Monthly Policy Review

August 2020

Highlights of this Issue

GDP contracted by 23.9% in the first quarter of 2020-21 (p. 8)

GDP (at constant prices) contracted by 23.9% in the April-June quarter of 2020-21. Growth in all sectors, except agriculture was negative with construction and trade and hotel sectors declining the most.

Centre proposes two borrowing options to states to meet GST compensation gap (p. 9)

To meet the shortfall of Rs 2.3 lakh crore, states may either: (i) borrow only to meet the GST-related shortfall (Rs 97,000 crore), with the rest payable from future cess collections, or (ii) borrow to meet the entire shortfall.

National lockdown extended till September 30 with several relaxations (p. 2)

District authorities may identify containment zones where only essential activities will be permitted. Educational institutions to remain closed till September 30 with some relaxations. Metro service to resume from September 7.

Monetary policy repo and reverse repo rates unchanged at 4% and 3.35% (p. 8)

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.

Draft Health Data Management Policy released (p. 12)

The policy sets out the manner in which data privacy will be maintained once the National Digital Health Mission is implemented. It aims to create a system of digital personal and medical health records which is easily accessible.

Draft Defence Production and Export Promotion Policy 2020 released (p. 15)

The Policy aims to achieve a turnover of Rs 1,75,000 crore in aerospace and defence by 2025. Domestic capital procurement is to be increased to Rs 1,40,000 crore by 2025. A separate budget head will be created for the same.

RBI formulated a resolution framework for COVID-19-related stress (p. 2)

The framework provides a special window to formulate a resolution plan for personal and other loans which may be implemented without a change in asset classification of the borrower's account.

MeitY notified rules for use of Aadhaar authentication under the Aadhaar Act (p. 13)

The Rules provide that the central government may allow entities to seek Aadhaar-based authentication on a voluntary basis for certain purposes in the interest of good governance and prevention of leakage of benefits.

Guidelines for credit guarantee scheme for stressed MSMEs released (p. 3)

The guidelines specify that the promoter of a stressed MSME will be given credit equal to 15% of their stake (equity and debt) or Rs 75 lakh, whichever is lower. This amount should be infused in the MSME entity as equity.

SC upholds validity of UGC guidelines on conduct of examinations (p. 5)

The Court held that states cannot promote the students in final year/semester without holding the examinations. However, if the state is unable to conduct examinations, it may request UGC for an extension of the date.

Leasing of three airports under PPP model approved by Cabinet (p. 16)

The proposal to lease out Jaipur, Guwahati, and Thiruvananthapuram airports under Public-Private Partnership model was approved by Cabinet. Adani Enterprises Limited won rights for 50 years through a bidding process.

Comments invited on the reforms proposed in the mining sector (p. 17)

Certain amendments are proposed in the MMDR Act, 1957 to: (i) remove end-use restrictions, (ii) promote private sector participation in exploration, and (iii) enable re-allocation of non-working mines, among others.

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PRS Legislative Research ▪ Institute for Policy Research Studies
3rd Floor, Gandharva Mahavidyalaya ▪ 212, Deen Dayal Upadhyaya Marg ▪ New Delhi – 110002
Tel: (011) 43434035, 23234801 ▪ www.prsindia.org

COVID-19

As of August 31, 2020, there were 36,21,245 confirmed cases of COVID-19 in India.[1] Of these 27,74,801 had been cured/discharged and 64,469 persons had died.[1] For details on the number of daily cases in the country and across states, please see here.

The central government has announced several policy decisions to contain the spread of the disease, and financial measures to support citizens and businesses who would get affected. For details on the major notifications released by centre and the states, please see here. Key announcements made in this regard in August 2020 are as follows.

Lockdown extended till September 30 with additional relaxations

Roshni Sinha (roshni@prsindia.org)

To contain the spread of COVID-19, the National Disaster Management Authority (NDMA) had imposed a 21-day national lockdown in March.[2] Since then, the lockdown has been extended seven times, with the latest extension till September 30, 2020.[3] The revised lockdown guidelines allow district authorities to demarcate certain areas as containment zones based on guidelines issued by the Ministry of Health and Family Welfare (MoHFW). The lockdown will continue to remain in force in containment zones. In such zones, movement will only be permitted for medical emergencies and supply of essential goods and services.

In areas outside containment zones, only five types of activities will remain prohibited, with some provisions for their phased resumption:

- First, educational institutions and coaching institutions will remain closed till September 30, 2020. However, based on SOPs issued by MoHFW, from September 21: (i) states may permit up to 50% of teaching and non-teaching staff to be called to schools outside containment zones for online teaching or tele-counselling related work, (ii) students of classes 9 to 12 may be permitted to visit schools outside containment zones voluntarily to seek guidance from teachers, with written consent of parents, and (iii) skill or entrepreneurship training will be permitted in various training institutes, such as the National Skill Training Institutes. Higher education institutes may be accessed by research scholars (PhD) and postgraduate students of technical and professional programmes requiring laboratory or experimental works, based on assessment by the Department of Higher Education in consultation with MHA.
- Second, metro rail will be allowed to operate from September 7, 2020 in a graded manner based on SOPs issued by the Ministry of Housing and Urban Affairs.
- Third, social, academic, political and other such large-scale congregations of up to 100 persons will be permitted from September 21, 2020 with mandatory social distancing norms. In the interim, for marriages and funerals, the existing limits of 50 and 20 guests, respectively, will continue to apply.
- Fourth, cinema halls, swimming pools, entertainment parks theatres and similar places will continue to remain closed. However, open-air theatres may open from September 21, 2020.
- Fifth, international travel will be prohibited, except as permitted by MHA. Travel by trains, domestic air travel, and international movement of persons to and from India will continue to be regulated by SOPs issued in this regard.

States are not permitted to impose local lockdown outside the containment zones without prior consultation with the central government.[3] Further, 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).

The guidelines continue to mandate directives for COVID-19 management in workplaces and public spaces. These measures include: (i) compulsory wearing of face cover in public spaces and workplaces, and (ii) staggering of work hours in all workplaces.

RBI announced additional measures for liquidity support

Madhunika Iyer (madhunika@prsindia.org)

The Reserve Bank of India (RBI) announced policies to enhance liquidity support for financial markets and individuals to ease financial stress caused by COVID-19.[4] The measures announced include:

- Additional liquidity facility of Rs 65,000 crore for financial institutions like National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI), National Housing Bank (NHB), and EXIM Bank.

- Additional special liquidity facility of Rs 5,000 crore for NABARD to refinance Microfinance Institutions and other small NBFCs. The liquidity facility is available for a period of one year at RBI's repo rate.
- Limit for the amount of loan that can be provided against gold jewellery has been increased from 75% to 90%. This relaxation will be available till March 31, 2021.

Resolution framework for COVID-19 related stress

Madhunika Iyer (madhunika@prsindia.org)

RBI released a resolution framework for borrowers facing COVID-19 related stress.[5] In June 2019, RBI had released a special window for resolution of borrower defaults within the Prudential Framework for Resolution of Stressed Assets.[6] A resolution plan implemented by lenders under the 2019 Framework involve an asset classification downgrade (unless there is a change in ownership of the borrower).

Noting that the financial stress caused by COVID-19 could impact long-term viability of firms, RBI has formulated a special resolution framework. Key features include:

- **Eligibility:** Borrower accounts that were classified as standard accounts (which are not non-performing assets, or loans and advances where repayment has not been made for over 90 days) will be eligible for resolution under the special framework. These accounts must not be in default for more than 30 days as on March 1, 2020 and must continue to remain standard till the date of invocation of the resolution plan. Loans to MSMEs (of less than Rs 25 crore), institutions lending for agricultural and rural development, financial service providers and central and state governments are not eligible for resolution under this framework.
- **Resolution for personal loans:** A resolution plan may include rescheduling payments, sanction of additional credit (for accrued interest), and granting of moratorium on payment. A moratorium legally authorises postponement of payment on the specified transaction. The payment moratorium may apply for a maximum of two years. Resolution must be invoked before December 31, 2020 and implemented within 90 days. If a resolution plan is implemented under this framework, asset classification of standard accounts will be retained. Default after implementation of the plan will trigger an asset classification downgrade.
- **Resolution for other exposures:** A resolution plan may include sanction of additional credit without renegotiating existing debt. It may also extend the residual term of the loan, with or without payment moratorium, by a period not more than two years. Resolution must be invoked before December 31, 2020 and implemented within 180 days. If a resolution plan is implemented under this framework, asset classification of standard accounts will be retained. Default after implementation of a resolution plan will trigger a 30-day review period without a change in asset classification. If the borrower remains in default with any of the lenders at the end of the review period, asset classification will be downgraded.
- **Constitution of Expert Committee:** RBI constituted an Expert Committee in reference to the resolution framework with Mr. K.V. Kamath as the Chairman.[7] The Committee will recommend financial parameters to be used to formulate resolution plans for non-personal loans and evaluate resolution plans with exposure of Rs 1,500 crore and more.

Guidelines for Credit Guarantee scheme for subordinate debt for MSMEs released

Anurag Vaishnav (anurag@prsindia.org)

The Ministry of Micro, Small and Medium Enterprises (MSME) has released the guidelines for credit guarantee scheme for subordinate debt to stressed MSMEs.[8] The Scheme was announced in May 2020 as a part of the announcements under the Aatma Nirbhar Bharat Abhiyaan and was launched in June 2020.[9,10] It aims to provide personal loans to the promoters of stressed MSMEs. The credit will be used to infuse equity in the MSME entity for the purpose of restructuring. The guidelines provide:

- **Guarantee cover:** The promoter of the MSME unit will be given credit (personal loan) equal to 15% of their stake (equity and debt) or Rs 75 lakh, whichever is lower. 90% of the guarantee coverage will come from the scheme and the remaining 10% from the concerned promoter. They should infuse this amount in the MSME entity as equity. The guarantee cover will be over and above any existing sanctioned loans.
- **Eligible borrowers:** Eligible borrowers under the scheme will be MSMEs (promoters of such MSMEs) which are stressed (where the amount is overdue for more than 60 days) as on April 30, 2020, and can become commercially viable as per the assessment of the lending institutions

(scheduled commercial banks). Fraud accounts and wilful defaulters will not be considered for the scheme.

- **Duration of the scheme:** The scheme will be applicable for a maximum period of 10 years from: the guarantee availing date, or from March 31, 2021 (whichever is earlier), or till the amount of Rs 20,000 crore of guarantee amount is approved.
- **Tenor of credit:** The maximum tenor for repayment will be 10 years. There will be a moratorium of 7 years (maximum) on the payment of principal (till the 7th year, only interest will be paid). As specified by the RBI in an earlier guideline, the interest rate on loans to MSMEs will be benchmarked to an external benchmark date.[11,12]

The scheme will be operationalised through Credit Guarantee Fund Trust for Micro and Small Enterprises. The Ministry of MSME will provide an initial corpus of Rs 4,000 crore to the Fund for operationalisation of the scheme.

Export policy for PPE, masks, and ventilators revised

Madhunika Iyer (madhunika@prsindia.org)

The Ministry of Commerce and Industry revised the export policy for Personal Protection Equipment (PPE), masks and ventilators.[13,14] In January, the export of PPE including medical coveralls and masks was prohibited.[15] These restrictions on PPE and masks were partly eased, most recently in July.[16,17,18] In March, the export of ventilators and was breathing devices was prohibited and restricted.[19]

As per the latest notifications, PPE medical coveralls, all masks other than N95 masks and ventilators can be freely exported.

SOPs issued for international travel under certain schemes

Roshni Sinha (roshni@prsindia.org)

In view of COVID-19, the Ministry of Home Affairs (MHA) has suspended international air travel.[20] However, certain exceptions have been made for bringing back Indian nationals stranded abroad under the Vande Bharat Mission.[21] Further, the Ministry of Civil Aviation has entered into "Air Transport Bubbles" arrangements with some countries (such as, USA and France) to allow limited commercial passenger services to operate on reciprocal basis.[22] The Ministry has now issued Standard Operating Protocols (SOPs) for international travel on non-scheduled commercial flights under these arrangements.[23]

As per the SOPs, for in-bound flights: (i) MHA will decide the category of eligible persons, with priority given to compelling cases such as migrant workers who have been laid off and persons with medical emergencies, (ii) travel will be arranged through non-scheduled commercial flights based on SOPs issued by the Ministry of Civil Aviation and through ships based on SOPs issued by the Department of Military Affairs or Ministry of Shipping, and (iii) persons wishing to travel under the Vande Bharat Mission must register themselves with Indian missions in the country where they are stranded.

For out-bound flights: (i) MHA will decide the category of eligible persons, (ii) the Ministry of Civil Aviation will list the category of persons eligible for travel on its website, (iii) travel will be arranged on non-scheduled commercial flights as allowed by the Ministry of Civil Aviation, and (iv) Indian seafarers/crew wishing to serve on vessels abroad can travel on non-scheduled commercial flights allowed by the Ministry of Civil Aviation or travel on employer-arranged flights approved by the Ministry of Shipping.

Under these arrangements, passengers will be expected to bear the cost of travel.

Guidelines for international arrivals released by Ministry of Health and Family Welfare

Aditya Kumar (aditya@prsindia.org)

The Ministry of Health and Family Welfare issued updated guidelines for international arrivals which came into force from August 8, 2020.[24] The initial guidelines were issued in May 2020.[25] Key features of the revised guidelines include:

- **Planning travel:** All travellers are required to submit an online self-declaration form at least 72 hours prior to the scheduled travel. They must give an online undertaking agreeing to a 14 days mandatory quarantine (includes seven days of institutional quarantine and seven days of home quarantine). They can be exempted from institutional quarantine for compelling reasons of human distress (such as pregnancy, death in family and parents with children below 10 years of age). The exemptions can be obtained (i) online by applying at least 72 hours before boarding, or (ii) on arrival by submitting (to be also uploaded online for consideration) a negative real-time polymerase chain reaction

(RT-PCR) report for test conducted within 96 hours prior to start of the journey.

- **Boarding and travelling:** Only asymptomatic travellers will be allowed to board a flight or ship after thermal screening. Same protocols will apply to travellers arriving through land borders.
- **Arrival:** All travellers will go through thermal screening at the point of arrival. Any symptomatic person will be immediately isolated and taken to a health care facility as per the relevant protocols. After thermal screening, the passengers (except those with approved exemptions) will be sent to institutional quarantine facilities for minimum seven days.

Guidelines for transit of international arriving persons using domestic flights

Aditya Kumar (aditya@prsindia.org)

The Ministry of Civil Aviation issued guidelines for allowing international arrivals to travel further through domestic flights.[26] Passengers will be allowed to travel further through domestic connecting flights if they: (i) submit a self-declaration form to airport health officer, (ii) complete mandatory thermal screening, and (iii) are exempted from institutional quarantine in the state of the first airport of landing. The exemption can be obtained on arrival, from state authorities, by submitting a negative RT-PCR test report. The test should have been conducted within 96 hours prior to start of the journey. The guidelines will be implemented on a pilot basis and is subjected to review in future.

Guidelines for meal services and in-flight entertainment in domestic flights released

Aditya Kumar (aditya@prsindia.org)

The Ministry of Civil Aviation amended the guidelines for domestic air travel.[27] The amendments allow airlines to resume meal services to passengers on board. The meals (including beverages) will be pre-packed in disposable units. In all classes, the airlines will have to use disposable trays and crockeries. In case of rotables, they should be thoroughly cleaned and disinfected before re-use. Rotables refer to items used in flights to serve passengers (such as serving trays). The crew is required to dispose all used disposables and rotables at the end of meal service. The crew is also required to use a fresh set of gloves for each meal service.

Currently, no passengers (except those with health conditions) are allowed to consume eatables in the flight. However, water is made available to passengers on their seat in the flight.

The amendments also allow the use of in-flight entertainment with certain conditions. These conditions are:

- There should be a dedicated in-flight entertainment unit for each seat. In-flight entertainment refers to entertainment services offered to passengers during a flight. These services include movies, songs and news. All such units must be disinfected prior to boarding.
- Passengers should be provided with disposable earphones, or cleaned and disinfected earphones.
- All passenger touchpoints must be cleaned and disinfected after the flight.

SC upholds UGC guideline that make final examinations mandatory

Anurag Vaishnav (anurag@prsindia.org)

The Supreme Court has upheld the validity of the University Grants Commission (UGC) guideline stating that universities are required to complete the final semester/year examination for students by the end of September, 2020.[28] However, the Court held that if the State Disaster Management Authority (SDMA) decides to postpone the examination in view of the prevailing situation due to COVID-19, the decision of SDMA will prevail over the guideline by UGC.

The UGC guideline on conduct of examinations (released in July 2020) specified that universities are required to complete the examinations by the end of September 2020.[29] They may conduct examinations in offline, online, or a blended (online +offline) mode. It held that students in final year or final semester should compulsorily be evaluated by conducting examinations keeping in mind the protocols of social distancing. For intermediate semester/year students, the universities may conduct examinations, after making an assessment of their level of preparedness, residential status, spread of the pandemic, and other factors. If the situation does not appear to be normal in view of COVID-19, grading of intermediate semester students may be done on the basis of internal evaluation and marks of previous semester.

The Court ruled that the states cannot ignore the UGC guideline as advisory or non-statutory. The state or the university cannot promote the students in final year/semester without holding the examinations. However, the Court noted that the SDMA and state governments can take measures for prevention and mitigation of a disaster for saving human life. Therefore, the direction of UGC to complete the examinations by September 30, 2020 will be overridden by any contrary decision (for postponing of the examination) taken by the state government. The Court held that any state which decides that it is not possible to conduct the examinations by September 30, 2020 may approach the UGC to request for an extension of this deadline.

MCA amended CSR rules to permit expenditure on medical research

Madhunika Iyer (madhunika@prsindia.org)

The Ministry of Corporate Affairs released the Companies (Corporate Social Responsibility Policy) Rules, 2020, amending the Companies (Corporate Social Responsibility Policy) Rules, 2014.[30] As per the 2014 Rules, Corporate Social Responsibility (CSR) Policy refers to programs undertaken by companies related to a specified list of activities, outside the normal course of business.[31] Some activities which may be included under CSR are: (i) promotion of education, (ii) promotion of gender equality, and (iii) combating HIV, AIDS and other diseases.[32]

The list of eligible CSR policies has been amended twice since March 2020. The list includes: (i) contribution to Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) and (ii) contribution to incubators or research projects in the field of science, technology, and medicine (funded by the central government, state government, any of their agencies, and public funded Universities).[33,34]

The 2020 Rules amend the coverage of CSR Policy to include: (i) research and development of new vaccine, drugs, and medical devices undertaken in the normal course of business and (ii) research and development activity related to COVID-19 for three financial years from 2020-21 to 2022-23. Such research activity must be carried out in collaboration with central or state government or specified public institutes.

Validity of Motor Vehicle documents extended till December 2020

Prachee Mishra (prachee@prsindia.org)

The Ministry of Road Transport and Highways extended the validity of various documents under the Motor Vehicles Act, 1988 and the Central Motor Vehicle Rules, 1989.[35] Documents whose validity expired since February 1, 2020 or would expire by December 31, 2020, and whose validity could not be granted due to lock-down, may be treated to be valid till December 31, 2020. These include various permits, licenses, registration, fitness and other documents. Earlier, validity of these documents had been extended till September 30, 2020.

Ministry of Shipping reduces port tariff rates for cruise ships

Prachee Mishra (prachee@prsindia.org)

The Ministry of Shipping has rationalised tariff rates for cruise vessels.[36] The Ministry anticipates that this would result in a reduction in port charges ranging from 60% to 70%. These changes seek to provide support to the cruise shipping business, which has been very adversely affected due to the Covid-19 pandemic. The rationalised tariff will be effective for a period of one year starting August 2020. The rationalised tariffs are as follows:

- The port charges for a Cruise Ship has been decreased from \$0.35 per Gross Registered Tonnage (GRT) to \$0.085 per GRT for the first 12 hours stay (fixed rate) and \$5 per passenger (head tax). Ports will not charge any other rate such as berth hire, port dues, pilotage, and passenger fee, among others.
- For the period exceeding 12 hours stay, the fixed charges on cruise ships will be equal to the Berth Hire Charges payable as per the Schedule of Rates (with 40% discount as applicable for cruise ships).
- In addition, cruise ships making: (i) 1-50 calls (per year) will get 10% rebate, (ii) 51-100 calls will get 20% rebate, and (iii) above 100 calls will get 30% rebate.

Aarogya Setu introduces open API service to enable organisations to check user status

Saket Surya (saket@prsindia.org)

Open API service has been introduced under the Aarogya Setu app to enable organisations to check the status of the app's users and integrate it into its various work from home features.[37] Aarogya Setu is a mobile app-based technology launched by the central government which uses contract tracing to determine the risk of COVID-19 infection for an individual. Open API service is a publicly available application programming interface which provides programmatic access to a software. This enables two softwares to interact with each other.

The open API service can be availed by organisations and business entities with more than 50 employees. They can use the service to query the Aarogya Setu application in real-time and get the health status of their employees or any other Aarogya Setu user who have provided their consent for sharing their health status with the organisation. Only name of the individual and Aarogya Setu status will be shared with the entities using open API service.

SOP on preventive measures for media production to contain spread of COVID-19 released

Anurag Vaishnav (anurag@prsindia.org)

The Ministry of Information and Broadcasting released the guiding principles and standard operating procedure (SOP) on preventive measures for media production to contain spread of COVID-19.[38] States/UTs may propose additional measures based on their assessment. The SOP states the following:

- Measures should be taken to minimise the production crew. Physical distancing of six feet to be followed as far as feasible, including at shoot locations, sound recording studios. Visitors will not be allowed on sets. There will be designated entry and exit points for all shoot locations.
- A designated COVID coordinator should be nominated amongst the crew, who will: (i) keep a record of the zone (red/orange/green) where the workplace exists, (ii) ensure everyone has installed Aarogya Setu app on their phones, (iii) keep a record of medical history, travel history and health of the cast and crew members, (iv) earmark quarantine area for isolating members who show symptoms of COVID-19, and (v) monitor sanitation protocols.
- Face cover or mask will be mandatory for cast and crew, except for actors in front of the camera. Collar mikes should not be shared. No media production activity will be allowed in the containment zones.

Cabinet relaxes the limit on working capital loans to discoms

Aditya Kumar (aditya@prsindia.org)

The Cabinet Committee on Economic Affairs approved a one-time relaxation in the limit on working capital loans extended to state-owned distribution companies by the Power Finance Corporation and the Rural Electrification Corporation.[39] One-time relaxation refers to the relaxation on the limit which was imposed by UDAY scheme i.e. 25% of last year revenue. The Ujwal Discom Assurance Yojana (UDAY) limits the working capital loans to 25% of a discom's last year revenue. This is expected to facilitate liquidity in the power sector which is facing financial crisis due to COVID-19.

Scheduled commissioning date of Renewable Energy projects extended

Aditya Kumar (aditya@prsindia.org)

The Ministry of New and Renewable Energy has given an extension of five months (from March 25 to August 24) in the scheduled commissioning dates of Renewable Energy (RE) Projects. It applies to projects which are being implemented through agencies designated by the Ministry or under various schemes of the Ministry. The projects must have been under implementation as on March 25, 2020. The extension is being provided to account for the disruption in supply chain caused by COVID-19.

The benefitting developers will not be required to produce any evidence to invoke this time extension. They may also pass on the benefit of time extension to other stakeholders in the value chain including material and equipment suppliers. The Ministry has considered COVID-19 as a force majeure event. Force majeure refers to unforeseen situations which prevents fulfilment of a contract. However, consideration of COVID-19 as force majeure by state RE departments will be at their discretion.

Upper limit for late payment surcharge to be charged by gencos and transcos suggested

Aditya Kumar (aditya@prsindia.org)

The Ministry of Power advised power generation companies (gencos) and transmission companies (transcos) to cap the late payment surcharge charged to distribution companies at a simple interest rate 12% per annum.[40] This advised limit is applicable for: (i) delayed payments by distribution companies to gencos and transcos for electricity purchased till June 30, 2020, and (ii) all payment made under the liquidity infusion scheme of the Power Finance Corporation (PFC) and the Rural Electrification Corporation (REC) under the Aatma Nirbhar Bharat Abhiyaan. Under this scheme, a liquidity infusion of Rs 90,000 crore for discoms, in the form of loans from PFC and REC, has been announced.[41] The Ministry noted that while interest rates have softened in the country over the last few years, the applicable rate of late payment surcharge have remained high (up to 18% per annum).

For the PRS summary on the Aatma Nirbhar Bharat Abhiyaan, please see here.

Macroeconomic Development

Madhunika Iyer (madhunika@prsindia.org)

GDP contracted by 23.9% in the first quarter of 2020-21

Gross Domestic Product (GDP) (at constant 2011-12 prices) contracted by 23.9% in the first quarter (April-June) of 2020-21 over the corresponding period in 2019-20.[42] In comparison, GDP growth was 3.1% in the fourth quarter of 2019-20.

The main components of GDP are private consumption (spending by households on goods and services), government consumption (spending by government on goods and services), fixed capital formation (spending on investment such as construction, machinery), and net exports (exports minus imports). While government consumption increased by 16%, private consumption and fixed capital formation contracted by 27%, and 40% respectively. While exports were lower by 20%, imports fell 40%, resulting in an increase in net exports.

GDP across economic sectors is measured in terms of Gross Value Added (GVA). Growth in all sectors except agriculture was negative in the first quarter of 2020-21 over the corresponding quarter of 2019-20. [42] Growth in construction and trade, hotel & transportation sectors declined the most by 50% and 47% respectively.[42] Table 1 provides details on sectoral growth in GVA.

Table 1: Growth in Gross Value Added across sectors in Q1 of 2020-21 (%, year-on-year)

Sector	Q1 2019-20	Q4 2019-20	Q1 2020-21
Agriculture	3.0%	5.9%	3.4%
Mining	4.7%	5.2%	-23.3%
Manufacturing	3.0%	-1.4%	-39.3%
Electricity	8.8%	4.5%	-7.0%
Construction	5.2%	-2.2%	-50.3%
Trade	3.5%	2.6%	-47.0%
Financial services	6.0%	2.4%	-5.3%
Public services	7.7%	10.1%	-10.3%
GVA	4.8%	3.0%	-22.8%
GDP	**5.2%**	**3.1%**	**-23.9%**

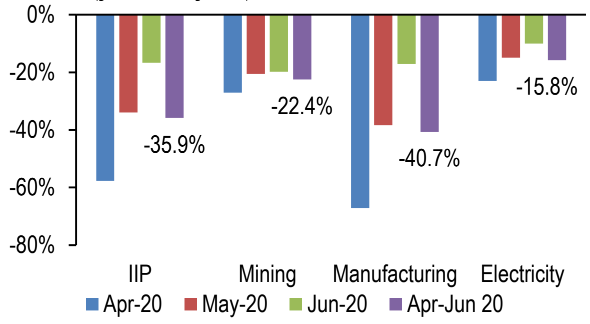
Note: GVA is GDP without taxes and subsidies, at constant prices (2011-12 base year).
Sources: Ministry of Statistics and Programme Implementation; PRS.

The Ministry of Statistics and Programme Implementation is responsible for the collection and publication of statistical data. The Ministry noted that data collection was affected due to COVID-19 and the lockdown imposed by the government. It further added that the estimates published for the first quarter of 2020-21 are based on alternative data sources and are likely to undergo revision.[42]

Industrial production fell by 36% in the first quarter of 2020-21

The Index of Industrial Production (IIP) contracted by 36% in the first quarter (Apr-Jun) of 2020-21, compared to the same period in 2019-20.[43] Mining, manufacturing and electricity production growth was negative in each of April, May, and June 2020. IIP declined in the previous quarter (fourth quarter of 2019-20) with -3.8% growth. Figure 1 shows the change in industrial production during the first quarter of 2020-21.

Figure 1: Negative growth in IIP in Q1 of 2020-21 (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 second bi-monthly Monetary Policy Statement of 2020-21.[44] The policy repo rate (the rate at which RBI lends money to banks) remained unchanged at 4%. Other decisions of 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 maintain an accommodative stance of monetary policy to mitigate the impact of COVID-19 on economic growth.

Finance

Centre proposes two borrowing options to states to meet GST compensation gap

Suyash Tiwari (suyash@prsindia.org)

The central government presented its projections for GST compensation for 2020-21 to the GST Council and proposed two options to states to meet the shortfall in compensation cess collections.[45] Under the GST (Compensation to States) Act, 2017, the central government is required to pay compensation to states if their GST revenue grows slower than 14% in any year during the period July 2017-June 2022. Under the Act, the central government can meet the compensation requirement of states using the collections of the GST compensation cess. The cess is levied on certain luxury and sin goods, such as cigarettes and tobacco products, pan masala, caffeinated beverages, coal, and certain passenger vehicles, in addition to the 28% GST.

Projections for 2020-21: The compensation requirement of states for 2020-21 is projected to be close to Rs 3 lakh crore, while the collections from cess are projected at Rs 68,704 crore.[45] This will result in a shortfall of nearly Rs 2.3 lakh crore. The central government attributed Rs 97,000 crore shortfall to the implementation of GST, and the remaining shortfall was attributed to the COVID-19 pandemic.

Borrowing options: The central government has proposed two options to states to meet the Rs 2.3 lakh crore shortfall: (i) borrow in 2020-21 only to meet the shortfall related to GST implementation (Rs 97,000 crore), with the rest payable after 2022 from surplus cess collections, or (ii) borrow in 2020-21 to meet the entire shortfall. States will be able to individually exercise their options. Key features of the two borrowing options include:

- **Repayment:** Under both the options, the borrowings done by states will be repaid from future cess collections. In Option 1 (partial borrowing), the interest payable on the borrowings will also be paid from future cess collections. However, in Option 2 (full borrowing), states need to pay the interest at market rates using their own resources.
- **Fiscal deficit limit:** Every year, the central government approves the fiscal deficit limit for states, up to which they can borrow during that year. For 2020-21, the central government has approved a revised fiscal deficit limit of 5% of GSDP, of which 1% of GSDP is contingent on implementation of certain reforms by states.[45] Any borrowing done by states under Option 1 will be over and above the 5% of GSDP allowed to them i.e. it will not be counted within the limit of 5% of GSDP. In contrast, borrowings done by states under Option 2 will not be exempted from the fiscal deficit limit of 5% of GSDP. They will form a part of the unconditional fiscal deficit allowed to states. However, any borrowing done by the state in excess of 1% of GSDP will be exempted.

RBI released the National Strategy for Financial Education for 2020-25

Madhunika Iyer (madhunika@prsindia.org)

The National Centre for Financial Education released second National Strategy for Financial Education (NSFE) for the period 2020-25 in consultation with Reserve Bank of India, Securities Exchange Board of India, Insurance Regulatory and Development Authority of India, and Pension Fund Regulatory and Development Authority.[46] Key aspects of the NSFE include:

- **Objectives:** (i) Inculcating financial literacy through financial education to make it a life skill, (ii) encouraging active savings behaviour, (iii) encouraging participation in financial markets to meet financial goals, and (iv) developing credit discipline and encourage availing credit from formal financial institutions.
- **Policy design:** The components of financial education include: (i) basic concepts such as importance of savings, interest rate, inflation, need for insurance, (ii) sector-specific knowledge on the kinds of financial services available, including information on the safe use of digital financial services, and (iii) process education to ensure knowledge translates to behaviour (covering topics such as use of ATM card, purchasing insurance cover, and filling a loan application).
- **Action Plan:** NSFE seeks to achieve its objectives through a focus on (i) developing financial literacy content for schools, colleges, training establishments, (ii) developing capacity of financial service providers, (iii) adopting a community-led approach to disseminating financial literacy, (iv) using technology and mass media communication to disseminate financial education messages, and (v) collaboration among stakeholders to create a digital repository of all financial literacy programmes and integrate financial literacy in training programmes.

- The Action Plan outlines the timelines for achieving each of the five objectives. For example, the plan aims to update school curriculum for financial education for classes VI to X by March 2021.
- **Monitoring and evaluation:** Oversight for NSFE is vested with the Financial Stability and Development Council (chaired by the Union Finance Minister). A Technical Group on Financial Inclusion and Financial Literacy (TGFIFL) (chaired by the Deputy Governor, RBI) will monitor implementation of NSFE.
- A mid-term evaluation will be undertaken at the end of three years of implementation of NSFE in 2022-23. A National Survey will be conducted at the end of the NSFE implementation period in 2025.

SEBI notifies procedural guidelines for proxy advisors

Madhunika Iyer (madhunika@prsindia.org)

In 2014, the Securities and Exchange Board of India (SEBI) had notified regulations to govern the conduct of proxy advisors.[47] A proxy advisor is any person who advises institutional investors or shareholders of a company on exercise of their voting rights in the company.[47] SEBI has notified procedural guidelines for these proxy advisors.[48] These measures are expected to ensure independence of proxy advisors and were among the recommendations of a report from the Working Group on Issues Concerning Proxy Advisors constituted by SEBI in 2018.[49]

The procedural guidelines include:

- **Voting recommendation policies:** Proxy advisors shall formulate and disclose voting recommendation policies to their clients. These policies must be reviewed annually.
- **Disclose methodology:** Advisors shall disclose methodologies and processes followed in the development of their research and recommendations to their clients.
- **Sharing of reports:** Advisors shall share their recommendation with their clients and the company reviewed at the same time. The comments of the company, if any, must be included as an addendum to advisors' recommendation report. If the company has a different viewpoint on any recommendation, the advisors may also revise their recommendation suitably.
- **Conflict of interest:** Advisors shall disclose conflict of interest on every document on which they give advice. The disclosure must also include potential areas of conflict and safeguards used to mitigate conflicts. Proxy advisors shall establish clear procedures to disclose, manage and mitigate conflicts of interest resulting from other business activities including consulting services.

These guidelines will be applicable from January 1, 2021.[50]

RBI releases a framework for establishment of umbrella entities focussed on retail payments

Madhunika Iyer (madhunika@prsindia.org)

RBI notified a framework for the establishment of pan-India umbrella entities focussed on retail payment systems.[51] Currently, RBI operates an umbrella organisation for retail payments and settlement system incorporated as a not-for-profit organisation called National Payments Corporation of India.

Key features of the framework include:

- **Establishment:** The entity must be incorporated under the Companies Act, 2013 and may be a for-profit company. It will be regulated and supervised by RBI under the Payment and Settlement Systems Act, 2007.
- **Activities:** The scope of activities of the entity include: (i) establishing, managing and operating new payment systems in the retail space including ATMs, Aadhaar-based payment and remittance services, and newer payment methods, and (ii) performing clearing and settlement functions for participating banks and non-banks.
- **Eligibility for promoters:** Any entity holding more than 25% of the paid-up capital of the umbrella entity shall be deemed to be a promoter. The promoter must be a resident Indian citizen (as per the Foreign Exchange Management Act, 1999 (FEMA)) with at least three years' experience in the payments ecosystem. The promoter shall also conform to 'fit and proper' criteria specified by RBI.
- **Foreign investment:** Foreign direct investment and foreign portfolio investment will be permitted as governed by rules under the FEMA.
- **Capital:** The entity must have a minimum paid-up capital of Rs 500 crore. No single Promoter can hold more than 40% investment in the capital of the Entity. The promoter shareholding can be diluted to a minimum of 25% after five years of commencement of business of the entity.

- **Processing of applications:** An External Advisory Committee will scrutinise applications for the umbrella entity and submit recommendations to RBI's Board for Regulation and Supervision of Payment and Settlement Systems (BPSS). BPSS will be the final authority adjudicating application.

Draft framework for recognition of a Self-Regulatory Organisation for Payment System Operators released by RBI

Madhunika Iyer (madhunika@prsindia.org)

RBI released a draft framework for recognition of a Self-Regulatory Organisation for Payment System Operators for public comments.[52] A payment system enables payment to be affected between a payer and a beneficiary, involving clearing, payment or settlement service.[53] RBI regulates payment and settlement systems. The draft framework noted that as the number of payment systems grow, it is necessary for the industry to develop standards for security, pricing, consumer protection and grievance redressal, to optimally use RBI's regulatory resources.[54] The Self-Regulatory Organisation would be a non-governmental organisation that sets and enforces rules and standards for such Payment System Operators.

The draft framework outlines:

- **Eligibility conditions:** The Self-Regulatory Organisation will be set up under the Companies Act, 2013 as a not-for-profit company. It must have majority of members from the industry. RBI will grant a letter of recognition to eligible organisations. It will also reserve the right to clear the appointment of important positions in the governing body of the organisation.
- **Management:** The Management and Board of Directors of the Self-Regulatory Organisation must satisfy the 'fit and proper' criteria specified by RBI. The organisation will frame a code of conduct for its members and have surveillance capacity to ensure compliance of members with this code.
- **Functions and obligations:** The Self-Regulatory Organisation will establish minimum standards and provide training to its members. It will also establish a uniform grievance redressal and dispute management framework for all its members. It must maintain communication with RBI, promptly reporting any violations and abiding by directions issued by it.

Comments on the draft framework are invited till September 15, 2020.

RBI introduces online dispute resolution system for digital payments

Madhunika Iyer (madhunika@prsindia.org)

RBI introduced an online dispute resolution system for resolving customer disputes pertaining to digital payments.[55] Authorised bank and non-bank payment system operators (PSOs) shall put in place systems for online dispute resolution which are technology-driven, rule-based, user-friendly, and transparent. A payment system enables payment to be effected between a payer and a beneficiary, involving clearing, payment or settlement service.[53] RBI issued minimum requirements of the online dispute resolution system. These include:

- **Applicability:** The requirements apply to all authorised PSOs and participating members.
- **Structure:** Each PSO shall institute a system for resolving disputes and grievances arising out of failed transactions. Customers must be provided access for lodging grievances irrespective of such transactions being on-us or off-us. On-us transactions affect accounts within a single bank only or non-bank entity and do not require settlements across entities.
- **Types of transactions:** Initially the scope of the online dispute resolution system will be limited to grievances related to failed transactions. The system for failed transactions must be implemented by January 1, 2021. The system would later be extended to cover grievances other than those related to failed transactions.
- **Lodging and tracking of grievances:** Customers must be provided with at least one channel (such as web-based, paper-based complaint form, mobile app, call centre, or SMS) for lodging disputes and grievances. The resolution system must provide a facility for tracking the status of complaints using a unique reference number.

RBI launched a pilot scheme for offline retail payments

Madhunika Iyer (madhunika@prsindia.org)

RBI launched a pilot scheme to allow small value payments in offline mode.[56] It was noted that lack of internet connectivity, especially in remote areas, is an obstacle to adoption of digital payments. This problem could be partially addressed by making payment options available in offline mode. Under the scheme, authorised bank and non-bank payment system operators will be able to provide offline payment solutions using cards, wallets or mobile devices. Certain conditions on payment solution offered include: (i) maximum limit of a single transaction of Rs 200, (ii) total limit for offline transactions on a single instrument of Rs 2,000, (iii) provision of real-time alerts by payment system operators, and (iv) option to provide transactions in offline mode with additional factor authentication at the choice of the user.

Before introducing operations under the scheme, payment system operators shall notify RBI of the solutions they would offer. However, payment system operators may launch operations without approval from RBI. The pilot scheme will be conducted till March 31, 2021.

Health

Anya Bharat Ram (anya@prsindia.org)

Draft Health Data Management Policy released for public feedback

The Ministry of Health and Family Welfare has released the draft Health Data Management Policy for public feedback.[57] This policy sets out the manner in which data privacy will be maintained once the National Digital Health Mission (NDHM) is implemented. The NDHM aims to digitize health records and maintain registries for healthcare professionals and health facilities. Key aspects of the Health Data Management Policy include:

- **Applicability:** The Policy will be applicable to all entities involved in the NDHM such as: (i) healthcare professionals, (ii) health information providers, (iii) payers (central or state government, and insurers, among others), (iv) pharmaceutical manufacturers, and (v) research bodies.
- **Objectives:** The Policy will set out a framework for the secure processing of personal data of individuals who are part of the National Digital Health Ecosystem (NDHE). Further, it aims to create a system of digital personal and medical health records which is easily accessible to individuals and health service providers. Other objectives include: (i) increasing awareness on the importance of data privacy, and (ii) ensuring national portability in provision of health services.
- **Consent and rights of data principals:** Data principals should be given complete control and decision-making power over the manner in which their personal data is collected and processed. Consent of the data principal will be considered valid if it is: (i) given freely, (ii) informed, (iii) specific, (iv) clearly given, and (v) capable of being withdrawn. Further data principals have the right to: (i) confirmation of processing and access to information on data fiduciaries, (ii) correction and erasure of their data, (iii) restrict or object to disclosure, and (iv) request a copy of the data or transfer data to another fiduciary.
- **Health ID:** A data principal may request for the creation of a health ID at no cost. The ID will enable them to participate in the NDHE. The personal data of the data principal will be linked to his/her health ID.

Public feedback on the draft Policy is invited until September 10, 2020.

[*]~~Trade and Commerce~~

~~Saket Surya (saket@prsindia.org)~~

~~Empowered Group of Secretaries to be constituted for attracting investment~~

~~The Union Cabinet approved setting up of an Empowered Group of Secretaries and Project Development Cells in all Ministries/ Departments for attracting investment in the country.[58] This is expected to enhance coordination between various ministries and among the central and state government regarding investment-related policies. This is also aimed at attracting FDI inflows especially from large companies which are trying to diversify their investments into new geographies for mitigating the risks exposed by the COVID-19 pandemic.~~

~~The Empowered Group will be chaired by the Cabinet Secretary. Other members of the Group include the Chief Executive Officer of NITI Aayog and the Secretaries of the following departments: (i) Promotion of Industry and Internal Trade, (ii) Commerce, (iii) Revenue, and (iv) Economic Affairs. The Empowered Group will be responsible for: (i) ensuring policy stability and consistency in the overall investment environment, (ii) facilitating investment by top investors in a targeted manner, (iii) evaluating investment proposals put forward by the departments, and (iv) ensuring timely clearances from various departments.~~

[*] Update was inadvertently added from Monthly Policy Review, June 2020 and deleted on September 2, 2020.

~~The Project Development Cell under each Department/Ministry will be responsible for development of investible projects and ensuring coordination between the central government and state governments. The functions of the Project Development Cell include: (i) creating projects with all approvals and ensuring the availability of land for allocation, and (ii) identifying roadblocks in attracting investments and putting forth these issues before the Empowered Group.~~

Corporate Affairs

Madhunika Iyer (madhunika@prsindia.org)

Committee Report on Business Responsibility Reporting format released

The Ministry of Corporate Affairs released the Report of the Committee on Business Responsibility Reporting.[59] The Committee was constituted in November 2018 to finalise a format for Business Responsibility Reporting (BRR) for listed and unlisted companies under the National Guidelines on Responsible Business Conduct (NGRBC).[60] The Guidelines are articulated as a set of nine principles which provide guidance on various aspects of responsible business conduct. These include ethical governance, protection of environment and promotion of inclusive growth.[61]

In 2012, the Securities Exchange Board of India (SEBI) introduced SEBI-BRR, the first regulatory mandate for sustainability reporting by businesses, for the top 100 (later expanded to 1,000) listed companies. The reporting framework proposed by the Committee seeks to modify the SEBI-BRR format to incorporate principles of the NGRBC.

The Committee recommended that the proposed format for disclosures be called the Business Responsibility and Sustainability Reporting (BRSR). The BRSR questionnaire contains three sections: (i) general disclosures (name, sector of operation, profile of employees, CSR activities), (ii) information on company policies related to leadership, governance and stakeholder engagement (in compliance with NGRBC principles), and (iii) principle-wise performance (with actions and outcomes for each NGRBC principle). The Committee recommended that the disclosures be made effective from financial year 2021-22 for the top 1,000 listed companies.

The Ministry may subsequently extend the reporting requirement to unlisted companies above a specified turnover or paid-up capital threshold. For small unlisted companies, BRSR would be applied in a staggered way, beginning with disclosures made on a voluntary basis. The Committee also proposed a version of the BRSR format called BRSR Lite with fewer questions for such companies.

Law and Justice

Madhunika Iyer (madhunika@prsindia.org)

MeitY notified rules for use of Aadhaar authentication under the Aadhaar Act

The Ministry of Electronics and Information Technology (MeitY) notified the Aadhaar Authentication for Good Governance (Social Welfare, Innovation, Knowledge) Rules, 2020. These rules have been notified under the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (Aadhaar Act).[62] The Aadhaar Act allows the central government to frame rules for purposes for which Aadhaar authentication may be sought.[63]

The Rules provide that the central government may allow entities to seek Aadhaar-based authentication for certain purposes in the interest of good governance, preventing leakage of funds, promoting ease of living of residents and enabling better access to services. The authentication may be sought for the following purposes: (i) usage of digital platforms to ensure good governance, (ii) prevention of leakage of social welfare benefits and (iii) enablement of innovation and spread of knowledge.

Authentication for these purposes shall be on a voluntary basis.

Any central ministry or state government wanting to use Aadhaar authentication for the above purposes shall prepare a proposal and submit it to Unique Identification Authority of India for approval.

Social Justice and Empowerment

Anya Bharat Ram (anya@prsindia.org)

National Council for Transgender Persons constituted

The Transgender Persons (Protection of Rights) Act, 2019, requires the central government to constitute a National Council for Transgender Persons. In this context, the Ministry of Social Justice and Empowerment has constituted the

National Council for Transgender Persons.[64] The Council will be chaired by the Minister, Ministry of Social Justice and Empowerment.

Functions of the Council include: (i) advising the central government on formulation of policies, legislation, and projects for transgender persons, (ii) monitoring impact of policies and programmes designed for the benefit of transgender persons, and (iii) redressing grievances of transgender persons.[64]

The Council will have representatives of various Ministries such as Ministry of Social Justice and Empowerment, Ministry of Health and Family Welfare, Ministry of Home Affairs and Ministry of Minority Affairs. Further, the Council will have five representatives from the transgender community, five experts from NGOs working for the welfare of transgender persons, and representatives of the National Human Rights Commission and the National Commission for Women. The state government representatives will include persons from Jammu and Kashmir, Andhra Pradesh, Odisha, Gujarat, and Tripura (one state each from North, South, East, West and North East regions selected by rotation).[65]

Information and Broadcasting

Anurag Vaishnav (anurag@prsindia.org)

Guidelines for empanelment of social media platforms released

The Ministry of Information and Broadcasting released policy guidelines for empanelment of social media platforms with the Bureau of Outreach and Communication.[66] The Bureau is the nodal agency within the Ministry responsible for paid outreach campaigns through print media, electronic media, outdoor media, or websites on behalf of the ministries or departments of the Government of India. Key aspects of the guidelines include:

- **Eligibility for engagement:** The social media platform must have a minimum of 25 million unique users from India per month (based on data of previous three months). Further, the platform must have been in operation for at least six months under the same domain name.
- **Engagement:** The social media platform will have to enter into a contract with the Bureau. The terms of agreement of the contract include that the platform should ensure that their content is not anti-national, obscene, violative of communal harmony and national integrity, or in violation of any cyber laws.
- The Bureau will determine which platforms are relevant for the planned outreach activity of the client ministry/department based on the content, target audience, budget and duration of the campaign. Preference will be given to platforms based in India.
- **Pricing:** The Bureau will participate in the bidding process for buying inventory/space for government messages. These messages may be in form of texts, video ads, carousel ads, collection ads, among others. The model for buying inventory/space may be: (i) dynamic pricing model (where the Bureau will be charged on the basis of actual number of clicks or views attained), (ii) auction model (where the Bureau will have to participate in online auction by indicating certain bidding amount for buying inventory), or (iii) reach and frequency model (where the Bureau may book campaigns in advance for a fixed price). The concerned client ministry and department will place 100% funds in advance with the Bureau.
- **Duties of platforms:** The social media platform will be responsible for ensuring digital reports through a real time dashboard which shows quantifiable outcomes related to the campaign (such as number of views, clicks, impressions, followers added). Further, platforms seeking engagement should not have been suspended or blacklisted by any ministry or agency of the Government of India.

The guidelines will remain valid for a period of five years.

Agriculture

Saket Surya (saket@prsindia.org)

Sugar Development Fund (Amendment) Rules, 2020 notified

The Department of Food and Public Distribution notified the Sugar Development Fund (Amendment) Rules, 2020.[67,68] The Fund, set up under the Sugar Development Fund Act, 1982, is used to finance activities for development of the sugar industry. Key features of the 2020 Rules are as follows:

- **Loans to sugar factories**: Under the existing Rules, factories with a sugarcane crushing capacity of 2,500 tonnes per day or higher are eligible for loans from the Fund. This loan can be used for implementing projects for: (i) production of anhydrous alcohol or ethanol from alcohol or molasses, (ii) conversion of existing ethanol plant into zero liquid discharge plant, and (iii) baggage based co-generation of power.

The amendments under 2020 Rules provide that sugar factories with a crushing capacity between 1,250 tonnes and 2,500 tonnes per day will also be eligible for loans in these areas. However, loans to such factories will be provided for modernisation-cum-expansion projects integrated with cogeneration or ethanol plant. This will be subject to certain conditions including: (i) certification of financial viability of the project by a bank or financial institution, (ii) certification of technical viability by the National Sugar Institute, Kanpur, or any other institute designated by the central government, and (iii) furnishing of state government guarantee for the loan.

- **Penalty for default on loan**: In case of any default in repayment of a sugar development fund loan, an additional interest at the rate of 6% per annum or more as decided by the central government was payable on the default amount. The rate of this additional interest has been reduced to 4% per annum.

Cabinet approves FRP for sugarcane for the sugar season 2020-21

The Union Cabinet approved the Fair and Remunerative Price (FRP) for sugarcane for the sugar season 2020-21 (October 2020 to September 2021).[69] FRP is the price payable by sugar mills for sugarcane procured from farmers.

For 2020-21, FRP has been fixed at Rs 285 per quintal for a basic recovery rate of 10%.[69] Basic recovery rate is determined by the recovery of sugar from sugarcane and depends on the sucrose content in sugarcane, production practices, and on the technology and operation of sugar mills, among other things. FRP for 2020-21 is 3.6% higher than the corresponding FRP for 2019-20 (Rs 275 per quintal).[70]

A premium of Rs 2.85 per quintal has been approved for every 0.1 % increase in recovery over and above 10%.[69] Similarly, FRP will be reduced by Rs 2.85 per quintal for every 0.1% decrease in recovery from 10%.[69] In case the recovery is 9.5% or lower, FRP has been fixed at Rs 270.75 per quintal.[69]

Defence

Anurag Vaishnav (anurag@prsindia.org)

Draft Defence Production and Export Promotion Policy 2020 released

The Ministry of Defence has released the draft Defence Production and Export Promotion Policy 2020.[71] The Policy aims to give a thrust to defence production capabilities of the country, reduce dependence on imports, and promote exports for self-reliance in defence industry. Key aspects of the Policy include:[72]

- **Turnover of defence industry:** The size of the domestic defence industry (including aerospace and naval shipbuilding) is currently estimated to be about Rs 80,000 crore. The Policy aims to achieve a turnover of Rs 1,75,000 crore in aerospace and defence goods and services by 2025 (including exports of Rs 35,000 crore).
- **Domestic procurement:** Currently, the procurement from the domestic industry is nearly Rs 70,000 crore (60% of overall defence procurement). The Policy aims to double this to Rs 1,40,000 crore by 2025. It proposes creating a distinct head for domestic capital procurement in the defence budget, and increasing allocation for domestic capital procurement by a minimum of 15% per year for the next five years.
- A project management unit will be setup to bring in expertise for supporting the acquisition process and facilitating management of the contracts. The unit will have representation from the services. Further, a technology assessment cell with representation from the services will be setup to assess the technology readiness levels for major platforms and systems.
- **Research and innovation:** The Defence Research and Development Organisation will setup missions in select areas to develop critical futuristic systems such as hypersonic missiles, secure communication devices, and airborne sensors. The innovations for Defence Excellence (iDEX) initiative will be scaled up to engage with 300 more startups and developing 60 new technologies over the next five years. The iDEX initiative aims to encourage technology development in defence by engaging research institutes, academia, industries, and start-ups by providing them funding or grants.[73]
- **Reforms in DPSUs:** The Policy notes that ordnance factories and Defence Public Sector Undertakings (DPSUs) need to be

reformed for future so that they work in tandem with the private industry. It proposes that disinvestment of DPSUs will be pursued and ordnance factories will be corporatised to make them competitive. They will be mandated to have at least 25% of their revenue from exports by 2025.

Ministry of Defence publishes list of 101 items for import embargo

The Ministry of Defence published a list of 101 items for which there will be an embargo (ban) on import.[74] The list includes weapon systems, such as artillery guns, and anti-submarine rocket launchers, and equipment such as high power radar and upgrade systems. The ban on an item will kick in as per the deadline specified against the item. For 69 items, the ban will come into effect from December 2020. For 11 items, it will come into effect from December 2021. For the remaining 21 items, the ban will be from December 2022 or later.

A note for the embargo will also be made in the Defence Acquisition Procedure to ensure that no item in the negative list is processed for import in the future. The Ministry expects the ban on imports to give a push to self-reliance in the defence sector by boosting the domestic industry. It estimates that the embargo will result in domestic contracts of nearly four lakh crore rupees within the next five to seven years. Note that, in May 2020, the Finance Minister had announced that a list of weapons and platforms banned for import will be released based on a year-wise timeline, under the Aatma Nirbhar Bharat Abhiyaan.[75]

DRDO identifies 108 systems for design and development by domestic industry

The Defence Research and Development Organisation (DRDO) identified a list of 108 systems and subsystems which will be designed and developed by the Indian industry only.[76] These include systems such as mini and micro unmanned aerial vehicles, marine rocket launcher, fire detection system, and transponder system, among others. DRDO will provide support to industries for design, development, and testing of these systems on requirement basis. It has set a timeline of 2021 for the development of the systems.

Civil Aviation

Aditya Kumar (aditya@prsindia.org)

Cabinet approves leasing out of Jaipur, Guwahati, and Thiruvananthapuram airports through PPP model

The Union Cabinet approved the proposal to lease out Jaipur, Guwahati, and Thiruvananthapuram airports for operation, management, and development under Public-Private Partnership (PPP) model.[77] The lease for all three airports was awarded to Adani Enterprises Limited for a period of 50 years, through a competitive bidding process. The bidding process was based on the bidding parameter of fee per passenger.

In November 2018, the Cabinet approved leasing out of six airports (Ahmedabad, Jaipur, Lucknow, Guwahati, Thiruvananthapuram and Mangaluru).[78] The airport of Ahmedabad, Lucknow and Mangaluru were leased out in July 2019. However, the lease of Jaipur, Guwahati, and Thiruvananthapuram were held due to litigation and other issues.[79] The Airport Authority of India (AAI) Board has recommended leasing of six more airports (Bhubaneswar, Varanasi, Indore, Amritsar, Raipur and Trichy) through PPP model.[80] In India, 129 airports are managed by AAI and six major airports are managed by private organisations.[81,82] These are Bengaluru, Cochin, Delhi, Goa, Hyderabad, and Mumbai.

New routes approved under the Ude Desh Ka Aam Nagrik (UDAN) scheme

The Ministry of Civil Aviation approved 78 new routes under the 4th round of Regional Connectivity Scheme (RCS)-UDAN.[83] The approval was awarded through a bidding process, which also incorporates helicopters and seaplanes. The 4th round of the Scheme was launched in December 2019, with special focus towards North Eastern regions, hilly states and islands. Some of the routes approved in different regions are (i) Guwahati to Tezu, Rupsi, Tezpur, Passighat, Misa and Shillong, (ii) Hissar to Chandigarh, Dehradun and Dharamshala, and (iii) Varanasi to Chitrakoot and Shravasti.

The UDAN scheme was launched in 2016 to facilitate regional air connectivity at affordable prices.[84] At present, a total of 766 routes have been sanctioned under the Scheme. Out of these, 274 routes have been made operational.[83]

Road Transport

Prachee Mishra (prachee@prsindia.org)

Various draft amendments to rules related to motor vehicles released

The Ministry of Road Transport and Highways has released various draft amendments to the Central Motor Vehicles Rules, 1989. Key amendments include:

Ownership in vehicle registration documents: The Ministry has invited suggestions on incorporating ownership in motor vehicle registration documents.[85] The Ministry has noted that currently ownership details are not properly reflected under the various forms required for vehicle registration under the Central Motor Vehicles Rules, 1989. The proposed draft Rules add a new section which provides for ownership type. Categories under this include: (i) autonomous body, (ii) central government, (iii) driving school, (iv) divyangjan, (v) firm, (vi) individual, (vii) police department, and (viii) multiple owners, among others.

Emission norms for agricultural machinery: The Ministry has invited suggestions on separating the emission norms for agricultural machinery (such as agricultural tractors, power tillers and combined harvesters) and construction equipment vehicles (CEV).[86] It also seeks to change the nomenclature of emissions norms of these vehicles from Bharat Stage IV (BS-IV) and BS V to (i) TREM Stage-IV and TREM Stage-V for agricultural tractors and other equipment, and (ii) CEV Stage – IV and CEV Stage-V for the construction equipment vehicles. This seeks to avoid confusion with norms for motor vehicles. The Ministry also seeks to extend the deadline for applicability of these norms for tractors from October 2020 to October 2021. For CEVs the norms will apply from April 2021.

Manufacture of helmets: The Ministry released a draft notification to bring protective helmets for two-wheeler riders under compulsory certification as per the Bureau of Indian Standards Act, 2016 (BIS Act).[87] This would allow only BIS certified helmets to be manufactured and sold in India.

Sale and Registration of Electric Vehicles without pre-fitted batteries allowed

The Ministry of Road Transport and Highways has allowed the sale and registration of electric vehicles without pre-fitted batteries.[88] The Ministry specified that such vehicles may be sold and registered based on the type approval certificate issued by the Test Agency. Further, specifying the make/type or any other details of the battery will not be necessary for registration. However, the prototype of the electrical vehicle, and the battery (regular battery or the swappable battery) must be type approved by the testing agencies specified under the Central Motor Vehicles Rules, 1989.

FASTag mandatory for availing discounts on National Highways Fee Plazas

The Ministry of Road Transport and Highways has made FASTags mandatory to avail return journey discounts or any other exemptions on Toll Fee Plazas.[89] The National Highways Fee (Determination of Rates and Collection) Rules, 2008 were amended to provide that the fee payable towards certain discounts be paid through pre-paid instruments, smart card or through FASTag or on board unit (transponder) or any other such device.[90] Citizens will get the discounts automatically if return journey is made within 24 hours with a valid and a functional FASTag on the vehicle.

Railways

Saket Surya (saket@prsindia.org)

Railways introduces drone-based surveillance system for security

The Railways has procured nine drones and two Ninja Unmanned Aerial Vehicles for establishing a drone-based surveillance system.[91] These will be used by the Railway Protection Force for the purposes of railway security. The drones will be deployed for: (i) inspection of railway assets, (ii) surveillance of criminal and anti-social activities such as gambling, throwing of garbage in railway premises, (iii) helping in rescue, recovery, and restoration at disaster sites, and (iv) certain data collection exercises such as measuring of crowd magnitude. Railways plan to procure 17 more drones in future.

Mining

Saket Surya (saket@prsindia.org)

Comments invited on the reforms proposed in the mining sector

The Ministry of Mines invited comments on the reforms proposed in the mining sector.[92] These reforms seek to implement the announcements made under the Aatma Nirbhar Bharat Abhiyaan for enhancing private enhancements in the mining sector.[93] Certain amendments to the Mines and Minerals (Development and Regulation) Act, 1957 and Rules notified under the Act have been proposed to give effect to these reforms. Key reforms proposed include:

- **Removal of end-use restrictions**: All mines in future will be auctioned without any end-use restriction. Further, the right of first refusal available to existing captive mines will also be removed. Currently, captive mines can sell up to 25% of total mineral excavated in the previous year. This limit is proposed to be enhanced to 50%.
- **Exploration by private entities**: Prospecting-cum-mining lease will be provided for partially explored mineral blocks through auction. This lease is a composite license providing for both prospecting and mining activities. Private entities will be engaged in exploration work. Exploration work of private entities will be funded from the National Mineral Exploration Trust Fund.
- **Move towards auction-only regime:** The 2015 Amendment Act provided certain rights to existing concession holders and applicants.[94] These include: (i) right for obtaining prospecting licence or mining lease to a holder of reconnaissance permit or prospecting licence (issued before commencement of the 2015 Amendment Act), and (ii) right for grant of mining lease where central government had given its approval or letter of intent was issued by the state government before the commencement of the 2015 Amendment Act.

  The Ministry noted that a large number of above potential leases are blocked as either period for granting them has lapsed or these could not be brought to auction due to legal deadlock. The Ministry proposed to amend the 1957 Act to allow reallocation of such mineral blocks through auction. It also proposed to appoint an authority to decide the reimbursement of expenditure incurred in exploration to the persons whose rights will be terminated.
- **Re-allocation of non-working mines**: The mines owned by private companies which are not made operational within three years can be vested back to the concerned state for re-allocation through auction. Similar action can be taken against the mines allocated to Public Sector Utilities (PSUs) which have not been brought into production.
- **Definition of illegal mining:** The Ministry noted that currently, there is no differentiation between illegal mining done outside leasehold area and mining in violation of clearances inside a mining lease area. Amendments in the 1957 Act are proposed to provide that illegal mining outside the leasehold area will be treated distinct and separate from that within the leased area.

Power

Aditya Kumar (aditya@prsindia.org)

Waiver of inter-state transmission charges and transmission losses for certain solar and wind power plants

The Ministry of Power issued an order regarding waiver of inter-state transmission charges and transmission losses for certain solar and wind plants.[95] This is in accordance with the National Electricity Tariff Policy, 2016. The waiver will apply for a period of 25 years from the date of commissioning of the power plants meeting the following criteria:

- Power plants using solar or wind sources of energy commissioned until June 30, 2023 will be eligible. This will also include hybrid solar-wind power plants.
- Only those plants will be eligible who sell power to entities having a renewable purchase obligation (RPO), irrespective of whether the power supplied is within RPO or not. For power produced for distribution licensees, the power should have been procured through a competitive process under the relevant guidelines from the central government.
- Solar power plants must have been commissioned under Ministry of New and Renewable Energy's Central Public Sector Undertaking (CPSU) scheme phase II or under Solar Energy Corporation of India tender for manufacturing linked capacity scheme. The Ministry's CPSU scheme phase II is aimed at facilitating national energy security and environment sustainability for government purposes by setting up solar projects through production by the government.[96]

CERC (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2020 to come into force

The Central Electricity Regulatory Commission (CERC) notified that the CERC (Sharing of

Inter-State Transmission Charges and Losses) Regulations, 2020 will come into effect from November 1, 2020.[97] The Regulations were notified on May 4, 2020, which aim to regulate sharing of inter-state transmission charges and losses among certain stakeholders.[98] The Regulations are applicable to: (i) designated inter-state transmission system customers (DICs), (ii) inter-state transmission licensees, (iii) load despatch centres (national, regional and state), and (iv) regional power committees.

New and Renewable Energy

Aditya Kumar (aditya@prsindia.org)

Scheme for promotion of biomass cogeneration projects extended till 2021

The Ministry of New and Renewable Energy extended the scheme to support promotion of biomass based cogeneration in sugar mills and other industries till March 31, 2021.[99] The scheme was valid for the period between May 11, 2018 and March 31, 2020.[100] The scheme provides financial assistance for setting up or expanding biomass based cogeneration projects for power generation.[100]

Education

Anurag Vaishnav (anurag@prsindia.org)

UGC publishes guidelines for offering internship embedded programmes

The University Grants Commission (UGC) published guidelines for higher education institutes on offering apprenticeship or internship embedded degree programmes.[101] The guidelines aim to: (i) improve employability of students pursuing undergraduate programmes, and (ii) improve linkage between higher education system and industry. Note that any programme by a Higher Education Institution (HEI) which is empowered to grant degrees is eligible to be embedded with an internship. Key features of the guidelines include:

- The internship will offer a traineeship undertaken at the premises of the workplace (not on the institute campus) to get work-based learning.
- HEIs should have a prior Memorandum of Understanding with organisations, enterprises, and industrial bodies for providing internships, before introducing the internship embedded programme.
- At least 20% of the total credits for the degree should be assigned to the internship.
- Students graduating from the internship embedded programme will be eligible for taking admission in the Master's programme in the subject of study of their undergraduate degree. This can also be done for a subject for which they have earned a minimum of 24 credits (including credits earned during the internship).
- HEIs will have the option to embed at least one semester of internship as part of the degree programme without altering the total duration of the programme.
- Institutes may opt for assessment of the internship in consultation with the industry/organisation where the internship is being imparted.

Communications

Saket Surya (saket@prsindia.org)

Recommendations on the methodology of assessment of spectrum usage charges in cases of spectrum sharing

The Telecom Regulatory Authority of India (TRAI) released recommendations on the methodology of assessment of spectrum usage charges in cases of spectrum sharing.[102]

Licensees providing mobile access services are required to pay Spectrum Usage Charges (SUC) which is computed as a percentage of Annual Gross Revenue (AGR).[103] These charges vary between 3% to 8% depending on quantum and type of spectrum held by a wireless licensee.[104] AGR represents the net revenue after allowing permissible deductions from the gross revenue. AGR is arrived at after subtracting certain charges and taxes from gross revenue, such as roaming charges passed on to other service providers and any service taxes and sales taxes included in the gross revenue.

A licensee who has been allocated spectrum through the specified process (auction or administrative allocation) can share its spectrum with other licensees.[102] Currently, sharing of the spectrum is allowed only in the same band.[102] SUC rate of each of the licensees post sharing increases by 0.5% of AGR.[102] The Department of Telecommunications had received representations requesting that the incremental rate of SUC should only apply to the spectrum band allowed to be shared instead of entire spectrum band held by the licensees. TRAI had received a reference from the Department to furnish its recommendations in this regard. Key recommendations include:

- **Applicability of incremental SUC rate**: TRAI recommended that increment of 0.5% on SUC rate should apply on the spectrum holding in a specific band in which sharing is taking place, and not on the entire spectrum holding of the licensee. It noted that in case incremental SUC rate is applied on overall spectrum held by licensees, the cost of spectrum sharing could surpass the benefits achieved through sharing.
- **Intimation of termination of spectrum sharing**: TRAI noted that existing guidelines on spectrum sharing do not have specific mention of mutual termination of spectrum sharing arrangement by licensees. It recommended that such clauses should be included in the guidelines. This is expected to provide flexibility to manage spectrum on need and commercial basis.

TRAI seeks views on a new licence regime based on different layers of telecom

TRAI released a consultation paper on enabling unbundling of different layers of telecom through differential licensing.[105] The current Unified Licence regime does not create a distinction between different layers of telecom such as infrastructure, network, service, and application. This implies that there is no provision for separate licences to allow entities to operate in these layers independently.

The consultation is in accordance with the National Digital Communications Policy 2018 which envisages a differential licensing regime for different layers of telecom.[106] Such licensing system is expected to promote investments, ease of doing business, and innovation in the sector. Further, it will provide opportunities for sharing of telecom resources and its optimum utilisation.

As per the current licensing regime, the Uniform Licence issued by the Department of Telecommunications does not segregate infrastructure, network, and service layers. However, there are other licences which provide for the segregation in a limited manner.[106] These include: (i) Infrastructure Provider licence allowing entities to own, establish, and maintain certain telecom infrastructure elements and lease, rent, or sell these to telecom service providers (TSPs). and (ii) Virtual Network Operator (VNO) Licence allowing enterprises which do not have spectrum, to provide wireless services by sharing the spectrum of TSPs.[106]

TRAI sought views on the following matters: (i) need for separation of network services and service delivery layers and scope of separate licences for these two layers, (ii) whether network service licensee should also be allowed to engage in service delivery, and (iii) whether existing unified licensee should be required to migrate to the unbundled licensing regime.

Comments are invited until September 17, 2020.

TRAI seeks views on the roadmap to promote broadband connectivity and enhanced broadband speed

TRAI released a consultation paper on the roadmap to promote broadband connectivity and enhanced broadband speed.[106] TRAI noted that in the post-COVID-19 pandemic era, there will be an increasing reliance on the broadband connectivity and demand for these services is likely to grow much faster.

Communication can be classified among broadband and narrowband based on the bandwidth required for communication. The broadband communication uses a higher bandwidth and provides better speed. Currently, in India, a broadband connection is defined to have a minimum download speed of 512 kbps (kilobits per second) to an individual subscriber.[106] As of March 2020, 93% of internet subscribers in India use broadband connection.[106] Threshold download speed of broadband vary across countries. For instance, in USA, UK, and China, it is defined to be 25 Mbps (megabits per second), 24 Mbps, and 20 Mbps, respectively.[106]

Broadband connection is classified among fixed and mobile-based on the mode of the last mile of connectivity. Fixed broadband is provided to customer premises (fixed location) whereas mobile broadband is a portable connection through handheld devices (mobile, dongle) connected to the wireless network. As of March 2020, 97% of broadband subscribers in India use mobile broadband.

TRAI noted that India experiences download speeds of 12 Mbps in case of mobile broadband and around 38.19 Mbps in case of fixed broadband.[106] The corresponding global averages are 14.9 Mbps and 83 Mbps, respectively.[106] India ranked 129th among 138 nations in mobile broadband speed and 75th among 174 countries in fixed broadband speed.[106] Note that the National Digital Communications Policy 2018 seeks to achieve broadband connectivity at 50 Mbps to every citizen by 2022.[106]

Key issues on which comments are invited include: (i) need for revising the definition of broadband and criteria for such revision, (ii) concerns with right of way permissions for laying optical fibre and development of common ducts infrastructure, (iii) ways to improve subscription rate of fixed broadband services, (iv) reasons for slower mobile broadband speeds and how this could be addressed, and (v) need for minimum standards for consumer devices.

Comments are invited until September 21, 2020.

Minority Affairs

Anya Bharat Ram (anya@prsindia.org)

Aadhaar enrolment required for beneficiaries under Nai Roshni Scheme

The Ministry of Minority Affairs administers the Nai Roshni Scheme for Leadership Development of Minority Women.[107] The Scheme is aimed at providing minority women with the tools for interacting with government systems, banks, and intermediaries. The Ministry has notified that beneficiaries must furnish proof of possession of an Aadhaar number to receive benefits under the Scheme. For persons who are not yet enrolled under Aadhaar, they shall be required to enroll prior to joining the training programmes available under the Scheme.

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