

## Economy This Week (5th to 11th Nov 2022)

Economy is an important part of the UPSC prelims and mains exams; this series titled ‘Economy This Week’ has been initiated to address the need to read and analyse economic articles in various business-related newspapers. The round-up of the Economy/Business section news for 5th to 11th Nov 2022 is given below. Business news is essential for IAS exam preparation.

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### **1. FinMin rolls out scheme to fund PPP projects (BL 5/11/22)**

- Finance ministry has announced a scheme - India Infrastructure Project Development Fund (IIPDF) - to extend financial support for project development expenses of Public Private Partnership (PPP)
- Under this the Project Sponsoring Authority (PSA) will be getting assistance up to ₹ 5 Cr
- The funds under the scheme will be provided for meeting project development costs (includes expenses incurred by the PSA)
- This was conceptualised in FY08 by P Chidambaram who proposed that there should be a revolving fund to quicken the process of project preparation
- Accordingly the fund was set up with a corpus of ₹ 100 Cr. The fund has been restructured with an outlay of ₹ 150 Cr for 3 years - FY23 to FY25
- It is a central sector scheme

## 2. Railways mulls solar power push to meet net zero norms (BS 8/11/22)

- Indian railways has announced that it wants to become net carbon zero by 2030
  - More than 80% of the railways energy requirements are on account of traction for which it draws electricity from the grid
- The Indian railways is trying to meet all of its demand for non-rail operations through solar energy
- It is setting up solar plants on rooftops of stations and buildings like administrative offices and workshops
  - There is a huge potential of solar plants that can be installed on stadiums, railway clubs, institutes, schools etc. This is yet to be explored
  - The ministry has asked the zonal railways to prepare an action plan to cover these establishments
- Challenges
  - There is a need for substantial infrastructure support to install solar rooftops. The installation of these panels on the rooftops was a challenge as the aluminium rooftops were not strong enough to hold the panel weights

## 3. Airlines to benefit from new ATF pricing mechanism (BL 8/11/22)

- India has introduced a new ATF fuel (Aviation Turbine Fuel or jet fuel) pricing mechanism starting from Q3FY23 (October-December period)
- The new system will be replacing the import parity price based system and the new mechanism will be benchmarked to the Mean of Platts Arab Gulf (MOPAG). This is expected to bring more parity between global crude price and jet fuel price in India
  - Under this the prices that are paid in Dubai are paid for the fuel
  - This is expected to bring more transparency and also shield the airlines from the price fluctuations
- The ATF prices were fixed based on the international import parity price. This was after dismantling of administered pricing mechanism in 2001

## 4. Centre plans to double loan amount for street vendors (ET 11/11/22)

- The govt launched Pradhan Mantri Street Vendor's Atma Nirbhar Nidhi Scheme (PM-SVANidhi) in July 2020
  - It is a micro-credit facility for street vendors
  - Loans are offered in three tranches - ₹ 10000, ₹ 20000 and ₹ 50000
  - The government provides guarantee for these loans

- Govt is considering doubling the first tranche to ₹ 20000
  - This is being considered as the number of loans for the first tranche has declined
  - In the launch year, within the first 9 months, 2 mn first tranche loans were issued. The next year it came down to 9 lakh and this year till September 2 lakh such loans have been issued
  - The loans issued have hit a plateau as the hardships faced by the vendors have come down in recent years
- The number of defaulters under the scheme is low which has encouraged the govt to consider changing
  - The NPAs are below 14%
  - In some high uptake states, the recovery rates are as high as 98%

### 5. Green bonds - FinMin clears framework (IE 10/11/22)

- Govt has given the final nod for the issuance of the sovereign green bonds
- Bonds worth ₹ 16000 Cr will be issued in the second half of the fiscal
  - The proceeds will be deposited in the consolidated fund of India
- The proceeds will be part of the scheduled borrowing for the current fiscal and will be used for
  - Renewable energy
  - Clean transportation
  - Water and waste management
  - Pollution prevention and control and green buildings
- Projects such as nuclear energy, alcohol, weapons, tobacco, gaming, hydropower plants larger than 25 MW etc have been excluded
- All eligible green expenditures will include public expenditures by government in the form of subsidies, investment, grant in aid, tax foregone, select operational expenditures, R&D expenditures in public sector projects that will be helping in reducing the carbon intensity
- Ministry of Finance has also set up Green Finance Working Committee (GFWC)
  - Chaired by the CEA
  - Will meet at least twice a year
  - Will help the ministry in selection and evaluation of projects and other work related to framework
  - Allocation of the proceeds will be done by the GFWC in 24 months from the date of issuance
  - Will bring out an annual report on allocation of proceeds
- Initial selection of the projects will be done by the concerned ministry after consulting the experts

#### **6. Govt allows trade settlements in ₹ for export promotion schemes (TH 10/11/22)**

- In the month of July, RBI has announced the framework along with the DGFT which will allow invoicing, payment and settlement of exports in rupees
- The changes now have been introduced for granting export benefits and incentives, for meeting fulfilment of export obligation norms for imports, export realisations made in Indian rupees. This means for the foreign trade transactions which are settled in rupees will also be covered under the export promotion schemes
- The new norms will cover export realisation in Indian rupees in under Advance Authorisation and Duty Free Import Authorisation, and Realisation of Export Proceeds under Export Promotion Capital Goods Scheme

#### **7. Single GST rate, direct tax sans exemption will be ideal (TH 8/11/22)**

- Mr Bibek Debroy has stated that - The Goods and Services Tax (GST) should ideally have a single tax rate and cover all the goods and services for its expected benefits to fully accrue to the economy
- The expert was of the opinion that the GST rate should be the same for all the goods and services and that progressive rates work best for the direct taxes rather than indirect taxes
- He also recommended doing away with a distinction between personal income tax and corporate income tax and scrapping exemptions that lead to tax avoidance strategies

#### **8. ISA releases plan to raise \$1 tn by 2030 for solar scale up (BL 11/11/22)**

- International Solar Alliance (ISA) has released a roadmap that will help it in raising \$1 tn by 2030 to meet investment requirements to promote solar power projects
- The plan “ Our Solar Future : Roadmap to mobilise \$1 tn by 2030”, was released by ISA, World Resource Institute (WRI) and Bloomberg Philanthropies at COP27
- The roadmap is expected to promote joint commitments for significant near term action by the governments, development financial institutions, private investors to help meet the goals

### 9. Millet exports to get a leg up (FE 9/11/22)

- Government has prepared a strategy to promote exports of nutri-cereals-millets and value-added products. This coincides with UNGA resolution declaring 2023 as International Year of Millets (IYM)
- These exports are to be made to US, UK, Belgium, Netherlands, Japan etc
- APEDA along with the Indian missions would be organizing a series of events outside to promote the millet products
- As per the assessment the exports could cross \$100 mn by 2023-24 from the existing \$64 mn