


No. A-45011/3/2022-Admn.III
Government of India
Ministry of Finance
(Department of Economic Affairs)

New Delhi, 12th July, 2022

OFFICE MEMORANDUM

The undersigned is directed to circulate herewith the unclassified portion of Monthly Summary on important policy decisions in respect of Department of Economic Affairs for the Month of May, 2022.


(Arup Shyam Chowdhury)
Deputy Secretary to the Government of India
Tel No. 23095091

To

1. All Members of the Union Council of Ministers, Government of India, New Delhi.
2. Vice Chairman, Niti Aayog, Yojna Bhawan, New Delhi.
3. Cabinet Secretary, Cabinet Secretariat, Rashtrapati Bhavan, New Delhi.
4. Secretary to the President of India, Rashtrapati Bhavan, New Delhi.
5. Secretary to the Vice-President of India, 6, Maulana Azad Road, New Delhi.
6. Principal Secretary to the Prime Minister, PMO, South Block, New Delhi
7. Chairman, Union Public Service Commission, Dholpur House, New Delhi.
8. All Members of Niti Aayog, Yojna Bhawan, New Delhi.
9. Secretaries to all the Ministries/Departments, Government of India, New Delhi.
10. PS to MOS (F), PPS to Finance Secretary, PPS to Secretary (EA), PPS to Secretary (Revenue), PPS to Secretary (Expenditure), PPS to Secretary (DIPAM).
11. Shri V. Anantha Nageswaran, Chief Economic Adviser, DEA.
12. Additional Secretary, Cabinet Secretariat, Rashtrapati Bhavan, New Delhi.
13. Shri .Manoj Sahay, JS&FA(Finance).
14. Shri Rajat Kumar Mishra, Additional Secretary (Budget), DEA.
15. Shri Sanjeev Sanyal, Principal Economic Adviser, DEA
16. All Heads of Divisions in Department of Economic Affairs.

SrEconomicAdviser(C&C/FSLR/FS&CS)/JS(C&C and
OMI))/JS(Budget)/JS(IPP/JS(ISD)/JS(Inv)/All Advisers/CAAA

17. Shri Rajesh Malhotra, DG (M&C), M/o Finance, North Block, New
Delhi.
18. Guard File – 2022.

No. A-45011/3/2022-Admn. III
Ministry of Finance
Department of Economic Affairs

Subject: **Monthly Summary on important policy decisions pertaining to Department of Economic Affairs (DEA) for the month of May, 2022**

I. Important policy decisions taken and major achievements during the month

Macroeconomic Overview:

The provisional estimates of GDP released on 31st May 2022 place India's real GDP growth at 8.7 per cent in 2021-22. This is 1.5 per cent higher than the real GDP of 2019-20, the pre-pandemic-year, thereby establishing India's full economic recovery.

High global inflation including in India as well has arisen from large pandemic induced demand stimulus in advanced economies and supply-side shocks in emerging market economies. To mitigate high inflation, central banks across countries including RBI have resorted to monetary tightening. This has led to global agencies around the world revising downwards growth forecasts of individual countries. India's real GDP growth for 2022-23 has also been revised downwards but most agencies still place it above 7 per cent, the highest among major economies in the world.

High inflation in India is mainly on account of global supply-side shocks caused by Russia-Ukraine conflict and the onset of the summer heat wave has also contributed to the rise in food prices. Retail inflation has however relented declining from 7.79 per cent in April to 7.04 percent in May with food inflation also falling from 8.31 per cent to 7.97 per cent between the two months. However, WPI inflation has risen from 15.08 per cent in April to 15.88 per cent in May and may pass-through some of the rise causing retail inflation to harden in the months ahead.

The scourge of inflation appears to be deeper in advanced economies with their central banks addressing it more aggressively. Capital flight from emerging market economies

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including India hence emerges as a plausible scenario impacting the country's forex reserves. This would be at the time when the need for forex reserves is rising with the widening of current account deficit driven by costlier imports. This will put further pressure on the rupee that is at around Rs. 78 to a dollar. A depreciating exchange rate and the current account deficit may feed into each other to impact macroeconomic stability.

It is important, therefore, to contain the widening of current account deficit by ensuring that fiscal deficit of the Government is contained and should not depart from the fiscal path set out in the Budget of 2021-22, which also has built in additional capex provision to support growth. However, with cuts in excise duties on diesel and petrol hitting revenue collection, meeting additional expenditure on food and fertilizer subsidies would be a challenge. There is a need to manage the subsidies more strictly and in targeted manner.

India thus faces near-term challenges in managing its fiscal deficit, sustaining economic growth, leashing inflation and containing the current account deficit while maintaining a fair value of the Indian currency. India however is well placed to weather these challenges because of its financial sector stability and its vaccination success in enabling the economy to open up.

2. Important Developments:

- (i) New Guarantee Policy and Guarantee Portal were launched.
- (ii) Indent of coins and banknotes for Financial Year 2022-23 was approved in Strategic Planning Group Meeting.
- (iii) A capacity building training programme in infrastructure sector was held on Capital Structure Decision and Project Finance at IIM Bangalore.
- (iv) The following agreements/loans were signed with multilateral and bilateral development agencies:
 - a. Loan of USD 2 million from Asian Development Bank (ADB) for Project Readiness Financing (PRF) Infrastructure Development of Industrial Estates in Tripura.

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- b. Loan of USD 500 million from World Bank for the financing of Ministry of Micro Small & Medium Enterprise (MSME's) Raising and Accelerating MSME Program.
- c. Loan agreement with International Fund for Agriculture Development (IFAD) for Rs.10.5 crore for Rural Enterprises Acceleration Project (REA).
- d. Loan agreement with Government of Japan for "Project for the Construction of Mumbai Ahmedabad High Speed Rail" for loan amount of JPY 100 billion (Rs.6,536 crore approx.).

(v) The following loan agreements were negotiated with multilateral and bilateral development agencies:

- a. Loan agreement for transforming India's Public Health Systems for Pandemic Preparedness (PPR-11592) with loan amount USD 500 million with the World Bank (International Bank for Reconstruction and Development-IBRD) for building the capacity of National Centre for Disease Control (NCDC) by expanding its on-going priority activities such as One Health, Anti-Microbial Resistance (AMR) monitoring and reducing impact of climate change on human health.
- b. Loan agreement for Rooftop Solar Program in Residential Sector (PPR-10155) with loan amount USD 165 million with the World Bank (IBRD) for increasing installed capacity of Grid Connected Rooftop Solar Photovoltaic (GRPV) and strengthening the capacity of relevant institutions for GRPV.
- c. Loan agreement for RIGHTS: Inclusion, Accessibility and Opportunities for persons with Disabilities in Tamil Nadu. (PPR-11167) with loan amount USD 162 million with the World Bank (IBRD) for strengthening the social protection systems and capability of the State of Tamil Nadu to promote inclusion, accessibility and opportunities for persons with disabilities.

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- d. Loan agreement for India's Enhanced Health Service Delivery (EHSD) Program (PPR-11593) with loan amount USD 500 million with the World Bank (IBRD) for increasing utilization of comprehensive primary health care services, improve quality of care, and strengthens governance of the health sector in India.
 - e. Loan agreement for Additional Financing -Gujarat Outcomes for Accelerated Learning (GOAL) Program. (PPR10813) with loan amount USD 250 million with the World Bank (IBRD) for strengthening decentralized management for improved education outcomes in the State of Gujarat.
- (vi) A notification under Section 3 of IFSCA, Act 2019 (50 of 2019), was issued notifying the courses offered in Financial Management, FinTech, Science, Technology, Engineering and Mathematics by foreign universities or foreign institutions in the International Financial Services Centre, as financial service in GIFT-IFSC area.
- (viii) Hon'ble FM attended the following meetings during this month:
- (a) Biennial 6th India-Germany Inter-Governmental Consultation (IGC) led by Hon'ble Prime Minister in Berlin and bilateral meetings with German Ministers preceding and after IGC, wherein issues relating to bilateral cooperation between two countries were discussed.
 - (b) 7th Annual Meeting of NDB Board of Governors (BOG) chaired by Hon'ble Finance Minister in which BOG inter-alia approved NDB's Annual Financial Accounts for 2021 and NDB's General Strategy: 2022 2026, and NDB's membership expansion.
- (ix) Following meetings at the official level were held or attended.
- (a) 40th meeting of Empowered Committee (EC) providing the "In-Principle" approval to the "Proposal for Affordable Healthcare Projects, Govt. of Odisha", under the Sub-Scheme -II of the VGF Scheme for Social Sector Projects.

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- (b) 108th meeting of Public Private Partnership Appraisal Committee (PPPAC) recommending the project proposal for "Development of Steel Silos under Hub & Spoke Model at 66 locations on Design, Build, Finance, Own and Operate (DBFOO) basis on PPP mode" to the competent authority for "final-approval".
- (c) Asian Infrastructure Investment Bank (AIIB) Board of Directors meeting to consider AIIB's Crisis Response and investment operations.
- (d) New Development Bank (NDB) Board of Directors meeting to discuss the Impact and Implications of Recent Developments in the Financial Markets on NDB, Membership Expansion of NDB, Action Plan of the Independent Evaluation Office of NDB, Seventh Annual Meeting of Board of Governors of NDB, and General Strategy for 2022-2026.
- (e) Board Meeting of National Investment and Infrastructure Fund Limited.
- (f) Discussions between India and Canada on all the outstanding issues on the Foreign Investment Promotion and Protection Agreement/Bilateral Investment Treaty (FIPA/BIT).
- (g) Discussion on the request of Taiwan for Comprehensive Bilateral Investment Agreement with the Indian delegation.
- (h) 10th & 11th round of negotiations on Bilateral Investment Treaty (BIT) between India and UAE.
- (i) Meeting of the Financial Stability Board Regional Consultative Group to discuss the vulnerabilities and financial stability issues affecting Asia.
- (j) Meeting of Financial Stability Board's Standing Committee on Standards Implementation, Annual Report to be submitted to the G20 in 2022, and creation of a new group to support analysis of reform effectiveness.
- (k) 29th meeting of the Early Warning Group under the Sub Committee of the Financial Stability Development Council (FSDC) to discuss reduced global growth, high commodity prices, and spill over from Advanced Economies (AE) central bank actions are the major concerns.

3. Minimum Government, Maximum Governance

The use of ICT in submission of information is being encouraged.

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4. Non-Compliance of ACC directions/orders

Nil

5. Details of FDI proposals cleared during the month and status of FDI proposals awaiting approval in the Department:

Number of proposals cleared : 02

Awaiting Approval in the Department : 06