Monthly Policy Review

September 2016

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Sports sector included in the harmonized master list of infrastructure subsectors (p. 11)

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Finance

Cabinet approves changes related to Budget presentation

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The Union Cabinet approved some changes related to the presentation of the Union Budget 2017-18.[1] These changes include:

- **Merger of Railway Budget with the General Budget:** The Railway Budget will be merged with the Union Budget, and henceforth only one Budget will be presented. As a result, the Railways will not be required to pay an annual dividend on the central government investments into the sector. The Railways will retain its financial autonomy, and continue to receive gross budgetary support from the centre.
- **Advancement of Budget presentation:** Currently, the Union Budget is presented on the last day of February. This date would be advanced to allow for the budget related legislative business (such as approval for the ministry-wise demands for grants and passage of the Finance Bill) to be completed before the commencement of the financial year on April 1. The final date for budget presentation will be decided based on the schedule of state assembly elections.
- **Merger of the Plan and Non-Plan classification:** Expenditure of the government is currently classified under Plan and Non-Plan expenditure. This classification will be removed, and the expenditure will be classified only under the revenue and capital heads.

For a PRS Blog on the 'Financial health of the Indian Railways', please see here.

GST Council formed

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The Constitution (101st Amendment) Act, 2016, which introduces the Goods and Services Tax (GST), received Presidential assent, and was notified.[2] Subsequently, the Union Cabinet cleared the creation of the GST Council on September 12, 2016.[3]

The Constitution provides for the composition, features and functions of the GST Council:

- **Composition:** The GST Council comprises:
  (a) the Union Finance Minister (as Chairman);
  (b) the Union Minister of State in charge of Revenue or Finance; and
  (c) the Minister in charge of Finance or Taxation or any other Minister, nominated by each state government.
- **Weightage of votes:** All decisions of the GST Council will be made by three fourth majority of the votes cast; the centre shall have one-third of the votes cast, and all the states together shall have two-third of the votes cast.
- **Functions of the Council:** The GST Council will make recommendations on several issues related to GST, including: (a) taxes, cesses, and surcharges to be subsumed under the GST; (b) goods and services which may be subject to, or exempt from GST; (c) the threshold limit of turnover for application of GST; (d) rates of GST; and (e) model GST laws.

The following additional decisions were taken by the Union Cabinet in September 2016:[3]

- The Chairperson of the Central Board of Excise and Customs is to be a permanent invitee to proceedings of the GST Council. However, he would have no voting powers.
- **GST Council Secretariat:** The GST Council Secretariat will be set up in New Delhi. The Revenue Secretary is to be the ex-officio Secretary to the GST Council.
- The Secretariat will include officers on deputation from the central and state governments.

So far, the GST Council has had three meetings in September, 2016.[3]

For a PRS analysis of the Constitution (122nd Amendment) Act, 2014 on GST, please see here.

Cabinet approves sanctions for a new indirect tax IT network

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The Cabinet Committee on Economic Affairs approved administrative and financial sanction towards the implementation of Project SAKSHAM.[4] The Project is a new indirect tax network of the Central Board of Excise and Customs. The total cost of the project is estimated to be Rs 2,256 crore, which will be incurred over a period of seven years.

The Project is expected to facilitate the roll-out of the Goods and Services Tax (GST). In addition, it will assist in the: (i) extension of the single window interface for customs clearances, and (ii) initiatives under Digital India and Ease of Doing Business.

Upgradation of the information technology system is expected to be completed by April 1, 2017.

CAD shrinks to 0.1% of GDP in first quarter of 2016-17

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India's current account deficit (CAD) in the first quarter (April to June) of 2016-17 decreased to USD 0.3 billion (0.1% of GDP), from USD 6.1 billion (1.2% of GDP) in the first quarter of 2015-16.[5] CAD in the previous quarter, i.e. the fourth quarter (October to November) of 2015-16 was also USD 0.3 billion (0.1% of GDP).

The decrease in CAD was mainly owing to a lower trade deficit (difference between exports and imports) in the country as compared to the last year. Trade deficit reduced from USD 34.2 billion in the first quarter of 2015-16 to USD 23.8 billion in the first quarter of 2016-17.

Table 1: Balance of Payments in Q1 of 2016-17 (in USD billion)

	Q1 2015-16	Q4 2015-16	Q1 2016-17
Current Account Deficit	-6.1	-0.3	-0.3
Capital Account	18.6	3.5	7.1
Errors and Omissions	-1.1	0.2	0.2
Net increase in reserves	11.4	3.3	7.0

Sources: Reserve Bank of India; PRS.

Finance Ministry releases draft Bill on resolution of financial firms

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The Ministry of Finance released the report of the Committee to draft a Code on Resolution of Financial Firms, along with a draft Bill.[6,7] Comments have been invited on the draft Bill by October 14, 2016.[8]

The Committee identified several issues in the current framework of dealing with insolvency resolution of financial firms such as banks and insurance companies. The Committee observed that presently, (i) multiple laws govern resolution for similar entities (e.g. Both the RBI Act, 1934 and SBI Act, 1955 have provisions for merger / resolution of State Bank of India), (ii) resolution is dealt with by sector-specific regulators, which impedes expertise sharing across similar types of financial businesses, and (iii) various types of financial firms are not covered by legal provisions related to resolution, such as, companies managing mutual funds.

The draft Bill proposes to consolidate the current framework by repealing the Deposit Insurance and Credit Guarantee Corporation Act, 1961, and amending 13 other laws. Key provisions of the draft Bill include:

- **Resolution Corporation:** The draft Bill creates a Resolution Corporation responsible for resolving insolvency of financial firms. The Board of the Corporation will have representatives of RBI, SEBI, IRDA, and the central government, among others.
- **Coverage:** The draft Bill covers financial firms such as banks, insurance companies, and non-banking financial companies. It also has special provisions for cooperative banks. In addition, the government can notify any other entity or funds which will be covered under the draft Bill.
- **Funds of the Corporation:** Three Funds will be created under the Corporation for: (i) payment of insurance on deposits, (ii) incurring resolution costs and fees, and (iii) meeting administrative expenses.
- **Viability risk:** The viability risk of the financial firms will be categorised as low, moderate, material, imminent or critical. This will be done by taking into account their capital, asset quality, liquidity, etc.
- **Resolution process:** The resolution process for critical firms will have to be completed within two years. This period may be extended by one year. The tools available with the Corporation will include merger or liquidation of the firm.
- **Cross-border insolvency:** The draft Bill allows the government to enter into agreements with other countries to enforce the provisions of the proposed law.

DIPP sets up Task Force on Innovation

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The Department of Industrial Policy and Promotion set up a Task Force on Innovation.[9] The Task Force is expected to submit its report within two months.

Terms of Reference of the Task Force include:

- Assess India's position as an innovative country, and suggest measures to improve its ranking on the Global Innovation Index,
- Examine ideas received from the public to inculcate an innovation oriented environment in the country, and

- Assess contribution of Indian universities and academic institutions in different fields of study, and the measures that should be taken to reinforce them.

Defence

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India and France sign an agreement regarding purchase of Rafale aircraft

The Defence Ministries of India and France signed an intergovernmental agreement on September 23, 2016.[10] According to news reports, under the agreement India has agreed to purchase 36 Rafale aircraft for the Indian Air Force for 7.8 billion Euros (about Rs 58,000 crore).[11] Rafale aircraft are multirole combat aircraft manufactured by Dassault Aviation, a French aircraft manufacturer. A draft of the agreement is not available in the public domain.

In April 2015, Indian and France had decided to enter into this agreement during Prime Minister Narendra Modi's visit to France. For more details on the Prime Minister's visit to France, see the PRS Monthly Policy Review for April 2015 here.

Agriculture

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Report on incentivising production of pulses released by Ministry of Finance

The Chief Economic Advisor Dr. Arvind Subramanian submitted a report on 'Incentivising Pulses Production through Minimum Support Price (MSP) and related policies'.[12] Key observations and recommendations of the report include:

- **Availability of pulses:** The production of pulses in the country increased from 11 million tonnes in 2002-03 to 19.3 million tonnes in 2013-14.[13] However, imports also grew in this period, from 0.06 million tonnes in 2000-01 to 5.53 million tonnes in 2015-16. The domestic production of pulses has to grow at 8% per year to meet the shortfall in availability, as opposed to the current growth of 3%.
- **MSPs for pulses:** The MSP for tur and urad should be about Rs 60/kg, adjusted for inflation. The MSP for Rabi pulses such as gram should be set at Rs 40/kg, and should be announced immediately. The factors currently considered by the Commission for Agricultural Costs and Prices in the determination of MSPs do not include risks and externalities. The Commission should review its current methodology and include these factors.
- **Procurement of pulses:** The government should make a focused effort to procure pulses such as moong, tur and urad at their respective MSPs. The market prices of these pulses have currently fallen below their MSPs. To increase procurement, the government should allocate an additional Rs 10,000 crore to procurement agencies such as Food Corporation of India, and state co-operatives, among others. In addition, procurement operations should be monitored, through weekly reporting to the central government, and physical verification of procurement through visual images.
- **Price management of pulses:** Stock limits and export bans set for pulses should be lifted in order to prevent a decline in prices of pulses. State governments should be encouraged to delist pulses from their Agricultural Produce Market Committee Acts, so that produce may be traded outside of the state-owned mandis.
- **Review of Essential Commodities Act, 1955:** The Essential Commodities Act, 1955 controls the supply and distribution of agricultural produce including cereals, pulses, oilseeds, sugar and others. However, it also discourages agricultural marketing firms by requiring producers to sell their commodities in state-owned mandis. This has affected the competitiveness and efficiency of the sector. In addition, private players are unable to purchase stocks in order to stabilise prices, due to the stock limits imposed upon them. The Act must be reviewed to address these factors.

For details, see the PRS Report Summary here.

1st advance estimates of production of Kharif crops for 2016-17 released

The first advance estimates of production of Kharif crops in 2016-17 were released.[14] The production of Kharif food grains is estimated to be 8.9% higher than the 4th advance estimates of 2015-16. The production of most Kharif crops is estimated to be higher, with the production of pulses and oilseeds estimated to increase by 57% and 41% respectively. On the other hand, production of sugarcane is estimated to decrease by 13.3%.

Table 2: First Advance Estimates of Kharif crops in 2016-17 (in million tonnes)

Crop	4th advance estimates of 2015-16	1st advance estimates of 2016-17	% increase over 4th estimates of 2015-16
Food grains	124.0	135.0	8.9%
Rice	91.3	93.9	2.8%
Coarse cereals	27.2	32.5	19.4%
Maize	15.2	19.3	26.6%
Pulses	5.5	8.7	57.0%
Tur	2.5	4.3	74.4%
Oilseeds	16.6	23.4	40.8%
Soyabean	8.6	14.2	65.5%
Groundnut	5.3	6.5	21.7%
Cotton*	301.5	321.2	6.6%
Sugarcane	352.2	305.2	-13.3%

* millions of bales of 170 kgs each.
Sources: Directorate of Economics and Statistics; PRS.

Environment

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Comments invited by the government on environmental release of GM Mustard

The Ministry of Environment, Forest and Climate Change has invited public comments on an expert sub-committee report on "Assessment of Food and Environmental Safety for Environmental Release of Genetically Engineered Mustard".[15] The last date for submission of comments is October 5, 2016.

The sub-committee was constituted by the Genetic Engineering Appraisal Committee (GEAC) under the Ministry of Environment, Forest and Climate Change. The GEAC is responsible for the approval of proposals related to release of genetically engineered organisms and products into the environment, including conducting field trials. Field trials refer to a controlled release of genetically engineered organisms into the environment (e.g., through reproductive isolation and site monitoring).

The current report examines a proposal of the Centre for Genetic Manipulation of Crop Plants of University of Delhi for environmental release of genetically engineered mustard (*Brassica juncea*).[16] It concludes that the consumption of genetically engineered mustard is safe for human and animal health. With regard to the environment, the report states that genetically engineered mustard may not pose any risk to biodiversity and the agrarian ecosystem. However, as a precautionary measure, it recommends post-release monitoring of the genetically modified hybrid.

The GEAC has invited written comments from the public on this report before taking a final decision on the proposal.

Cabinet approves ratification of Paris Agreement on Climate Change

The Union Cabinet approved ratification of the Paris Agreement on Climate Change.[17] India ratified the Agreement on October 2, 2016.

The Paris Agreement was adopted by the Conference of Parties to the United Nations Framework Convention on Climate Change on December 12, 2015.[18] It aims to limit the increase in the global average temperature to a level between 1.5 degrees Celsius to two degrees Celsius above pre-industrial levels. Under this Agreement, member countries have agreed to undertake voluntary domestic commitments (i.e., Intended Nationally Determined Contributions or INDCs) to pursue this target till 2030 (for example, limiting greenhouse gas emissions and increasing forest cover).

The Agreement has been signed by 191 countries. It will come into force when 55 of these countries contributing to 55% of total global greenhouse gas emissions ratify the Agreement. As of September 2016, 61 countries have ratified the Agreement accounting for 48% of global emissions. India accounts for 4% of global emissions.

For more information on the Agreement and India's INDCs see here and here.

Transport

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Flexi-fare system for certain categories of trains introduced

The Ministry of Railways has introduced a flexi-fare system for Rajdhani, Duronto, and Shatabdi trains.[19] The change in fares came into effect on September 9, 2016. Changes proposed under the system include:

- **General fare:** Under this system, the base fare for these trains will increase by 10% with every 10% of berths sold, subject to a ceiling of up to 1.5 times the base fare. Other supplementary charges such as reservation charges, superfast charge, catering charges, service tax, etc., will be levied separately.

- **Tatkal tickets:** Tatkal tickets are used for booking journeys at short notice, and incur additional charges. Under the new systems, the number of berths set aside for Tatkal quota in these trains will continue as per current guidelines. However, the additional Tatkal charges will not be levied. Tatkal tickets will be priced at 1.5 times of the base fare for all classes except first class AC and executive class.
- **Exemptions:** The system will not apply to first class tickets in Rajdhani and Duronto trains, and executive class tickets in Shatabdi trains.

NITI Aayog releases report on the impact of social service obligations by Railways

The NITI Aayog released a report on reviewing the impact of social service obligations by Indian Railways.[20] Key observations and recommendations of the report include:

- Indian Railways attributes the losses it makes in passenger services to its social service obligations. These social services include: (i) the inability to charge adequate fares to all classes of passengers, and (ii) providing several types of concessions (such as cheaper tickets for senior citizens, and children below 12 years of age).
- The report noted that while lower tariffs and concessions substantially contribute to losses in passenger business, they are not the only factors. Inefficiency in Railways' cost structure also significantly contributes to the losses in passenger service business. In a competitive market where the demand for transport is elastic, Railways can only increase fares up to a certain limit depending on competition. It recommended that tariff increase must not be the only mechanism to address such social costs.
- The report noted that in 2014-15, about 73% of the total social service obligation costs were due to lower tariff levels in non-suburban services. Further, while tariff levels of sleeper and second class service is substantially lower than competing services (equivalent bus fare rates), AC services are reasonably higher than the bus fares.
- The report also noted that for 2014-15, while Railways' passenger business incurred a net loss of about Rs 33,000 crore, its freight business made a profit of about Rs 44,500 crore. Railways ends up using profits from its freight business to provide for losses from the passenger segment, and also to manage its overall financial situation. The higher cost of freight segment is eventually passed on to the common public in the form of increased costs of electricity (through higher coal cost), cement, steel, etc. It recommended that the measures to address social costs of passenger service business should also consider ways to rationalise goods tariff distortions.

For details, see a PRS report summary here.

Cabinet approves productivity linked bonus for Railway employees

The Union Cabinet approved productivity linked bonus for eligible non-gazetted railway employees (excluding Railway Police Force personnel).[21] The bonus will be equivalent to 78 days' wages for the financial year 2015-16. The approval will incur an expenditure of about Rs 2,091 crore.

Cabinet approves the Admiralty (Jurisdiction and Settlement of Maritime Claims) Bill, 2016

The Union Cabinet approved the Admiralty (Jurisdiction and Settlement of Maritime Claims) Bill, 2016.[22] It also approved the repeal of five admiralty laws. The Bill consolidates the existing laws relating to admiralty jurisdiction of courts, admiralty proceedings on maritime claims, and arrest of vessels. Admiralty jurisdiction relates to powers of the High Courts in respect of claims associated with transport by sea and navigable waterways.

The Bill is not yet available in the public domain. According to the press release, key features of the Bill include the following:

- **Admiralty jurisdiction:** The Bill grants admiralty jurisdiction to High Courts located in the coastal states of India. This jurisdiction will extend up to territorial waters (i.e. up to 12 nautical miles from the shore). The jurisdiction can be further extended, by a central government notification to: (i) an exclusive economic zone, or (ii) any other maritime zone of India, or (iii) islands constituting part of the territory of India.
- **Applicability:** The Bill will apply to every ship irrespective of the place of residence or domicile of the owner. Ships under construction will be excluded from its application. However, the central government can extend the applicability to these ships. It will also not apply to warships, naval ships, and ships used for non-commercial purposes.

- **Maritime claims:** The Bill provides a list of maritime claims that may be decided under admiralty jurisdiction of the High Courts. To ensure security against a maritime claim, a vessel or ship can be arrested in certain circumstances.

Ministry of Shipping proposes new Model Concession Agreement for ports sector

The Ministry of Shipping proposed a new Model Concession Agreement (MCA) for the ports sector.[23] MCA is a contract that sets the terms and conditions for the execution of a project, and is signed between the concessionaire (private party) and the government. The new MCA will replace the existing MCA that was released in January 2008. Key features of the proposed MCA include:

- **Objectives:** Objectives of the proposed MCA are: (i) more equitable allocation of project risks, (ii) providing for handling unforeseen circumstances, (iii) removing ambiguity in existing provisions, and (iv) attracting more private sector investment.
- **Exit route for concessionaires:** Currently, the concessionaire holds 51% equity until three years after the commercial operation date (COD) of the project and 26% for the balance contract period (or next three years, if no specific period is prescribed). COD is the date on which the concessionaire receives the project completion certificate. The concessionaire is free to exit after six years from the COD. The proposed MCA provides that if performance parameters are achieved during the first three-year period, the concessionaire may approach the Concessioning Authority to waive the equity holding requirement for the second three-year term.
- **Refinancing of debt:** On completion of one year of operation, the concessionaire can issue bonds for refinancing of debt. This will help with optimizing the financial cost of the projects.
- **Commercial operations before COD:** Currently, commercial operations are allowed after COD, once the completion certificate is received. Under the proposed MCA, commercial operations may be permitted before COD. This would be subject to project specific terms and conditions about level of operations and payment to the port.
- **Grievance redressal system:** The proposed MCA provides for a grievance redressal system. Under the system, the concessionaire will create a grievance redressal portal on their website with adequate monitoring system and timelines for redressal. The current MCA does not provide for a grievance redressal system.

Consumer Affairs

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Model Guidelines on direct selling released by Department of Consumer Affairs

The Department of Consumer Affairs released Model Guidelines on Direct Selling.[24] The Model Guidelines have been issued to states and union territories for implementation. They seek to regulate direct selling and multi-level marketing, in order to prevent fraud and protect the rights of consumers. [The Guidelines would be applicable to entities such as Tupperware, Amway and Oriflame.[25]] Key features of the Model Guidelines are as follows:

- **Definition of direct selling:** Direct selling is defined as marketing, distribution, and sale of goods or provision of services as part of a network of direct selling. Such a sale of goods or provision of services should occur at places other than a permanent retail location, such as the consumers' houses or workplace.
- **Prohibition of certain schemes:** Pyramid schemes and money circulation schemes are prohibited by the Model Guidelines. A pyramid scheme is a network of subscribers to a scheme, where the enrolment of additional members results in benefits to the existing members. A money circulation scheme is a scheme to make quick money on the enrolment of new members into a scheme, through entrance fees or periodical subscriptions.[26]
- **Conditions to set up direct selling business:** Certain conditions would have to be met within 90 days of the guidelines being published, in order to set up a direct selling business. These include: (i) being considered a legal entity under the laws of India; (ii) providing accurate information to direct sellers about the remuneration available, as well as their rights and obligations; (iii) having an office in the relevant state to enable access to information about the products and services offered, as well as post-sale grievance redressal; and (iv) the key management should not have

been convicted of a criminal offence with imprisonment over the last five years.

- **Consumer protection:** The direct selling entity and direct sellers have to take certain steps in order to protect rights of consumers. These include: (i) providing consumers with information such as the name of the purchaser and seller, delivery dates, warranty, etc., (ii) constituting a grievance redressal committee to address consumer complaints, and (iii). providing a complaint number for tracking all complaints received over the phone, email, website, etc.
- **Other provisions:** The Model Guidelines also provide: (i) certain obligations which have to be met by direct sellers, (ii) terms of the relationship between direct sellers and direct seller entities, and (iii) that the central and state governments have to set up monitoring mechanisms to deal with issues related to direct selling.

Education

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Cabinet approves establishment of Higher Education Financing Agency

The Union Cabinet has approved the creation of the Higher Education Financing Agency (HEFA).[27] It will promote the creation of high quality infrastructure in premier educational institutions. Key features of HEFA include:

- **Financing:** The HEFA will be jointly promoted by an identified promoter and the Ministry of Human Resource Development with an authorised capital of Rs 2,000 crore. The government equity will be Rs 1,000 crore. The HEFA will be formed as a Special Purpose Vehicle within a public sector bank or a non-banking financial company. HEFA will raise up to Rs 20,000 crore for infrastructure and development projects in IITs/IIMs/NITs and other such institutions.
- **Eligibility of institutions:** All the centrally funded higher educational institutions would be eligible for joining as members of the HEFA. For this, the institution will have to agree to escrow a specific amount from their internal finances to HEFA for a period of 10 years. This amount will be securitised by the HEFA in order to mobilise further funds. Each member institution will be eligible for a credit limit decided by HEFA based on the specific amount escrowed by the institution.
- **Corporate Social Responsibility (CSR) funds:** The HEFA would also mobilise CSR funds from PSUs/corporates, which would in turn be released for promoting research and innovation in the higher education institutions on a grant basis.

Skill Development

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Government notifies National Apprenticeship Promotion Scheme

The government notified the National Apprenticeship Promotion Scheme under the National Policy for Skill Development and Entrepreneurship, 2015.[28] The Policy seeks to work with the industry and Ministry of Small and Medium Enterprises to facilitate an industry led and practice oriented formal training.

Key features of the Scheme include:

- **Financial outlay and disbursal:** The Scheme has an outlay of Rs 10,000 crore with a target of 50 lakh apprentices to be trained by March 2020.
- The central government will reimburse the employer 25% of the prescribed stipend payable to an apprentice.
- **Online administration:** An online portal for the ease of administering the scheme shall be set up. All transactions including registration by employers, apprentices, contract and payment to employers will be on this portal.
- **Employer related responsibilities:** Eligible employers will employ apprentices in the range of 2.5% to 10% of the total workforce strength of the establishment.

Health

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Draft Food Safety and Standards (Alcoholic Beverages Standards) Regulation, 2015 released

Draft regulations for standards of alcoholic beverages were released by the Food Safety and Standards Authority of India.[29] The regulations specify standards for distilled and un-distilled alcoholic beverages. Comments have been invited on these regulations till October 9, 2016.

The standards have been categorised for distilled alcoholic beverage, un-distilled alcoholic beverage, ready to drink low alcoholic beverages and list specific labelling requirements for all alcoholic beverages.

The regulations list the types and sub types of alcohol and the requirements that they must meet, including: (i) alcohol content; (ii) maturity period; (iii) quality of water used for distillation; (iv) flavour and colour usage; (v) labelling requirements specific to low and high alcohol content; and (vi) preservatives, additives and allergen disclosure.

Rural Development

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Standing Committee submits report on Pradhan Mantri Awaas Yojana- Gramin

The Standing Committee on Rural Development (Chair: Dr. P Venugopal) submitted its report on Pradhan Mantri Awaas Yojana- Gramin (PMAY-G).[30] The PMAY-G is a rural housing scheme which was previously being implemented as the Indira Awaas Yojana. In order to achieve the objective of housing for all by 2022, IAY was restructured as PMAY-G in March 2016. The salient observations and recommendations of the Committee include:

- **Performance of the scheme:** Between 2012 and 2016, the number of houses constructed fell short of the target by 44 million units. The Ministry of Rural Development (MoRD) needs to obtain relevant and accurate data from states that either have their own schemes for rural housing or provide additional resources to beneficiaries. This will help in accurately estimating the actual rural housing shortage in the country. In addition, work completed with regard to construction of houses should be documented for one financial year and should not include any backlog. The work done in relation to clearing backlogs should be listed separately.
- **Upgradation of kutcha houses:** Large number of kutcha houses are present in the states of Bihar (65.65 lakh), Uttar Pradesh (48.3 lakh), Madhya Pradesh (47.45 lakh), etc. Special initiatives should be undertaken by the MoRD, state governments and other stakeholders to initiate the process of upgradation of houses. This will also help achieve the objective of housing for all by 2022 in a time-bound manner.
- **Insufficient funding:** Evaluation of financial performance under PMAY-G highlights issues such as insufficiency of funds, significant gaps between allocation and releases, and under-utilisation of released amount in the last few years. For example, from 2012-13 to 2014-15, budget outlays were significantly reduced at the revised estimate stage. Reductions and year-wise variations in releases should be avoided to ensure free flow of funds.

For details, see the PRS report summary here.

Urban Development

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Ministry of Urban Development releases list of 27 new Smart Cities

The Ministry of Urban Development announced 27 more cities under the Smart Cities Mission.[31] Before September 2016, 33 cities had been selected under the Smart Cities Mission. 20 of these cities were selected in January 2016, and 13 were selected in May 2016.[32,33]

The 27 cities selected under the Mission in September are: Amritsar, and Jalandhar from Punjab; Kalyan-Dombivli, Nagpur, Thane, Nashik, and Aurangabad from Maharashtra; Ujjain, and Gwalior from Madhya Pradesh; Tirupati from Andhra Pradesh; Mangaluru, Tumakuru, Shivamogga, and Hubbali-Dharwad from Karnataka; Vellore, Madurai, Thanjavur, and Salem from Tamil Nadu; Agra, Kanpur, and Varanasi from Uttar Pradesh; Kota, and Ajmer from Rajasthan; Rourkela from Odisha; Namchi from Sikkim; Ajmer from Rajasthan; Kohima from Nagaland; and Vadodara from Gujarat.

The Ministry of Urban Development launched the Smart Cities Mission in June 2015.[34] The primary objective of the mission is to promote cities that provide core infrastructure and give a decent quality of life to its citizens, a clean and sustainable environment and apply ‘smart’ solutions. The focus of this Mission is on sustainable and inclusive development.[35] The Mission targets to cover 100 cities and its duration is five years (2015-20).

Coal

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Ministry of Coal amends the New Coal Distribution Policy

The Ministry of Coal amended the New Coal Distribution Policy (NCDP).[36] The NCDP provides guidelines for the distribution and pricing of coal to various sectors (such as independent power producers, and steel plants), and was released in October 2007.

Currently, the distribution of coal to units with requirement of up to 4,200 tonnes per annum is done through agencies nominated by the state government. The amendments increase this limit to 10,000 tonnes per annum.

Currently, under NCDP, coal is allocated to consumers in the small and medium sector (whose requirement is less than 4,200 tonnes per annum). These consumers do not have any access to purchase coal or get into fuel supply agreements with coal companies. The amendments expand the consumer categories to 'small, medium, and others'.

Youth Affairs and Sports

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Sports infrastructure included under the harmonized master list of infrastructure sub-sectors

The Ministry of Finance has included sports infrastructure in the harmonized master list of infrastructure sub-sectors. This list consists of five core sectors: (i) transport, (ii) energy, (iii) water and sanitation, (iv) communication, and (v) social and commercial infrastructure. Sports has been included as a subsector under social and commercial infrastructure.[37] This inclusion pertains to provision of sports stadia and infrastructure for academies involved in training and research in sporting activities.

This status makes the sports sector eligible for obtaining long term financial support from banks and other financial institutions at par with other infrastructure projects. Such parity in financial support is expected to: (i) bolster investment in sports infrastructure, (ii) encourage private investment, (iii) promote health and fitness, and (iv) provide more opportunities for employment.

External Affairs

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Heads of state of Nepal and Afghanistan visit India

The Prime Minister of Nepal Pushpa Kamal Dahal and the President of Afghanistan Ashraf Ghani visited India.[38] During the visits, India signed three agreements with Nepal.[39] These agreements are with regard to the improvement of roads and post-earthquake reconstruction in Nepal. Under one of the agreements, India agreed to extend USD 750 million line of credit to Nepal for post-earthquake reconstruction.

Prime Minister visits Vietnam, China, and Laos

Prime Minister Narendra Modi visited Vietnam, China, and Laos in September 2016.[40] According to news reports, during the visit to Vietnam, both countries signed 12 agreements regarding various sectors, including defence cooperation, information technology, space, and double taxation.[41] Under one of the agreements, India agreed to extend a line of credit of USD 500 million to Vietnam for defence cooperation.[42] It also offered Vietnam a grant of USD five million for setting up a software park.

During the visits, the Prime Minister also attended the 11th G20 Summit in China, and the 11th East Asia and the 14th ASEAN-India Summits in Laos. G20 is a group of 20 major economies (including China, European Union, South Africa, and United States of America), while ASEAN is an association of ten southeast Asian countries (including Indonesia, Singapore, and Vietnam).

India withdraws from attending the SAARC Summit in Islamabad

The Ministry of External Affairs released a statement on September 27, 2016 saying India will be unable to participate in the 19th SAARC Summit.[43] SAARC (South Asian Association for Regional Cooperation) is a regional association of eight South Asian countries. The 19th SAARC Summit was scheduled for November 2016 in Islamabad.

The release stated that the environment was not conducive to holding the summit in Islamabad. This is in light of increasing cross-border terror attacks and interference in internal affairs of the SAARC member countries by one country.

According to news reports, several other member countries (including Bangladesh, Bhutan, Afghanistan and Sri Lanka) expressed reservations with attending the summit as well.[44] The government of Pakistan announced indefinite postponement of the summit on September 30, 2016.[45]

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