

Prelim Bits 21-06-2022 | UPSC Daily Current Affairs

Black Swan Event

A study by the Reserve Bank of India (RBI) has spoken about the possibility of capital outflows to the tune of \$100 billion from India in case of a major global risk scenario or a “black swan” event.

The RBI has said that in this ‘black swan’ event comprising a combination of shocks, potential portfolio outflows can rise to 7.7% of GDP. So, there is a need for maintaining liquid reserves to quell such potential bouts of instability.

- A ‘black swan’ event is a rare, unpredictable event that comes as a surprise and has a significant impact on society or the world.
- These events are said to have 3 distinguishing characteristics
 1. They are extremely **rare** and outside the realm of regular expectations;
 2. They have a **severe impact** after they hit; and
 3. They **seem probable in hindsight** when plausible explanations appear.

Reliance on standard forecasting tools can both fail to predict and potentially increase vulnerability to black swans by propagating risk and offering false security.

- **Origin** - The black swan theory was popularised by author Nassim Nicholas Taleb in his 2007 book ‘The Black Swan’.
- In his book, Taleb does not try to lay out a method to predict such events, but instead stresses on building “robustness” in systems and strategies to deal with black swan occurrences and withstand their impact.
- **Link** - The term itself is linked to the discovery of black swans.
- The Europeans believed all swans to be white until 1697, when a Dutch explorer spotted the first black swan in Australia.
- The metaphor ‘black swan event’ is derived from this unprecedented spotting from the 17th century, and how it upended the West’s understanding of swans.
- **Black Swan Events in the past** - The 2008 global financial crisis is a black swan event triggered by a sudden crash in the booming housing market in the US.
- The fall of the Soviet Union, the terrorist attack in the US in 2001, also fall in the same category.
- **Covid-19 pandemic is not a black swan event.** In fact, it is a ‘white swan’ event, as it was predictable.

Reference

1. <https://www.financialexpress.com/economy/adverse-global-events-may-lead-to-usd-100-bn-portfolio-outflows-says-rbi-article/2567012/>
2. <https://indianexpress.com/article/explained/everyday-explainers/explained-black-swan-event-rb>

Extended Fund Facility

The United States has agreed to help cash-strapped Pakistan negotiate a deal with the International Monetary Fund (IMF) for the revival of the country's Extended Fund Facility (an economic bailout program) with the IMF.

As the largest shareholder, the US has considerable influence over the IMF's decision-making.

- Established in 1974, the Extended Fund Facility (EFF) is lending facility of the Fund of the International Monetary Fund (IMF).
- It is prescribed for a country who is suffering from **medium- and longer-term balance of payments problems**, which are caused by structural weaknesses and who need fundamental economic reforms.
- **Repayment** - As structural reforms to correct deep-rooted weaknesses often take time to implement and bear fruit, EFF engagement and **repayment cover longer periods** than most Fund arrangements.
- Extended arrangements are typically approved for periods of 3 years, but may be approved for periods as long as 4 years to implement deep and sustained structural reforms.
- Amounts drawn under an EFF are to be repaid over 4½-10 years in 12 equal semiannual installments.
- By contrast, credits under a Stand-By Arrangement (SBA) are repaid over 3¼-5 years.
- **Borrowing Limit** - As with other IMF lending, the size of borrowing under an EFF is guided by a country's financing needs, capacity to repay, and track record with past use of IMF resources.
- The EFF is one of several lending facilities under the IMF's General Resource Account (**GRA**).

Borrowing Type	Borrowing Limit
Normal access	Subject to the normal limit of 145% annually of a country's IMF quota (temporarily increased to 245% of quota through end 2021 as part of the Fund's COVID-19 response) A cumulative limit in all outstanding exposure to the GRA over the life of the program of 435% of its quota, net of scheduled repayments.
Exceptional access	Access above normal limits is decided on a case-by-case basis under the IMF's Exceptional Access policy. This is given when the country satisfies a predetermined set of criteria.

Recently, Sri Lanka, in the midst of a crisis over deterioration of the balance of payments (BOP) position, has received \$ 1.5 billion from the IMF through a 3-year-long Extended Fund Facility (EFF).

IMF's Lending Instruments

- The IMF's various lending instruments are tailored to
 1. Different types of balance of payments need as well as
 2. The specific circumstances of its diverse membership.
- All IMF members are eligible to access the Fund's resources in the General Resources Account (GRA) on non-concessional terms.
- But the IMF also provides concessional financial support (at zero interest rates) through the Poverty Reduction and Growth Trust (PRGT), which is better tailored to the diversity and needs of low-income countries.
- The instruments include,
 1. Stand-By Arrangements (SBAs) and Standby Credit Facility (SCF)
 2. Extended Fund Facility (EFF) and Extended Credit Facility (ECF)
 3. Precautionary and Liquidity Line (PLL)
 4. Flexible Credit Line (FCL)
 5. Policy Coordination Instrument (PCI)
 6. Policy Support Instrument (PSI)
 7. The Resilience and Sustainability Facility (RSF)

Lending Instrument	Purpose
Stand-By Arrangements (SBAs)	Address short-term or potential BoP problems for the emerging and advanced market economies in crises
Standby Credit Facility (SCF)	Similar to SBAs. Address the BoP problems for low-income countries
Extended Fund Facility (EFF)	Medium-term support to countries facing protracted BOP problems
Extended Credit Facility (ECF)	Similar to EFF. Medium-term support to low-income countries facing protracted BOP problems

Reference

1. <https://www.newindianexpress.com/world/2022/jun/20/us-agreed-to-help-pakistan-with-imf-talks-on-economic-bailout-package-media-report-2467773.html>
2. <https://lms.indianeconomy.net/glossary/extended-fund-facility-eff/#:~:text=The%20Extended%20Fund%20Facility%20is,term%20balance%20of%20payments%20problems.>
3. <https://www.imf.org/en/About/Factsheets/IMF-Lending>
4. <https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/20/56/Extended-Fund-Facility>

Project NIPUN

Recently, the National Initiative for Promoting Upskilling of Nirman workers (NIPUN) - a project for skill training of construction workers - was launched.

Deendayal Antyodaya Yojana-National Urban Livelihoods Mission (DAY-NULM) is a Centrally Sponsored Scheme aimed to reduce poverty and vulnerability of urban poor households in the country.

- The project NIPUN is an initiative of the Ministry of Housing & Urban Affairs (MoHUA) under

its flagship scheme of the Deendayal Antyodaya Yojana-National Urban Livelihoods Mission (DAY-NULM).

- It aims to train over 1 lakh construction workers, through fresh skilling and upskilling programmes and provides them with work opportunities in foreign countries also.
- This initiative will enable Nirman workers to be more proficient and skilled while making them adopt future trends in the construction industry by increasing their capabilities and diversifying their skill sets.
- This initiative is expected to **expand horizontally** across the industry.
- The National Skill Development Corporation (NSDC) under the Ministry of Skill Development & Entrepreneurship (MSDE) will be the Implementation Partner for the project NIPUN.
- NSDC will be responsible for the overall execution of training, monitoring and candidate tracking.

Three Parts of Project Implementation	Number of Candidates
Onsite Skill Training at construction sites through Recognition of Prior Learning (RPL)	80,000
Training through Fresh Skilling by Plumbing and Infrastructure Sector Skill Council (SSC) in trades having promising placement potentials	14,000
International Placement through industries/ builders/ contractors	12,000

- The courses are aligned with National Skills Qualifications Framework (NSQF) and will be imparted at accredited and affiliated training centres.
- Under NIPUN, NSDC will provide trainees with 'Kaushal Bima', three-year accidental insurance with coverage of Rs 2 lakhs, digital skills such as cashless transactions and the BHIM app, etc.
- The National Real Estate Development Council (NAREDCO) and the Confederation of Real Estate Developers' Associations of India (CREDAI) have joined Project NIPUN as industry partners.
- They will identify training job roles of aspirational value in the construction sector in collaboration with the SSC.
- **Similar Links** - [NIPUN Bharat Programme](#)

Reference

1. <https://pib.gov.in/PressReleasePage.aspx?PRID=1835539>
2. <https://www.aninews.in/news/national/general-news/govt-launches-nipun-scheme-to-train-over-1-lakh-construction-workers20220621061339/>

Swachh Survekshan 2023

The Union Ministry of Housing and Urban Affairs launched the Swachh Survekshan 2023 under the Swachh Bharat Mission Urban (SBMU) 2.0

The first phase of the SBMU 1.0 (2014-2019) aimed at making urban India **Open Defecation Free (ODF)** and achieving 100% scientific management of municipal solid waste.

- Swachh Survekshan was introduced by MoHUA in 2016 as a competitive framework to encourage cities to improve the status of urban sanitation while encouraging large scale citizen participation.
- It is the largest Urban sanitation survey in the world.
- The Swachh Survekshan (SS) 2023 will be the 8th edition of the **national-level annual sanitation survey of cleanliness** in cities.
- Designed with the theme of 'Waste to Wealth' as its driving philosophy, the SS 2023 is aimed at achieving **circularity in waste management** - one of key objectives under the SBMU 2.0.
- The survey will give priority to the **principle of 3Rs** - Reduce, Recycle and Reuse.
- **Changes in SS 2023** - The evaluation will be conducted in **4 phases**, instead of 3 phases in earlier editions.
- citizen validation and field assessment of processing facilities is being introduced in phase 3 also, in addition to phase 4.
- In SS 2023, additional weightage has been given to
 1. Source segregation of waste,
 2. Enhancement of waste processing capacity of cities to match the waste generation and
 3. Reduction of waste going to the dumpsites.
- Also, indicators have been introduced with additional weightage on emphasizing the need for phased reduction of plastic, plastic waste processing, encourage waste to wonder parks and zero waste events.
- Ranking of Wards within the cities is being promoted through SS 2023.
- The cities would also be assessed on dedicated indicators on the issues of 'Open Urination' (Yellow Spots) and 'Open Spitting' (Red Spots), being faced by the cities.

Reference

1. <https://www.thehindu.com/news/national/urban-cleanliness-survey-launched-with-theme-of-waste-to-wealth/article65457158.ece>
2. <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1827969>

Critical Information Infrastructure

The Ministry of Electronics and IT (MeitY) has declared IT resources of ICICI Bank, HDFC Bank and National Payments Corporation of India (NPCI) as 'critical information infrastructure' under the IT Act of 2002.

The Central Government declares the computer resources relating to the Core Banking Solution, RTGS and NEFT comprising Structured Financial Messaging Server of the above 3 institutions as CII.

- The Information Technology Act, 2000 defines the "Critical Information Infrastructure (CII)".
- As per the Act, the CII means a computer resource, the incapacitation or destruction of which shall have debilitating impact on national security, economy, public health or safety.
- Under the IT Act, the government has the power to declare any data, database, IT network or communications infrastructure as CII to protect that digital asset.
- Any person who secures access or attempts to secure access to a protected system in violation of the law can be punished with a jail term of up to 10 years.
- **Need for CII protection** - IT resources form the backbone of countless critical operations in a country's infrastructure.
- Given the interconnectedness of these IT resources, disruptions can have a **cascading effect**

across sectors.

- An information technology failure at a power grid can lead to prolonged outages crippling other sectors like healthcare, banking services.
- World over governments have been moving with alacrity to protect their CII.

Protection of CIIs in India

- Created in 2014, the National Critical Information Infrastructure Protection Centre (NCIIPC) is the nodal agency for taking all measures to protect the nation's critical information infrastructure.
- It is mandated to guard CIIs from "unauthorized access, modification, use, disclosure, disruption, incapacitation or distraction".
- It will monitor & forecast national-level threats to CII for policy guidance, expertise sharing and situational awareness for early warning or alerts.
- In the event of any threat to CII, the NCIIPC may call for information and give directions to the critical sectors or persons serving or having a critical impact on Critical Information Infrastructure.
- The NCIIPC has identified the following as 'Critical Sectors',
 1. Power & Energy
 2. Banking, Financial Services & Insurance
 3. Telecom
 4. Transport
 5. Government
 6. Strategic & Public Enterprises
- **Related Links** - [National Cyber Security Strategy](#)

Reference

1. <https://www.thehindu.com/business/govt-tags-icici-banks-it-resources-as-critical-information-in-frastructure/article65540253.ece>
2. <https://indianexpress.com/article/explained/explained-what-is-critical-information-infrastructur-e-who-protects-it-7978951/>