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Economic and Social Commission for Asia and the Pacific

Committee on Macroeconomic Policy, Poverty Reduction and Financing for Development – Third Session

India

Country Statement

Agenda 2: Towards an inclusive, resilient and sustainable economic recovery from the coronavirus disease pandemic

Mr. Chair and distinguished delegates,

We would take this opportunity to place our appreciation on record for the comprehensive technical notes prepared by UNESCAP Secretariat.

Post-COVID, India's economic recovery has gained momentum in the recent months, enthused by ebbing of second wave, fast-paced vaccinations, and enhanced mobility, which is currently at around 90% of pre-pandemic level. India's vaccination drive continues to set new milestones with more than 986.8 million cumulative doses administered so far, the second highest among all countries. As on 19th October 2021, more than 80% of India's adult population have received at least one dose of vaccination while more than 33% have been administered both doses. The National income data for April-June quarter (FY2021-22) reaffirms India's resilient V-shaped recovery despite a more brutal second wave. The momentum of India's economic recovery witnessed since second half of FY 2020-21 did get disrupted by the second wave. However, the rapid surge in vaccination coverage from 6.4% of the adult population with at least first dose at end-March 2021 to more than 80% of the adult population in mid-October 2021, contained the sequential decline in output.

Government of India has introduced a number of measures to boost investment and support broad-based and inclusive economic development to help the post-pandemic recovery. Every policy which was introduced also had some structural reform component complementing the policy. Key structural reforms like deregulation of the agricultural sector, change in definition of MSMEs, new PSU policy, commercialization of coal mining, higher FDI limits in defence and space sector, development of Industrial Land/ Land Bank and Industrial Information System, revamp of Viability Gap Funding scheme for social infrastructure and a new power tariff policy have a significant impact on the recovery process which India is currently witnessing.

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India's endeavour is to ensure a robust growth and a sustainable development path while combating the climate change risks on best effort basis. India's per capita emission of greenhouses gases is quite low as compared to other developed countries. Moreover, India has taken a number of initiatives on both mitigation and adaptation strategies with emphasis on clean and efficient energy system; resilient urban infrastructure; water conservation & preservation; safe, smart & sustainable green transportation network; planned afforestation, as well as by supporting various sectors such as agriculture, forestry, coastal and low-lying systems and disaster management. India also remains steadfast in its commitments to join and lead efforts to combat climate change within the multilaterally agreed conventions and its Paris Agreement. International Solar Alliance and Coalition for Disaster Resilient Infrastructure are evidence of India's serious action at the international level.

India's proactive climate actions mainly rely on the domestic budgetary resources. Climate finance is indeed critical to fulfil the execution of NDC targets submitted by India in a timely manner.

Climate finance is an obligation of the developed countries as a part of their historical responsibility as they are the major contributors to the stock of GHG in the atmosphere accumulated since the industrial revolution. The lack of required momentum in the scope, scale and speed of climate finance from developed to developing countries needs to be addressed. The enhanced new and additional financial resources, technological support and support in capacity building should be mobilized and delivered to strengthen the on-going climate actions in developing nations like India. The section on "Supporting the transition towards a green economy" in the note rightly emphasizes the role of public finance in climate change actions towards mitigation and adaptation. However, it does not include any references to the financial and technological support to developing countries from developed countries for climate actions, which has been agreed to under the Paris Agreement.

The Agenda note puts forth fiscal policy options to help to secure public buy-in – financial compensation for affected households and economic sectors, in the form of either a lump-sum rebate, income tax credits or social welfare benefits; and also through clearly communicating with the public about the purpose that the remainder of the carbon tax revenue will serve, such as to incentivize green technologies and innovations. These policy suggestions

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might be appropriate for developed economies. However, they are unsuitable for developing economies since they fail to take into account the fiscal stress of such policies on developing country governments, already woefully short of financial resources for climate mitigation and adaptation. Nevertheless, Government of India is providing financial compensation for the Covid-affected families.

It is also not appropriate to compare the stringency of GHG mitigation policies across developed and developing countries given their diversity both in terms of the level of development and the responsibility they owe due to past emissions. The Paris Agreement talks of global peaking of GHGs by second half of this century with developed countries taking the lead and recognizing that developing countries will take more time. Thus, a common carbon price floor assumes away the diversity among countries, especially the deep wedge between the developed and developing countries and is contrary to the principle of common but differentiated responsibilities and respective capabilities (CBDR-RC), the bedrock of the Paris Agreement.

Mr. Chair,

While conceptualizing fiscal incentives for green private investments, it may be noted that in addition to using public procurement as a tool in the transition towards the green economy, governments also have at their disposal fiscal incentives to promote green investment by the private sector. Examples of these incentives include reduced or zero corporate income tax rates; exemptions from indirect taxes such as import duties; investment allowances and tax credits; and accelerated depreciation of capital goods. In this regard, however, it is important to avoid incentivizing activities that would have been carried out regardless and avoid guiding markets to adopt less-than-optimal green technologies.

We would like to mention that while green public procurement must be mandated in developed countries on account of CBDR-RC, there are limitations to expand its coverage in developing countries. The respective section in the note does not take into account the fiscal implications of green procurement on developing economies and transition support required by economic sectors towards lower carbon pathways. Moreover, given that this agenda note discusses post COVID recovery, this has the potential to exacerbate the debt crisis faced by several developing economies.

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Thank you.