

Daily Economic News Summary: 21 January 2016

1. India, UK to open trade, markets to support growth

Source: **NDTV** ([Link](#))

Amid fears of the global economy edging close to recession, India and UK have agreed to open up trade and markets to support growth, carry out structural reforms and address issues related to cross-border tax evasion. After talks between India's Finance Minister Arun Jaitley and UK Chancellor of the Exchequer George Osborne, the two nation's agreed to boost economic ties particularly in areas of infrastructure and financial services and renewed pledge for autonomous exchange of tax information from 2017. *"From the Indian point of view, we were extremely interested in having the British investors look at infrastructure investments in India for which various possibilities were discussed,"* Jaitley said after the talks.

India, he said, is *"extremely keen that large British companies, particularly involved in infrastructure financing, start investing in Indian infrastructure"*. The two nations will work together for developing an India-UK partnership fund under the umbrella of National Investment and Infrastructure Fund (NIIF) recently created in India. *"This fund will seek to increase flows of private sector capital and expertise alongside multilateral support into Indian infrastructure,"* a joint statement issued after talks said. The world's fifth largest economy will work on development of smart cities in India. New Delhi is also looking at London for issuance of rupee-denominated bonds to get UK investors to fund its infrastructure projects.

2. Cabinet nod for subsidy to set up 5000 MW solar projects

Source: **Business Standard** ([Link](#))

A union cabinet panel on Wednesday approved the setting up of over 5,000 MW of grid-connected solar photovoltaic (PV) power projects at an estimated outlay of Rs.30,000 crore. Briefing reporters here following the meeting of the Cabinet Committee on Economic Affairs (CCEA), Power and New and Renewable Energy Minister Piyush Goyal said the decision to promote solar power through "viability gap funding" (VGF) was in line with Prime Minister Narendra Modi's promise to make India the world's largest generator of solar power. *"Installation of 5,000 MW solar PV plants will generate about 8,300 million units per year, which caters power to almost 2.5 million households,"* said a release from the ministry of new and renewable energy.

According to the statement, the estimated requirement of funds to provide VGF for 5,000 MW capacity solar projects is estimated to be Rs.5,050 crore. This includes handling charges to state-run Solar Energy Corp. at the rate of 1 percent of the total grant disposed and Rs.500 crore for the payment of security mechanism for the VGF schemes.

3. Power producers allowed to pass on hike in taxers, levies

Source: **The Hindu Business Line** ([Link](#))

Electricity tariffs could go up, after the Cabinet on Wednesday gave its approval for an amendment to the Power Tariff Policy to allow producers to pass on the effect of any change in domestic duties, levies, cess and taxes. The automatic pass-through provision was welcomed by the industry as a move that will remove ambiguity and uncertainty for competitively bid projects. Further, the amendment to the tariff policy also allows for pass-through of the cost of sourcing coal if Coal India fails to meet its fuel supply commitments.

Simultaneously, the policy allows developers to expand their plants by up to 100 per cent of their capacity through the automatic route. Piyush Goyal, Minister of State (Independent Charge) for Power, said that such a provision would allow for the optimal use of land as well as reduce the time required to secure environmental clearances. The tariff policy also allows power plants to sell the surplus electricity through power exchanges. *“The benefit of such sale of electricity, after deducting the variable cost, will have to be shared with the electricity distribution utility,”* Goyal said.

This is for plants where State electricity distribution utilities are not buying the contracted capacity as per the power purchase agreements. The tariff policy also provides for all transmission projects to be given through competitive reverse bidding. Only inter-governmental projects or those involving security risk will be given on a nomination basis. The policy also waives inter-State transmission charges for solar and wind power. This will help in reducing litigation, says Ashok Khurana, Director-General, Association of Power Producers. In a separate decision, the Cabinet Committee on Economic Affairs agreed to set up over 5,000 MW of grid-connected solar power projects by providing viability-gap funding (VGF) of ₹5,050 crore.

4. Shipyard now included in infrastructure category

Source: **Business Standard** ([Link](#))

The government has recommended inclusion of shipyards undertaking shipbuilding and repair under the infrastructure category. With this inclusion, the financial stress which stand-alone shipyards are experiencing will be eased substantially. They also will be able to avail flexible structuring of long-term project loans, long-term funding from infrastructure funds at lower rates of interest and longer tenure equivalent to the economic life of their assets, relaxed external commercial borrowings (ECB) norms, issuance of infrastructure bonds for meeting working capital requirements as well as benefits under the Income Tax Act, 1961.

Earlier, to promote the shipbuilding and repair industry, the Union government had approved a financial assistance policy for shipyards. According to the policy, shipyards will be granted assistance amounting to 20 per cent of contract price or fair price, whichever is lower, (as assessed by three international valuers) of each vessel built by them for a period of at least ten years, commencing 2015-16. This will be reduced by three per cent every three years. The promotion of the industry is important as it has the same impact as the infrastructure sector because of higher multiplier effect on investment and turnover and high employment potential.

5. Cabinet nod to India-UK MoU on governance reforms

Source: **Business Standard** ([Link](#))

An agreement signed between India and the UK for cooperation in public administration and governance reforms today got approval of the Union Cabinet. The agreement allows cooperation in areas like sharing good governance practices in public administration, reducing bureaucracy in service delivery, government process re-engineering, building and developing staff capability, public grievance redress mechanism and reforms towards strengthening of social security, among others. A meeting of the Cabinet, chaired by Prime Minister Narendra Modi, gave ex-post facto approval for the Memorandum of Understanding (MoU) signed in November, 2015 between India and the United Kingdom for cooperation in public administration and governance reforms, an official release said. A joint working group on public administration and governance will be responsible for implementation of the MoU.

The MoU will help in understanding the system of customer- oriented public service delivery in the UK with reference to rapidly changing environments in the area of public service management and enable replicating, adapting and innovating some of the best practises and processes in the Indian public service delivery system, leading to improved public service

delivery in India, it said. The first Joint Working Group meeting under the MoU is scheduled to be held later this month in London, the release said. The Centre has set up the goal of quantum shift in online delivery of government services across the country.

6. India among top 5 most promising markets globally

Source: **Economic Times** ([Link](#))

India has emerged as one of the five most promising markets for businesses globally as it offers one of the best opportunities for both domestic as well as global companies, says a survey. According to the annual global CEO survey of consultancy giant PwC released here at the WEF Annual Meeting, the top five markets considered as most important for overall growth prospects by the respondents are USA, China, Germany, the UK and India. *"India, which has continued to do well under Prime Minister Narendra Modi's pro-business government, is now among CEOs' five most promising overseas markets,"* said the survey which covered 1,409 CEOs spread across 83 countries. It further noted that the confidence level among Indian CEOs remains higher than the global average although they have also become less confident since last year about the growth prospects of their own companies.

7. Apple seeks nod to open single brand stores in India

Source: **The Hindu** ([Link](#))

Apple, the maker of iPad and iPhone, has sought permission from the government to open single brand retail stores and also enter the e-commerce business in the country. In this context, Apple India Pvt Ltd has sent an application to the Department of Industrial Policy and Promotion (DIPP). The DIPP is expected to seek some more information about the proposal, sources said. *"The company has sought permission for single brand retailing and sell its product online also,"* they said adding Apple has not mentioned the amount of investment and number of stores it wants to open.

The development comes after the government relaxed the foreign direct investment (FDI) policy for single brand retailing. The government may also relax sourcing norms for entities undertaking single brand retailing of products having 'state-of-the-art' and 'cutting edge' technology and where local sourcing is not possible. Single brand retailers are also allowed to take e-commerce route for such trading. At present, 100 per cent FDI is permitted in the sector. But beyond 49 per cent, permission of Foreign Investment Promotion Board (FIPB) is required.

The company sells its products through Apple-owned retail stores in countries including China, Germany, the US, the UK and France.

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