Improving the Culture of Research and Development (R&D) in State Universities and Institutes: Report

- Released by NITI Aayog
- **Status of R&D Ecosystem in India**
- **Gross Expenditure on R&D (GERD):**
  - GERD more than doubled from Rs. 60,197 crore in 2010-11 to Rs. 127,381 crore in 2020-21.
  - Majority of GERD is funded by the government sector:
  - Central government: 43.7%
  - State governments: 6.7%
  - Higher Education Institutions: 8.8% (in 2020-21)
- **Significance of R&D in Educational Institutions**
  - **Innovation and Creativity:** R&D helps educational institutions become hubs of innovation and creativity.
  - **Curriculum Development:** It leads to curricula that address the needs of modern industries.
  - **Societal Solutions:** R&D provides solutions to societal issues like healthcare and environmental sustainability.
- **Challenges in R&D System in Educational Institutes**
  - **Low Investment**: India spends only 0.64% of its GDP on R&D (2020-21), much less than South Korea (4.8%) and the United States (3.5%).
  - **Teaching vs. Research:** There is more focus on teaching than on research.
  - **Low Enrollment:** Few students enroll in advanced programs; for example, only 2.12 lakh students were enrolled in Ph.D. programs in 2021-22, according to the All India Survey on Higher Education.

RBI's Draft Foreign Exchange Management Regulation, 2024

- The RBI has released the Draft Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2024, seeking public feedback under section 47 of the Foreign Exchange Management Act (FEMA), 1999.
- **Key Highlights of the Draft Regulation**
  1. **Export Declarations**:
     - Exporters must provide a declaration to the specified authority detailing the full export value of goods or services.
  2. **Repatriation Period**:
     - The full export value must be realized and repatriated to India within nine months from the shipment date (for goods) or the invoice date (for services).
  3. **Extensions by Authorized Dealers**:
     - Authorized Dealers can extend the repatriation period for valid reasons.
  4. **Import Restrictions on Gold and Silver**:
     - No advance payments for importing gold and silver are allowed without RBI's specific approval.
- **Significance of the Draft Regulation**
- **Ease of Doing Business**: Aims to simplify processes for small exporters and importers.
- **Empowering Banks**: Enables Authorized Dealer banks to offer faster and more efficient foreign exchange services.
- **Liberalization**: Aligns with progressive liberalization policies under FEMA.
- **About FEMA, 1999**
- **Purpose**: Consolidates and amends laws related to foreign exchange, facilitates external trade and payments, and promotes orderly development of the foreign exchange market in India.
- **Enforcement Directorate**: Establishes the Directorate of Enforcement to investigate cases under the Act.

Exercise Nomadic Elephant

- The 16th edition of **India-Mongolia Joint Military Exercise NOMADIC ELEPHANT** commenced on 3rd July,at Foreign Training Node, Umroi (Meghalaya).
- The Exercise is scheduled to be conducted from 03rd to 16th July 2024.

Colombo Process

- India chaired its first meeting as the Chair of the Colombo Process at the Permanent Representative Level Meeting in Geneva.
- **About the Colombo Process**
  - **Regional Consultative Process**: Involves 12 Asian member states, primarily countries of origin for migrant workers.
  - **Purpose**: Provides a platform for discussing the management of overseas employment and contractual labor.
  - **Non-Binding**: Decisions are made by consensus.
  - **Coordination**: Managed through the Permanent Missions of Member States at the UN in Geneva.
  - **India's Role**: India has been a member since its inception in 2003 and assumed the chair for the first time in May 2024.
- **India's Priorities for the Colombo Process (2024-26)**
  - **Financial Sustainability**: Reviewing the financial sustainability of the Colombo Process.
  - **Membership Expansion**: Broadening the membership by including new member states and observers.
  - **Technical Collaborations**: Reconfiguring technical-level collaborations.
  - **Chairmanship Rotation**: Implementing a structured rotation for the chairmanship.
  - **Regional Review**: Conducting a regional review of the Global Compact for Safe, Orderly, and Regular Migration (GCM).
  - **Dialogues**: Engaging in dialogues with the Abu Dhabi Dialogue (ADD) and other regional processes.

RBI's surplus: To Spend Or Not To Spend

- The Reserve Bank of India (RBI) transferred an unexpected large dividend to the government, leading to discussions on how to use this extra money.
- **Key Points:**
  - **RBI Transfer**: The RBI gave the government Rs 2.11 lakh crore, much more than expected.
  - **Use of Funds**: Debate on whether to spend the money or reduce the fiscal deficit.
  - **Fiscal Principles**: Aim for a 3% GDP deficit to manage debt sustainably.
  - **Current Situation**: India's fiscal deficit remains high post-pandemic, with total government debt over 80% of GDP.
  - **Spending vs. Saving**: Some suggest using the money for infrastructure (capex); others advise reducing the deficit to stabilize the economy.
  - **Economic Context**: Decision depends on whether India's economy is as strong as current growth figures suggest.

India Faces High Debt But Sustainable For Now: NCAER

- India's public **debt stands at nearly 82%** of its GDP, but the country is not facing a debt sustainability issue due to its high growth rate and the majority of its debt being in local currency, while the debt levels are high, they are currently sustainable because of the high **real or nominal GDP growth** and the fact that most of the debt is held in rupees.
- **Key Highlight Of The News**
- **State-Level Debt**
  - States collectively hold one-third of India's total debt.
  - In a "business-as-usual" scenario, state debt levels are expected to increase over the next five years.
  - In states like Punjab and Himachal Pradesh, the Debt-to-GDP ratio could rise by 50%.
- **Debt Sustainability**
  - Even the most indebted states do not face sustainability issues because they have the implicit guarantee of the central government.
  - States cannot hold debt in foreign currency or at floating interest rates.
- **Interest Rates and Debt Maturity**
  - Despite being highly indebted, states like Punjab benefit from similar interest rates as less indebted states like Gujarat.
  - More indebted states often have longer debt maturity and pay little premium.
- **Recommendations for Fiscal Prudence**
  - Prudent states should receive better treatment as they are effectively subsidizing the more indebted states.
  - The Finance Commission should reward fiscally prudent states and encourage those with high debt to become more fiscally responsible.