
Power Sector • Power distribution companies in Union Territories will be privatised. • A tariff policy with reforms for consumer rights, and sustainability of the sector will be introduced.	Consumers via Discoms	While this move will be beneficial, its benefits will again accrue only in the long term. The tariff policy for reforms on consumer rights is also yet to be approved by the cabinet and details are not available in the public domain.

[70] https://www.pwc.in/research-insights/2020/preparing-to-scale-new-heights.html
[71] https://www.makeinindia.com/sector/space

Relief Package dated May 17, 2020

Funding for the health sector, tech driven education, increased borrowing limits for states, privatization of PSUs, reforms in corporate governance

Finance Minister's Relief Package dated May 17, 2020 - The measures announced on May 17 targeted additional funding for the health sector, increased borrowing limits for states, privatization of PSUs, reform in corporate governance etc. Some measures such as the increased allocation to MGNREGA, support to businesses through higher limits for insolvency, lower penalties for compliance defaults, and increased borrowing limits for state governments are likely to positively impact the short-term COVID-19 recovery process. Most other measures are largely focused on the long term.

Measures	Channel/Beneficiary	Comments on Implementation
Rs 40,000 crore increase in allocation for MGNREGS to provide employment boost The Government will now allocate an additional Rs 40,000 crore under MGNREGS.	Unemployed persons in rural India will benefit from the additional allocation; will help generate nearly 300 crore person days under MGNREGS. The scheme is administered by the District Magistrate in most States.	Given the large number of unemployed urban migrant labourers making their way back to their villages, the demand for work under MGNREGS is expected to rise in the coming months. However, even with the additional allocation, the amount set aside for MGNREGS may not be enough to meet the potential additional demand created by the COVID-19 crisis. The 2020-21 budget allocated Rs. 61,500 crore to MGNREGS, against the revised estimates of Rs. 71,001 crore for 2019-20.[72] According to the NREGA Sangarsha Morcha, a national platform of workers' collectives, trade unions, organisations and individuals, an allocation of a minimum Rs. 1 lakh crore is required to ensure smooth running of the scheme even under normal circumstances. NREGA Sangarsha Morcha's estimates suggest that nearly one-sixth of each year's allocation goes into clearing pending wage liabilities from the previous year. In FY 20-21, this is likely to amount to Rs. 13,000 crore, leaving only Rs. 48,500 crore for servicing new demand for the year (before the creation of additional demand due to the COVID-19 crisis). It is also believed that the delay in wage disbursals artificially reduces the demand for the scheme. Therefore the budgeted numbers for MGNREGS are not a true reflection of the need felt in rural areas.[73] Given the above, even with the additional allocation of Rs. 40,000 crore, the total funds available for this year will fall short of the Sangarsha Morcha's estimate of Rs. 1 lakh crore requirement under normal circumstances. This is excluding the demand for work in the wake of the COVID-19 crisis.[74] Furthermore, social distancing norms and other restrictions due to COVID-19, might

[72] https://www.indiabudget.gov.in/doc/eb/sbe85.pdf
[73] https://thewire.in/labour/budget-2020-nirmala-sitharaman-mgnrega
[74] https://thewire.in/labour/budget-2020-nirmala-sitharaman-mgnrega

		hinder the work creation potential in rural areas.
Health Reforms & Initiatives Public expenditure on health will be increased by investing in grass root health institutions and ramping up Health and Wellness Centres (HWCs) in rural and urban areas. Other interventions will include: • Setting up of infectious diseases hospitals in blocks in all districts and strengthening of lab network and surveillance by integrated public health labs in all districts & at block levels. • Encouraging research through the National Institutional Platform for One health by ICMR. • Implementation of National Digital Health Blueprint (NDHB) under the **National Digital Health Mission.**	The population, especially below poverty line (BPL) and rural persons, will benefit from additional funding of the aforementioned health facilities.	Measures to increase public expenditure on health and ramp up setting up of HWCs are in line with the National Health Policy provisions to increase expenditure on health to 2.5% of GDP (from 1.15%) and improve primary healthcare by providing a comprehensive health care package which includes geriatric care, palliative care and rehabilitative care. The Primary Health Centres (PHCs) which start providing the larger package of comprehensive primary health care will be called "Health and Wellness Centres". The low coverage of existing Primary Health Centres[75] and the limited number of services available at them[76], make it necessary for additional funding in PHCs, especially given the needs created by the COVID-19 crisis. <u>However, the actual impact of the additional expenditure will depend on implementation by states</u>, as health is a State subject under the Constitution. Poor hygiene in the infectious disease wards of hospitals and poor lab testing facilities in India have been laid bare by the COVID-19 pandemic. Stories about lack of beds, unhygienic conditions, lack of healthcare workers etc. in infectious disease wards of hospitals have appeared in the media.[77] India's COVID-19 testing rate is also extremely low[78] due to lack of decentralized testing facilities. Thus, strengthening infectious disease infrastructure and increasing number of labs is imperative. However, any such intervention is likely to take time to be implemented and may not be able to have a tangible effect on the fight against COVID-19. One Health and NHDB are platforms to integrate health related data and analyse such data to improve health outcomes. While such initiatives are welcome, they are unlikely to be operational anytime in the near future, given that they have been in the planning stage for the past couple of years, thus not impacting the COVID-19 crisis.
Technology Driven Education with Equity post-COVID • **PM eVIDYA,** a programme for	All students in India, with special emphasis on school children.	With a complete restriction on opening of schools and colleges in India, the COVID-19 crisis has hit the education sector hard. In light of these setbacks, the importance of online education has been magnified. The government is planning to leverage technology to

[75]https://www.thestatesman.com/lifestyle/health/indias-primary-healthcare-21st-century-1502757463.html-One PHC on average cover approx. 47,000 people.
[76] https://www.nhp.gov.in/nhpfiles/national_health_policy_2017.pdf, Pg. 8
[77] https://science.thewire.in/health/healthcare-acquired-infections-multi-drug-resistance-nabh-accreditation/; https://www.livemint.com/politics/policy/will-covid-19-prompt-health-reboot-11585497828527.html; https://www.livemint.com/news/india/how-covid-19-response-disrupted-health-services-in-rural-india-11587713155817.html
[78] https://www.indiatoday.in/diu/story/coronavirus-pandemic-india-lowest-testing-rates-covid-19-spain-china-1679226-2020-05-18-Inia's testing rate is 0.15 versus Turkey's 1.89 and USA's 3.61.

multi-mode access to digital/online education to be launched immediately. • **Manodarpan,** an initiative for psycho-social support for students, teachers and families for mental health and emotional well-being to be launched immediately. • **New National Curriculum and Pedagogical framework** for school, early childhood and teachers will also be launched. • **National Foundational Literacy and Numeracy Mission** for ensuring that every child attains learning levels and outcomes in grade 5 by 2025 will be launched by December 2020.		provide a one stop shop for all online governmental educational platforms (e-VIDYA) like SWAYAM[79], DIKSHA[80], Shiksha Vani[81] etc. However, it is pertinent to note that e-learning schemes in India have been plagued by poor digital penetration[82], poor digital literacy, lack of awareness of such schemes, cost issues for smaller education institutes etc.[83] Therefore the e-learning initiatives must go hand in hand with improving digital infrastructure and literacy, so that the neediest would be able to benefit from such measures. Thus, short term measures like such as the ones announced have to be integrated with long term measures like PMDISHA Scheme (rural digital literacy scheme)[84]. The Manodarpan initiative is an innovative and much needed measure to ensure mental health and emotional development of children, given the fear of adverse mental health outcomes caused by the COVID-19 crisis.[85] The abovementioned concerns regarding digital penetration and digital literacy are applicable to this initiative as well. The New National Curriculum and Pedagogical framework and National Foundational Literacy and Numeracy Mission are aimed at improving quality of education at early childhood and primary levels respectively. Such measures to change the landscape of quality of education in India are long term measures and will have little impact in the short term.
Further enhancement of Ease of Doing Business through IBC related measures Minimum threshold to initiate insolvency proceedings has been raised to Rs. 1 crore (from Rs. 1 lakh, which largely insulates MSMEs). Special	MSMEs and other indebted enterprises.	The Finance Minister stated that a notification will be issued by the Ministry of Corporate Affairs detailing the guidelines on what is to be considered a COVID-19 death for the purpose of exclusion of insolvency/bankruptcy proceedings. This measure along with the raising of the threshold limit for IBC cases to Rs. 1 crore will give much needed breathing space to indebted MSMEs who are affected by COVID-19 deaths. Further a special insolvency resolution procedure for MSMEs would presumably alleviate insolvency concerns of indebted MSMEs, but it is difficult to analyse such a measure until

[79] SWAYAM is India's national MOOC platform. It offers over 2,150 courses taught by close to 1,300 instructors from over 135 Indian universities.
[80] The DIKSHA platform offers teachers, students and parents engaging learning material relevant to the prescribed school curriculum.
[81] App that is used for dissemination of school education relevant information.
[82] https://www.telegraphindia.com/education/coronavirus-the-covid-19-lockdown-has-helped-elite-schools-experiment-with-e-learning-but-their-rural-counterparts-have-been-left-in-the-lurch/cid/1774045?ref=topic-stories-Only 15% of rural schools and 42% of urban ones have internet connectivity.
[83] http://troindia.in/journal/ijcesr/vol5iss5part2/180-186.pdf, Pg. 184
[84] https://www.pmgdisha.in/about-pmgdisha/
[85] https://www.unicef.org/india/media/3401/file/PSS-COVID19-Manual-ChildLine.pdf

insolvency resolution framework for MSMEs under Section 240A of the Code will be notified soon. Suspension of fresh initiation of insolvency proceedings up to one year, depending upon the pandemic situation. Empowering Central Government to exclude COVID 19 related debt from the definition of "default" under the Code for the purpose of triggering insolvency proceedings.		the new framework is notified. The raising of threshold of IBC cases has been a longstanding demand of industry leaders; the Rs. 1 lakh lower limit had made operational creditors very aggressive in taking companies to court even for minor disputes, thereby increasing the courts' burden.[86] <u>This limit had been raised on March 24, 2020 itself and the May 17, 2020 announcement was just a reiteration of the measure.</u>
Ease of Doing Business for Corporates Key reforms include: 1. Direct listing of securities by Indian public companies in permissible foreign jurisdictions. 2. Private companies which list non-convertible debentures[87] (NCDs) on stock exchanges not to be regarded as listed companies 3. Including the provisions of Part IXA (Producer Companies) of Companies Act, 1956 in Companies Act, 2013. 4. Lower penalties for all defaults for small companies, one-person companies, producer companies & start-ups and decriminalisation of	These measures would help corporates in getting increased funding as well as reduce penalties for non-compliance under the law, thereby giving a boost to the corporate sector.	These measures have been announced to increase investment appetite and funding of corporates as well as reduce compliance issues and penalties for non-compliance. While the compliance measures may increase ease of doing business in the long term, their ability alleviate problems caused by the COVID-19 crisis is limited. The liberalized funding measures (direct listing in foreign stock markets, companies listing NCDs not to be considered listed companies) allow companies to access larger pool of investors even in the short term, but the actual funding will depend on the investment appetite in the market and the perceptions about the trajectory of COVID-19 as well as its impact on the Indian economy.

[86] https://www.thehindubusinessline.com/money-and-banking/raise-the-rs-1-lakh-threshold-limit-for-ibc-trigger-sbi-ecowrap/article30076304.ece
[87] Are debt instruments that cannot be converted to equity in the future.

violations involving minor technical and procedural defaults.		
New Public Sector Policy detailing: 1. List of strategic sectors requiring presence of PSEs in public interest will be notified. 2. In strategic sectors, at least one enterprise will remain in the public sector but private sector will also be allowed. 3. In other sectors, PSEs will be privatized (timing to be based on feasibility etc.). 4. To minimise wasteful administrative costs, number of enterprises in strategic sectors will ordinarily be only one to four; others will be privatised/ merged/ brought under holding companies.	Government might see increased revenues from additional privatization of PSEs. Private sector might be able to make inroads into hitherto restricted sectors like coal mining, atomic minerals, space exploration etc.	This is a long-term policy measure to reduce the role of PSEs in the economy and restrict such role to a few strategic sectors. The notification of strategic sectors would outline the intention of the government and further delineate the direction the government is looking to take in terms of PSEs. This is not a new policy direction, and the government has continuously highlighted its intention of increasing privatization of PSEs.[88] However, given the difficulties in finding buyers for various ailing PSEs in the past, this policy may be hamstrung by the financial conditions of the relevant PSEs[89] as well as political considerations.[90] In the short term, a policy aimed towards heavy privatization of PSEs may help the government shore up its revenues and increase the amount received from stake sales to more than the budgeted Rs. 2.1 lakh crore[91]. This would be an important factor in keeping the fiscal deficit within manageable limits, but is totally dependent on the details of the new policy and the investment appetite of the private sector (which may be tepid given perceptions of India's economic growth in the near future).
Support to State Governments Centre has decided to **increase borrowing limits of states from 3% to**	This will give states extra resources of up to Rs. 4.28 lakh crore through a specific	The increase in borrowing limits of states has been a key demand of various states during the COVID-19 crisis[92], given the huge hit in revenues all states have taken. Reports suggest 21 states in India together have lost revenue upto Rs. 97,000 crore with their main sources of revenue like taxes on fuel and alcohol drying up.[93]

[88] https://economictimes.indiatimes.com/news/economy/policy/view-the-success-of-govts-balancing-act-will-depend-on-execution-of-the-privatisation-plan/articleshow/73880066.cms?from=mdr
[89] https://www.financialexpress.com/industry/indian-psus-under-massive-debt-these-three-firms-perform-worst-in-fy19/1862641/
[90] https://www.thehindubusinessline.com/economy/logistics/govt-advisor-air-india-privatisation-very-difficult-without-debt-writeoff/article9718395.ece; https://www.thehindubusinessline.com/economy/logistics/stake-sale-in-sci-govt-faces-a-tough-task/article9852070.ece
[91] https://www.business-standard.com/budget/article/budget-2020-govt-s-rs-1-2-trillion-fy21-disinvestment-take-is-ambitious-120020100849_1.html
[92] https://www.business-standard.com/article/economy-policy/covid-19-impact-centre-allows-states-to-borrow-50-of-fy21-limit-in-april-120040500962_1.html
[93] ttps://economictimes.indiatimes.com/news/economy/finance/major-states-staring-at-rs-97100-crore-revenue-loss-in-april/articleshow/75715849.cms?from=mdr

5% of GSDP for 2020-21 only. • Unconditional increase of 0.50%. • 1% in 4 tranches of 0.25%, with each tranche linked to clearly specified, measurable and feasible reform actions. (Reform linkage will be in four areas: universalisation of 'One Nation One Ration card', Ease of Doing Business, Power distribution and Urban Local Body revenues) • Further 0.50% if milestones are achieved in at least three out of four reform areas.	scheme notified by Department of Expenditure.	The increase in borrowing limits together with increase in Ways and Means Advances[94] that states can access from RBI, are measures to alleviate the grave revenue crisis states are facing, especially given the increased spending on welfare measures that is expected in the near future. However, these measures can only help shoring up of revenue of states if they are used appropriately by the Centre and States, which evidence suggests is not always the case. While the Centre hasn't released GST dues of states since December (amounting to approx. Rs. 30,000 crore)[95], the States themselves have only used 14% of their borrowing limit in March-April,[96] thus showing difference in words and actions of both state and central governments. Furthermore, many states have decried the conditions on increase in borrowing limit as anti-federalist and an unconstitutional limitation on policy making powers of elected state government.[97] Thus, the notification of the scheme to conditionally increase borrowing limits for states may yet be challenged in court.

[94] https://www.thehindubusinessline.com/opinion/columns/slate/all-you-wanted-to-know-about-ways-and-means-advances/article31390159.ece. Ways and means advances (WMA) is a mechanism used by Reserve Bank of India (RBI) 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.
[95] https://www.bloombergquint.com/gst/centre-still-owes-states-over-rs-30000-crore-in-gst-dues-for-fy20
[96] https://www.jagranjosh.com/current-affairs/finance-minister-nirmala-sitharaman-economic-package-rs-20-lakh-crores-1589352799-1
[97] https://timesofindia.indiatimes.com/business/india-business/states-protest-linking-of-additional-borrowing-limit-to-four-reforms/articleshow/75817114.cms