# PM CARES for Children scheme

**(GS Paper 2, Governance)**

**Why in news?**

- Recently, Prime Minister released benefits under the PM CARES for Children scheme and reiterated the Centre's commitment to providing other benefits under the scheme.

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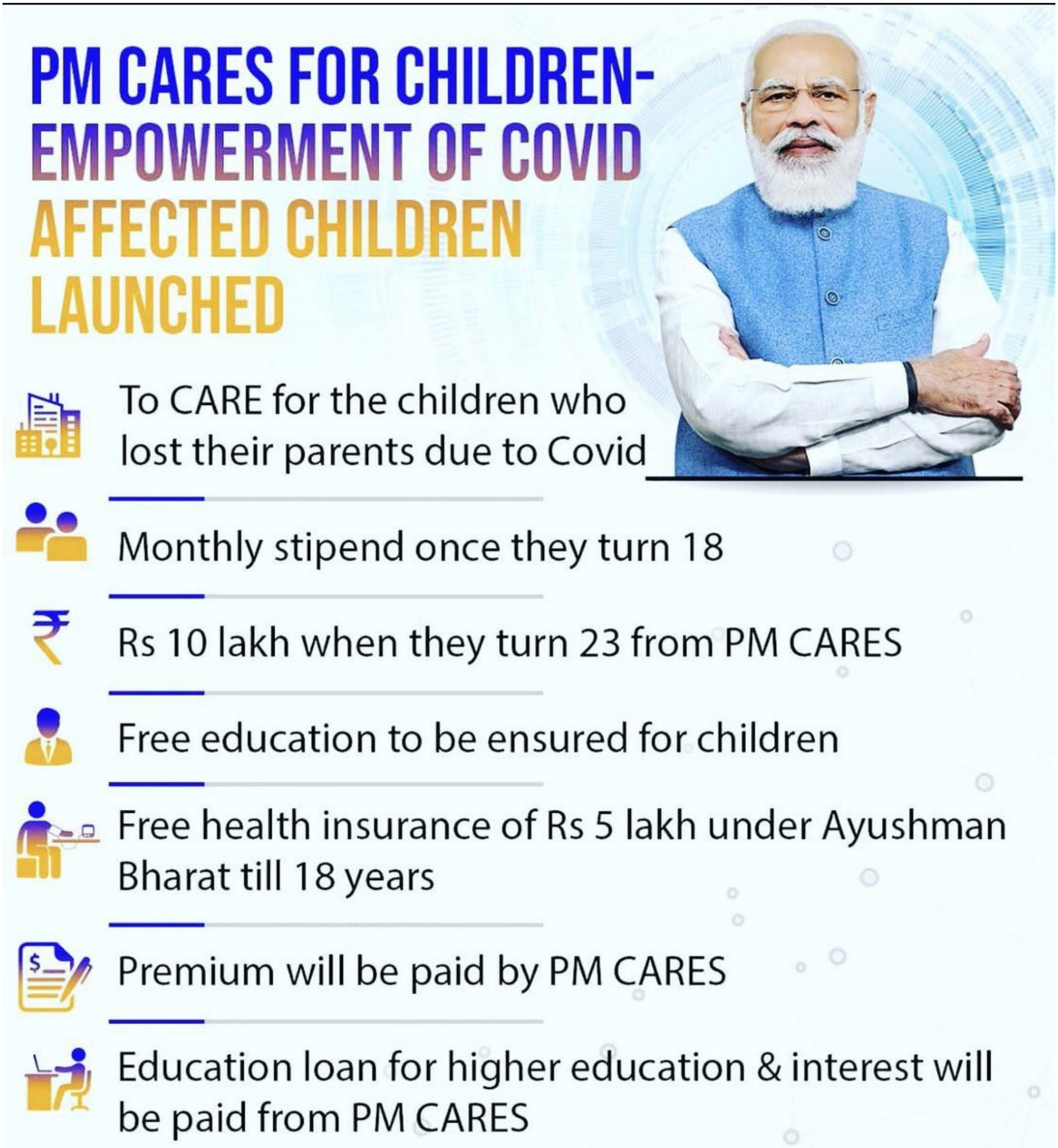

**Background:**

- More than 1.5 lakh children were orphaned, lost a parent or abandoned during the COVID-19 pandemic, as per the Ministry of Women and Child Development.
- This figure included children who lost their parent to causes other than COVID-19 as well. This was in response to a report in The Lancet which estimated that 19 lakh children in India lost either a parent or a primary caregiver due to COVID-19.

**What is the PM CARES for Children scheme?**

- Soon after India went into lockdown in March 2020, PM Narendra Modi announced a central fund to provide relief to those affected by emergencies like the pandemic.
- The **Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund, or the PM CARES Fund**, was registered as a **Public Charitable Trust under the Registration Act, 1908**.
- The government launched the PM CARES for Children scheme in 2021 to support children who lost their parents to coronavirus between March 11, 2020 and February 28, 2022.

**Eligibility:**

- As per the scheme guidelines, children who lost both parents, a surviving parent, legal guardian, adoptive parents or a single adoptive parent between March 11, 2020 and February 28, 2022 due to the pandemic are entitled to the benefits.
- The child should have been below 18 years of age on the date of death of the parents.

**Source of funds:**

- The Ministry of Women and Child Development, which is responsible for the scheme in coordination with States and District nodal agencies, coordinates with the PM CARES Fund for the release of funds to District Magistrates. The DMs then transfer funds to the accounts of each beneficiary.

**Guidelines for the Scheme:**

The main features include:

**Financial assistance:**

- A **corpus of Rs 10 lakh for each child when he or she reaches 18 years of age**. From this corpus, the child will get monthly financial support or a stipend for daily needs from the age of 18, for the next five years. On attaining the age of 23 years, the child will receive the corpus as a lump sum amount for personal and professional use.
- As per the PM's latest announcement, **Rs 4,000 will be provided every month** to these children through other schemes for their daily needs and a **scholarship of Rs 20,000 per annum will be given for students of Classes 1-12.**
- They are also eligible for the **Karma Scholarship for skills training, the Swanath Scholarship for Technical Education**, and a scholarship of Rs 2.5 lakhs per year for studying in higher education institutions (IITs, IIMs) and an ex gratia amount of Rs 50,000.

**Education:**

- Those under 10 years of age get admission to the nearest KendriyaVidyalaya or a private school. If the child takes private school admission, PM CARES will give fees as per Right to Education norms. The scheme will also take care of uniforms, textbooks and notebook expenditure.
- Those between 11 and 18 years of age are eligible for admission in central government residential schools such as Sainik Schools and NavodayaVidyalayas.
- Children will be assisted in obtaining education loans for professional courses or higher education in India as per existing education loan norms. The interest on these will also be paid by PM CARES.
- Alternatively, beneficiaries may receive scholarships from various national schemes run by the Ministry of Social Justice and Empowerment, the Ministry of Tribal Affairs, the Ministry of Minority Affairs, and the Department of Higher Education. They will avail of these through the National Scholarship portal.

**Health cover:**

- Under PM CARES, all children are to be enrolled as a beneficiary under the Ayushman Bharat Scheme (PM-JAY) with a health insurance cover of Rs 5 lakhs. PM CARES will pay the premium amount until the child is 18 years old.
- The PM further stated that beneficiaries will get "emotional counselling through the Samvad helpline for psychological and emotional help".

**The controversial PM CARES Fund:**

- The PM CARES Fund, which is the parent source of funds for the PM CARES for Children scheme, has been mired in controversy since its inception in 2020. From time to time, opposition leaders, experts and activists have questioned the transparency of donations and its use of the PM's name, photo, the national flag, emblem and the 'gov' domain.
- Although the **PM is the Chairman (ex-officio) of the fund** and the **Minister of Defence, Minister of Home Affairs and Minister of Finance are the fund's trustees**, the Centre has maintained that it is not a Government of India fund and **isn't under the purview of the Right to Information (RTI) Act.**
- Earlier in 2022, it was revealed that a third of the amount collected by the PM CARES Fund from its inception until March 2021 remained unspent. The audit report showed that the PM CARES Fund collected ₹10,990 crore between March 2020 and March 2021, but only spent ₹3,976 crore during the 2020-21 financial year.

## <u>Of what good is a bad bank?</u>

**(GS Paper 3, Indian Economy)**

**Why in news?**

- Recently, Finance Minister announced that the **National Asset Reconstruction Company (NARCL) along with the India Debt Resolution Company (IDRCL)**will take over the first set of bad loans from banks and try to resolve them.

**Background:**

- While the problem of bad loans has been a perennial one in the Indian banking sector, the decision to set up a bad bank was taken by the Union government during the Budget presented in 2021 in the aftermath of the nationwide lockdowns, and the moratorium was subsequently extended to borrowers by the Reserve Bank of India (RBI).
- The health of the balance sheets of Indian banks has improved significantly over the last few years with their **gross non-performing assets (GNPA) ratio declining from a peak of 11.2% in FY18 to 6.9% in Q2FY22.**

# What is a 'Bad Bank'?

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| A bad bank is a financial entity set up to buy non-performing assets (NPAs), or bad loans, from banks | The aim of setting up a bad bank is to help ease the burden on banks by taking bad loans off their balance sheets and get them to lend again to customers without constraints. | After the purchase of a bad loan from a bank, the **bad bank may later try to restructure and sell the NPA to investors** who might be interested in purchasing it. | A bad bank makes a profit in its operations if it manages to sell the loan at a price higher than what it paid to acquire the loan from a commercial bank. | Generating profits is usually not the primary purpose of a bad bank, the objective is to ease the burden on banks, of holding a large pile of stressed assets, and to get them to lend more actively. |

**What are the pros and cons of setting up a bad bank?**

- A supposed advantage in setting up a bad bank, it is argued, is that it can **help consolidate all bad loans of banks under a single exclusive entity**. The idea of a bad bank has been tried out in countries such as the U.S., Germany, Japan and others in the past.
- The **troubled asset relief program, also known as TARP, implemented by the U.S. Treasury in the aftermath of the 2008 financial crisis,** was modelled around the idea of a bad bank.
- Under the program, the U.S. Treasury bought troubled assets such as mortgage-backed securities from U.S. banks at the peak of the crisis and later resold it when market conditions improved. It is estimated that the Treasury through its operations earned a nominal profit of anything between $11 billion to $30 billion, although some contest these figures.

**Criticism:**

- Many critics, however, have pointed to several problems with the idea of a bad bank to deal with bad loans.
- Former RBI governor RaghuramRajan has been one of the fiercest critics of the idea, arguing that a bad bank backed by the government will merely shift bad assets from the hands of public sector banks, which are owned by the government, to the hands of a bad bank, which is again owned by the government.
- There is little reason to believe that a mere transfer of assets from one pocket of the government to another will lead to a successful resolution of these bad debts when the set of incentives facing these entities is essentially the same.
- Other analysts believe that unlike a bad bank set up by the private sector, a bad bank backed by the government is likely to pay too much for stressed assets. While this may be good news for public sector banks, which have been reluctant to incur losses by selling off their bad loans at cheap prices, it is **bad news for taxpayers** who will once again have to foot the bill for bailing out troubled banks.

**Will a ‘bad bank’ help ease the bad loan crisis?**

- A key reason behind the bad loan crisis in public sector banks is the **nature of their ownership**.
- Unlike private banks, which are owned by individuals who have strong financial incentives to manage them well, public sector banks are managed by bureaucrats who may often not have the same commitment to ensuring these lenders’ profitability. To that extent, bailing out banks through a bad bank does not really address the root problem of the bad loan crisis.
- Further, there is a huge risk of moral hazard. Commercial banks that are bailed out by a bad bank are likely to have little reason to mend their ways. After all, the **safety net provided by a bad bank gives these banks more reason to lend recklessly** and thus further exacerbate the bad loan crisis.

**Will it help revive credit flow in the economy?**

- Some experts believe that by taking bad loans off the books of troubled banks, a bad bank can help free capital of over ₹5 lakh crore that is locked in by banks as provisions against these bad loans.
- This, they say, will give banks the freedom to use the freed-up capital to extend more loans to their customers. This gives the impression that banks have unused funds lying in their balance sheets that they could use if only they could get rid of their bad loans.
- It is, however, important not to mistake banks’ reserve requirements for their capital position. This is because what may be stopping banks from lending more aggressively may not be the lack of sufficient reserves which banks need to maintain against their loans.
- Instead, it may simply be the precarious capital position that many public sector banks find themselves in at the moment. In fact, many public sector banks may be considered to be technically insolvent, as an accurate recognition of the true scale of their bad loans would show their liabilities to be far exceeding their assets.

**Conclusion:**

- A bad bank, in reality, could help improve bank lending not by shoring up bank reserves but by improving banks’ capital buffers.
- To the extent that a new bad bank set up by the government can improve banks’ capital buffers by freeing up capital, it could help banks feel more confident to start lending again.

# India’s stand TRIPS vaccine inequity

**(GS Paper 3, Science and Tech)**

**Context:**

- Being a world leader in vaccine supply and not a recipient in waiting, India could easily overcome the challenges of vaccine inequity.
- India's cumulative Covid-19 vaccination coverage exceeds 193 crore doses as on May 28, 2022 including ongoing precautionary doses and vaccination among children above the age of 12 years.

**'Pharmacy of the world':**

- Right from the outbreak of the pandemic, India's role in supporting global and regional efforts stood out, being examples of stellar leadership transcending the realities faced as a developing country.
- India's own challenges in dealing with the pandemic have been gigantic as it is home to the world's second largest population. **India's capabilities as the 'pharmacy of the world'** enabled it to take the lead on global supplies of essential medicines to fight the pandemic in the initial months.

**TRIPS Waiver:**

India has been at the forefront of vaccine equity and has pushed for the Trade-Related Aspects of Intellectual Property Rights (TRIPS) waiver at the WTO (along with South Africa that has previously faced the brunt of the HIV epidemic) since as early as October 2020.

The initial proposal signaled a fundamental shift to broad-based temporary IP concessions during global health emergencies like that of the Covid-19 pandemic, across IPR provisions to allow "prevention, containment or treatment" of the disease.

This proposal (revised in May 2021) has now been co-sponsored by a large number of developing countries.

Notably, **India's Vaccine Maitri programme** worked on the premise that **'no one is safe until everyone is safe'**.

**India's exemplary global leadership:**

- India took the lead in proposing the TRIPS waiver for vaccines (and other health goods) despite having no direct interest. The efforts of India and South Africa in this regard has galvanised the developing world.
- India has remained steadfastly committed to this idea despite pressure from the EU, UK, and Switzerland, which are preventing access to vaccines to poor countries, making them suffer and leading to loss of lives. Due to India's pressure, **global supply lines have remained open throughout** for key components of vaccines being made in India and elsewhere.

**Humanity model vs. Fashion model:**

- In making these extraordinary efforts, India is upholding the idea that life-saving medical supplies are not ordinary consumer goods to be distributed pursuant to the fashion model, so long as supply falls short of demand, sellers ration access by raising the price, giving early access to the highest bidders.
- Instead, the **distribution of such essential goods should be governed by thehumanity model**, early supply goes wherever it will contribute most to containing and suppressing the disease.

- The fashion model favors suppliers. It allows them to collect handsome premiums during the early period of demand-supply imbalance, which they can prolong by slowing production and delivery.
- Obviously, the humanity model would be much better for most people, as it would help in ramping up production and delivery at top speed and ensure supply to suppress the pandemic as effectively as possible, thereby averting infections and new disease strains.
- This model is better even for the world's affluent and well-insured—they may get access to relevant remedies somewhat later, in comparison to the fashion model, but the overall extent and duration of the pandemic are reduced.
- By valuing the health of all human beings equally, the **humanity model is also morally superior,**recognising that essential medical supplies are fundamentally different from fashion goods such as handbags and exercise machines.

**How can we build on the TRIPS waiver and its underlying principle toward increasing the justice and effectiveness of global provisioning of medical supplies?**

- One key idea is to broadly **remove the monopoly markups** that deprive so many people of access to patented medical products. **Pfizer** has just taken a laudable such step by committing **to sell all its patented products at non-profit prices in low-income countries.**
- To ensure R&D towards developing new products, **pharmaceutical innovators must earn enough to cover their fixed costs and make a decent profit**. But these earnings need not be from monopoly rents.

**Health Impact Fund:**

- A coalition of states could finance a **health impact fund (HIF)** to encourage and incentivise innovators to exchange their monopoly privileges on specific new technologies for annual payments based on the health gains achieved with them.
- This HIF would motivate innovators to organize their development, manufacturing, and delivery efforts toward reducing the global burden of disease most cost-effectively, while fully including the poor in their population-level strategy.

# Electing Rajya Sabha MPs

**(GS Paper 2, Indian Constitution)**

**Why in news?**

- Ahead of Rajya Sabha elections in four states, various parties have accommodated legislators from at least three states in resorts, away from potential poaching by rival parties.
- A practice frequently seen before Rajya Sabha elections, this underlines the importance parties give to seats in the Upper House.

**Why are Rajya Sabha elections important?**

- For both the ruling party and the Opposition, **every Rajya Sabha seat counts as any Bill**, barring those designated as Money Bills by the Lok Sabha Speaker, needs the assent of the second chamber to become law.
- Rajya Sabha, or the Council of States, has 245 seats. Leave aside reaching the halfway mark of 123,**no ruling party has ever touched the 100 mark in the last three-and-a-half decades**.
- The BJP-led NDA touched 100 in April but its strength is down to 95 now after the retirement of five of the nominated members who had taken BJP membership.
- Rajya Sabha has a limited role in the case of Money Bills. It cannot amend a Money Bill, but can recommend amendments within a stipulated time, and Lok Sabha may either ac cept or reject all or any of these.

**How often are Rajya Sabha elections held?**

- Rajya Sabha is a **permanent House and cannot be dissolved**.
- To ensure continuity, **one third of its members retire after every second year**, under Article 83(1) of the Constitution, and "biennial elections" are held to fill these vacancies. The term of a member is six years.
- Out of the 245 members, 12 are nominated by the President and 233 are representatives of the States and Union territories of Delhi and Puducherry.
- Vacancies arising due to resignation, death or disqualification are filled up through bypolls, and those elected serve out the remainder of their predecessors' term.

- **Under Article 80(3),** the 12 nominated members should have special knowledge or practical experience in matters like literature, science, art etc. A nominated member may join a party within six months of taking a seat.


**Who votes, and how?**

- Rajya Sabha MP's are **elected by MLAS through an indirect election**.
- Article 80(4) provides that members shall be elected by the elected members of state Assemblies through a system of proportional representation by means of a single transferable vote.
- The **Fourth Schedule to the Constitution provides for allocation of Rajya Sabha seats** to the states and Union Territories, on the basis of the population of each state. For instance, there are 31 Rajya Sabha seats in Uttar Pradesh and 1 in Goa.
- Elections are held there are more candidates than vacancies; otherwise, candidates are elected unopposed.

**How are the votes counted?**

- The number of votes a candidate requires depends on the number of vacancies and the strength of the House.
- If there is only one vacancy, the required quota under the Election Commission's Conduct of Election Rules, 1961, is calculated by taking the number of votes polled, divided it by 2, and adding 1.For example, if 100 votes are polled in an Assembly, the Rajya Sabha candidate would need100/2+1=51 votes
- If there is more than one vacancy, the equation is based on an assigned value of 100 for every first-preference vote. The values of the votes credited to all candidates are totalled. The total is divided by 1 more than the number of vacancies, and 1 is added to this quotient.
- For example, if 100 members of an Assembly vote for 3 Rajya Sabha vacancies, the required quota by any candidate would be(100x100)/(3+1)+1=2501
- If for any seat, candidates fail to get the specified number, the second preference votes will be taken into account, but with a lower value.

**How many seats are being contested in the current elections?**

- Biennial elections are being held for 57 seats across 15 states. But elections were necessitated only in 16 seats from four states Haryana, Maharashtra, Rajasthan and Karnataka. The remaining 41 candidates were declared elected unopposed.

**Beyond passing Bills, why do Rajya Sabha numbers matter?**

- Rajya Sabha enjoys some special powers. If it passes a resolution by a majority of not less than two-thirds of members present and voting, saying that it is "necessary or expedient in the national interest" that Parliament should make a law on a matter enumerated in the State List, Parliament becomes empowered to make a law on the subject. Such a resolution remains in force for a maximum of one year but this period can be extended by one year at a time by passing a similar resolution.
- A similar route can be adopted for recommending **creation of one or more All India Services common to the Union and the states.** Parliament becomes empowered to create such services.
- Also, Rajya Sabha has a role to play if the President, as empowered by the Constitution, **issues proclamations in the event of national emergency, in the event of failure of constitutional machinery in a State, or in the case of financial emergency**". Every such proclamation has to be approved by both Houses of Parliament within a stipulated period.
- Under certain circumstances, however, Rajya Sabha enjoys special powers. If a proclamation is issued at a time when Lok Sabha has been dissolved or the dissolution of Lok Sabha takes place within the period allowed for its approval, then the proclamation remains effective, if the resolution approving it is passed by Rajya Sabha within the period specified under Articles 352, 356 and 360 of the Constitution.