

A-45011/04/2023-Coord.II
Government of India
Ministry of Finance
(Department of Economic Affairs)

New Delhi, 16th February, 2024

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 December, 2023.


(Susruta Samanta)

Deputy Secretary to the Government of India
Tel No. 2309- 5244

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, AS&FA(Finance).
14. Ms. Aparna Bhatia, Advisor(Admn./Coord./ C&C)
15. Ms. Manisha Sinha, AS(OMI/Crypto assets and CBDC)
16. All Heads of Divisions in Department of Economic Affairs.
JS(IPP)/JS(ISD)/JS(Inv)/JS(Budget)JS(FM)/All Advisers/CAAA
17. Shri Rajesh Malhotra, DG (M&C), M/o Finance, North Block, New Delhi.
18. Guard File – 2023.

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Subject: Monthly Summary on important policy decisions pertaining to Department of Economic Affairs (DEA) for the month of December, 2023.

1. Important policy decisions taken and major achievements during the month:

Macroeconomic Overview:

The strong growth outturn of the Indian economy, caused the Monetary Policy Committee (MPC) of RBI, during its bimonthly meeting in December, to revise its forecast for Financial Year 2023-24 (FY24) upwards from 6.5 to 7.0 per cent while keeping the repo rate unchanged. Expectations of strong growth in consumption, investment, manufacturing, and construction sustaining in the second half (H2) led to the upward revision of the forecast.

Global agencies, such as Nomura, Barclays, and Citigroup have also raised their forecast on the Indian economy to 6.7 per cent for FY24. Standard and Poor (S&P) estimates growth at 6.4 per cent, along with the expectation that India's GDP will be growing between 6.4 and 7.0 during 2024-2026. S&P projects that robust domestic activity is likely to offset headwinds from high food inflation and weak exports. Fitch Ratings has raised its forecast to 6.9 per cent in view of rising infrastructure spending. It expects supply-side reforms by the government and healthier corporate and bank balance sheets to boost capital expenditure across most sectors.

Stronger growth has been accompanied by a steady decline in headline inflation. However, food inflation remained challenging. To control the rise in food inflation, the Government extended the ban on onion exports until 31st March 2024 to ensure ample supply in the country. Import duty exemption on masoor dal has also been extended till 31st March 2024. These measures augment the earlier steps taken in October when the

government increased the targeted subsidy under Pradhan Mantri Ujjwala Yojana (PMUY) from ₹200 to ₹300 per 14.2 kg cylinder.

The government has sufficient foodgrain stock to release in the market to contain the increase in cereal prices. The Food Corporation of India (FCI), till now in FY24, has sold 5.5 million tonnes of wheat under the Open Market Sales Scheme (OMSS). In addition, around 12.5 million tonnes are awaiting offloading under OMSS in FY24.

The government remained strong on the fiscal front. The net tax collection year-on-year (YoY) was higher by 17.2 per cent during April-November 2023. The Capex spending (YoY) was higher by 48 per cent during this period, reaching 58.5 per cent of the budgeted outlay. The fiscal deficit is likely to be contained within the target as it is only half of the budgeted amount after the passage of two-thirds of FY24. **This is an improved performance, not only in comparison to the previous year but also the average of the past 5 years.**

The external sector also remained resilient. Narrowing merchandise trade deficit and rising net services receipts narrowed the current account deficit to 1.0 per cent of GDP in H1 of FY24, down from 2.9 per cent in H1 of FY23. FDI inflows to India reached a 21-month high of US\$ 5.9 billion in October 2023, against the average inflow of only US\$ 0.76 billion during the preceding six months.

India also made its first-ever payment in rupees for crude oil purchased from the United Arab Emirates (UAE). This move aligns with the Reserve Bank of India's objective to boost the rupee's role in cross-border payments, diversify oil suppliers and cut costs of transactions.

Moderation of inflation across several countries has made various central bankers pause their rate hikes. Interest rates were left unchanged in the range of 5.25-5.5 per cent by the US Federal Reserve in its policy meeting held in December 2023. The European Central Bank also held interest rates steady at 4.5 per cent for the second meeting in a row. Furthermore, the Bank of England also paused its rate hike for the third consecutive time, having reached a 15-year high of 5.25 per cent.

With rate hikes paused by major central bankers, including RBI, and inflation worldwide on a downward trajectory, 2024 is expected witness sharp cuts in policy rates. This will accelerate output growth in 2024 in several economies, including the Indian economy.

2. Important Developments:

- (i) In pursuance of clause (1) of Article 280 of the Constitution, read with the provisions of the Finance Commission (Miscellaneous Provision) Act, 1951 (33 of 1951), the **President constituted the Sixteenth Finance Commission** under the chairmanship of Dr. Arvind Panagariya, Former Vice-Chairman, NITI Aayog and Professor, Columbia University.
- (ii) Hon'ble Finance Minister, as India's Governor to IMF, voted in the affirmative on the ballot for the **proposed resolution for the 16th General Review of Quotas which proposes a 50 percent increase in proportion to their current quota shares** (equi-proportional increase) in the quotas of all 190 IMF members. India's quota subscription would increase to SDR 19.67 billion from the current level of SDR 13.11 billion (i.e., total quota increase of SDR 6,557.2 million). On 15th December, 2023 the IMF's Board of Governors adopted the same.
- (iii) Hon'ble Finance Minister met President of the World Bank Group on 20th December, 2023 in New Delhi. In a significant step towards fostering collaboration between the public and private sectors in infrastructure capacity-building, **the Public-Private Partnership (PPP) Beginner's e-Course** was also launched by President World Bank in the presence of Secretary DEA, Chief Economic Advisor and Shri Parameswaran Iyer, Executive Director (India), World Bank on 20th December, 2023 at New Delhi.
- (iv) Hon'ble Finance Minister also met Norwegian Minister of Trade and Industry and Swiss State Secretary for Economic Affairs and discussed issues relating to European Free Trade Association (EFTA) Trade and Economic Partnership Agreement (TEPA).
- (v) The following important meetings were held/attended at the official level:

- a) **Follow up meetings on India-UK BIT** (between Secretary DEA and UK's DG Trade Ms. Amanda Brooks) were held on 6th-7th December, 2023 and on 19th December, 2023.
- b) The 140th session of the **Executive Board meeting of NDB** was held from 11th to 12th December, 2023.
- c) **AIIB Board of Directors** met virtually in Board Meetings, events and Retreat Meeting during 11th to 14th December, 2023.
- d) The First G20 Joint Sherpa-Finance and Central Bank Deputies Meeting and First G20 Finance and Central Bank Deputies Meeting under the **G20 Brazilian Presidency** was held during 13th to 15th December, 2023, in Brasilia, Brazil. The Ministry of Finance delegation was led by Chief Economic Adviser and Reserve Bank of India delegation was led by Deputy Governor Dr. Michael Patra.
- e) 12th round of **India-Sri Lanka BIT negotiations** were held virtually on 13th December, 2023.
- f) 6th round of **India-Saudi Arabia Bilateral Investment Treaty (BIT)** negotiations were held on 13th December, 2023 through DVC.
- g) Fourth session of Consultation on the **Thirteenth Replenishment of IFAD's Resources Committee** meeting was held from 14th to 15th December, 2023. The meeting was attended by Embassy Representative in person. Govt. of India pledged a contribution of USD 25 million towards IFAD-13 Replenishment Cycle during 2024-26.
- h) Three meetings of Approval Committee were held in December, 2023 to consider and approve proposals for support under the **IIPDF Scheme for :**
 - i. Procurement/engaging Transaction Advisers (TAs) for development of centre for Fintech excellence, accommodation facilities for students in IIM Mumbai, with funding up to ₹ 4.04 Crore.
 - ii. Procurement/engaging TAs for the development of eco-tourism resorts in the Andaman and Nicobar with funding up to ₹ 4.80 Crore.

- iii. Procurement/engaging TAs for holistic development of island UTs under the purview of Island Development Authority (IDA), Ministry of Home Affairs, with funding up to ₹ 5 Crore.
 - i) Inter-Ministerial Standing Committee (IMSC) on **Lines of Credit (LOC) to partner countries** met on 28th December, 2023.
 - j) The 36th Meeting of the **SAARC Development Fund (SDF) Board of Directors** was held on 30th December, 2023.
 - k) Letter of Understanding (LoU) for contribution by Government of India for **IMF-SARTTAC's Phase II Operations (January 2024-April 2029)** was finalized and signed.
- (vi) The following **loan agreements** were signed with bilateral and multilateral development agencies:
- a) Loans signed with the **Asian Development Bank**:
 - i. Uttarakhand Integrated and Resilient Urban Development Project Additional Financing of USD 125 million to enhance reliability and efficiency of resilient WSS Services;
 - ii. Tripura Urban and Tourism Development Project for USD 100 million;
 - iii. Enhancing Connectivity and Resilience of the Madhya Pradesh Road Network for USD 175 million;
 - iv. Uttarakhand Climate Resilient Power System Development Project for USD 200 million;
 - v. Power Sector Reform Program – Subprogram 1 for USD 250 million;
 - vi. Delhi-Meerut RRTS Investment Project – Tranche 3 for USD 250 million; and,
 - vii. Industrial Corridor Development Program – Subprogram 2 for USD 250 million.
 - b) Loan signed with the **World Bank** for Additional financing for Rooftop Solar Program for Residential Sector for USD 150 million.

- c) Loans signed with **Japan International Cooperation Agency (JICA)**:
 - i. Project for the Construction of Mumbai-Ahmedabad High Speed Rail (V) for JPY 400 billion; and,
 - ii. Program for Japan-India Cooperative Actions towards Sustainable Development Goals in India (Phase 2) for JPY 15.301 billion.
- d) Loan signed with **EDCF (Korea)** for Strengthening Multi-Modal and Integrated Logistics Ecosystem Program for loan of USD 100 million.
- e) Loans signed with **German KfW**:
 - i. Rishikesh Integrated Urban Infrastructure Development (IUID) Programme Phase II for Euro 100 million (accompanied with Grant of Euro 2 million);
 - ii. City Investments to Innovate, Integrate and Sustain (CITIIS) 2.0 Program for Euro 100 million;
 - iii. Bengaluru Suburban Railway Project (K-RIDE) for Euro 500 million (accompanied with Grant of Euro 4.5 million);
 - iv. Climate-Friendly Energy Supply Programme for Euro 200 million (accompanied with Grant of Euro 2 million);
 - v. Mumbai Regional Urban Infrastructure Improvement Programme for Sustainable Urban Development (Water / Waste Water / SWM) for Euro 100 million (accompanied with Grant of Euro 2.2 million); and,
 - vi. Mahagenco 245 MW Solar Projects under Indo-German Solar Energy Partnership III for Euro 130 million.
- f) Loans signed with the **French AFD** for City Investments to Innovate, Integrate and Sustain (CITIIS) 2.0 Program for Euro 100 million
- g) Loans signed with **European Investment Bank**:
 - i. Agra Metro Project – Second tranche for Euro 200 million; and,
 - ii. Kanpur Metro Project -Third tranche for Euro 300 million.

(vii) DEA conveyed No Objection / concurrence for the following key IMF Board matters:

- a) Publication of India's 2023 Article IV report bundle. The report was published on 18th December, 2023.
- b) 1st review under the Extended Credit Facility to Comoros.
- c) 4th review under the Extended Credit Facility to Republic of Congo.

(viii) The following **Notifications were issued** during this month:

- a) Constitution of the Sixteenth Finance Commission.
- b) Commemorative coin of denomination of ₹ 125/- on the occasion of 125th Birth Anniversary of Dr. Panjabrao Deshmukh.
- c) Commemorative coin of denomination of ₹ 125/- on the occasion of 125 Years of Ramkrishan Mission.
- d) Commemorative coin of denomination of ₹ 1000/- on the occasion of Khartargachha Millennium Founder Jainacharya Shri Jineshwar Suri.
- e) Commemorative coin of denomination of ₹ 100/- on the occasion of 125th Birth Anniversary of Dr. Harekrushna Mahtab.
- f) Commemorative coin of denomination of ₹ 100/- on the occasion of centenary celebration of Karnataka Bank.

3. Minimum Government, Maximum Governance

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

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 : 04

Awaiting Approval in the Department : 11

6. **Number of Externally Aided Projects cleared by the DEA's Screening Committee during November, 2023:** Seven proposals.
7. **Number of VGF projects cleared/approved during November, 2023:** NIL
8. **Number of PPPAC projects cleared/approved during November, 2023:** NIL.
9. **LOCs recommended under Indian Development and Economic Assistance Scheme (IDEAS) during November, 2023:**
 - a. LOC of USD 700 million to Mongolia for the Petroleum Refinery Project; and,
 - b. LOC of USD 23.37 million to Government of Guyana. Efforts are being made to offer this LoC to Guyana as a ₹-denominated LOC on a pilot basis.