


No. A-45011/4/2020-Admn.III
Government of India
Ministry of Finance
(Department of Economic Affairs)

New Delhi, ^{15th} May, 2020

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 March, 2020.


(Surinder Pal Singh)
Joint Secretary to the Government of India
Tel No. 23092100

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. Chief Economic Adviser, DEA.
12. Additional Secretary (Shri A. Giridhar) Cabinet Secretariat, Rashtrapati Bhavan, New Delhi.
13. Dr. C.S. Mohapatra, Additional Secretary (FS &CS), DEA
14. Shri K. Rajaraman, Additional Secretary (Admn. & Investment), DEA.
15. Sh. Sameer Kumar Khare, Additional Secretary (FB&ADB), DEA

16. Ms.Meera Swarup, AS&FA(Finance).
17. Sh.Anand Mohan Bajaj, Addl. Secretary (FM), DEA.
18. Shri Sanjeev Sanyal, Principal Economic Adviser, DEA
19. All Heads of Divisions in Department of Economic Affairs.
JS(Budget)/ JS(IPF)/ JS(BC&IER)/JS(Inv)/ Adviser(C&C/FSLR/FS&CS)/
Adviser (IER)/ CAAA.
20. Shri Arun Kumar, Adviser, DEA
21. Ms. Rajasree Ray, Adviser, DEA.
22. Shri Rajesh Malhotra, Addl.DG (M&C), M/o Finance, North Block, New Delhi.
23. Guard File – 2020.

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**Subject: Monthly Summary on important policy decisions pertaining to DEA
for the month of March, 2020.**

1. Macro-economic Overview

1.1 Headline inflation based on Consumer Price Index (New Series-Combined) in February, 2020 was 6.58 per cent as compared to 7.59% in January, 2020. Inflation based on Wholesale Price Index (WPI) stood at 2.26% in February, 2020 as compared to 3.10% in January, 2020. Inflation in terms of Consumer Price Index for Industrial Workers (CPI-IW) in February, 2020 was 6.84% as compared to 7.49% in January, 2020. Inflation in terms of Consumer Price Index for Agricultural labourers and Consumer Price Index for Rural labourers stood at 10.14% and 9.84% in February, 2020 respectively.

1.2 Policy repo rate was reduced by 75 basis points from 5.15% to 4.40% in March 2020. Bank credit growth stood at 6.1% on 13th March, 2020 as compared to 14.5% in corresponding period of previous year. The yield on 10-Year Government Securities stood at 6.26% on 20th March 2020 compared to 7.50% on 22 March 2019.

1.3 India's current account deficit (CAD) at US\$ 1.4 billion (0.2% of GDP) in Q3 of 2019-20 narrowed from US\$ 1.8 billion (2.7% of GDP) in Q3 of 2018-19 and was lower than US\$ 6.3 billion (0.9% of GDP) in the preceding quarter. The CAD contracted on a year-on-year (y-o-y) basis, primarily on account of contraction in net merchandise import of US\$ 34.6 billion as compared to US\$ 49.3 billion and higher invisible receipts at US\$ 33.2 billion as compared with US\$ 31.5 billion a year ago. Net services receipts (US\$ 21.9 billion) and private transfer receipts (US\$ 18.9 billion) mainly representing remittances by Indians employed overseas, increased by 0.9 and 7.8% respectively from their level a year ago. In the financial account, net foreign direct investment was US\$ 10.0 billion in Q3 of 2019-20 as compared with US\$ 7.3 billion in Q3 of 2018-19. Foreign portfolio investment recorded net inflow of US\$ 7.8 billion in Q3 of 2019-20 as against an outflow of US\$ 2.1 billion in Q3 of 2018-19 – on account of net purchases in both debt and equity markets. Net inflow on account of external commercial borrowings to India was US\$ 3.2 billion in Q3 of 2019-20 as against an inflow of US\$ 2.0 billion a year ago. In Q3 of 2019-20, there was an accretion of US\$ 21.6 billion to the foreign exchange reserves (on BoP basis) as against a depletion of US\$ 4.3 billion in Q3 of 2018-19.

1.4 India's Foreign exchange reserves stood at US\$ 481.9 billion as on 13th March, 2020 showing an increase of US\$ 70.0 billion over the level of US\$ 411.9 billion at end-March 2019. The average monthly exchange rate of rupee (reference rate) for the month of February 2020 was 71.45 per US dollar as against 71.31 per US dollar in January 2020.

1.5 As per the Quick Estimates released by the CSO (based on new series of 2011-12), the Index of Industrial Production (IIP) recorded a growth of 2.0% in January-2020 as compared

to the growth of 1.6% in January-2019. On a cumulative basis, for the period April-January, 2019-20, the industrial growth was 0.5% as compared to the growth of 4.4% during April-January, 2018-19. Eight Core Industries registered a growth of 5.5% in February- 2020 as compared to 2.2% in February - 2019. The growth of core industries during April- February, 2019-20 is 1.0% as compared to 4.2% during April- February, 2018-19.

1.6 India's merchandise exports during February 2020 were valued at US\$ 27.6 billion as compared to US\$ 26.9 billion during February 2019, exhibiting an increase of 2.9%. India's merchandise imports during February 2020 were valued at US\$ 37.5 billion which increased by 2.5%, over the level of imports valued at US\$ 36.6 billion in February 2019. During February 2020, oil imports increased by 14.3% and non-oil imports declined by 1.6% respectively over February 2019. The trade deficit for February 2020 was estimated at USD 9.9 billion as against the deficit of USD 9.7 billion in February 2019.

1.7 Exports & Import of services during January 2020 were valued at US\$ 19.0 billion and US\$ 12.0 billion respectively. Trade balance in Services for January 2020 is estimated at US\$ 7.0 billion.

2. Other important Developments

2.1(a) An inter-ministerial 'COVID-19 Economic Response Task Force' headed by Hon'ble Finance Minister Smt. Nirmala Sitharaman has been set up. Governor, Reserve Bank of India supported the G20 Presidency's idea for tasking the Framework Working Group (FWG) with preparing a 'G20 Action Plan in response to COVID-19' and as Co-Chair for that Group assured the Presidency of India's commitment for quickly delivering the same.

In the South Asia Region, Hon'ble Prime Minister took the initiative of video conferencing with its neighbouring SAARC countries and pledged \$10 million towards a COVID-19 emergency fund besides putting together a rapid response team of doctors and specialists for these countries. The Government has declared COVID-19 as a 'Notified Disaster' under the Disaster Management Act, 2005 enabling the Indian State governments to spend a larger part of the State Disaster Response Fund (SDRF). Reserve Bank of India is closely monitoring the real economy and market developments and has already done two rounds of US dollar sell/buy 6-month swap auctions of US\$2 billion each to provide liquidity to the foreign exchange market. To retain ample rupee liquidity RBI has announced Long-term Repo Operation (LTRO) in multiple tranches up to a total amount of Rs 1 trillion (~US\$13.3 billion) at the policy rate. RBI also announced Open Market Operations (OMO) purchases of Rs30,000 crore (~US\$ 4 billion) to inject more liquidity. Governor, RBI also requested the countries to quickly get into collective action through the IMF to buffet the global financial safety net (GFSN) and for this bring forward the timeline of 16th GRQ (General Review of Quotas). IMF can also think of coming up with SDR allocations and with a non-stigmatised short-term liquidity swap facility which could be rapidly deployed. All countries supported the development of G20 Action Plan in Response to COVID-19 which will outline the individual and collective actions that G20 has taken and will be taking to respond to the COVID-19 pandemic. This Action Plan is under preparation at G20 Framework Working Group now.

(b) The key objectives of the Finance Ministers and Central Bank Governors (FMCBG) meeting were to coordinate timely and effective actions to deliver on G20 Leaders' commitments in response to COVID-19, including by:

(i) Discussing next steps to develop and operationalize the G20 Action Plan in Response to COVID-19.

(ii) Discussing measures to enhance financial resilience and financial stability, including by:

- addressing risks of debt vulnerabilities in low-income countries.
- Enhancing liquidity in global markets through further expansion of swap lines network and exploration of the IMF's Special Drawing Rights (SDR) allocation.

(c) India sounded a note of caution on the proposed new allocation of SDRs of US\$500 billion, saying that in the current context of illiquidity and flights to cash, the efficacy of an SDR allocation was not certain. Observing that in the absence of a global safety net, countries rely on national reserves as the first line of defence against market turmoil and confidence crises and consequently, extraneous demands for these reserves, not related to domestic monetary and financial stability, would be costly, it was stated that India did not support new allocation of SDRs. India, however, supported lending by the IMF from existing facilities. India also supported the proposal of the Presidency to task the G20 International Financial Architecture Working Group to look into these issues and come up with a clear set of recommendations for the consideration of the FMCBG within a definite timeframe.

2.2 (a) Hon'ble Finance Minister, on 26.03.2020, announced a set of following Pro-poor initiatives under **Pradhan Mantri Garib Kalyan Yojana** as part of the Economic Response Package for COVID-19 to ameliorate the hardships being faced by them due to onset of corona virus induced lockdown:-

- Insurance cover of Rs 50 Lakh per health worker fighting COVID-19 to be provided under Insurance Scheme.
- 80 crore poor people will to get 5 kg wheat or rice and 1 kg of preferred pulses for free every month for the next three months.
- 20 crore women Jan Dhan account holders to get Rs 500 per month for next three months.
- Increase in MNREGA wage to Rs 202 a day from Rs 182 to benefit 13.62 crore families.
- An ex-gratia of Rs 1,000 to 3 crore poor senior citizen, poor widows and poor disabled.
- Government to front-load Rs 2,000 paid to farmers in first week of April under existing PM Kisan Yojana to benefit 8.7 crore farmers.
- Central Government has given orders to State Governments to use Building and Construction Workers Welfare Fund to provide relief to Construction Workers.

(b) Asian Development Bank has committed an amount of USD 100 million in NIIF FoF in its second close on 28.3.2020.

2.3 **Indian Stamp Act, 1899**

The amendments to the Indian Stamp Act, 1899 were brought in through the Finance Act, 2019. The relevant provisions of the Finance Act, 2019 amending the Indian Stamp Act, 1899 and the Indian Stamp (Collection of Stamp-Duty through Stock Exchanges, Clearing Corporations and Depositories) Rules, 2019 were notified simultaneously on 10th December, 2019 and came into force from 9th January, 2020, which was later extended to 1st April, 2020

vide notifications dated 8th January, 2020. In order to ensure smooth functioning of Indian Stock Markets and in continuation to several relief measures in view of COVID-19, the Government of India has extended the date of implementation of amendments in the Indian Stamp Act, 1899 brought out through Finance Act, 2019 and Rules made thereunder from 1st April, 2020 to 1st July, 2020.

(1) Department of Economic Affairs has issued a gazette notification dated 19.3.2020 to special courts for speedy trial of offences under the three Securities Laws viz the Securities Contract (Regulation) Act, 1956, the Securities and Exchange Board of India Act, 1992 and the Depositories Act, 1996 in the State of Meghalaya and the Union territory of Andaman and Nicobar Island.

(2) Department of Economic Affairs has also notified amendment in Rule 19 of Securities Contract (Regulations) Rule, 1957 on 19.3.2020 for providing the requisite framework for listing the shares with Differential Voting Rights (DVR) by entities who wish to be listed on recognized stock exchanges. An exemption from minimum public shareholding norms have been granted to shares with such superior voting rights, while listing on the exchange.

(3) In the wake of COVID-19 crisis, market regulator SEBI has inter-alia introduced the following measures during March 20-31, 2020:

- a. Mutual Funds have been allowed to borrow beyond the existing limit of 20% of the net assets of the scheme, on a case to case basis, for scheme/s facing heightened redemption pressure to meet temporary liquidity needs. Additionally, relaxations have been provided regarding compliance requirements pertaining to Mutual Funds
- b. CRAs have been provided with the relaxation to not consider delay in payment of interest/principal or rescheduling the payment of debt obligation solely due to lockdown conditions as Default event and/or recognize default during the period of moratorium by RBI.
- c. The due date of filing disclosures, in terms of Regulations 30(1), 30(2) and 31(4) of the SAST (Take over) Regulations for the financial year ending March 31, 2020 has been extended to June 01, 2020
- d. The due date for regulatory filings and compliances for REIT (Real estate Investment Trust) and InvIT (Infrastructure Investment Trusts) for the period ending March 31, 2020 has been extended by one month over and above the time lines prescribed under the relevant SEBI Regulations and facilitated creation of encumbrances.
- e. Two months extension for regulatory filings by AIFs, VCFs and Portfolio Managers has been also provided.

2.4 (a) With the approval of FM, one Line of Credit (LoC) was extended to Govt. of Comoros on 19.3.2020 for US\$ 20.00 million for Procurement of High Speed Interceptor Boats.

(b) The Exchange of Notes for 9 projects for JICA ODA under FY 2019-20 loan package amounting to JPY 374.440 billion were signed and exchanged between Government of India and Government of Japan on 27.03.2020.

2.5 A loan agreement for project titled 'Integrated Project for Source Sustainability and Climate Resilient Rain-fed Agriculture in Himachal Pradesh was signed on Mar 11, 2020 for loan assistance of USD 80 million.

2.6 A Budget Announcement was made in the Budget Speech 2020-21 that a legislation would be introduced in Parliament for laying down a mechanism for netting of financial contracts. As per the announcement, a Bill titled "The Bilateral Netting of Qualified Financial Contracts Bill, 2020" (Netting Bill) was prepared in consultation with various stakeholders/Ministries/Departments and sent to Cabinet Secretariat for the approval of the Cabinet. The Cabinet approved the proposal to introduce the Bill on 20th March, 2020. The Bill seeks to provide a firm legal basis for netting of qualified financial contracts. It would help in reducing credit exposure of banks and other financial institutions from gross to net exposure which would result in substantial capital saving on such exposure and reduces the overall systemic risks contributing to the financial stability. It would further develop the financial market in India.

2.7 Summary of Receipts and Expenditure till February, 2020

As per the provisional unaudited Statement of Monthly Accounts for the Month of February, 2020, Total Non- Debt Receipts upto February, 2020 were ₹14,28,869 crore which is 74% of RE 2019-20 compared to 73.4% of RE 2018-19 in Corresponding Period of Previous Year (COPPY). Total Revenue Receipts were 74.5% of RE in 2019-20 compared to 73.2% in COPPY. Gross Tax Revenue at the end of February, 2020 was 75.6% of RE (COPPY – 75.3% of RE). Tax Revenue (net) was 74.1% of RE (73.7% in COPPY) while Non-tax Revenue receipts were 76.2% of RE (70.0% in COPPY). Non-Debt Capital Receipts were 62.6% of RE (76.9% in COPPY). On the expenditure side, total expenditure at the end of February, 2020 was ₹ 24,65,354 crore which is 91.4% of RE (89.1% in COPPY). This comprised Revenue Expenditure of 91.9% of RE (89.4% in COPPY) and Capital Expenditure of 87.5% of RE (86.6% in COPPY). Interest Payments were 82.1% of RE compared to 85.3% in COPPY.

2.8 Following Meetings were held during the month of March, 2020:-

- i. Hon'ble Prime Minister Sh. Narendra Modi participated in the G20 Extraordinary Leaders' Virtual Summit on CoVID-19 which was held on 26th March, 2020.
- ii. Hon'ble Finance Minister represented India in the second extraordinary virtual meeting of G20 Finance Ministers' and Central Bank Governors which took place through video conferencing on Tuesday, March 31, 2020, wherein the then Secretary(EA) also participated to discuss action to deliver on the commitments made by G20 Leaders in response to COVID-19.
- iii. Governor, RBI represented India in a video-conference with G20 Finance Ministers and Central Bank Governors on Monday, March 23 2020 to discuss the impact of COVID-19 pandemic on the global economy and to coordinate their efforts in response to this global challenge. Ms Anu P Mathai, Advisor (IER) and other officials of DEA participated in the meeting.
- iv. The then Secretary (EA) chaired the 93rd Meeting of PPPAC which was held on 17.03.2020 in which the in-principle approval was revalidated for the proposals considered in the 91st (Redevelopment of Gwalior, Nagpur, Amritsar and Sabarmati Railway Stations) and 92nd Meeting of PPPAC (Passenger Train Proposal).
- v. The then Secretary (EA) chaired the 5th meeting of the Board of National Investment and Infrastructure Fund Limited for the FY 19-20 held on 16.3.2020 in which Shri K Rajaraman, Addl. Secretary (Investment, IER & Admin) participated as Director.

- vi. Shri K. Rajaraman Additional Secretary (Investment, IER & Admin) participated in the virtual Board of Directors meeting of the New Development Bank on 24th and 25th March. The proposal for investment of USD 100 million by NDB in the NIIF was approved in this meeting.
- vii. Sh. Sameer Khare, Addl. Secretary (FB&ADB) chaired the 105th Meeting of Screening Committee of DEA, which was held on 18th March, 2020.
- viii. Sh. Sameer Khare, Addl. Secretary (FB&ADB) chaired a meeting to discuss financial assistance and support measures to deal with COVID-19 impact which was held on 16th March, 2020.
- ix. Sh. Sameer Khare, Addl. Secretary (FB&ADB) chaired a meeting to discuss World Bank Draft Investment Policy and Regulatory Review for India which was held on 13th March, 2020.
- x. Sh. Sameer Khare, Addl. Secretary (FB&ADB) along-with Governor, RBI represented India via teleconferencing an IMFC restricted session on impact of COVID-19 held on 4th March, 2020.
- xi. The 2020 IMFC Deputies meeting was held in virtual format (teleconferencing), its first session was held on March 23, 2020 and second session held on March 25, 2020. India was represented by Director (IMF).
- xii. Dr. C.S. Mohapatra, Additional Secretary (FS&CS) attended the teleconference of Financial Stability Board's (FSB) Plenary which was held on 30th March, 2020 to discuss financial stability implications of COVID-19 and additional steps that should be taken by the FSB or others to improve sharing of information and cross-border policy coordination.
- xiii. Dr. Shashank Saxena, Adviser (FS&CS) attended Three teleconferences of FSB's Too-Big-To-Fail (TBTF) Early Warning Group (EWG) which were held on 4th March, 23rd March, and 31st March, 2020.
- xiv. Dr. C.S. Mohapatra, Addl. Secretary (FS&CS) attended a teleconference of FSB's SCS Implementation Monitoring Task Force (IMTF) which was held on 11th March, 2020.

3. Minimum Government, Maximum Governance

In particular, use of ICT in submission of Information is being encouraged.

4. Non-Compliance of ACC directions/orders

Nil

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

Awaiting Approval in the Department : 06
