

# Monthly Policy Review

## February 2021

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### Highlights of this Issue

#### [Union Budget 2021-22 presented \(p. 2\)](#)

In 2021-22, the government proposes to spend Rs 34,83,236 crore and receipts (other than borrowings) are expected to be Rs 19,76,424 crore. Fiscal deficit has been projected at 6.8% of the GDP.

#### [15<sup>th</sup> Finance Commission submitted its report for the 2021-26 period \(p. 3\)](#)

The share of states in the divisible pool of central taxes is recommended to be 41%, same as that for 2020-21. The Commission has recommended grants worth Rs 10.3 lakh crore for the 2021-26 period.

#### [First phase of Budget Session 2021 concludes \(p. 2\)](#)

The Session agenda has listed 10 Bills for consideration and 20 Bills for introduction. Bills introduced include the Tribunals Reforms Bill, 2021, and the Constitution (Scheduled Castes) Order (Amendment) Bill, 2021.

#### [Two Bills passed by Parliament; one bill passed by Lok Sabha \(p. 6\)](#)

The Jammu and Kashmir Reorganisation (Amendment) Bill, 2021 and the Major Ports Authorities Bill, 2020 were passed. The Arbitration and Conciliation (Amendment) Bill, 2021 was passed by Lok Sabha.

#### [GDP grew by 0.4% in the third quarter of 2020-21 \(p. 5\)](#)

GDP (at constant prices) grew by 0.4% in the third quarter of 2020-21. Growth in manufacturing, construction, and financial services turned positive after negative growth in the first two quarters of 2020-21.

#### [Monetary policy repo and reverse repo rates unchanged at 4% and 3.35% \(p. 5\)](#)

Repo rate and reverse repo rate were unchanged at 4% and 3.35% respectively. The Monetary Policy Committee maintained an accommodative stance of monetary policy.

#### [Lockdown extended till March 31, 2021 \(p. 3\)](#)

Previous guidelines mandating the lockdown to continue in containment zones were extended. Outside of these, all activities will be allowed based on adherence to Standard Operating Procedures issued by ministries and states.

#### [Standard operating procedure to contain the spread of COVID-19 in offices issued \(p. 4\)](#)

Only asymptomatic people must be allowed entry to offices. If up to two cases are reported, the areas visited by patient in past 48 hours must be disinfected before resuming work.

#### [Rules pertaining to intermediaries and digital media publishers notified \(p. 13\)](#)

The Rules issued under the Information Technology Act, 2000 specify due diligence required by intermediaries and code of ethics for digital media publishers. It also provides for grievance redressal mechanism.

#### [Cabinet approves new disinvestment policy for central public sector enterprises \(p. 11\)](#)

The policy envisions a bare minimum presence of PSEs in strategic sectors such as defence, transport, power, petroleum, coal, banking, insurance, and financial services. PSEs in other sectors will be privatised or closed.

#### [Standing Committees submit reports on three Bills \(p. 7\)](#)

Parliamentary Standing Committees have submitted reports on the Factoring Regulation Bill, 2020, the Anti-Maritime Piracy Bill, 2019, and the DNA Technology Regulation Bill, 2019.

#### [Standing Committees submit reports on social security, investment and 5G \(p. 14\)](#)

Standing Committees on Labour, Commerce, and Information Technology submitted reports on social security for inter-state migrant workers, attracting investment in post-Covid economy, and preparedness for 5G, respectively.

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March 1, 2021

## Parliament

Shruti Gupta ([shruti@prsindia.org](mailto:shruti@prsindia.org))

### First phase of the Budget Session 2021 concludes

The first phase of the Budget Session 2021 was held from January 29<sup>th</sup> to February 13<sup>th</sup> (12 sitting days).<sup>1</sup> The second phase will commence on March 8 and will last until April 8.<sup>2</sup>

The session started with the President's address to both Houses of Parliament. The Finance Minister presented the Union Budget on February 1, 2021. The report of the 15<sup>th</sup> Finance Commission was also tabled in Parliament.

The legislative agenda for the Budget Session included 10 Bills for consideration and passing and 20 Bills for introduction and passing. Of these, four bills were promulgated as Ordinances earlier. The Jammu and Kashmir Reorganisation (Amendment) Bill, 2021, and the Major Ports Authorities Bill, 2020 were passed by Parliament. The Arbitration and Conciliation (Amendment) Bill, 2021 was introduced and passed by Lok Sabha. The National Capital Territory of Delhi Laws (Special Provisions) Second (Amendment) Bill, 2021 was introduced in and passed by Rajya Sabha.

The Tribunals Reforms (Rationalisation and Conditions of Service) Bill, 2021 and the Constitution (Scheduled Castes) Order (Amendment) Bill, 2021 were also introduced in Lok Sabha.

For details of the legislative agenda during the session, see [here](#). For an analysis of the budget, see [here](#).

## Union Budget 2021-22

### Union Budget 2021-22 presented

Shruti Gupta ([shruti@prsindia.org](mailto:shruti@prsindia.org))

The Finance Minister, Ms. Nirmala Sitharaman, presented the 2021-22 Union Budget.<sup>3</sup> Key highlights from the Budget include:

- **Expenditure:** The government proposes to spend Rs 34,83,236 crore in 2021-22. This is a 14% annual increase from the actual expenditure for 2019-20.
- **Receipts:** Total receipts (other than net borrowings) are expected to be Rs 19,76,424 crore, which is an annual increase of 6% over 2019-20.

- **GDP growth:** Nominal GDP is expected to grow at of 14.4% (i.e., real growth plus inflation) in 2021-22. In Budget 2020-21, GDP was estimated to grow at 10%, which was revised down to -13%.
- **Deficits:** Revenue deficit is targeted at 5.1% of GDP, and fiscal deficit is targeted at 6.8% of GDP in 2021-22. The target for primary deficit (which is fiscal deficit excluding interest payments) is 3.1% of GDP.

**Table 1: Union Budget 2021-22 (in Rs crore)**

Items	Actuals 2019-20	Revised 2020-21	Budget 2021-22	Change (Annualised) (Actuals 2019-20 to BE 2021-22)
Total Expenditure	26,86,330	34,50,305	34,83,236	14%
Total Receipts (without borrowings)	17,52,679	16,01,650	19,76,424	6%
Fiscal Deficit (net borrowing)	9,33,651	18,48,655	15,06,812	27%
% of GDP	4.6%	9.5%	6.8%	
Revenue Deficit	6,66,545	14,55,989	11,40,576	31%
% of GDP	3.3%	7.5%	5.1%	

Note: Change from Actuals 2019-20 to BE 2021-22 represents the compounded annual growth rate (CAGR) for the period.

Sources: Budget at a Glance, Union Budget 2021-22; PRS.

**Tax Proposals:** The budget proposes to limit tax-free income from provident funds at Rs 2.5 lakh. Other proposals include: (i) extension of certain temporary tax incentives up to the financial year 2021-22, (ii) levy of a new agriculture and infrastructure development cess on petrol, diesel, and imports of certain items, and (iii) a reduction in the time limit specified for reopening income tax assessments from six years to three years.<sup>3</sup>

**Policy proposals:** Non-tax proposals announced in the budget include: (i) a target to complete disinvestment of Air India, IDBI Bank, and Pawan Hans in 2021-22, (ii) establishing economic corridors and seven textile parks, and (iii) launch of PM Atma Nirbhar Swasth Bharat Yojana to develop capacity of health systems, strengthen national institutions, and create institutions to detect and cure new diseases.<sup>3</sup>

For an analysis of the Union Budget 2021-22 and the expenditure of 15 major ministries, see [here](#).

## 15th Finance Commission submitted its report for the 2021-26 period

*Saket Surya (saket@prsindia.org)*

The Finance Commission is a constitutional body formed by the President of India to give suggestions on centre-state financial relations. The 15<sup>th</sup> Finance Commission (Chair: Mr. N. K. Singh) was required to submit two reports. The first report, consisting of recommendations for the financial year 2020-21, was tabled in Parliament in February 2020. The final report with recommendations for the 2021-26 period was tabled in Parliament on February 1, 2021.<sup>4</sup> Key recommendations for 2021-26 include:

- **Share in the divisible pool of central taxes:** The share of states in the divisible pool of central taxes for the 2021-26 period is recommended to be 41%, same as that for 2020-21. This is less than the 42% share recommended by the 14<sup>th</sup> Finance Commission for the 2015-20 period. The adjustment of 1% is to provide for the newly formed union territories of Jammu and Kashmir, and Ladakh from the resources of the centre.
- **Criteria for distribution of central taxes among states:** The criteria for distribution of central taxes among states for the 2021-26 period is same as that for 2020-21. Table 2 shows the criteria used by the Commission, i.e., parameters used, and the weight assigned to each parameter.

**Table 2: Criteria for devolution**

Criteria	14 <sup>th</sup> FC	15 <sup>th</sup> FC	15 <sup>th</sup> FC
	2015-20	2020-21	2021-26
Income Distance	50.0	45.0	45.0
Area	15.0	15.0	15.0
Population (1971)	17.5	-	-
Population (2011) #	10.0	15.0	15.0
Demographic Performance	-	12.5	12.5
Forest Cover	7.5	-	-
Forest and Ecology	-	10.0	10.0
Tax and fiscal efforts*	-	2.5	2.5
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Note: #14<sup>th</sup> FC used the term “demographic change” which was defined as Population in 2011. \*The report for 2020-21 used the term “tax effort”, the definition of the criterion is same.

Sources: Reports of the 14<sup>th</sup> and 15<sup>th</sup> Finance Commissions; PRS.

- **Grants-in-aid:** The Commission recommended grants worth Rs 10.3 lakh crore for the 2021-26 period (Table 3). Sector-specific grants have been recommended in sectors such as health, education, and agriculture.

**Table 3: Grants for 2021-26 (Rs crore)**

Grants	Amount
Revenue deficit grants	2,94,514
Local governments grants	4,36,361
Disaster management grants	1,22,601
Sector-specific grants	1,29,987
State-specific grants	49,599
<b>Total</b>	<b>10,33,062</b>

Sources: Report of the 15<sup>th</sup> Finance Commission for 2021-26; PRS.

For a PRS summary of the report, see [here](#).

## COVID-19

As of February 28, 2021, there were 1,10,46,914 confirmed cases of COVID-19 in India.<sup>5</sup> Of these, 1,07,75,169 had been cured/discharged and 1,57,051 persons had died.<sup>5</sup> As of February 28, 2021, 1,43,01,266 individuals have been vaccinated.<sup>5</sup> For details on the number of daily cases in the country and across states, see [here](#).

With the spread of COVID-19, the central government has announced several policy decisions to contain the spread, and financial measures to support citizens and businesses who would get affected. For details on the major notifications released by the centre and the states, please see [here](#). Key announcements made in this regard in February 2021 are as follows.

### Lockdown extended till March 31

*Shruti Gupta (shruti@prsindia.org)*

To contain the spread of COVID-19, the National Disaster Management Authority (NDMA) had imposed a 21-day national lockdown in March.<sup>6</sup> Since then, the lockdown has been extended thirteen times, with the latest extension till March 31, 2021.<sup>7</sup> The Ministry of Home Affairs (MHA) has extended guidelines for containment and caution released in January, 2021. Key features of the guidelines include:

- **Surveillance and containment:** The lockdown will continue to remain in force in containment zones, after considering guidelines issued by the Ministry of Health and Family Welfare.
- **Compliance with SOPs:** In areas outside containment zones, all activities will be allowed subject to adherence with Standard Operating Procedures (SoPs) issued by various ministries. These include: (i) international air travel, as decided by the Ministry of Civil Aviation in consultation with the MHA, (ii) cinema halls and

theatres, subject to SoPs issued by the Ministry of Information and Broadcasting in consultation with MHA, and (iii) religious, political, sports, educational and cultural gatherings, subject to SoPs issued by the respective state.

- **Restrictions on trade:** No restriction may be imposed on intra-state and inter-state movement of persons and goods including those for land-border trade with neighbouring countries (based on treaties).
- **COVID appropriate behaviour:** States must take steps to promote COVID-19 appropriate behaviour (e.g., wearing masks and social distancing).

### Standard operating procedure to contain the spread of COVID-19 in offices issued

*Aditya Kumar (aditya@prsindia.org)*

The Ministry of Health and Family Welfare issued Standard Operating Procedure (SoP) to contain the spread of COVID-19 in offices.<sup>8</sup> Key features of the SOP include:

- **Preventive measures for individuals:** The SoP specifies that individuals in an office must follow certain preventive measures. These include: (i) maintaining distance of at least six feet in common places, (ii) using face masks, and (iii) frequent hand washing with soap (for at least 40-60 seconds).
- **Functioning of offices:** The SOP specifies that only asymptomatic people must be allowed entry to offices. Work from home must be permitted for individuals residing in containment zones. Further, the office management must ensure proper disposal of used face masks and gloves in covered bins.
- The vehicles used by offices must be disinfected at least twice in a day. Further, hand sanitizers must be made available in cafeteria and dining halls, and proper floor markings must be done to ensure physical distancing in queues.
- **Occurrence of cases:** If a case of COVID-19 is identified, the concerned individual must be isolated with proper face masks and gloves till he is inspected by a doctor. Further, the nearest medical facility or the state or district helpline must be informed about the case.
- If there are two or less cases reported, the areas visited by patient in past 48 hours must be disinfected before resuming the work. If more than two cases are reported, complete building or workplace must be disinfected.

### Guidelines for arrival of international passengers revised

*Aditya Kumar (aditya@prsindia.org)*

The Ministry of Health and Family Welfare issued updated guidelines for arrival of international passengers.<sup>9</sup> The guidelines will be valid from February 22, 2021. Key highlights of the guidelines include:

- **Boarding of flights:** Earlier, all passengers arriving in India were required to submit a self-declaration form with a negative RT-PCR test result. This form had to be submitted 72 hours before the scheduled travel or on physical arrival at the respective health counter in India.
- The new guidelines require all passengers to submit the form and the negative test report 72 hours before the scheduled travel. Note that the test must have been conducted within 72 hours before the travel. No passenger without the form and the negative test result is allowed to board the flight to India. Every passenger is also required to submit a declaration form with respect to authenticity of the report.
- **Arrival in India:** The guidelines specify that passengers without a negative RT-PCR result is allowed to arrive in India, only if they are travelling in the exigency of death in the family. Passengers seeking exemption from this restriction must apply at an online portal before 72 hours of boarding. Earlier, there was no such restriction on the arrival of passengers without a negative test report.
- **Confirmation of negative report:** All passengers from United Kingdom, Europe, Middle East are required to provide information on: (i) their travel history of last 14 days, and (ii) details of connecting flights in India, if any. These passengers are also required to take a self-paid confirmatory molecular test on arrival at Indian airports.
- Passengers from the United Kingdom, Brazil, and South Africa planning to take a connecting flight are allowed to exit the airport of arrival only after confirmation of the negative test report. If a passenger is found positive with a new strain of COVID-19, the patient will be isolated for 14 days. The sample of the patient will be tested on the 14<sup>th</sup> day and will be kept in isolation till the sample tests negative.

## Macroeconomic Development

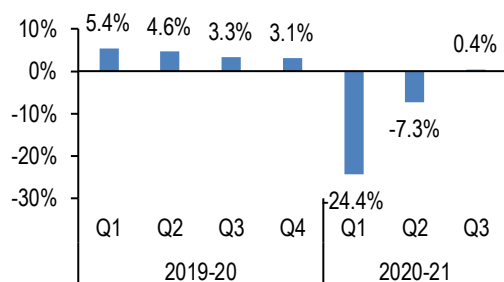
Saket Surya (saket@prsindia.org)

### GDP grew by 0.4% in the third quarter of 2020-21

Gross Domestic Product (GDP) (at constant 2011-12 prices) grew by 0.4% in the third quarter (October-December) of 2020-21 over the corresponding period in 2019-20.<sup>10</sup> This is after two consecutive quarters of contraction in GDP of 24.4% and 7.3% in the first and second quarter of 2020-21 respectively. GDP growth was 3.3% in the third quarter of 2019-20.

As per the Second Advance Estimates, GDP is estimated to contract by 8% in 2020-21 over 2019-20.<sup>10</sup> This is marginally higher than the contraction of 7.7% estimated by the First Advance Estimates, released in January 2021.<sup>11</sup>

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



Sources: Ministry of Statistics and Programme Implementation; PRS.

GDP across economic sectors is measured in terms of Gross Value Added (GVA). The sectors with the largest contraction in the first half (April-September) of 2020-21 were construction, trade, mining, and manufacturing. While trade, and mining continued to contract, construction and manufacturing grew by 6.2% and 1.6% respectively, in the third quarter.

Table 4 gives details on sectoral growth in GVA.

**Table 4: Growth in GVA across sectors in 2020-21 (% , year-on-year)**

Sector	Q1	Q2	Q3
Agriculture	3.3%	3.0%	3.9%
Mining	-18.0%	-7.6%	-5.9%
Manufacturing	-35.9%	-1.5%	1.6%
Electricity	-9.9%	2.3%	7.3%
Construction	-49.4%	-7.2%	6.2%
Trade	-47.6%	-15.3%	-7.7%
Financial services	-5.4%	-9.5%	6.6%
Public services	-9.7%	-9.3%	-1.5%
<b>GVA</b>	<b>-22.4%</b>	<b>-7.3%</b>	<b>1.0%</b>
<b>GDP</b>	<b>-24.4%</b>	<b>-7.3%</b>	<b>0.4%</b>

Note: GVA is GDP without taxes and subsidies.  
Sources: Ministry of Statistics and Programme Implementation; PRS.

### Industrial production grew by 1% in the third quarter of 2020-21

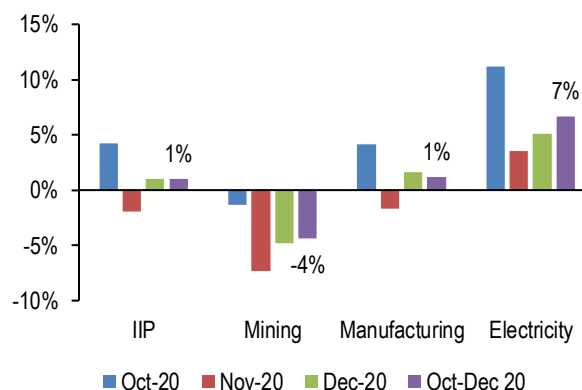
The Index of Industrial Production (IIP) grew by 1% in the third quarter (Oct-Dec) of 2020-21, compared to the contraction of 1.4% in the same period in 2019-20.<sup>12</sup> IIP had declined in the previous two quarters (first and second quarter of 2020-21) by 36% and 6%.

Mining continued to contract in the third quarter (by 4%), after declining by 22% and 7% in the first and second quarter of 2020-21.

Manufacturing output recorded growth of 1% after recording contraction in the first and second quarter of 2020-21. Electricity production grew by 7% in the third quarter, after declining by 16% in the first quarter, and growing by 0.1% in the second quarter.

Figure 2 shows the change in industrial production during the third quarter of 2020-21.

**Figure 2: Growth in IIP (% , year-on-year)**



Sources: Ministry of Statistics and Programme Implementation; PRS.

### Repo and reverse repo rates unchanged at 4% and 3.35% respectively

The Monetary Policy Committee (MPC) released its sixth bi-monthly Monetary Policy Statement of 2020-21.<sup>13</sup> The policy repo rate (the rate at which RBI lends money to banks) remained unchanged at 4%. Other decisions taken by the MPC include:

- The reverse repo rate (the rate at which RBI borrows money from banks) remained unchanged at 3.35%.
- The marginal standing facility rate (the rate at which banks can borrow additional money) and the bank rate (the rate at which the RBI buys bills of exchange) also remained unchanged at 4.25%.
- The MPC decided to continue with its accommodative stance of monetary policy to



revive growth on a durable basis and mitigate the impact of COVID-19 on the economy.

The MPC projected Consumer Price Index inflation at 5.2% for the fourth quarter of 2020-21. Inflation is expected to be 5.2% to 5% in the first half of 2021-22, and 4.3% in the third quarter of 2021-22.

## Law and Justice

### The Tribunals Reforms (Rationalisation and Conditions of Service) Bill, 2021 introduced in Lok Sabha

Aditya Kumar ([aditya@prsindia.org](mailto:aditya@prsindia.org))

The Tribunals Reforms (Rationalisation and Conditions of Service) Bill, 2021 was introduced in Lok Sabha.<sup>14</sup> It seeks to dissolve certain existing appellate bodies and transfer their functions (such as adjudication of appeals) to other existing judicial bodies (mainly High Courts). These appellate bodies include the: (i) Appellate Tribunal under the Cinematograph Act, 1952, (ii) Appellate Board under the Trade Marks Act, 1999, and (iii) Appellate Board under the Patents Act, 1970.

The Finance Act, 2017 empowered the central government to notify rules on qualifications of members, terms and conditions of their service, and composition of search-cum-selection committees for 19 tribunals (such as Customs, Excise, and Service Tax Appellate Tribunal). The Bill amends the 2017 Act to include provisions related to the composition of search-cum-selection committees and term of office of members in the Act itself. These include:

- **Composition of search-cum-selection committees:** The Search-cum-Selection Committee will consist of: (i) the Chief Justice of India, or a Supreme Court Judge nominated by him, as the Chairperson (with casting vote), (ii) two Secretaries nominated by the central government, (iii) the sitting or outgoing Chairperson, or a retired Supreme Court Judge, or a retired Chief Justice of a High Court, and (iv) the Secretary of the Ministry under which the Tribunal is constituted (with no voting right). The Bill specifies that the central government must make appointments to the tribunals within three months of the date of recommendation of the Committee.
- **Term of office:** The Bill specifies that the term of office for the Chairperson of the tribunals will be of four years or till the

attainment of the age of seventy years, whichever is earlier. For other members of the tribunals, the term will be of four years or till the age of sixty-seven years, whichever is earlier.

For a PRS summary of the Bill, please see [here](#).

### The Arbitration and Conciliation (Amendment) Bill passed by Lok Sabha

Saket Surya ([saket@prsindia.org](mailto:saket@prsindia.org))

The Arbitration and Conciliation (Amendment) Bill, 2021 was passed by Lok Sabha.<sup>15</sup> It seeks to amend the Arbitration and Conciliation Act, 1996. The Act contains provisions regarding domestic and international arbitration and defines the law for conducting conciliation proceedings. The Bill replaces an Ordinance with the same provisions promulgated on November 4, 2020. Key features of the Bill are:

- **Automatic stay on awards:** The 1996 Act allowed a party to file an application to set aside an arbitral award (i.e., the order given in an arbitration proceeding). Courts had interpreted this provision to mean that an automatic stay on an arbitral award was granted the moment an application for setting aside an arbitral award was made before a court. In 2015, the Act was amended to state that an arbitral award would not be automatically stayed merely because an application is made to a court to set aside the arbitral award.
- The Bill specifies that a stay on the arbitral award can be provided (even during the pendency of the setting aside of the application) if the court is satisfied that: (i) the relevant arbitration agreement or contract, or (ii) the making of the award, was induced, or effected by fraud or corruption. This change will be effective from October 23, 2015.
- **Qualifications of arbitrators:** The Act specified certain qualifications, experience, and accreditation norms for arbitrators in a separate schedule. The requirements under the schedule include that the arbitrator must be: (i) an advocate under the Advocates Act, 1961 with 10 years of experience, or (ii) an officer of the Indian Legal Service. Further, the general norms applicable to arbitrators include that they must be conversant with the Constitution of India. The Bill removes the Schedule for arbitrators and states that the qualifications, experience, and norms for accreditation of arbitrations will be specified

For a PRS Summary of the Bill, please see [here](#).

## Transport

*Shruti Gupta (shruti@prsindia.org)*

### The Major Port Authorities Bill, 2020 passed by Parliament

The Major Port Authorities Bill, 2020 was passed by Parliament.<sup>16</sup> The Bill replaces the Major Port Trusts Act, 1963.<sup>17</sup> It provides for regulation, operation and planning of major ports in India and provide greater autonomy to these ports. Major ports include Chennai, Cochin, Jawaharlal Nehru Port, Kandla, Kolkata, Mumbai, New Mangalore, Mormugao, Paradip, V.O. Chidambaranar, and Vishakhapatnam. The Bill constitutes the Board of Major Port Authority for each of these ports for administration, control, and management of these ports. Key features of the Bill include:

- **Board of Major Port Authority:** Under the 1963 Act, all major ports were managed by the respective Board of Port Trusts with members appointed by the central government. The Bill constitutes a Board of Major Port Authority for each major port to replace existing Port Trusts.
- **Fixing of rates:** The 1963 Act established the Tariff Authority for Major Ports, to fix the scale of rates for assets and services available at ports. Under the Bill, the Board of Major Port Authority or committees appointed by the Board may determine rates for: (i) services performed at ports, (ii) access to and usage of the port assets, and (iii) different classes of goods, services and vessels, among others.
- **Adjudicatory Board:** The Bill provides for an Adjudicatory Board to replace the existing Tariff Authority for Major Ports. Functions of the Adjudicatory Board include: (i) functions of the existing Tariff Authority, and (ii) adjudicating on disputes or claims related to rights and obligations of the major ports.
- **Penalties:** Under the 1963 Act, there are various penalties for contravening provisions of the Act. For instance, the penalty for setting up any structures on the harbours without permission could extend up to Rs 10,000. The Bill provides for a penalty of up to one lakh rupees for violation of the provisions of the Bill.

For the PRS Bill Summary, please see [here](#).

### Draft amendments to Central Motor Vehicles Rules, 1989 released

The Ministry of Road Transport and Highways released draft amendments to the Central Motor Vehicles Rules, 1989 under the Motor Vehicles Act, 1988.<sup>18</sup> The Act provides for standards for motor vehicles, grant of driving licenses, and penalties for violation of these provisions.<sup>19</sup> The draft amendments seek to regulate electronic monitoring and enforcement of road safety norms. Key features include:

- **Electronic Enforcement Device (EED):** The draft Rules define such a device to include speed cameras, CCTVs, and body-wearable cameras. These devices can be used to issue a challan after issuance of an approval certificate by the police. The certificate must be renewed annually by appropriate police officers or a designated authority.
- **Placement:** State governments must ensure that EEDs are placed in locations such as: (i) National Highways which are high in risk and density, (ii) critical junctions at state capitals, and (iii) critical areas in cities with population more than ten lakh people. State governments must ensure that warning signs are placed before areas monitored by EEDs.
- **Offences:** The draft Rules list certain violations where an EED can be used to issue a challan. These include: (i) driving over speed limits, (ii) stopping or parking at an unauthorised location, (iii) not adhering to specified safety measures such as use of seatbelts or wearing of a helmet, and (iii) jumping a red light or a stop sign. The notice of the offence must be sent within 15 days of occurrence. Electronic records used to register an offence must be stored for a minimum of 30 days.

## Science and Technology

### Standing Committee submits report on the DNA Technology (Use and Application) Regulation Bill, 2019

*Prachi Kaur (prachi@prsindia.org)*

The Standing Committee on Science and Technology, Environment, Forests and Climate Change (Chair: Jairam Ramesh) submitted its report on the DNA Technology (Use and Application) Regulation Bill, 2019.<sup>20</sup> The Bill regulates the use of DNA technology for establishing the identity of certain persons

including victims, offenders, suspects, people undertrial, and missing persons. Key observations and recommendations of the Committee include:

- **Definition of DNA Profile:** The Bill defines DNA profile as the result of analysis of a DNA sample for establishing the identity of a person. The Committee recommended that DNA profile be defined as the DNA pattern that establishes only the genetic identity of a person, and not the characteristics of an individual such as physical appearance, behaviour, or health status.
- **Sources for collection of DNA samples:** The Bill provides a list of sources for collection of DNA samples including blood sample, hair, and mouth swab. It also lists photographs or video recording of body parts, and handprint, fingerprint, or footprint as such sources. The Committee noted that currently, there is no technology to derive DNA profile from photographs, videos, or print of any body part. Therefore, it recommended that these be deleted as sources for collection of samples.
- **National Data Bank:** The Committee recommended not having any regional DNA data banks as they do not provide any additional benefits, and create more vulnerability to the accuracy and security of the DNA system. Further, labs must remove DNA profile after sharing it with the National DNA data bank.
- **Removal of DNA profiles:** The Bill provides that DNA information in the crime scene index will be retained. DNA profiles of a suspect or an undertrial will be removed on a court order. The Committee recommended that: (i) the DNA profile of an offender be removed within 30 days from acquittal, and (ii) deleting the provision on removal of data for a suspect and undertrial, among others.
- **Power to make Rules/Regulations:** The Bill provides power to the central government/DNA Regulatory Board to make Rules/Regulations on certain provisions of the Bill. The Committee recommends that some of these provisions should only be amended by legislation. These include amending: (i) the Schedule to the Bill which lists matters where DNA evidence may be used for identification of persons, and (ii) the purposes for which access to DNA information may be given.

For a PRS report summary, please see [here](#). For a PRS analysis of the Bill, please see [here](#).

## Guidelines for acquiring and producing geospatial data and services

*Saket Surya (saket@prsindia.org)*

The Department of Science and Technology issued guidelines for acquiring and producing geospatial data and services including maps.<sup>21</sup> Examples of geospatial data include location information on individuals, mobility data, location and attributes of natural objects or phenomena such as weather patterns and seismic patterns. The Department noted that availability of comprehensive and high accuracy geospatial data will encourage innovation and enhance the preparedness for emergency response. Key features of the guidelines include:

- **Processing of geospatial data:** There will be no restrictions in the form of requirements for clearance, approval, or licence for the processing of geospatial data. Processing includes the collection, generation, preparation, dissemination, storage, and publication. Self-certification will be used to convey adherence to the guidelines. However, there will be a negative list of attributes which cannot be identified or associated with any location on a map. For attributes in the negative list, a different threshold value for accuracy as well as regulations will be specified.
- **Certain permissions only to Indian entities:** Permission for terrestrial mobile mapping survey, street view survey, and surveying of Indian territorial waters will be granted only to Indian entities. Maps or geospatial data of spatial accuracy finer than the threshold value can only be created and owned by Indian entities and must be stored and processed in India. Foreign companies will be permitted to license data with finer accuracy from Indian entities. However, such a license will only be for serving its customers in India.
- **Geospatial data generated using public funds:** Geospatial data generated using public funds will be made accessible for free for scientific, economic, and developmental purposes to all Indian entities. Government agencies will take immediate measures to simplify procedures, abolish requirements such as licences, and make data accessible online in a useful format. The government will encourage crowdsourcing efforts to build maps by allocating public funds towards such efforts.



## External Affairs

*Prachi Kaur (prachi@prsindia.org)*

### Standing Committee submits report on the Anti-Maritime Piracy Bill, 2019

The Standing Committee on External Affairs (Chair: P. P. Chaudhary) submitted its report on the Anti-Maritime Piracy Bill, 2019.<sup>22</sup> The Bill provides for prevention of maritime piracy and prosecution of persons for such crimes. It seeks to implement provisions related to piracy mentioned in the United Nations Convention on the Law of the Sea, 1982 (UNCLOS). Key observations and recommendations of the Committee include:

- **Applicability of the Bill:** The Bill provides that it will apply to all parts of the sea adjacent to and beyond the Exclusive Economic Zone (EEZ) of India, i.e., beyond 200 nautical miles from the coastline. The Committee noted that under the UNCLOS, countries have jurisdiction to conduct anti-piracy operations in its EEZ. It recommended that the applicability of the Bill include the EEZ.
- **Punishment for piracy:** The Bill provides that an act of piracy will be punishable with: (i) imprisonment for life, or (ii) death, if the act or attempt of piracy includes attempted murder, or causes death. The Committee noted that the Supreme Court has ruled mandatory death penalty as arbitrary and unfair, and in violation of Articles 14 and 21 of the Constitution. Further, it noted that provisions of other Acts which provided for mandatory death penalty have been struck down by the Court. However, the Committee recommended mandatory death penalty for causing death while committing or attempting an act of piracy. It recommended that death penalty should not be given if an attempted piratical act does not lead to death.
- **Jurisdiction of Courts:** The Bill provides that the Designated Court will not have jurisdiction over offences committed on a foreign ship, unless an intervention is requested by: (i) the country of origin of the ship, (ii) the ship owner, or (iii) any other person on the ship. The Committee recommended deleting this provision from the Bill.
- Further, the Bill provides that the Court may try a person even if he is not physically present in the Court. The Committee noted this contradicts the procedural safeguards of Article 21 of the Constitution. It recommended certain safeguards for trials in-absentia, including: (i) accused is aware of the

trial, and (ii) the accused does not request an appeal in due time.

For a PRS report summary, please see [here](#). For a PRS analysis of the Bill, please see [here](#).

## Home Affairs

*Shruti Gupta (shruti@prsindia.org)*

### The Jammu and Kashmir Reorganisation (Amendment) Bill passed

The Jammu and Kashmir Reorganisation (Amendment) Bill, 2021 was passed by Parliament.<sup>23</sup> It amends the Jammu and Kashmir Reorganisation Act, 2019. The Act provides for the bifurcation of the state of Jammu and Kashmir (J&K) into the Union Territory of J&K and Union Territory of Ladakh. The Bill repeals the Jammu and Kashmir Reorganisation (Amendment) Ordinance, 2021. Key features of the Bill include:

- **Application of provisions on elected legislatures:** The Act provides that Article 239A of the Constitution, which is applicable to the union territory of Puducherry, shall also apply to the union territory of J&K. Article 239A provides for the constitution of a union territory of Puducherry with: (i) a legislature, which may be elected, or partly nominated and partly elected, or (ii) a Council of Minister. The Bill states that in addition to Article 239A, any other provision of the Constitution which refers to elected members of a legislative assembly of a state and is also applicable to the union territory of Puducherry, will apply to the union territory of J&K.
- **Merging of administrative cadres:** The Act specifies that the members of the Indian Administrative Service, the Indian Police Service and the Indian Forest Service serving in the state of J&K would continue to serve in the two union territories, based on allocation decided by the central government. Further, in future, postings of officers in the two union territories would be from the Arunachal Goa Mizoram Union Territory (AGMUT) cadre. The AGMUT cadre covers the three states of Arunachal Pradesh, Mizoram and Goa, as well as all the union territories. The Bill amends these clauses to provide for the merger of the officers in the existing cadre of J&K with the AGMUT cadre of officers.

For a PRS Summary of the Bill, please see [here](#).

## National Disaster Mitigation Fund established

The National Disaster Mitigation Fund was notified under the Disaster Management Act, 2005.<sup>24</sup> The Act allows the central government to constitute a fund for projects exclusively for the purpose of mitigation of disasters. The fund will be managed by the National Disaster Management Authority which is the apex authority responsible for disaster management and mitigation in India.

## Urban Affairs

*Shruti Gupta (shruti@prsindia.org)*

### National Capital Territory of Delhi Laws (Amendment) Bill passed by Rajya Sabha

The National Capital Territory of Delhi Laws (Special Provisions) Second (Amendment) Bill, 2021 was passed by Rajya Sabha.<sup>25</sup> The Bill amends the National Capital Territory of Delhi Laws (Special Provisions) Second Act, 2011.

The 2011 Act provides for: (i) relocating slum dwellers and Jhuggi-Jhompri clusters in accordance with the provisions of the Delhi Shelter Improvement Board Act, 2010 and the Master Plan for Delhi, 2021, (ii) regularising unauthorised colonies, village abadi areas (and their extensions), (iii) creating a policy or plan for farm houses constructed beyond permissible building limits, and for all other areas of the National Capital Territory of Delhi, and (iv) not taking any punitive action and minimising inconvenience to the people of Delhi in case of any demolition or sealing of structures under the Master Plan for Delhi. The Master Plan for Delhi 2021 provides for strategies of housing for urban poor as well as for dealing with the informal sector. Key features of the Bill include:

- **Extension of validity:** The 2011 Act was valid till December 31, 2020. The Bill seeks to extend this deadline to December 31, 2023.
- **Regularisation of Unauthorised Colonies:** The 2011 Act provided for the regularisation of certain unauthorised colonies, including those: (i) which existed as on March 31, 2002, and (ii) where construction took place till June 1, 2014. The Bill amends this to provide that unauthorised colonies will be identified for regularisation as per the National Capital Territory of Delhi (Recognition of Property Rights of Residents in Unauthorised Colonies) Act, 2019, and the National Capital Territory of Delhi (Recognition of Property

Rights of Residents in Unauthorised Colonies) Regulations, 2019. Thus, the unauthorised colonies: (i) which existed as on June 1, 2014, and (ii) having 50% development as on January 1, 2015, will be eligible for regularisation.

For the PRS Bill Summary, please see [here](#).

### National Urban Digital Mission and other digital initiatives launched

The Ministry of Housing and Urban Affairs launched digital initiatives to promote use of digital technologies to identify and address issues in urban planning and governance.<sup>26,27</sup> These include: (i) the National Urban Digital Mission (NUDM), (ii) Indian Urban Data Exchange, (iii) the SmartCode Platform, and (iv) the City Innovation Exchange programme.

NUDM seeks to create a shared digital infrastructure for urban areas to consolidate digital initiatives of the Ministry and address local challenges. Its governing principles will be similar to the National Urban Innovation Stack (NUIS) announced in 2019. NUIS was intended to identify urban challenges and solve them at speed and scale using digital technologies and infrastructure.<sup>28</sup>

The data exchange programme seeks to create is an open-source interface to allow users including urban local bodies to share, request, and access datasets related to cities, urban governance, and service delivery. The SmartCode Platform will be a repository for open-source code for applications in urban governance. Source code of an open-source software is freely available for possible modification and redistribution.

The City Innovation Exchange Platform was launched to enable all citizens to design, test and deliver innovations that can address urban challenges. The platform will operate under the Smart Cities Mission. There were 400 start-ups with 215 solutions across 100 smart cities registered, as of February, 2021.<sup>27</sup>

## Finance

*Suyash Tiwari (suyash@prsindia.org)*

### Standing Committee submits report on the Factoring Regulation Bill, 2020

The Standing Committee on Finance (Chair: Jayant Sinha) submitted its report on the Factoring Regulation (Amendment) Bill, 2020.<sup>29</sup> The Bill amends the Factoring Regulation Act, 2011 to widen the scope of entities which can engage in the factoring business.<sup>30</sup> Factoring is a

transaction where an entity sells whole or part of its receivables from a customer to a third party (factor) for immediate funds. While factoring is available for all enterprises the Committee noted the importance of the Bill to address the problem of delay in payments faced by micro, small and medium enterprises (MSMEs). Key recommendations of the Committee include:

- **Integration of TReDS with GSTN:** The Trade Receivables Discounting System (TReDS) is an electronic platform for financing of trade receivables of MSMEs.<sup>31</sup> The Goods and Services Tax Network (GSTN) provides the IT infrastructure to the government and taxpayers for implementation of the Goods and Services Tax (GST).<sup>32</sup> In 2019, it was made mandatory for taxpayers with turnover greater than a notified threshold to upload certain GST-related documents to the GSTN e-invoicing portal.<sup>33</sup> These documents include GST invoices, and credit and debit notes for business-to-business transactions.
- The Committee recommended integrating the TReDS platform with the GSTN e-invoicing portal. This would allow for automatic uploading of all GST invoices onto the TReDS platform, and enable real time access to invoices. It was noted that this would add a layer of authenticity making the TReDS platform attractive for factors, and improve the flow of credit to MSMEs.
- **Mandatory listing of government dues on TReDS:** The Committee recommended that the Bill be amended to mandate listing of receivables from central and state governments on the TReDS platform. This would ensure payments pending from the government to MSMEs are made available to them on a timely basis.

For a PRS summary of the Report, see [here](#).

### Cabinet approves a new disinvestment policy for public sector enterprises

The Union Cabinet approved a new policy for disinvestment of Public Sector Enterprises (PSEs), which will govern the ownership and control of PSEs by the central government.<sup>34</sup> Under the policy, the government seeks to minimise the presence of PSEs across sectors and create new investment space for the private sector.<sup>35</sup> The policy categorises all sectors into strategic and non-strategic based on the criteria of national security, availability of important minerals and energy, financial services, and critical infrastructure.

Strategic sectors are: (i) atomic energy, defence, and space, (ii) transport and telecommunication, (iii) power, petroleum, coal, and other minerals, and (iv) banking, insurance, and financial services. The policy envisions a bare minimum presence of existing PSEs in the strategic sectors as the government aims to retain control through holding companies (i.e., a company owning the shares of the company running the business). All other existing PSEs in the strategic sectors will be either privatised, closed, merged with another PSE or made its subsidiary. All existing PSEs in sectors other than strategic sectors will be privatised, if feasible, or closed.

The new policy is applicable to central PSEs and public sector banks and insurance companies. It is not applicable to certain PSEs including those working as not-for-profit companies, providing support to vulnerable groups, performing any developmental or regulatory role, or maintaining critical data having bearing on national security.

### RBI announces liquidity measures

The Reserve Bank of India (RBI) announced certain measures that affect the liquidity position of banks and non-banking financial companies (NBFCs).<sup>36</sup> The measures include:

- **Restoration of CRR:** In March 2020, the cash reserve ratio (CRR) was reduced from 4% to 3% to provide liquidity to banks due to disruption caused by COVID-19.<sup>37</sup> This was allowed till March 2021. CRR is the proportion of deposits banks have to maintain in cash. RBI has decided to restore CRR to 4% in two phases. Banks have to maintain CRR of 3.5% starting March 27, 2021, and 4% from May 22, 2021.
- **Extension of relaxation under MSF:** In March 2020, the borrowing limit under the margin standing facility (MSF) was increased from 2% to 3%.<sup>37</sup> This relaxation, initially valid till June 30, 2020, was extended in phases up to March 31, 2021. Under MSF, banks can borrow overnight from RBI by dipping into their statutory liquidity ratio (SLR). SLR is the proportion of deposits that banks have to maintain in liquid assets such as gold, and government securities, over and above CRR. The relaxation under MSF has been extended till September 30, 2021.

### Restrictions on use of private banks for government business relaxed

The Ministry of Finance lifted the ban on use of private banks for the conduct government-related banking transactions.<sup>38</sup> Private banks may now be used for government-related banking

transactions such as taxes, pensions, and receipts and disbursements under government schemes. The change may be operationalised once the Reserve Bank of India issues guidelines in this regard. Government's banking transactions are primarily handled by public sector banks. In 2003, three private sector banks (HDFC Bank, Axis Bank and ICICI Bank) were permitted to undertake government business.<sup>39</sup>

In January 2012, RBI allowed all private sector banks to undertake government business.<sup>39</sup> This decision to provide further authorisation for banks was reversed by the Ministry of Finance in September 2012.<sup>40</sup> The Ministry advised RBI to undertake a comprehensive review of the policy of authorisation of government business to private banks. In 2015, the government held that there wasn't sufficient reason to reverse the ban on further authorisation of government business to private banks.

### RBI constitutes an Expert Committee on Urban Co-operative Banks

The Reserve Bank of India (RBI) constituted an Expert Committee on Urban Co-operative Banks (UCBs) to examine the issues faced by them and provide a roadmap for strengthening the sector.<sup>41</sup> The Committee will be headed by Mr. N. S. Vishwanathan, former Deputy Governor of RBI, and consist of seven other members.

The Terms of Reference of the Committee include: (i) assessing the impact of regulatory measures taken by RBI for UCBs, (ii) reviewing the regulatory approach to recommend changes to strengthen the sector, (iii) suggesting measures for faster resolution of UCBs in financial stress, (iv) assessing the potential for consolidation in the sector, and (v) formulating a vision document for the sector.<sup>41</sup>

The Committee is required to submit its report within three months of its first meeting.<sup>41</sup>

### RBI releases draft directions on credit derivatives for public feedback

RBI released the draft directions on credit derivatives for public feedback.<sup>42</sup> A credit derivative is a derivative contract where the underlying is a debt instrument. A credit default swap (CDS) is a kind of credit derivative. In a CDS contract, the seller of the CDS commits to compensate the buyer of the CDS in case of an adverse event (such as default) related to the underlying debt instrument. Key features of the directions include:<sup>43</sup>

- **Permitted products:** CDS contracts can only be based on a debt instrument issued by a single entity, and the underlying for a CDS

cannot be another credit derivative.

Permitted debt instruments include: (i) commercial papers and certificates of deposit of maturity up to one year, (ii) rated corporate bonds, and (iii) unrated bonds of infrastructure companies. These derivative contracts may be traded on a stock exchange or in the over-the-counter (OTC) market.

- **Participants:** The counter-party to every CDS transaction must be an entity authorised by RBI for this purpose or a market-maker. Market-makers are entities that buy and sell CDS contracts to provide liquidity to the market. All retail and non-retail users may buy a CDS, however, only certain non-retail users can sell a CDS. Such non-retail users include insurance companies, pension funds, and mutual funds, among other institutions. Retail users are only permitted to buy CDS for hedging purposes. Hedging is the use of a derivative instrument to reduce the credit risk of an underlying debt instrument.
- **Standardisation:** The Fixed Income Money Market and Derivatives Association of India (FIMMDA) will devise a standard master agreement for all CDS contracts, and conventions for the pricing of CDS contracts. Sellers using their own pricing methodology must disclose the rationale for doing so, and explain the changes.

Comments on the draft directions are invited by March 15, 2021.

### RBI permits remittance to IFSC under the Liberalised Remittance Scheme

The Reserve Bank of India (RBI) permitted residents of India to use the liberalised remittance scheme to invest in International Financial Services Centres (IFSCs) in India.<sup>44</sup> The liberalised remittance scheme allows resident individuals to remit foreign currency for permitted transactions.<sup>45</sup> LRS may be used to open a foreign currency account, purchase property, or make investments in securities abroad.<sup>45</sup> At present, resident individuals are not allowed to remit funds to an IFSC in India.<sup>46</sup>

The RBI notification allows resident individuals to use LRS for investment in IFSCs in securities issued by non-resident entities.<sup>44</sup> Individuals may also open a foreign currency account in the IFSC for this purpose, though (i) the funds in this account can only be used for making permitted investments, and (ii) idle funds must be repatriated to the domestic account of the investor within 15 days.



## Social Justice

*Shruti Gupta (shruti@prsindia.org)*

### The Constitution (Scheduled Castes) Order (Amendment) Bill introduced

The Constitution (Scheduled Castes) Order (Amendment) Bill, 2021 was introduced in Lok Sabha. The Bill amends the Constitution (Scheduled Castes) Order, 1950.

The Constitution empowers the President to specify the Scheduled Castes (SCs) in various states and union territories. Further, it permits Parliament to modify this list of notified SCs. The Bill gives effect to modifications proposed by the state of Tamil Nadu.

For the PRS Bill Summary, please see [here](#).

## Electronics and Information Technology

*Saket Surya (saket@prsindia.org)*

### The Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021 notified

The Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021 were notified under the Information Technology Act, 2000 (IT Act).<sup>4748</sup> These replace the Information Technology (Intermediaries Guidelines) Rules, 2011.<sup>49</sup> Key features of the Rules include:

**Intermediaries:** Intermediaries are entities that store or transmit data on behalf of other persons, including internet or telecom service providers, online marketplaces, and social media platforms.

- **Due diligence:** The due diligence to be observed by intermediaries includes: (i) blocking access to unlawful information within 36 hours upon an order from the Court, or the government, and (ii) retaining information collected for the registration of a user for 180 days after cancellation or withdrawal of registration.
- **Grievance redressal:** The intermediary will designate a grievance officer to address complaints against violation of the Rules. Complaints must be acknowledged within 24 hours and disposed of within 15 days.
- **Significant social media intermediaries:** A social media intermediary with registered users in India above a threshold (to be

notified) will be classified as Significant Social Media Intermediaries. Additional due diligence to be observed by these intermediaries include: (i) appointing a chief compliance officer to ensure compliance with the IT Act and the Rules, (ii) appointing a grievance officer residing in India, and (iii) publishing a monthly compliance report. Further, such intermediaries which provide messaging as a primary service must enable the identification of the first originator of the information on its platform. This originator must be disclosed if required by an order from the Court or the government. Such order will be passed for specified purposes including investigation of offences related to sovereignty and security of the state, public order, or sexual violence. The intermediary will not be required to disclose the contents of any communication.

**Digital Media Publishers:** Following will apply to publishers of digital media including: (i) news and current affairs content and (ii) online curated content (also known as OTT platforms):

- **Code of Ethics:** For news and current affairs, the following existing codes will apply: (i) norms of journalistic conduct formulated by the Press Council of India, (ii) programme code under the Cable Television Networks Regulation Act, 1995. For OTT platforms, the requirements include: (i) classifying content in age-appropriate categories as specified, (ii) implementing an age verification mechanism for access to adult content, and access control measures such as parental controls, and (iii) improving accessibility of content for disabled persons.
- **Grievance redressal:** A three-tier grievance redressal mechanism will be in place for dealing with complaints regarding content: (i) self-regulation by the publishers, (ii) self-regulation by the self-regulating bodies of the publishers, and (iii) oversight mechanism by the central government.

### Cabinet approves production linked incentive scheme for information technology hardware

The Union Cabinet approved the Production Linked Incentive (PLI) scheme for Information Technology (IT) hardware.<sup>50</sup> The scheme is aimed at promoting domestic manufacturing and attracting large investments in the value chain of IT hardware. The scheme will cover the following segments of IT hardware: (i) laptops, (ii) tablets, (iii) all-in-one personal computing devices, and (iv) servers. Under the PLI scheme,

companies receive incentives on incremental sales of products manufactured domestically.

The Ministry of Electronics and Information Technology observed that laptop and tablet demand in India is largely met through imports. The value of import for laptop and tablet in 2019-20 was USD 4.21 billion and USD 0.41 billion, respectively.<sup>50</sup> The total cost of the proposed scheme is about Rs 7,350 crore over four years.

### Draft National Strategy on Blockchain released

The Ministry of Electronics and Information Technology released the Draft National Strategy on Blockchain.<sup>51</sup> Blockchain is a distributed ledger technology based on a shared ledger between various parties involved in business transactions. The data structure used in Blockchain maintains an unchangeable record of transactions in a time-sequenced manner. It eliminates the need for a central entity to validate transactions.

The Ministry noted that the technology improves transparency, immutability, and efficiency in managing transactions. It has potential for use in various domains including property record management, identity management, supply chain, and e-voting. The Ministry further noted that blockchain can add value to e-governance. It highlighted the following key challenges in the adoption of blockchain: (i) scalability and transaction speed, (ii) data security and privacy, (iii) standardisation and interoperability, and (iv) skilled manpower. Key features of the Draft Strategy are:

- **National-level Blockchain Framework:** The Strategy proposes the creation of a national level blockchain framework. Under the framework, infrastructure for hosting blockchain platforms will be created across multiple zones in the country. The strategy proposes the creation of infrastructure for blockchain as a national resource and recommends offering Blockchain as a Service (BaaS). BaaS refers to the offering of cloud-based services for building and hosting blockchain applications.
- The Strategy proposes to evolve an indigenous technology stack with an open Application Programming Interface (APIs). APIs enable two software systems to interact with each other. Open API means a publicly available interface for programmatic access to the software. For planning and implementing the national framework, a multi-institutional centre of excellence will be created.
- **Integration of national-level services:** Following national level services can be integrated with the blockchain framework: (i) eSign, an online service providing for instant signing of documents, (ii) ePramaan, an authentication service used to access different government applications, and (iii) DigiLocker, an online service to access documents issued by government agencies.
- **Capacity building:** The Strategy noted that Blockchain technology needs to be promoted by conducting short terms courses or bootcamps. The Strategy proposes to create sandbox environments for the development and testing of applications and for offering virtual training. The sandbox provides an environment which allows market participants to test new products, services, or business models with customers in a controlled environment.

## Communications

*Saket Surya (saket@prsindia.org)*

### Standing Committee submits its report on India's preparedness for 5G

The Standing Committee on Information Technology (Chair: Dr. Shashi Tharoor) submitted its report on India's Preparedness for 5G.<sup>52</sup> Key observations and recommendations of the Committee include:

- **Status of 5G deployment:** The Committee noted that 118 operators across 59 countries (including USA, China, and UK) have deployed 5G network. 5G has mostly been launched at a limited scale so far. In India, the commercial rollout of 5G is yet to happen. As of January 2021, 5G trials by telecom service providers (TSPs) have not been permitted by the Department of Telecommunications. The Committee noted that sufficient preparatory work has not been undertaken for the launch of 5G services in India. It highlighted the following as key challenges with the adoption of 5G in India: (i) inadequate availability of spectrum, (ii) high spectrum prices, (iii) poor development of use cases for 5G, (iv) low fiberisation (connectivity with optical fibre), and (v) deficient backhaul capacity.
- **Allocation of spectrum for 5G:** Allocation of new bands of the spectrum is crucial for the rollout of 5G. However, the auction of

5G spectrum is still pending. The Committee noted the concerns of the telecom companies that the reserve price set by the Telecom Regulatory Authority of India for the 5G spectrum (Rs 492 crore per MHz) is high. It observed that considering the financial stress in the sector and that the 5G ecosystem is yet to be developed, high reserve price may adversely impact the ability of service providers to roll out 5G.

- The Committee also noted that based on the current availability of spectrum for 5G, approximately 50 MHz spectrum per operator can be ensured. This is substantially lower than the global average of about 100 MHz per operator. It noted that in case of 4G too, the average spectrum per operator in India is around one-fourth of the global average. The Committee observed that there is an urgent need for an audit of all allocated spectrum for detecting underutilisation and subsequently rationalising the allocation of spectrum in India.

For PRS summary of the report, please see [here](#).

## Commerce and Industry

*Suyash Tiwari (suyash@prsindia.org)*

### Standing Committee submitted its report on attracting investment in the post-Covid economy

The Standing Committee on Commerce (Chair: V. Vijayasai Reddy) submitted its report on Attracting investment in post-Covid Economy: Challenges and Opportunities for India.<sup>53</sup> The Committee expressed concern regarding India's trade deficit with China across sectors, especially steel. Key observations and recommendations of the Committee include:

- **Logistics:** There is a high cost to logistics due to: (i) heavy reliance on road transport, (ii) poor quality of transport infrastructure, (iii) fragmented storage, and (iv) the presence of multiple stakeholders. The Committee recommended that the government implement step to: (i) consolidate and formalise the logistics sector, (ii) improve railway and inland waterway infrastructure, and (iii) finalise the National Logistics Policy for effective development of the sector.
- **Automobile:** The Committee recognised a need to boost demand, promote exports, and improve ease of doing business in the automobile sector. It recommended that: (i) the rate of GST on vehicles be reduced from

28% to 18%, (ii) agreements to promote exports in new markets in African and Asian countries be signed, and (iii) a single-window facility be provided to obtain required approvals for commencing manufacturing.

- **Medical devices:** Certain medical devices have price controls that fix the price of sale or restrict the maker from increasing its price by more than a certain threshold. The Committee recommended that the pricing of medical devices must be separated from the pricing of drugs and a separate regulatory body should be created to monitor the same. Currently, the pricing of drugs and medical devices is regulated by the Drug (Prices) Control Order, 2013.<sup>54</sup>
- **Electronics:** India is the second-largest manufacturer of mobile phones. However, most of the mobile phones are assembled in India with parts imported from elsewhere. The Committee recommended that any investment by a foreign entity in electronics manufacturing must require investment in infrastructure and a promise of transfer of technology. It also recommended that the government consider imposing import duty to protect the domestic electronics manufacturing industry from cheap imports.

For a PRS summary of the Report, see [here](#).

## Labour

*Aditya Kumar (aditya@prsindia.org)*

### Standing Committee on Labour submitted its report on social security and welfare for migrant workers

The Standing Committee on Labour (Chair: Mr. Bhartruhari Mahtab) submitted its report on social security and welfare measures for inter-state migrant workers.<sup>55</sup> The Committee assessed the efficacy of various schemes launched for providing relief to the migrant workers during COVID-19 pandemic. Key observations and recommendations of the Committee include:

- **Identification of migrant labours:** The Committee noted that there is no credible database with information on the number of inter-state migrant workers. This has led to an adverse impact on the implementation of various relief and rehabilitation measures (such as schemes for food distribution) for the workers. The Committee emphasised the need to create a credible real-time database of

inter-state migrant workers (especially unorganised migrant workers).

- **Affordable housing facilities:** The scheme for affordable rental housing complexes (ARHCs), launched in July 2020, is aimed at providing housing at an affordable rent to migrants near their workplace.<sup>56</sup> The Committee noted that migrants are not categorised as a separate category under the scheme. Currently, migrants are covered under the economically weaker section (EWS) or low-income group (LIG). To ensure the protection of migrants' interest, the Committee recommended prioritising migrant workers in the ARHC scheme.
- **Skill development and training:** The Garib Kalyan Rojgar Abhiyan was launched in June 2020 to address livelihood issues of migrant workers returning to their home states. The Committee noted that there are certain challenges in providing training to migrant workers, including: (i) low demand for skilled workers, (ii) increasing contract employment, and (iii) difficulties in skill mapping. Further, the Committee noted that out of 5.5 lakh candidates looking for a job, 3.2 lakh candidates have been offered a job. The Committee recommended the Ministry of Skill Development and Entrepreneurship to take corrective measures to ensure skill development and placement of poor people.

For a PRS summary of the Report, see [here](#).

## Health

*Aditya Kumar (aditya@prsindia.org)*

### Draft amendments to the Medical Device Rules, 2017 released

The Ministry of Health and Family Welfare released the draft amendments to the Medical Device Rules, 2017.<sup>57</sup> The 2017 Rules provide for standards and licensing of medical devices.<sup>58</sup> The Rules require a medical device to conform to the standards of Bureau of Indian Standards (BIS) or those specified by the Ministry from time to time. If no such standards from the BIS or the Ministry are available, a device is required to conform to the standards of International Organisation for Standardisation or International Electro Technical Commission.

The draft amendments add that the standards of American Standard testing Method will be also acceptable for testing medical devices in absence of standards of BIS and the Ministry.

Comments on the draft Rules are invited till March 22, 2021.<sup>57</sup>

## Defence

*Shruti Gupta (shruti@prsindia.org)*

### Defence Acquisition Council approves procurement worth Rs 13,700 crore

The Defence Acquisition Council approved the procurement of equipments worth Rs 13,700 crore for armed forces.<sup>59</sup> Such procurement will be made under the Defence Acquisition Buy [Indian-IDD (Indigenously Designed, Developed and Manufactured)] category.

The procurement will also include platforms and systems designed and developed by the Defence Research and Development Organisation. Buy (Indian-IDD) refers to the procurement of products from an Indian vendor that have been indigenously designed, developed and manufactured, with a minimum of 50% Indigenous Content (IC).<sup>60</sup> IC is the percent of cost of indigenous content in base contract value.<sup>60</sup> Buy (Indian-IDD) is one of the procurement categories under the Defence Acquisition Procedure, 2020.<sup>60</sup>

## Women and Child Development

*Prachi Kaur (prachi@prsindia.org)*

### Amendments to the Juvenile Justice (Care and Protection of Children) Act, 2015 approved by Cabinet

The Union Cabinet approved amendments to the Juvenile Justice (Care and Protection of Children) Act, 2015.<sup>61,62</sup> The Act contains provisions related to children in conflict with law and children in need of care and protection.<sup>62</sup> The amendments seek to introduce measures for strengthening child protection set-up. Key amendments include:

- **Coverage of the Act:** The Act defines a child as anyone less than 18 years of age. However, it has a special provision for trying 16–18 year olds committing heinous offences, as adults. A heinous offence is defined as one for which the minimum punishment under the Indian Penal Code is seven years. The proposed amendments seek to categorise previously undefined offences as 'serious offence'.
- **Adoption orders:** The Act empowers the



Court to issue adoption orders after satisfying certain conditions such as the adoption is for the welfare of the child. The amendments propose to authorise the District Magistrate and the Additional District Magistrate to issue adoption orders to ensure timely disposal of cases.

- **Child Welfare Committees (CWCs):** The Act provides that states constitute one or more CWCs for each district for dealing with children in need of care and protection. It provides certain parameters for appointment of members to CWC, including: (i) person should be involved in health, education, or welfare of children for at least seven years, or (ii) person should be a practicing professional with a degree in child psychology, psychiatry, law, or social work. The proposed amendments will revise the eligibility parameters for appointment of CWC members.

## Corporate Affairs

*Suyash Tiwari (suyash@prsindia.org)*

### MCA increases the threshold for capital and turnover for Small Companies

The Ministry of Corporate Affairs (MCA) increased the threshold for capital and turnover to be classified as a Small Company under the Companies Act, 2013.<sup>63</sup> The threshold for paid-up capital has been increased from fifty lakh rupees to two crore rupees. The threshold for turnover has been increased from two crore rupees to twenty crore rupees. These changes, which were announced in the 2021-22 budget speech, will take effect from April 1, 2021.<sup>64</sup>

More than two lakh companies are expected to be reclassified as a small company due to the higher threshold.<sup>65</sup> These companies are expected to benefit from lower disclosure requirements, and lesser fees and fines.

### MCA amends rules for One Person Companies

MCA amended rules for One Person Companies (OPCs) to relax provisions governing incorporation of OPCs and their conversion into other kinds of companies.<sup>66</sup> As per the Companies (Incorporation) Rules, 2014 (under the Companies Act, 2013), only an Indian citizen who is resident in India is eligible to incorporate an OPC.<sup>67</sup> A person is considered to be a resident in India if they have stayed in India for at least 182 days in the preceding calendar year.

The new rules lower this requirement from 182 days to 120 days. The new rules also provide that all Indian citizens, whether resident in India or otherwise, can incorporate an OPC.<sup>68</sup>

The 2014 rules provide that an OPC can convert into any other kind of company only after two years of its incorporation, unless: (i) its paid-up capital exceeds fifty lakh rupees, or (ii) its average annual turnover is more than two crore rupees. The new rules do not mandate an OPC to convert to a public or private company if it exceeds the threshold on paid up capital and annual turnover. An OPC may convert to a public or private company at any time if it meets the requirements of paid-up capital and number of directors for a public or private company. The new rules also allow a private company to convert to an OPC even if its share capital and annual turnover exceeds fifty lakh rupees and two crore rupees respectively.

The new rules, which were announced in the 2021-22 budget speech, will take effect from April 1, 2021.<sup>69</sup>

## Mining

*Saket Surya (saket@prsindia.org)*

### Draft amendments to the Mines and Minerals Act released

The Ministry of Mines invited comments on the following amendments proposed in the Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act).<sup>70</sup> The MMDR Act regulates the overall mining sector in India. Key amendments proposed include:

- **Transfer of statutory clearances:** The Act provides for the transfer of statutory clearances to the new lessee of expiring mining leases for a period of two years. The new lessee is required to obtain fresh clearances within this two-year period. The Ministry noted that new lessees are facing difficulties in obtaining these clearances within the specified period. Hence, the transferred statutory clearances will be valid till the exhaustion of minable reserves.
- **Sale of minerals by captive mines:** Lessee of captive mines (other than coal, coal, lignite, and atomic minerals) will be allowed to sell up to 50% of minerals excavated during a year, after meeting the requirement of the attached plant. The lessee will be required to pay additional charges for such sale. The additional amount payable will be as a percentage of the royalty.

- **Additional charges payable by government companies:** Under the Act, in case where a mining block (other than coal, lignite, and atomic minerals) is reserved in favour of a government company, the company is required to pay additional charges. Currently, these charges are prescribed by the central government. The amendments propose to specify additional charges for the grant as well as the extension of mining leases to government companies in the Act itself.
- **Auction by central government:** Under the Act, states conduct the auction of mineral concessions. The amendments seek to empower the central government to conduct the auction in cases where the state governments face challenges in the conduct of the auction or fail to conduct the auction.
- **Sale of coal from captive mines:** Sale of up to 50% of coal produced by captive mines will be allowed. The additional amount payable for such sale will be prescribed by the Ministry of Coal.

### Comments invited on the amendments to the Mineral Concession Rules

The Ministry of Mines invited comments on the draft amendments to the Minerals (Other than Atomic and Hydro Carbons Energy Minerals) Concession Rules, 2016 issued under the Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act).<sup>71</sup> The MMDR Act regulates the mining sector in India.

The 2016 Concession Rules provide that the Indian Bureau of Mines (IBM) will publish the average sale price of specified metals including aluminium, copper, zinc, gold, and silver.<sup>72</sup> In case of certain metals such as aluminium, copper, and zinc, the average sale price for the month is calculated using the daily settlement price of the London Metal Exchange (LME) for that metal. The draft amendments add that where LME does not publish daily settlement price, the monthly average price published by IBM will be calculated using the monthly average price published by LME for that metal. Comments are invited until March 21, 2021.<sup>71</sup>

## Power

Aditya Kumar ([aditya@prsindia.org](mailto:aditya@prsindia.org))

### Guidelines for a competitive bidding process for procurement of round the clock power from mixed sources amended

The Ministry of Power amended the guidelines for the tariff-based competitive bidding process for procurement of round-the-clock (RTC) power from renewable energy (RE) sources, complemented with power from any other power sources.<sup>73</sup> The guidelines were released in July 2020 to facilitate the bundling of renewable energy with other non-renewable sources of energy to address the intermittent nature of renewable energy.<sup>74,75</sup> Key features of the amendments include:

- **Threshold for sharing the amount realised from non-scheduled power:** The power generators and procurers are required to follow a forecasting and scheduling process for sale of power. If the power is not procured by the procurer as per the schedule, the procurer must compensate the generators. Also, the generators may sell the non-scheduled power to a third-party and adjust the amount realised against the compensation. The power generators are required to share certain part of the amount realised, from the third-party sale of non-scheduled powers (powers offered but not scheduled), with the procurer.
- For renewable power, the amendments increase the threshold of the shareable amount from 90% of the net realisation to 95% of the net realisation. For non-renewable power, the threshold has been increased from 50% of the net realisation (excluding variable charges) to 95% of the net realisation (excluding variable charges).
- **Period for decision on force majeure:** The amendments reduce the decision-making period of the procurer from 30 days to 15 days to decide on the force majeure claims of power generators. Force majeure claims refer to the claims for relief (such as excuse from performance obligations) in wake of uncontrollable events such as earthquakes, and floods.

## Chemicals and Fertilisers

Prachi Kaur (prachi@prsindia.org)

### Production Linked Incentive Scheme for Pharmaceuticals approved

The Union Cabinet approved a Production Linked Incentive scheme for pharmaceuticals, over the period of 2020-21 to 2028-29.<sup>76</sup> The scheme will be part of the umbrella scheme for the development of pharmaceutical industry. The objective of the scheme is to enhance India's manufacturing capabilities in the pharmaceutical sector by increasing investment and production and contributing to product diversification. Key features include:

- **Target Groups:** The manufacturers of pharmaceutical goods will be grouped based on their Global Manufacturing Revenue (GMR). These groups will be applicants with GMR (2019-20) of pharmaceutical goods: (i) Group A: Rs 5,000 crore or more, (ii) Group B: between Rs 500 crore and Rs 5,000 crore, and (iii) Group C: less than Rs 500 crore. A sub-group for MSME industry will be made within this group.
- **Incentives:** The total incentive (including administrative expenditure) under the scheme is Rs 15,000 crore. The incentive allocation among the target groups is as follows: (i) Group A: Rs 11,000 crore, (ii) Group B: Rs 2,250 crore, and (iii) Group C: Rs 1,750 crore.
- The incentive allocation for Group A and Group C will not be transferred to any other category. However, incentive allocated to Group B applicants, if underutilised may be moved to Group A applicants.
- **Goods covered:** Goods covered under the scheme will be categorised in: (i) Category 1: including complex generic drugs, patented drugs, and cell based or gene therapy drugs, (ii) Category 2: including active pharmaceutical ingredients and key starting materials, and (iii) Category 3: drugs not covered under Category 1 and Category 2 such as repurposed drugs, anti-cancer drugs, and anti-diabetic drugs.
- **Rate of incentive:** For Category 1 and Category 2, the rate of incentive will be 10% (of sales value of products) for first four years, 8% for the fifth year, and 6% for the sixth year of production under the scheme. For Category 3, the rate of incentive will be 5% (of sales value of products) for first four years, 4% for the fifth year and 3% for the sixth year of production under the scheme.

## Earth Sciences

Prachi Kaur (prachi@prsindia.org)

### Draft Policy Framework for blue economy released

The Ministry of Earth Sciences released the draft policy framework for India's blue economy.<sup>77,78</sup> Blue economy comprises of oceanic resources and man-made economic infrastructure in marine, maritime, and onshore coastal zones. The policy outlines a strategy that the government can adopt to utilise oceanic resources for sustainable development. The strategy seeks to: (i) enhance the contribution of the blue economy to GDP, (ii) improve lives of coastal communities, (iii) preserve marine biodiversity, and (iv) maintain the security of marine areas and resources. Key recommendations of the draft policy include:<sup>78</sup>

- **Contribution of blue economy:** The size of the blue economy in India is estimated to be about 4% of GDP, but this may be higher if more reliable methodology is used. A new robust mechanism should be devised to collect reliable data regarding the blue economy. An Expert Group should be constituted to identify the sectors and activities, which are a part of the blue economy.
- **Coastal Marine Spatial Planning and Tourism:** A Coastal Marine Spatial Planning approach should be adopted for the management of oceanic resources through maps and data on environmental characteristics, geography, and present utilisation of available resources. A national level authority should be constituted to define its scope and nature.
- **Sustainable marine fisheries:** The policy recommends: (i) developing a new national policy for the sector and establishing legal and institutional frameworks for the effective management of marine fisheries, and (ii) exploring deployment of a dedicated satellite system for the management and regulation of fisheries and allied activities.
- **Legal and regulatory reforms:** These reforms include: (i) enacting a legislative framework for the development and regulation of the blue economy, (ii) introducing a central legislation for the management and regulation of fisheries and related activities, by revising the scope of the Marine Fishing Regulation Acts, and (iii) introducing a central legislation for the management of aquatic diseases along with quarantine and certification services.

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