Monthly Policy Review

June 2013

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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) 43434035-36, 23234801-02 ▪ www.prsindia.org

Macroeconomic Developments

Alok Rawat (alok@prsindia.org)

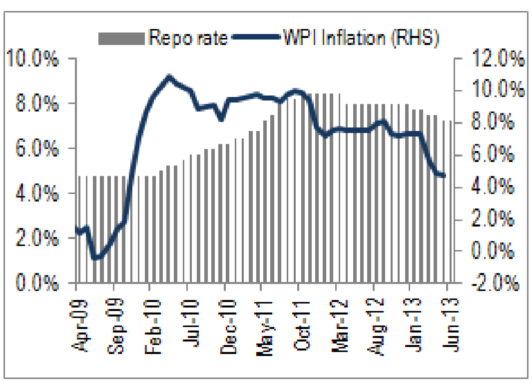
RBI maintains policy rates citing upside risks to inflation...

In its mid-quarter monetary policy statement for first quarter of the financial year 2013-14, the Reserve Bank of India (RBI) left the policy repo rate unchanged at 7.25%.[1] The Cash Reserve Ratio (CRR) was also left unchanged at 4.0%. While acknowledging weak economic activity and moderation in inflation, the RBI highlighted inflationary pressure due to depreciation of the rupee, rise in fuel and crop support prices and persistent food inflation. It stressed that only a tangible decline in inflation will provide space for monetary policy easing.

...even as WPI Inflation falls to a 43-month low of 4.7% in May

The Wholesale Price Index (WPI) inflation declined to 4.7% in May 2013 from 4.9% in the previous month, a 43-month low.[2] Manufactured goods inflation declined to 3.1% in May from 3.4% in April. Primary goods inflation inched up to 6.7% (from 5.8% in April) driven by a rise in food inflation to 8.3% (from 6.1% in April). Fuel and power inflation declined to 7.3% in May (from 8.8% in April), driven by 9.8% decline in coal prices versus last year.

Figure 1: Repo rate and WPI inflation rate (%)

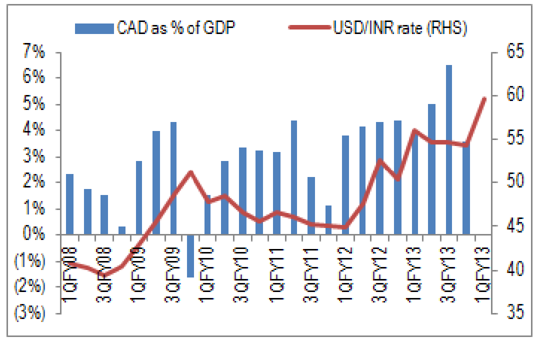


Source: RBI; Office of the Economic Adviser.

Current account deficit recedes to 3.6% of GDP in January-March 2013 quarter

India's Current Account Deficit (CAD) declined to 3.6% of GDP (or USD 18.2 billion) during the January-March 2013 quarter from a record high of 6.5% in the previous quarter.[3] A rise in exports, along with a small drop in imports, led to trade deficit falling to USD 45.6 billion from USD 58.4 billion in the previous quarter. Net invisibles' surplus grew to USD 27.5 billion against USD 26.6 billion in last quarter.

Figure 2: Current account deficit versus USD/INR rate



Source: RBI, Central Statistics Office.

Capital account surplus declined to USD 20.6 billion from USD 31.5 billion in the previous quarter, due to a slowdown in net portfolio investments and net repayment of loans by banks and the corporate sector. India's foreign currency reserves grew by USD 2.7 billion during January-March 2013 to USD 259.7 billion.

Trade deficit nears five-year high in May

India's trade deficit grew 26.4% to USD 20.1 billion in May 2013 as compared to a year earlier.[4] Over the same period, imports grew 9.6% to USD 44.4 billion while exports declined 1.1% to USD 24.5 billion. Oil imports grew 3.3% from last year to USD 15.0 billion, while non-oil imports grew 13.2% to USD 29.6 billion. The monthly trade deficit for May is the third-highest figure in the last five years.

Commerce

Alok Rawat (alok@prsindia.org)

Government issues clarifications on FDI in multi-brand retail

The government has issued clarifications on certain questions raised by potential foreign investors regarding Foreign Direct Investment (FDI) in multi-brand retail business.[5] These clarifications aim to promote greenfield investments by foreign investors over acquisition of existing infrastructure. Key clarifications issued are:

- The FDI policy mandates sourcing at least 30% of total procurement from Small and Medium Enterprises (SMEs). The government has clarified that these goods can be distributed only through retail operations and not wholesale/cash-and-carry or exports. Further only manufactured or processed products (not fresh produce) shall be counted towards fulfillment of the 30% SME sourcing quota.
- The FDI policy mandates a minimum investment of USD 100 million, at-least 50% of which should be towards back-end infrastructure. The government has clarified that foreign investors can invest only in greenfield assets and cannot acquire existing supply chain or back-end assets. Owning partial (less than 100%) stakes in multiple infrastructure companies would not count towards fulfillment of the back-end infrastructure condition.
- Acquisition of existing retail stores/front-end infrastructure by foreign investors shall not be considered as fulfillment of the minimum investment limit of USD 100 million. FDI will not be allowed in e-commerce retail business.
- A subsidiary of foreign investor engaged in multi-brand retail cannot enter wholesale/cash-and-carry business. Front-end retail stores need to be owned and operated by the company, not by a franchisee.
- The state government shall have the power to impose additional conditions on a foreign investor proposing to set up multi-brand retail operations in the particular state.

Home Affairs

Sakshi Balani (sakshi@prsindia.org)

Cabinet approves GoM recommendations to strengthen functioning of CBI

According to news reports, the Cabinet approved recommendations of a Group of Ministers (GoM) to strengthen the functioning of the Central Bureau of Investigation (CBI).[6]

The GoM recommended setting up a collegium to appoint the CBI director and increasing his financial powers. At present, the CBI director is appointed by the Law Ministry. The GoM also recommended the constitution of a panel of retired judges which would monitor the investigations undertaken by the agency to ensure that probes remain free from external influence.

It has also been reported that the GoM has formulated official amendments to the Delhi Special Police Establishment Act, 1946.[6] The Act governs the functioning of the CBI.

While hearing a case related to irregularities in the coal block allocation, the Supreme Court had directed the centre to formulate a law to insulate CBI from external or political influence.

Law and Justice

Jhalak Kakkar (jhalak@prsindia.org)

CIC ruling on disclosure of information by political parties

The Central Information Commission (CIC) gave its decision on a complaint filed regarding the disclosure of accounts and funding of political parties.[7] The CIC concluded that political parties have the following features, and therefore, should be considered public authorities within the Right to Information (RTI) Act.

Political parties receive substantial funding from the central government in the form of large tracts of land and government accommodation at low rates, and free airtime on Doordarshan and All India Radio. They also perform a public function. Besides, they are regulated by the Election Commission of India and can recommend disqualification of Members of the House in certain contingencies under the Tenth Schedule of the Constitution. Hence, political parties have constitutional and legal rights and liabilities and, therefore, are public authorities.

The CIC held the six national parties, i.e., Indian National Congress, Bharatiya Janata Party, Communist Party of India (Marxist), Communist Party of India, Nationalist Congress Party and Bahujan Samaj Party to be public authorities under the RTI Act.

The political parties were directed to designate a Central Public Information Officer and appellate authorities at their headquarters. They were also directed to make voluntary disclosures as per the RTI Act.

Law Commission considering electoral reforms

The central government has referred the issue of 'Electoral Reforms' to the Law Commission of India for consideration. The Commission has prepared a consultation paper eliciting feedback from various stakeholders. They have invited comments from the public by June 30, 2013.[8]

The Law Commission proposes to focus largely on issues such as:

- Qualifications/disqualifications of those seeking election, or disqualification of the persons already elected;
- Modes and quantum of funding of elections;
- Transparency, accountability and sources of spending by political parties and their respective candidates during elections;
- Ethical conduct of political parties or candidates participating in elections;
- Filing of false affidavits as a ground for disqualification;
- Role of electronic and print media and the impact of 'paid news';
- Quantum of punishment for electoral offences and adjudication of election disputes.

Establishment of Permanent Benches of Karnataka High Court at Dharwad and Gulbarga

The Cabinet has approved the establishment of permanent benches of the Karnataka High Court at Dharwad and Gulbarga districts.[9] This proposal has been approved by the state government and the Chief Justice of the Karnataka High Court.

In the state of Karnataka, the Principal Bench of the High Court is at Bangalore. Two circuit Benches were notified at Dharwad and Gulbarga in July 2008. Infrastructural facilities and staff have been made available. At present, judges are sitting at the circuit benches on a rotational basis for one month. To avoid inconvenience to judges, advocates and litigants, these benches are proposed to be made permanent.

Finance

Cabinet restructures centrally sponsored schemes for the Twelfth Five Year Plan

Sakshi Balani (sakshi@prsindia.org)

The Cabinet has approved the restructuring of the existing 147 centrally sponsored schemes (CSS)/additional central assistance (ACA) schemes into 66 schemes, including 17 flagship schemes.[10] The restructuring is expected to reduce the number of existing schemes as well as create flexibility for states. The 17 flagship programmes include schemes such as the Jawaharlal Nehru National Urban Renewal Mission and the Rashtriya Krishi Vikas Yojana and cover major areas of power, health, education, and urban development, etc.

According to a Planning Commission report, the restructuring of schemes is necessary to allow flexibility to and consultation with states, particularly in schemes which are partially funded by states.[11] As per the report, reforms need to be made to the design of CSS, their physical and financial norms, planning, transfer of funds, and monitoring and evaluation.

The Cabinet has approved the following changes:

- **State specific guidelines for schemes:** Schemes may have state specific guidelines, which may be recommended by an Inter-Ministerial Committee constituted for the purpose.
- **Financial assistance to states:** Financial assistance to states in these schemes will be provided through the Consolidated Funds of the states.
- **Maintaining flexi-funds:** Ten percent of the outlay of the schemes should be kept as flexi-funds to allow flexibility to states.
- **Contribution by states:** For each new CSS/ACA/flagship scheme, general category states may contribute at least 25% of the funds while special category states such as Jammu and Kashmir, Himachal Pradesh and Uttarakhand may contribute 10% of funds.

In his budget speech on February 28, 2013, the Finance Minister had stated that the government would review and restructure each scheme.[10] The restructured schemes are to be implemented for the remaining years of the Twelfth Five Year Plan.

RBI's clarifications on new banking licence place restrictions on NBFCs

Alok Rawat (alok@prsindia.org)

The RBI has issued clarifications on the guidelines for granting new banking licences to the private sector on June 3, 2013.[12] It had published the guidelines on February 22, 2013, specifying various conditions like eligibility and track-record of promoters, holding structure, capital requirements and regulatory framework.

Through these clarifications, the RBI has imposed certain restrictions and conditions on Non-Banking Financial Companies' (NBFCs) that are promoting/converting into a bank. Key clarifications are:

- The promoter group shall hold the bank through a wholly-owned (through individuals or group companies) Non-operative Financial Holding Company (NOFHC). However, at least 51% stake in the NOFHC should be held by promoter group companies, in which public shareholding is at least 51%. The NOFHC shall be the holding company for the bank as well as all other regulated financial services businesses of the promoter group.
- Since an NOFHC must be wholly-owned by the promoter group, a listed NBFC cannot be converted into an NOFHC.
- New licensees will have to start banking operations and comply with capital structure requirements within 18 months from in-principle approval.
- Banking-related activities, e.g. credit cards or leasing, can be housed either inside the bank or in subsidiaries held by the NOFHC. Non-banking activities sponsored by the bank, e.g. stock broking or insurance, can only be undertaken by a non-banking subsidiary of the NOFHC.
- NBFCs that are promoting /converting into a bank will have to transfer their lending activities to the bank. Lending activities forbidden for banks, e.g. promoter financing, will have to be shut down within 18 months.
- The RBI will not provide any transition time for NBFCs to comply with CRR and Statutory Liquidity Ratio requirements.
- All NBFC branches in Tier 1 cities can be converted into bank branches and the excess shall be adjusted against future branch entitlements within three years. RBI has the discretion to allow conversion of the NBFC branches into bank branches in Tier 2 to Tier 6 cities. Erstwhile NBFC branches converted into bank branches cannot conduct NBFC business.

Energy

Alok Rawat (alok@prsindia.org)

CCEA approves Rangarajan Committee formula for pricing domestic gas

The Cabinet Committee on Economic Affairs (CCEA) has approved a formula for the pricing of domestically produced natural gas, as suggested by the Rangarajan Committee, with effect from April 1, 2014.[13] The prices will be reset every quarter and shall apply for the next five years to all domestically produced gas. The Rangarajan Committee was set up to review the Production Sharing Contract mechanism in the petroleum industry. In its report, submitted in December 2012, the Committee recommended that pricing of domestically produced gas should be based on import of the previous twelve months and international market prices.

According to news reports, domestic gas prices could rise to USD 8.40-8.55/mmbtu under the new formula against current levels of USD 3.50-5.73/mmbtu and import prices of USD14.17/mmbtu.[14]

CCEA permits pass-through of imported coal cost by power plants

The Cabinet Committee on Economic Affairs (CCEA) has approved a policy allowing power plants to pass-through higher costs of imported coal to customers.[15] The Ministry of Coal will amend the New Coal Distribution Policy (NCDP), while the Ministry of Power will empower the Central Electricity Regulatory Commission (CERC) and State Electricity Regulatory Commissions (SERC) to permit the pass-through of imported coal costs. The CERC will specify a detailed mechanism to allow the pass-through of costs. This policy will apply for coal imports through Coal India as well as imports undertaken by power plants themselves. The pass-through mechanism would raise tariffs for power plants set-up after March 31, 2009. The government will also aim to supply coal to power projects which are likely to be commissioned by March 2015, but currently lack coal linkages.

Coal

Jhalak Kakkar (jhalak@prsindia.org)

Cabinet approves setting up of coal regulator

News reports suggest that the Cabinet has approved the setting up of a regulator for the coal sector. [16] Key features of the regulator are:

- **Pricing of coal:** The regulator will specify the principles and methodology for determining the price of raw and washed coal. Rates of coal will be determined by Coal India Limited. Earlier, the Group of Ministers had recommended that the coal regulator should not regulate the pricing of coal.
- **Policy for production:** The regulator will have an advisory role regarding formulation of policy in coal production, and competition and investment in coal sector.
- **Testing and sampling:** The regulator will regulate methods for testing the declaration of grades or quality of coal, specify the procedure for automatic coal sampling and adjudicate upon disputes between the parties, monitor closure of mines and approval of mining plans among others.
- **Composition:** The coal regulator will have a chairperson and experts on coal, legal affairs, finance and consumer affairs. Appointment of the chairperson and other members of the regulator will be done by a Selection Committee headed by the Cabinet Secretary.

Urban Development

Mandira Kala (mandira@prsindia.org)

Cabinet clears Real Estate (Regulation and Development) Bill

The Real Estate (Regulation and Development) Bill, 2013 was approved by the Cabinet on June 4, 2013.[17] The proposed Bill will apply to residential real estate i.e. housing, and any other independent use ancillary to housing.

According to the Ministry, the Bill provides a uniform regulatory mechanism to ensure growth of the real estate sector while protecting consumer interests and ensuring timely adjudication of disputes.

The Bill does the following:

- Establishes a Real Estate Regulatory Authority in each state/union territory. The functions and powers of the authority include oversight of real estate projects and transactions, appointing adjudicating officers to settle disputes, and imposing penalties. The Authority will also advise the government on ensuring the growth of a transparent, efficient, and competitive real estate sector.
- Specifies the functions and duties of the promoter, real estate agents and rights and duties of allottees.
- Requires real estate projects and agents who intend to sell any immovable property to mandatorily register with the Authority.
- Specifies mandatory public disclosure norms for all registered projects including: details of the promoters, project, layout plan, carpet area and number of the apartments booked, and information regarding veracity of advertisements for sale.
- Makes it mandatory for the promoters to deposit 70% or less of the amount realised from the allottees for the real estate project, into a separate account to be maintained in a scheduled bank. This amount has to be deposited within a period of 15 days and has to be used only for the purpose of funding the cost of construction.
- Establishes a fast track dispute resolution mechanism for settlement of disputes, through adjudicating officers appointed by the Authority. Also sets up an Appellate Tribunal to hear appeals from the orders of the Authority and the adjudicating officer.
- Creates a Central Advisory Council (with representatives of state governments) to advise the central government on matters concerning implementation of the Act.

Agriculture

Sakshi Balani (sakshi@prsindia.org)

Monsoon aids sowing of Kharif crops

According to the India Meteorological Department (IMD), rainfall over the three week period from June 1 to June 26, 2013 was 37% above the Long Period Average (average rainfall during the monsoon over the last 10 years).[18] While the early arrival of the monsoon in peninsular and North India caused excess rainfall, there was deficient rainfall in Eastern and North Eastern India. The distribution of rainfall across regions is depicted in Table 1.

Table 1: Rainfall distribution for the season (June 1 – June 26)

Regions	Actual Rainfall (mm)	Normal Rainfall (mm)	% Departure from LPA
Country as a whole	181	132	+ 37
Northwest India	114	52	+ 120
Central India	243	128	+ 90
South Peninsula	194	133	+ 46
East & Northeast India	162	296	- 45

Source: India Meteorological Department Weekly Press Release, June 28, 2013; PRS

Estimates of Kharif crop sowing

Due to the early arrival of Monsoon rains, the estimated sowing of most Kharif crops is above normal for this time of the year, with pulses and oilseed sowing significantly higher than normal figures.[19] Table 2 presents a comparison of Kharif acreage for some of the major crops.

Table 2: Cropped areas of major Kharif crops (lakh hectares)

Crop	Area sown in 2013-14	Normal sowing area	% change from normal
Rice	16.4	16.0	2.5
Pulses	3.7	1.2	206.6
Oilseed	8.1	3.4	141.2
Sugarcane	44.6	45.6	- 2.2
Cotton	28.1	24.6	14.4
Jute & Mesta	8.1	7.9	2.4
Total	109.1	98.7	10.5

Source: Press Information Bureau; PRS.

MSPs for Kharif crops approved for 2013-14 season

The Cabinet Committee on Economic Affairs approved the Minimum Support Prices (MSPs) for Kharif crops for the 2013-14 season.[20] Table 3 provides the MSPs of major crops.

Table 3: MSPs for Kharif crops (2013-14)

Crop	2013-14	2012-13	% change
Paddy (Common)	1310	1250	4.80%
Jowar	1500	1500	0.00%
Bajra	1250	1175	6.38%
Maize	1310	1445	-9.34%
Lentil (Arhar)	4300	3950	8.86%
Groundnut	4000	3700	8.11%
Cotton (long staple)	4000	3900	2.56%

Source: PIB; PRS.

Water level and storage capacity in major reservoirs

The excess rainfall has also helped improve the water storage position. According to data from the Central Water Commission, the total live storage in 85 important reservoirs is at 61% of the full reservoir level.[21] The water level in the reservoirs is 114% more than last year's storage and 129% more than the average of the last 10 years. Water stored in reservoirs during the monsoon season is used to sow crops during the Rabi sowing season.

Water Resources

Sakshi Balani (sakshi@prsindia.org)

Centre prepares draft National Water Framework Bill

The Ministry of Water Resources has put up a draft National Water Framework Bill on its website and is accepting public comments until July 31, 2013.[22] A committee was set up by the Ministry under the chairmanship of Dr. Y.K. Alagh, to prepare a draft of the Bill. According to the Committee report, even though water is a state subject and several states have enacted different laws, none of them address water resources concerns in a holistic manner. The draft Bill creates a national framework based on fundamental principles to govern water resources.

The National Water Policy (2012) suggested that public policies on water resources should be governed by certain basic principles. These include the management of water through a common integrated perspective, principles of equity and social justice, transparent, informed governance, and water as a community resource.

Some of the key features of the draft Bill are:[22]

- **Basic principles for water management:** The Bill takes note of the principles highlighted in the National Water Policy that should govern water management (mentioned above). A river basin is the basic hydrological unit for the planning and management of water resources.
- **Right to water:** Each individual has a right to a minimum quantity of potable water, which will be at least 25 litres per capita per day. Each state government will specify the exact quantity.
- **Water pricing:** Each state shall establish an independent statutory Water Regulatory Authority for ensuring equitable access to water and its fair pricing for drinking, sanitation and other uses. The Authority shall determine:
  - i. Water charges on a volumetric basis and review them periodically.
  - ii. An appropriate planned tariff system that incentivises the recycle and reuse of water.
  - iii. Differential pricing of water for drinking and sanitation, for ensuring food security and supporting livelihood. State governments may provide water for drinking and sanitation free of cost to eligible households. However, after meeting the pre-emptive needs, available water shall be subjected to allocation and pricing on economic principles to avoid waste.
- **Integrated River Basin Development and Management:** The appropriate government shall develop, manage and regulate basins of intra-state rivers through specific legislations enacted for this purpose. The centre shall establish a national institution for the promotion and regulation of efficient water use at the basin/sub-basin level.
- **Management of floods and droughts:** The appropriate government and local authority shall strive to mitigate floods and droughts through structural and non-structural measures. It shall emphasise rehabilitation of natural drainage systems, coping mechanisms, and preparation of periodic disaster management plans.

Centre releases draft National Policy Guidelines for water sharing among states

The Ministry of Water Resources released draft National Policy Guidelines for the sharing/distribution of waters of inter-state rivers among the states and union territories in May 2013.[23] These guidelines are recommendatory in nature. The Ministry has invited suggestions from the public before July 31, 2013. Key features of these guidelines are:

- Terms such as ‘rivers, river valleys and basins’, ‘co-basin states’, ‘storage, withdrawal, consumptive use, and utilisation’ have been defined.
- **General principles:** The guidelines lay out general principles on: (i) the sharing/distribution of water that is part of a basin, (ii) right of water use, (iii) equitable apportionment, and (iv) forms of sharing/distribution.
- **Guidelines for equitable distribution:** In order to ensure equitable distribution, the following factors need to be considered:
  - i. The contribution of each co-basin state to waters of the basin,
  - ii. The requirement of water in each co-basin state,
  - iii. Practicability of utilisation of water demanded, including their techno-economic feasibility and environmental impacts,
  - iv. Availability of alternate or supplementary sources for meeting the water demand.
- **Monitoring, administration, and conflict resolution mechanism:** Any scheme of inter-state water sharing should have an inbuilt provision for monitoring the implementation and resolution of differences that may arise.

Environment

Jhalak Kakkar (jhalak@prsindia.org)

Draft policy on grant of forest clearance

The Ministry of Environment and Forest (MoEF) has published a draft policy on Inspection, Verification, Monitoring and Overall Procedure relating to the Grant of Forest Clearance and Identification of Forests.[24] Comments from stakeholders are invited by July 15, 2013.

The Supreme Court in T.N. Godavarman Thirumulpad *vs.* Union of India directed the MoEF to prepare a comprehensive policy for inspection, verification and monitoring and the overall procedure relating to the grant of forest clearances and identification of forests in consultation with the states.[25] A committee was constituted by the MoEF in July 2012 to formulate a draft policy. Some of the recommendations for improvement of the existing provisions are:

- **Inspection:** Site inspections need to be categorised according to the objective of the inspection and should be carried out: (i) as a mandatory exercise for the submission and processing of proposals for diversion of forest land; (ii) to resolve the dispute regarding the status of land; and (iii) as ordered by the MoEF either suo motu or on the advice of the Forest Advisory Committee.
- **Verification:** A Geographic Information System based database should be created, to be used by the government, to check the information provided in proposals for the diversion of forest land. A certificate should be submitted that the information provided in the proposal has been found to be in conformity with that in the database.
- **Monitoring:** According to the draft policy, this is the weakest link in the entire forest clearance process. An effective system for monitoring compliance to conditions stipulated in the approvals accorded under the Forest Conservation Act, needs to be put in place. The various levels of monitoring should be: (i) self monitoring by the user agency; (ii) monitoring by the state government; (iii) monitoring by central government; (iv) monitoring through regional offices of the MoEF; and (v) remote sensing satellite based monitoring.
- **Identification:** Geo-referenced district forest maps should be prepared and their progress should be reviewed by a Steering Committee. In some North Eastern states, surveys have not been undertaken so far and credible land records are not available in these states. All compact patches of minimum one hectare area having crown density (percentage of canopy overlying the forest floor) more than 30% after December 12, 1996, as per successive State of Forest Reports, shall be treated as forest.
- **Utilisation of funds:** The MoEF should put in place an institutional mechanism for efficient and expeditious utilisation of funds to implement measures to mitigate the impact of diversion of forest land on the environment.

Telecom

Alok Rawat (alok@prsindia.org)

TRAI reduces roaming tariff ceilings and mandates free national roaming plans

The Telecom Regulatory Authority of India (TRAI) has reduced tariff ceilings for national roaming calls and SMS' with effect from July 1, 2013.[26] The tariff ceilings for calls have been reduced by 29-57%, while tariff ceilings for outgoing SMS' have been introduced. TRAI has also decided to allow service providers to extend special schemes to roaming tariffs in addition to home tariffs. It has also mandated that service providers offer special plans under which subscribers can avail of partially or fully free roaming in lieu of a payment of fixed charges. However, TRAI argued against a fully free roaming regime, as envisaged in the New Telecom Policy 2012, citing higher costs for non-roaming customers.

Table 3: New roaming tariff ceilings

Tariff ceilings	Existing	New	Change
Outgoing local call (Rs/min)	1.40	1.00	(29%)
Outgoing STD call (Rs/min)	2.40	1.50	(38%)
Incoming call (Rs/min)	1.75	0.75	(57%)
Outgoing local SMS (Rs/SMS)	No limit	1.00	NA
Outgoing STD SMS (Rs/SMS)	No limit	1.50	NA
Incoming SMS (Rs/SMS)	Free	Free	NA

Source: Telecom Regulatory Authority of India.

Infrastructure

Alok Rawat (alok@prsindia.org)

CCEA approves exit norms for developers of national highway projects

The Cabinet Committee on Economic Affairs (CCEA) has approved a proposal to allow developers to divest their equity stakes in national highway projects without attracting punitive measures.[27] The Ministry of Road Transport and Highways (MoRTH) has set a target of awarding 9,000 km of road projects in the financial year 2013-14.[28] This target faces delays as a large number of developers face shortage of funds.

Hence, this decision is expected to open new sources of funding for road projects. Key highlights of the decision are:

- Any such divestment shall require approval of the lenders as well as the National Highway Authority of India (NHAI).
- A new lead investor shall be required to hold at least 51% equity stake in the project.
- For projects that have achieved financial closure, the developer will have to pay a penalty equal to 1% of the project cost.[29]
- For projects that have not achieved financial closure because of the NHAI, developers can exit the project without paying any penalty.

Health

Mandira Kala (mandira@prsindia.org)

Cabinet clears the Mental Health Bill

According to news reports, the Cabinet has approved the Mental Health Care Bill, 2013. This Bill aims to give individuals the right to access mental health care.[30] The Bill repeals the Mental Health Act, 1987.

Key features of the Bill are: [30]

- A mentally-ill patient has the right to decide their mode of treatment. A person can issue an advance directive that states how he should be treated in the event of a mental health situation. If the person has stated in the directive that he should not be admitted to a facility, he cannot be admitted without consent.
- A person with mental illness can appoint a nominated representative to take decisions for him.
- Central and State Mental Health Authorities are set up as administrative bodies. The Mental Health Review Commission will be a quasi-judicial body to oversee the functioning of mental health facilities and protect the rights of persons with mental illness.
- Suicide for mentally-ill persons has been decriminalised and electric-convulsive therapy without anaesthesia has been banned.
- Long term care in a mental health institution is to be used in exceptional cases.
- The government has to provide half way homes, community caring centres and other shelters for mentally ill people.

Labour and Employment

Mandira Kala (mandira@prsindia.org)

Cabinet approves extension of Rashtriya Swasthya Bima Yojana to other groups

On June 4, 2013 the Cabinet approved the extension of the Rashtriya Swasthya Bima Yojana (RSBY) to rickshaw pullers, rag pickers, mine workers, sanitation workers, auto rickshaw, and taxi drivers.[31] Implemented by the Ministry of Labour and Employment, the RSBY was launched in 2007-08 with the objective of providing a health insurance cover of Rs 30,000 per year to Below Poverty Line (BPL) families in the unorganised sector.

Currently the RSBY covers street vendors, beedi workers, domestic workers, building and other construction workers, and MGNREGA workers who have worked more than 15 days during the previous year. The scheme is implemented through a smart card based system.

As of March 2013 more than 3.44 crore BPL families are enrolled under the scheme.[32] The additional number of unorganized workers estimated to be covered under RSBY is given below.

Table 4: Additional unorganised workers to be covered under RSBY

Type of unorganised workers	Number (in lakhs)
Rickshaw drivers/pullers	13.68
Rag pickers	11.63
Mine workers	17.79
Sanitation workers	10.08
Auto rickshaw /taxi drivers	35.39
Total	88.57

Source: Press Information Bureau; PRS.

The extension of RSBY to the above mentioned groups is expected to cost Rs 210 crore (in 2013-14) and Rs 420 crore (2014-15 onwards).

External Affairs

Jhalak Kakkar (jhalak@prsindia.org)

US – India strategic dialogue

The United States (US) - India dialogue, involved discussions covering security, economics and technology, regional strategic and political issues, and global issues. These discussions were held between US Secretary of State, John Kerry, and the Indian Minister of External Affairs, Salman Khurshid. Key issues discussed were: [33]

- **Regional:** Both countries support a stable, democratic, united, sovereign and prosperous Afghanistan. India's support to bilateral economic assistance programmes with Afghanistan including private sector investment was highlighted.
- **Security:** The countries welcomed the creation of a formal India-US Working Group on mutual legal assistance and extradition.
- **Trade:** In 2012, two way trade in goods and services between the two countries was more than USD 100 billion. The two sides will resume negotiations to conclude a Bilateral Investment Treaty/Bilateral Investment Promotion and Protection Agreement (BIPPA) as soon as India's revised model BIPPA text is ready.
- **Nuclear energy:** The US and India reaffirmed their commitment to the full and timely implementation of the civil nuclear deal. The US reaffirmed their support for India's full membership to the Nuclear Suppliers Group, the Missile Technology Control Regime, the Wassenaar Arrangement and the Australia Group. The two countries are looking forward to the conclusion of a commercial agreement between Westinghouse and the Nuclear Power Cooperation of India to set up a nuclear power plant at Mithivirdi, Gujarat by September 2013.
- **Clean energy:** India and the US are collaborating on clean energy research. It was agreed to create a Sustainable Growth Working Group under the India-US Energy Dialogue, to bilaterally address the urgency of climate change. They also noted the growth of US investment in India's energy sector. India and the US welcomed additional efforts aimed at financing clean energy investments, promoting the development of smart grid technologies, energy efficient buildings, solar power, smart and efficient air conditioning and space cooling, and expanding off-grid access to clean energy.[34]

Defence

Jhalak Kakkar (jhalak@prsindia.org)

Indian Air Force inducts the Pilatus aircraft

The Indian Air Force (IAF) has inducted the basic trainer aircraft Pilatus, PC-7 Mk-II from Switzerland.[35] The aircraft will be used for basic training of all new IAF pilots, in addition to those of the Indian Navy and the Coast Guard. The Pilatus aircraft is capable of supporting all the basic training functions, including aerobatics, instrument, tactical and night flying operations.[36]

As per the Ministry of Defence, until recently, this role was performed by the ageing but reliable HJT-16 Kiran aircraft.[35] The Air Force Academy will receive a total of 75 aircraft from Pilatus (Switzerland) by August 2015. The central government approved the procurement of the Pilatus aircraft in May 2012. The first batch of flight cadets will start training from July 2013.

Developed from the piston-powered Pilatus P-3 aircraft, PC-7 Turbo Trainer is a low-wing tandem-seat (side by side) training aircraft. Apart from an integrated ground-based training system, the contract also requires the company to implement the required transfer of technology to Hindustan Aeronautics, enabling establishment of maintenance facilities to support the aircraft throughout its 30-year service life.

Indian Air Force receives Boeing C-17 Globemaster III

The IAF has received the first of the 10 Boeing C-17 Globemaster III aircrafts ordered from the United States of America.[37] The capability of the C-17 includes the ability to take off and land on short runways with heavy loads, and even on unpaved runways.[38] The aircraft can perform a range of operations, from peacekeeping and disaster relief to troop movements from semi-prepared airfields to augmenting airlift capability. The aircraft is set to complement the IAF's 20 IL-76 Soviet-era aircrafts, which were acquired two decades ago.

The agreement for these aircrafts was signed in June 2011 and the cost of the procurement was USD 4.12 billion.[39] The delivery of these aircrafts was slated to commence from June 2013 and be completed by June 2015. Boeing is to support the IAF C-17 fleet by providing access to a worldwide support network for parts availability.

The deal makes India the largest C-17 customer outside the United States. Boeing has also delivered C-17s to the US Air Force, Australia, Canada, Qatar, the United Arab Emirates, the United Kingdom and NATO.

Minority Affairs

Mandira Kala (mandira@prsindia.org)

Cabinet approves restructuring of Multi-sectoral Development Programme

On June 4, 2013, the Cabinet Committee on Economic Affairs approved the restructuring and implementation of the Multi-sectoral Development Programme. [40]

The programme was launched in 2008 as a centrally sponsored scheme and is being implemented in 90 minority concentrated districts across 20 states and union territories. The aim of the programme was to address development issues in these districts by providing socio-economic infrastructure and basic amenities. Under the 12th Five Year Plan Rs 5,775 crore has been allocated to the programme

The restructuring of the programme involves the following modifications:

- The unit of planning for implementation of the programme has been changed from the district to the block. Block Level Committees will be constituted to prepare the plan, and monitor its implementation.
- The programme is extended to cover certain towns, cities and villages.
- To expedite the approval process, the power to approve projects is delegated to state governments.
- The programme will be extended to 6 more states, i.e. Andhra Pradesh, Chhattisgarh, Gujarat, Punjab, Rajasthan and Tripura.

After the proposed restructuring, the programme will be implemented in 710 identified minority concentration blocks and 66 towns and cities.

Shipping

Alok Rawat (alok@prsindia.org)

Standing Committee report on National Waterway (Lakhipur-Bhanga) Bill, 2013

The Standing Committee on Transport, Tourism and Culture presented its report on The National Waterway (Lakhipur-Bhanga Stretch of the Barak River) Bill, 2013 on June 26, 2013.[41] The Bill proposes to declare and develop the 121 km long Lakhipur-Bhanga stretch of the Barak river in Assam as National Waterway (NW) 6.

The Committee had earlier examined and submitted its report on the National Waterway (Lakhipur-Bhanga stretch of the Barak River) Bill, 2007.[42] The previous Bill was introduced in the Lok Sabha in 2007, but lapsed due to the dissolution of the 14th Lok Sabha. Since the contents of both Bill are the same, the Committee reiterated the recommendations made in its report on the previous Bill.

Key recommendations of the Committee are:

- The NW-6 should be extended up to Chittagong in Bangladesh, to facilitate better connectivity to the North-East. Bilateral agreements with Bangladesh should be pursued to connect the NW-1 and NW-2 with NW-6.

- The Committee expressed concern regarding the delay in reintroduction of the Bill and the 34% cost escalation in the intervening period. The Committee also highlighted the failure of the government to operationalise NW 4 and 5 due to lack of funds, and recommended timely allocation of funds for NW 4, 5, and 6.
- The Ministry of Shipping (MoS) should prepare an action plan for repair and service of Inland Water Transport (IWT) vessels on national waterways. The MoS should conduct a detailed study to develop realistic IWT cargo targets.
- The MoS engage with the Ministry of Home to address inadequacy of police deployment on IWT vessels plying between India and Bangladesh.
- The MoS to work with the Planning Commission for the revival of centrally sponsored schemes for the development of the IWT sector.

Standing Committee report on Merchant Shipping (Amendment) Bill, 2013

The Standing Committee on Transport, Tourism and Culture presented its report on the Merchant Shipping (Amendment) Bill, 2013 on June 26, 2013.[43] The Bill proposes to amend the Merchant Shipping Act, 1958 to adhere to the International Convention for the Control of Harmful Anti-Fouling Systems on Ships, 2001 (AFS Convention). The AFS Convention is aimed at protecting the marine environment and human health from adverse effects of anti-fouling paints used to coat the underwater portion of ships.

Key recommendations of the Committee are:

- A grievance-redressal mechanism, especially against undue detention, should be specified clearly in the Bill.
- All pollution control boards should have uniform standards in management and control of wastes arising from anti-fouling systems.
- Domestic ships, not undertaking international voyages, should be provided relaxations from restrictions proposed under the Bill.

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