Monthly Policy Review

May 2017

Highlights of this Issue

GST Council approves tax rates for goods and services (p. 3)

Goods and services will be taxed under the following slabs: 0%, 5%, 12%, 18% and 28%. In addition, a cess will be levied on a few goods in the 28% tax slab.

Banking Regulation (Amendment) Ordinance, 2017 promulgated (p. 4)

The Ordinance allows the RBI to direct banks to initiate insolvency resolution in case a borrower defaults on loan repayment. Further, it allows the RBI to set up committees to advise banks on resolution of stressed assets.

GDP grows at 6.1% in the fourth quarter of 2016-17; at 7.1% in 2016-17 (p. 2)

Gross Value Added grew at 5.6% in this quarter. Growth in the mining and services sectors increased, while that in the manufacturing sector decreased over the third quarter of 2016-17. Construction activity contracted.

Changes made in the methodology to calculate IIP and WPI (p. 2, 3)

The base year for both the metrics has been changed from 2004-05 to 2011-12. Number of items have been increased under the IIP, and the weightage to items has been changed under the WPI, among other changes.

IIP increased by 2.8% in Q4 of 2016-17; grows at 5% in 2016-17 (p. 2)

Index of Industrial Production rose to 5% with calculations based on the new methodology (base year 2011-12). It would have been 0.7% under the old methodology (base year 2004-05).

Urban Development Ministry releases Transit Oriented Development (TOD) Policy (p. 5)

The Policy provides for: (i) high density mixed land use development around transit stations and transit corridors, (ii) mandatory and inclusive housing in TOD projects, and (ii) multi-modal integration of various transport modes.

Cabinet approves National Steel Policy 2017 (p. 6)

The Policy seeks to: (i) increase annual per capita steel consumption to 160 kg by 2030-31, (ii) reduce import of coking coal to 65% by 2030-31, and (iii) establish the domestic industry as a cost-effective and quality producer.

Defence Acquisition Council finalises outline of policy on strategic partnerships (p. 12)

The new policy seeks to set up long-term 'strategic partnerships' with qualified Indian defence companies for manufacture of fighter aircrafts, submarines and armoured vehicles.

Model State/ UT Agricultural Produce and Livestock Marketing Act, 2017 released (p. 10)

The model Act seeks to facilitate reforms related to agricultural marketing, including creating a unified market area, enabling free flow of agricultural produce and facilitating direct interface of farmers with exporters or end users.

Law Commission recommends amendments to bail provisions (p. 9)

It recommended that when a person is arrested without a warrant, the circumstances of such an arrest must be examined by a Magistrate. Further, financial obligations may be imposed as a bail condition only as a last resort.

India signs agreements with Germany, Palestine, Spain and Turkey (p. 12)

India's agreements with Germany are related to health, railway safety and cyber policy, among other things. Agreements signed with Palestine affect diplomatic cooperation, telecom and information technology, and media.

Cabinet approves implementation of Maternity Benefit Program across all districts (p. 9)

The Cabinet approved the implementation of the Maternity Benefit Program across all the districts in the country. It is a conditional cash transfer scheme to compensate the wage loss of pregnant women and lactating mothers.

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Macroeconomic Development

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GDP grows at 6.1% in the fourth quarter of 2016-17; at 7.1% in 2016-17

The Gross Domestic Product (GDP) of the country grew at 6.1% in the fourth quarter (January to March) of 2016-17.[1] GDP growth across economic sectors is measured in terms of Gross Value Added (GVA). GVA growth of the country fell from 6.7% in the third quarter to 5.6% the fourth quarter of 2016-17.

Mining sector witnessed the highest growth, from 1.9% (year-on-year) in the third quarter of 2016-17, to 6.4% in the fourth quarter. On the other hand, growth in the construction sector saw a decline from 3.4% to -3.7%. Growth in the manufacturing sector also decreased considerably, from 8.2% to 5.3%.

GDP showed a growth rate of 7.1% in 2016-17, lower than 8% in 2015-16.

Table 1: Gross Value Added across sectors in Q4 of 2016-17 (% growth year-on-year)

Sector	Q4 2015-16	Q3 2016-17	Q4 2016-17
Agriculture	1.5	6.9	5.2
Mining	10.5	1.9	6.4
Manufacturing	12.7	8.2	5.3
Electricity	7.6	7.4	6.1
Construction	6.0	3.4	-3.7
Services	10.0	6.9	7.2
GVA	**8.7**	**6.7**	**5.6**
GDP	**7.9**	**7.0**	**6.1**

Note: GVA is GDP without taxes and subsidies, at basic prices (2011-12 base year).
Sources: MOSPI; PRS.

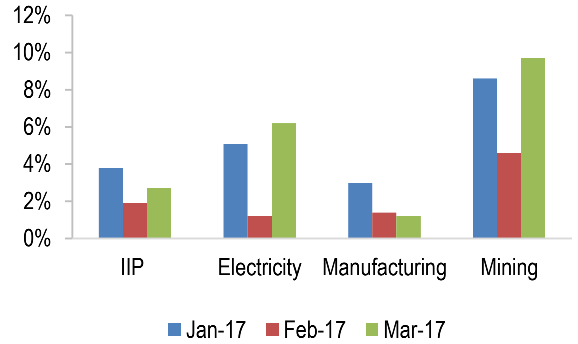
Index of Industrial Production recast; IIP increased by 2.8% in Q4 of 2016-17

The Central Statistics Office recast the Index of Industrial Production (IIP).[2] IIP measures the volume changes in production, in the sectors of mining, electricity, and manufacturing. Major changes made in the IIP series include:[3]

- The base year of the series has been revised from 2004-05 to 2011-12. This revision also aligns the IIP with the base year of other macroeconomic indicators, including the Gross Domestic Product and the Wholesale Price Index.
- The number of items have been increased from 620 to 809. Of these 809 items, 405 item groups pertain to the manufacturing sector, an increase from 397 item groups in the old series. Mining and electricity sectors will continue to be represented by a single item index.
- Two new categories, 'primary goods' and 'infrastructure/ construction goods' have been added. Primary goods category replaces the existing 'basic goods' category and will consist of mining, electricity and fuels and fertilizers. Infrastructure/ construction goods will comprise paints, cement, cables, bricks and tiles, rail materials, etc.
- The new series will include data on electricity generated from renewable sources, due to their increasing significance.
- Data on capital goods (e.g., machinery items) will be captured in terms of work in progress to avoid reporting of production figures in bulk after the completion of production.

IIP increased by 2.8% in the fourth quarter (January to March) of 2016-17, as compared to the same period in 2015-16.[2] Mining production saw the highest increase of 7.7% in this quarter, followed by an increase of 4.3% in electricity production and 1.8% in manufacturing. Figure 1 shows the change in industrial production in the fourth quarter of 2016-17. In 2016-17, IIP grew at 5%, as compared to 5.8% in 2015-16.

Figure 1: Industrial production change in Q4 of 2016-17 (year on year % change)



Sources: Press Information Bureau, Ministry of Statistics and Programme Implementation; PRS.

Table 2 shows a comparison of the annual growth rate of IIP at sectoral level in 2016-17 at base year 2004-05 and 2011-12.

Table 2: Annual growth rate of IIP in 2016-17 (in %)

Sector	Old IIP Base Year 2004-05	New IIP Base Year 2011-12
Electricity	4.7	5.8
Manufacturing	-0.1	4.9
Mining	2.2	5.3
IIP	**0.7**	**5.0**

Sources: MOSPI; PRS.

Changes made in the methodology to calculate the Wholesale Price Index

The Department of Industrial Policy and Promotion under the Ministry of Commerce and Industry revised the base year of Wholesale Price Index (WPI) from 2004-05 to 2011-12.[4] WPI measures the average change in the prices of commodities for bulk sale at the level of early stage of transactions.[5]

The revision was done to: (i) capture structural changes in the economy, and (ii) improve the coverage and the representativeness of the metric. This revision also aligns the base year of the WPI with the base year of other macroeconomic indicators, including the Gross Domestic Product and the Index of Industrial Production.

Key features of the new series include:

- The number of items in the basket have been increased from 676 to 696. A total of 199 items have been added and 146 items have been removed.
- The weight of 'primary articles' group (includes vegetables and fruits) has increased from 20.1% to 22.6%, whereas the weight of 'fuel and power' group has declined from 14.9% to 13.2%. The weight of 'manufactured products' group has declined from 64.9% to 64.2%.
- Indirect taxes have been excluded while compiling indices of manufactured products. This has been done to avoid the implications of fiscal policy on the prices of items at the stage of production. The exclusion will also ensure compatibility of the series with GST.
- A new 'WPI Food Index' will be compiled to capture the rate of inflation in food items. This index will take the aggregate of WPI for food products under manufacture products and food articles under primary article.

Finance

GST Council approves tax rates under the Goods and Services Tax

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The Goods and Services Tax (GST) Council approved rates of several goods and services under GST.[6] The Council, consisting of representatives from the centre and states is responsible for deciding tax rates of goods and services under GST, among others.

The Council decided to levy zero tax rate on a few goods such as pulses and cereals. The rest of the goods and services are largely classified into four tax slabs – 5%, 12%, 18% and 28%. In addition, some goods in the 28% category will be levied an additional cess.

Table 3: Tax rates of various goods and services under GST

Rate	Goods	Services
0%	▪ Wheat ▪ Rice ▪ Oats	
5%	▪ Tea and Coffee ▪ Medicines ▪ Edible oils	▪ Transport by rail ▪ Air transport by economy class
12%	▪ Butter and Cheese ▪ Sanitary napkins ▪ Mobile phones ▪ Dry fruits ▪ Tractors ▪ Agarbatti	▪ Air transport by business class ▪ Non-AC Restaurant without liquor license
18%	▪ Toothpaste ▪ Soap bars ▪ Computers ▪ Default rate for unspecified items	▪ Restaurant with liquor license ▪ AC Restaurant
28%	▪ Chocolate ▪ Shampoo ▪ Washing machine ▪ Air conditioner	▪ Entertainment (such as cinemas and theme parks) ▪ Gambling ▪ Restaurants in five star hotels
28% + cess	▪ Aerated drinks + 12% ▪ Petrol cars + 1% Diesel cars + 3% ▪ Big cars + 15%	

Sources: Press Information Bureau; PRS.

Banking Regulation (Amendment) Ordinance, 2017 promulgated

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The Banking Regulation (Amendment) Ordinance, 2017 was promulgated.[7] It inserts provisions in the Banking Regulation Act, 1949 to deal with cases related to stressed assets. Stressed assets are loans where the borrower has defaulted on repayment or where the repayment schedule has been restructured.

Key provisions of the Ordinance include:

- **Initiating insolvency proceedings:** The centre may authorise the Reserve Bank of India (RBI) to issue directions to banks for initiating proceedings in case of a default in loan repayment. These proceedings would be under the Insolvency and Bankruptcy Code, 2016.

  Subsequent to the promulgation of the Ordinance, the Finance Ministry authorised the RBI to issue directions to banks that it considers necessary to initiate insolvency proceedings.[8]

- **Directions on stressed assets:** The Ordinance allows the RBI to issue directions to banks for resolution of stressed assets. Further, it may specify authorities or committees to advise banks on resolution of stressed assets. The members on such committees will be appointed or approved by the RBI.

A PRS Ordinance summary is available here.

Cabinet approves policy for preferential domestic procurement by the government

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The Union Cabinet approved a policy to give preference to local suppliers for government procurements.[9] Local suppliers are defined as those who supply goods and services, with 50% of their value added domestically. Key features of the policy include:

- **Procurement of less than Rs 50 lakh:** Only local suppliers will be eligible if the nodal Ministry decides that sufficient local capacity and competition exists.

- **For procurements of over Rs 50 lakh:** If the lowest bid is from a non-local supplier, the lowest local supplier will be given an opportunity to match the bid. If the order can be divided, the lowest bidder would get half the order, and the local supplier, if he matches the lowest bid will get the other half of the order.

- Small purchases of less than Rs five lakh will be exempt from this policy.

A standing committee of the Department of Industrial Policy and Promotion will oversee the policy implementation.

Draft Fugitive Economic Offenders Bill, 2017 released

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The draft Fugitive Economic Offenders Bill, 2017 was released by the Ministry of Finance.[10] The draft Bill seeks to address the issue of economic offenders such as loan defaulters, who evade the law by remaining out of the country.

In this context, the Ministry stated that the provisions of the current laws are not adequate to deal with high economic offenders (such as offenses or loan defaults of high value).[11] The provisions of laws such as Insolvency and Bankruptcy Code, 2016 and SARFAESI Act, 2002 address the issue of non-repayment of debt by debtors. However, they do not have provisions to deal with debtors who absconded from India when criminal cases were pending. The Code of Civil Procedure, 1973 provides for attachment of property of individuals who absconded from India. However, in the case of large loan defaults, court proceedings may happen in several courts across the country, and may lead to conflicting orders to attach the properties of the absconder.

Key features of the draft Bill include:

- A fugitive economic offender has been defined as a person against whom an arrest warrant has been issued and he: (i) has left the country, or (ii) refuses to come back to the country.

- An application may be filed before a Special Court (designated under Prevention of Money Laundering Act, 2002) to declare an individual a fugitive economic offender. The individual's property may be provisionally attached for a period of 180 days.

- If the person is declared an offender, his property will be confiscated. An Insolvency Professional under the Insolvency and Bankruptcy Code, 2016 will be appointed to dispose the property and distribute the proceeds amongst the offenders' creditors.

Threshold for decision making under Joint Lenders Forum lowered

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The Reserve Bank of India (RBI) lowered the requirements for finalising a corrective action plan to address loan defaults, under the Joint Lenders' Forum (JLF).[12]

JLF is a committee required to be constituted if a debtor owing over Rs 100 crore to banks defaults on loan repayment.[13] It comprises representatives of these banks, who are required to evolve a corrective action plan to resolve the situation. A corrective action plan will be implemented if 75% of the creditors by value, and 60% of the creditors by number in the JLF agree. This threshold has been lowered to allow a plan to be implemented if 60% of the creditors by value and 50% of the creditors by number on the JLF agree.

NEFT transaction settlement frequency increased to half-hourly intervals

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The RBI announced that the frequency of settling transactions under the National Electronic Fund Transfer (NEFT) system would be increased from July 10, 2017 onwards. Under NEFT, any person may electronically transfer funds to other bank accounts across the country.

Currently, transfers under NEFT are settled on an hourly basis from 8 AM to 7 PM on all working days. This is proposed to be increased to half-hourly intervals by adding 11 additional settlement batches.

Industry and Commerce

Cabinet approves abolishing Foreign Investment Promotion Board

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The Union Cabinet approved the abolition of the Foreign Investment Promotion Board (FIPB).[14] FIPB is responsible for clearing Foreign Direct Investment (FDI) proposals in cases where government approval is required. Finance Minister, Mr. Arun Jaitley had announced the abolishment of FIPB in Union Budget, 2017.

Following the abolishment of FIPB, the approval of FDI proposals where government approval is required, will be approved by the concerned Ministries, in consultation with the Department of Industrial Policy and Promotion.

Urban Development

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Cabinet approves amendments to the Public Premises (Eviction of Unauthorized Occupants) Act, 1971

The Union Cabinet approved amendments to the Public Premises (Eviction of Unauthorized Occupants) Act, 1971.[15] The Act provides for the speedy eviction of unauthorised occupants from public premises.

The Act defines public premises, to which its provisions extend. These include: (i) premises taken on lease by the central government, and (ii) premises belonging to or leased by companies in which the central government owns at least 51% shares (including subsidiaries of these companies). The amendments add the definition of residential accommodation occupation, and provisions relating to eviction from such accommodation.

The Act provides for Estate Officers, and outlines the process that must be followed by these officers in determining whether the premises are in unauthorised occupation. It also provides for the process of carrying out the process of eviction from such premises. The amendments seek to enable the Estate Officer to not have to follow certain procedures with regard to evictions from such premises. Further, on failure to comply with the eviction order, the Estate Officer may evict such premises and take possession, and may use such force as may be necessary.

Ministry of Urban Development releases Transit Oriented Development Policy

The Ministry of Urban Development released the National Transit Oriented Development (TOD) Policy.[16] TOD seeks to integrate land use and transport planning, and develop planned sustainable urban growth centers. It focuses on creating high density mixed land use development in the influence zone of transit stations and along transit corridors. Influence zone is the area around a transit station, within walking distance of 500 to 800 mt. Key features of the policy include:

- **Need for the policy:** To meet the growing demand for travel as a result of their expansion, cities are implementing transit systems such as metro rail, and bus rapid transit systems. The National TOD Policy will be a guiding document for all government agencies planning such public transport strategies.

- **Vision:** The vision of the policy is to: (i) assist cities in transforming from a private vehicle dependent city to a public transport oriented city by making it more accessible, (ii) promote usage of public transport, and (iii) create compact and walkable communities.
- **Objectives:** Objectives of the policy include: (i) promoting mixed land use development (commercial and residential areas together) in the influence zone thus reducing the need for travel, (ii) establishing a dense road network within the transit development area for safe and easy movement and connectivity of non-motorised transport and pedestrians, and (iii) integrating the economically weaker sections and affordable housing in the influence zone.
- **Mandatory and inclusive housing:** Housing in the influence zone should have a mix of all economic groups. Cities must fix a minimum percentage (30% or higher) of the allowed floor area ratio (ratio between total covered area of a building and the plot area) for affordable housing in the influence zones.
- **Statutory framework:** The TOD policy should be notified as part of the Master Plan or Development Plan of the city. The influence zone of the TOD must be clearly notified by the concerned authority.
- **Multimodal integration:** The transit system must have seamless physical connectivity, information integration, and fare integration across different travel modes. The hierarchy of the facilities at the transit system should prioritize pedestrians first, followed by bicycles, feeder buses, drop-off facilities, and park and ride facility.

Scheme for disbursal of performance grant to ULBs released

The Ministry of Urban Development released a scheme for the disbursal of performance grants to urban local bodies (ULBs) (as per the 14th Finance Commission recommendations).[17] This will be applicable for the remaining period of the 14th Finance Commission, that is, from 2017 to 2020. The Commission had recommended performance grant of Rs 17,429 crore for ULBs for 2015-20. While the Finance Commission provided the basic conditions to avail the performance grants, the scheme provides further details on the scoring criteria. For a ULB to be eligible, it should meet the following additional criteria:

- **Audit of annual records:** The ULB will have to submit audited annual accounts of a year. The accounts should not be older than two years than the year in which it seeks to claim the performance grant. The scheme provides that the maximum score on fulfilment of this criterion will be 10.
- **Increase in own revenue sources:** The ULB will have to show an increase in its own revenues over the preceding year, as reflected in their audited accounts. The scheme provides that: (i) ULBs that recover more than 70% of their revenue expenditure will get a maximum score of 20; (ii) ULBs that spend 20% of their expenditure towards asset creation and capital expenditure will get a maximum score of 20 (40% for cities covered under AMRUT scheme).
- **Publishing of service level benchmarks:** The ULBs must measure and publish the service level benchmarks relating to basic urban services each year for the period of the award. A maximum score of 15 will be given for coverage of water supply by the ULB. A score of 10 will be given for ensuring 24x7 water supply to all public toilets, and scientific processing of more than 50% of the city's waste.

ULBs that score above 60 as per the specified criteria will be awarded the performance grants. If no ULB in a particular state is eligible for the performance grant, the state will not receive any performance grant from the central government in that year.

Coal and Steel

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Cabinet approves National Steel Policy 2017

The Union Cabinet approved the National Steel Policy 2017.[18,19] India became the third largest steel producer in the world with a production of 90 MT and a capacity of 122 MT in 2015-16. Post 2011, with a slowdown in global demand and over-capacity of steel in countries such as China, global prices of steel began to decline. This adversely affected the Indian steel market which witnessed a surge in imports, low profitability, lower capacity utilization and even closure of steel plants in some cases.

The Policy seeks to create a self-sufficient steel industry that is technologically advanced, and globally competitive. It also seeks to achieve cost-efficient production and domestic availability of iron ore, coking coal, and natural gas. Key policy guidelines include:

- **Objectives:** Some of the objectives include: (i) increasing annual per capita steel consumption to 160 kg by 2030-31 (currently 61 kg), (ii) increasing domestic availability of washed coking coal and reducing import of coking coal from 85% to 65% by 2030-31, and (iii) establishing the domestic industry as a cost-effective and quality steel producer.
- **Steel demand and capacity:** Steel demand will be driven by increasing investment in infrastructure, expansion of railways network, development of domestic ship-building industry, etc. Based on the demand projections, steel production capacity of 300 MT will be required by 2030-31. However, this will require extensive mobilization of natural resources, finances, manpower, and infrastructure. Creation of such additional capacity will also require a capital investment of about Rs 10 lakh crore.
- To improve production, the Ministry of Steel will facilitate setting up of SPVs in mineral rich states of Odisha, Chhattisgarh, Jharkhand and Karnataka. Steel plants will be set up along the coast under the Sagarmala project. In addition, steel clusters will be set up for the MSME steel sector to take advantage of common use of land and infrastructure.
- **Land requirement:** Growth of the Indian steel industry has been affected due to delays in land acquisition. In order to increase steel production capacity, around 91,000 acres of land will be required. The Steel Ministry will coordinate with respective state governments to ensure timely availability of litigation-free land to the industries.

Cabinet approves new coal linkage scheme, SHAKTI

The Cabinet Committee on Economic Affairs approved the signing of Fuel Supply Agreement (FSA) with Letters of Assurance (LoAs) holding thermal power plants.[20] The new scheme will be known as Scheme for Harnessing and Allocating Koyala (Coal) Transparently in India (SHAKTI).

Currently coal is supplied to thermal power plants as per the National Coal Distribution Policy, 2007. Under this policy, the Standing Linkage Committee under the Ministry of Power recommends the issuance of LoAs to power plants. LoA holders that meet certain milestones are entitled to enter into FSAs with coal companies for the long-term supply of coal. The new scheme proposes moving towards an auction system for allocation of such linkages (except for central and state generation companies, and certain exemptions provided in the Tariff Policy, 2016).

Key features of the scheme include:

- Thermal power plants with LoA will be eligible to sign FSA after ensuring that the plants are commissioned, respective milestones are met, and all specified conditions of the LoA are fulfilled within specified timeframe. The plants must be commissioned before March 31, 2022.
- Thermal power plants that could not be commissioned by March 31, 2015 will now be eligible for coal drawal if they are commissioned before March 31, 2022.
- Future coal linkages will be granted as per the following:

i. **Central and state generating companies:** On the recommendation of the Ministry of Power;

ii. **Independent power producers with Power Purchase Agreements (PPAs) (based on domestic coal):** On the basis of auction;

iii. **Independent power producers without PPA:** Auction where bidding for linkage will be done over the Notified Price of Coal Company;

iv. **States:** Linkages will be earmarked to states where any linkage quantity unutilized for two years lapses. States may indicate the earmarked linkages to the power distribution companies;

v. **Ultra Mega Power Plants (UMPPs):** Linkages, for full normative quantity, will be granted for setting up UMPPs.

Cabinet approves providing preference to domestically manufactured iron and steel products

The Union Cabinet approved a policy to provide preference to domestically manufactured iron and steel products in government procurement.[21,22] The policy will be applicable to iron and steel products specified in the policy document, that comply with the prescribed quality standards. Certain government procurements may be waived if: (i) specific grades of steel are not manufactured in the country, or (ii) the quantities as per the demand of the project cannot be met through domestic sources. Key policy guidelines include:

- **Value addition:** Value addition will be the difference between the net selling price and the final cost of imported input steel at a manufacturing plant in India. The policy provides the formulae for calculating the domestic value addition.
- **Standing Committee:** A Standing Committee, chaired by the Secretary (Steel) will be constituted under the Ministry of Steel to oversee the implementation of the policy. The Committee will constitute of experts from the steel industry and the Ministry. The Committee will review and notify the list of iron and steel products, and the minimum value addition criterion for the products. It will also set up a grievance redressal committee.
- **Self-certification of products:** Each domestic manufacturer will furnish an affidavit of self-certification to the procuring government agency. The affidavit will declare that the iron and steel products are domestically manufactured as per the domestic value addition prescribed.
- **Grievance redressal:** In case a complaint is received by the procuring agency against the claim of a bidder regarding the domestic value addition in iron and steel products, the procuring agency will have full rights to inspect and examine all the related documents and take a decision. In case, the matter is referred to the Ministry of Steel, the grievance redressal committee set up under the Ministry will dispose of the complaint within four weeks of its reference and receipt of all documents from the bidder.

Water Resources

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Committee submits report on guidelines for works on desiltation of river Ganga

An Expert Committee (Chair: Dr. M.A. Chitale) submitted its report on 'Preparation of Guidelines for Works on Desiltation from Bhimgauda (Uttarakhand) to Farakka (West Bengal) of river Ganga' to the Ministry of Water Resources, River Development and Ganga Rejuvenation in May 2017.[23] Key observations and recommendations of the Committee include:

- **Desiltation:** The Committee noted that siltation is a natural phenomenon in rivers. However, factors such as heavy rainfall, deforestation, structural interventions and enclosure of water in reservoirs increases the rate of siltation in rivers. Siltation results in the reduction in the carrying capacity of rivers and results in floods and loss of created useful storage.
- Desilting is the removal of fine silt and sediment that has collected in a river in order to restore its natural capacity, without widening or deepening of the river. Desiltation works have the potential to improve the hydraulic performance of a river. However, indiscriminate desilting can cause adverse impacts on a river's ecology and flow.
- **Principles for desiltation works:** The Committee proposed basic principles for planning and execution of desiltation works in rivers. These include:
  - (i) Catchment area treatment and watershed development activities, along with suitable agricultural practices and river bank protection/anti-erosion activities are necessary to reduce silt inflow into the river system and must be undertaken in a comprehensive manner; and
  - (ii) Dredging (desilting) should generally be avoided. The desiltation quantity should not exceed the deposition rate, i.e., the amount of boulders, pebbles, and sand deposited in river bed minus the amount transported downstream each year.
- **Guidelines for desiltation works:** For better assessment and management of desiltation works, the Committee recommended that sediment transport (sediment transported through the basin of

the river) processes must be studied along with establishing annual sediment budgets to guide desilting activities. In addition, a technical institute must be entrusted to prepare the sediment budget, and flood routing studies to substantiate the necessity of undertaking desilting activities.

A PRS summary of the report is available here.

Women & Child Development

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Cabinet approves implementation of Maternity Benefit Program

The Union Cabinet approved the implementation of Maternity Benefit Program across all districts in the country.[24] It has been implemented as the Indira Gandhi Matritva Sahyog Yojana in 53 pilot districts till now.[25] The Maternity Benefit Program is a conditional cash transfer scheme to provide compensation for the wage loss of pregnant women and lactating mothers. This is to ensure that women can take adequate rest before and after delivery (for the first living child) and are not deprived of proper nutrition.

The eligible beneficiaries are all pregnant women and lactating mothers, except the pregnant women and lactating mothers who: (i) are in regular employment with the central or state government or public sector undertakings, or (ii) are in receipt of similar benefits under any law for the time being.

A sum of Rs 5,000 will be paid to the targeted beneficiaries in three instalments for the birth of the first live child. Further, they are eligible to receive upto Rs 1,000 through existing programmes after institutional delivery.

Culture

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Cabinet approves amendment to the Ancient Monuments and Archaeological Sites and Remains Act, 1958

The Union Cabinet approved the introduction of the Ancient Monuments and Archaeological Sites Remains (Amendment) Bill, 2017.[26] The Ancient Monuments and Archaeological Sites and Remains Act, 1958 prohibits grant of any permission for new construction within the prohibited area of a centrally protected monument/site. The prohibited area is the area beginning at the limit of the protected area or the protected monument, and extends to a distance of 100 metres in all directions.[27]

Certain amendments have been approved by the Union Cabinet to make way for constructions within the prohibited area, limited strictly to public works and projects essential to public. These amendments also include a definition of the term 'public works'.

Health

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Cabinet approves setting up of new AIIMS in Kamrup, Assam

The Union Cabinet approved the establishment of a new All India Institute of Medical Sciences (AIIMS) at Kamrup, Assam.[28] It will be set up under the Pradhan Mantri Swasthya Suraksha Yojana (PMSSY). The scheme was launched in 2006 to correcting the imbalances in the availability of affordable healthcare facilities in different parts of the country.[29]

The cost of the project is Rs 1,123 crore and will be completed in a period of 48 months. The new AIIMS will consist of: (i) a hospital with a capacity of 750 beds, (ii) trauma center facilities, (iii) a medical college with an intake of 100 MBBS students per year, (iv) nursing college with an intake of 60 B.Sc. (Nursing) students per year, (v) 22 speciality and super-speciality departments including 16 operation theatres, (vi) an AYUSH department with 30 beds for providing treatment facilities in traditional system of medicine, (vii) residential complexes, and (viii) allied facilities and services, on the pattern of AIIMS, New Delhi.

Home Affairs

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Law Commission recommends amendments to bail provisions

The Law Commission of India submitted a report on "Amendments to Criminal Procedure Code, 1973 (CrPC)- Provisions Relating to Bail".[30] It also submitted a draft of the Code of Criminal Procedure (Amendment) Bill, 2017 that incorporates the recommended amendments. Key observations and recommendations of the Commission include:

- **Arrest:** Currently the CrPC allows a police officer to arrest an accused person without a warrant from a Magistrate in specified circumstances (e.g. for offences with more than seven years' imprisonment). The Commission recommended that in such cases: (i) the Magistrate must be provided the circumstances and reasons for the arrest after the arrest, and (ii) the Magistrate must examine if the circumstances meet the requirements of the CrPC.

  The Commission also recommended that the police officer must inform the accused person in a language he understands of his or her rights, and the legal procedure that will be followed.

- **Bail:** The Commission recommended that the term bail be defined under the CrPC. It defined 'bail' as the judicial interim release of an accused person held in custody, upon a guarantee that the person will appear to answer the charges against him or her at a later date.

  The Commission also recommended that financial obligations may be imposed as a bail condition only as the last resort, when no other method is likely to work.

- **Anticipatory bail:** The CrPC allows a person who has reason to believe he may be arrested in the future, to apply to a court for anticipatory bail. The Commission observed that anticipatory bail be granted with caution, and recommended that it must remain valid for a limited time period (as decided on a case-by-case basis by the court).

- **Maximum period of detention for under trials:** The CrPC provides the maximum period for which a person may be detained for an offence during investigation and trial. This is specified as half of the period of imprisonment specified for that offence under law. The Commission recommended that this provision be modified to: (i) one-third of period of imprisonment, for offences punishable with upto seven years' imprisonment, and (ii) one-half of period of imprisonment, for other offences.

Comments invited on increase of seats in the Sikkim Assembly

The Ministry of Home Affairs has invited comments on a proposal to increase the strength of the Sikkim Legislative Assembly to 40 seats.[31] The current strength of the Assembly is 32. The proposal involves making amendments to the Representation of People Act, 1950. Last date for submitting comments is June 26, 2017.

Table 4: Composition of the Assembly

Community	Current Strength	Proposal
Bhutia-Lepchas	12	12
Limboo-Tamang	-	5
Sangha	1	1
Scheduled Castes	2	2
Other Communities/ General	17	20
Total	**32**	**40**

Sources: Ministry of Home Affairs; PRS.

Transport

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Cabinet approves amendments to the Central Road Fund Act, 2000

The Union Cabinet approved amendments to the Central Road Fund Act, 2000.[32] The proposed amendments seek to allocate 2.5% of the proceeds from the Central Road Fund (CRF) towards the development and maintenance of National Waterways. Such allocation would reduce the share provided from the CRF towards the development of National Highways.

The Cabinet also specified that National Waterways projects should be implemented on a Public Private Partnership basis, and government funding may be used only if private funding is not available. The Inland Waterways Authority of India has estimated an investment of around Rs 25,000 crore for the development of identified projects on National Waterways till 2022-23. The allocation of 2.5% funds from CRF would provide about Rs 2,000 crore per annum.

CRF is a non-lapsable fund and is primarily funded by the cess collected on motor spirit and high speed diesel.[33] In the Union Budget 2017-18, the allocation to CRF is estimated at Rs 46,907 crore.[34]

Agriculture

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Model Agricultural Produce and Livestock Marketing Act, 2017 released

The Ministry of Agriculture and Farmers Welfare released the model Agricultural

Produce and Livestock Marketing (Promotion and Facilitation) Act, 2017.[35] The model Act seeks to facilitate free flow of agricultural produce including livestock, provide a direct interface of farmers with the buyers and consumers, and create a barrier free single market in the country. A state or UT government can adopt this model Act. Key features of the model Act include:

- **Unified market area:** A state government may declare the whole state as a single unified market area. In such an area, a single license will be applicable for the trade of agricultural produce and livestock.
- **Market Committee:** A Market Committee will manage market yards in a specified area, and is responsible for: (i) regulating the auction of agricultural produce and livestock, and (ii) providing facilities for marketing of agricultural produce and livestock. The Committee may also link consumers with farmers through digital technology and manage these market yards through PPPs.
- **Setting up of private market yards:** Apart from market yards managed by the Market Committees, private market yards may be set up by private individuals to facilitate operations of traders, and commission agents. These can also include farmer-consumer market yards, which provide infrastructure accessible to farmers and consumers directly.
- **Single point levy of market fee:** The Market Committee shall levy a market fee from a buyer on sale of notified agricultural produce and livestock. This fee cannot exceed two percent *ad valorem* on transacted produce in case of non-perishable agricultural produce and one percent *ad valorem* in case of perishable agricultural produce and livestock.

Third advance estimates of production of major crops for 2016-17 released

The Ministry of Agriculture and Farmers Welfare released the third advanced estimates of production on major crops.[36]

The total foodgrain production is estimated to grow by 8.7% as compared to final estimates in 2015-16. This is contributed by the growth of 6.7% in production of cereals and 37% in production of pulses.

Production of oilseeds is expected to grow by 28.8%. Oilseeds include soyabean, groundnut, rapeseed-mustard, and castorseed.

Cotton production is expected to grow by 8.6% while sugarcane production expected to decrease by 12.2%.

Table 5: Third advanced estimates of production of major crops in 2016-17 (in million tonnes)

Crop	Final estimates 2015-16	3rd advance estimates 2016-17	% change over final estimate
Foodgrains	**251.6**	**273.4**	**8.7%**
Cereals	235.2	251.0	6.7%
Rice	104.4	109.2	4.5%
Wheat	92.3	97.4	5.6%
Coarse Cereals	38.5	44.4	15.2%
Pulses	16.4	22.4	37.0%
Gram	7.1	9.1	28.6%
Tur	2.6	4.6	79.7%
Oilseeds	**25.3**	**32.5**	**28.8%**
Soyabean	8.6	14.0	63.5%
Groundnut	6.7	7.7	13.6%
Rapeseed & Mustard	6.8	8.0	17.4%
Cotton*	30.0	32.6	8.6%
Sugarcane	348.4	306.0	-12.2%

*Million bales of 170 kgs each
Sources: Directorate of Economics & Statistics; PRS.

National Policy on Marine Fisheries, 2017 released

The Department of Animal Husbandry, Dairying and Fisheries released the National Policy on Marine Fisheries, 2017.[37] The Policy makes recommendations to ensure sustainable development of the marine fisheries sector. Key features include:

- **Fisheries Management:** An Ecosystem Approach to Fisheries Management will be implemented considering the marine ecosystem and stakeholders. This system will resolve conflicts among fishermen, and can include local, regional, inter-state and national fisheries councils.
- **Letter of permit scheme:** The existing letter of permit scheme to allow fishing in specified areas will be cancelled considering that the scheme has not had the expected impact on the development of deep sea fishing. An alternative mechanism for the development of the deep sea fishing sector will be considered. Entrepreneurship development, private investment, and public private partnership will be encouraged.

- **Trade:** To improve domestic marketing value chain, fishery products will be integrated with the Food Safety Standards Authority of India (FSSAI). Further, FSSAI benchmarks will be aligned with those of the Export Inspection Council and eco-labelling of important Indian fisheries will be promoted.
- **Legislation:** Central government will bring in legislation to regulate the fisheries under India's Exclusive Economic Zone. Legislations related to registration, survey and certification, sea-safety, sanitary norms for fish landing centres, etc. may be updated to meet international standards and norms (Food and Agricultural Organisation, International Maritime Organisation and International Labour Organisation). Further, legislative support will be provided to ensure protection of labourers working on vessels and tenure rights of traditional fishermen.
- **Data and Research:** A National Marine Fisheries Data Acquisition Plan to ensure reliable and timely data management will be implemented which shall involve central and state governments, research institutions and stakeholders.

Defence

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Defence Acquisition Council finalises outline of policy on strategic partnerships

The Defence Acquisition Council finalised the broad outline of the policy for manufacture of high-technology defence equipment in India.[38] The Council, chaired by the Defence Minister, is responsible for defence planning and procurement of defence goods and services.

The new policy seeks to set up long-term 'strategic partnerships' with qualified Indian companies for manufacture of fighter aircrafts, submarines and armoured vehicles. In the future, strategic partnerships may be permissible in other defence segments as well.

Under the strategic partnership model, the Indian companies selected for the strategic partnership will tie up with global manufacturers. This will enable transfer of technology, and creation of domestic manufacturing infrastructure and supply chains. A copy of the policy document is unavailable in the public domain.

External Affairs

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India signs agreements with Germany, Palestine, Spain and Turkey

The Presidents of Turkey and Palestine visited India, and Prime Minister Modi visited Germany and Spain this month. Key agreements signed with the countries are mentioned below:

Turkey: India and Turkey signed five agreements related to cooperation in agriculture, health, information technology, sports and diplomatic engagements.[39]

Palestine: India and Palestine signed five agreements related to various sectors, including diplomatic cooperation, telecom and information technology, culture and media.[40]

Germany: India and Germany signed 12 agreements related to several sectors, including health and alternative medicine, railway safety, urban development, skill development and cyber policy.[41]

Spain: India and Spain signed seven agreements related to renewable energy, cyber security, civil aviation, security, diplomatic cooperation, etc.[42]

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