



Monetary Policy Report: RBI

Why in News

The [Reserve Bank of India \(RBI\)](#) has released the [Monetary Policy Report \(MPR\)](#) for the month of December 2021.

- It kept the policy rate unchanged for the Ninth time in a row maintaining an [accommodative stance](#).

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RBI leaves repo rate unchanged for 9th straight time

The Reserve Bank has slashed the repo rate by a total of 115 basis points (bps) since March 2020 to soften the blow from the pandemic.



Key Points

- **Unchanged Policy Rates:**
 - **Repo Rate** - 4%.
 - **Reverse Repo Rate** - 3.35%.
 - **Marginal Standing Facility (MSF)** - 4.25%.

- **Bank Rate-** 4.25%.
- **GDP Projection:**
 - Real **Gross Domestic Product (GDP)** growth for 2021-22 has been retained at 9.5%.
- **Inflation:**
 - RBI has retained the projection for **Consumer Price Index (CPI)** inflation at 5.3 %.
- **Variable Reverse Rate Repo (VRRR):**
 - It increased the amount of money it will absorb VRRR to Rs 7.5 lakh crore by the end of December 2021.
 - In order to absorb additional liquidity in the system, the RBI announced conducting a VRRR program in August 2021 because it has higher yield prospects as compared to the fixed rate overnight reverse repo.
- **Accommodative Stance:**
 - RBI decided to continue with **an accommodative stance until there is sustainable recovery in the economy.**
 - An accommodative stance means the MPC is willing to either lower rates or keep them unchanged.
 - **Significance:**
 - It encourages **more spending from consumers and businesses by making money less expensive** to borrow through the lowering of short-term interest rates.
 - When money is easily accessible through banks, the **money supply in the economy increases.** This leads to increased spending.
 - It allows the **fiscal reserve to increase in relation to national income** and the positive function of money demand.
 - It helps energize the national money stock and prevent a weak aggregate demand obviating an **economic recession.**
 - Therefore it can be said that an accommodative stance will **help improve India's growth.**
- **No Permission for Infusing Capital:**
 - The RBI allowed **banks to infuse capital in their overseas branches** as well as repatriate profits without seeking its prior approval, subject to fulfilling certain regulatory capital requirements.
 - **At present,** banks incorporated in India can infuse capital in their overseas branches and subsidiaries, retain profits in these centres and repatriate/ transfer the profits with prior approval of the RBI.
 - With a view to **providing operational flexibility to banks,** it has been decided that banks need not seek prior approval of the RBI **if they meet the regulatory capital requirements.**

Monetary Policy Report

- It is **published by the Monetary Policy Committee (MPC) of RBI.** It is a statutory and institutionalized framework under the **RBI Act, 1934,** for maintaining price stability, while keeping in mind the objective of growth.
- It **determines the policy interest rate (repo rate) required to achieve the inflation target of 4% with a leeway of 2% points on either side.** The Governor of RBI is ex-officio Chairman of the MPC.

Key Terms

- **Repo and Reverse Repo Rate:**

- **Repo rate** is the rate at which the central bank of a country (RBI in case of India) lends money to commercial banks in the event of any shortfall of funds. Here, the central bank purchases the security.
- **Reverse repo rate** is the rate at which the RBI borrows money from commercial banks within the country.
- **Bank Rate:**
 - It is the **rate charged by the RBI for lending funds to commercial banks.**
- **Marginal Standing Facility (MSF):**
 - MSF is a window for [scheduled banks](#) to borrow overnight from the RBI in an emergency situation when interbank liquidity dries up completely.
- **Open Market Operations:**
 - These are **market operations conducted by RBI by way of sale/purchase of government securities** to/from the market with an objective to adjust the rupee **liquidity conditions in the market on a durable basis.**
- **Government Security:**
 - A G-Sec is a tradable instrument issued by the Central Government or the State Governments. It acknowledges the government's debt obligation.
- **Consumer Price Index:**
 - It measures price changes from the perspective of a retail buyer. It is released by the [National Statistical Office \(NSO\)](#).
 - The CPI **calculates the difference in the price of commodities and services such as food, medical care, education, electronics etc**, which Indian consumers buy for use.

[Source: IE](#)

Revised Coal Stocking Norms

Why in News

Recently, the [Central Electricity Authority \(CEA\)](#) has revised **Coal Stocking Norms at thermal power generation plants** with an aim to prevent a repeat of the [low coal stock situation](#) at various plants.

- CEA is an organization under the **Electricity Act, 2003**. Its objective is **to formulate a National Electricity Plan every five years** for optimum utilization of available resources for power generation.

Secure Future

India to
simplify
coal
stocking
norms

Ensure
power plants
stock adequate
coal, avert
coal crisis

Officials say
present norms
are flawed

To calculate
daily coal
stock require-
ment on plant
load factor



Presently,
calculated
as avg of
last 7 days

Key Points

▪ Background:

- In October 2021, India's thermal power plants faced a severe coal shortage, whereby coal stocks had come down **to an average of four days of fuel across an increasing number of thermal stations.**
- A sharp uptick in demand, a rise in the price of imported coal, and low coal procurement by power stations prior to the monsoon contributed to the low stock situation.
- This was **one of the biggest coal crises in India**, impacting the slowdown of economic reopening and some businesses' downscale production.
- The **low coal stock situation had forced a number of states to purchase power on the [energy exchange](#)**, bidding up the average market clearing price of power to Rs 16.4 per unit in October, prompting the government **to revise Coal Stocking Norms.**

▪ Previous Norms:

- It mandated 15-30 days of coal stock based on the distance of the plant from the source of coal.
- Earlier, power plants located at pit head plants were **required to keep 15 days of coal**

stock, while the requirement increased to 20 days for plants located within 200 km from the mines, 25 days for those within 1,000 km and 30 days for plants situated further away from the mines.

▪ **Revised Norms:**

- It mandates the **coal stock of 17 days at pit head stations and 26 days at non-pit head stations** to be maintained by power plants from February to June every year.
 - Non-pit head plants are power plants where the coal mine is more than 1,500 km away.
- The daily coal requirement at the power plant at any given day will be calculated **based on 85% Plant Load Factor (PLF)**.
 - The previous norms determined coal stock volumes according to the average consumption pattern of the plant over the last seven days at a **minimum 55% PLF**.
 - PLF is the **ratio between the actual energy generated by the plant to the maximum possible energy** that can be generated with the plant working at its rated power and for a duration of an entire year.
- The new methodology implies power plants which have lower utilisation rates will need to stock more coal than they did earlier.
- Power plants will have to strictly follow these parameters, failing which penalties will be levied — an aspect that was not present in CEA regulations so far.

▪ **Significance:**

- It will **prevent a situation like the one that faced the country** recently when post monsoons, several of the 135 coal-based power plants in the country were found to be sitting with critical coal stock levels sufficient to meet just three to four days of supply.
- Relaxed coal stocking norms will also **better distribution the fuel amongst generating stations**.
 - This will **prevent shortages and ensure uninterrupted power supply irrespective of the demand situation** in the country.
- It will also **lower the fuel requirement for each power plant and enable better distribution** amongst all stations.

Coal

- It is one of the most abundantly found fossil fuels. It is used **as a domestic fuel, in industries such as iron and steel, steam engines and to generate electricity**. Electricity from coal is called thermal power.
- The coal which we are using today **was formed millions of years ago** when giant ferns and swamps got buried under the layers of earth. Coal is therefore **referred to as Buried Sunshine**.
- The **leading coal producers of the world include** China, US, Australia, Indonesia, India.
- The coal producing areas of **India include Raniganj, Jharia, Dhanbad and Bokaro** in Jharkhand.
- **Coal is also classified into four ranks:** anthracite, bituminous, subbituminous, and lignite. The ranking depends on the types and amounts of carbon the coal contains and on the amount of heat energy the coal can produce.

[Source: IE](#)

Global Health Security Index 2021

Why in News

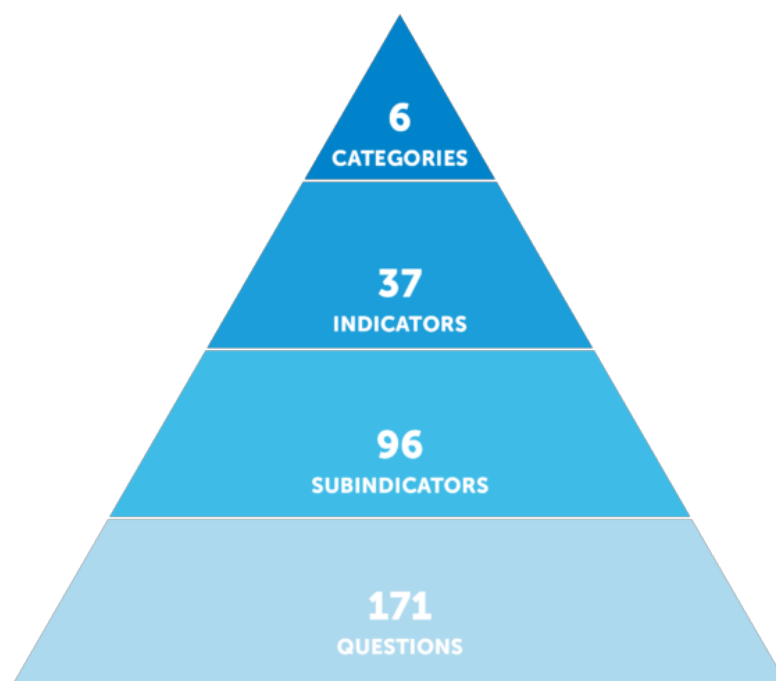
Recently, the [Global Health Security \(GHS\) Index 2021](#) has been recently released.

- In India [NITI Aayog](#) releases its own [health index](#).

Key Points

- **GHS Index:**
 - **About:**
 - It is an **assessment and benchmarking of health security** and related capabilities across 195 countries.
 - It has been developed in partnership by the **Nuclear Threat Initiative (NTI)** and the Johns Hopkins Center.
 - NTI is a **nonprofit global security organization** focused on reducing nuclear and biological threats imperiling humanity.
 - Johns Hopkins Center was **created to recognize the crucial role of communication in public health**.
 - **Methods of Ranking:**
 - The GHS Index assesses countries' **health security and capabilities across six categories**.

GLOBAL HEALTH SECURITY INDEX FRAMEWORK



- The six categories are as follow:
 - **Prevention:** Prevention of the emergence or release of pathogens.

- **Detection and Reporting:** Early detection and reporting for epidemics of potential international concern.
- **Rapid Response:** Rapid response to and mitigation of the spread of an epidemic.
- **Health System:** Sufficient and robust health system to treat the sick and protect health workers.
- **Compliance with International Norms:** Commitments to improving national capacity, financing plans to address gaps, and adhering to global norms.
- **Risk Environment:** Overall risk environment and country vulnerability to biological threats.
- The index measures countries' **capabilities from 0-100**, with 100 representing the highest level of preparedness. The GHS Index scoring system includes three tiers.
 - **Low Scores:** Countries that score between 0 and 33.3 are in the bottom tier.
 - **Moderate Scores:** Countries that score between 33.4 and 66.6 are in the middle tier and
 - **High Scores:** Countries that score between 66.7 and 100 are in the upper or "top" tier.

▪ **Ranking:**

◦ **India's:**

- India, with a **score of 42.8 (out of 100)** and it has slipped by **0.8 points since 2019**.

◦ **World:**

- Three neighbouring countries of India like **Bangladesh, Sri Lanka and Maldives** have **improved their score by 1-1.2 points**.
- The world's overall performance on the GHS Index score slipped to **38.9 (out of 100) in 2021**, from a score of 40.2 in the GHS Index, 2019.
- In 2021, **no country scored in the top tier of rankings** and no country scored above 75.9.

▪ **Overall Performance of the Countries:**

◦ **Unprepared for Future Epidemic:**

- **Countries across all income levels remain dangerously unprepared** to meet future [epidemic and pandemic](#) threats.
 - This, even as **infectious diseases are expected** to have the greatest impact on the global economy in the next decade.

◦ **Insufficient Health Capacities:**

- All countries had insufficient health capacities.
 - This left the **world acutely vulnerable to future health emergencies**, according to the Index that **measured the capacities of 195 countries** to prepare for epidemics and pandemics.

◦ **National Public Health Emergency:**

- **65% of assessed countries had not published and implemented** an overarching national public health emergency response plan for diseases with epidemic or pandemic potential.

◦ **Medical Countermeasures:**

- **73% of countries did not have the ability** to provide expedited approval for

medical countermeasures, such as vaccines and antiviral drugs, during a public health emergency.

- Thus, the **world was acutely vulnerable to health emergencies** in the future.

- **Lack of Financial Investments:**

- Most countries, including **high-income ones, have not made dedicated financial investments** in strengthening epidemic or pandemic preparedness.

- Close to **79% of the 195 countries assessed had not allocated national funds** within the past three years to improve their capacity to address epidemic threats.

- **Public Confidence in their Governments:**

- A whopping **82% of countries** have **low to moderate levels** of public confidence in their government.

- Health emergencies demand a **robust public health infrastructure** with effective governance. But the trust in government, which has been a key factor associated with success in countries' responses to Covid-19, is low and decreasing.

- **Recommendations:**

- **Allocate Health Security Funds:**

- Countries should allocate **health security funds in national budgets** and conduct assessments using the 2021 GHS Index to develop a national plan to identify their risks and fill gaps.

- **Additional Support:**

- International organizations should use the **GHS Index to identify countries most in need of additional support.**

- **Involvement of Private Sector:**

- The **private sector should use the GHS Index to look for opportunities** to partner with governments.

- **New Financing Mechanisms:**

- Philanthropies and funders **should develop new financing mechanisms** and use the GHS Index to prioritize resources.

Status of India's Health Response

- **Underprepared:**

- The **influenza A (H1N1) outbreaks since 2009** in Rajasthan, Maharashtra, Tamil Nadu and other States have acutely underscored the need for better detection, awareness of symptoms and quarantining.
- **Covid-19 pandemic** has also shaken the foundations of India's healthcare system.

- **Low Expenditure:**

- Health expenditure by the government in India is **less than 1.35%** of **Gross Domestic Product**, which is low for a middle-income country.

- **Availability of Health Professionals:**

- There is **one doctor for every 1,445 Indians** as per the country's current population estimate of 135 crore, which is lower than the **World Health Organization (WHO)** prescribed norm of one doctor for 1,000 people.

- **Impact of [Climate Change](#):**

- India's health status is **being worsened by climate shocks**.
 - According to the [Climate Vulnerability Index](#), more than **80% of Indians live in climate vulnerable districts**.

Source: DTE

PDF Reference URL: <https://www.drishtias.com/current-affairs-news-analysis-editorials/news-analysis/10-12-2021/print>