

# **Monthly Policy Review**

### August 2018

### **Highlights of this Issue**

### GDP grows at 8.2% in the first quarter of 2018-19 (p. 2)

GDP growth rose from 5.6% in the first quarter (April-June) of 2017-18 to 8.2% in the first quarter of 2018-19. Gross Value Added grew by 8.0%. All sectors except services and mining saw an increase in growth from last year.

#### Monsoon session 2018 of Parliament ends; 18 Bills passed (p. 2)

Bills introduced in this session include the Trafficking of Persons Bill and DNA Technology Regulation Bill. Bills passed include amendments to the Prevention of Corruption Act, and to laws to increase penalty for rape.

### RBI releases Annual Report; shows that 99.3% of demonetised notes were returned (p. 3)

The report stated that demonetised notes, i.e. notes of Rs 500 and Rs 1,000 denominations, worth Rs 15.31 lakh crore were returned to the RBI. An estimated Rs 11,000 crore worth of these notes have not been returned.

### Law Commission released draft report on simultaneous elections (p. 9)

The Commission recommended that simultaneous elections may be conducted in India, through appropriate amendments. It also recommended that no-confidence motion be replaced with constructive vote of no confidence.

#### Delhi High Court de-criminalises begging (p. 9)

The court struck down provisions of the Bombay Prevention of Begging Act, 1959 which criminalised begging. These provisions were found to violate Article 14 (right to equality) and Article 21 (right to life) of the Constitution.

### Mahadayi Water Disputes Tribunal gives its final award (p. 12)

The dispute was between Goa, Karnataka, and Maharashtra. In its award, the tribunal allowed Goa access to 24 Thousand Million Cubic (TMC) feet of water, Karnataka 13.42 TMC feet, and Maharashtra 1.33 TMC feet.

### Standing Committees submit reports on various subjects (p. 13, 14, 18)

The subjects include impact of commercial exploitation of water by industries, air pollution in Delhi and NCR, impact of RBI's revised framework for resolution of stressed power assets, and functioning of FSSAI.

#### Standing Committee recommends restoration of LoUs and LoCs (p. 6)

The Committee stated that Letters of Undertaking (LoUs) and Letters of Comfort (LoCs) are important sources of cheap, short term credit, and should be restored by the Reserve Bank of India with proper safeguards at the earliest.

#### CAG submits performance audit reports on the functioning of two schemes (p. 13, 19)

The schemes are National Rural Drinking Water Programme and Pradhan Mantri Swasthya Suraksha Yojana. The CAG noted deficiencies in financial management and implementation of schemes, and gave recommendations.

### Guidelines on civil operation of drones released by DGCA (p. 15)

The guidelines provide details on the: (i) classification of drones based on weight, (ii) identification and permit requirements for such drones and the companies managing these drones, and (iii) operation guidelines.

#### Government proposes new system for giving licences to greenfield airports (p. 16)

Concessions will be awarded on a develop, build, finance, operate and transfer (DBFOT) basis, for a period of 40 years. The proposed bid parameter is the concession fee payable to the concessioning authority.

#### TRAI releases recommendations on promoting local equipment manufacturing (p. 20)

These includes recommendations on various issues, such as: (i) institutional mechanism, (ii) resolution of disputes, (iii) testing and certification, and (iv) market access.

#### **Parliament**

Suyash Tiwari (suyash@prsindia.org)

### **Monsoon Session 2018 of Parliament** concludes

The Monsoon Session of Parliament ended on August 10, 2018.<sup>1</sup> A no-confidence motion (the first in this Lok Sabha) was discussed. Rajya Sabha elected a new Deputy Chairman.

Twenty Bills were introduced during the session. These included the Trafficking of Persons Bill and the DNA Technology Regulation Bill.

Parliament passed 18 Bills. The Constitution was amended to provide the National Commission of Backward Classes with the status of a constitutional authority. Other Bills that were passed include the Criminal Law (Amendment) Bill, 2018, which increases the punishment for rape (including death penalty in some cases); the Fugitive Economic Offenders Bill, 2018 that allows confiscation of property of accused persons who have fled the country; and the Scheduled Castes and the Scheduled Tribes (Prevention of Atrocities) Amendment Bill, 2018, which allows arrests of accused by investigating authority without prior approval. Lok Sabha passed four money Bills that amend the Goods and Services Tax (GST) laws. The Prevention of Corruption (Amendment) Bill, 2013 was also passed; this Bill makes the giver of a bribe an offender.

Four Bills were withdrawn, including the Financial Resolution and Deposit Insurance Bill, 2017, which provided a structure for monitoring the solvency of financial institutions such as banks and for their resolution.

For more details on legislative business taken up during the Monsoon Session 2018, please see here. For details on the functioning of Parliament during the session, please see here.

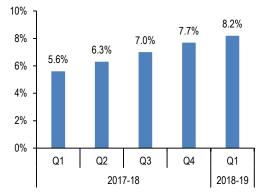
### **Macroeconomic Development**

Ahita Paul (ahita@prsindia.org)

### GDP grows at 8.2% during the first **quarter of 2018-19**

The Gross Domestic Product (GDP) (at constant 2011-12 prices) of the country grew at 8.2% during the first quarter of 2018-19, over the corresponding period a year ago.<sup>2</sup> This was boosted a bit by a low base of 5.6% growth of 5.6% in the first quarter of 2017-18. The quarterly trend of GDP growth is shown in Figure 1.

Figure 1: GDP growth (in %, year-on-year)



Sources: MOSPI; PRS.

GDP growth across economic sectors is measured in terms of Gross Value Added (GVA). The growth rate of combined GVA for all sectors increased from 5.6% in the first quarter of 2017-18 to 8% in the first quarter of 2018-19. The growth rate of GVA increased for all sectors, except for services and mining. It decreased from 9.5% to 7.3% for services, and from 1.7% to 0.1% for mining. Table 1 shows details on sectoral GVA growth.

Table 1: Gross Value Added across sectors in O1 2018-19 (growth in %, year-on-year)

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Sector	Q1 2017-18	Q4 2017-18	Q1 2018-19		
Agriculture	3.0%	4.5%	5.3%		
Mining	1.7%	2.7%	0.1%		
Manufacturing	-1.8%	9.1%	13.5%		
Electricity	7.1%	7.7%	7.3%		
Construction	1.8%	11.5%	8.7%		
Services	9.5%	7.7%	7.3%		
GVA	5.6%	7.6%	8.0%		
GDP	5.6%	7.7%	8.2%		

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

Source: MOSPI; PRS.

### Policy repo rate increased to 6.5%, reverse repo rate increased to 6.25%

The Monetary Policy Committee (MPC) released its third Bi-Monthly Monetary Policy Statement of 2018-19.3 The policy reporate (the rate at which RBI lends money to banks) was increased from 6.25% to 6.5%. Other decisions of the MPC include:

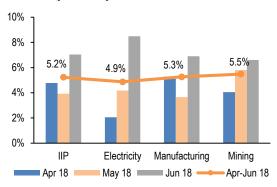
- The reverse repo rate (the rate at which RBI borrows money from banks) was increased from 6% to 6.25%.
- The marginal standing facility rate (the rate at which banks can borrow additional money) and bank rate (the rate at which RBI buys or

rediscounts bills of exchange) were increased from 6.5% to 6.75%.

## Industrial production grew by 5.2% (year-on-year) in the first quarter of 2018-19

The Index of Industrial Production (IIP) grew by 5.2% in the first quarter (April-June) of 2018-19, as compared to the same period in 2017-18.<sup>4</sup> Mining saw the highest increase of 5.5%, followed by an increase of 5.3% in manufacturing, and 4.9% in electricity. Figure 2 shows the year-on-year growth in industrial production, overall and across sectors, for the first quarter of 2018-19.

Figure 2: Growth in IIP in the first quarter of 2018-19 (year-on-year)



Sources: MOSPI; PRS.

### **Finance**

Ahita Paul (ahita@prsindia.org)

# RBI releases Annual Report 2017-18; shows 99.3% of demonetised notes returned

The Reserve Bank of India (RBI) released its Annual Report for the year 2017-18.<sup>5</sup> The report stated that demonetised notes, i.e. notes of Rs 500 and Rs 1,000 denominations which were tendered illegal in November 2016, worth Rs 15.31 lakh crore have been returned to the RBI. The total value of these notes in circulation as on November 8, 2016, post verification and reconciliation, was Rs 15.42 lakh crore. This implies that about Rs 11,000 crore worth of these notes have not been returned.

### The Financial Resolution and Deposit Insurance Bill, 2017 withdrawn subsequent to the report of the Joint Committee

The Joint Committee on the Financial Resolution and Deposit Insurance Bill, 2017 (Chair: Mr. Bhupender Yadav) submitted its report on August 1, 2018.<sup>6</sup> The Bill was introduced in Lok Sabha

and subsequently referred to the Joint Committee on August 10, 2017.

A notice of the motion for withdrawal of the Bill, along with a statement of reasons, by the Minister of Finance was referred to the Joint Committee on July 23, 2018. The statement of reasons for withdrawal of the Bill specified apprehensions raised by stakeholders and the public about several provisions of the Bill, including: (i) use of a bail-in instrument to resolve a failing bank, (ii) adequacy of the deposit insurance cover, and (iii) application of the resolution framework to public sector banks. The motion stated that these issues would require a comprehensive examination and reconsideration of the Bill.

The Committee considered the notice of the motion for withdrawal, and agreed to the proposal of the government to withdraw the Bill. Subsequently, the Bill was withdrawn on August 7, 2018.

### Four GST Amendment Bills passed by Parliament

The Central Goods and Services Tax (Amendment) Bill, 2018, the Integrated Goods and Services Tax (Amendment) Bill, 2018, the Union Territory Goods and Services Tax (Amendment) Bill, 2018, and the Goods and Services Tax (Compensation to States) Amendment Bill, 2018 were passed by Parliament on August 7, 2018. 7.8.9.10 The Bills amend four central and state Goods and Services Tax (GST) laws. Key features of the Bills include:

- Eligibility for the composition scheme: The CGST Act, 2017 provides for a composition scheme to allow certain taxpayers with an annual turnover of less than one crore rupees to pay GST on their turnover, instead of paying on the value of supply of goods and services. This amount may be increased by the government subject to a maximum limit of Rs 1 crore. The Bill increases this limit to Rs 1.5 crore.
- Compensation Fund: The GST (Compensation to States) Act allows the central government to levy a compensation cess on the supply of certain goods and services. The receipts from the levy of cess are deposited to a GST Compensation Fund, which are used to compensate states for any loss in revenue following the implementation of GST. The Bill inserts a provision specifying that any unutilised amount in the Compensation Fund, at any time during the transition period (as recommended by the GST Council), will be distributed in the following manner: (i) 50% of the amount will

be shared between the states in proportion to their base year revenue (2015-16), and (ii) remaining 50% will be part of the centre's divisible pool of taxes.

Reverse Charge Mechanism: Under the Acts, when an unregistered person supplies goods or services to a registered person, the registered person is liable to pay GST on such supply. The Bills amend this provision to allow the central government, on the recommendation of the GST Council, to notify a class of registered persons who are liable to pay tax on supplies of specified goods and services from an unregistered person.

For more details on the four Bills, please see <u>here</u>, here, here and here.

### Standing Committee submits report on the Chit Funds (Amendment) Bill, 2018

The Standing Committee on Finance (Chair: Dr. M Veerappa Moily) submitted its report on the Chit Funds (Amendment) Bill, 2018 on August 9, 2018. The Committee endorsed the specific amendments proposed by the Bill, and also suggested further amendments to improve the functioning of chit funds. Key observations and recommendations of the Committee include:

- Nomenclature and classification of chit funds: The Act specifies various names which may be used to refer to a chit fund. These include chit, chit fund, and kuri. The Bill inserts 'fraternity fund' to this list. The Committee recommended that the list be expanded to include Rotating Savings and Credit Association (ROSCA) Institution. Further, it noted that chit funds are currently classified as miscellaneous non-banking finance companies (NBFCs) by the Reserve Bank of India. It recommended that chit funds be classified as NBFC-Chit Funds or NBFC-ROSCA. This will differentiate chit funds from other NBFCs, and help them play a greater role in enabling financial inclusion.
- Ceiling on aggregate chit amount: Under the Act, ceilings are prescribed for the aggregate chit amount. The ceiling amount is one lakh rupees when the fund is managed by an individual, and six lakh rupees when managed by a firm. The Committee noted that the prescribed ceilings make running chit funds unviable. It recommended that the ceilings be revised upwards to make it more profitable for the foreman.
- Exemptions: Under the Act, a state government may exempt certain chit fund companies from any or all provisions of the

Act. This can be done through a notification, after consultation with the Reserve Bank of India. The Committee noted that safeguards in the law are rendered ineffective by these exemptions. It recommended that such discretionary exemptions be done away with.

A PRS summary of the report is available <u>here</u>.

# Cabinet approves dilution of government shareholding below 50% in IDBI Bank

The Cabinet approved the reduction in the shareholding of the government in the Industrial Development Bank of India (IDBI) below 50% by dilution. <sup>12</sup> Further, it also approved the acquisition of controlling stake by Life Insurance Corporation of India (LIC) as a promoter in IDBI bank through: (i) preferential allotment or an open offer of equity, and (ii) relinquishment of government's management control in IDBI bank.

### **SEBI Committee submits report on Fair Market Conduct**

The Securities and Exchange Board of India (SEBI) had constituted a Committee (Chair: Mr. T. K. Viswanathan) to review the existing legal framework of dealing with market abuse to ensure fair market conduct in the securities market. <sup>13</sup> The Committee submitted its report on August 8, 2018. Key recommendations and observations of the Committee include:

### Market Manipulation and Fraud:

- (i) The Committee noted that market manipulation involves indirect role of various persons. It recommended that the definition of "dealing in securities" in the Prevention of Fraudulent and Unfair Trade Practices Regulations be widened to include persons who are assisting in dealing.
- (ii) Further, the Committee noted that financial statements fraud, involving the manipulation of books of accounts, is often undertaken to manipulate share prices of listed companies. The Committee deliberated that SEBI, as a regulator of the securities market, has a duty to protect the interest of investors from such frauds. It recommended that Section 12A of the SEBI Act, 1992, which prohibits manipulative and deceptive devices, should be amended to include a new sub-section which would clarify SEBI's powers to take steps for misstatement of financial statements.

#### **Surveillance and Investigation:**

(i) The Committee recommended that each algorithm used for high-frequency trading be allotted a unique identification number. This

- would help identify algorithms that generate potentially manipulative trades.
- (ii) Further, it also recommended that SEBI should seek the power to intercept calls and electronic communication to collect stronger evidence during investigation.
- (iii) The Committee noted that SEBI often encounters cases where individuals without the means to commit economic offences have been used as a front for violations of law by actual offenders. The use of front entities enables layering of funds. To prevent use of such fronts, the Committee recommended that a mechanism may be put in place which requires persons to demonstrate their financial capacity to trade.

### **SEBI Committee submits report on settlement mechanisms**

The Securities and Exchange Board of India (SEBI) had constituted a High Level Committee (Chair: Justice A. R. Dave) to review the Settlement of Administrative and Civil Proceedings Regulations, 2014 and the enforcement mechanism of SEBI. <sup>14</sup> The Committee submitted its report on August 10, 2018. Key recommendations of the Committee include:

- Limitation for filing a settlement application: The Committee expressed the opinion that a more arduous approach should be adopted to ensure that only genuine settlement applications are filed, and the settlement mechanism is not used to delay civil and administrative proceedings. It recommended that no application for settlement should be considered once hearing commences, or after 120 days have passed since its filing with SEBI.
- Reapplication for settlement: The Committee noted that currently, a settlement application for the same alleged default can be filed again, even if the previous application was rejected, in certain exceptional circumstances including the lapse of time since the alleged default. The Committee recommended that an application shall not be filed again under any circumstances, if the previous application was rejected.
- Effect of pending application on specified proceedings: The Committee noted that the present regulatory framework stays any proceedings that may be initiated against the settlement applicant until the application is rejected or withdrawn. It observed that there may be cases where it is necessary to initiate proceedings for issuing interim directions to

protect the interest of investors and maintain securities market integrity. It recommended that the Settlement Regulations be amended to incorporate the same.

### **Corporate Affairs**

# The Insolvency and Bankruptcy (Second Amendment) Bill, 2018 passed

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The Insolvency and Bankruptcy Code (Second Amendment) Bill, 2018 was passed by Parliament.<sup>15</sup> It replaces the Insolvency and Bankruptcy Code (Amendment) Ordinance, 2018 that was promulgated on June 6, 2018.<sup>16</sup> The Code provides a time-bound process for resolving insolvency in companies and among individuals. Key features of the Bill include:

- Financial creditors: The Code defines a financial creditor as a person to whom financial debt is owed. Such debt includes any amount raised that has the commercial effect of a borrowing. The Bill clarifies that an allottee under a real estate project will be considered a financial creditor. An allottee includes any person to whom a plot, apartment, or building has been allotted, sold, or transferred by a promoter (real estate developer or development authority). These allottees will be represented on the committee of creditors by an authorised representative.
- Applicability of the Code to Micro, Small and Medium Enterprises (MSMEs): The Code prohibits certain persons from bidding for the company in the resolution process. This includes a person whose account has been classified as a Non-Performing Asset (NPA) for a year, and any guarantor for a defaulting debtor. The Bill provides that the ineligibility criteria for resolution applicants regarding NPAs and guarantors will not be applicable to persons applying for resolution of MSMEs. The central government may modify or remove other provisions of the Code while applying them to MSMEs.
- Voting threshold of committee of creditors: The Code specifies that all decisions of the committee of creditors be taken by a majority of at least 75% of the financial creditors. The Bill lowers this threshold to 51%. For certain key decisions, the voting threshold has been reduced from 75% to 66%. These include: (i) appointment and replacement of the resolution professional, and (ii) approval of the resolution plan.

For a PRS Bill summary, see <u>here</u>, and for an analysis of the Ordinance, see <u>here</u>.

## Committee to review offences under Companies Act, 2013 submits report

Roshni Sinha (roshni@prsindia.org)

The Committee to review the offences under the Companies Act, 2013 (Chair: Mr. Injeti Srinivas), submitted its report.<sup>17</sup> The Committee reviewed the categorisation of offences under the Act and also made recommendations to improve other corporate compliances. Key recommendations of the Committee include:

- In-house adjudication of certain offences:
  The Committee recommended recategorisation of 16 offences out of the 81 in the category of compoundable offences (attracting fine or imprisonment or both) to an in-house mechanism where only penalty would be levied by an adjudicating officer.
- The Committee identified certain offences related to corporate governance. These include offences: (i) which are only technical (such as, non-appointment of key managerial personnel in certain companies), or (ii) where other provisions contain safeguards against the offender benefitting from his default. For instance, if a director receives compensation beyond the statutory limit, the Act requires the auditor to report the excess amounts. In all such cases, the default may be rectified by imposing penalties in an in-house mechanism.
- The Committee also identified certain technical offences including: (i) intimation of certain information through forms to the Registrar of Companies (such as failure to file annual returns), or (ii) in relation to the sending of notice to stakeholders (for instance, failure of an officer of the company to give notice of board meeting).
- Ensuring compliance: The Committee also made certain recommendations to ensure compliance with the new in-house mechanism. These recommendations include:

   (i) power of adjudicating officer to pass orders directing the defaulter to make good the default.
- Declogging NCLT: The Committee recommended enlarging the jurisdiction of the Regional Director in respect of compoundable offences from the existing five lakh rupees to 25 lakh rupees. Further, the Committee recommended vesting the central government with powers to approve alterations in the financial year of a company and cases of

conversion of public companies to private companies.

### **Commerce and Industry**

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# Standing Committee submits report on impact of banking misappropriation on trade and industry

The Standing Committee on Commerce (Chair: Mr. Naresh Gujral) submitted its report on 'Impact of Banking Misappropriation on Trade and Industry' on August 6, 2018.<sup>18</sup> Typically, industries have been using different borrowing instruments to finance trade, including Letter of Credit (LC), revolving LCs, Letter of Undertaking (LoU), Letter of Comfort (LoC), among others. The Committee noted that the banking sector has recently faced misappropriation through frauds of high magnitude. Consequently, the Reserve Bank of India (RBI) has taken various measures regarding trade finance to curb fraud, which have had deep ramifications on trade and industry. Key observations and recommendations of the Committee include:

- Discontinuation of LoUs and LoCs: RBI had discontinued issuance of LoUs and LoCs by banks effective from March 2018. The Committee observed that LoUs and LoCs had been an effective instrument of raising cheaper, short-term credit in foreign currency. Further, industrial organisations and federations do not consider LoUs or LoCs to be flawed instruments. It noted that the discontinuation by RBI was a knee-jerk reaction to the frauds. It recommended restoration of LoUs and LoCs at the earliest with proper safeguards.
- Impact on MSMEs: The Committee noted that frauds and misappropriation have eroded the capital base of banks, and increased their non-performing assets. As a result, the RBI has adopted a more cautionary approach towards lending. This has proved to be a burden for trade and industry, chiefly for micro, small, and medium enterprises (MSMEs).
- The Committee noted that banks extend financing to firms with high credit ratings at concessional rates. Rating agencies assess every firm on the same scale without taking into account their nature and size. This system has deprived multiple MSMEs of easy access to bank finance. The Committee recommended that: (i) local uncertainties

specific to each industry be taken into consideration by credit rating agencies while rating firms, (ii) the Securities and Exchange Board of India be engaged to take necessary action in issuing credit ratings, and (iii) banks strengthen their credit appraisal frameworks and undertake in-house credit risk appraisals.

A PRS summary of the report is available <u>here</u>.

### **Home Affairs**

Roshni Sinha (roshni@prsindia.org)

## Criminal Law (Amendment) Bill, 2018 passed by Parliament

The Criminal Law (Amendment) Bill, 2018 was passed by Parliament.<sup>19</sup> The Bill replaces the Criminal Law (Amendment) Ordinance, 2018 on April 21, 2018.<sup>20</sup> It amends certain laws related to rape of minors. Key features of the Bill include:

#### Amendments to Indian Penal Code, 1860 (IPC)

- Enhanced punishment for rape: Under IPC, 1860, the offence of rape is punishable with a rigorous imprisonment of at least seven years up to life imprisonment, along with a fine. Minimum imprisonment has been increased from seven years to 10 years.
- New offences: The Bill creates new offences to increase punishment for rape of minor girls.

Table 2: New offences under the IPC, 1860

Age	Offence	IPC, 1860	2018 Bill
Below 12 years	Rape	Minimum: 10 years     Maximum: life imprisonment	Minimum: 20 years     Maximum: life imprisonment or death
	Gang Rape	Minimum: 20 years     Maximum: life imprisonment	Minimum: life imprisonment     Maximum: life imprisonment or death
Below 16 years	Rape	Minimum: 10 years     Maximum: life imprisonment	Minimum: 20 years     Maximum: no change
	Gang Rape	<ul><li>Minimum: 20 years</li><li>Maximum: life imprisonment</li></ul>	Minimum: life imprisonment     Maximum: no provision
16 years and above	Rape	Minimum: 7     years     Maximum:     life     imprisonment	<ul><li>Minimum: 10 years</li><li>Maximum: no change</li></ul>

Sources: Indian Penal Code, 1860; The Criminal Law (Amendment) Bill, 2018; PRS.

For a PRS Bill Summary, see here.

### Protection of Human Rights (Amendment) Bill, 2018 introduced in Lok Sabha

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The Protection of Human Rights (Amendment) Bill, 2018 was introduced in Lok Sabha on August 9, 2018.<sup>21</sup> The Bill amends the Protection of Human Rights Act, 1993. The Act provides for a National Human Rights Commission, State Human Rights Commissions, and Human Rights Courts. Key features of the Bill include:

- Composition of NHRC: Under the Act, the chairperson of the NHRC is required to be a former Chief Justice of India. The Bill expands the eligibility to any Judge of the Supreme Court.
- The Act provides for two persons having knowledge of human rights to be appointed as members of the NHRC. The Bill amends this to allow three such members, of which at least one will be a woman.
- Under the Act, chairpersons of various commissions such as the National Commission for Scheduled Castes, National Commission for Scheduled Tribes, and National Commission for Women are members of the NHRC.
- The Bill adds the chairpersons of the National Commission for Backward Classes, the National Commission for the Protection of Child Rights, and the Chief Commissioner for Persons with Disabilities as members.
- Term of office: The Act states that the chairperson and members of the NHRC and SHRC will hold office for five years or till the age of seventy years, whichever is earlier. The Bill reduces the term of office to three years or till the age of seventy years, whichever is earlier. The Bill also allows for the reappointment of chairpersons of the NHRC and SHRCs.

For a PRS Bill summary, please see here.

### **Law and Justice**

# Constitution (One Hundred Twenty-Third Amendment) Bill, 2018 passed by Parliament

Roshni Sinha (roshni@prsindia.org)

The Constitution (123<sup>rd</sup> Amendment) Bill, 2018, was passed by Parliament.<sup>22</sup> The Bill gives constitutional status to the National Commission for Backward Classes (NCBC), at par with the National Commission for Scheduled Castes (NCSC) and the National Commission for Scheduled Tribes. Consequently, it removes the power to examine matters related to backward classes from the purview of NCSC. Parliament also repealed the National Commission for Backward Classes Act, 1993.<sup>23</sup>

A PRS summary of the Constitution (123rd Amendment) Bill, 2017 is available <a href="here">here</a>. A PRS summary of the National Commission for Backward Classes (Repeal) Bill, 2017 is available <a href="here">here</a>.

### Personal Law (Amendment) Bill, 2018 introduced in Lok Sabha

Roshni Sinha (roshni@prsindia.org)

The Personal Laws (Amendment) Bill, 2018 was introduced in Lok Sabha by the Minister for Law and Justice, Mr. Ravi Shankar Prasad on August 10, 2018.<sup>24</sup> It seeks to amend five Acts. These are: (i) the Divorce Act, 1869, (ii) the Dissolution of Muslim Marriage Act, 1939, (iii) the Special Marriage Act, 1954, (iv) the Hindu Marriage Act, 1955, and (v) the Hindu Adoptions and Maintenance Act, 1956.

These Acts contain provisions related to marriage, divorce, and separation of Hindu and Muslim couples. Each of these Acts prescribe leprosy as a ground for seeking divorce or separation from the spouse. The Bill seeks to remove this as a ground for divorce or separation.

For more details on the Bill, please see <a href="here">here</a>.

## The Commercial Courts (Amendment) Bill, 2018 passed by Parliament

Gayatri Mann (gayatri@prsindia.org)

The Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts (Amendment) Bill, 2018, was passed by Parliament.<sup>25</sup> The Bill amends the Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Act, 2015, and replaces an Ordinance promulgated in May

2018.<sup>26,27</sup> The Act enables the creation of commercial divisions in High Courts, and commercial courts at the district level, to adjudicate commercial disputes. Features of the Bill are:

- Reduction in pecuniary limits: Under the Act, commercial courts and commercial divisions in high courts can decide disputes with a value of at least one crore rupees. The Bill reduces this limit to an amount of at least three lakh rupees or a higher value to be notified by the central government.
- Establishment of certain commercial courts: Under the Act, state governments may constitute commercial courts at district judge level, after consulting the concerned High Court. The Act bars such commercial courts to be constituted in cases where the High Court has the original jurisdiction to hear commercial cases. The Bill removes this bar and allows states to constitute commercial courts where high courts have ordinary original civil jurisdiction.

For more details on the Bill, please see here.

# Scheduled Castes and Scheduled Tribes (Prevention of Atrocities) Bill, 2018 passed by Parliament

Roshni Sinha (roshni@prsindia.org)

The Scheduled Castes and the Scheduled Tribes (Prevention of Atrocities) Amendment Bill, 2018, was passed by Parliament.<sup>28</sup> It amends the Scheduled Castes and the Scheduled Tribes (Prevention of Atrocities) Act, 1989. The Act prohibits the commission of offences against members of the Scheduled Castes and Scheduled Tribes and establishes special courts for the trial of such offences and the rehabilitation of victims.

- In 2018, the Supreme Court stated that for persons accused of committing an offence under the Act, approval of the Senior Superintendent of Police will be required before an arrest is made. Further, the Deputy Superintendent of Police may conduct a preliminary enquiry to find out whether there is a prima facie case under the Act.
- The Bill states that the investigating officer will not require the approval of any authority for the arrest of an accused. Further, it provides that a preliminary enquiry will not be required for the registration of a First Information Report against a person accused under the Act.
- The Act states that persons accused of committing an offence under the Act cannot

apply for anticipatory bail. The Bill seeks to clarify that this provision will apply despite any judgements or orders of a court that provide otherwise.

For more details on the Bill, please see <u>here</u>.

### Arbitration and Conciliation (Amendment) Bill, 2018 passed in Lok Sabha

Roshni Sinha (roshni@prsindia.org)

The Arbitration and Conciliation (Amendment) Bill, 2018 was passed in Lok Sabha.<sup>29</sup> It seeks to amend the Arbitration and Conciliation Act, 1996. The Act contains provisions to deal with domestic and international arbitration, and defines the law for conducting conciliation proceedings. Key features of the Bill are:

- Arbitration Council of India: The Bill seeks to establish an independent body called the Arbitration Council of India (ACI) for the promotion of arbitration, mediation, conciliation and other alternative dispute redressal mechanisms. Its functions include: (i) framing policies for grading arbitral institutions and accrediting arbitrators, (ii) making policies for the establishment, operation and maintenance of uniform professional standards for all alternate dispute redressal matters, and (iii) maintaining a depository of arbitral awards (judgments) made in India and abroad.
- Composition of the ACI: The ACI will consist of a Chairperson who is either: (i) a Judge of the Supreme Court; or (ii) a Judge of a High Court; or (iii) Chief Justice of a High Court; or (iv) an eminent person with expert knowledge in conduct and administration of arbitration. Other members will include an eminent arbitration practitioner, an academician with experience in arbitration, and government appointees.

For more details on the Bill, please see <u>here</u>.

#### **Delhi High Court de-criminalises begging**

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The Delhi High Court decided a constitutional challenge to the provisions of the Bombay Prevention of Begging Act, 1959, as extended to the Union Territory of Delhi. The Court held the Act to be unconstitutional, to the extent that it criminalised begging.<sup>30</sup> It noted that criminalizing begging violates the most fundamental rights of some of the most vulnerable people in society.

The Court observed that several provisions of the Act violated Article 14 (right to equality) because

it did not distinguish between the different types of begging and further equated begging with homelessness. The Court also found the criminalisation of begging to be in violation of Article 21 (protection of life and personal liberty) of the Constitution.

### Law Commission releases draft report on simultaneous elections

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The Law Commission of India released a draft report on simultaneous elections.<sup>31</sup> It noted that for conducting simultaneous elections to the Lok Sabha and state Legislative Assemblies, amendments will be required to the Constitution. It recommended three alternatives to synchronise elections in India.

Option 1: The Commission recommended advancing or postponing election timings in certain states, such that elections to all state assemblies and Lok Sabha may be held together in 2019. It noted that election of five states (Andhra Pradesh, Arunachal Pradesh, Odisha, Sikkim, and Telangana) are already due in 2019 along with Lok Sabha elections. It recommended the following changes to the election timings of other state assemblies:

Assembly elections due before Lok Sabha elections: For four states (Chhattisgarh, Madhya Pradesh, Mizoram, and Rajasthan) elections are due in the end of 2018 and early January, 2019. The term of these assemblies may be extended to synchronise it with Lok Sabha elections.

Assembly elections due immediately after Lok Sabha elections: If there is political consensus, elections to four assemblies (Haryana, Jharkhand, Maharashtra, and Delhi) can be held with Lok Sabha elections, if the states voluntarily dissolve their assemblies earlier, or by operation of law.

Assembly elections in remaining states: For the remaining 16 states and Puducherry, elections may be conducted towards the end of 2021. The term of these assemblies will be 30 months or till June 2024, whichever is earlier. Thereafter, elections to Lok Sabha and state assemblies may be held together from 2024.

• Option 2: If assembly elections can be held in 2019 and 2021 as described above, then the elections may also be conducted twice in five years. In such a case, elections to 12 states and the NCT of Delhi can be synchronised with the House of the People. The elections to the remaining 16 states and Puducherry can

be synchronised together separately. In this manner it will be possible to conduct elections only twice in five years.

• Option 3: If simultaneous elections cannot be conducted, then the Commission recommended that all elections falling due in a calendar year should be conducted together. The timing of such election should be conducive to all state legislatures involved and the Lok Sabha (if dissolved earlier).

A PRS summary of the report is available here.

### Law Commission submits report on wrongful prosecution

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The Law Commission of India submitted its report on 'Wrongful Prosecution (Miscarriage of Justice): Legal Remedies' on August 30, 2018.<sup>32</sup> The report follows a Delhi High Court directive in 2016 where the Commission was asked to examine the remedies for wrongful detention. The Commission noted that currently there is no legislative framework to provide relief to those who are wrongfully prosecuted. Key recommendations of the Commission include:

- Legal framework: The Commission recommended amendments to the Code of Criminal Procedure, 1973 (CrPC), to give compensation in cases of miscarriage of justice resulting in wrongful prosecution of persons. Miscarriage of justice refers to wrongful or malicious prosecution, regardless of whether it leads to conviction or detention.
- Cause of action: The cause of action (reason) for the claimant to file a compensation claim would be that he was wrongfully prosecuted in a case which ended in his acquittal. Wrongful prosecution would include: (i) malicious prosecution, i.e. where one files a case against the claimant without belief in his guilt for the crime, and (ii) prosecution without good faith, i.e. where one files a case against the claimant negligently without due care and attention.
- Special Courts: The Commission observed that claims in relation to wrongful compensation should be settled speedily, keeping in mind the interest of the claimant. Therefore, it recommended setting up of special courts in each district for deciding compensation claims.
- Nature of proceedings: Further, the accused will be required to prove misconduct which lead to his wrongful prosecution. The claim will be decided by weighing the "balance of

- probabilities", i.e., the claim will be decided in favour of the party whose claims appear more likely to be true.
- Compensation: The Commission observed that it may not be possible at present to lay down a fixed amount of monetary compensation to be paid. It recommended amendments to the CrPC to include guiding principles to be followed by the court while deciding the amount of compensation. These include seriousness of the offence, severity of punishment, length of detention, damage to health, harm to reputation, and loss of opportunities.

A PRS summary of the report is available here.

### Law Commission releases consultation paper on sedition

Vinayak Krishnan (vinayak@prsindia.org)

The Law Commission of India released a consultation paper on sedition under the Indian Penal Code, 1860 (IPC), inviting public feedback<sup>33</sup>. Key observations and recommendations of the Commission include:

- Relevance of the law: The offence of sedition is covered under section 124A of the Indian Penal Code (IPC), 1860. It punishes anyone who attempts to bring hatred or disaffection towards the government. The punishment may be life imprisonment and/or fine, or imprisonment up to three years and/or fine. The Commission noted that the relevance of this section in an independent and democratic nations is the subject of debate. Though it is argued that this law is from the colonial era, Indian courts have upheld its constitutionality.
- Court judgements: The Commission noted that sedition is not a restriction to freedom and expression under the Constitution. However, it has remained part of the IPC (Section 124A), and has been considered by the courts on multiple occasions. Based on these judgements, the Commission stated that unless the words or actions threaten the security of the State, or lead to public disorder, the act does not fall within Section 124A
- Freedom of expression: The Commission stated that while sedition law is essential to protect national integrity, it should not be misused to curb free speech. It noted that courts have stated that every criticism does not amount to sedition. Sedition law should be invoked when the intention behind any act is to: (i) disrupt public order, or (ii) overthrow

the government with violent and illegal means. Further, strong condemnation towards the government or institutions cannot amount to sedition, as no institution embodies the whole country. Every restriction on free speech and expression must be carefully scrutinised to avoid unwarranted restrictions.

Sedition and other laws: The Commission recommended that higher standards of proof must be applied to convict a person for sedition. Further, it stated that if an act does not fall within the ambit of sedition but attracts the provisions of another law, it should be booked under the other law.

# Law Commission releases consultation paper on reform in family laws

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The Law Commission of India released a consultation paper on 'Reform of Family Law' on August 31, 2018. <sup>34</sup> This was in pursuance to a reference of the Ministry of Law and Justice to examine the feasibility of a Uniform Civil Code. Key recommendations include:

- Marriage and Divorce: The Commission suggested that the contribution of a woman to the marital home should entitle her to an equal share in a marriage. Therefore, it recommended amendments to Hindu, Parsi, and Muslim divorce laws to ensure that all property acquired from income gained after marriage, is divided upon divorce, in the proportion decided by courts. It further recommended other amendments to personal laws such as, adding 'irretrievable breakdown of marriage' as a ground for divorce under Parsi law. This would allow for a simpler process for divorce.
- Custody and Guardianship: The Commission suggested that the 'best interest of the child' must be the guiding rule for custody regardless of any prevailing personal law. It recommended amendments to all personal laws to ensure the implementation of this principle. For instance, the Guardians and Wards Act, 1890 (applicable to all religions) provides that the husband will be the guardian of a minor wife. The Commission noted that the provision treats the minor wife as property of her husband and does not consider the welfare of a minor husband. It recommended deletion of the clause.
- Adoption and Maintenance: The Commission made certain recommendations to the secular law on adoption, i.e. the Juvenile Justice (Care and Protection of Children) Act,

- 2015. It observed that the law is currently inadequate in addressing questions on adoption. It recommended the term 'mother and father' to be replaced with 'parents' to enable individuals of all gender identities to avail of the Act.
- Succession and Inheritance: With respect to succession rights to property, the Commission recommended: (i) abolition of rights in property by birth under Hindu law, (ii) formulation of a consolidated inheritance code for all Muslims (including Shias and Sunnis), and (iii) introduction of a three-class system of succession for Christians, to ensure that property devolves on close relatives, the law is gender-neutral, and there is no differentiation between natural or adopted children.

### **Science and Technology**

The DNA Technology (Use and Application) Regulation Bill, 2018 introduced in Lok Sabha

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The DNA Technology (Use and Application) Regulation Bill, 2018 was introduced in Lok Sabha on August 9, 2018.<sup>35</sup> The Bill provides for regulation of use of DNA technology for establishing the identity of certain persons. Key features of the Bill include:

- Use of DNA Data: Under the Bill, DNA testing is allowed only for matters listed in schedule to the Bill (such as for offences under the Indian Penal Code, 1860, for paternity suits, or in order to identify abandoned children).
- DNA Data Bank: The Bill provides for the establishment of a National DNA Data Bank and regional DNA Data Banks, for every state or two or more states. The National DNA Data Bank will store DNA profiles received from DNA laboratories and receive DNA data from the regional Banks. Every Data Bank will be required to maintain indices for the following categories of data: (i) a crime scene index, (ii) a suspects' or undertrials' index, (iii) an offenders' index, (iv) a missing persons' index, and (v) an unknown deceased persons' index.
- DNA Regulatory Board: The Bill provides for the establishment of a DNA Regulatory Board, which will supervise the DNA Data Banks and DNA laboratories. The Secretary, Department of Biotechnology, will be the ex officio Chairperson of the Board. The Board

will comprise an additional 12 members including: (i) an eminent person with at least 25 years experience in biological sciences, as the Vice Chairperson, and (ii) Director General of the National Investigation Agency as well as the Director of the Central Bureau of Investigation or their nominees (of at least the rank of Joint Director).

Protection of information: Under the Bill, the Board is required to ensure that all information relating to DNA profiles with the Data Banks, laboratories and other persons are kept confidential. DNA data may only be used for identification of the person. However, the Bill allows for access to information in the Data Bank for the purpose of a one-time keyboard search. This search allows for information from a DNA sample to be compared with information in the index without information from the sample being included in the index.

For a PRS summary of the Bill, see <u>here</u>.

# **UIDAI** announces phased rollout of facial recognition in authentication process

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The Unique Identification Authority of India (UIDAI) announced a phased rollout of facial recognition as an additional mode of Aadhaar authentication on August 17, 2018.<sup>36</sup> Face recognition, along with earlier modes of authentication including fingerprint and iris scan, will be applicable to telecom service providers (TSPs) starting September 15, 2018. For authentication agencies other than TSPs, specific guidelines will be issued at a later date.

TSPs should perform two-factor authentication in case the resident provides Aadhaar number: (i) first, using fingerprint or iris, and (ii) second, using face recognition. UIDAI has mandated that at least 10% of total monthly authentication transactions of TSPs should be performed in this manner. In case of non-compliance by TSPs, any shortfall in transactions using face authentication will be charged at Rs 0.2 per transaction.

Further, after successful authentication, TSPs are mandated to capture a separate live photo of the resident. This photo will be used for verifying the photo received in e-KYC before activation of the SIM card.

### CCEA approves Ocean Services, Technology, Observations, Resources Modelling, and Science scheme

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The Cabinet Committee on Economic Affairs approved the umbrella scheme Ocean Services, Technology, Observations, Resources Modelling and Science (O-SMART) of the Ministry of Earth Sciences.<sup>37</sup> The scheme encompasses 16 subprojects addressing ocean development activities such as services, technology, resources, observations, and science. Rs 1,623 crore has been approved for implementation of the scheme during the period 2017-18 to 2019-20.

During this period, the projects to be undertaken in the scheme include: (i) strengthening of ocean observations, modelling, and services for fishermen, (ii) setting up of a Marine Coastal Observatories for monitoring marine pollution, (iii) setting up of an Ocean Thermal Energy Conversion plant in Kavaratti, and (iv) deep ocean mining technology development using deep mining system and manned submersibles.

# Department of Space announces launch of a human spaceflight programme

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Department of Space announced the launch of Gaganyaan, which is India's first human spaceflight programme.<sup>38</sup> Under the programme, two unmanned Gaganyaan missions will be undertaken before sending humans to space. The manned spaceflight will be launched by 2022. The total cost of the programme is estimated to be less than Rs 10,000 crore.

The spacecraft will be launched using the Geosynchronous Satellite Launch Vehicle Mk-III. It will be placed in a low earth orbit of 300-400 km. It will carry a three-member crew for a period of five to seven days. The crew will be selected jointly by the Indian Air Force and the Indian Space Research Organisation, after which they will undergo a training for two to three years.

### **Water Resources**

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## Mahadayi Water Disputes Tribunal gives its final award

The Mahadayi Water Disputes Tribunal gave its final award on the water sharing of Mahadayi river between the states of Goa, Karnataka, and Maharashtra.<sup>39</sup> The tribunal was set up in

November 2010 under the Inter-State River Water Disputes Act, 1956. The Mahadayi river basin drains an area of 2,032 sq. km, of which 1,680 sq. km lies in Goa, 375 sq. km in Karnataka, and remaining 77 sq. km in Maharashtra. In its award, the tribunal allowed Goa access to 24 Thousand Million Cubic (TMC) feet of water. Karnataka was allowed access to 13.42 TMC feet (5.4 TMC feet for consumptive use and 8.02 TMC feet for power generation) and Maharashtra was allocated 1.33 TMC feet of water.

# Standing Committee submits report on socio-economic impact of commercial exploitation of water by industries

The Standing Committee on Water Resources, River Development and Ganga Rejuvenation (Chair: Mr. Rajiv Pratap Rudy) submitted its report on the 'Socio-economic impact of commercial exploitation of water by industries' on August 9, 2018. Major findings and recommendations made by the Committee include:

- Exploitation of ground water by packaged drinking water industries: Of the annual available ground water, 6% (25 Billion Cubic Meter) is utilised for domestic, drinking, and industrial purposes. Of this, packaged drinking water units/plants extract 0.1% (13.3) Million Cubic Meter) annually. The Central Ground Water Authority grants permission to these bottling plants to extract ground water subject to specific recharge obligations. The Committee noted that a large number of licenses have been given in states that already have significant number of 'over-exploited' ground water units (areas where ground water extraction is prohibited). 374 units in Tamil Nadu and 111 units in Uttar Pradesh, withdrawing 895 m<sup>3</sup>/day and 941 m<sup>3</sup>/day, respectively.
- Over-dependence on ground water: The Committee noted that the Ministry of Water Resources has not estimated the total quantum of ground water being utilised by the packaged drinking water industries and its consequent effect on the ground water level in the country. In addition to ground water being extracted by these industries, 85% of drinking water schemes in rural areas are dependent on ground water. 27% of urban households use ground water to meet their water needs. It observed that packaged drinking water units supplement the efforts of government in providing safe drinking water to public.
- However, it opined that the demand between demand and supply should primarily be bridged by the government. It reasoned that providing water for consumption is the social

responsibility of the government and industries should not be allowed to exploit this sector. It recommended that packaged water industries should be set up on Public Private Partnership basis to ensure government's role in utilisation of water in a rational manner and provision of safe water in a cost effective manner.

A PRS Summary of the report is available <u>here</u>.

## CAG submits report on National Rural Drinking Water Programme

The Comptroller and Auditor General (CAG) of India submitted its report on 'National Rural Drinking Water Programme' on August 7, 2018.<sup>41</sup> National Rural Drinking Water Programme (NRDWP) was launched in 2009. It aims to provide safe and adequate water for drinking, cooking and other domestic needs to every rural person on a sustainable basis. The audit was conducted for the period 2012-17. Key findings and recommendations of the CAG include:

- **Underperformance of the scheme:** By 2017, NRDWP aimed to achieve certain objectives. However, by December 2017, these objectives were not completely attained. It aimed to provide all rural habitations, government schools, and anganwadis access to safe drinking water. Of this, only 44% of rural households and 85% of government schools and anganwadis were provided access. It also aimed to provide 50% of rural population potable drinking water (55 litres per capita per day) by piped water supply. Of this, only 18% of rural population was provided potable drinking water. It also sought to give household connections to 35% of rural households. Of this, only 17% of rural households were given household connections.
- Planning and delivery mechanism: The CAG noted deviations from the programme guidelines in the planning and delivery framework established at the centre and states. 21 states had not framed water security plans. Deficiencies were found in the preparation and scrutiny of annual action plans such as: (i) lack of stakeholder and community participation, (ii) non-inclusion of minimum service level of water in schemes, and (iii) absence of approval of State Level Scheme Sanctioning Committee for schemes included in the plans. The apex level National Drinking Water and Sanitation Council set up to co-ordinate and ensure convergence remained largely non-functional. State level agencies important for planning and execution of the programme, such as the State Water and

- Sanitation Mission, State Technical Agency, and Block Resources Centres were either not set up or were under-performing.
- The CAG recommended that the Ministry of Drinking Water and Sanitation should review the feasibility and practicality of the planning and delivery mechanisms to ensure that they serve the intended purposes. It also suggested that the water security plans and annual action plans must be prepared with community participation. This will ensure that schemes are aligned to community requirements and utilise water resources in an optimum and sustainable manner.

A PRS Summary of the report is available here.

#### **Environment**

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## Standing Committee submits report on air pollution in Delhi and NCR

The Standing Committee on Science and Technology, Environment and Forests (Chair: Mr. Anand Sharma) submitted its report on 'Air Pollution in Delhi and National Capital Region' on August 7, 2018.<sup>42</sup> Key findings and recommendations of the Committee include:

- Measures taken for mitigating air **pollution:** The Ministry of Environment, Forest and Climate Change has taken a number of measures during the last three years to bring down the level of PM<sub>2.5</sub> and PM<sub>10</sub> (air pollutants). These include: (i) implementing BS-VI fuel standards from April 1, 2018 in Delhi; (ii) launching the National Clean Air Programme for controlling air pollution; (iii) revising standards of SO<sub>2</sub> and NO<sub>2</sub> for five industrial sectors; and (iv) issuing directions to six regions regarding agriculture crop residue burning in National Capital Region (NCR) states and Punjab. The government of Delhi has undertaken several measures, including a massive plantation drive in the city to address the problem.
- The Committee acknowledged the efforts of the Ministry and government of Delhi and recommended that in addition to the ongoing efforts, a robust monitoring system should be evolved to ensure that the National Ambient Air Quality Standards are met in the region. This would also minimise the negative impact of air pollution on the health of the residents.
- Crop residue burning: The Committed noted that weak enforcement by the state

- governments of Haryana, Punjab and Uttar Pradesh in implementing the statutory ban on crop residue burning has worsened air pollution in the region. It recommended that the Ministry of Environment should work with the Ministry of Agriculture and ensure that the governments of Haryana, Punjab, and Uttar Pradesh implement the laid down guidelines and statutory provisions with regard to crop residue burning.
- It also suggested that farmers in these states should be provided with practical solutions to replace crop residue burning. Technological and scientific solutions along with financial assistance should be made available to them to deter them from burning crop residue.

A PRS Summary of the report is available here.

#### **Power**

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# Standing Committee submits report on impact of RBI's revised framework for resolution of stressed power assets

The Standing Committee on Energy (Chair: Dr. Kambhampati Haribabu) submitted its report on 'Impact of RBI's Revised Framework for Resolution of Stressed Assets on Non-Performing Assets (NPAs) in the Electricity Sector'. <sup>43</sup> Key observations and recommendations of the Committee include:

- **RBI's new guidelines:** Under RBI's earlier guidelines, an asset was classified as an NPA if the interest or principal instalment of a loan remained overdue for a period of 90 days. The Committee noted that under the previous framework, failure of an asset to service its debt obligation within the prescribed time was considered to be a symptom of a potential NPA. Consequently, corrective measures were of various grades such as rectification, restructuring, and recovery. However, the new guidelines provide that any failure beyond the prescribed duration (between one to 90 days) will immediately invoke resolution. The Committee noted that this may make revival of a project difficult.
- The Committee noted that the reasons of stress in each of these sectors are varying. In the power sector, reasons for non-performing loans include: (i) delay in implementation of projects, (ii) non-availability of fuel, (iii) delays in land and environment clearances, and (iv) weak financial health of the power distribution companies. However, the

Committee noted that the new guidelines are same for all sectors, and do not consider the specific problems in the electricity sector. It recommended that instead of adopting a sector agnostic approach towards stress resolution, more specific and sector friendly approaches should be used.

Stressed assets in power sector: The Committee noted that about 66 GW of conventional energy is under various degrees of financial stress. The debt of certain power producers exceeded Rs 1.8 lakh crore at the end of 2017. Other issues in resolving stressed assets in the sector include suboptimal bid outcome, small buyer universe, and weak commercial framework. For example, a power project in Chhattisgarh, has received an offer of Rs 2,500 crore against a debt of Rs 8,300 crores (a 70% haircut). It noted that such forced sale will not benefit the economy. Therefore, it recommended that the RBI should consider the problems in the electricity sector that are causing such stress instead of concentrating on the management of NPA only.

A PRS summary of the report is available <u>here</u>.

### **Petroleum and Natural Gas**

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# Cabinet approves policy framework for exploration and exploitation of unconventional hydrocarbons

The Union Cabinet approved the policy framework for exploration and exploitation of unconventional hydrocarbons such as shale oil and gas, and coal bed methane (CBM). As per the existing contracts, the exploration and exploitation of unconventional hydrocarbons is not allowed, except in case of CBM. Also, CBM contracts do not allow exploitation of any other hydrocarbon, except CBM. The approved policy permits contractors to explore and exploit unconventional hydrocarbons in their licensed/leased areas as per their existing contracts. With the approved policy, 77,296 sq. km. area is estimated to be accessible for exploration and exploitation of conventional and unconventional hydrocarbons.

The approved policy requires contractors to share the profit on production from new discoveries with the government at an additional rate of 10%, over and above the rate specified in their contracts. However, this will apply only to production sharing contracts and CBM contracts. This additional rate will not be applicable for the blocks

granted to the national oil companies, namely Oil and Natural Gas Corporation Limited and Oil India Limited, on nomination basis.

For this purpose, ring-fencing of operations has been provided. Under this, the cost incurred on exploration, development, and production for new discoveries will be recorded separately. Further, the commercial and techno-economic viability of new discoveries will be established on a standalone basis.

The policy will not apply to blocks where the contractor has already applied for termination of contract or to blocks under termination, arbitration or legal proceedings.

### **Transport**

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### DGCA released guidelines for civilian operation of drones

The Director General of Civil Aviation (DGCA) released the requirements for operation of civil Remotely Piloted Aircraft Systems (RPAS), commonly known as drones. <sup>45</sup> These guidelines will be effective from December 1, 2018. Key features of the guidelines include:

- Definition: Remotely piloted aircraft (RPA) is an unmanned aircraft, which is piloted from a remote pilot station. A RPA, its associated remote pilot stations, command and control links and any other components forms a Remotely Piloted Aircraft System (RPAS).
- Classification: The RPAs will be classified on the basis of their maximum take-off weight, as follows: (i) nano (less than or equal to 250 gm), (ii) micro (between 250 gm and 2 kg), (iii) small (between 2 kg and 25 kg), (iv) medium (between 25 kg and 150 kg), and (v) large (greater than 150 kg).
- Identification requirements: All civil RPAs will be required to obtain a unique identification number (UIN) from DGCA. A UIN will be granted if the RPAS is wholly owned by: (i) an Indian citizen, or (ii) the central or state governments, or their companies, or (iii) a company that is registered and has its principal business in India, and its substantial ownership is vested in Indian nationals, or (iv) a company that is registered in India and has leased the RPAS to any other eligible organisations. RPAS exempted from requiring a UIN include: (i) nano RPAs intended to fly up to 50 feet in uncontrolled airspace or enclosed premises for

commercial, recreational or research purposes, and (ii) RPAs owned or operated by central intelligence agencies.

- Permit requirements: All civil RPA operators will require an unmanned aircraft operator permit, to be issued by DGCA. Entities exempted from requiring these permits include: (i) nano RPA operating below 50 ft, or micro RPA operating below 200 ft, in uncontrolled airspace or indoor operations, and (ii) RPA owned and operated by government security agencies.
- Operations: RPA operators will prepare standard operating procedures containing information such as: (i) take-off/landing, (ii) collision avoidance, and (iii) local airspace restrictions. RPAs must be operated only during daylight. All RPA operators, except nano, must inform the local police authority before commencing operations. Before entering the controlled airspace, the remote pilot must establish contact with the air traffic control.

### IRDAI notifies mandatory long-term third party insurance for new vehicles

The Insurance Regulatory and Development Authority of India (IRDAI) notified mandatory long-term third party insurance cover for new vehicles. 46 As per the notification, all general insurers will provide only: (i) three year third party insurance covers for new cars, and (ii) five-year third party insurance cover for new two-wheelers. The premium will be collected for the entire term (three years or five years as the case may be) at the time of sale of insurance but would be recognised on a yearly basis.

This gives effect to the Supreme Court order from July 20, 2018, which mandated the time period for third party insurance cover for new vehicles. The new insurance policy will be applicable from September 1, 2018.

# Proposed transaction structure for greenfield airports released

The Ministry of Civil Aviation released the proposed transaction structure for greenfield airports.<sup>47</sup> The guiding principles of the proposed transaction structure are affordability, sustainability and predictability. Key features of the proposed transaction structure include:

- Scope of concession: The concession (or contract) will be awarded on a develop, build, finance, operate and transfer (DBFOT) basis.
- Concession period: A concession period of 40 years has been proposed. This will help

- investors recover capital investment and address traffic fluctuations.
- Bid parameter: Currently, share of gross revenue of the airport operator, that is shared with the concessioning authority, is used as the bid parameter in greenfield projects. However, there have been challenges in monitoring and finalising such gross revenue. The proposed bid parameter is the concession fee payable to the concessioning authority (in rupees per passenger). Further, the concessionaires will also pay an administrative fee to the authority. For 2018-19, this fee is proposed to be Rs 20/passenger. The annual change in fee will be indexed to 50% of inflation in the previous year.
- Tariff structure: Currently, airport tariff is determined on a cost-plus basis. Under the proposed structure, the tariff will be predetermined at the beginning of the concession period on the basis of Maximum Blended Aeronautical Yield (MBAY) rupees per passenger. The MBAY for greenfield airports for 2018-19 is proposed to be Rs 400/passenger.
- MBAY will cover revenue accruing to the concessionaire from all services that are critical to aviation activities, and where the concessionaire exercises significant market power. These include: (i) landing, housing and parking charges levied on all aircraft, (ii) revenue from cargo, ground handling agencies, and inflight catering, and (iii) passenger service fee.

Comments on the proposed structure are invited till September 14, 2018.

### **Draft International Air Connectivity Scheme released**

The Ministry of Civil Aviation released the draft International Air Connectivity (IAC) Scheme – UDAN (International). The draft scheme seeks to assist state governments as they try to facilitate air connectivity between their respective states and international destinations. Assistance will be provided through financial support (subsidy) to airlines to meet the gap, if any, between the cost of airline operations and the expected revenues on such routes.

Key features of the draft scheme include:

• Guiding principles: The key guiding principles will include: (i) operationalising the scheme only for those states which demonstrate their commitment to implement and provide the requisite support for promoting operations under the scheme; and

- (ii) encouraging sustainability of operations in the long term so that the connectivity established is not perpetually dependent on the subsidy.
- Identification of IAC routes: Each state government, as per its priorities and the scheme objectives, will identify the list of routes to be connected under the scheme.
- Financial support: The concerned state governments will provide financial support to selected airlines in the form of subsidy for operations on IAC routes. Certain concessions will also be provided by the central government and the Airports Authority of India. Subsidies provided by the state governments and AAI will be provided for a period of three years from the date of commencement of IAC flight operations.
- Implementing agency: The Ministry of Civil Aviation, in consultation with state governments, may designate any entity, as the implementing agency under this scheme. This agency will be responsible for undertaking activities to support the state governments. A state government may also be designated as the implementing agency, and such agency can be different across states. The agency will undertake the bidding processes under the scheme, and manage the funds under the scheme.

### **Housing and Urban Affairs**

The Requisitioning and Acquisition of Immovable Property (Amendment) Bill, 2017 passed by Parliament

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The Requisitioning and Acquisition of Immovable Property (Amendment) Bill, 2017 was passed by Parliament. <sup>49</sup> The Bill was introduced in Lok Sabha on July 18, 2017. It amends the Requisitioning and Acquisition of Immovable Property Act, 1952. The Act provides for the central government to requisition property for its own purpose, which further must be a public purpose. Under certain conditions it can also acquire such property. Features of the Bill are:

- **Retrospective application:** The Bill will be deemed to have come into force on March 14, 1952, the date of the enactment of the Act.
- Re-issue of notice: Under the Act, when acquiring a requisitioned property, the central government has to issue a notification with regard to such an acquisition. Before issuing

- such a notice, the government has to provide the property owner (or any person interested in the property), an opportunity to be heard. The property owner at such hearing has to provide reasons for why the property should not be acquired.
- The Bill provides that the government may reissue the acquisition notice to the property owner (or a person interested in the property) to give them adequate opportunity for a hearing. This re-issue would be irrespective of any past court orders or judgments setting aside any past notices for acquisition. However, the re-issue of notice will not apply to cases where the compensation has already been awarded and accepted by the claimants.
- Interest payable on compensation: In cases where a notice has been re-issued, the property owner (or a person interested in the property) will be entitled to an interest on the compensation payable to them. The interest will be calculated for the period from when the first notice was issued till the date of the final payment of compensation. This interest will be the same as the annual rate of interest, prevalent at any relevant time, on the domestic fixed deposit offered by the State Bank of India.

For a PRS summary of the Bill, see <u>here</u>.

#### Ease of Living Index 2018 released

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The Ministry of Housing and Urban Affairs launched the Ease of Living Index 2018.<sup>50</sup> The Index captures the quality of life in cities and seeks to: (i) drive an evidence-based approach for future interventions and investments to deliver ease of living outcomes; (ii) catalyse actions to improve the quality of life in Indian cities; (iii) track broader development outcomes, including the Sustainable Development Goals; and (iv) serve as a basis for dialogue with citizens and urban decision-makers on key strengths and areas demanding improvement in cities.

The Index has ranked 111 cities in 35 states/ union territories on 78 indicators in 15 categories. Each of these 15 categories falls within one of these following four pillars: (i) institutional, (ii) social, (iii) economic, and (iv) physical. The different categories include: (i) assured water supply, (ii) economy and employment, (iii) education, (iv) governance, (v) health; (vi) mixed land use and compactness, (vii) solid waste management; and (viii) transportation and mobility. The cities ranked under the Index have population more than 1 million, and fall within the category of smart

cities and capital cities. Pune in Maharashtra topped the ranking.

The four pillars under the Index also act as sub-indexes. In addition to a main rank, each city has also been given a rank for each of these sub-indexes. The physical sub-index has the maximum weightage of 45 points, followed by social and institutional (25 points each) and economic (5 points). To gather data for the Index, a data entry portal and a monitoring dashboard for real time update on progress was established.<sup>51</sup> The cities submitted data on more than 50,000 points. Secondary audit of 10,000 documents, physical audit of 14,000 units and survey of more than 60,000 citizens was completed before the Index was finalised.

#### Health

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# The Homoeopathy Central Council (Amendment) Bill, 2018 passed by Parliament

The Homoeopathy Central Council (Amendment) Bill, 2018 was passed by Parliament. <sup>52</sup> It amends the Homoeopathy Central Council Act, 1973 and replaces the Homoeopathy Central Council (Amendment) Ordinance, 2018 that was promulgated on May 18, 2018. <sup>53,54</sup> The 1973 Act sets up the Central Council of Homoeopathy which regulates homoeopathic education and practice. Key features of the Bill include:

- Supersession of the Central Council: The Bill amends the 1973 Act to provide for the supersession of the Central Council. The Central Council will be reconstituted within one year from the date of its supersession. In the interim period, the central government will constitute a Board of Governors, which will exercise the powers of the Central Council.
- The Board of Governors will consist of up to seven members including: (i) persons of eminence in the field of homoeopathy education, and (ii) eminent administrators, appointed by the central government. The central government will select one of these members as the Chairperson of the Board.
- Permission for existing homoeopathy colleges: The Bill states that: (i) if any person has established a homoeopathy medical college, or (ii) if an established homoeopathy medical college has opened new courses or increased its admission capacity before the passage of the Bill, it will have to seek permission from the central government

within one year. If the person or homoeopathy medical college fails to seek such permission, then any medical qualification granted to a student from such medical college will not be recognised under the Act.

For more details on the Bill, please see <u>here</u>.

### Juvenile Justice (Care and Protection of Children) Amendment Bill, 2018 introduced

The Juvenile Justice (Care and Protection of Children) Amendment Bill, 2018, was introduced in Lok Sabha. <sup>55</sup> The Bill amends the Juvenile Justice (Care and Protection of Children) Act, 2015. The Act contains provisions related to children in conflict with law and children in need of care and protection. The Bill seeks to make certain changes to the provisions related to the adoption of children.

- Adoption under the 2015 Act: The Act provides for the adoption of children by prospective adoptive parents from India and abroad. On the acceptance of the child by prospective adoptive parents, a specialised adoption agency files an application in a civil court to obtain the adoption order. The adoption order issued by the court establishes that the child belongs to the adoptive parents. The Bill provides that instead of the court, the District Magistrate will issue such adoption orders.
- In cases where a person living abroad intends to adopt a child from his relative in India, he is required to obtain an adoption order from the court. In such cases, the Bill replaces the court with the District Magistrate as the authority to issue adoption orders.
- Transfer of proceedings: The Bill seeks to transfer all pending matters related to adoption before any court to the District Magistrate having jurisdiction over the area.

For more details on the Bill, please see <u>here</u>.

# **Standing Committee submits report on the functioning of FSSAI**

The Standing Committee on Health and Family Welfare (Chair: Prof. Ram Gopal Yadav) submitted its report on 'Functioning of Food Safety and Standards Authority of India (FSSAI)'. FSSAI is responsible for formulating science based food standards and regulating the manufacture, storage, distribution, and sale of food to ensure consumer safety. Key observations and recommendations of the Committee include:

- Regulatory framework: The Committee noted that even after more than a decade of the enactment of the Food Safety and Standards Act, 2006, FSSAI is yet to frame regulations governing various procedures relating to accreditation of food testing laboratories, food labelling standards, and genetically engineered food, among others. It was observed that most states do not have a separate food safety department to efficiently implement food safety and standards. This has resulted in: (i) lack of quality checks, (ii) food adulteration, (iii) misleading labelling, and (iv) sale of defective food products.
- The Committee recommended that the FSSAI must frame and notify regulations on all areas that have been specified in the Act within a period of one year. Further, it recommends the establishment of a separate food safety department in all states for enforcing a robust food safety mechanism.
- Licensing and registration: Under the Act, no person can commence or carry on any food business without obtaining a license. The Committee noted that several food businesses were operating either without a license or with expired licenses. Further, licenses were being issued on the basis of incomplete documents by central and state licensing authorities. The Committee recommended that FSSAI ensure all licenses issued under the earlier system of product approvals are reviewed, and licenses are cancelled and reissued as required under the present procedure of product approvals.
- Amendments to the Act: The Committee recommended several amendments to the existing Food Safety and Standards Act, 2006 to establish a uniform food safety regulatory regime in the country. These recommendations relate to: (i) regulating use of food dye, (ii) regulating primary production i.e., the use of pesticides by farmers and fishermen, and (iii) modifying the process of selection of the Chairman and CEO of FSSAI to include experts and scientists in the food sector.

A PRS summary of the report is available <u>here</u>.

### CAG submits report on Pradhan Mantri Swasthya Suraksha Yojana

The Comptroller and Auditor General (CAG) submitted a report on 'Performance of the Pradhan Mantri Swasthya Suraksha Yojana (PMSSY)'. <sup>57</sup> PMSSY was introduced in 2003 to correct imbalances in the availability of tertiary healthcare services and improve the quality of medical education. The scheme has two components: (i)

setting up of new AIIMS, and (ii) upgradation of selected Government Medical College Institutions (GMCIs). Key observations and recommendations of the audit include:

- Planning and implementation: The CAG observed that no operational guidelines had been formulated for PMSSY since its inception. This resulted in several ad hoc decisions being taken with respect to key aspects of the scheme. In case of setting up new AIIMS, initial approval was not based on a comprehensive assessment of the scope of work. This led to an increase in costs and delays of up to five years. In case of GMCIs, the criteria for selection of institutes was not formulated resulting in arbitrary selection.
- In this context, the CAG recommended that the Ministry of Health and Family Welfare must expedite the formulation of operational guidelines to regulate the implementation of the scheme. It also recommended that evaluation studies could be taken up for status check and to identify weaknesses in planning and implementation.
- Financial management: During 2004-17, the government allocated Rs 14,971 crore for the scheme. However, only 61% (Rs 9,207 crore) of these funds were released. Further, a significant portion of the funds remained underutilised due to: (i) delays in obtaining approval, (ii) slow pace of procurement of equipment, (iii) non-filling up of posts, and (iv) pending utilisation certificates. It was found that the Ministry had estimated the capital cost for setting up six new AIIMS to be Rs 332 crore per institute. After four years, this cost was revised to Rs 820 crore per institute, on account of shortcomings in planning and assessment of requirements.
- The CAG recommended that the Ministry should ensure adherence to contract provisions in the execution of works. In addition, accountability should be fixed where there is additional expenditure without adequate justification.

A PRS summary of the report is available here.

### **Information Technology**

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# TRAI releases recommendations on promoting local telecom equipment manufacturing

The Telecom Regulatory Authority of India (TRAI) released recommendation on 'Promoting Local Telecom Equipment Manufacturing'. St It includes recommendations on institutional mechanism, resolution of disputes, and market access. Key recommendations include:

- Institutional mechanism: To ensure focused attention, the progress of telecom equipment manufacturing in the country should be monitored at least at the level of Member, Telecom Commission. For time-bound progress, a dedicated unit in Department of Telecommunications should be responsible for monitoring of telecommunication equipment design and manufacturing in the country.
- Resolution of disputes: TRAI noted that dispute resolution is a time consuming and costly process. It recommended that an Alternate Dispute Resolution Framework should be institutionalized.
- Testing and certification: The Telecommunication Engineering Centre (TEC) should be made responsible for regulation of telecom products testing and certification agencies. Further, government should institute mechanism of mutual recognition of Indian testing labs with international testing labs.
- Manufacturing and productivity: India is a signatory to the Information Technology Agreement, and hence certain items are allowed to be imported at zero percent duty. An expert committee should be constituted to identify telecom products which are not covered by the agreement, and suggest suitable tariffs for import of such products.
- Market access: The DoT had introduced Preferential Market Access (PMA) policy to provide preference to indigenously manufactured electronic products. TRAI recommended that a nodal officer should be appointed to review lack of implementation of PMA policy.
- Further, the PMA policy should be reviewed so that products specified under the policy can be aligned with local market realities.

# **Standing Committee submits report on progress of implementation of BharatNet**

The Standing Committee on Information Technology (Chairperson: Mr. Anurag Singh Thakur) submitted its report on 'Progress of implementation of BharatNet' on August 7, 2018.<sup>59</sup> Key observations and recommendations of the Committee include:

- Implementation of Phase I: Under Phase-I of BharatNet, a target of connecting one lakh GPs through optical fibre cable was set. However, the Committee noted that inadequate planning and design coupled with lack of preparedness affected the project from 2011 to 2014. Because of deficiencies in various aspects such as planning, design, procurement, and non-participation of states, the implementation could start only after 2014. The Committee observed that the target of completing one lakh GPs had been achieved on December 28, 2017.
- Last-mile connectivity: The Committee observed that last-mile connectivity (connectivity to households) was not in the scope of BharatNet till July 2017. Since 1,09,099 GPs were service ready by May 1, 2017, the Committee stated that focus should be on provision of last-mile connectivity in these GPs. Further, the Committee emphasised the need to set up Wi-Fi hotspots under Saansad Adarsh Gram Yojana. It recommended that while setting up Wi-Fi hotspots, emphasis should be given to participation of village level entrepreneurs, so as to generate employment opportunities.
- Participation of states: The Committee noted that non-involvement of states in Phase-I has resulted in slow progress and non-utilization of infrastructure. To address this issue, a modified strategy was adopted where GPs in eight states were provided connectivity through state-led model. Under this model, states undertake the responsibility of laying of optical fibre cable and radio. The Committee stated that a mechanism should be put in place whereby best practices adopted in one state can be shared with all other states.
- Central Public Sector Undertakings (CPSUs): The Committee noted that Phase-I of the project had been allotted to three CPSUs (Bharat Sanchar Nigam Limited, RailTel, and Power Grid Corporation of India Limited). Despite having expertise in optical fibre technology, performance of these CPSUs has not been satisfactory. This included delays in achieving targets under Phase-I. The Committee recommended in this regard

that stringent measures, such as penalties for failure to achieve the targets, should be imposed on the CPSUs.

A PRS summary of the report is available here.

## **Standing Committee submits report on expansion of rural BPOs**

The Standing Committee on Information Technology (Chairperson: Mr. Anurag Singh Thakur) submitted its report on 'Expansion of Rural BPOs and Challenges faced by them' on August 9, 2018.<sup>60</sup> Key observations and recommendations of the Committee include:

- Schemes for BPO promotion: The Committee noted that the MEITY has launched two schemes for the creation of jobs in the BPO sector: (i) India BPO Promotion Scheme (IBPS), and (ii) North East BPO Promotion Scheme (NEBPS). These schemes provide financial support to expand employment opportunities in the BPO sector. The duration of both these schemes is up to March 2019. The Committee recommended that necessary steps should be taken for successful implementation of both schemes so that they fulfil their objectives within the time-frame.
- Revamping of schemes: The Committee noted that at present, IBPS and NEBPS do not have provisions for extending support to BPOs which want to expand. It recommended that the scope and reach of both schemes be widened so that the Indian BPO sector remains internationally competitive. In addition, the Committee recommended that there is a need to study BPO policies in other countries, and incorporate best practices of those countries in the ongoing schemes.
- Safety of women: The Committee observed that safety of women is a major challenge faced by the BPO sector in India. Companies have taken various steps to address this, including provision of transport facilities, security guards, and workshops to create awareness on women's safety. The Committee recommended that in addition to these initiatives, the option of creating suitable accommodation for women employees may be explored. It further recommended that due emphasis must be given to create a conducive environment at the workplace so that women employees do not face safety issues.

A PRS summary of the report is available <u>here</u>.

### **Sports**

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### The National Sports University Bill, 2018 passed by Parliament

The National Sports University Bill, 2018 was passed by Parliament.<sup>61</sup> It replaces the National Sports University Ordinance, 2018 that was promulgated on May 31, 2018.<sup>62</sup> The Bill seeks to establish a National Sports University in Manipur. Key features of the Bill include:

- Establishment of the University: The National Sports University will be headquartered in Manipur. It may establish outlying campuses (within or outside India), colleges, or regional centres. The University will: (i) undertake research on physical education, (ii) strengthen sports training programmes, and (iii) collaborate internationally in the field of physical education, among others.
- Functions of the University: Key powers and functions of the University include: (i) prescribing courses of study and conducting training programmes, (ii) granting degrees, diplomas, and certificates, (iii) providing facilities through a distance education system, and (iv) conferring autonomous status on a college or an institution.

For more details on the Bill, please see here.

### **Minority Affairs**

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# Standing Committee submits report on implementation of Jan Vikas Karyakram

The Standing Committee on Social Justice and Empowerment (Chair: Mr. Ramesh Bais) submitted its report on 'Implementation of Scheme of Multi-Sectoral Development Programme / Pradhan Mantri Jan Vikas Karyakram' on August 9, 2018.<sup>63</sup> Key observations and recommendations of the Committee include:

Overall implementation: The Committee noted that although the Ministry has revised the scheme, the socio-economic conditions of the minorities remain unchanged. There were significant trends of missing basic amenities/ infrastructure in minority areas. The Committee recommend that the Ministry should co-ordinate with the concerned states/ union territories and other line Ministries to complete these projects in a timely manner and make efforts for better implementation of the scheme.

- Data on beneficiaries: The Committee noted that there is no community-wise data regarding the number of families benefited by the projects under the scheme. In the absence of such data, the Ministry cannot analyse the impact of the scheme on minorities. The Committee requested for updated data starting from 2008-09.
- **Housing:** The Committee observed that provision of pucca housing in rural areas under the Indira Awas Yojana (IAY) was one of the priority sectors of the Multi-Sectoral Development Programme (MsDP) during the 11th and 12th Five Year Plan. However, no units were sanctioned under IAY in several states during the Plan periods (including Kerala, Assam, Jammu & Kashmir, and Andaman and Nicobar Islands). The Committee also observed that projects relating to drinking water supply and pucca housing have not been included in the restructured MsDP, despite housing being a basic infrastructure for the people living in minority areas. It recommended that projects under IAY and those related to drinking water supply be included in the list of priority sectors of the MsDP.
- Health-related projects: With regard to health projects, the Ministry undertakes construction of Primary Health Centres (PHCs), Health Sub-Centres, and labour rooms in PHCs. Out of a total of 4,393 units/projects sanctioned in 11<sup>th</sup> and 12<sup>th</sup> Plan Period, only 2,432 projects/units were completed. The Committee emphasised that health is one of the basic indicators of development of an area, and recommended that the Ministry take steps with the Health Ministry and state governments, to ensure completion of the projects.

A PRS summary of the report is available here.

### **Labour and Employment**

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# **Standing Committee submits report on functioning of EPF Scheme**

The Standing Committee on Labour (Chairperson: Dr. Kirit Somaiya) submitted its report on 'Regulatory Framework of the EPFO on the Excluded Category vis-à-vis Implementation of Various PF Acts' on August 9, 2018.<sup>64</sup> Key

observations and recommendations of the Committee include:

Regulation of PF Trusts: The Committee noted that a large number of Provident Fund schemes are regulated by the Employees Provident Fund Organisation (EPFO), as per the Employees' Provident Fund and Miscellaneous Provisions Act, 1952. However, that there are several categories of PF schemes which exist under special acts (i.e., the Provident Fund Act, 1925 and other statutory PFs) and do not fall under the 1952 Act. It observed that there was a need for a regulatory mechanism to cover these various PF trusts in existence.

#### Regulation of Excluded PF Trusts:

According to the 1952 Act, there are two categories of establishments – exempted and excluded. Certain establishments are exempted from the 1952 Act. However, the provisions of the 1952 Act do not apply to certain excluded establishments, such as registered cooperative societies with less than 50 workers. They maintain their own PF trusts. Further, the Committee noted that several excluded establishments are regulated by the Provident Fund Act, 1925. The 1925 Act deals with provident funds primarily relating to the government, local authorities and Railways.

- The Committee noted that there is no specific regulator at the central level to regulate all existing PF trusts. It emphasised the need for a central regulator to: (i) protect the interests of contributing workers, (ii) ensure judicious investments of their contributions to yield maximum returns, (iii) make use of unclaimed amounts lying with these trusts, and (iv) prevent financial fraud.
- Regulation of Trusts under Provident Fund Act, 1925: The Committee observed that until recently, PF trusts governed under the 1925 Act were not regulated by any Ministry or regulatory authority (such as Pension Fund Regulatory and Development Authority or the EPFO). It noted that the administration of PF trusts under the 1925 Act have only recently been handed over to the Ministry of Labour & Employment.
- The Committee was also informed that there is a consensus that EPFO be made the sole regulator of all PF trusts under the 1925 Act, and for the excluded and exempted establishments under the 1952 Act. The Committee noted that a single regulator will ensure efficient working of all trusts and avert future financial fraud. Consequently, it recommended that the government should either draft a new law to cover these unregulated

trusts, or insert the relevant provisions of the 1925 Act in the 1952 Act.

A PRS summary of the report is available here.

## **Standing Committee submits report on overseas employment of women workers**

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The Standing Committee on Labour (Chairperson: Dr. Kirit Somaiya) submitted its report on 'Overseas Employment of Women Workers including Nurses and Maids, Issues and Regulatory Framework'. 65 Key observations and recommendations of the Committee include:

- Inter-ministerial collaboration: The Committee observed that the Ministry of Labour and Employment (MLE) and Ministry of External Affairs (MEA) both have a role in safeguarding the interests of Indian emigrant workers. It recommended that the two ministries must work together by setting up a joint committee. Further, they recommended that the MLE should be responsible for educating workers seeking overseas employment about labour laws prevalent in other countries.
- Emigration Check Required category: Countries where protection of workers is not strong have been designated by Government of India as Emigration Check Required (ECR) countries. The Committee noted that MEA has complete details of ECR category of workers for the 18 ECR countries. However, the MEA does not have data on Indians going to these nations on Tourist Visas and overstaying illegally to seek employment.
- Further, the Committee noted that MEA does not have data on holders of Emigration Check Not Required (ECNR) passports, as these passport holders are under the Ministry of Home Affairs (MHA). It recommended that cooperation should be established between MEA and MHA in sharing details of ECR and ECNR passport holders.
- Coordination with states: The Committee stated that there is an urgent need to set up a cell and appointment of a nodal officer for emigrant workers in all states/UTs. This would benefit emigrant Indian workers as their details would be passed on by state governments to the MEA. The Committee recommended that this cell should insist that all emigrant workers deposit a copy of their passport with the nodal agency.

A PRS summary of the report is available here.

### **Agriculture**

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## Fourth advanced estimates of production of major crops for 2017-18 released

The Ministry of Agriculture and Farmers Welfare released the fourth advanced estimates of production of foodgrains and commercial crops for the year 2017-18.66

- The total foodgrain production in 2017-18 is estimated to grow by 3.5% as compared to final estimates in 2016-17. This increase was contributed by 3% growth in the production of cereals and 9.1% growth in the production of pulses.
- In 2017-18, the production of oilseeds is expected to increase by 0.1% from 2016-17. Oilseeds include soyabean, groundnut, rapeseed-mustard, and castorseed.
- During the same period, cotton production is expected to grow by 7.1% and sugarcane production is expected to increase by 23.1%.

Table 3: Fourth advanced estimates of production of major crops for the year 2017-18 (in million tonnes)

Crop	Final estimates 2016-17	4th advanced estimates 2017-18	% change over final estimate
Foodgrains	275.1	284.8	3.5%
Cereals	252.0	259.6	3.0%
Rice	109.7	112.9	2.9%
Wheat	98.5	99.7	1.2%
Coarse Cereals	43.8	47.0	7.4%
Pulses	23.1	25.2	9.1%
Gram	9.4	11.2	19.7%
Tur	4.9	4.2	-12.7%
Oilseeds	31.3	31.3	0.1%
Soyabean	13.2	11.0	-16.6%
Groundnut	7.5	9.2	23.0%
Rapeseed & Mustard	7.9	8.3	5.1%
Cotton*	32.6	34.9	7.1%
Sugarcane	306.1	376.9	23.1%

<sup>\*</sup>Million bales of 170 kg each.

Sources: Directorate of Economics and Statistics, Ministry of Agriculture and Farmers Welfare; PRS.

## CCEA approves release of pulses for utilisation under various welfare schemes

The Cabinet Committee on Economic Affairs approved the release of pulses to states and union territories for utilisation under the Public

Distribution System and various welfare schemes such as the Mid-Day Meal Scheme, and the Integrated Child Development Services.<sup>67</sup> This would be a one-time dispensation for a period of 12 months or till disposal of the 34.88 lakh metric tonne of stock of pulses, whichever is earlier.

The pulses approved for release include Tur, Chana, Masoor, Moong, and Urad. The pulses will be released at a discount of Rs 15/kg over the prevailing wholesale market price in the sourcing state, on a first come first serve basis. The central government has allocated Rs 5,237 crore for implementation of this scheme.

# **Standing Committee submits report on Central Tuber Crops Research Institute**

The Standing Committee on Agriculture (Chair: Mr. Hukmdev Narayan Yadav) submitted a report on 'ICAR – Central Tuber Crops Research Institute – A Performance Review' on August 3, 2018.<sup>68</sup> The Central Tuber Crops Research Institute (CTCRI) was established under the Indian Council of Agricultural Research (ICAR) in 1963 for research on root and tuber crops, i.e. crops which grow beneath the soil's surface, such as cassava, sweet potato, and yam. Key observations and recommendations of the Committee include:

- Finances: The Committee observed that CTCRI requires more capital investment for establishment of laboratories and purchase of latest scientific equipment in order to build a robust research system. It recommended increased capital allocations to the Institute. It also recommended that the ICAR analyse CTCRI's revenue generation potential and increase its targets.
- Expansion: The Committee noted that there is a large scope for expanding root and tuber crop farming in the country, especially in eastern states. It recommended that CTCRI: (i) work with state governments to identify potential areas suitable for these crops, (ii) take steps to educate farmers about their high yielding

varieties and improved production techniques, and (iii) make an assessment of the support required by farmers for shifting to cultivation of these crops.

• Food Processing: The Committee observed that there is huge potential for food products and snacks based on root and tuber crops. However, there is a lack of awareness of their health benefits. It also noted that there is a need to develop food products based on dietary preferences of consumers in various parts of the country. For this purpose, the Committee recommended that CTCRI take up a survey for analysis of dietary preferences. Further research should be done on the basis of survey results to prepare region-specific food products. It also recommended that CTCRI explore the possibility of a joint awareness campaign with industry, and central and state governments on health benefits of food products based on root and tuber crops.

A PRS summary of the report is available here.

### **External Affairs**

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#### **Prime Minister attends BIMSTEC Summit**

The Prime Minister Mr. Narendra Modi visited Nepal to attend the Fourth BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation) Summit.<sup>69</sup> The leaders signed the Fourth BIMSTEC Summit Declaration, which committed to cooperation in various sectors including: (i) poverty alleviation, (ii) trade and investment (renew commitment to early conclusion of BIMSTEC Free Trade Area negotiation), (iii) environment and disaster management (closer cooperation through sharing of information), (iv) agriculture (cooperation in sectors including crops, livestock, and farm machinery).<sup>70</sup>

<sup>1</sup> Parliament Session Wrap, August 10, 2018, http://www.prsindia.org/uploads/media/Monsoon%202018/Session%20wrap%20Monsoon%20Session%202018.pdf.  $\frac{http://mospi.nic.in/sites/default/files/press\_release/iip\_PR\_10au\_g18\_0.pdf.$ 

<sup>&</sup>lt;sup>2</sup> "Press Note on Estimates of Gross Domestic Product for the first quarter of 2018-19", Ministry of Statistics and Programme Implementation, August 31, 2018, http://www.mospi.gov.in/sites/default/files/press\_release/PR\_G

http://www.mospi.gov.in/sites/default/files/press\_release/PR\_G\_DP\_Q1\_31aug18.pdf.

<sup>&</sup>lt;sup>3</sup> "Third Bi-Monthly Monetary Policy Statement 2018-19", Press Release, Reserve Bank of India, August 1, 2018, https://rbidocs.rbi.org.in/rdocs/Bulletin/PDFs/03MP\_10082018 CE37FEEC02384C4DA95F68DCDF26BDF7.PDF.

<sup>&</sup>lt;sup>4</sup> "Quick Estimates of Index of Industrial Production and Use Based Index for the Month of June, 2018 (Base 2011-12=100)", Press Release, Ministry of Statistics and Programme Implementation, August 10, 2018,

<sup>&</sup>lt;sup>5</sup> Annual Report 2017-18, Reserve Bank of India, August 29, 2018, https://rbidocs.rbi.org.in/rdocs/AnnualReport/PDFs/0ANREPORT201718077745EC9A874DB38C991F580ED14242.PDF.

<sup>&</sup>lt;sup>6</sup> Report of the Joint Committee on the Financial Resolution and Deposit Insurance Bill, Lok Sabha, August 1, 2018, http://164.100.47.193/lsscommittee/Joint%20Committee%20on%20the%20Financial%20Resolution%20and%20Deposit%20Insurance%20Bill,%202017/16 Joint Committee on the Financial Resolution and Deposit Insurance Bill 2017 1.pdf.

<sup>&</sup>lt;sup>7</sup> The Central Goods and Services Tax (Amendment) Bill, 2018,

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<sup>8</sup> The Integrated Goods and Services Tax (Amendment) Bill, 2018,

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<sup>9</sup> The Union Territory Goods and Services Tax (Amendment) Bill, 2018,

http://www.prsindia.org/uploads/media/GST%20Amendment/ Union%20Territory%20Goods%20and%20Services%20Tax%2 0(Amendment)%20Bill,%202018.pdf.

<sup>10</sup> The Goods and Services Tax (Compensation to States) Amendment Bill, 2018,

http://www.prsindia.org/uploads/media/GST% 20Amendment/Goods% 20and% 20Services% 20Tax% 20(Compensation% 20to % 20States)% 20Amendment% 20Bill,% 202018.pdf.

- <sup>11</sup> Report No. 62, Standing Committee on Finance, The Chit Funds (Amendment) Bill, 2018, Lok Sabha, August 9, 2018, http://164.100.47.193/lsscommittee/Finance/16\_Finance\_62.pd f.
- <sup>12</sup> "LIC to acquire controlling stake of IDBI Bank; Cabinet approves dilution of Government shareholding below 50%", Press Information Bureau, Cabinet, August 1, 2018.
- <sup>13</sup> Report of Committee on Fair Market Conduct, Securities and Exchange Board of India, August 8, 2018, <a href="https://www.sebi.gov.in/reports/reports/aug-2018/report-of-committee-on-fair-market-conduct-for-public-comments">https://www.sebi.gov.in/reports/reports/aug-2018/report-of-committee-on-fair-market-conduct-for-public-comments</a> 39884.html.
- <sup>14</sup> Report of the High Level Committee on the Settlement Mechanism, August 10, 2018,

https://www.sebi.gov.in/reports/reports/aug-2018/report-on-settlement-mechanism-by-the-high-level-committee-to-review-the-enforcement-and-settlement-mechanism\_39967.html.

<sup>15</sup> The Insolvency and Bankruptcy Code (Second Amendment) Bill, 2018, July 23, 2018,

http://www.prsindia.org/uploads/media/Insolvency%202018/The%20Insolvency%20and%20Bankruptcy%20Code%20(Second%20Amendment)%20Bill,%202018.pdf.

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