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## Current Affairs for UPSC IAS Exam – 28 January 2021

28th January 2021 Current Affairs for UPSC IAS Exam

### Contents

1. IMF's World Economic Outlook: Indian Economy's Bounce back
2. Pradhan Mantri Kaushal Vikas Yojana (PMKVY) 3.0
3. Russia gives nod to extend START treaty

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## IMF'S WORLD ECONOMIC OUTLOOK: INDIAN ECONOMY'S BOUNCE BACK

### **Context:**

According to a projection by the International Monetary Fund (IMF) in its World Economic Outlook - The Indian economy is expected to bounce back with a 11.5 % GDP growth in the next financial year (2021-2022), making it the fastest-growing major economy.

### **Relevance:**

GS-III: Indian Economy

### **Dimensions of the Article:**



1. What is Gross Domestic Product (GDP)?
2. What is GDP Growth Rate?
3. What does “Economic Contraction” or contraction of GDP mean?
4. What is a Fiscal Year?
5. Global Projections of IMF
6. Highlights of the IMF’s projection related to India
7. Government Measures to Deal with the Pandemic
8. International Monetary Fund (IMF)

## What is Gross Domestic Product (GDP)?

Gross domestic product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period. As a broad measure of overall domestic production, it functions as a comprehensive scorecard of a given country's economic health.

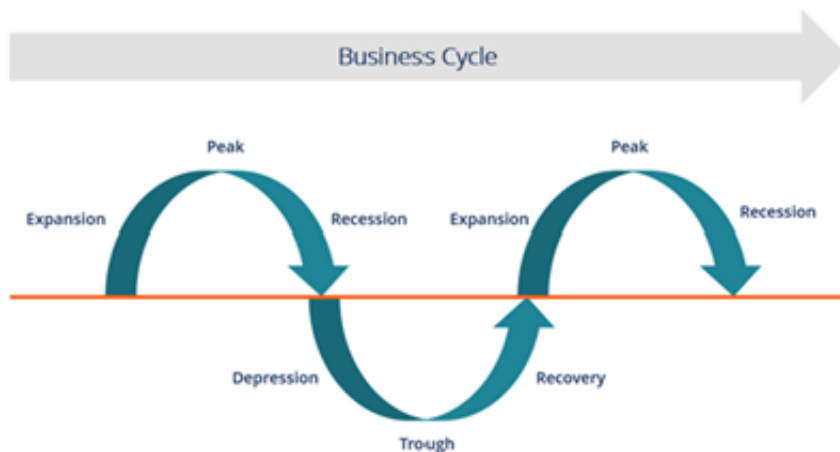
## What is GDP Growth Rate?

The GDP growth rate compares one year (or quarter) of a country's GDP to the previous year (or quarter) in order to measure how fast an economy is growing. Usually expressed as a percent rate, this measure is popular for economic policy makers because GDP growth is thought to be closely connected to key policy targets such as inflation and unemployment rates.

## What does “Economic Contraction” or contraction of GDP mean?

Contraction, in economics, refers to a phase of the business cycle in which the economy as a whole is in decline.

A contraction generally occurs after the business cycle peaks, but before it becomes a trough. According to most economists, when a country's real gross domestic product (GDP)—the most-watched indicator of economic activity—has declined for two or more consecutive quarters, then a recession has occurred.



## What is a Fiscal Year?

A fiscal year in India is a one-year period that the Indian government uses for financial reporting and budgeting – which starts from 1st April and end on 31st March of every year (for both the fiscal year and the financial year).

## Global Projections of IMF

- The global economy is projected to grow 5.5% in 2021 and 4.2% in 2022.
- The IMF also saw a narrower 3.5% contraction in world output in 2020 as opposed to a 4.4% decline seen earlier.
- It attributed the 0.3% point upward revision for 2021 to “expectations of a vaccine-powered strengthening of activity later in the year and additional policy support in a few large economies.
- China would grow 8.1% in 2021, followed by Spain (5.9%) and France (5.5 %).
- China, which was the only major country to register a growth rate of 2.3 % in 2020, will expand 5.6% in 2022.



## GDP growth

(Estimates/Projections : In %)

Agencies	2020-21	2021-22
IMF	(-) 8.0	11.5
FITCH	(-) 9.4	11
OECD	(-) 9.9	8
UBS	(-) 7.5	11
S&P	(-) 7.7	10

### Highlights of the IMF's projection related to India

- For the current fiscal year (2020-2021), the IMF had forecast a record 10.3% CONTRACTION; i.e., the GDP of India will decline by over 10%.
- For the next fiscal year (2021-22) India's GDP growth projection is at +11.5%. This is significantly higher (more than 2.5%) than the projection made in October, 2020.
- In FY 2022-23, the economy will likely grow 6.8%.
- India has taken very decisive action, very decisive steps to deal with the pandemic and to deal with the economic consequences of it.



## OVERVIEW OF WORLD ECONOMIC OUTLOOK PROJECTIONS

Nation	YEAR-OVER-YEAR (% CHANGE)	
	PROJECTIONS	
	2021	2022
The United States	5.1	2.5
Germany	3.5	3.1
The UK	4.5	5.0
China	8.1	5.6
India*	11.5	6.8

*\*For India, data and forecasts are presented on a fiscal year basis and GDP from 2011 onward is based on GDP at market prices with fiscal year 2011/12 as a base year; source: IMF*

## Government Measures to Deal with the Pandemic

- **Atmanirbhar Bharat Abhiyan** (or Self-reliant India Mission): The Self-Reliant India Mission aims towards cutting down import dependence by focusing on substitution while improving safety compliance and quality goods to gain global market share.
- **Pradhan Mantri Garib Kalyan Yojana**: The government announced Rs 1.70 lakh crore relief package under the newly framed Pradhan Mantri Garib Kalyan Yojana for the poor to help them fight the battle against covid-19.
- Reserve Bank of India's Covid19 Economic Relief Package which included loan moratoriums.

## International Monetary Fund (IMF)

- The International Monetary Fund (IMF) is an organization of 189 member countries, each of which has representation on the IMF's executive board in proportion to its financial importance, so that the most powerful countries in the global economy have the most voting power.
- The IMF, also known as the Fund, was conceived at a UN conference in Bretton Woods, New Hampshire, United States, in July 1944.
- The IMF was set up along with the World Bank (WB) after the Second World War to assist in the reconstruction of war-ravaged countries.
- Since these two organisations (IMF and WB) were agreed to be set up at a conference in Bretton Woods in the US. Hence, they are known as the Bretton Woods twins.
- The IMF's primary purpose is to ensure the stability of the international monetary



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system—the system of exchange rates and international payments that enables countries (and their citizens) to transact with each other.

- Membership of IMF consisting of 189 countries working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world..
- IMF publishes the Global Financial Stability Report as well as the World Economic Report.

-Source: Indian Express

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## PRADHAN MANTRI KAUSHAL VIKAS YOJANA (PMKVY) 3.0

### **Context:**

The Ministry of Skill Development and Entrepreneurship (MSDE) launched the Pradhan Mantri Kaushal Vikas Yojana (PMKVY) 3.0 – which is the third phase of the PMKVY scheme.

### **Relevance:**

GS-II: Social Justice (Government Schemes and Interventions)

### **Dimensions of the Article:**

1. Pradhan Mantri Kaushal Vikas Yojana (PMKVY)
2. Aims of PMKVY
3. Earlier programmes similar to PMKVY
4. Why did these previous programmes fail?



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## Pradhan Mantri Kaushal Vikas Yojana (PMKVY)

- Pradhan Mantri Kaushal Vikas Yojana (PMKVY) is a skill development initiative scheme of the Government of India for recognition and standardisation of skills.
- Launched in 2015, it is a flagship program of Ministry of Skill Development and Entrepreneurship (MSDE).
- National Skill Development Corporation (NSDC) implements it with the help of training partners.
- Under this Scheme, Training and Assessment fees are completely paid by the Government.
- Skill training would be done based on the National Skill Qualification Framework (NSQF) and industry led standards.

### Aims of PMKVY

- Its Aim is to encourage aptitude towards employable skills and to increase working efficiency of probable and existing daily wage earners, by giving monetary awards and rewards and by providing quality training to them.
- It aims to mobilize youth to take up skill training with the aim of increasing productivity and aligning the training and certification to the needs of the country.
- To enable a large number of Indian youths to take up industry-relevant skill training that will help them in securing a better livelihood.
- Individuals with prior learning experience or skills will also be assessed and certified under Recognition of Prior Learning (RPL).

### Earlier programmes similar to PMKVY

- In the past, systemic thought partnerships have been attempted sporadically across ministries.
- In 2005, the Ashok Lahiri Committee, constituted by the Ministry of Finance, came out with a report which stated that there was not enough knowledge about external capital flows and controls in India. The committee's recommendation resulted in the establishment of the National Institute of Public Finance and Policy, Department of Economic Affairs research programme.
- In 2015, the Ministry of Corporate Affairs constituted a research secretariat headed by the Vidhi Centre for Legal Policy, to support the Companies Law Committee to make informed decisions on the principals involved as well as international practices in the areas of insolvency, raising of capital, penalties, related party transactions and other



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areas.

- In late-2018, the MSDE itself started engaging with multiple private firms such as Dalberg Global Development Advisors and Samagra-Transforming Governance to conceptualise and design its vision for 2025.

## Why did these previous programmes fail?

- These attempts at establishing thought partnerships between the government and private entities, while instructive, are largely disparate and episodic.
- They do not provide the definitive way forward on government-private collaboration. India faces a dearth of scholars and practitioners who are singularly focused on researching and solving India's problems.
- As such, policy choices made in isolation from the rigorous debate, research and questioning which thought partnerships facilitate, can produce suboptimal results.
- It is therefore in the public interest that more such partnerships are forged and funded to channel external expertise and skills towards finding scalable solutions to the pressing policy challenges the country faces.

*-Source: The Hindu*

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## RUSSIA GIVES NOD TO EXTEND START TREATY

### **Context:**

Russian lawmakers quickly approved the extension of the last remaining nuclear Russia-U.S. arms control treaty – the START treaty, a fast-track action that comes just days before it's due to expire.

### **Relevance:**





### ***Dimensions of the Article:***

1. What is the New START Treaty?
2. Other treaties similar to the New START treaty
3. Arms Trade Treaty
4. Intermediate-Range Nuclear Forces (INF) Treaty
5. Open Skies Treaty (OST)
6. Non-Proliferation Treaty

### **What is the New START Treaty?**

- The New Strategic Arms Reduction Treaty (New START) pact limits the number of deployed nuclear warheads, missiles and bombers and is due to expire in 2021 unless renewed.
- The treaty limits the US and Russia to a maximum of 1,550 deployed nuclear warheads and 700 deployed missiles and bombers, well below Cold War caps.
- It was signed in 2010 by former US President Barack Obama and then-Russian President Dmitry Medvedev.
- It is one of the key controls on superpower deployment of nuclear weapons.
- US withdrew from the 1987 Intermediate-Range Nuclear Forces Treaty (INF), accusing Moscow of violating the agreement.

### **Other treaties similar to the New START treaty: Recently in news – Important to remember the differences**

#### **Arms Trade Treaty**

- The Arms Trade Treaty is a multilateral treaty that regulates the international trade in conventional weapons. It entered into force on 4th December 2014.
- The ATT is an attempt to regulate the international trade of conventional weapons for the purpose of contributing to international and regional peace; reducing human suffering; and promoting co-operation, transparency, and responsible action by and



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among states.

- 105 states have ratified the treaty, and a further 32 states have signed but not ratified it.
- India has abstained from voting for this Treaty.

## Intermediate-Range Nuclear Forces (INF) Treaty

- The Intermediate-Range Nuclear Forces Treaty (INF Treaty, formally Treaty Between the United States of America and the Union of Soviet Socialist Republics on the Elimination of Their Intermediate-Range and Shorter-Range Missiles) is a 1987 arms control agreement between the United States and the Soviet Union.
- Under the INF Treaty, the U.S. and the U.S.S.R. agreed to eliminate within three years all ground-launched-missiles of 500-5,500 km range and not to develop, produce or deploy these in future.
- Under the Treaty, the two parties agreed that a whole important class of nuclear weapons would be removed from Europe, and only tactical nuclear weapons (TNW) or short-range missiles mostly deployed on the territory of Germany would remain.
- The INF Treaty for years served to mitigate fears of both parties in relation to possibility of military escalation, operational miscalculation, and helping to shift the logic of MAD [mutually assured destruction] to the higher “more sensitive” political level.

## Open Skies Treaty (OST)

- The Treaty on Open Skies establishes a program of unarmed aerial surveillance flights over the entire territory of its participants.
- The treaty is designed to enhance mutual understanding and confidence by giving all participants, regardless of size, a direct role in gathering information about military forces and activities of concern to them.
- Open Skies is one of the most wide-ranging international efforts to date promoting openness and transparency of military forces and activities.
- The OST, first proposed in the early years of the Cold War, came into effect in 2002 and it allows its 34 signatories to conduct unarmed reconnaissance flights over the territory of treaty countries.

## Non-Proliferation Treaty

- The Treaty on the Non-Proliferation of Nuclear Weapons, commonly known as the Non-



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Proliferation Treaty or NPT, is an international treaty whose objective is to prevent the spread of nuclear weapons and weapons technology, to promote cooperation in the peaceful uses of nuclear energy, and to further the goal of achieving nuclear disarmament and general and complete disarmament.

- The NPT is often seen to be based on a central bargain: “the NPT non-nuclear-weapon states agree never to acquire nuclear weapons and the NPT nuclear-weapon states in exchange agree to share the benefits of peaceful nuclear technology and to pursue nuclear disarmament aimed at the ultimate elimination of their nuclear arsenals.”
- The treaty defines nuclear-weapon states as those that have built and tested a nuclear explosive device before 1 January 1967; these are the United States, Russia, the United Kingdom, France, and China.
- Four other states are known or believed to possess nuclear weapons: India, Pakistan, and North Korea have openly tested and declared that they possess nuclear weapons, while Israel is deliberately ambiguous regarding its nuclear weapons status.
- The Treaty has 189 States Parties, which is the largest number of any arms control agreement.
- **However, India, Israel and Pakistan have not signed the NPT.**
- North Korea announced its withdrawal in 2003, and further announced that it had conducted an underground nuclear explosion in 2006 and 2009.

*-Source: The Hindu*