

Monthly Policy Review

March 2013

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Low export growth and high growth of imports (oil and gold) widened trade deficit and current account deficit.

[FSLRC submits report on regulating financial sector \(p. 2\)](#)

A high level committee has recommended a new approach to regulating the financial sector, and proposed merging several regulatory bodies.

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The Cabinet cleared amendments to the Bill that include the creation of new categories of beneficiaries, new entitlements, and allowing states to formulate guidelines for identifying beneficiaries.

[Criminal Law Amendment Bill, 2013 passed by Parliament \(p. 6\)](#)

The Bill seeks to redefine the offence of rape and penalise offences such as acid attacks and sexual harassment. It also penalises police officers who fail to record information about a sexual offence.

[Parliament passes legislation prohibiting sexual harassment at the workplace \(p. 6\)](#)

The law passed by Parliament provides a mechanism for women (including domestic workers) to complain against sexual harassment at the workplace.

[Supreme Court de-links forest and environment clearances \(p. 9\)](#)

The Court has allowed the MoEF to de-link environment and forest clearances for linear projects. This implies that once environment clearance for a project is obtained, the project can be initiated in non-forest areas.

[CAG submits report on farm loan waiver scheme \(p. 7\)](#)

The performance audit of the Agricultural Debt Waiver and Debt Relief Scheme, 2008 found errors in the identification of eligible beneficiaries, no extension of fresh credit to farmers and poor monitoring of outcomes.

[Agricultural Biosecurity Bill, 2013 introduced in the Lok Sabha \(p. 7\)](#)

The Bill aims to establish an integrated national biosecurity system covering plant, animal and marine issues to combat threats of bio-terrorism from pests and weeds.

[Report of the Committee on Subordinate Legislation on IT Rules, 2011 \(p. 10\)](#)

The Committee noted the need to define certain terms within the Information Technology Rules, 2011. It also made recommendations relating to the delay in notification of Rules under the Information Technology Act.

[Standing Committee submits report on the Street Vendors Bill \(p. 10\)](#)

Key recommendations include making the Bill applicable to street vendors on railway land and consulting with the Town Vending Committee and other stakeholders in determining vending zones.

April 1, 2013

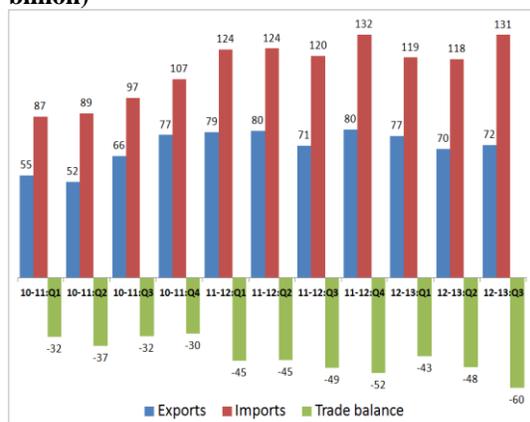
Macroeconomic Developments

Vishnu Padmanabhan (*vishnu@prsindia.org*)

Current account deficit expands to a record 6.7% of GDP

India’s current account deficit widened to a record 6.7% of GDP (or US\$ 32.6 billion) in the October-December 2012 quarter (from 5.4% in the previous quarter).¹ Slowing export growth (0.5% in October-December 2012) coupled with significant import growth (9.4%) because of increased oil and gold imports resulted in a trade deficit of US\$ 59.6 billion which has contributed to the widening current account deficit.

Figure 1: India's trade deficit widens (US\$ billion)



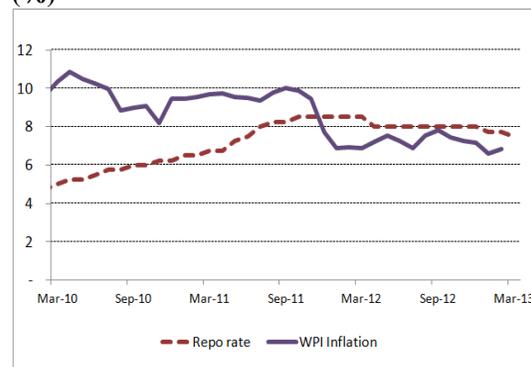
Source: RBI; PRS.

The net foreign direct investment (FDI) inflows reduced to US\$ 2.5 billion in October-December 2012 from US\$ 8.9 billion in the previous quarter. However, net portfolio investment (FII) increased to US\$ 8.6 billion from US\$ 7.6 billion in the previous quarter.

RBI cuts repo rate by 0.25%

In the mid-quarter monetary policy review, the RBI cut the policy repo rate by 25 bps to 7.5%.² The Cash Reserve Ratio remains unchanged at 4%. Decelerating growth remains the concern and according to RBI, the key to reviving growth is increasing investment. According to the RBI, the repo rate cut should make interest rates more competitive. However, it believes that this is not a sufficient condition for investment: supply constraints have to be addressed, fiscal deficit reduced and governance improved.

Figure 2: Repo rate and WPI inflation rate (%)



Source: RBI; PRS.

In terms of inflation, the wholesale price index increased by 6.8% in February (up from 6.6% in January). This reflects the upward revisions to petrol prices; fuel and power inflation jumped to 10.5% (from 7.1%). Food inflation remains elevated at 11.4% (down slightly from 11.9% in January). Rising food prices have also resulted in the consumer price index (CPI) expanding by 10.9% in February. The RBI expects inflation to remain at current levels in 2013-14 because of demand-supply imbalances in the economy and emphasised that the room for further monetary easing is limited.

Finance

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FSLRC submits report and draft Indian Financial Code

The Financial Sector Legislative Reforms Commission (FSLRC), constituted by the Ministry of Finance in March 2011, was asked to comprehensively review and redraw the legislations governing India’s financial system.³ According to the FSLRC, the current regulatory architecture is fragmented and is fraught with regulatory gaps, overlaps, inconsistencies and arbitrage. To address this, the FSLRC has submitted its report to the Ministry of Finance containing an analysis of the current regulatory architecture and a draft Indian Financial Code to replace the bulk of the existing financial laws.

The draft Code is a non-sectoral, principles-based law bringing together laws governing different sectors of the financial system. It addresses nine components, which the FSLRC

believes any financial legal framework should address:

1. **Consumer protection:** Regulators should ensure that financial firms are doing enough for consumer protection. The draft Code establishes certain basic rights for all financial consumers and creates a single unified Financial Redressal Agency (FRA) to serve any aggrieved consumer across sectors. In addition, the FSLRC considers competition an important aspect of consumer protection and envisages a detailed mechanism for cooperation between regulators and the Competition Commission.
2. **Micro-prudential regulation:** Regulators should monitor and reduce the failure probability of a financial firm. The draft Code specifies five powers for micro-prudential regulation: regulation of entry, regulation of risk-taking, regulation of loss absorption, regulation of governance and management, and monitoring/supervision.
3. **Resolution:** In cases of financial failure, firms should be swiftly and sufficiently wound up with the interests of small customers. A unified resolution corporation, dealing with various financial firms, should be created to intervene when a firm is close to failure. The resolution corporation would charge a fee to all firms based on the probability of failure.
4. **Capital controls:** While the FSLRC does not hold a view on the sequencing and timing of capital account liberalisation, any capital controls should be implemented on sound footing with regards to public administration and law. The FSLRC sees the Ministry of Finance creating the ‘rules’ for inbound capital flows and the RBI creating the ‘regulations’ for outbound capital flows. All capital controls would be implemented by the RBI.
5. **Systemic risk:** Regulators should undertake interventions to reduce the systemic risk for the entire financial system. The FSLRC envisages establishing the Financial Stability and Development Council (FSDC) as a statutory agency taking a leadership role in minimizing systemic risk.
6. **Development and redistribution:** Developing market infrastructure and process would be the responsibility of the regulator while redistribution policies would

be under the purview of the Ministry of Finance.

7. **Monetary policy:** The law should establish accountability mechanisms for monetary policy. The Ministry of Finance would define a quantitative target that can be monitored while the RBI will be empowered with various tools to pursue this target. An executive Monetary Policy Committee (MPC) would be established to decide on how to exercise the RBI’s powers.
8. **Public debt management:** The draft Code establishes a specialised framework for public debt management with a strategy for long run low-cost financing. The FSLRC proposes a single agency to manage government debt.
9. **Contracts, trading and market abuse:** The draft Code establishes the legal foundations for contracts, property and securities markets.

Regulators

With respect to regulators, the FSLRC stresses the need for both independence and accountability. The draft Code adopts ownership neutrality whereby the regulatory and supervisory treatment of a financial firm is the same whether it is a private or public company. The draft Code seeks to move away from the current sector-wise regulation to a system where the RBI regulates the banking and payments system and a Unified Financial Agency subsumes existing regulators like SEBI, IRDA, PFRDA and FMC, to regulate the rest of the financial markets.

Regulators will have an empowered board with a precise selection-cum-search process for appointment of members. The members of a regulatory board can be divided into four categories: the chairperson, executive members, non-executive members and Government nominees. In addition, there is a general framework for establishing advisory councils to support the board. All regulatory agencies will be funded completely by fees charged to the financial system. Finally, the FSLRC envisages a unified Financial Sector Appellate Tribunal (FSAT), subsuming the existing Securities Appellate Tribunal (SAT), to hear all appeals in finance. Table 1 provides an outline of the FSLRC’s proposed regulatory architecture.

Table 1: FSLRC’s regulatory architecture

Present	Proposed	Functions
RBI	RBI	Monetary policy; regulation and supervision of banks; regulation and supervision of payments system.
SEBI FMC IRDA PFRDA	United financial agency (UFA)	Regulation and supervision of all non-bank and payments related markets.
Securities Appellate Tribunal (SAT)		FSAT
Deposit Insurance and Credit Guarantee Corporation (DICGC)	Resolution Corporation	Resolution work across the entire financial system.
Financial Stability Development Council (FSDC)	FSDC	Statutory agency for systemic risk and development.
New entities	Debt Management Agency	An independent debt management agency.
	Financial Redressal Agency (FRA)	Consumer complaints.

Source: FSLRC Report; PRS.

SEBI (Amendment) Bill passed in Rajya Sabha

The Securities and Exchange Board of India (Amendment) Bill, 2013 has been passed in the Rajya Sabha and is pending in the Lok Sabha.⁴ The Bill seeks to amend the Securities and Exchange Board of India Act, 1992 (SEBI Act) to widen the qualification criteria for the Presiding Officer of the Securities Appellate Tribunal (SAT).

The Securities and Exchange Board of India (SEBI), established by the SEBI Act, is the regulator for the securities markets of India. The Securities Appellate Tribunal (SAT), established by the SEBI Act, adjudicates on appeals against decisions made by SEBI.

The SAT is a three member appellate authority headed by a Presiding Officer. As per the Act, the Presiding Officer has to be a sitting or retired Supreme Court Judge or a sitting or retired Chief Justice of a High Court. In January 2013, an Ordinance was notified extending the qualification criteria for the role of Presiding Officer of the SAT. Under the Ordinance, sitting or retired Judges of a High Court with a

minimum service of seven years are also eligible to become a Presiding Officer. The SEBI (Amendment) Bill, 2013 replaces the Ordinance. Given that the Bill is yet to be passed by the Lok Sabha, the Ordinance will lapse six weeks after the current session, i.e. on April 4, 2013.

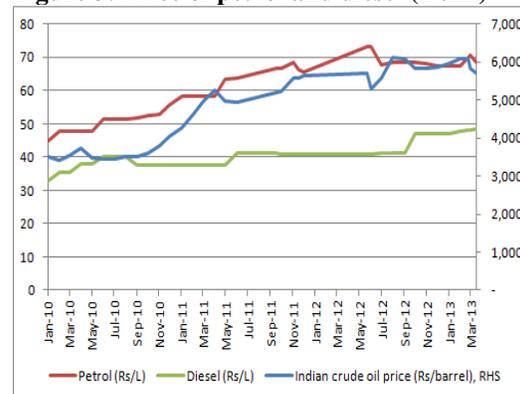
Energy

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Petrol prices decreased, diesel prices hiked

Oil marketing companies (OMCs) have reduced the price of petrol by Rs 2 per litre (excluding VAT).⁵ This follows a Rs 1.4 per litre hike earlier in the month. Falling oil prices have meant oil imports are less costly and OMCs have decided to pass this on to consumers. Diesel prices have also been increased by Rs 0.45 per litre. This is the third hike in diesel price since the government permitted small revisions in diesel price and follows a Rs 0.45 per litre increase in February. After the latest increase, the under-recovery on diesel would be Rs 8.2 per litre.

Figure 3: Price of petrol and diesel (Delhi)



Source: PPAC; PRS.

Power

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Ratings introduced for discoms

The Ministry of Power has launched integrated rating systems for State Power Distribution Utilities (discoms) to identify areas of concern and incentivise improved performance.⁶ The ratings, conducted by ICRA and CARE Ratings,

takes into account financial performance parameters like subsidy received, AT&C (aggregate technical and commercial) losses and financial planning; efficient regulatory parameters (like issue of tariff guidelines and timely issue of tariff order); and unbundling/corporatisation reforms. Some of the other key findings from the study were:

- Most discoms lie in the range of B+ and B suggesting moderate to below average operational and financial performance capability.
- Four discoms from Gujarat scored the highest ratings of A+ indicating very high operational and financial performance capability.
- Most discoms in states have suffered from large loss because increasing expenses (higher fuel cost, wages and interest cost) have not been matched by the increase in tariffs. Discoms in Gujarat are the exception because of satisfactory collection performance and cost-reflective tariffs.
- Discoms in Tamil Nadu, Rajasthan, Andhra Pradesh, Uttar Pradesh, Punjab and Haryana have built up substantial debt as a result of cash losses.
- AT&C loss improved steadily and has remained relatively low for discoms in Gujarat, Karnataka (except for CESC), Maharashtra, Andhra Pradesh, Himachal Pradesh and Kerala. For other discoms, AT&C losses remain at relatively high levels.
- Haryana, Kerala and Chhattisgarh discoms have been receiving tariff related subsidies regularly from the state government.
- With the exception of Kerala and Jharkhand, most states have unbundled/corporatized utilities.

A detailed overview of the Indian power sector can be found [here](#).

Consumer Affairs, Food and Public Distribution

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Amendments proposed to the National Food Security Bill, 2011

The National Food Security Bill, 2011 was introduced in the Lok Sabha on December 22,

2011. It seeks to provide for food and nutritional security by providing specific entitlements to certain groups. Amendments to the National Food Security Bill, 2011 were circulated in Parliament on March 20, 2013.⁷ The amendments propose changes to the categorisation of beneficiaries, the category-wise entitlements, and the method of identifying beneficiaries.

Key amendments include:

- The Bill categorises the population into priority, general and excluded categories. It also provides entitlements for other groups such as the destitute, homeless, starving persons, children and pregnant women. The amendments change the categorisation of beneficiaries into the following categories: a priority group, an Antodaya Anna Yojana (AAY) group, and an excluded category. However, starving, destitute and homeless categories have been removed from the beneficiary groups while the categories for pregnant women and children still continue to be included as beneficiaries. The Standing Committee had recommended that beneficiaries be categorised into two groups: included and excluded.
- The Bill provides different entitlements to groups. Beneficiaries in the priority group were entitled to receive seven kg of foodgrain/person/month while the general group was to receive three kg of foodgrain/person/month. Entitlements varied for other groups such as the destitute, homeless, pregnant women and children. The amendments revise the entitlements such that the AAY group receives 35 kg of foodgrain/family/month while the priority group receives five kg of foodgrain/person/month. The Standing Committee had recommended that the included category receive five kg of foodgrains/person/month and the government review entitlements from time to time.
- Prices for the eligible households under priority and AAY groups shall stay the same as they were in the Bill (Rs 3/kg for rice, Rs 2/kg for wheat, Re 1/kg for coarse grains). However, a clause has been introduced to empower the centre to revise prices after the first three years. The Standing Committee had recommended that the government review the prices periodically.

- The Bill provides for the centre to determine the percentage of people in each state that shall be covered under the Bill and prescribe guidelines for their identification. States would be responsible for identifying eligible households. The amendments specify that the centre shall determine the total number of persons to be covered in each state on the basis of population estimates as per the census. It also modifies this provision to allow each state government, rather than the centre, to specify guidelines for the identification of priority households while AAY households shall be identified according to scheme guidelines. The Standing Committee had recommended that the centre coordinate with states to identify households.

For a PRS comparison of the official amendments with the Bill and the Standing Committee's recommendations, see [here](#).

For more documents related to the Food Security Bill, see [here](#).

Home Affairs

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Criminal Law (Amendment) Bill, 2013 passed in both Houses

On March 19, 2013, the government introduced the Criminal Law (Amendment) Bill, 2013 in Lok Sabha to repeal the Criminal Law Amendment Ordinance, 2013. The Bill sought to achieve the following purposes:

- Penalise new offences of acid attacks, stalking, voyeurism and disrobing a woman.
- Redefine the offence of rape under the Indian Penal Code to include use of other body parts and objects to commit rape.
- Penalise police officers who fail to record information about a sexual offence.
- Penalise persons in charge of hospitals if they do not provide free first aid and medical treatment to a rape victim immediately.
- Mandate the assistance of special educators and interpreters to victims and witnesses of sexual offences who are differently-abled.
- It also penalises offences of sexual harassment, voyeurism, and stalking. It specifies penalties for rape resulting in death or persistent vegetative state and for repeat sexual offenders. These were not specified under the Indian Penal Code.

The Bill was passed by Lok Sabha on March 19 and by Rajya Sabha on March 21, 2013. A PRS analysis of the Criminal Law Amendment Ordinance 2013, which preceded the 2013 Bill (and comprises similar provisions) may be accessed [here](#).

A table comparing the changes made to the Bill as passed by both Houses of the Parliament to the Indian Penal Code is accessible [here](#).

Women and Child Development

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Parliament passes legislation prohibiting sexual harassment at the workplace

Recently, Parliament passed a law that addresses the issue of sexual harassment in the work place. The Protection of Women Against Sexual Harassment at Workplace Bill, introduced in the Lok Sabha on December 7, 2010, drew on the 1997 judgment of the Supreme Court (known as the Vishaka judgment) to codify measures that employers need to take to address sexual harassment at the work place.

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

The Bill was first passed by Lok Sabha on September 3, 2011. It incorporated many of the amendments recommended by the Standing Committee on Human Resource Development that examined the Bill. The Rajya Sabha passed it on February 27, 2013 without any new amendments.

Key changes in the Act from the Bill:

- The Bill had excluded domestic workers from its purview. The Act includes domestic workers.
- The Bill did not allow the member representing an NGO committed to the cause of women in the Internal Complaints Committee to engage in paid employment outside office. The Act deletes this provision and adds that members would be paid an allowance or fees.
- The Bill required that a Local Complaints Committee (LCC) be constituted in every district and additional LCCs be constituted at

block levels. At the block level the additional LCC will address complaints where the complainant does not have recourse to an Internal Complaints Committee or where the complaint is against the employer.

The Act changed the above provision to state that the District Officer shall constitute a LCC at the district level. The LCC shall receive complaints from workplaces which do not have Internal Complaints Committee or if the complaint is against the employer. The District Officer shall designate one nodal officer in every block, taluka and tehsil to receive complaints and forward it to the concerned LCC within seven days.

For a PRS comparison of the Bill, Act and Standing Committee recommendations, see [here](#).

Agriculture

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Agricultural Biosecurity Bill, 2013 introduced in the Lok Sabha

The Bill was introduced on March 11, 2013.⁸ It aims to establish an integrated national biosecurity system covering plant, animal and marine issues to combat threats of bio-terrorism from pests and weeds. Such a system would not only help protect human health and agricultural production, it would also equip the country to meet international obligations under several trade and sanitary agreements in food and agricultural products. The Bill repeals the Destructive Insects and Pests Act, 1914 and the Livestock Importation Act, 1898.

Some of the Bill's key features are:

- The Bill establishes the Agricultural Biosecurity Authority of India (Authority). The functions of the Authority shall include: (i) regulating the import and export of plants, animals and related products; (ii) preventing the introduction of quarantine pests from outside India; and (iii) implementing post-entry quarantine measures. It can issue directions to importers and exporters of such products for the discharge of its functions.
- Exports and imports of plants, animals, and plant or animal products shall not be permitted except where permits have been issued by the Authority.

- The Authority may notify an area to be controlled if it suspects an area is infested with a quarantine pest. Further, the Authority may also recommend to the central government to declare a biosecurity emergency in an area in case of an outbreak or spread of a pest with the potential to threaten biosecurity. In case of such an emergency, the Authority may notify a scheme to manage or eradicate such an organism.
- The penalty for contravening the provisions of this Act is an amount that can extend up to Rs two lakh. The punishment for interfering with seized items is imprisonment upto six months and a fine extendable to Rs two lakh. The punishment for false information, for impersonation and obstruction of a Designated Officer, contraventions in relation to imports and exports, and subsequent offences has also been specified.

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

CAG presents report on farm loan waiver scheme

The CAG presented a report on its performance audit of the Agricultural Debt Waiver and Debt Relief Scheme, 2008 on March 5, 2013.⁹ The scheme was launched in May 2008 to address the issue of financial indebtedness of farmers. It did so by providing debt waivers and relief packages to farmers for their loans and issuing fresh loans. Under the scheme, the central government released Rs 52,000 crore to clear part of the dues of farmers.

Debt waivers to farmers were administered through lending institutions. The audit focused on the role of lending institutions and the efficiency with which they discharged their duties. This would help assess whether the implementation of the scheme was in accordance with its guidelines. The CAG review covered 25 states and the accounts of 90,576 beneficiaries (farmers) in 715 branches of lending institutions.

Some of the findings and recommendations from the audit report pertain to identification errors, non-delivery of fresh loans to farmers, and inadequate monitoring. Key findings are:

- **Errors in identification of eligible beneficiaries:** The audit revealed that 13.5% of accounts audited, though eligible, to receive debt waiver benefits under the scheme, were not considered by the lending institutions while preparing the list of eligible

farmers. In addition, farmers were denied benefits even though their names appeared in the list of beneficiaries. The CAG recommended that the implementing authority review beneficiary lists in selected banks by focusing on those states where indebtedness was high.

- **No extension of fresh credit to farmers:** After extending benefits under the scheme, the lending institutions were required to issue certificates to farmers and obtain acknowledgment letters. This was to ensure that the farmer was eligible for applying for fresh loans from the institution. However, it was found that in 34.2% of the accounts verified, there was no proof that lending institutions had issued certificates to farmers for receiving debt waivers nor that acknowledgment letters had been obtained from them.
- **Outcomes relating to fresh loans not monitored:** The scheme also enabled farmers to avail of fresh agricultural credit from banks. The audit revealed that the scheme guidelines defined outcomes of the scheme in terms of the number of beneficiaries eligible for debt waivers rather than the number of fresh loans extended. There was little monitoring to ensure that targets of fresh loans extended were being achieved.

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

Standing Committee presents its report on the Rani Lakshmi Bai Central Agricultural University Bill, 2012

The Standing Committee presented its report on the Rani Lakshmi Bai Central Agricultural University Bill, 2012 on March 14, 2013.¹⁰ The Bill was introduced in the Lok Sabha on May 22, 2012. It was referred to the Standing Committee on Agriculture on June 8, 2012.

The Bill seeks to establish an agricultural university called the Rani Lakshmi Bai Central Agricultural University in Jhansi, Uttar Pradesh. The jurisdiction of the university shall extend to the Bundelkhand region (covering seven districts in Uttar Pradesh and six in Madhya Pradesh). Initially, it would establish two colleges in Jhansi and later two in Madhya Pradesh.

Some of the Committee's recommendations are:

- The Committee observed that if the proposed university is to be established in the Bundelkhand region, then it should be located

in a central location. It was of the view that Chhatarpur, MP rather than Jhansi qualifies to be the most appropriate location for the proposed university. Therefore, it recommended that the proposed university, including its headquarters and one college, be immediately established in Chhatarpur where the state government has already offered land for the purpose. A college may also be set up at Jhansi. Thereafter, the remaining two colleges should be established in the MP portion and the UP side of Bundelkhand.

- The Committee found a lack of clarity about the entry item in the Constitution under which the proposed university should be established. Until now, the sole central agricultural university (CAU) at Imphal has been established as an educational institution under Entry 25 of the Concurrent List. However, due to significant opposition to the introduction of this Bill under the same entry, the Bill was introduced as an institute of national importance under Entry 63 of the Union List. The Committee recommended establishing the university under either Entry 64 as an institution for scientific and technical education or under Entry 25 of the Concurrent List.
- The Committee noted that despite the undue hurry shown by the government, planning for the university has been stuck at the proposal stage since mid-2009. It strongly deprecated the Ministry's inertia in planning and establishing an institute, which was purported to help develop a backward region. Therefore, it recommended that the reworking of the Bill and other formalities be completed expeditiously so that the proposed university could be set up and operationalised in the Twelfth Plan.

For other documents on the Bill, see [here](#).

Standing Committee presents its report on the National Cooperative Development Corporation (Amendment) Bill, 2012

The Standing Committee submitted its report on the National Cooperative Development Corporation (Amendment) Bill, 2012 on March 22, 2013.¹¹ The Bill was introduced in the Lok Sabha on May 17, 2012. It was referred to the Standing Committee on May 25, 2012.

The Bill amends the National Co-operative Development Corporation (NCDC) Act, 1962. As per the Statement of Objects and Reasons, the

Act establishes the NCDC for planning and promoting programmes for the production, processing, marketing, storage, export and import of agriculture produce, industrial goods and related commodities and services on co-operative principles.

The Bill proposes to bring producer companies within the ambit of co-operative societies. Producer companies are defined in the Companies Act, 1956. Members and owners of a producer company consist of persons engaged in activities relating to primary produce (agriculture, horticulture, fishing etc.) such as small and marginal farmers, horticulturists and artisans. Currently, these companies lack institutional support and credit, which inhibits their expansion and growth. The proposed amendment seeks to provide an additional source of credit to the producer companies through the NCDC.

Some of the Committee's observations are:

- The Committee gathered the impression that the government has not handled the concept of producer companies properly. Ministries responsible for formulating the idea of producer companies have been unable to provide crucial documentation on the issue. Furthermore, there is no clear-cut law specifying their aims and objectives. Producer companies are only mentioned in a residuary clause of the Companies (Amendment) Bill, 2012. The Committee recommended creating a law on producer companies such that groups of producers, who are mostly small and marginal farmers, can become aware of the legal ramifications before they launch their ventures.
- The Committee noted that it is likely that finances from the NCDC fund could be availed by well-established big companies rather than producer companies. The Committee recommended that the NCDC Act, 1962 and the rules be modified so as to ensure that NCDC funds are not given to undeserving groups.
- The Committee noted that since the formation of producer companies is a voluntary process, no law or mechanism exists to ensure the compulsory allotment for weaker sections, such as the Scheduled Castes, in the management of producer companies. The Committee recommended that such provisions be made in the NCDC

Act to protect the interests of marginalised sections.

For related documents on the Bill, see [here](#).

Environment

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Supreme Court de-links forest and environment clearances

As per news reports, the Supreme Court has allowed the Ministry of Environment and Forests (MoEF) to modify its norms to de-link environment and forest clearances for linear projects.¹² Linear projects involve the diversion of forest land for the construction of roads, canals, laying of pipelines, optical fibres and transmission lines.

This implies that environment clearance can be granted for linear projects pending the grant of stage I forest clearance under the Forest Conservation Act, 1980. The Act provides that sanction of the central government has to be taken for the diversion of forest land for any non-forest purpose. Hence, work on a project can now be initiated in non-forest areas.

The MoEF had modified the relevant guidelines in 2011 and stated that the project proponent shall first explore the feasibility of executing the project without using forest land. If this is not feasible, stage I forest clearance needs to be obtained before seeking environmental approval.¹³ This was based on the Supreme Court's direction in the Lafarge case, where it was made mandatory to obtain a forest clearance before work on the entire stretch, falling in forest and non-forest areas, could begin.¹²

The MoEF has stated that appropriate safeguards will be stipulated to ensure that there is no adverse impact on the environment on account of this relaxation.¹³ This relaxation has been done in view of the operational problems being faced by project proponents in execution of linear projects.¹³

Information Technology

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Committee on Subordinate Legislation submits report on the IT Rules 2011

On March 21, 2013 the Lok Sabha Committee on Subordinate Legislation released its report on the Information Technology Rules, 2011 notified under the Information Technology Act, 2000.¹⁴ The Rules related to four aspects: (a) liability of web hosts for content uploaded by third parties; (b) protection of personal information stored in electronic databases; (c) regulation of cyber cafés; and (d) regulation of electronic service delivery. The provisions of the Rules and the Committee's recommendations are summarised below:

- **Intermediary Guideline Rules, 2011:** The Rules require web hosts to inform the users not to publish any information that is grossly harmful, harassing, blasphemous, defamatory, obscene, pornographic, paedophilic, libellous, invasive of another's privacy, hateful, or racially, ethnically objectionable, or disparaging.
- The Committee noted that the terms used were vague and were not defined in the Rules. It noted the submission of the Department that the terms were defined in other laws. The Committee recommended that the definitions given in other laws should be provided under these Rules to remove ambiguities.
- **Cyber Café Rules, 2011:** The Rules require Cyber Cafés to maintain a register or record of users, their identity and addresses, the websites visited and the staff.
- The Committee was of the view that the Rules would impose operation costs on the small companies providing internet services. This, it argued, would have an adverse impact on the penetration of internet.
- The Committee also noted the requirement of the Rules to provide separation between computer kiosks. The Committee was of the opinion that this would not adequately protect the users' privacy from bystanders.
- **Constitution of the Cyber Regulation Advisory Committee:** The Committee noted that a Cyber Regulation Advisory Committee (CRAC) was established under the Information Technology Act, 2000. The CRAC has to advise the government on Rules

under the Act. The Committee noted that the CRAC had held meetings only twice, once in 2000 and later in 2001. The Committee further observed that it was not clear whether the membership of the existing CRAC was representative of the interests of the stakeholders.

- **Delays in notifying Rules:** The Committee also noted the delay in the framing of Rules under other sections of the Information Technology Act. The amendments to the Act to provide for establishment of the Critical Information Infrastructure Protection Agency were notified in 2009. However, Rules relating to the manner of performance of functions and duties of the Agency are yet to be notified. Similarly, the terms and conditions of the employees of the Computer Emergency Response Team (established under the Information Technology Act after the amendment notified in 2009) are yet to be notified. The Committee recommended that the Ministry take urgent steps to ensure that the Rules are notified.

The Committee's report on the Rules may be accessed [here](#). A PRS Analysis of the Rules can be found [here](#).

Housing and Urban Poverty Alleviation

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Standing Committee submits report on the Street Vendors Bill

On March 13, 2013, the Standing Committee on Housing and Urban Poverty Alleviation submitted its report on the Street Vendors (Protection of Livelihood and Regulation of Street Vending) Bill, 2012.¹⁵

The government had introduced the Bill in September 2012. The Bill seeks to establish a uniform mechanism for the regulation of street vending in the country.

Some of the recommendations of the Committee are:

- The Bill states that it shall not be applicable to land owned or controlled by the Railways under the Railways Act, 1989. The Committee recommended that the Ministry revisit the issue of the non-inclusion of street vendors on railway land.

- The Bill provides that the local authority shall determine the vending zones. The Committee recommended that the Bill be amended to specifically require the local authority to consult the Town Vending Committee (TVC) and other stakeholders before determining the vending zones.
- Under the Bill, the local authority may relocate street vendors on grounds of public nuisance, obstruction to traffic, or for any other public purpose. The Committee recommended that the local authority consult the TVC prior to any relocation or eviction.
- The Bill does not provide for the renewal of the vending certificate. The Committee recommended that the Bill be amended to provide that the vending certificate should be renewed every three years.

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

Education

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Two education related Bills introduced in the Budget session

The government introduced the Indian Institutes of Information Technology Bill, 2013 in the Lok Sabha on March 18, 2013. Currently, there are four Indian Institutes of Information Technology (IIITs) at Gwalior, Allahabad, Jabalpur and Kancheepuram. The HRD Ministry seeks to establish 20 new IIITs on the basis of Public Private Partnerships. This Bill seeks to declare the four existing IIITs as institutions of national importance and provide for the establishment of new IIITs.¹⁶

The National Institutes of Technology, Science Education and Research (Amendment) Bill, 2013 was introduced in the Lok Sabha on March 4, 2013. It seeks to amend the 2007 Act to bring the Bengal Engineering and Science University, Shibpur, West Bengal under its purview. It converts the Bengal Engineering and Science University to the Indian Institute of Engineering Science and Technology.¹⁷

Notification of Copyright Rules, 2013

The HRD Ministry notified the Copyright Rules, 2013 on March 14, 2013.¹⁸ The Copyright Act, 1957 was amended in May 2012. It expanded

the definition of “copyright” and introduced a system of statutory licensing to protect owners of literary or musical works.

The key provisions of the 2013 Rules include: (a) statutory licence for cover versions and broadcasting of literary and musical works and sound recording; (b) compulsory licences for works withheld from the public, for the benefit of disabled people; (c) registration of Copyright Societies and Performer’s Right Societies; and (d) storage of transient or incidental copies of works.¹⁹

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

Health

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Parliamentary panel objects to Bachelor of Rural Healthcare course

The Parliamentary Standing Committee on Health and Family Welfare submitted its report on the Proposal to Introduce the Bachelor of Science (Community Health) Course on March 19, 2013.²⁰

According to the Ministry, the objective of such a course is to meet the shortage of health professionals in rural areas.²¹ The course is proposed to be conducted by a medical school attached to the district hospital. The duration of the course shall be three years with six months of internship. The graduates shall be employed only in sub-centres at the village level. They would be designated as Community Health Workers (not doctors).²⁰

However, the Committee objected to ministry’s plan to introduce this shorter medical degree course. It was of the view that such a course would institutionalize the difference in quality of doctors in rural and urban areas. It also pointed out that the curriculum for such a course was inadequate and the infrastructure in district hospitals is insufficient for training such students.²⁰

Instead, the committee recommended a compulsory one year rural posting for medical graduates to address healthcare needs in rural areas. It also suggested opening up of medical colleges and posting of nursing graduates to meet the shortage of doctors.²⁰

Law and Justice

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Standing Committee submits report on the Registration of Births and Deaths (Amendment) Bill, 2012

On February 27, 2013, the Standing Committee on Personnel, Public Grievances, Law and Justice submitted its report on the Registration of Births and Deaths (Amendment) Bill, 2012.²²

The Bill amends the Registration of Births and Deaths Act, 1969. The Act regulates the registration of births and deaths. The Bill proposes to include the registration of marriages within its purview. It requires that all marriages should either be registered under the Bill or any other law (including state laws).

The Statement of Objects and Reasons of the Bill states that the Bill was made pursuant to a Supreme Court decision in 2006 in the case of *Seema vs Ashwini Kumar*. The court had directed the government to enact a legislation to provide for compulsorily registration of marriages and had directed the central government to place the legislation before the court for scrutiny.

Some of the recommendations of the Committee are:

- The Committee was of the opinion that the Supreme Court's decision amounted to interference by the judiciary in the legislative sphere. It recommended the government take appropriate legal action in consultation with the Attorney General of India for a review of this observation of the Supreme Court.
- Under the Bill, it is the obligation of the person in charge of the religious institution, head of the household, person in charge of the hotel or the head of the village to intimate the details of the marriage to the Registrar. The Committee recommended that special efforts should be made by the government to ensure that the specified person transfers records and details electronically or in a hassle free manner in order to reduce the burden on the relevant people.
- The Committee observed that even though the Bill makes it mandatory for marriages to be registered, it does not provide for any serious penalty or consequence for non-registration of the marriage. Under the Bill, the non-registration of marriage does not

affect the validity of the marriage. The Committee was in agreement with such a scheme.

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

Defence

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Standing Committee report on Armed Forces Tribunal (Amendment) Bill

The Standing Committee on Defence tabled its report on the Armed Forces Tribunal (Amendment) Bill, 2012 on March 20, 2013.²³ The Bill was introduced in the Rajya Sabha on August 13, 2012. The Bill seeks to amend the Armed Forces Tribunal Act, 2007.

The Act establishes the Armed Forces Tribunal (AFT) to provide for quicker and less expensive resolution of disputes for the members of the three defence services (Army, Navy and Air Force). The Bill seeks to increase the tenure and age of retirement of the members and empower the tribunal with the power of civil contempt. The key recommendations of the Standing Committee are:

- **Tenure and age of retirement:** Under the Act, the tenure of the Chairperson and members of the Tribunal is four years. The Bill increases their tenure to five years. However, unlike under the present Act, they will not be eligible for reappointment. The Act states that if the Chairperson is a former Chief Justice of a High Court, he can hold office until he is 65 years. The Bill enhances the age limit of the Chairperson to 67 years. It also proposes to enhance the age limit of the judicial members from 65 years to 67 years. The Committee was in agreement with amendments to increase the tenure and age of retirement of the members. It was of the view that the amendments would bring stability and continuity in the functioning of the AFT.
- **Power of civil contempt:** The Act provides for criminal contempt of the Tribunal. The Bill empowers the Tribunal with the power of civil contempt, i.e., the enforcement of the orders passed by the Tribunal. The Committee recommends giving civil contempt powers to the Tribunal with regard

to cases of retired defence personnel. However, the Committee was of the view that the conferment of such powers with regard to serving defence personnel should not be granted now. It was of the view that no serving defence officer should be made to appear before the Tribunal for civil contempt. The Committee suggested that the Ministry could revisit this arrangement when the system has matured and stabilised.

- **Vacancy of judicial member posts:** The Committee was disconcerted to note that the AFTs are functioning with a high number of judicial members' posts lying vacant. Such vacancies not only hamper the work of the AFT but also affect its service delivery. The Committee stated that the proposed amendments would help remedy this situation and reduce the pendency of cases.

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

Information and Broadcasting

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Implementation of the digitisation of television networks

As per news reports, the Telecom Regulatory Authority of India has noted that the Multi-system Operators have not installed Subscriber Management Systems (SMS) yet. With SMS, the complete details of the subscriber and his choice of channels is recorded.

The purpose of digitisation was to enable determination of service tax collectable for television services.²⁴ Further, as per news reports, without installation of the SMS it will not be possible to extend the full benefits of digitization to the subscribers.²⁵ As per news reports, a majority of the Multi-System Operators and Local Cable Operators have yet not complied with the requirement to install the SMS.²⁵

Civil Aviation

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Aircraft Acquisition Committee abolished

The Civil Aviation Ministry has abolished the Aircraft Acquisition Committee.²⁶ The government established the Committee in October 2012 to examine and make recommendations on all proposals for import and acquisition of aircrafts for various purposes.

Previously, any company wanting to import planes required a No-Objection Certificate and an in-principle approval from the Ministry. The Committee was required to give recommendations to the Ministry with regard to approvals for various acquisition proposals of companies. With the abolition of the Committee, permission for actual import and replacement of aircrafts will no longer require approval by the Ministry. The DGCA will be responsible for executing all formalities related to acquisition and replacement of aircrafts.

Government Approves flexible use of airspace

On March 8, 2013, the Cabinet Committee on Security (CCS) approved the flexible use of airspace by civil and military users.²⁷ Flexible use of airspace permits both civil and military users to utilise the airspace on a sharing basis. According to the press release, the primary objective of the flexible use of airspace is to: (a) enhance airspace capacity; (b) minimize delays; (c) fuel conservation; and (d) emission reduction.

In order to implement the flexible use of airspace, the CCS has set up a National High Level Airspace Policy Body. The Body will be responsible for assessing the airspace requirement of the various stakeholders. It will also be responsible for introducing procedures for allocating airspace. The High Level Body will include representatives from the Ministry of Civil Aviation, Defence, Air force, Navy, Indian Space Research Organisation, Directorate General of Civil Aviation and Airports Authority of India.

Labour

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Standing Committee invites suggestions on the amendments to the law prohibiting child labour

The Standing Committee on Labour has invited suggestions from the public on the Child Labour (Prohibition Regulation) Amendment Bill, 2012, within 20 days, starting from March 15, 2013.²⁸ The Bill, introduced in the Rajya Sabha on December 4, 2012, seeks to amend the Child Labour (Prohibition and Regulation) Act, 1986, which prohibits the engagement of children in certain types of occupations and regulates the condition of work of children in other occupations.

Key features of the Bill:

- Currently, the Act prohibits employment of children below 14 years in certain occupations such as automobile workshops, bidi-making, carpet weaving, handloom and power loom industry, mines and domestic work. In light of the Right of Children to Free and Compulsory Education Act, 2009, the Bill seeks to prohibit employment of children below 14 years in all occupations except where the child helps his family after school hours.
- The Bill adds a new category of persons called “adolescent”. An adolescent means a person between 14 and 18 years of age. The Bill prohibits employment of adolescents in hazardous occupations as specified (mines, inflammable substance and hazardous processes).

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

Youth Affairs and Sports

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Working group on Sports Development Bill constituted

The Ministry of Youth Affairs and Sport has constituted a Working Group to prepare a revised draft of the Sports Development Bill.²⁹ The working Group will be headed by Justice Mukul Mudgal and will revise the existing draft bill, recommend draft model rules, and examine the possibility of creating separate bodies like a

Sports Election Commission and an Ethics Committee.

In 2011, the government had drafted a Sports Development Bill to improve the transparency and governance in the country’s sport federations.³⁰ The Draft Bill provides for greater representation of athletes in a national sports federation – at least 25% of voting powers are to be held by athletes. The draft Bill also creates a National Sports Development Council to be headed by an eminent athlete (defined as a national or international award winner). A sports ombudsman (a retired High Court with sports knowledge) would be established to adjudicate over disputes. The Sports Authority of India would evaluate the performance of athletes and national sports federations.

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² “Mid Quarter Review of Monetary Policy 2012-13”, Reserve Bank of India, March 19, 2013.

³ “Report of the Financial Sector Legislative Reforms Commission,” Ministry of Finance, March 27, 2013.

⁴ The Securities Exchange Board of India (Amendment) Bill, 2013, March 11, 2013. [http://www.prsindia.org/uploads/media/SEBI %28A%29 Bill, 2013/The Securities and Exchange Board of India %28A%29 Bill, 2013.pdf](http://www.prsindia.org/uploads/media/SEBI%28A%29%20Bill,%202013/The%20Securities%20and%20Exchange%20Board%20of%20India%28A%29%20Bill,%202013.pdf)

⁵ “Press release on MS and HSD prices”, IndianOil, March 15, 2013.

⁶ “First Annual Integrated Rating of state distribution utilities”, Ministry of Power, March 19, 2013.

⁷ Official List of Amendments, National Food Security Bill, 2011, March 20, 2013. [http://www.prsindia.org/uploads/media/Food%20Security/off icial%20amendments-%20Food%20Security%20Bill.pdf](http://www.prsindia.org/uploads/media/Food%20Security%20Bill,%202011/Official%20List%20of%20Amendments-%20Food%20Security%20Bill.pdf).

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⁹ “Implementation of Agricultural Debt Waiver and Debt Relief Scheme, 2008”, Comptroller and Auditor General, March 5, 2013. [http://saiindia.gov.in/english/home/Our_Products/Audit_Rep ort/Government_Wise/union_audit/recent_reports/union_perf ormance/2013/Civil/Report_3/Report_3.html](http://saiindia.gov.in/english/home/Our_Products/Audit_Report/Government_Wise/union_audit/recent_reports/union_perfor mance/2013/Civil/Report_3/Report_3.html).

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¹² “SC allows MoEF to delink environment, forest norms”, Indian Express, March 13, 2013. “Highway projects: Apex court delinks forest from environment clearance”, Hindu Business Line, March 13, 2013.

¹³ “Relaxation in Environmental Clearance for Projects Requiring Forest Land”, Press Information Bureau, Ministry of Environment and Forests, March 19, 2013.

¹⁴ Thirty First Report of the Committee on Subordinate Legislation 15th Lok Sabha, March 21, 2013.

¹⁵ “Twenty-third report on the Street Vendors (Protection of Livelihood and Regulation of Street Vending) Bill, 2012”, Standing Committee on Housing and Urban Poverty Alleviation, March 13, 2013.

http://www.prsindia.org/uploads/media/Street_Vendors_Bill/SCR_on_Street_Vendors_Bill.pdf.

¹⁶ [The Indian Institutes of Information Technology Bill, 2013.](#)

¹⁷ [The National Institutes of Technology, Science Education and Research \(Amendment\) Bill, 2013.](#)

¹⁸ Copyright Rules, 2013 (see [here](#)).

¹⁹ Copyright Rules, 2013, Press Information Bureau, March 18, 2013.

²⁰ “65th Report of the Department related Standing Committee on Health and Family Welfare on the Proposal to Introduce the Bachelor of Science (Community Health) Course”, March 19, 2013.

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²¹ “Health professionals in rural areas,” Press Information Bureau, March 15, 2013.

²² “Fifty-fifth report on the Registration of Births and Deaths (Amendment) Bill, 2012”, Standing Committee on Personnel, Public Grievances, Law and Justice, February 27, 2013.

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²³ Standing Committee on Defence, The Armed Forces Tribunal (Amendment) Bill, 2012, March 20, 2013.

²⁴ “Recommendations on Digitisation of Cable Television Networks,” Telecom Regulatory Authority of India, September 14, 2005.

²⁵ “TRAI warns of cracking whip against Multi System Operators on digitisation”, Economic Times, March 25, 2013.

²⁶ “Acquisition of Aircraft by Airlines Liberalised: Shri Ajit Singh Abolishes Aircraft Acquisition Committee”, Press Information Bureau, Ministry of Civil Aviation, March 21, 2013

²⁷ “Government Approves flexible use of Airspace”, Press information Bureau, Ministry of Civil Aviation, March 8, 2013.

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²⁹ “Government Constitutes a 12 member Working Group for Drafting of the National Sports Development Bill, 2013,” Press Information Bureau, March 22, 2013.

³⁰ “Salient Features of the Sports Development Bill, 2011,” Press Information Bureau, Ministry of Youth Affairs and Sport, February 22, 2011.

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