



Economic Stimulus-IV

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Why in News

Recently, the Union Finance Minister announced the fourth tranche of **Atmanirbhar Bharat Abhiyan** targeted towards **fast track investments** in the **eight sectors**.

- The fourth tranche focuses on **eight sectors** namely, coal, minerals, defence production, civil aviation, power distribution, social infrastructure, space and atomic energy.
- The announced measures also form a part of the Rs. 20 lakh crore economic stimulus package to deal with the **Covid-19 pandemic**.
- The government has already announced the **Economic Stimulus-I**, the **Economic Stimulus-II** and the **Economic Stimulus-III**.

Basis of Policy Reforms for Fast-track Investments

- **Fast tracking of investment clearance** through the Empowered Group of Secretaries.
- **Establishment of Project Development Cell** in each Ministry to prepare a list of investable projects and also to coordinate with investors and Central/State Governments.
- **Ranking of States on investment attractiveness** to compete for new investment.
- Incentive schemes for promotion of **new champion sectors** such as solar PhotoVoltaic (PV) manufacturing; advanced cell battery storage etc.

Key Points

Breaking down walls

Finance Minister Nirmala Sitharman announced a set of structural reforms across sectors as a part of the efforts to boost a sagging economy



COAL

Commercial mining on a revenue sharing basis to be introduced. Companies in the private sector will be allowed to carry out exploration



MINERALS

Composite exploration-cum-mining-cum-production regime for minerals to be announced. 500 mining blocks will be auctioned



DEFENCE

A list of weapons/platforms for ban on import will be notified. FDI limit in manufacturing under automatic route to be raised to 74%



CIVIL AVIATION

Restrictions on utilisation of the airspace will be eased so that flying becomes efficient. Now, only 60% of the airspace is freely available



POWER

Power departments/utilities and distribution companies in U.T.s to be privatised. It will be in line with the tariff policy which is to be announced



SPACE

Privatisation to be introduced. Planetary exploration, outer space travel to be opened to the private sector



ATOMIC ENERGY

Research reactor in PPP mode to be set up for the production of medical isotopes



- **Coal Sector:**
 - **Commercial Mining:**
 - The introduction of commercial mining will **remove the government monopoly** in coal mining. India has the third-largest coal availability within its untapped mines and yet India still imports coal.
 - Commercial mining will be introduced on the basis of a **revenue-sharing mechanism**. The government will receive a share of the gross revenue from the sale of coal but will not be involved with the cost incurred.
 - **Coal Gasification/Liquefaction:**

It will be **incentivised** through rebate (partial refund) in revenue share to lower the environmental impact. It is also expected to assist India in switching to a gas-based economy.
 - **Infrastructure Investment:**

The infrastructure development worth of **Rs. 50,000 crores** will be done to achieve the Coal India Limited's (CIL) target of 1 billion tons coal production by 2023-24 plus coal production from private blocks.
 - **Coal Bed Methane (CBM) Extraction :**

These extraction rights to be auctioned from Coal India Limited's (CIL) coal mines.
 - **Mining Plan Simplification:**

Ease of Doing Business measures, such as Mining Plan simplification, will be considered. It is expected to increase annual production by 40%.
- **Mineral Sector:**
 - **Exploration-cum-Mining-cum-Production Regime:**

500 mining blocks would be offered through an open and transparent auction process under this composite regime.
 - **Joint Auction of Bauxite and Coal Mineral Blocks:**

It aims to enhance the aluminium industry's competitiveness by reducing the cost of electricity generation.
 - **Captive and Non-captive Mines:**
 - The government has decided **to remove the distinction between captive and non-captive mines** to allow the transfer of mining leases and the sale of surplus unused minerals, leading to better efficiency in mining and production.
 - The captive mines are that produce minerals for use by the same company.

- **Defence Sector:**
 - **Revision of FDI Limit:**

The FDI limit in defence manufacturing under automatic route will be **raised from 49% to 74%**.
 - **Project Management Unit:**

The government is expected to begin time-bound defence procurement and faster decision making by setting up a Project Management Unit (PMU) to support contract management.
 - **Reduction in Defence Import Bill:**

The government will notify a list of weapons/platforms banned for imports and thus such items can only be purchased from India.
- **Civil Aviation:**
 - **Efficient Airspace Management:**
 - The restrictions on the utilisation of Indian airspace will be eased so that the flying of civilian aircraft becomes more efficient. Such utilisation is expected to bring in **benefits of nearly Rs 1,000 crore per year**.
 - It will also lead to optimal utilization of airspace, reduction in fuel use, time and will have positive environmental impact.
 - Currently, **only 60% of India's airspace is freely available** and thus airplanes have been flying to most destinations through longer routes hence more fuel is used in the process and the customers end up paying more.
 - **Airports Development through PPP :**

In addition to the existing ones, six more airports will be auctioned under the Public-Private-Partnership (PPP) model for its development.
 - **India- a global hub for Aircraft Maintenance, Repair and Overhaul (MRO):**
 - The aircraft component repairs and airframe maintenance is intended to increase from **Rs 800 crore to Rs 2,000 crore in three years**.
 - The convergence between the Defence sector and the civil MROs will be established to bring down the maintenance cost of airlines.
- **Power Distribution Sector:**
 - **Tariff Policy Reforms:**

The tariff policy reforms will be announced in the future. The reforms are expected to focus on the consumer rights, promotion of industry and sustainability of the sector.
 - **Privatization of Distribution in UTs :**
 - The power departments/utilities in Union Territories will be privatised.
 - It is expected to improve the operational and financial efficiency in Distribution.

- **Social Infrastructure Projects:**
 - **Investments through Viability Gap Funding:**
 - The government is expected to invest Rs 8,100 crores through Viability Gap Funding (VGF).
 - Currently, most of the projects are supported by centre/states/statutory bodies **with 20% as VGF**. But the Centre will be **increasing** its share in VGF to **30% in the future**.
 - The above benefits will be provided if the projects will be proposed by Central Ministries/ State Government/ Statutory entities.
 - Viability Gap Funding (VGF) signifies a grant, one-time or deferred, provided to support infrastructure projects that are economically justified but fall short of financial viability. The lack of financial viability usually arises from long gestation periods and the inability to increase user charges to commercial levels.
- **Space Sector:**
 - **Participation of the Private Sector:**
 - The government will be providing a level playing field for private companies in satellites, planetary exploration, outer space travel, launches and space-based services.
 - Such private players will also be allowed to use ISRO's facilities and other relevant assets to improve their capabilities.
 - **Liberal Geo-spatial Data Policy:**

There will also be a liberal geo-spatial data policy for providing remote-sensing data to tech-entrepreneurs.
- **Atomic Energy:**
 - **Research Reactor in PPP Mode:**
 - It will help to produce medical isotopes for affordable treatment of cancer and other diseases.
 - It will also generate facilities to use **irradiation technology for food preservation**. This will complement agricultural reforms and assist farmers.
 - **Technology Development cum Incubation Centres :**

These centres will be set up to act as a link between India's robust start-up ecosystem to the nuclear sector.

Criticism

- It is considered to be less of a stimulus and **more of industrial reforms**, which could have been announced at any time.
- It has been also observed that the only direct budgetary cost in this tranche was the Rs. 8,100 crore to be provided as a raised 30% viability gap funding to boost private investment in social sector infrastructure.

- The fourth tranche covered sectors of strategic importance but these policies will be rolled out over a 3-6 month period, and any implication for supporting or reviving the economy as it comes out of lockdown is missing.

Source:IE