vKommunicate
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POLICY PULSE

A MONTHLY NEWSLETTER

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First Take

Overview

The Indian economy is showing signs of recovery from the impact of the pandemic. Consumers are back and the Confederation of All India Traders said that Diwali sales this year was the highest in 10 years. India's bilateral engagement witnessed positive developments and the India-US Trade Policy Forum is expected to be back on track after a hiatus of four years when USTR Katherine Tai will visit India on November 22 for a two-day maiden visit. The India-UK, India-EU and India-Australia FTAs are expected to move forward in the coming months. The discussions at the World Trade Organization (WTO) are progressing well. You will find news on many related issues in our new-look Policy Pulse. We look forward to your feedback.

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GLOBAL ECONOMY

Growth promising, but uncertain

The mid-term prospect for the development of the global economy looks promising, the International Monetary Fund (IMF) projects that nearly 6% global GDP growth in 2021 and almost 5% growth in 2022 will be followed with annual growth above 3% in 2023 through 2026. However, uncertainty around inflation pressure and the pandemic situation are still considered to be the major risks for global growth.

Compared to the July 2021 forecast, the global growth projection for 2021 has been revised down marginally to 5.9% and is unchanged for 2022 at 4.9%. Beyond 2022 global growth is projected to moderate to about 3.3% over the medium term. Advanced economic output is forecast to exceed pre-pandemic medium-term projections—largely reflecting sizable anticipated further policy support in the United States that includes measures to increase potential. By contrast, persistent output losses are anticipated for the emerging market and developing economy group due to slower vaccine rollouts and generally less policy support compared to advanced economies.

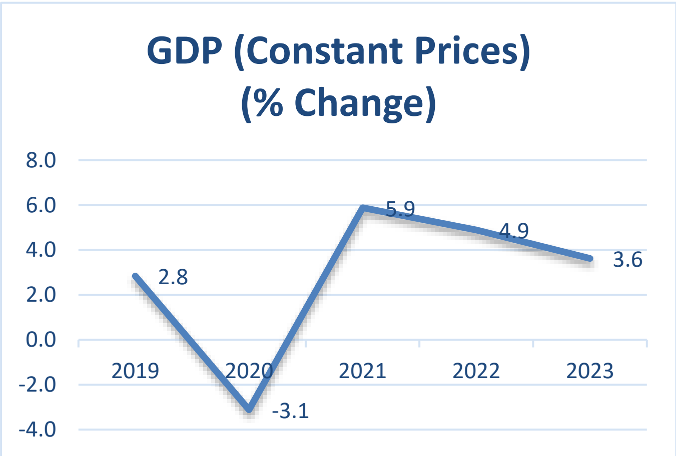
Overview of Economic Outlook Projections (% change)			
	2020	**2021 P**	**2022 P**
World Output	**-3.1**	**2.9**	**4.9**
Advanced Economies	**-4.5**	**5.2**	**4.5**
United States	-3.4	6	5.2
Euro Area	-6.3	5	4.3
Japan	-4.6	2.4	3.2
United Kingdom	-9.8	6.8	5
Canada	-5.3	5.7	4.9
Emerging Market and Developing Economies	**-2.1**	**6.4**	**5.1**
China	2.3	8	5.6
India	-7.3	9.5	8.5
Emerging and Developing Asia	**-0.8**	**7.2**	**6.3**
Emerging and Developing Europe	**-2**	**6**	**3.6**
Latin America and the Caribbean	**-7**	**6.3**	**3**
Middle East and Central Asia	**-2.8**	**4.1**	**4.1**
Sub-Saharan Africa	**-1.7**	**3.7**	**3.8**
World Trade Volume (goods and services)	**-8.2**	**9.7**	**6.7**
Imports			
Advanced Economies	-9	9	7.3
Emerging Market and Developing Economies	-8	12.1	7.1
Exports			
Advanced Economies	-9.4	8	6.6
Emerging Market and Developing Economies	-5.2	11.6	5.8

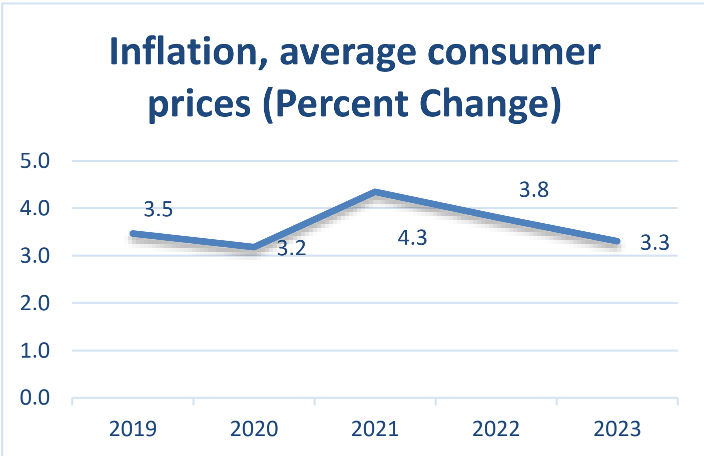
Source: IMF, P: Projection

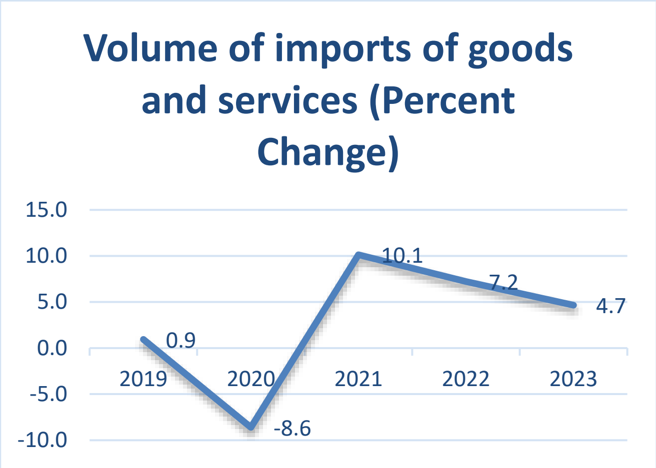
Key takeaways from the October 2021 edition of the IMF's World Economic Outlook (WEO) report:

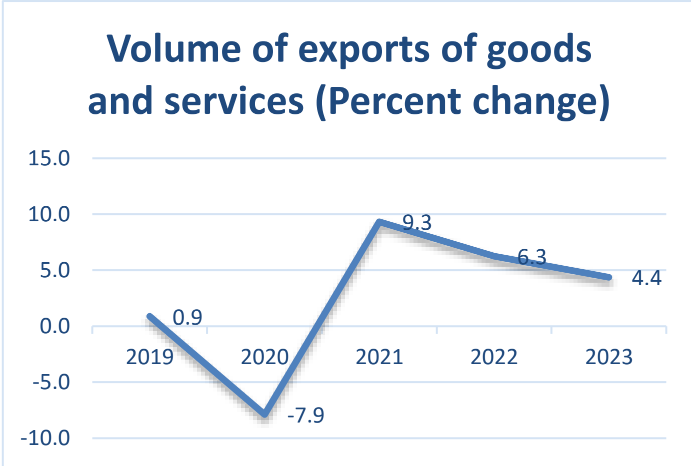
- October 2021 global growth projections by the IMF were nearly unchanged from the summer outlook. The global GDP growth estimate for 2021 has been revised downward by 0.1 percentage points, to 5.9%, underlining the negative impact of global supply chain disruptions and worsening pandemic dynamics. The forecast for 2022 global growth is unchanged, at 4.9%.
- Looking into 2022, the IMF expects that commodity prices will stay at 2021 levels, while global food prices will see further increases.
- In addition to commodity prices staying high, CPI inflation is expected to accelerate. In 2021–2022, the IMF anticipates annual CPI growth over 4% in more than 70 countries, compared to 54 countries in 2020.
- Labor markets are recovering from a catastrophic hit in 2020. According to the International Labour Organization (ILO), emerging market and developing economies have been hit harder than advanced economies, on average.
- Despite temporary disruptions, trade volumes are expected to grow almost 10% in 2021, moderating to about 7% in 2022, in line with the projected broader global recovery. The overall trade recovery masks a subdued outlook for tourism-dependent economies and cross-border services more generally. As noted in the October 2020, countries where tourism and travel account for a larger share of GDP are projected to suffer larger declines in activity compared to pre–COVID-19 forecasts. Travel restrictions and lingering fears of contagion are likely to weigh on cross-border tourist activity until virus transmission declines durably.

So far, the IMF considers the recent increases in inflation rates in the US, Europe, and many developing economies to be driven by temporary pandemic-induced supply-demand mismatches. The inflation pressure is expected to subside in 2022, though uncertainty around inflation prospects remains high.









Source:IMF

REGIONAL INSIGHTS

USA

- The Conference Board[1] forecasts that US Real GDP growth will slow to 3.5% in Q3 2021, verses 6.7% growth in Q2 2021, and that 2021 annual growth will come in at 5.7% (year-over-year). This forecast is a downgrade from earlier outlook in September 2021 and incorporates the larger-than-expected impact that the COVID-19 Delta. Looking further ahead, it forecasts that the US economy will grow by 3.8% (year-over-year) in 2022 and 3.0% (year-over-year) in 2023.
- Consumer spending will be a key driver of growth in Q4 2021, but recent declines in consumer confidence related to a resurgence in the pandemic will mute consumption's contribution to GDP growth in Q3 2021.
- Bottlenecks in global supply chains made it difficult for businesses to keep up with elevated demand for many goods earlier this year, resulting in a sharp contraction in private inventories. It expects this trend to reverse over the coming months as the December holiday period approaches and forecast a rebound in private inventories.
- However, the pace of restocking will be slower than previously anticipated as the Delta variant has hindered manufacturing and shipping activity in key economies around the world.
- Inflation risks remain high as businesses and consumers continue to grapple with the impact of the pandemic. Year-over-Year inflation rates will likely continue to remain high through the end of 2021 and into early 2022 due to sizeable base effects. Recent increases in energy prices will also keep inflation from falling more rapidly over the winter months as well. However, the intensity and momentum of month-over-month price increases will likely continue to moderate over the coming months.

Europe

- After contracting by 6.6% in 2020, real GDP in Europe to expand by 5% in 2021 and 4.1% in 2022. After a major growth slowdown in the fourth quarter of 2020 and the first quarter of this year, GDP growth resumed in Q2 and is likely to exceed expectations in the remainder of the year.
- A large share of Europeans has been fully vaccinated; hence, Europe seems to be less affected by the Delta variant compared to

[1] https://www.conference-board.org/topics/global-economic-outlook

other regions, limiting its economic disruption. Europe is on track to continue its recovery with demand expected to continue in the short-term. Bigger problems are on the supply side in the short-term, with shortages and supply chains disruptions negatively affecting activity in the manufacturing sector, especially in Germany.

China

- Real GDP growth to come in at 8.3% year over year in 2021, and slow down to 5.5% next year. Service sector growth declined notably in August due to COVID outbreaks in 17 provinces.
- Industrial production remained steady, buoyed by strong exports. A rapid weakening of domestic demand, as seen in both household spending and corporate financing, accompanied by rising inflationary pressures, may induce policy easing. This could include a relaxation of production controls and monetary loosening. However, any such pro-growth measures are unlikely to reverse the downward trajectory of economic growth that is anticipated to last into 2022.

Gulf region

- Driven to a large extent by a reduction in energy-related economic output, overall GDP declined by 4.7% in 2020. For the full year 2021 it expects a stronger contribution from non-energy related GDP to drive an overall GDP growth rate of 2.4%. A fuller resumption of global oil demand and related Gulf oil production should then lift the 2022 GDP growth rate to 4.3%.
- Oil prices surpassed pre-pandemic levels in early 2021 and are expected to peak towards the end of this year. From 2022 onwards, prices should decline somewhat, following the end of OPEC+ production cuts triggering a surge in supply. Countries that have long realized that heavy reliance on oil revenues is not sustainable and are committed to their development plans (to support the non-oil economy) will have a head start in the race towards recovery. Hence, the 2021 economic recovery of the Gulf countries will diverge drastically, with Saudi Arabia, Qatar and the UAE rebounding rather faster than Oman, Bahrain, and Kuwait.

Conclusion

Rising commodity prices and supply chain bottlenecks are putting upward pressure on headline inflation rates. Moreover, the unprecedented nature of the current recovery has raised questions about how long supply will take to catch up with accelerating demand. These uncertainties are fueling worries that inflation could persistently overshoot central bank targets and de-anchor expectations, leading to a self-fulfilling inflation spiral. IMF highlights the four key policy lessons:

- First, public funding for research is too low. Gains can be made from both subsidizing more private research and doing more public research.
- Second, the ability to discriminate among various types of research is very valuable. If possible, governments could achieve similar outcomes to the baseline at roughly half the cost.
- Third, better connections between public and private researchers might be able to substitute for targeted subsidies, which can be hard to implement.
- Fourth, regarding firms' ability to protect their discoveries, if basic research spillovers decline, then the social gains from research will fall. This suggests that reducing overbearing market power or excessively broad patenting can boost productivity and growth.

INDIAN ECONOMY

Vaccination rates will help economic growth: IMF

India's economy is expected to grow by 9.5% in 2021 and 8.5% in 2022, according to the IMF. It said that India remains the same as those made in its previous report released in July. The IMF said that India is "doing well" in terms of vaccination rates and this will help in economic growth. The downgrade from April to July was on account of a "very, very tough second wave" of the coronavirus pandemic in India.

The Reserve Bank of India's (RBI) six-member monetary policy committee retained the growth forecast for FY22 at 9.5% and lowered its projection for retail inflation from 5.7% to 5.3%. Its biannual monetary policy report has projected 7.8% growth for the Indian economy in FY23, provided the monsoon next year is normal, supply chains are restored, India has completed Covid-19 vaccination of its citizens, and there are no exogenous factors.

RBI in its recent bulletin said that "*amidst an accentuation of global risks, the Indian economy is picking up steam, although the recovery is uneven and trudging through soft patches. The step up in vaccination, slump in new cases/mortality rates and normalising mobility has rebuilt confidence. Domestic demand is gaining strength while aggregate supply conditions are recouping, powered by the robust performance of kharif agricultural production and revival in manufacturing and services. Softer than expected food prices have eased headline inflation into a closer alignment with the target*".

Performance of key indicators of Indian economy:

- **High GST Collection**: The gross GST revenue collected in the month of September 2021 is Rs 1,17,010 crore of which CGST is Rs 20,578 crore, SGST is Rs 26,767 crore, IGST is Rs 60,911 crore (including Rs 29,555 crore collected on import of goods) and Cess is Rs 8,754 crore (including Rs 623 crore collected on import of goods). The revenues for the month of September 2021 are 23% higher than the GST revenues in the same month last year. The revenue for September 2020 was at a growth of 4% over the revenue of September 2019 of Rs 91,916 crore.

- **IIP Rises**: The manufacturing sector, which comprises 77.63 per cent of the index of industrial production, grew 9.7 per cent in August 2021 registering a recovery as a result of the base effect due to the pandemic that affected economic activity last year.

- **Forex Reserve**: India's foreign exchange reserves rose by $1.492 billion to reach $641.008 billion. The rise in the forex kitty was mainly on account of an increase in foreign currency assets (FCAs), a major component of the overall reserves.

- **Economy Recovering**: India's economic activity has been normalizing since June 2021, with the ebbing of the second Covid-19 wave, relaxation in restrictions, and improvement in the vaccination rate. Urban demand is likely to accelerate with the release of pent-up demand.

- **Conducive environment for investment**: The government's focus on capital expenditure and reforms push, and large FDI flows, provide a conducive environment for investment activity.

There are signs of an increase in the investment pipeline in the rest of 2021-22 and the coming year.

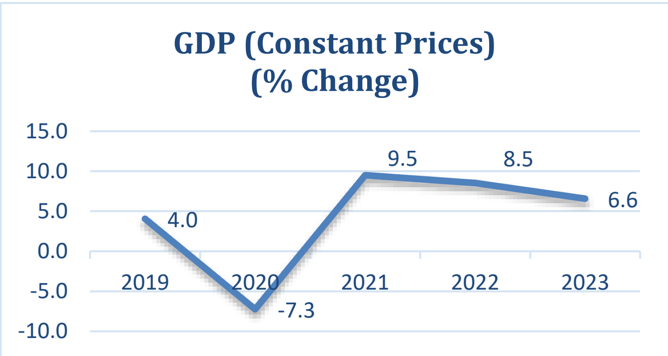
- **Inflation projections**: As per the September 2021 round of the RBI survey, inflation expectation for urban households came down by 50 basis points, and one-year projection by 60 basis points.

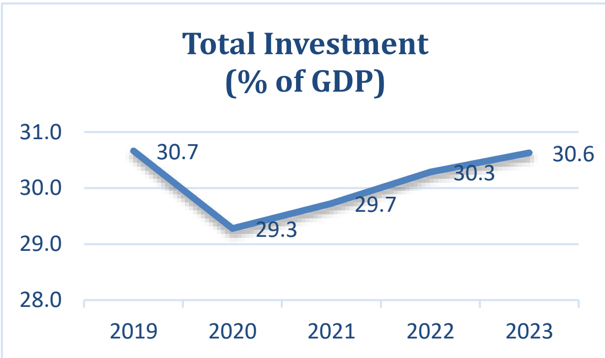
- **Cost of raw materials and selling prices to rise**: Manufacturing firms polled in the July-September 2021 round of industrial outlook survey expect the cost of raw materials and selling prices to increase further in the October-December quarter of 2021-22.

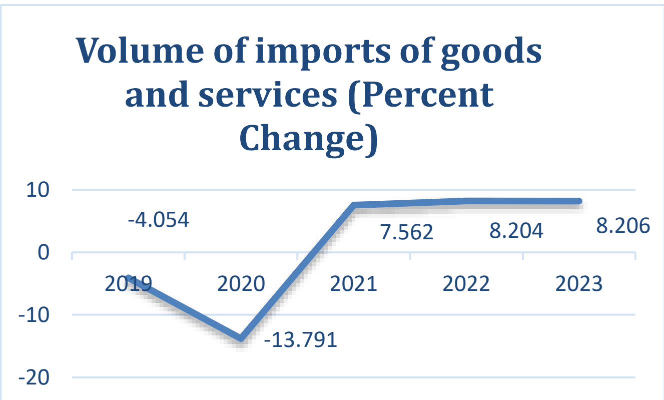
- **Upside and downside risks ahead**: Upside risks emanate from persistence of supply chain disruptions, any further hardening of global commodity prices, especially that of crude oil. Downside risks arise from an earlier-than-expected mending of supply chain disruptions, the persistence of weak demand, and a slack in the economy.

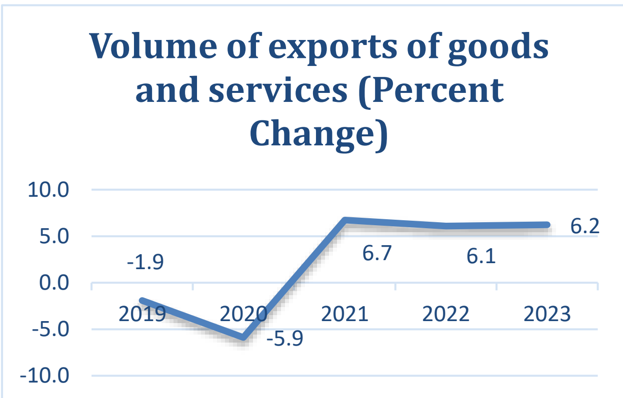
- **Liquidity conditions**: Money market rates consistently traded below the reverse repo rate, the weighted average call rate – the operating target of monetary policy – on average traded 17 basis points (bps) below the floor of the corridor during the first half of the current financial year

- **External environment**: Crude oil prices turned volatile since the second week of July. The dollar strengthened on the expectation of a US taper. Emerging-market currencies depreciated after peaking in the second week of June, mainly due to retrenchment of capital flows.







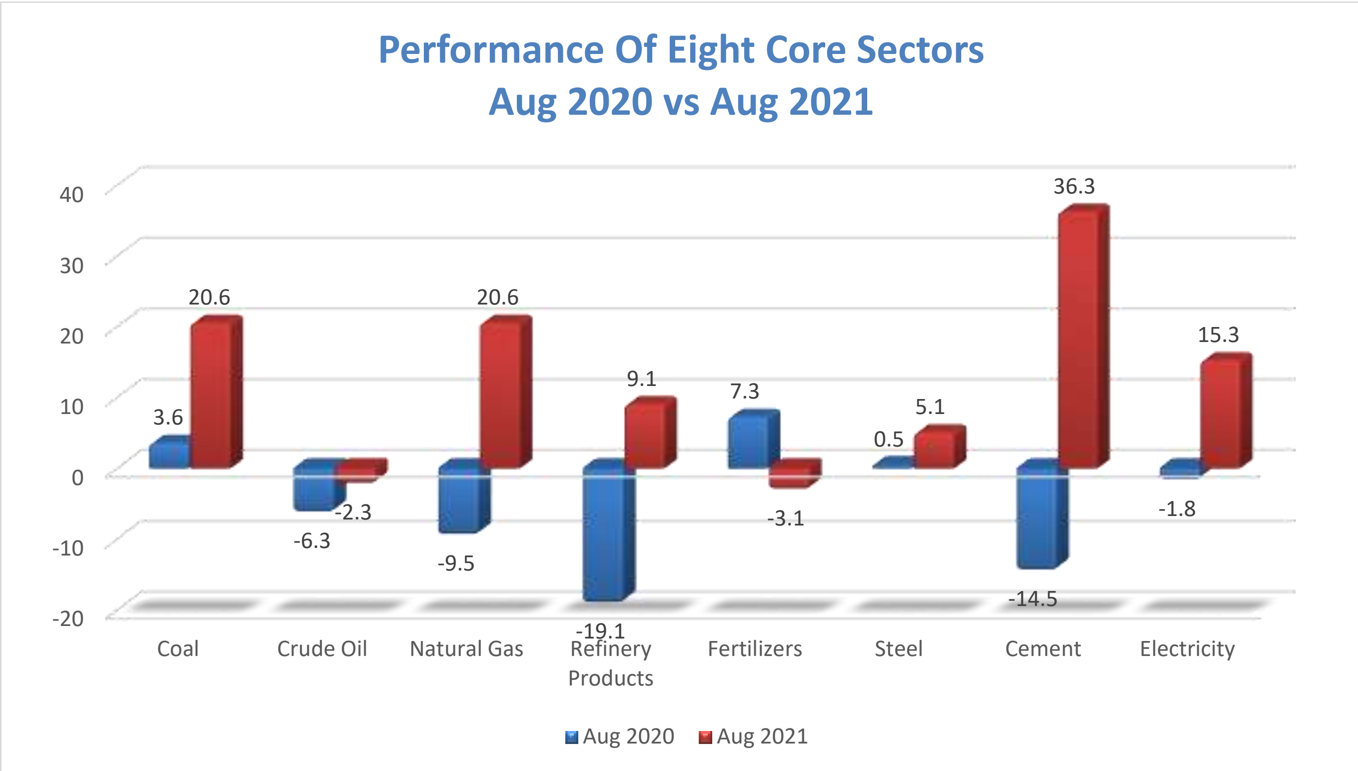


Source: IMF

Performance of Eight Core Industries

- The combined Index of Eight Core Industries stood at 133.5 in August 2021, which increased by 11.6% (provisional) as compared to the Index of August 2020. The production of Coal, Natural Gas, Refinery Products, Steel, Cement and Electricity industries increased in August 2021 over the corresponding period of last year.

- Out of the eight core industries, except fertilizer, all other sectors such as coal, crude oil, natural gas, refinery products, steel, cement and electricity sectors have witnessed a positive growth in August 2021 in comparison to the rate of growth in August 2020.



Source: Ministry of Finance

WTO Updates

Food security measures in focus

Members of the World Trade Organization (WTO) are currently hoping to introduce policy reforms in agriculture trade. The reforms are targeted at making agricultural trade operate within a fair and competitive framework, which also supports equity, food security and environment protection. A draft of agriculture trade rules coherent with WTO's objective has been prepared to base the negotiations of what the overarching trade policy reform must inculcate that shall be considered ideal and acceptable for all members. The members in one of the negotiation-groups expressed the strong need to adopt a measure on ensuring food security at the 12th Ministerial Conference (MC12) in the backdrop of the increasing food unaffordability for many people across the globe due to the pandemic.

The WTO believes that progressive reduction of government support like export subsidies for the agricultural export will help in making the international trading system less volatile. It will also make the agricultural export more predictable on pricing which can prepare the government to take timely measures to keep food inflation under control and ensure its affordability for people.

Food security is seen by members as a global issue due to the pandemic and to mitigate the concerns regarding it, some members suggested different views.

They suggested that lack of transparency and timely disclosure of import-export restrictions is a major threat to food security while they opposed public stockholding and Special Safeguard Mechanism for developing countries. Canada in its proposal provided best-practices to members for ensuring transparency in applied tariff rate changes and gave multiple options for the best suited adoption by countries.

COVID IP Waiver talks fail to fructify

In a major blow to the efforts of getting a temporary IP Waiver pertaining to the Vaccines and other COVID related products, the recent negotiations at WTO remained unproductive. Developing and least developed countries feel that patents on vaccines and other COVID Products during a pandemic are regressive in nature and a pose a big obstacle for COVID mitigation action.

Given this background, India and South Africa tabled a joint proposal for temporary waiver of certain provisions of the WTO's Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement on vaccines and other COVID products. They argued that such a move will ensure equitable access to vaccines, which is crucial to stop COVID Virus from mutating itself into more threatening variants. The proposal is opposed by some developed nations including the EU countries, U.K, Norway, and Switzerland. These countries believe that such a decision can de-incentivize innovations and impede the efforts to promote research and development activities.

The EU has tabled a counter proposal that seeks a draft declaration by the WTO General Council, which will help to limit export restrictions, increase support for vaccine production and facilitate use of compulsory licensing provisions under the TRIPS Agreement. Compulsory licensing is one of the flexibilities provided by TRIPS and invoking this provision allows a government to allow manufacture of the patented product in their country without paying the patent owner the high fees that are normally charged for patented products to compensate for the R&D that goes into inventing a patented product. However, the provision does not infringe the patent rights of the owner making the owner eligible for getting compensation that may be considered reasonable by the government using Compulsory Licensing.

However, countries like Pakistan, Bangladesh, Bolivia, Cuba, Venezuela, Nigeria, Egypt, Indonesia, and Namibia expressed their clear support to the IP waiver proposal from India and South Africa. The United States, Australia, New Zealand, and Colombia also expressed their support to the TRIPS Waiver Proposal but expressed their concerns over the two proposals being seen as binary. These countries suggested to reach a consensus, the members should be willing to compromise and see both proposals as complementary and to take a more pragmatic & holistic stand mutually on the issue.

Political Snapshot (Election)

States, Elections, and Issues

In the next six months, elections are due in Goa, Punjab, Uttar Pradesh, Manipur, and Uttarakhand. While this edition of Policy Pulse focuses on issues pertaining to Goa ahead of its state election, the next editions will capture the issues related to Punjab, Uttar Pradesh, Uttarakhand, and Manipur.

Goa (February'22)

Goa Elections are set to be held next year in February. The state is an important electoral stake for all major national parties as well as for the key regional parties. Politically, it is believed that Goa elections have a snowball effect on the elections in Maharashtra and Karnataka, the two states that border Goa.

Notably, no single party has ever managed to win a majority in the State since the year 1989.

Understanding the needs of the State

While corporations have large stakes in Goa's important sectors- tourism and mining and their allied industries-, they present a set of both challenges and opportunities for locals. Primarily, these sectors have dominated Goa's economy, contributing significantly to employment generation, state's revenue, exports, and GDP.

Tourism: With respect to tourism, about 40% of Goa's population is directly or indirectly dependent on it for livelihood. At an estimate, the industry directly contributes to 16.43% of the nominal state GDP. This sector also helps the government earn crucial state revenue and foreign reserves.

In 2017, the state saw 7.8 million tourist arrivals. The Goa Tourism Policy 2020 (GTP 2020) sets the vision to develop the state as the most preferred destination around the year for high-spending tourists in India by 2024 and as a world-class international tourism destination by 2030. To achieve this vision, the state will require to develop its local infrastructure and services, which will also help attract investments into the state and create more employment opportunities.

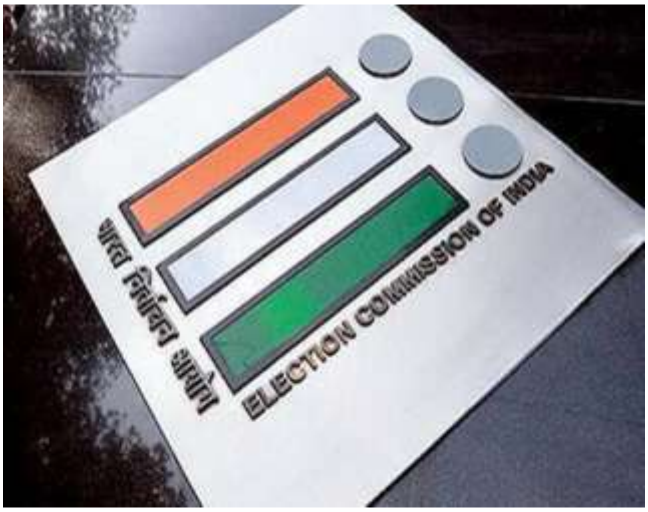
The growth of the tourism industry also acts as a catalyst in the development of its allied industries like agriculture, fisheries, cottage and handicrafts that provides food, beverages and local luxury products for tourists.

However, the rapidly growing coastal tourism also threatens the sustainability of its allied industries due to its impact on their environment. According to one 'World Bank Institute' Case Study, "Tourism development (in Goa's context) has resulted in, the loss of biodiversity, erosion of sand dunes, declining fish catches, accretion and siltation and depletion of groundwater." Goa's total fish production experienced a decline by a whopping 18,070 tons from the 114,259 tons production in between July 2014 and June 2015 to 96,189 tons in between July 2015 and June 2016. The reasons behind the decline can be many but tourism is also one of them which results in pollution and over-exploitation of water and marine resources.

Mining: Mining was restricted in the State in 2018 by a Court order. Mining had a huge impact on the economy and employment in the State. A court decision to cancel all 88 leases for mining owing to the environment, economic and socio-political challenges created a large issue for the government. At the time the Court placed restrictions on Mining sector in the state, industry directly employed more than 60,000 people. While the allied industries employed about 300,000 people. At an estimate, the state lost about Rs 3,500 crores in the first year due to the court decision. The government is now in the process of following the rules set by the Court to renew licences.

Last Election

In the last election in 2017, the Congress Party had emerged as the single-largest party, winning 17 out of 40 seats. However, due to lack of enough majority to set up a Government the Bharatiya Janata Party (BJP) managed to form a coalition government with 13 of its MLAs and other non-BJP MLAs that supported the party.



Interestingly, this time the Trinamool Congress (TMC) seems to be making in-roads in Goa, AAP with its pro-subsidy promises is also hoping to put up a good fight. Besides, Shiv Sena and some regional parties like Goa Forward Party (GFP) and the Maharashtrawadi Gomantak Party (MGP) are also hoping to make a sizable impact in the elections.

Monsoon Session

The average time spent on discussing a Bill in Parliament dropped from 213 minutes in 2019 to 85 minutes in 2021.

The monsoon session of Parliament was scheduled from 19th July 2021 to 13th August 2021 but adjourned sine die on 11th August 2021and the session provided 17 sittings over 24 days. Parliament assembled for less than a quarter of the time scheduled, and several bills were passed without much deliberation. Parliament proceedings were interrupted regularly as opposition members protested in both the houses.

During the Session, both Houses of Parliament passed 22 bills, including two appropriation bills relating to the Supplementary Demands for Grants for 2021-22 and the Demands for Excess Grants for 2017-2018, which were passed by Lok Sabha, transmitted to Rajya Sabha, and are deemed to have been passed under Article 109(5) of the Constitution.

The Houses considered and passed four Bills that replaced the Ordinances, namely the Tribunals Reforms (Rationalization and Conditions of Service) Ordinance, 2021, the Insolvency and Bankruptcy Code (Amendment) Ordinance, 2021, the Commission for Air Quality Management in the National Capital Region and Adjoining Areas Ordinance, 2021, and the Essential Defense Services Ordinance, 2021, and were promulgated by the President before the Monsoon Session.

The non-legislative issues discussion did not happen in Lok Sabha. The lower house spent only nine minutes on discussing & passing over the supplementary budget Rs. 22,675 crores. In Rajya Sabha, there was only one major discussion- the management of the COVID-19 pandemic.

Some of important bills, passed by Parliament during the session are as under:

1. The Taxation Laws (Amendment) Bill, 2021

The government introduced the Taxation Laws (Amendment) Bill, 2021, which seeks to withdraw tax demands made under the Finance Act, 2012 retrospective legislation to tax the indirect transfer of Indian assets.

Key Features:

- ❖ Provides that no tax demand shall be raised in the future based on the retrospective amendment made through Finance Act, 2012, for any indirect transfer of Indian assets if the transaction was undertaken before 28th May 2012.
- ❖ Provides that demand raised by indirect transfer of Indian assets made before 28th May 2012, shall be nullified on fulfillment of specified conditions and on furnishing of an understanding.
- ❖ Proposes to refund the amount paid in these cases without any interest thereon.
- ❖ Proposes to amend the Finance Act, 2012 to provide that the validation of demand, etc, under section 119 of the Finance Act 2012 shall cease to apply on fulfilment of specified conditions and on furnishing of an undertaking.
- ❖ Empowers Central Board of Direct Taxes (CBDT) to make rules to provide the form and manner in which an undertaking shall be submitted.

Key Benefit:

- ❖ It will build trust in the Indian economy of both foreign and domestic investors.
- ❖ It will encourage enterprises on the cusp of deciding whether to invest in India.

- ❖ It saves the government time and money by avoiding unneeded litigation.
- ❖ It will strengthen the government's policy of having a predictable tax framework.
- ❖ It will help the country's goal of becoming a $5 trillion economy.

2. The Factoring Regulation (Amendment) Bill, 2021

Rajya Sabha has passed the bill to bring changes in the legislation aimed at helping the Micro, Small and Medium Enterprises (MSME) sector.

Factoring Business:

Under the Factoring Regulation Act 2011, factoring business is a business where an entity (referred as factor) acquires the receivables of another entity (referred as assignor). Factor can be a bank, a registered non-banking financial company or any company registered under the Companies Act. Receivables is the total amount that is owed or yet to be paid by the customers (referred as the debtors) to the assignor for the use of any goods, services or facility. Note - The credit facilities provided by a bank against the security of receivables are not considered as factoring business.

This bill will offer Non-Banking Financial Companies (NBFCs) more opportunities to participate actively in the factoring business such as –

- ❖ It will provide enhanced liquidity support to the Micro, Small and Medium Enterprises (MSMEs) by eliminating the threshold for NBFCs to enter the factoring business.
- ❖ For factor details of each transaction, there is no time limit of 30 days for registration. The Central Registry has been established as the registering authority for such transactions under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002.
- ❖ The Bill authorizes the RBI to issue regulations regarding (i) the manner in which registration certificates are granted to a factor, (ii) the way transaction details are filed with the Central Registry for transactions conducted through the Trade Receivables Discounting System (TReDS), and (iii) any other matter as required.

3. The Airports Economic Regulatory Authority of India (Amendment) Bill, 2021

This was passed in order to develop not only the high traffic volume & profitable airports but also the low traffic volume of non-profitable airports.

4. The Insolvency and Bankruptcy Code (Amendment) Ordinance Bill,2021

Insolvency is a situation where individuals or companies are unable to repay their outstanding debt. Bankruptcy is a situation whereby a court of competent jurisdiction has declared a person or other entity insolvent, having passed appropriate orders to resolve it and protect the rights of the creditors. It is a legal declaration of one’s inability to pay off debts.

Key Features:

- ❖ Pre-pack for MSMEs which blends elements and virtues of both formal and informal insolvency proceedings. Under the pre-pack process, a resolution plan is negotiated between the debtor and creditors before formal proceedings start. This combines efficiency, speed, cost effectiveness and flexibility with the binding effect of a formal process.
- ❖ Minimum threshold default of Rs 10 lakh for initiation of pre-pack insolvency resolution process.
- ❖ Initiation with the consent of 66 percent of unrelated financial creditors and a special majority of shareholders.
- ❖ 120 days for the entire process.

5. The National Institute of Food Technology, Entrepreneurship and Management Bill, 2021

The bill seeks to provide the instructions and research in food technology, entrepreneurship, and management as well as for the advancement of learning and dissemination of knowledge in such branches.

With the passing of this bill, two educational institutes under the Ministry of Food Processing Industries were designated as Institutions of National Importance (INI) - the Indian Institute of Food Processing Technology (IIFPT) in Tamil Nadu and the National Institute of Food Technology Entrepreneurship and Management (NIFTEM) in Haryana.

Policy – Regulatory Brief

1. MoU for improving India's livestock sector signed

The Department of Animal Husbandry and Dairying (DAHD), Ministry of Fisheries, Animal Husbandry & Dairying, Government of India collaborated with Bill & Melinda Gates Foundation, which will provide technical assistance to ensure sustainable growth and prosperity of India's livestock sector. This partnership focuses on enhancing productivity and income for small livestock keepers. It also brings in relevant expertise, innovations, and global and domestic best practices through partners to support the DAHD's priorities of nutritional security, inclusive economic empowerment, while aligning with India's One Health Framework.

2. 45th GST Council held in Lucknow

Finance Minister Nirmala Sitharaman on 17th September 2021, chaired the 45th meeting of the Goods and Service Tax (GST) Council in Lucknow. The key agenda themes discussed were reducing taxes on life-saving medicines, bringing petrol and diesel within the ambit of indirect tax, rationalizing an inverted duty structure, and treating food delivery apps as restaurant services.

The key decisions taken at the 45th GST Council Meeting:

- Extension of concessional GST rates on drugs used in COVID treatment till December 31st, 2021.
- The cutting of tax rates on medicines used in cancer treatment from 12 % to 5 %.
- The cutting of tax rates on biodiesel for blending with diesel cut from 12 % to 5 %.
- Council agrees to correct inverted duty structure on footwear and textiles from January 1st, 2022.
- The meeting announced that a group of state ministers (GoM) will look at rate rationalization related issues, make recommendations in 2 months.
- E-commerce operators need to pay GST on restaurant service supplied through them; tax to be charged at the point of delivery.
- The 45th GST Council Meeting took no final decision on the proposal to bring petrol under GST.

3. India – USA launch climate finance dialogue

India and the USA launched the "Climate Action and Finance Mobilization Dialogue (CAFMD)". This is one of the two tracks of the India-U.S. Climate and Clean Energy Agenda 2030 partnership launched in April 2021 at the Leaders' Summit on Climate. This launch is a road towards India's ambitious target of achieving 450GW renewable energy by 2030.

"The dialogue will help to demonstrate how the world can align swift climate action with inclusive and resilient

economic development, considering national circumstances and sustainable development priorities said by Shri Bhupendra Yadav, Union Minister of Environment."

The both sides also discussed other climate issues relating to COP26, Climate Ambition, Climate Finance, Global Climate Initiatives including International Solar Alliance (ISA), Agriculture Innovation Mission for Climate (AIM4C).

4. India- Australia JWG meet on Coal & Mines

This meet was the first Joint Working Group (JWG) meet between India – Australia on 'Coals & Mines'. This was co-chaired by Shri Vinod Kumar Tiwari, Additional Secretary (Coal) and Paul Trotman, Head of Resources Division, Australia. The discussions focused on Indian coal resources in the present and future scenario, critical and strategic minerals-demand and supply scenario and engagements with Australian counterparts.

Further, collaborated on Clean Coal Technology, Surface Coal Gasification, Coal Bed Methane, sharing of technology deployed for fire quenching, coal-based hydrogen, Carbon Capture Utilisation and Storage (CCUS). Also, on avenues for Business-to-Business collaboration on coal technology, transfer of technology, cooperation on skill development and training, issues related to coking coal import from Australia.

5. Ministry of Agriculture and Farmers Welfare: Digital Technology

Shri Narendra Tomar, Agriculture Minister, signed MoUs with five private companies including CISCO, Ninjacart, Jio Platforms Limited, ITC Limited and NCDEX e-Markets Limited (NeML) for the pilot projects. These projects will increase farmers' income and protect their produce while advancing Digital Agriculture.

By this, farmers will be able to make informed decisions about what crop to produce, what variety of seed to use, and what best practices to employ to maximise the production based on the results of these pilot projects. Agriculture supply chain participants can plan their procurement and logistics based on accurate and timely information. Farmers can make informed decisions on whether to sell or store their produce, as well as when, where, and at what price.

According to the Ministry, a digital agriculture mission has been initiated for 2021 -2025 by the government for projects based on new technologies like artificial intelligence, block chain, remote sensing and GIS technology, use of drones and robots etc. Under this, federated farmers' databases will be linked by the land records of farmers from across the country and a unique Farmer ID will be created. And also, a unified database for all farmers the information of all benefits and supports of various schemes of the Central & State Government can be kept and this can be the source for accessing information for providing benefits to farmers in the future.

6. NITI Aayog- Cloud Innovation Center

NITI Aayog, Amazon Web Series (AWS), and Intel have collaborated to establish a new experience studio at the NITI Aayog Frontier Technologies Cloud Innovation Center (CIC), which will be a hub for collaboration and experimentation. The studio enables problem solving and innovation between government stakeholders, start-ups, enterprises, and industry domain experts.

The studio will help showcase the potential of technologies such as artificial intelligence (AI), machine learning (ML), Internet of Things (IoT), augmented reality and virtual reality (AR/ VR), block chain, and robotics to accelerate their application in public sector use cases. At initial level, this will be focusing on healthcare, agriculture, and smart infrastructure verticals.
In the studio, Start-ups will also be encouraged to actively participate through hackathons, grand challenges, and other capacity building initiatives, in collaboration with the Atal Innovation Mission (AIM) and Atal Incubation Centres (AIC).

The NITI Aayog Frontier Technologies CIC was established in October 2020 as part of the AWS Cloud Innovation Centers Global Program. With the aim of tackling problems, in May 2021, COvAID platform was developed to provide end-to-end flow of aid received to support COVID-19 affected people.

7. Jharkhand commercializes Mahua Beverage

The Tribal Cooperative Marketing Federation of India (TRIFED), Foundation for Innovation and Technology Transfer (FIIT) of IIT-Delhi and M/s Rusicaa Beverages signed MoU to commercialize Mahua Nutra Beverage in the State of Jharkhand. Mahua Nutra Beverage is a value-added product made from Mahua flowers in the state. This MoU is to enhance the income of tribal of Jharkhand through the commercial production and sale of the beverage.

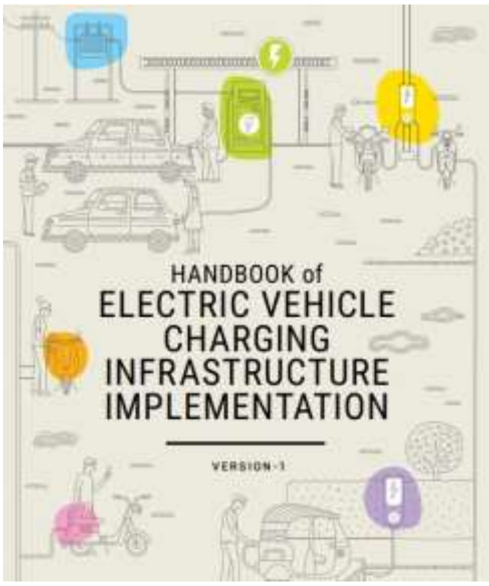
This TRIFED's programme is the first of its type in the state of Jharkhand and the country. This creates prospects for partner entrepreneurs in other states interested in establishing a nutra beverage business for the benefit of tribal people across the country. In its improved form, the Mahua Nutra beverage is blended with Pomegranate fruit juice, which boosts the nutritional content and conceals the flavour of the Mahua beverage by increasing its aroma and texture.

8. Expert Committee on Sustainable Finance

Centre has established an expert committee International Financial Services Centres Authority (IFSCA) under International Financial Services Centres (IFSC) in India. This will act as a unified regulator to develop and regulate financial products, financial services, and financial institutions. The committee is being chaired by Shri C.K. Mishra, Former Secretary to Government of India, Ministry of Environment, Forest & Climate Change and consists of leaders across the sustainable finance spectrum, including international agencies, standard setting bodies, funds, academia, and consultancies.

IFSCA envisions Gujarat International Finance Tec-City (GIFT) - IFSC as a global hub for sustainable finance thereby acting as a gateway to meet India's requirements and recommend a short, medium, and long-term vision/roadmap on Sustainable Finance.

9. NITI Aayog releases Handbook of Electric Vehicle Charging Infrastructure



NITI Aayog released a handbook expected to be a living document on 'Guide Electric Vehicle (EV) charging infrastructure in India'. The Handbook for Electric Vehicle Charging Infrastructure Implementation has been jointly developed by NITI Aayog, Ministry of Power (MoP), Department of Science and Technology (DST), Bureau of Energy Efficiency (BEE), and World Resources Institute (WRI) India.

The purpose of the Handbook is to offer a systematic approach that guides implementing authorities and stakeholders on planning, authorization, and execution of EV charging infrastructure in India. The objective is to enhance charging infrastructure and facilitate a rapid transition to electric mobility in the country.

The transition to electric mobility is a promising global strategy for decarbonizing the transport sector. India is among a handful of countries that support the global EV30@30 campaign, which targets to have at least 30% new vehicle sales be electric by 2030.

The handbook provides an overview of the EV Charging infrastructure in India and identifies the multi-stakeholder governance model for EV Charging. It also includes chapters on how to access charging demand and set targets, along with providing basic principles of location planning for public EV charging. Further, it elaborates on the regulatory framework for EV charging connections & role of DISCOMs in providing power connections, to achieve effective EV-Grid integration. Lastly, it deals with various models of EV-Charging implementation.

Action by various department and minister for EV charging:

i. In 2019, the GST rate on all Electric Vehicles was reduced from 12% to 5% and of charger or charging stations for EVs from 18% to 5%.
ii. The Ministry of Power issued the "Guidelines and Standards for Charging Infrastructure for Electric Vehicles" in 2018, amended in 2019.
iii. BIS issued two notifications and standards: for "Electric Vehicle Conductive Charging System" which is IS 17017 and for "Road Vehicle – Vehicle to grid communication interface" which is IS/ISO 15118.
iv. Central Electricity Regulatory Authority (CEA) amended
    a. Technical Standards for Connectivity of the Distributed Generation Resources (Amendment) Regulations, 2019. In this, it added definitions of "Charging Point" and "Charging Station". And also, introduce standards for charging stations connected or seeking connectivity to the electricity system.
    b. Measures relating to Safety and Electric Supply (Amendment) Regulations, 2019 to include EV charging stations.

"The handbook addresses the common challenges being faced by different local authorities in implementing EV charging networks. It serves as a starting point for the peer-to-peer exchange of best practices between states and local bodies,"
– Dr. Rajiv Kumar, Vice Chairman, NITI Aayog

10. Cabinet revives Northeastern Regional Agricultural Marketing Corporation Limited

The Cabinet Committee on Economic Affairs (CCEA), chaired by the Prime Minister, has revived Northeastern Regional Agricultural Marketing Corporation Limited (NERAMAC), a central Public Section Enterprises under the administrative control of the Ministry of Development of Northeastern Regional (MDoNER). The committee also approved a revival package of Rs.77.45 crore (Rs. 17 crores towards fund-based support and Rs.60.45 crore towards non-fund-based support).

The revival package will help NERAMAC to implement various innovative plans like providing better farming facilities, training to farmers in clusters, organic seeds and fertilizer, post-harvesting facilities to promote the products of north-east farmers in the world market.

11. Roads made of plastic waste

The Ministry of Road Transport and Highways issued guidelines for mandatory use of waste plastic in periodic renewal with hot mixes and in wearing coats of service road on national highways within 50km periphery of an urban area having population of more than 5 lakhs.

The use of plastic waste in the construction of roads protects the environment from adverse impact of waste plastic as it contains 6-8% of plastic while 92-94% of bitumen. Example, 703 km length of National Highways have been constructed with the use of plastic in 'wearing coat of the flexible pavement'.

12. National Single Window System

The Ministry of Commerce & Industry launched the national single-window system for investors and businesses. The portal will become a "one-stop-shop" for approvals and clearances systems of the Centre and States. The platform will do away with the need for multiple applications across various portals. As, all information will be available on a single dashboard, bringing transparency, accountability, and responsiveness to the ecosystem. An applicant Dashboard would be available for applying, tracking, and responding to inquiries. Know Your Approval (KYA), Common Registration & State Registration Form, Document Repository, and E-Communication are some of the services provided.

13. PM Gati Shakti

Source: Business Standard.in

Prime Minister Narendra Modi launched PM Gati Shakti, a 'national masterplan' for India's big infrastructure push that will underpin the economic growth over the next 25 years. PM Gati Shakti primarily aims to increase the export competitiveness of domestic products in the International Market for realizing a part of India's 'Atma Nirbhar Bharat Mission'.

Features of PM Gati Shakti Projects

One feature of PM Gati Shakti will be the use of modern technology and the latest IT tools for coordinated planning of infrastructure. For example, a Geographic Information System (GIS) based Enterprise Resource Planning system with 200+ layers will be used for evidence-based decision-making while for monitoring, satellite imagery will be utilized. Also, “Digitization will play a big role in ensuring timely clearances and flagging potential issues, and in project monitoring as well, “according to the NITI Aayog.

A technology platform has also been created to provide timely, right, and accurate information on every mega project to departments. There will also be provision to provide all the information of a project to entrepreneurs. PM Modi, during the launch, stated that the data-based mechanism of Gati Shakti will enable state governments in determining their priorities in projects and also in giving time bound commitments to the investors which will improve investor sentiments. Other important features of projects sanctioned under Gati Shakti are that they will incorporate adaptation and mitigation strategies for climate change. And that they will be target bound.

Targets under the Plan:

- Following are the targets announced by PM Modi under the ‘National Master-Plan’:
- Developing more than 200 airports, helipads and water aerodromes in next 4-5 years.
- Constructing more than 16,000 km of new gas pipelines across the country in the next 5-6 years.
- Creating more than 40 mega food parks in the country.
- Expanding the number of fishing clusters, fishing harbors and landing centers from over 100 at present to more than double.
- Developing two Defence Corridors in Tamil Nadu and Uttar Pradesh.
- Increasing the number of electronics and IT manufacturing clusters from 15 to about double.

Opinion Column

The QUAD-AUKUS Equation in Indo Pacific

Geopolitics
Behind the Clutter
Anjali Mahto

Source: SOTT.net

On September 15, the U.S, U.K and Australia announced their new global geopolitical alliance named AUKUS to counter China in the Indo-Pacific Region. The newly found trilateral Geopolitical clique, though not explicit, has an unambiguous anti-China Containment Policy at its core. While it has caused a great amount of distress and worry for China, for QUAD Members, India and Japan being left out of the AUKUS could have a variety of interpretations. Some experts are of the opinion that AUKUS will weaken the QUAD, while some believe that due to its complementary goal of balancing China in the Indo-Pacific, the newly found alliance will augment the QUAD. Under the AUKUS pact, the U.S and U.K primarily aim to let Australia acquire the American nuclear-powered submarines technology, supposedly for threatening China and patrolling the South China Sea. The AUKUS deal is strategically very important for the security agenda of the U.S in the Indo-Pacific and that is why India being left out of it, has been in focus among analysts.

Interestingly, many references by some analysts suggesting that these submarines are nuclear powered and will carry nuclear weapons is not true. In fact, these U.S submarines are non-ballistic (Submersible Ship Nuclear or SSN Submarines) and they use nuclear reactors only for the purpose of underwater navigation and that differentiates it from the conventional submarines fleet which use diesel electric power to run. The nuclear reactors used in these U.S submarines can facilitate the operations for about 35 years, which do away with any requirement for refueling for that period. As they don't require frequent refueling and are very quiet, they can remain underwater for months without being easily detected. Their better stealth capabilities thus provide them with special security feature during their use for strategic underwater surveillance.

India also has its own nuclear-powered submarines built with the help of Russia but the difference this deal makes to India is the fact that all nuclear-powered submarines that India have, at present, are Submersible Ship Ballistic Missile Nuclear (SSBN), which means their literal function is to launch the nuclear attack. While SSBN also have great stealth capabilities, the fact that they contain nuclear weapons, their use for underwater surveillance, make a very sensitive international security issue. Due to the high security risks associated with the SSBNs, the Indian Navy does not enjoy the power to take decisions regarding the control of them and they remain under the purview of the Strategic Forces Command. India's all other submarines are only diesel electric and so far, India does not have SSN Submarines technology. However, Indian Navy has been planning to now build six SSN Submarines under India's Atma Nirbhar Bharat Mission and has already got the requisite approval from the government during this year. The fact that India has expressed its willingness to acquire SSN Submarines, integrating India in this deal would have been very easy for the U.S. The deal would have also helped India to expedite the process of making its SSN

Submarines through the knowledge sharing and better technology transfer by the U.S.

The Indo- Pacific Agenda

India and Japan, if included in the SSN Submarine deal through QUAD would have provided better leverage in the Indo-Pacific since their geographical locations are closer to China and therefore, have greater strategic significance.

Many analysts are of the view that the AUKUS deal suggests that there may be a difference between the approach adopted by the Western and Asian Members for containing China's influence in the Indo-Pacific. For Western World, a rising China rather means a threat to their political power than a geopolitical security issue for the Indo-Pacific region. This argument is also underpinned by the recent Withdrawal of U.S from Afghanistan that has created a geo-political challenge for both India and Japan in the region.

The Asian View

AUKUS has so far received a mixed outlook on its strategic importance in the Indo-Pacific from Asian Countries. Some of the countries have embraced the new security grouping as a complementary force coherent to their agenda in the Indo-Pacific. While few AUKUS skeptical ASEAN Countries like Indonesia and Malaysia are concerned that this new alliance can further escalate the brewing tensions in the Indo-Pacific and threaten the peace and stability in the region. Within India, the emergence of AUKUS has received a mixed response. China through its State controlled, Global Times Editorial has described the deal as scheming and suggested that contrary to its objective of enforcing a peaceful environment, the newly formed trilateral alliance would rather pose serious security complications in the Indo-Pacific.

Hinting that the deal isn't innocuous and could lead to proxy wars in Indo-Pacific, the Global Times commented, "Although Washington claims that Australia's nuclear-powered submarines will not carry nuclear weapons, such restrictions are not reliable. From the very beginning, nuclear-powered submarines are designed to be strategic striking tools." Global Times further suggested that the AUKUS SSN deal would result in legalization of nuclear-powered submarines acquisition and international export of related technology globally which will result in the growth of universal security issues. It also deemed discursive views of ASEAN Members on AUKUS as the polarization of U.S allies.

The next trajectory

The AUKUS likely evolve over the next few years and will clear the current doubts on whether it will edge out the influence of QUAD in the Indo-Pacific. Interestingly, the QUAD Meeting on September 24 that was hosted by the U.S primarily focused on climate change and access to vaccines and not the China and its growing influence in the Indo-Pacific.

(The writer is an Account Executive at VeKommunicate)

Stubble Burning: Impact on Environment and Human Health

Agri - Economy
Shreesh Kaushik

Source: TOI

Every year, when winter sets in, we see air pollution peaks with the air quality index (AQI) often plunging to the 'severe' and 'hazardous' categories. A major reason behind the spike in the air pollution is stubble burning by farmers in different regions of India. Stubble burning is the act of clearing agricultural fields by burning the residue that is left on the land after harvesting, to ready it for the next round of seeding. In India starting from mid-October to mid-November is the time when stubble burning spikes because during this time paddy crops are harvested and the residue left behind needs to be cleared to sow wheat for the next season. Farmers are opting for stubble burning as the only option because it is one of the easiest and the cheapest ways for clearing the field.

Impact on Environment and Human Health

Stubble burning of the crop residue releases high amounts of Carbon Dioxide (CO_2), Carbon Monoxide (CO), Sulphur Oxides (SOX), particulate matter and black carbon. The emissions resulting from burning directly contribute to environmental pollution and melting of Himalayan glaciers. In addition to this it also leads to the formation of the disastrous haze which is observed over India during the starting of the winter season. The heat from burning paddy straw penetrates the soil resulting in elevating the temperature. This kills the bacterial and fungal populations critical for a fertile soil. Thus, the fertility of the soil is also lost due to stubble burning.

Apart from its impact on the environment it also affects human health. People are facing various health problems due to increase in smog. The health problems ranges from skin and eyes irritation to severe neurological, cardiovascular and respiratory diseases, asthma, chronic obstructive pulmonary disease (COPD), bronchitis, lung capacity loss, emphysema, cancer, etc.

Alternatives to Stubble Burning

To find a solution to stubble burning there are various alternatives and machines that can be used by the farmers. The crop residue can also be put to alternative uses like it can be used for the cattle feed, compost manure, roofing in the rural areas etc. Apart from the alternate use there are various machines that are available for example "Turbo Happy Seeder" which can clear the stubble and can also sow the seeds in the area cleared. Another alternative is the adoption of bio-decomposer which can turn the crop residue into manure within 15 to 20 days.

With an increase in the instances of stubble burning especially in north India, it has become extremely important to switch towards the alternative use of the stubble and to adopt the environment friendly practices to remove the stubble from the farms.

(The writer is an Account Manager at VeKommunicate)

Monetary Policy - October 2021

Finance Column
Omar Pervez

The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI), met on 6th, 7th and 8th October 2021 to discuss the monetary policy for the third quarter October-December 2021 and voted unanimously to maintain status quo with regards to the existing policy repo rate for the eighth consecutive time, and a majority vote (5:1) to continue the accommodative policy stance to revive and sustain growth in the economy.

The Repo rate (rate at which banks borrow from RBI on a short-term basis) remains unchanged at 4%.
Marginal Standing Facility (MSF) rate and the Bank Rate remains at 4.25%. The Reverse Repo rate (rate paid by RBI to banks for additional funds maintained) continues at 3.35%.

The target inflation rate had been fixed at 4% with a (+/-) 2 percent tolerance band around it for the period 2021-26 by the Government of India (GoI) on March 31, 2021. GDP forecast for the current financial year was retained at 9.5 per cent, with a projected growth rate of 7.8% growth for the Indian economy in FY23. Inflation forecast for FY22 was lowered to 5.3% from earlier estimate of 5.7%. The Consumer Price Index (CPI) inflation is projected to be at 5.3% for 2021-22 with risks evenly balanced. The assumptions made include normal monsoons next year, restoration of supply chain disruptions due to Covid, rapid pace of vaccination and absence of other exogenous factors

Economic activity is reviving and gradually normalizing to pre-Covid level, buoyant on accelerated pace of vaccination (India crosses 1.02 crore doses administered), pent up demand clubbed with the festival season. Headline inflation has fallen back into the tolerance band and the trajectory is expected to be driven by supply-side factors. Supply chain disruptions are gradually getting resolved and on the agricultural front, there is expectation of record food grains production (Kharif crop) this year and more than adequate buffer stock. Urban demand is likely to accelerate with the ebbing of the second Covid-19 wave and consequent relaxation in restrictions. However, deflation in gold prices, and a muted housing inflation continue to have its impact. Upside risks originate from continued supply chain disruptions, and/or hardening of global commodity prices especially crude oil. Edible oil and medicines among select commodities, continue to show an upward price trend. Downside risks result from an earlier-than-expected addressing of supply chain disruptions, persistent weak demand and a slack in the economy.

A report in the business standard indicated that the cost of raw materials and selling prices were expected to rise. This was based on an industrial outlook survey conducted for manufacturing firms polled in the July-September 2021. The government's focus on capital expenditure and reforms push seems to provide a conducive environment for investment activity resulting in increased FDI flows and positive signs of an increase in investment pipeline in the remaining period of 2021-22 and the coming year 2022-23.

With system liquidity remaining extremely high, the 14 day Variable Rate Reverse Repo (VRRR) quantum continues being revised upwards in a phased manner - from 2.0 lakh crore during April-July to 2.5 lakh crore on August 13th, 2021; 3.0 lakh crore on August 27th, 2021; 3.5 lakh crore on September 9th, 2021; and 4.0 lakh crore on September 24th, 2021. It is now proposed to be further raised to Rs 6 lakh crore in stages by December 2021 (5 lakh crore on October 22nd, 5 lakh crore on November 3rd, 5.5 lakh crore on Nov 18th, and 6 lakh crore on December 3rd). RBI is considering introducing 28 day Variable Rate Reverse Repo (VRRR) in a similar calibrated fashion. The government bond buying program (GSAP) has been discontinued for the present.

The upper limit for IMPS transactions has been enhanced from Rs 2 lakh to Rs 5 lakh.
The period for on-tap Special Long-Term Repo Operations (SLTRO) of Rs 10,000 crores available to small finance banks (SFBs) has been extended from October 31 till December 31st, 2021.

The share of digital transactions in the total volume of non-cash retail payments stood at 98.5 per cent during 2020-21. Geo-tagging of Payment System Touch Points will promote wider deployment of payment infrastructure such as POS terminals and QR codes

After successful completion of the pilot project, RBI now proposes to introduce a framework for Digital Payment Solutions in Offline mode, especially in remote areas. This will serve to popularize digital payments in areas with low internet penetration

The RBI regulatory sandbox has so far introduced 3 cohorts so far namely:
1. Retail Payments
2. Cross border payments
3. MSME lending

The 4th cohort on prevention and mitigation of financial frauds – to provide impetus to the Fintech ecosystem – is sought to be undertaken. On-tap application of earlier themes is sought to be implemented.
Priority sector lending permitting banks to on-lend to registered Non – Banking Financial Companies (NBFC) other than microfinance institutions to continue. Lending to agriculture, MSME and housing, was permitted to be classified as priority sector lending from August 13th, 2019 till September 30th 2021. This has been extended for a further period of 6 months i.e. March 31st, 2022.

Internal ombudsman scheme sought to be introduced for certain categories of NBFCs.

As per Rahul Bajoria, Chief India Economist, Barclays - the decision to shelve the bond purchase program and maintain only its “twist” operations as a yield-signaling tool suggests the RBI is setting the stage for a gradual exit from very accommodative liquidity conditions. Repo rate hikes can be expected in Q2 2022, most likely at the April MPC.

To summarize, the MPC is focused on fostering growth - with specific commitment to a gradual, predictable and calibrated change in policy - based on emerging data and events.

(The writer is Advisor at VeKommunicate)

Climate Finance

Environment Equity
Saloni Goyal

Climate finance refers to local, national, or transnational financing, which may be drawn from public, private, and alternative sources of financing—that seeks to support mitigation and adaptation actions that will address climate change.

Climate finance is essential for combating climate change because large-scale expenditures/ investment is required to drastically cut emissions, particularly in sectors that release high amounts of greenhouse gases. Climate finance is also vital for adaptation, which will necessitate large financial resources for communities and economies to adapt to and mitigate the effects of climate change.

Climate finance is in accordance with the principle of "common but differentiated responsibility and respective capabilities" which are set out in different conventions on climate change such as the Kyoto Protocol and the Paris Agreement. These conventions call for financial assistance from developed country Parties to provide financial resources to assist developing country Parties in implementing the goals set at the conventions by the countries. This acknowledges countries' contributions to climate change, as well as their ability to prevent and manage with its repercussions.

The Paris Agreement underlines developed countries' duties while encouraging developing countries to voluntarily contribute. As, leading responsibility is with developed country parties for mobilising climate finance from a variety of sources and channels. They have a significant role in public funding through bilateral/ multilateral dialogues happening between the countries.

It is essential for all governments and stakeholders to recognize and assess developing countries' financial needs, as well as how these financial resources can be mobilized. The allocation of resources should also strive for a balance between adaptation and mitigation.

Overall, the Paris Agreement's efforts are guided by the goal of aligning financing flows with a path toward low greenhouse gas emissions and climate-resilient development. The Paris Agreement also emphasizes more openness and predictability of financial support.

India

Some of the climate finance initiative:

- **National Adaptation Fund for Climate Change (NAFCC) by NABARD**

The National Adaptation Fund for Climate Change (NAFCC) was established in August, 2015 to meet the cost of adaptation to climate change for the State and Union Territories of India that are particularly vulnerable to the adverse effects of climate change.

- The Government has set up a budget provision of Rs.350 crores for the year 2015-16 and 2016-17, with an estimated requirement of Rs. 181.5 crores for financial year 2017-18 for NAFCC.

❖ **Green Growth Equity Fund (GGEF)**

- This programme is India's first of its kind climate-focused fund. It will invest in low-carbon and climate-resilient platforms across the energy value chain.

- Dutch development bank FMO will invest $137 million in GGEF, managed by Ever-Source Capital that invests in India' green energy space such as clean energy, transportation, resource efficiency and energy services.

- On 3rd September 2021, India – UK concluded agreements on a $1-billion investment from Common wealth Development Corporation (CDC), the UK's development finance institution, in projects in India during 2022-26, and a new $200 million private and multilateral investment into the UK-India GGEF for renewable energy.

❖ **Funded Activity Agreement**

Green Climate Fund (GCF) and India's National Bank for Agriculture and Rural Development (NABARD) signs the agreement.

The signing of the Agreement paves the way for funds to be transferred in a USD 250 million project designed to unlock private sector energies by expanding the use of solar panels across Indian rooftops.

Recently, India has been pushing developed/rich countries to meet their Paris Accord climate finance commitment of $100 billion per year and talking on different platforms for climate finance to achieve low carbon emissions.

(The writer is an Account Executive at VeKommunicate)

"Fighting climate change calls for Innovation, Cooperation and Will Power to make changes that the world needs."
- PM Narendra Modi

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