Monthly Policy Review

June 2018

Highlights of this Issue

Policy repo rate increased to 6.25%; reverse repo rate increased to 6% (p. 2)
The Monetary Policy Committee increased the repo rate (at which RBI lends money to banks) from 6% to 6.25%. The reverse repo rate (at which RBI borrows money from banks) was also increased from 5.75% to 6%.

CAD at 1.9% of GDP in 2017-18; fourth quarter 2017-18 CAD also at 1.9% of GDP (p. 2)
In 2017-18, Current Account Deficit (CAD) increased to 1.9% of GDP from 0.6% in 2016-17. CAD in the fourth quarter of 2017-18 increased to USD 13 billion from USD 2.6 billion in the corresponding quarter of 2016-17.

The Insolvency and Bankruptcy (Amendment) Ordinance, 2018 promulgated (p. 3)
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Draft Bill introduced to repeal the University Grants Commission Act, 1956 (UGC) (p. 5)
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Report of the High Level Task Force on Public Credit Registry for India released (p. 2)
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Cabinet approves interventions to deal with the current crisis in the sugar sector (p. 9)
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Long term growth trajectory for renewable purchase obligations (RPO) notified (p. 10)
The current RPO growth trajectory (for both solar and non-solar) is between 11.5%-17% for 2016-17 to 2018-19. This has been increased to 17.5% - 21% for 2019-20 to 2021-22.

NITI Aayog submits two reports on water management and artificial intelligence (p. 6, 9)
NITI Aayog released a report on the Composite Water Management Index which ranks states on several parameters including water availability and management. It also released a paper on national strategy for artificial intelligence.

July 2, 2018

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Macroeconomic Development

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Policy repo rate increased to 6.25%; reverse repo rate increased to 6%

The Monetary Policy Committee (MPC) released the second Bi-Monthly Monetary Policy Statement of 2018-19.[1] The policy repo rate (rate at which RBI lends money to banks) was increased from 6% to 6.25%. Other decisions of the MPC include:

- The reverse repo rate (the rate at which RBI borrows money from banks) was also increased from 5.75% to 6%.
- The marginal standing facility rate (at which banks can borrow additional money) and bank rate (at which RBI buys or rediscounts bills of exchange) were also increased from 6.25% to 6.5%.

CAD increased to 1.9% of GDP in financial year 17-18 and in Q4 of 2017-18

India's Current Account Deficit (CAD) in the fourth quarter (Jan-Mar) of 2017-18 increased to USD 13 billion (1.9% of GDP) from USD 2.6 billion (0.4% of GDP) in the corresponding quarter of 2016-17.[2] Note that CAD in the third quarter (Oct-Dec) of 2017-18 was USD 13.5 billion (2.1% of GDP).

Foreign exchange reserves increased by USD 13.2 billion, as compared with an increase of USD 7.3 billion in the fourth quarter of 2016-17, driven by stronger capital inflows.

Table 1 shows the balance of payments in the fourth quarter of 2017-18.

Table 1: Balance of Payments in Q4 of 2017-18 (USD billion)

	Q4 2016-17	Q3 2017-18	Q4 2017-18
Current Account	-2.6	-13.5	-13.0
Capital Account	10.3	22.0	25.0
Errors and Omissions	-0.5	0.8	1.3
Change in reserves	7.3	9.4	13.2

Sources: Reserve Bank of India; PRS.

In the financial year 2017-18, CAD increased to 1.9% of GDP from 0.6% in 2016-17. India's trade deficit increased to USD 160 billion from USD 112.4 billion in 2016-17. Table 2 shows the balance of payments in 2017-18.

Table 2: Balance of Payments in 2017-18 (USD billion)

	2016-17	2017-18
Current Account	-14.4	-48.7
Capital Account	36.4	91.4
Errors and Omissions	-0.5	0.9
Change in reserves	21.6	43.6

Sources: Reserve Bank of India; PRS.

Finance

Report of the High Level Task Force on Public Credit Registry for India released

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The Reserve Bank of India (RBI) had constituted a High Level Task Force to assess the need and scope of creating a public credit registry in India. The report was made available to the public on June 6, 2018.[3]

Currently, India has multiple entities storing credit data. For example, there are four private Credit Information Companies – (i) TransUnion CIBIL, (ii) Equifax, (iii) Experian and (iv) CRIF High Mark that maintain credit data of borrowers. There are also entities within the RBI such as the Central Repository of Information on Large Credits and the Basic Statistical Return-1 that record loans larger than five crore rupees, and credit across various sectors. Information Utilities also store financial credit data to help establish defaults by borrowers.

- **Challenges with current scenario:** The Task Force identified various shortcomings in the current credit information structure in India, such as: (i) data stored is incomprehensive, and fragmented across different entities, for example, data on borrowings from banks, inter-corporate and overseas borrowings, are not available in a single repository; (ii) reliance on self-disclosure by the borrower; (iii) time lags and discrepancies between multiple data sources; and (iv) increased reporting burden on credit institutions from having to report to multiple entities.
- **Public credit registry:** To bring about efficiency and transparency in the lending market, the task force recommended creating a public credit registry. The credit registry should: (i) be backed by a suitable legal framework, (ii) be for all loans regardless of amount, capture data currently not recorded in the system, for example, data on external borrowings, (iv) store supplementary credit data such as utility bill payments history to

benefit individuals with no credit history, and (vi) ensure security and privacy of the stored information. Further, reporting entities should ensure the quality of data in the registry.

For a PRS report summary, see here.

SEBI sets up Committee to examine direct listing of Indian companies on foreign stock exchanges and vice versa

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The Securities and Exchange Board of India (SEBI) created an Expert Committee to examine allowing companies incorporated in India to directly list their equity overseas, and foreign companies to directly list their equity on Indian exchanges.[4] The terms of reference of the Committee require it to examine the economic feasibility as well as the legal, regulatory and operational constraints of permitting direct listing of Indian companies on foreign exchanges and vice versa. The Committee will also recommend a suitable framework for the same.

RBI releases draft guidelines on loan system for delivery of bank credit

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The Reserve Bank of India (RBI) released draft guidelines related to delivering bank credit to borrowers with large working capital borrowings.[5] With regard to borrowers with working capital limit of Rs 150 crore and more, the guidelines require that at least 40% of the working capital should be held as loans, limiting the cash credit component to 60%. This provision will be applicable from October 1, 2018. The 40% loan component will be increased to 60% from April 1, 2019. The banks will decide the fixed loan amount and tenure in consultation with the borrower, subject to the tenure being at least seven days.

Income Tax Department launches reward schemes for information on tax evasion

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The Income Tax Department launched the revised Income Tax Informants Reward Scheme, 2018 and the Benami Transactions Informants Reward Scheme, 2018.[6,7] These schemes reward informants whose information leads to: (i) detection of substantial tax evasion, or (ii) identification of any benami property worth more than one crore rupees. Persons residing outside India, irrespective of their nationalities, are also eligible to become informants.

- **Income Tax Informants Reward Scheme, 2018:** The Income Tax Informants Reward Scheme, 2018 defines substantial tax evasion as an evasion of at least five crores rupees if detected by investigation directorates of Mumbai, Delhi, Kolkata, Chennai, Hyderabad, Ahmedabad, Pune, or Bangalore. This amount is one crore rupees in case of detection by any other investigation directorate.
- As per the scheme, the reward amount is based on the additional taxes levied and realised, directly attributable to that information. The maximum reward amount is: (i) 5% of such tax revenue under the Income Tax Act, 1961, up to Rs 50 lakh, and (ii) 10% of such tax revenue under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, up to five crore rupees.
- **Benami Transactions Informants Reward Scheme, 2018:** The Benami Transactions Informants Reward Scheme, 2018 rewards information on any movable or immovable benami property actionable under the Prohibition of Benami Property Transactions Act, 1988. The reward amount is up to 5% of the fair market value of movable property, and the circle rate of immovable property. This amount should be limited to one crore rupees in respect of a single benami property.
- If an informant is eligible for a reward under both the schemes based upon the same facts, the total amount of reward is restricted to the maximum permissible limit, whichever is higher, under the two schemes.

Corporate Affairs

The Insolvency and Bankruptcy (Amendment) Ordinance, 2018 promulgated

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The Insolvency and Bankruptcy Code (Amendment) Ordinance, 2018 was promulgated. It amends the Insolvency and Bankruptcy Code, 2016. The Code provides a time-bound process for resolving insolvency in companies and among individuals. Key features of the Ordinance include:

- **Real estate allottees:** The Ordinance 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). 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. Financial creditors are a part of the committee of creditors, which is responsible for taking the main decisions related to the resolution. The allottees can appoint an authorised representative to the committee of creditors to vote on their behalf.
- **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 persons whose account has been classified as a NPA for a year, and any guarantor for a defaulting debtor. The Ordinance 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, in public interest, 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 Ordinance lowers this threshold to 51%. For certain decisions of the committee, the voting threshold has been reduced from 75% to 66%. These include: (i) appointment and replacement of the resolution professional, (ii) approval of the resolution plan, and (iii) approval of certain actions of the resolution professional during the insolvency resolution process.

For a PRS Ordinance summary, see here.

Ministry releases draft on cross border insolvency

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The Ministry of Corporate Affairs released draft norms on cross border insolvency under the Insolvency and Bankruptcy Code, 2016 (IBC).[8] The norms are based on the UNCITRAL Model Law on Cross Border Insolvency, 1997 which provides a uniform mechanism for cross border insolvency. Under the IBC, the central government is required to enter into agreements with countries to initiate cross border insolvency proceedings. In addition, a letter of request is issued to access assets situated in other countries. Key features of the draft norms include:

- **Applicability:** The draft norms will apply to all corporate debtors covered under the IBC. However, the central government may notify certain classes of corporate debtors to whom these provisions may not apply.
- The draft norms will be applicable in cases where: (i) assistance is sought in India by a foreign court or foreign insolvency professional, or (ii) assistance is sought in a foreign country in connection with proceedings under the IBC, or (iii) creditors in a foreign country want to commence or participate in proceedings under IBC, or (iv) foreign proceedings and proceedings under the IBC are concurrently underway.
- **Foreign proceeding:** A foreign proceeding is a judicial or administrative insolvency proceeding in another country, where the assets of the corporate debtor are under control or supervision by a foreign court, for the purpose of recognition or liquidation. A foreign representative may apply to the National Company Law Tribunal (NCLT) for recognition of the foreign proceeding to commence cross border insolvency proceedings with India.
- **Relief granted upon recognition of a foreign proceeding:** To protect the assets of the corporate debtor or the interests of the creditors, the NCLT may grant relief, including moratorium on: (i) institution of suits or continuation of pending proceedings against the debtor, (ii) transferring or disposing of assets of the debtor, and (iii) recovery of any property by an owner or lessor which is occupied by the debtor.
- **Cooperation with foreign courts:** The central government, in consultation with NCLT will notify guidelines for communication and cooperation between NCLT and foreign courts in cross border insolvency matters.

Commerce and Industry

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Cabinet approves revised guidelines on time bound closure of sick or loss making Central Public Sector Enterprises

The Union Cabinet approved guidelines on timely closure of sick central public sector enterprises and disposal of their assets.[9] According to the new guidelines, the land obtained from the closure of such public sector enterprises will be prioritised to provide affordable housing per the relevant guidelines of Ministry of Housing and Urban Affairs. The employees of these enterprises will be given voluntary retirement at 2007 notional pay scales.

Ministry sets up expert group to study Special Economic Zones Policy

The Ministry of Commerce and Industry constituted an expert group (Chair: Mr. Baba Kalyani, Chairman of Bharat Forge) to study the Special Economic Zones (SEZ) Policy of India.[10] The current SEZ Act was passed in 2005. The group will: (i) evaluate India's SEZ policy, (ii) suggest measures to cater to the needs of exporters in the present economic scenario, and (iii) make the SEZ policy compatible with the World Trade Organisation. The group is required to submit its recommendations within three months.

Cabinet approves a corpus to National Export Insurance Account Trust

The Cabinet Committee on Economic Affairs approved a grant-in-aid of Rs 1,040 crore to the National Export Insurance Account Trust.[11] The corpus is to be utilised during three years from 2017-18 to 2019-20. An amount of Rs 440 crore has already been received for the year 2017-18. The remaining Rs 600 crore will be split equally in the following two years.

Cabinet approves capital infusion in Export Credit Guarantee Corporation

The Cabinet Committee on Economic Affairs approved capital infusion of Rs 2,000 crore for strengthening the Export Credit Guarantee Corporation.[12] The amount will be distributed in the next three financial years, in the following manner, Rs 50 crore in 2017-18, Rs 1,450 crore in 2018-19 and Rs 500 crore in 2019-20.

Education

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Draft Higher Education Commission of India (Repeal of University Grants Commission Act) Bill, 2018 released

The Ministry of Human Resource Development has invited comments till July 7, 2018 on the Draft Higher Education Commission of India (Repeal of University Grants Commission Act) Bill 2018.[13] The draft Bill seeks to repeal the University Grants Commission Act, 1956 and set up a Higher Education Commission. The Commission will ensure: (i) maintenance of academic standards in higher education, (ii) promotion of autonomy of higher education institutions, and, (iii) periodic performance assessment of higher education institutions. Currently, the UGC is a statutory body that coordinates, determines, and maintains the standards of higher education. Key features of the draft Bill include:

- **Higher Education Commission**: The draft Bill seeks to set up the Higher Education Commission of India. The Commission will consist of 14 members, to be appointed by the central government.
- The Chairman of the Commission will be a professor from an institute of national importance, or an eminent academician with proven capacity for institution building. In addition to the Chairman and Vice Chairman, the Commission will include: (i) Chairpersons of other regulatory bodies of education i.e., All India Council of Technological Education and National Council for Teacher Education, (ii) Vice Chancellors of universities of academic excellence, (iii) Chairpersons of accreditation bodies such as the National Accreditation and Assessment Council, and (iv) nominees of the central government, among others.
- **Functions of the Commission:** Functions of the Commission will include: (i) specifying learning outcomes for courses in higher education, (ii) laying down standards for teaching, curriculum development, and skill development, (iii) specifying norms for granting autonomy to universities, and (iv) framing guidelines for determination of fees chargeable by higher education institutions.
- **Advisory Council**: The draft Bill seeks to set up an Advisory Council chaired by the Union Minister of Human Resource Development. The Council will render

advice on issues concerning: (i) coordination between the central government and state governments, and (ii) determination of standards in higher education. The Council will include members of the Commission, and Chairpersons or Vice Chairpersons of all State Councils for Higher Education.

Water

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Cabinet approves Dam Safety Bill, 2018

The Union Cabinet has approved the introduction of the Dam Safety Bill, 2018.[14] The draft Bill aims to provide proper surveillance, inspection, operation, and maintenance of all specified dams in the country to ensure their safe functioning. Key features of the draft Bill include:

- **National Committee on Dam Safety:** The Bill seeks to establish the National Committee on Dam Safety. The Committee will evolve dam safety policies and recommend necessary regulations.
- **State Committee on Dam Safety:** The State Committee on Dam Safety will ensure proper surveillance, inspection, operation, maintenance, and safe functioning of all specified dams in a state.
- **National Dam Safety Authority:** The Bill establishes the National Dam Safety Authority as a regulatory body. The Authority will implement policies, guidelines, and standards for dam safety in the country. It will maintain a national level database of all dams in the country and the records of major dam failures. It will also look into unresolved issues between the State Dam Safety Organisation of two states.
- **State Dam Safety Organisation:** The State Dam Safety Organisation in every state will look into the safety aspects of the state specific dams.

The draft Bill is not available in public domain.

Cauvery Water Management Scheme, 2018 formulated

The Cauvery Water Management Scheme, 2018 was formulated by the government to implement the decision of the Cauvery Water Disputes Tribunal, that was modified by the Supreme Court in February 2018.[15] The Supreme Court in its judgement increased the share of Karnataka by 14.75 TMC and reduced the share of Tamil Nadu by the same amount. To implement the scheme, the government has constituted the Cauvery Water Management Authority and the Cauvery Water Regulation Committee.[16] Key details include:

Cauvery Water Management Authority

- **Composition:** The Cauvery Water Management Authority (CWMA) will be headed by a Chairman, and will comprise two whole-time members, two-part time members who will be government representatives from the Ministry of Water Resources and Agriculture, respectively, and four part-time members, one each from the state of Kerala, Karnataka, Tamil Nadu and one from Puducherry.
- **Function and duties of CWMA:** The functions of CWMA include: (i) storage, apportionment, regulation and control of Cauvery water; (ii) supervising the operation of reservoirs and regulating water releases and (iii) regulating release of water by Karnataka at the inter-state contact point of Karnataka and Tamil Nadu.

Cauvery Water Regulation Committee

- **Composition:** The Cauvery Water Regulation Committee (CWRC) will be headed by a Chairman, and will comprise eight other members, including representatives from the three states and one union territory, the Indian Meteorological Department, Central Water Commission, and Ministry of Agriculture.
- **Functions of CWRC:** The CWRC, on the directions of the CWMA, will: (i) collect daily water levels, inflows, and storage position at eight reservoirs of the Cauvery; (ii) ensure 10 daily releases of water on monthly basis from the reservoirs as directed by the CWMA; and (iii) prepare seasonal and annual reports of the water account and submit it to the CWMA, among other things.

NITI Aayog released the Composite Water Management Index 2018

NITI Aayog has developed the Composite Water Management Index 2018 to enable effective water management in Indian states.[17] In its report released on June 14, 2018, it has noted that currently, 600 million Indians face high to extreme water stress and about two lakh people die every year due to inadequate access to safe water. In addition, by 2030, the country's water demand is projected to be twice the available supply, implying severe water scarcity and an eventual loss of 6% to the country's GDP.

Through the Composite Water Management Index, NITI Aayog has: (i) ranked states on several parameters with regard to their water availability, use, and management, and (ii) prepared a national database on water. The index aims to increase competitiveness among states with regard to water use and conservation.

The main findings from the report include:

- **Data on water resources:** One of the key factor driving the water crisis is the lack of water data. Data related to water in India is limited in its coverage, robustness, and efficiency. Detailed data is not available for several critical sectors such as domestic and industrial use. Further, the data exists in silos, with little inter-state or centre-state sharing, thereby reducing efficiency.
- **Ground water:** 54% of India's ground water wells are declining in level due to extraction rates exceeding recharge rates. 21 major cities are expected to run out of groundwater by 2020, affecting 100 million people. Over-extraction of ground water is highest in the agriculture sector, where ground water accounts for 63% of water used for irrigation.
- **Water use efficiency:** Agriculture accounts for 80% of all water demand in India. Water efficiency of Indian farmers is currently amongst the lowest in the world. On average, Indian farmers use three to five times more water for producing the same amount of crops than their Chinese, American, and Israeli counterparts. This problem is further worsened by the provision of electricity subsidies for ground water extraction in most states.
- **Rural drinking water:** Currently, only half of the rural population in the country has access to safe drinking water. This has resulted in a high disease burden in the country (two lakh annual deaths from inadequate or unsafe drinking water).

Housing and Urban Affairs

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RBI revises housing loan limits for eligibility under priority sector lending

The RBI has increased housing loan limits for eligibility under priority sector lending.[18,19] The revisions seek to bring convergence between the priority sector lending guidelines for housing loans and the affordable housing scheme, Pradhan Mantri Awas Yojana (PMAY).

As per the older criteria, loans to individuals up to: (i) Rs 28 lakh in metropolitan centres (with population of ten lakh and above), and (ii) Rs 20 lakh in other centres, were eligible to be classified under priority sector. The maximum cost of these dwelling units was Rs 35 lakh and Rs 25 lakh, respectively.

These limits have been increased to: (i) Rs 35 lakh in metropolitan centres, and (ii) Rs 25 lakh in other centres. The maximum cost of these dwelling unit should not exceed Rs 45 lakh and Rs 30 lakh in the metropolitan centre and at other centres, respectively.

Further, under the older criteria, for the purpose of identifying the economically weaker sections (EWS) and low income groups (LIG), the family income limit prescribed was two lakh rupees per annum. This limit has been increased to three lakh rupees per annum for EWS and six lakh rupees per annum for LIG. This is in alignment with the income criteria specified under PMAY.

Carpet area of houses in the MIG group eligible for PMAY-U increased

The Ministry of Housing and Urban Affairs has approved revision of the carpet area of houses eligible for the Credit Linked Subsidy Scheme (CLSS) for the middle income group (MIG) under the Pradhan Mantri Awas Yojana – Urban (PMAY-U).[20] Under CLSS, subsidy is provided on home loans taken by eligible persons for buying or constructing a house. The revised carpet area will be effective retrospectively from January 1, 2017, i.e., from the date when the scheme became operational. The CLSS for MIG scheme will be implemented till March 31, 2019.

There are two categories of MIG beneficiaries: (i) MIG-I (annual income between six lakh rupees and Rs 12 lakh), and (ii) MIG-II (annual income between Rs 12 lakh and Rs 18 lakh). The carpet area of dwelling units under the scheme has been increased: (i) from 120 sq ft to 160 sq ft for MIG-I, and (ii) from 150 sq ft to 200 sq ft for MIG-II.

Benefits under CLSS had been extended to the MIG group in February 2017 (earlier they were only applicable to the economically weaker section, and the lower income groups). The carpet area of dwelling units under the MIG category were last increased in November 2017. Details of CLSS for MIG are as follows:

Table 3: Details of CLSS for MIG

Particulars	MIG I	MIG II
Household Income (per annum)	Between Rs six lakh and Rs 12 lakh	Between Rs 12 lakh and Rs 18 lakh
Interest subsidy (% per annum)	4%	3%
Maximum loan tenure (in years)	20	20
Eligible Housing Loan Amount for Interest Subsidy (Rs.)	Rs 9 lakh	Rs 12 lakh
Carpet Area of dwelling unit	160 sq.m.	200 sq.m.

Sources: Press Information Bureau, Ministry of Housing and Urban Affairs; PRS.

Committee for standardisation and indigenisation in Metro Rail Systems constituted

The Ministry of Housing and Urban Affairs constituted a Committee for Standardisation and Indigenisation in Metro Rail Systems (Chair: Dr. E. Sreedharan).[21] The Committee will look at various indigenous standards that need to be formulated for metro systems. These include: (i) layout of metro station, platforms, signage and displays, (ii) size of tunnels, (iii) fire protection systems, (iv) disaster management systems, (v) environment friendly and waste management systems, and (vi) standards for solar panels at metro stations.

These indigenous standards will seek to encourage manufacturing of metro systems in the country and help reduce the cost of the metro rail construction and operation. The committee is expected to submit its report in three months.

Shillong selected as the 100th Smart City

Shillong, the capital of Meghalaya has been selected as the 100th Smart City.[22] This completes selection of the 100 cities under the Smart Cities Mission. With the selection of Shillong, the total proposed investment in the selected 100 cities under the Mission would be Rs 2,05,018 crore.

Agriculture

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Sub-group of CMs constituted to coordinate policies in agriculture and MGNREGS

The governing council of the NITI Aayog constituted a sub-group of Chief Ministers (CMs) to coordinate policy approaches for the agriculture sector and the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS).[23] The sub-group has the CM of Madhya Pradesh as its convenor and will submit its report within three months. Its members include the CMs of: (i) Andhra Pradesh, (ii) Bihar, (iii) Gujarat, (iv) Sikkim, (v) Uttar Pradesh, and (vi) West Bengal, and Mr. Ramesh Chand, Member, NITI Aayog.

Terms of reference of the sub-group include:

- Suggesting a wider choice of state-specific interventions during pre-sowing and post-harvest seasons in order to improve income level, water conservation, and the utilisation of waste for wealth creation.
- Recommending interventions under MGNREGS that reduce agrarian distress, such as work availability, wage rates, and doubling farmers' income by 2022. This would include thrust on water conservation, individual beneficiary schemes, construction of rural haats, and vermi-composting.
- Exploring the possibilities of MGNREGS as a livelihood resource for development and diversification of livelihoods of small and marginal farmers especially those belonging to SC and ST households.
- Exploring convergence of program resources across departments to ensure optimal utilization of funds, efficiency, effectiveness, and sustainability.

Cabinet approves continuation of three-year action plan for higher agricultural education

The Union Cabinet has approved the continuation of the three-year action plan (2017-2020) of the Agricultural Education Division and the Indian Council of Agricultural Research (ICAR) institutes.[24] This has an outlay of about Rs 2,225 crore, of which Rs 2,197 crore shall be contributed by the central government. States shall contribute about Rs 28 crore to cover expenditure on the salary component.

The action plan aims to generate quality human resources from institutes of higher agricultural education. It also allocates funds for research to make agriculture and allied fields gender-equitable, and to address capacity building needs of all stakeholders.

Science and Technology

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NITI Aayog releases paper on National Strategy for Artificial Intelligence

NITI Aayog released a discussion paper on National Strategy for Artificial Intelligence.[25] Artificial Intelligence (AI) refers to the ability of machines to perform cognitive tasks like thinking, perceiving, problem solving, and decision making. The discussion paper focuses on how India can leverage AI to ensure growth in line with the development priorities of the government. It emphasises on the adoption of AI solutions for: (i) agriculture, (ii) education, (iii) healthcare, (iv) smart cities and infrastructure, and (v) smart mobility and transportation.

While each sector has its barriers to successful adoption of AI, the paper identifies some key challenges across the sectors. These include: (i) lack of expertise in research and application of AI, (ii) lack of quality data ecosystems suitable for successful adoption, (iii) high resource cost and low awareness for adoption of AI, (iv) lack of formal privacy, security, and ethical regulations, and (v) absence of collaborative approach to adoption and application of AI.

In order to address these challenges, the paper gives a set of recommendations, which include:

- **Research and skill development:** It recommends establishment of academic and applied research institutions as centres of excellence in AI. This would promote innovative avenues and aid in skilling and reskilling of the workforce. This would be implemented keeping in mind changing employment patterns, and needs of the job market and entrepreneurial sectors.
- **Market-based adoption:** It recommends the government to facilitate the creation of a National AI Marketplace. This would focus on creating markets for: (i) data collection and aggregation, (ii) data annotation or insight, and (iii) ready-to-use deployable models for sector-specific applications. Adoption of AI would take place using this model where the government would act as a catalyst by creating demand and supporting partnerships.
- **Regulatory challenges:** It recommends the government to address regulatory challenges by creating strong legal frameworks. This would include frameworks related to data protection, intellectual property, and sector-specific regulations on privacy, security, and ethics. This would be assisted by the adoption of international standards and practices.

Cabinet gives approvals for GSLV Mark-III and PSLV continuation programmes

The Union Cabinet approved Phase VI of the Polar Satellite Launch Vehicle (PSLV) continuation programme and funding for Phase I of the Geosynchronous Satellite Launch Vehicle Mark III (GSLV Mk-III) continuation programme.[26,27] These approvals will apply to the launch of satellite missions during the period 2019-2024.

The funding of Rs 4,338 crore for Phase I of GSLV programme will cover the cost of ten GSLV Mk-III vehicles, essential facility augmentation, programme management, and launch campaign. This is the first phase of operational flights that will enable the launch of four tonne class of communication satellites.

The approval for Phase VI of PSLV programme comes with a funding of Rs 6,131 crore. These funds account for the cost of 30 PSLV vehicles, essential facility augmentation, programme management, and launch campaign. This phase shall meet the demand for the launch of satellites at a frequency of up to eight launches per year, primarily for earth observation, navigation, and space sciences.

Consumer Affairs

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Cabinet approves interventions to deal with the current crisis in the sugar sector

The Union Cabinet approved several measures to improve liquidity of the sugar mills and enable them to clear sugarcane price arrears of farmers.[28] The following measures of Rs 7,000 crore were approved:

- **Creation of buffer stock:** The Department of Food and Public Distribution notified a scheme for the creation and maintenance of buffer stock of 30 Lakh Metric Tonnes of sugar by the sugar mills for one year with effect from July 1, 2018. The reimbursement under the scheme will be made on quarterly basis, which will be directly credited into farmers' account on behalf of the sugar mills against their sugarcane price arrears.
- **Sugar Price (Control) Order, 2018:** The central government notified the Sugar Price (Control) Order, 2018 under the Essentials Commodities Act, 1955. The Order fixes the minimum selling price of refined (white) sugar below which no producer can sell or

deliver white sugar in the domestic market. The minimum selling price of refined sugar would be based on the Fair Remunerative Price of sugarcane, and the minimum conversion cost of refined sugar. The Department of Food and Public Distribution has fixed the rate at Rs 29 per kg.

- **Increasing capacity of sugar mills:** The government will upgrade the capacity of the existing distilleries attached to sugar mills by: (i) installing incineration boilers, and (ii) setting up new distilleries in sugar mills. The government will provide an interest subsidy of up to Rs 1,332 crore over a period of five years.

Energy

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Mechanism for implementing new environmental norms for thermal power plants released

The Ministry of Environment, Forest and Climate Change had notified the Environment (Protection) Amendment Rules, 2015 on December 7, 2015 to introduce revised emission standards for thermal power plants (TPPs).[29] These standards would require additional infrastructure and operational costs due to large scale installation, renovations and retrofitting of existing plant machinery. The Ministry of Power has released a mechanism (or enabling guidelines) to ensure implementation of these revised environmental norms.[30] These guidelines also seek to provide regulatory certainty to TPPs to recover the additional costs through tariff.

Key guidelines include:

- The notification will not apply to: (i) Power Purchase Agreements of TPPs where the tariff was determined through a bidding process, with bid deadlines on or after December 7, 2015, and (ii) TPPs where pollution control systems were mandated under the environmental clearance of the plant, before notification of the rules.
- The additional cost implication to meet the new environmental norms, will be considered for being passed through in the power tariff.
- The TPPs may approach the appropriate Electricity Regulatory Commission to approve the additional capital expenditure, and compensation for additional cost.
- The Central Electricity Regulatory Commission will develop a regulatory mechanism to address the impact on tariff and certainty in cost recovery for TPPs under its purview.

Long term growth trajectory for renewable purchase obligations notified

The Ministry of Power notified the long term growth trajectory of Renewable Purchase Obligations (RPOs) for both solar and non-solar energy.[31] RPOs are purchase obligations on electricity distribution companies to purchase certain amount of their energy requirements from renewable energy sources. The new targets seek to achieve the target of 175 GW of renewable capacity by 2022.

Between 2016-17 and 2018-19, the long term RPO trajectory was as follows:

Table 4: Long-term RPO trajectory

	2016-17	2017-18	2018-19
Non-solar	8.75%	9.50%	10.25%
Solar	2.75%	4.75%	6.75%
Total	**11.50%**	**14.25%**	**17.00%**

Sources: Ministry of Power; PRS.

These obligations are based on the total consumption of electricity, excluding consumption met from hydro power. The new long term RPO trajectory for all states and union territories is as follows:

Table 5: Long-term RPO trajectory

	2019-20	2020-21	2021-22
Non-solar	10.25%	10.25%	10.50%
Solar	7.25%	8.75%	10.50%
Total	**17.50%**	**19.00%**	**21.00%**

Sources: Ministry of Power; PRS.

If either RPO is achieved till 85% and above, the remaining shortfall can be met by purchasing the other energy (solar or non-solar) beyond its required RPO for that year.

Guidelines for the New National Biogas and Organic Manure Programme released

The Ministry of New and Renewable Energy released the guidelines for the New National Biogas and Organic Manure Programme.[32] This is a Central Sector Scheme, which provides for setting up of family type biogas plants mainly for rural and semi-urban households. A family type biogas plant generates biogas from organic substances such as cattle-dung, and other biodegradable materials such as biomass from farms, gardens, and kitchens.

Key guidelines include:

- **Objectives:** Objectives of the scheme include: (i) providing clean cooking fuel and meeting other small power needs of farmers, and individual households, (ii) reducing drudgery of women and help them save time for other livelihood activities, (iii) improving sanitation in rural and semi-urban areas by linking sanitary toilets with cattle dung biogas plants, and (iv) helping reduction in causes of climate change by preventing emission of green-house gases.
- **Physical targets:** The target for 2017-18 was to set up 65,180 biogas plants. For 2018-19, this target has been increased to one lakh plants.
- **Central assistance:** The guidelines also provide details of central assistance that will be provided depending upon the state (in which the plant is located), and the size of the plant. This assistance will be directly disbursed to the beneficiary accounts after setting up of the plants.

Off-grid and Decentralised Solar PV Applications Programme - Phase III approved

The Cabinet Committee on Economic Affairs approved the Phase III of the Off-grid and Decentralised Solar Photo Voltaic (PV) Applications Programme.[33] Phase III will have the following components:

- **Solar street lights**: Three lakh solar street lights will be installed throughout the country. Special emphasis will be given to areas where there is no facility for street lighting systems through grid power, such as north eastern (NE) states and left wing extremism (LWE) affected districts.
- **Stand-alone solar power plants**: Solar power plants of individual size up to 25 kilo Watt peak (kWp) will be promoted in areas where grid power has not reached or is not reliable. These plants provide electricity to schools, hostels, panchayats, police stations and other public service institutions. The aggregated capacity of solar power plants would be 100 MWp.
- **Solar study lamps**: 25 lakh solar study lamps will be provided in the NE states and LWE affected districts.
- **Central assistance:** The total cost of the three components is Rs 1,895 crore. Of this Rs 637 crore will be provided as central financial assistance. For solar street lights and solar power plants, financial support of up to 30% of the benchmark cost of the system will be provided. For NE states, hill states and island union territories, up to 90% of the benchmark cost will be provided.

Petroleum and Natural Gas

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Ethanol pricing for public sector oil marketing companies revised

The Cabinet Committee on Economic Affairs approved the revision of ethanol price under the Ethanol Blended Petrol Programme for supply to public sector oil marketing companies.[34] Currently, there is a flat rate for ethanol, irrespective of the mode of manufacture. Blending ethanol with petrol helps reduce vehicle exhaust emissions and reduces the import burden for petroleum. The Ethanol Blended Petrol Programme was launched in 2003 to promote the use of alternative and environment friendly fuels. However, since 2006, Oil Marketing Companies were not able to procure the required quantity of ethanol due to pricing issues of ethanol. Therefore, the government has been administering the price of ethanol under the programme since December 2014.

The revision approves different rates for ethanol manufactured from different sources, for the ethanol supply period between December 1, 2018 and November 30, 2019. Key changes approved include:

- The price of ethanol derived out of C heavy molasses (end product obtained during sugar processing) will be Rs 43.70 per litre.
- The price of ethanol derived out of B heavy molasses (intermediate product obtained during sugar processing) and sugarcane juice will be Rs 47.49 per litre.
- GST and transportation charges will also be payable additionally.
- As the price of ethanol is based on estimated fair and remunerative price (FRP) for sugar season 2018-19, it will be modified by the Ministry of Petroleum and Natural Gas according to the actual FRP declared by the central government.
- For the ethanol supply year 2019-20, ethanol prices will be modified by the Ministry as per normative cost of molasses and sugar derived from FRP of sugarcane.

Social Justice

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Cabinet approves extension of term of the Commission to examine the issue of sub-categorisation of Other Backward Classes

The Union Cabinet approved the extension of term of the Commission to examine the issue of sub-categorisation of Other Backward Classes (Chairperson: Justice G. Rohini) by eight weeks, from June 20, 2018 to July 31, 2018.[35] The Commission had previously received an extension of 12 weeks from March 27, 2018. The Commission started functioning on October 11, 2017. It was required to submit its report within 12 weeks from the date of appointment of its Chairperson.[36]

Information Technology

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Amendments to the Digidhan Mission released

The Ministry of Electronics and Information Technology released certain amendments to the Digidhan Mission.[37] The Mission is implemented under the Digital India programme and seeks to achieve a target of 2,500 crore digital transactions in 2017-18. Key amendments include:

- The Mission has been extended till March 31, 2020.
- The target of 2,500 crore digital transactions in 2017-18 has been removed from the Mission objectives. Subsequently, the strategy of the Mission has been changed to (i) promote digital payments in the country and (ii) increase the digital payment acceptance infrastructure.
- New policy measures and interventions will be proposed to design tax incentives to promote digital payments.
- Mechanisms will be devised to monitor the regional penetration of digital payments by geo-tagging the digital payment transactions.

External Affairs

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Visit of President of Seychelles to India

The President of Seychelles visited India.[38] Six agreements were signed between the two countries on various subjects, including: (i) Indian grant assistance for implementation of small development projects through local bodies; (ii) cooperation in the area of cyber security; and (iii) sharing white shipping information between the India Navy and National Information Sharing and Coordination Center of Seychelles.

Visit of Prime Minister to China

The Prime Minister visited China and signed two bilateral agreements.[39] These relate to: (i) provision of hydrological information of Brahmaputra river in flood season by China to India; and (ii) phytosanitary requirements (measures for control of plant diseases in agricultural crops) for exporting rice from India to China.

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