

# Monthly Policy Review

## September 2013

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### Highlights of this Issue

#### [RBI releases its Mid-Quarter Policy Review \(p. 3\)](#)

RBI increased the repo rate to 7.5% from 7.25%, and reduced marginal standing facility rate to 9.5% from 10.25%.

#### [Economic Advisory Council to the PM released Economic Outlook 2013-14 \(p. 3\)](#)

The PMEAC projected growth of the economy for 2013-14 at 5.3%, and WPI at 5.5% by end-March 2014. Meanwhile, the IIP rose 2.6% in July, driven by 84% growth in electric machinery.

#### [Rajan Committee evolves a Development Index for allocating funds to states \(p. 4\)](#)

It proposes that states will receive fixed basic allocation of 0.3% of overall funds, plus a share calculated on the basis of a multi-dimensional index of backwardness.

#### [Cabinet passes Ordinance to negate SC judgment on convicted legislators \(p. 7\)](#)

Convicted legislators will have 90 days to appeal, and will not be disqualified, if the conviction or sentence is stayed. During this period, they cannot vote or draw salaries and allowances.

#### [Supreme Court gives voters the right to anonymous negative voting \(p. 7\)](#)

It asked the Election Commission to add a 'None of the Above' option to electronic voting machines.

#### [Land Acquisition, Rehabilitation and Resettlement Bill passed by Parliament \(p. 8\)](#)

The Bill was passed with changes to the retrospective application of the law, compensation for acquisition of land purchased before September 5, 2011 and for irrigation projects.

#### [Pension Fund Regulatory and Development Authority Bill, 2013 passed \(p. 5\)](#)

The Pension Fund Regulatory and Development Authority has been given statutory powers. Foreign investment is capped at 26% or the level permitted for insurance companies, whichever is higher.

#### [Seventh Pay Commission on revision of salary and pension announced \(p. 7\)](#)

The government has announced the constitution of the Seventh Pay Commission, to revise salaries and pensions for about 80 lakh staff and pensioners. It is expected to be implemented starting January 1, 2016.

#### [Prohibition of Manual Scavenging Bill passed by Parliament \(p. 8\)](#)

The Act requires manual scavengers to be identified and rehabilitated. It also mandates the conversion and demolition of insanitary latrines.

#### [Lok Sabha passes Street Vendors Bill, 2012 \(p. 9\)](#)

The Bill seeks to protect livelihood rights of street vendors and regulate street vending. It regulates registration and relocation of street vendors and facilitates uniformity in the legal framework for street vending.

#### [MCA notifies 98 sections of Companies Act, 2013; releases draft Rules in phases \(p. 11\)](#)

The Ministry of Corporate Affairs brought into force 98 sections of the Companies Act, 2013. It has placed draft rules on its website and invited public comments.

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**October 1, 2013**

## Macroeconomic Developments

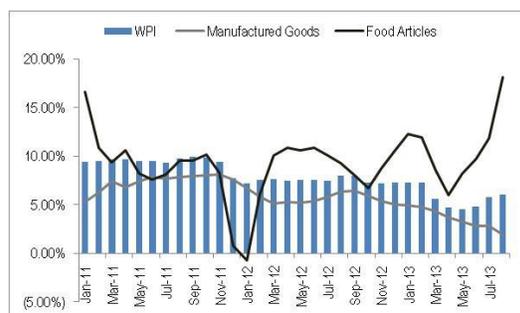
Saumya Vaishnava (saumya@prsindia.org)

### IIP improves, food WPI inflation increases further, CPI inflation remains stable

The Index for Industrial Production (IIP) increased 2.6% during July 2013, vis-a-vis July 2012, driven by a rise in capital goods output, which grew 15.6%, and consumer non-durables, which grew at 6.8%.<sup>1</sup> The growth can be explained by one industry group, electrical machinery and apparatus (weight 2% in the index), which grew at 83.6%; excluding this item, IIP would have declined by 0.5%.

Wholesale Price Inflation (WPI) increased to 6.1% in August from 5.8% in July.<sup>2</sup> Primary goods inflation rose from 9.0% in July to 11.8% in August, driven by food inflation, which rose from 11.9% in July to 18.2% in August. As shown in Figure 1, manufactured goods inflation declined from 2.8% to 1.9%. This was driven by the inflation in food products, which fell from 5.0% to 1.7%. Fuel and power inflation was stable from last month at 11.3%.

**Figure 1: Further increase in food WPI inflation**



Sources: RBI; PRS.

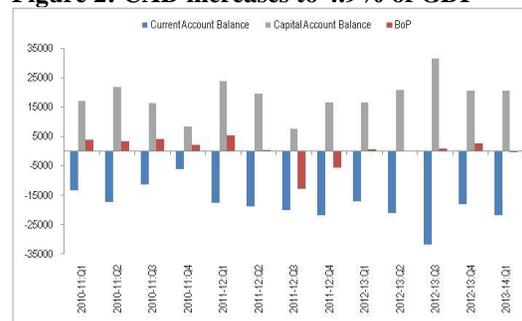
Consumer Price Index (CPI) inflation for August 2013 was 9.5% from 9.6% in July.<sup>3</sup>

### Current account deficit increases to 4.9% of GDP in April-June quarter of 2013

India's current account deficit (CAD) increased to 4.9% of GDP (or USD 21.8 billion) in Q1 of 2013-14, an increase from 3.6% figure of last quarter, and from 4% in Q1 of 2012-13.<sup>4</sup> The decline was a result of the increase in trade deficit, driven by increase in imports and fall in merchandise trade, in April and May of this financial year.

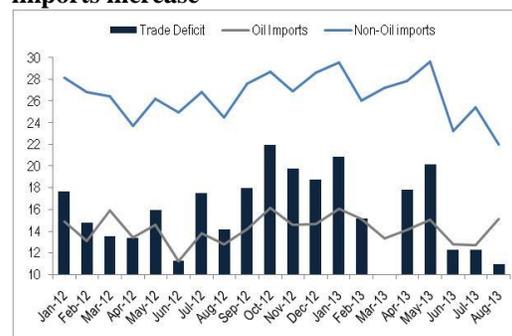
Capital account surplus fell marginally from last quarter figure of USD 20.6 billion to USD 20.5 billion this quarter. While portfolio investment, external commercial borrowings and short term trade credit to Indian entities declined, banking capital of commercial banks increased, cushioning the decline in capital account balance. India's foreign exchange reserve stayed relatively stable at USD 285 billion.

**Figure 2: CAD increases to 4.9% of GDP**



Sources: RBI; PRS.

**Figure 3: Trade deficit decreases, while oil imports increase**



Sources: Ministry of Commerce; PRS.

India's trade deficit declined to USD 10.9 billion in August 2013 from USD 14.2 billion in August 2012, and against last month's figure of USD 12.3 billion as shown in Figure 2.<sup>5</sup> Compared to August 2012, imports declined 0.7% and exports increased 13.0%. Oil imports, on the other hand, increased 17.9% from August 2012.

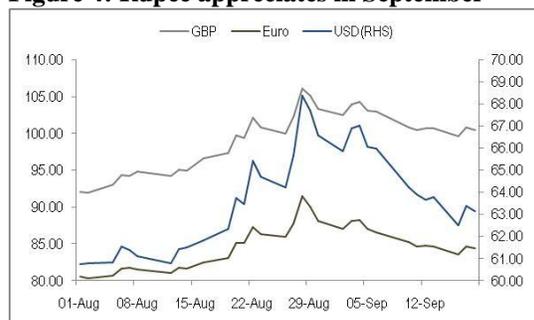
### Customs duty on gold and silver ornaments increased; RBI takes further steps to reduce forex volatility

The Finance Ministry increased the duty on articles of jewellery and of goldsmiths' and silversmiths' wares from 10% to 15%.<sup>6</sup>

The new Reserve Bank of India (RBI) Governor, Dr. Raghuram Rajan took office on September 4, 2013 and announced a number of measures:<sup>7</sup>

- Increased allowance for re-booking of cancelled forward contracts for exporters (from 25% to 50% of contracts booked in a financial year) and importers (from zero to 25% of contracts booked).<sup>8</sup>
- Increased current overseas borrowing limit for banks from 50% to 100% of unimpaired Tier-I capital. The borrowed amount is allowed to be swapped with the RBI at 100 basis points below market swap rate.<sup>9</sup>
- Banks are allowed to swap fresh NRI dollar deposits with a minimum duration of three years with the RBI.<sup>10</sup>
- Expanded existing definition of infrastructure sector to include 30 additional sectors for availing External Commercial Borrowing (ECBs).<sup>11</sup>
- Creation of a central repository of large common exposure across banks to share with banks.<sup>12</sup> From November 1, 2013, the online submission of the report on receipt of foreign contributions by banks would be compulsory.<sup>13</sup>

**Figure 4: Rupee appreciates in September**



Sources: RBI; PRS.

The Indian Rupee appreciated 6% against the US Dollar during September 2013; 3% against the Great Britain Pound; and 4% against the Euro, as shown in Figure 3.

### RBI released its Mid-Quarter Policy Review

The RBI announced in its Mid-Quarter Policy Review that the marginal standing facility (MSF) will be reduced to 9.5% (from 10.25%).<sup>14</sup> However, the repo rate under the Liquidity Adjustment Facility (LAF) was raised to 7.5% from 7.25% (and the reverse repo rate to 6.5% from 6.25%).

The repo rate is the rate at which banks can borrow from RBI against their excess holding of government securities. In July, the RBI

restricted the total amount it would lend through this route to 1% of the net demand and time liabilities or NDTL (roughly speaking, all deposits) of all banks. Any further liquidity requirements of banks can be met through the MSF window, which is available to the extent of excess holdings of government securities (other than those used for borrowing through repo) plus 2% of the NDTL of the bank.

Given that the amount that can be borrowed through the repo window is fully utilised, the marginal cost of one-day funds is currently being determined by the MSF rate. Therefore, the immediate effect of this move was the reduction in marginal cost of one-day funds by 0.75%.

The RBI also provided greater flexibility in daily fund management by reducing the minimum daily maintenance of CRR to 95% from 99%.

The RBI said that due to improving external environment, it was easing the exceptional measures of last month in a calibrated way.

### Economic Advisory Council to the PM released Economic Outlook 2013-14

The Economic Advisory Council to the Prime Minister (PMEAC) released its Economic Outlook 2013-14 on September 13, 2013.<sup>15</sup>

- **Growth projections:** PMEAC expects the economy to grow at 5.3% this financial year, with agriculture projected to grow 4.8%, industry projected to grow 2.7%, and services projected to grow 6.6%. RBI's First Quarter Monetary Policy Review had projected a 2013-14 growth rate at 5.5%.<sup>16</sup>
- **Structural Factors:** Investment is projected at 34.7% of GDP in 2013-14 against estimated 35% in 2012-13. Domestic savings rate is projected at 31.0% of GDP, an increase from estimated 30.2% last year.
- **Domestic Inflation:** WPI inflation is projected to decline to 5.5% by end March 2014 against 5.7% in March 2013 due to moderation in food inflation due to a good monsoon. The RBI projected WPI inflation at 5.0% for March 2014.<sup>16</sup> PMEAC suggested implementation of reforms in agricultural marketing policies, and promotion of High Value Agriculture to address food inflation issues.
- **External Sector:** PMEAC projected the current account deficit (CAD) at USD 70 billion, a decline from USD 88.2 billion last

year. It highlighted that CAD could be even lower due to recent trends in exports and imports. It expects improvements in export competitiveness and growth in domestic coal production to lower CAD. Net capital inflows are projected at USD 61.4 billion, down from USD 89.4 billion last year. It suggested that a stable, non-reversible policy regime is needed to facilitate foreign investment.

- **Fiscal Situation:** The fiscal deficit of the first four months of 2013-14 is 29% higher than the corresponding figure from previous year, and has already reached 63% of the central government's budgetary provision of 4.8% of GDP for 2013-14. PMEAC expressed a need for compressing budgeted discretionary expenditure, and restructuring of subsidies in the remaining months so as to avoid fiscal slippage.
- **Monetary Policy:** It stated that the current policy stance of the RBI will have to continue until stability in the rupee is achieved. A moderation in WPI inflation would provide room for easing of the monetary policy.

## Finance

### Rajan Committee suggests new development index of states

*Saumya Vaishnava (saumya@prsindia.org)*

The Committee for Evolving a Composite Development Index (Chairperson: Raghuram Rajan) submitted its report to Ministry of Finance on September 26, 2013.<sup>17</sup> The Committee had been asked to suggest methods to identify backward states and how the criteria may translate into devolution of funds from centre to states.

The Committee came up with a multi-dimensional index of backwardness, which is a simple average of the following ten sub-components: (i) monthly per-capita consumption expenditure, (ii) education, (iii) health, (iv) household amenities (drinking water, sanitation, etc), (v) poverty rate, (vi) female literacy, (vii) percent of Scheduled Castes-Scheduled Tribes population, (viii) urbanisation rate, (ix) financial inclusion (percentage of households with banking facility), and (x) connectivity (highways, roads, etc). The index varies between

0 and 1, with 1 indicating highest degree of underdevelopment.

The Committee recommended a general method of allocation of funds from centre to states based on both a state's development need as well as its development performance. While the value of the underdevelopment index for a state represents the needs of a state, the improvements to a state's development index over time are a measure of its performance. It does not recommend a quantum of funds to be allocated, but instead recommends that some funds can be allocated using the proposed approach.

The Committee suggested that every state be given a fixed basic allocation of 0.3% of overall funds, and additional funds based on its needs and performance based on the index. Thus, with 28 states, 8.4% of funds will be given to the states as fixed basic allocation. Of the balance amount, 75% will be allocated on the basis of need and 25% on performance.

Allocation schemes based on existing categorisations such as for Special Category States can continue in parallel to the proposed allocations. The Committee also recommended that states with a score of 0.6 or above be deemed "least developed" states, and may be provided additional forms of assistance by the central government. It recommended that the index be updated every five years, and the index and formula be re-examined every 10 years.

**Table 1: Comparison of proposed allocation according to Rajan Committee with Finance Commission (%)**

State	Rajan Committee	Finance Commission
Andhra Pradesh	6.85	6.61
Arunachal Pradesh	0.97	0.5
Assam	3.05	3.31
Bihar	12.04	10.06
Chhattisgarh	3.7	2.43
Goa	0.3	0.23
Gujarat	3.69	3.12
Haryana	1.33	1.11
Himachal Pradesh	0.67	1.54
Jammu and Kashmir	1.83	2.51
Jharkhand	3.88	2.77
Karnataka	3.73	4.39
Kerala	0.38	2.45
Madhya Pradesh	9.56	6.72
Maharashtra	3.94	5.28
Manipur	0.5	0.8
Meghalaya	0.65	0.51
Mizoram	0.4	0.5
Nagaland	0.45	0.84
Odisha	6.53	4.83
Punjab	1.07	1.45
Rajasthan	8.42	5.84
Sikkim	0.35	0.35
Tamil Nadu	2.51	5.01
Tripura	0.52	0.81
Uttar Pradesh	16.41	18.16
Uttarakhand	0.79	1.15
West Bengal	5.5	6.72
<b>Total</b>	<b>100</b>	<b>100</b>

Sources: Committee for Evolving a Composite Development Index of States report; PRS.

### **Pension Fund Regulatory and Development Authority Bill, 2013 passed**

*Nithin Nemani (nithin@prsindia.org)*

The Pension Fund Regulatory and Development Authority Bill, 2013 was passed by Lok Sabha on September 4, 2013 and by Rajya Sabha on September 6, 2013. It subsequently received presidential assent. The Bill was initially

introduced in 2005 after which it lapsed and was re-introduced in 2011.

The key features of the Act are:

- The Act gives statutory powers to the interim Pension Fund Regulatory and Development Authority (PFRDA) set up in 2003.
- The New Pension System, which was implemented in January 2004, shifted the pension schemes from the defined benefit system to the defined contribution system. The Bill alters the name of the New Pension System to National Pension System (NPS).
- Some features of the NPS are:
  - i. Every subscriber will have an individual pension account.
  - ii. The account will be portable across job changes.
  - iii. The subscribers may choose fund managers and schemes to manage their pension wealth.
  - iv. They will have the option of switching schemes and fund managers.

The key amendments made to the Pension Fund Regulatory and Development Authority Bill, 2011 before being passed are:

- Withdrawals up to 25% of the contribution made by the subscriber from the individual pension account are permitted subject to conditions specified by regulations.
- The subscriber is permitted the opportunity to invest up to 100% of his funds in government securities or schemes which provide minimum assured returns as notified by the PFRDA.
- Foreign countries are permitted to hold up to 26% equity stake in a pension fund or as specified under the provisions of the Insurance Act, 1938, whichever is higher. The Insurance Laws (Amendment) Bill, 2008 proposes to raise the maximum stake by a foreign investor in an insurance fund to 49%, which, if passed, will also apply to pension funds.

For a PRS Legislative Brief of the Pension Fund Regulatory and Development Authority Bill, 2011 see [here](#).

## Government launches Insurance Repository System

*Nithin Nemani (nithin@prsindia.org)*

The government, on September 16, 2013 launched the Insurance Repository System (IR).<sup>18</sup> This is an initiative of the Insurance Regulatory and Development Authority (IRDA) to improve services to policy holders and increase insurance penetration.

- The system will enable insurance policy holders to buy and keep policies in dematerialised or electronic form (e-policies).
- The e-policies will reduce paper consumption and risk of storage and loss. The cost of issuance will also be lowered, making lower ticket policies much more viable; this is expected to lead to an increased penetration of insurance.
- IRDA has licensed five entities to act as Insurance Repositories, which will provide single point service for all e-policies held by an individual.
- A policy holder is required to open an e-Insurance Account (eIA) where he can keep policies issued by various insurers in electronic mode: be it life, pension, health or general. He will be eligible to hold only one eIA for which he will be given a unique account number.
- A policy holder can also convert his existing policies from paper form to electronic form. Also, he is not required to undergo the Know Your Customer (KYC) process every time he buys a new insurance policy.
- The IRDA has set up iTrex, an Insurance Transaction Exchange to facilitate data interchange between the repositories and insurance companies.

## Securities Laws (Amendment) Ordinance, 2013 re-promulgated; Bill referred to Standing Committee on Finance

*Nithin Nemani (nithin@prsindia.org)*

The Securities Laws (Amendment) Ordinance, 2013 lapsed on September 16, 2013 and was re-promulgated as the Securities Laws (Amendment) Second Ordinance, 2013 on September 20, 2013.<sup>19</sup>

The Securities Laws (Amendment) Bill, 2013 (the Bill) which was introduced in the Lok Sabha

on August 12, 2013 is currently pending in Parliament. The Bill was referred to the Standing Committee on Finance for examination and report within two months.<sup>20</sup>

For a PRS Legislative Brief of the Securities Laws (Amendment) Bill, 2013, see [here](#).

## RBI issues notification to NBFCs regarding lending against security of gold jewellery

*Nithin Nemani (nithin@prsindia.org)*

The Reserve Bank of India (RBI) issued a notification to Non Banking Financial Companies (NBFC) containing guidelines on lending against the security of gold jewellery.<sup>21</sup> These guidelines are based on the recommendations of the Working Group to Study the Issues Related to Gold Imports and Gold Loans NBFCs in India (WG), which submitted its report in January, 2013.<sup>22</sup> The key guidelines issued are as follows:

- A minimum level of physical infrastructure and facilities should be present in branches engaged in financing against gold jewellery. This should include a safe deposit vault and security measures for operating it to ensure safety of gold. Existing branches should review the facilities at the earliest and no new branches may be opened without ensuring that such facilities are present.
- The WG observed that NBFCs extending loans against gold jewellery have been expanding at a rapid pace, which might compromise internal controls. Hence, it is mandated that an NBFC obtain RBI approval for opening more than 1000 branches.
- Gold jewellery accepted as collateral will have to be valued at the average of the closing price of 22 carat gold for the preceding 30 days as quoted by the Bombay Bullion Association Ltd. (BBA).
- Where gold jewellery pledged by a borrower at any one time or cumulatively on loan outstanding is more than 20 grams, NBFCs are required to keep record of the verification of the ownership of the jewellery. The Board of the NBFC should approve a policy regarding the method of establishing ownership.
- The following stipulations with respect to auction of pledged gold jewellery will be applicable:

- i. The auction should be conducted in the same town or taluka as the loan-issuing branch.
  - ii. While auctioning the gold, the NBFC should declare a reserve price for the pledged ornaments.
  - iii. It will be mandatory for the NBFC to provide full details of the value fetched in the auction.
  - iv. NBFCs must disclose details of the auctions conducted in the financial year in their annual reports.
- Some additional provisions:
    - i. NBFCs must insist on a copy of the PAN card of the borrower for transactions exceeding Rs 5 lakh.
    - ii. Loans of Rs 1 lakh and above are to be disbursed only by cheque.
    - iii. Documentation across all branches must be standardised.
    - iv. NBFCs shall not issue misleading advertisements.

## Law and Justice

Prianka Rao ([prianka@prsindia.org](mailto:prianka@prsindia.org))

### Ordinance to reverse Supreme Court Judgment on deferred disqualification of convicted MPs and MLAs passed by the Cabinet

According to recent news reports, the Cabinet cleared an Ordinance to protect convicted MPs and MLAs from immediate disqualification on September 24, 2013.<sup>23</sup> However, a news report suggests that the Union Cabinet will meet on October 2, 2013 to decide on a possible withdrawal of the Ordinance, which is yet to receive presidential assent.<sup>24</sup>

Prior to this, the government had introduced the Representation of the People (Second Amendment and Validation) Bill, 2013, in response to the Supreme Court judgment that struck down Section 8(4) of the Representation of the People Act, 1951. The Bill was introduced on August 30, 2013 in the Rajya Sabha. It has subsequently been referred to the Standing Committee on Personnel, Public

Grievances, Law and Justice on September 26, 2013.

The Bill provides convicted MPs and MLAs a 90 day period for appeal, upon becoming liable for disqualification. However, they will not be allowed to vote or receive salaries and allowances, until the court sets aside their conviction.

If the Ordinance were to take effect, MPs and MLAs who would have been disqualified as per the Supreme Court judgment will no longer be.

For a detailed discussion on the Supreme Court's judgement, refer to the July 2013 Monthly Policy Review [here](#).

### Supreme Court passes judgment giving voters the right to anonymous negative voting in elections

The Supreme Court, in its judgment in the matter of *People's Union for Civil Liberties v. Union of India* has held that that a voter could exercise the option of negative voting, in an anonymous manner through the electronic voting machines.<sup>25</sup>

The Court has directed the Election Commission to provide the "None of the Above" (NOTA) button in the electronic voting machines (EVM).

It held that secrecy is an essential feature of 'free and fair elections' and Rule 49-O of the Election Conduct Rules, that requires for a voter choosing to abstain, to record his name in the Register of Voters (Form 17-A), violates that requirement.

Note that there is no change to the first-past-the-post system. That is, the winner will be the candidate with the highest number of votes, even if this number is less than that polled by the "NOTA" option.

### Seventh Pay Commission on revision of salary and pension introduced

The central government has announced the setting up of the Seventh Pay Commission, on revision of salary and pensions to union government employees. This would cover about 80 lakh staff and pensioners from both civil and military services.<sup>26</sup>

It has been reported that the Finance Ministry has noted that the average time taken by a Pay Commission to submit its recommendations is about two years. Accordingly, the next set of recommendations is likely to be implemented

from January 1, 2016.<sup>27</sup> State governments will subsequently adopt the recommendations after suitable modifications.

However, trade unions representing central government employees have demanded that the recommendations be implemented with retrospective effect from January 1, 2011.<sup>28</sup>

## Land

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### Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Bill, 2013 passed by Parliament

The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Bill, 2013 was passed by Parliament on September 4, 2013. According to news reports, the President gave his assent to the Bill on September 27, 2013.<sup>29</sup>

Parliament made several amendments to the Bill, which are summarised in the August Monthly Policy Review (see [here](#)). As per a news report, according to the Rural Development Minister, Jairam Ramesh, draft land acquisition rules can be expected in two weeks.<sup>30</sup> It might be useful to recall that the law requires that any notification that seeks to amend the provisions of compensation and rehabilitation and resettlement in the Schedules to the Bill or their application to laws exempted from the Bill, shall need to be laid in draft in Parliament for 30 days for approval.

For the PRS Legislative Brief on land acquisition and related PRS documents, see [here](#).

## Social Justice and Empowerment

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### Prohibition of Manual Scavenging Bill passed by Parliament

The Prohibition of Employment as Manual Scavengers and their Rehabilitation Bill, 2013 was passed by Parliament on September 7, 2013. It received the assent of the President on September 18, 2013 and will come into force

after 60 days from this date. The Act prohibits the employment of manual scavengers, the manual cleaning of sewers and septic tanks without protective equipment, and the construction of insanitary latrines. Key features of the Bill, as passed, are:

- **Definitions:** A “manual scavenger” is a person who manually cleans or disposes of human excreta in an insanitary latrine, an open drain, or a railway track. An “insanitary latrine” requires human excreta to be cleaned manually.
- **Survey of insanitary latrines:** Each local authority, cantonment board and railway authority is responsible for surveying insanitary latrines within its jurisdiction. They shall also construct a number of sanitary community latrines.
- **Conversion or demolition of insanitary latrines:** Each occupier of insanitary latrines shall be responsible for converting or demolishing the latrine at his own cost. If he fails to do so, the local authority shall convert the latrine and recover the cost from him. State governments may provide assistance to occupiers for converting latrines. However, non-receipt of assistance shall not be a valid ground to use an insanitary latrine beyond nine months of the law in force.
- **Identification and rehabilitation of manual scavengers:** All persons listed as manual scavengers shall be rehabilitated with a one-time cash assistance, scholarship for their children, and a residential plot with financial assistance for constructing a house. One adult member of the family will be trained in a livelihood skill and given a monthly stipend of at least Rs 3,000 during training. A subsidy and concessional loan shall also be given for taking up an alternative occupation.
- **Implementing authorities:** The District Magistrate and the local authority shall be the implementing authorities.
- **Penalty:** Offences under the Bill shall be cognisable and non-bailable, and may be tried summarily.

For a PRS Legislative Brief on the Bill, see [here](#).

## Urban Development

Joyita Ghose ([joyita@prsindia.org](mailto:joyita@prsindia.org))

### Street Vendors Bill, 2012 passed by Lok Sabha

The Street Vendors (Protection of Livelihood and Regulation of Street Vending) Bill, 2012 (the Bill) was passed by the Lok Sabha on September 6, 2013.<sup>31</sup> The Bill seeks to protect livelihood rights of street vendors and regulate street vending.

Key provisions of the Bill, as passed by Lok Sabha, include:

- **Town Vending Committee (TVC):** A TVC will be established in each local authority (Municipal Corporation, Municipal Council or Nagar Panchayat) and will be responsible for the implementation of the Bill. It shall consist of representatives of the government, non-governmental organisation and street vendors. 40% of the members shall be representatives of street vendors and one-third of the members representing street vendors shall be women. Key responsibilities of the TVC include: (a) surveying street vendors (d) issuing and revoking certificates of vending. Key responsibilities of the TVC in conjunction with the local authority include: (a) preparation of the street vending plan, (b) relocation of street vendors, (c) determining the number of street vendors who can be accommodated in any street vending zone, and (d) determining which areas shall be for the specific use of street vendors.
- **Survey of street vendors:** The TVC shall conduct a survey of existing street vendors in its area and issue a certificate of vending to them. In case the number of street vendors identified is more than the holding capacity (i.e. street vendors should not comprise more than 2.5% of the population of that area) of the vending zone, the TVC shall carry out a draw of lots for issuing vending certificates and the remaining persons shall be accommodated in adjoining vending zones.
- **Relocation of street vendors:** Relocation shall be avoided as far as possible and no street vendor shall be relocated without being given 30 days' notice. If street vendors fail to relocate, the local authority may seize the goods and they shall be liable to pay a fine of up to Rs 250 per day. However, the amount of the fine shall not be more than the value of

the goods seized. Affected vendors or their representatives will be responsible for the planning and implementation of rehabilitation.

- **Plan for street vending:** The local authority shall prepare a plan every five years in consultation with the planning authority and TVC. It should accommodate all identified street vendors (i.e. they should not comprise more than 2.5% of the population of the area). It can differentiate between restriction-free-vending zones, restricted-vending zones and no-vending zones. The Bill specifies the principles on which declaration of no-vending zones shall be done under the plan for street vending.
- **Scheme for street vendors:** A scheme shall be framed within six months of the commencement of the Act for the purposes of implementing the Act.

For a PRS Legislative Brief, Bill Summary and Standing Committee Report Summary see [here](#), [here](#) and [here](#).

### Implementation phase of Rajiv Awas Yojana approved

The Rajiv Awas Yojana (RAY), which was launched in 2011, has now entered its implementation phase, following a two year preparatory phase.<sup>32</sup> RAY envisages the creation of a 'slum free India' through: (a) bringing all existing slums (both notified and non notified) within the formal system giving them access to basic amenities and (b) redressing failures of the formal system that lead to the creation of slums such as lack of affordable housing.

**Objectives:** RAY will provide support to state governments/union territories and central government agencies for providing housing, development of basic civic and social infrastructure and operation and maintenance of assets created under the scheme.

**Implementation:** A two step implementation process will be followed, beginning with the preparation of Slum-free City Plans of Action for the entire city/urban area, followed by the Detailed Project Reports for the selected slum areas. The scheme is applicable to all cities/urban agglomerations and selection will be done by state governments.

**Reforms:** Certain reforms in urban governance have been proposed relating to simplifying processes and procedures for the creation of

affordable housing stock, facilitating inclusive planning and providing security of tenure. Some of these are mandatory.

**Funding:** The funding pattern for RAY is outlined in Table 2, below.

**Table 2: Funding pattern of RAY**

Type of cities / UAs (2011 Census)	Component	Contribution of (in %)			
		C	S	ULB	B
Cities / UAs with population of 5 lakh and above	Housing	50	25	-	25
	Infrastructure	50	25	25	-
Cities / UAs with population of less than 5 lakh	Housing	75	15	-	10
	Infrastructure	75	15	10	-
Cities / UAs in the north eastern and special category	Housing	80	10	-	10
	Infrastructure	80	10	10	-

Sources: Ministry of Housing and Poverty Alleviation. Note: UA – Urban Agglomeration; C – Centre; S – State; ULB – Urban Local Body; B – Beneficiary

RAY will be implemented as Additional Central Assistance for the Financial Year 2013-2014 and thereafter it will be implemented as a centrally sponsored scheme.

**AHP and ISHUP:** The Affordable Housing Partnership scheme will be continued as a part of RAY. The Interest Subsidy Scheme for Housing the Urban Poor will be continued as a separate central sector scheme and renamed Rajiv Rinn Yojana, guidelines for which will be issued by the Ministry of Housing and Poverty Alleviation separately.

**CRGF:** A Credit Risk Guarantee Fund, operated by the National Housing Bank, has been created to give guarantees to lending agencies for loans to new Economically Weaker Section / Lower Income Group borrowers in urban areas seeking individual housing loans up to a certain amount.

### SJSRY restructured as National Urban Livelihoods Mission

The Cabinet Committee on Economic Affairs (CCEA) has approved the restructuring of the Swarna Jayanti Shahari Rozgar Yojana (SJSRY) as the National Urban Livelihoods Mission (NULM).<sup>33</sup> NULM aims at reducing the poverty and vulnerability of urban households by enabling access to both self employment and wage employment and building grassroots institutions for the poor. In addition, it aims at providing shelter to the urban homeless and securing livelihood rights of urban street vendors.

NULM will be operational from 2013 to 2022 and will be implemented in two phases. In the 12<sup>th</sup> Five Year Plan, NULM will be implemented in all cities and district headquarters with a population of over 100,000 people as per the Census of India, 2011. As the Socio Economic and Caste Census for the identification of the urban poor is currently underway, at present the beneficiaries will be households that are identified as below poverty line by state governments and union territories.

The financing of NULM will be shared by the centre and states on a 90:10 basis for north-eastern and special category states and 75:25 basis for all other states.

Key components of the NULM include:<sup>34</sup>

- **Social Mobilisation and Institution Development:** NULM envisages social mobilisation of the urban poor through the formation of Self-Help Groups (SHGs). Resource Organisations will be engaged to facilitate the formation and development of SHGs, formation of SHG federations and establishing links to Urban Local Bodies. A Revolving Fund support will be created for SHGs that comprise more than 70% poor. City Livelihoods Centres will be established and will function as a space for the urban poor to market their services and as resource centres where they can access information and other benefits.
- **Capacity Building and Training:** In order to provide technical support to NULM, Mission Management Units will be established at the central, state and city levels. Their focus will be on developing efficient institutional systems such as human resources, monitoring and information Systems, financial management, procurement etc.
- **Employment through Skills Training and Placement:** There will be an emphasis on the development and upgradation of the skills of the urban poor to enhance their capacity for self employment and wage employment. At least 30% of the beneficiaries of this training shall be women.
- **Self Employment Programme:** Financial assistance will be provided to individuals and groups of the urban poor for establishing self employment ventures and micro enterprises. Interest subsidies will be provided to all SHGs accessing bank loans. Technology and

marketing support may also be provided by states to beneficiaries.

- **Support to Urban Street Vendors:** NULM aims at skill development of street vendors, supporting micro-enterprise development, enabling easier access to credit for street vendors, facilitating pro-vending urban planning and supporting social security, especially for vulnerable groups.

In addition, a scheme to provide shelters to the urban homeless has been included. These shelters should provide essential services and remain open at all times. For every 100,000 persons, shelters that can house at least 100 persons should be available.

## Corporate Affairs

*Nithin Nemani (nithin@prsindia.org)*

### MCA notifies 98 sections of Companies Act, 2013; releases draft Rules in phases

The Ministry of Corporate Affairs (MoCA) issued a notification on September 12, 2013 to implement 98 sections of the Companies Act, 2013.<sup>35</sup> While the Act was notified on August 30, 2013, only Section 1 was brought into force on that day.<sup>36</sup>

The MoCA placed draft Rules pertaining to 24 chapters on its website in two phases – on September 9, 2013 and September 20, 2013 respectively. The Ministry has solicited public comments for the first phase of rules by October 8, 2013 and for the second phase by October 19, 2013.

The salient features of the draft Rules are:

- **Appointment and qualification of directors:** The Act mandates the appointment of at least one woman director in the Board of Directors. The Rules specify that such an appointment will have to be made within one year of commencement of the proviso for listed companies and within three years for unlisted companies having a paid up share capital of Rs 100 crore or more. Further, the Rules specify that public companies having paid up share capital of Rs 100 crore or more or borrowings of Rs 200 crore or more shall have at least one-third of the directors as independent directors.
- **Accounts of Companies:** The Act requires companies to prepare consolidated financial statements in accordance with accounting standards. Even if the accounting standards exempt Indian subsidiaries of foreign companies from preparing consolidated statements, the Rules would still require them to do so.
- **Vigil mechanism:** The Rules require that the following class of companies set up a vigil mechanism for their directors and employees to report genuine concerns - (i) companies accepting deposits from the public and (ii) companies which have borrowed money from banks and financial institutions in excess of Rs 50 crore. The mechanism is to be operated through the company's Audit Committee and is to provide for adequate safeguards against victimisation of employees and directors who report concerns.
- **Class action:** The Act lays down a provision for members or depositors of a company to file a class action suit where they are of the opinion that the management or conduct of affairs of a company is being done in a manner prejudicial to the interests of the company. The Rules specify that the minimum number of members eligible to file such a class action suit will be the lower of a hundred members or 10% of the total members of the company. The same Rule shall apply for determining the minimum number of depositors required to file such a suit.
- **Appointment of auditors:** The Act specifies the maximum number of consecutive years for which a company can employ an auditor—five for an individual auditor and 10 for an audit firm. The Rules provide clarifications regarding rotation of auditors – (i) the period for which the auditor has held office prior to the commencement of the Act shall be included and (ii) an incoming auditor shall not be eligible if he is associated with the outgoing auditor under the same auditor network.
- **Auditors' responsibility to report fraud:** The Act requires auditors to report any knowledge of fraud committed by officers or employees of a company to the Central Government. The Rules prescribe a 30 day limit for report of fraud which materially affects the company. For all other cases, the rules prescribe informing the audit committee

or the Board of Directors. If the auditor is not satisfied with the response of the audit committee or the Board, he may notify the central government.

- **Corporate Social Responsibility (CSR):** The Rules describe the functioning of the CSR committee that is required to be constituted in every company as per the Act. The Rules list activities which may be included in CSR policies namely: – eradication of poverty, promotion of education and gender equality, reduction of child mortality and improvement of mental health, combating disease outbreak, ensuring environmental sustainability and social business projects. The Rules also specify the format for reporting of CSR activities in the Directors' report and on the company's website. The Act requires companies above a threshold net worth or net profit to spend at least 2% of the three-year average net profit on CSR. The Rules specify that income earned out of CSR activities and surplus in the CSR budget should only be used for further CSR activities.
- **Reporting by Boards:** The Rules require that the Board report contains details falling under the following areas: conservation of energy, technology absorption, foreign exchange earnings and outgo.
- **National Company Law Tribunal:** The Rules specify the details regarding powers and functioning of the National Company Law Tribunal. As per the Rules, the Tribunal shall have the same powers as a civil court under the Code of Civil Procedure, 1908. It has the right to call for information or evidence from any of the parties to a petition filed before it. Further, the Tribunal has the powers to regulate its own procedure. It may issue directions to give effect to its orders or prevent abuse of its process. Further, there is a provision of transfer of cases currently pending in the Company Law Board to the Tribunal.

Apart from the above, Rules pertaining to shares and debentures, rehabilitation of sick companies, prospectus and allotment of securities, mediation and conciliation panels and company registration have been made available.

For related analysis on the issue, see [here](#).

## Report of the Committee for Reforming the Regulatory Environment for Doing Business in India

The Committee for Reforming the Regulatory Environment for Doing Business in India (Chairperson: Mr. M. Damodaran) submitted its report to the Ministry of Corporate Affairs on September 2, 2013.<sup>37</sup> The Committee was set up in August, 2012 after the World Bank released its 'Doing Business Report' which ranked India at the bottom of several sub-indices. The Committee was tasked with looking into various parameters which affect the regulatory environment for doing business in India. The important recommendations made are as follows:

- **Review of laws and regulations:** The Committee recommended that the central and state governments examine the content of all laws affecting the ease of doing business in India. It also recommended that arbitration be encouraged and the use of civil courts be dis-incentivised in order to resolve disputes quicker.
- **Regulatory architecture:** The Committee recommended that the appointment of persons to head regulatory organisations be more transparent. It proposed that the system involve the appearance of the head of the regulatory organisation and his board level colleagues before an appropriate Parliamentary Committee. This meeting is to involve a discussion of developments of the previous six and the following six months. It proposed that each regulatory authority undertake a self-evaluation once in three years and make the results publicly available.
- **Boosting efficacy of regulatory process:** The Committee recommended a two stage process of consultation with stakeholders for the purpose of writing regulations. It recommended that the enforcement bandwidth of a regulator be used for systemic issues and that there be a consent mechanism with safeguards for issues with no system impact. It proposed the creation of a Regulation Review Authority in every regulatory organisation that is empowered to write rules and regulations and continuously review them. It suggested that a regulatory impact assessment be done prior to the public consultation process.
- **Enabling MSMEs:** The Committee recommended the setting up of an overarching body to enable policy and

process coordination for Micro, Small and Medium Enterprises (MSMEs). It recommended setting up facilitation centres to offer assistance regarding form filling and other procedural issues. It also recommended that there be a prescribed time period for granting permissions, after which approval shall be presumed.

- **Addressing state level issues:** The committee recommended that a nodal office be set up which will be a single point of contact for information regarding conditions for setting up a business. It suggested that state governments be incentivised to simplify regulations. It recommended that an appellate process be built into the system where a person aggrieved by an order of rejection of permission to set up a business may appeal to a superior authority for reconsideration.

### Report of the Cabinet Committee on Economic Affairs on operationalisation of Infrastructure Debt Funds

The Cabinet Committee on Economic Affairs approved steps to promote the operationalisation of Infrastructure Debt Funds (IDFs).<sup>38</sup> IDFs, as defined by the Reserve Bank of India (RBI), are investment vehicles which can be sponsored by commercial banks and Non Banking Financial Companies (NBFC) in India. IDFs refinance debt of infrastructure companies, thereby creating headroom for banks to lend to fresh infrastructure projects.

Domestic/offshore institutional investors, especially insurance and pension funds are permitted to invest through units and bonds issued by the IDFs. The steps approved are as follows:

- The annual Guarantee Fee payable by an IDF NBFC to the Concession Authority shall be capped at 0.05% of the outstanding debt financed by it.
- IDFs will have access to benefits of Public Financial Institution status such as:
  - i. Permission for IDF NBFCs to file Shelf Prospectus under Section 60A of the Companies Act, 1956.
  - ii. Access to the provisions of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 including access to Debt Recovery Tribunals.

- Further, insurance companies, provident funds and mutual funds will be permitted to invest in Commercial Operation Declaration Public Private Partnership projects.

## Telecom

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### TRAI recommendations on valuation and reserve price of spectrum

The Telecom Regulatory Authority of India (TRAI) has released its recommendations on issues related to reassignment, trading, valuation and reserve price of spectrum for cellular services.<sup>39</sup> The auctions for spectrum in 800 and 1800 MHz bands held in November 2012 and March 2013 witnessed a poor response.<sup>40</sup> The Department of Telecommunications (DoT) had sought TRAI's recommendations on the reserve price for the proposed auction of spectrum in the 800, 900 and 1800 MHz bands. TRAI had invited comments on these issues through a consultation paper released in July 2013.<sup>41</sup>

Key observations and recommendations are:

- **Renewal licensees:** There should be no reservation or priority for Telecom Service Providers (TSPs) whose licences are expiring in 2014. The DoT should guide the TSPs whose licences are expiring in 2015-16 about future availability of spectrum.
- **Auction lots:** The minimum lot size for the 1800 MHz spectrum auction should be 600 KHz for existing licensees and 5 MHz for new entrants. For the 900 MHz band, minimum lot size should be 5 MHz.
- **Eligibility and roll-out conditions:** The eligibility conditions for the November 2012 and March 2013 auctions should be retained for the proposed auction. The roll-out obligations for all TSPs should be the same irrespective of the type of license held.
- **Liberalisation of spectrum:** TRAI has recommended liberalisation of 1800 MHz spectrum (i.e. allowing the spectrum to be used for any service based on any technology). The liberalisation should be allowed after payment of the latest auction-determined amount.
- **Spectrum trading:** Initially, only outright transfer of spectrum, for which market price

has been paid, should be allowed. No TSP should hold more than 50% of spectrum in a band and 25% of total spectrum in a circle.

- **E-GSM band:** TRAI has recommended a time-bound feasibility study for the adoption of Extended- Global System for Mobile Communications (E-GSM). The auctions for the 800 MHz band should be deferred in the interim.
- **Spectrum valuation:** TRAI has used different methodologies and used their average to arrive at spectrum valuation. It also recommended an independent assessment of the value and reserve price for 1800 MHz spectrum for each telecom circle.
- **1800 MHz reserve price:** TRAI has recommended that reserve price for the 1800 MHz spectrum should be the lower of 80% of valuation arrived or price realised in November 2012 auction. It pegs the pan-India reserve price at Rs 1,496 crore per MHz, 47% below the corresponding reserve price for the November 2012 auction.
- **800MHz and 900 MHz reserve price:** Given its suggestion to defer auctions for the 800 MHz band, TRAI currently sees no need for valuation or reserve price for the 800 MHz spectrum. It suggested that the reserve price for Delhi, Mumbai and Kolkata for the 900 MHz band should be 80% of the valuation arrived.
- **Spectrum Usage Charge:** All spectrum allocated through auction should be charged at a flat rate of 3% of the TSP's Adjusted Gross Revenues (AGR). The highest slab rate should be brought down to 5% of AGR. Spectrum acquired at market prices should not be added to existing spectrum holdings for determining the applicable slab rate.

### TRAI recommendations on improving telecom services in the North-East

The Telecom Regulatory Authority of India (TRAI) has released its recommendations on improvement in telecom services in the North-East Region (NER).<sup>42</sup> The DoT had requested TRAI to provide recommendations on a comprehensive telecom plan for the NER.

Key observations and recommendations made by the Authority are:

- **Delays in projects:** The projects funded by Universal Service Obligation Fund (USOF)

and National Optical Fibre Network (NOFN) should build-in severe penalty clauses for delays in their agreements with the contractors.

- **2G voice coverage:** In the first phase, voice services through Second Generation (2G) mobile networks should be extended to all block headquarters, towns and villages with populations above 250.
- **Investment:** The estimated investment requirement for comprehensive coverage of telecom infrastructure gaps in the NER is about Rs 2,918 crore.
- **Incentives:** A TSP which covers at least 80% of the habitations with population above 250 in the Assam and North East circles should be given a discount of 2% of annual revenues towards the license fee. TSPs should also be provided 75% of the satellite bandwidth charges as a subsidy from the USOF.
- **Infrastructure sharing:** Power Grid Corporation of India Ltd and Bharat Sanchar Nigam Ltd should promptly lease their unutilised fibre network in the NER to other interested TSPs at reasonable rates.
- **Speedy clearances:** The Wireless Planning and Coordination Wing should provide clearances to intermediate networks, satellite connectivity terminals and cellular towers in the NER on a priority basis.
- **Movement of personnel and material:** The DoT should engage with the concerned ministries to ensure quick movement of equipment and pre-identified personnel related to telecom service.
- **Role of state governments:** State governments should address the issues raised by the TSPs on priority basis to encourage faster roll-out of services. They should nominate a senior officer to coordinate with the TSPs for handling issues concerning telecom services in their state.

### TRAI consultation paper on Mobile Banking Services for Financial Inclusion

The Telecom Regulatory Authority of India (TRAI) has released a consultation paper on the use of Unstructured Supplementary Service Data (USSD) service for mobile-based banking services.<sup>43</sup> USSD is a protocol used by the Global System for Mobile Communications

(GSM) based cellular phones to communicate with the Telecom Service Provider's (TSP) servers. It is commonly used by mobile phone subscribers to verify their usage and billing. TRAI has invited comments for stakeholders by October 4, 2013 and counter-comments by October 11, 2013.

Key issues discussed in the paper are:

- The paper invites comments on TRAI's observation that the USSD is one of the most appropriate modes for providing mobile banking services.
- Current regulations mandate every TSP to facilitate banks' usage of USSD for provision of mobile banking services. The paper invites suggestions on whether TSPs should be mandated to provide such facilitation to banks' agents as well.
- The paper invites comments on whether the TSPs should charge banks or the bank-account holders for USSD-based transactions, and if Rs 1.50 per transaction is an appropriate charge for such services.

### **TRAI recommendations on inter-circle mobile number portability**

The Telecom Regulatory Authority of India (TRAI) has released its recommendations regarding Mobile Number Portability (MNP) across telecom circles.<sup>44</sup> MNP allows a subscriber to retain his mobile number when he migrates from Telecom Service Provider (TSP) to another. Currently, a subscriber can migrate to another TSP only within the same circle. The country has been classified into two zones, with each zone served by a MNP Service Provider (MNPS). The MNPS acts as the interface between the Recipient Operator (the TSP to which the subscriber wishes to migrate) and the Donor Operator (subscriber's existing TSP).

Key recommendations are:

- The Recipient Operator should forward the migration request to the MNPS of the original Donor Operator's zone (i.e. zone of the TSP to which the number originally belonged before its first migration).
- The Department of Telecommunications (DoT) should make the required changes in existing MNP licenses and instructions.
- The DoT should reduce the fees for pre-implementation acceptance tests to 25% of the current fee levels.

## **Coal**

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### **Coal block auction methodology approved**

On September 25, 2013, the Ministry of Coal approved the auction of fully explored coal blocks through competitive bidding.<sup>45</sup> Under the proposed methodology, a fast track auction has also been provided for through further exploration of regionally explored blocks for two years.

The approved methodology provides for a production linked payment along with an upfront payment to be made by successful bidders. The upfront payment is linked to the Net Present Value of the coal block calculated through discounted cash flow method. The price of coal used for this calculation will be linked to the five year average of landed import costs. In the case of power producers that have entered into long term power purchase agreements, the upfront price will be discounted by 90%.

Bidders will be required to undertake a minimum work programme and meet certain development linked milestones. Failure to carry out the minimum work programme will result in relinquishment of the block without penalty.

### **New Coal Distribution Policy amended**

The Ministry of Coal announced on September 4, 2013 that the New Coal Distribution Policy which lays down guidelines for distribution and pricing of coal would be amended.<sup>46</sup>

The present process of coal distribution is that bidders are issued Letters of Assurance (LoAs) laying down various milestones with timelines during which these must be achieved. Upon successful achievement of these milestones, the Standing Linkage Committee recommends that a fuel supply agreement for supply of coal may be signed between the bidder and Coal India Limited. Failure to achieve these milestones leads to automatic termination of the LoAs. Various project developers pointed out to the government that they are often unable to achieve milestones due to reasons beyond their control. Therefore, the Ministry has decided that the competent authority may, on the recommendation of the Standing Linkage Committee (Long Term), extend the validity period of the LoA in such cases.

## Steel

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### Standing Committee observations on review of iron-ore export policy

The Standing Committee on Coal and Steel presented a report on review of iron-ore export policy on August 29, 2013.<sup>47</sup> The key recommendations of the Committee are:

- **Reducing export of iron-ore:** The Committee observed the need to conserve iron-ore, an important natural resource, and recommended that the government take active measures to reduce its export either through further increase of export duty above the existing 30%, through lowering of the maximum content of iron in iron-ore exported, or even through a complete ban on export. The Committee further recommended that the Ministry of Steel draft a new steel policy keeping in view the long term goals of future sustainability of iron-ore in the country. Also, it recommended that existing export contracts entered into by the NMDC Ltd. be reviewed.
- **Increased expenditure on exploration of iron-ore mines:** The Committee recommended that the Ministry of Steel prepare an action plan for detailed exploration of untapped sources of iron-ore and allocate funds towards expansion and exploration of new iron-ore mines using state-of-art technology.
- **Allocation of funds to development of low-grade mines and pelletisation:** The Committee observed that currently iron-ore fines and low-grade iron-ore are not used at all in India and are completely exported. Importers of Indian iron-ore fines convert the same into pellets and put it to use. The Committee therefore recommended that the Ministry of Steel take steps to ensure the allocation of sufficient funds towards promotion of pelletisation technology in India for the use of iron-ore fines and development of new steel plants based on technologies that can use iron-ore fines. The Committee further recommended the imposition of higher export duty on iron-ore fines and non-exemption of pellets from export duty to encourage setting up of pelletisation plants in India and ensure full utilisation of low grade iron-ore.

### Standing Committee observations on promotion of steel usage

The Standing Committee on Coal and Steel presented a report on promotion of usage of steel on August 29, 2013.<sup>48</sup> The Committee observed that per capita consumption of steel is considered an important index of socio-economic development, and that despite being the fourth largest producer of steel in the world, India's per capital steel consumption is much lower than the global average. In light of this, the Committee made the following key observations and recommendations:

- **Measures to encourage steel consumption:** The Committee recommended that the Ministry of Steel/ steel Public Sector Undertakings (PSUs) formulate a comprehensive policy for promotion of steel usage. To encourage steel consumption in rural areas in particular, the Committee recommended that the government direct steel producing units to set up special processing units for fabrication of steel articles needed in rural areas and provide support to prospective rural entrepreneurs to set up such units.
- **Measures to develop a bigger market for steel:** The Committee noted that the annual allocation of Rs 5 crore for development of a market for steel was often not utilised. It recommended that the government take steps to ensure that more market development projects are taken up and the annual grant is fully and gainfully utilised for resultant increase in per capita consumption of steel.
- **PSUs to take steps to encourage steel consumption:** The Committee recommended that PSUs like Steel Authority of India Limited and Rashtriya Ispat Nigam Limited should allocate more funds towards promotion of steel use, appoint more dealers in rural areas, take steps to educate people in rural areas regarding utilisation of domestic steel products, and hold 'steel melas' in rural areas.
- **Development of sector-specific steel products:** In view of the emerging demand for steel products in the power, steel, auto, oil and gas sectors, the Committee recommended that steel companies start producing steel products required by industries in these sectors so as to become

self reliant and save foreign exchange reserves.

## Chemicals and Fertilisers

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### Standing Committee submits report on pricing of fertilisers

The Standing Committee on Chemicals and Fertilisers submitted its report on the pricing of fertilisers on August 29, 2013.<sup>49</sup> In its report, the Committee examined the various causes for the rise in prices of fertilisers and the impact of various fertiliser policies and schemes on prices.

Some of the Committee's key recommendations are:

- **Efficacy of Nutrient Based Subsidy (NBS) Policy:** The Committee noted that under the NBS policy, introduced in 2010, a fixed amount of subsidy per kg, decided on an annual basis, is provided on each grade of subsidised fertiliser depending on its nutrient contents. Fertiliser manufacturers are allowed to fix the Maximum Retail Price (MRP) at reasonable rates.

However, the Committee noted that after the introduction of the NBS policy, the prices of phosphorus and potassium (P&K) fertilisers have escalated by almost three or four times. For example, prices of P&K fertilisers such as Di-Ammonium Phosphate (DAP) and Muriate of Potash (MOP) have increased since 2007-08 to 2012-13 by 157% and 277% respectively. It recommended that the Department of Fertilisers conduct a comprehensive study on the impact of the NBS policy on prices of fertilisers, such that corrective measures can be taken to contain their escalating prices.

- **Reasonability of MRPs:** The NBS policy has no mechanism to determine the reasonability of the MRP fixed by fertiliser companies or any express provision for taking action against manufacturers who fix an unreasonably high MRP. The Committee recommended that an effective mechanism be put in place to examine the reasonableness of the MRP fixed by fertiliser companies. Fertiliser companies should also be asked to mandatorily submit

information about the cost of fertilisers on which they are claiming subsidy, as well as the justification for the MRP fixed by them. It also recommended stern action against companies that set unreasonably high MRPs and the subsidy provided to them should either be restricted or recovered.

- **Shortage in demand of fertilisers:** The Committee noticed a shortage of fertilisers such as urea, DAP, and MOP in most states. It recommended that the Department assess the reported shortage of fertilisers in various parts of the country and work with states to streamline the distribution of fertilisers to farmers at affordable prices.
- **New Investment Policy – 2012 (NIP):** The NIP was notified by the government in January 2013 to facilitate fresh investments in urea manufacturing and reduce import dependency. The policy supports both gas based plants as well the revival of closed units in the country. It also encourages investments by Indian industry in resource rich countries. The Committee hoped that the NIP would address all the issues affecting the growth of the fertiliser sector and reduce the need for urea imports. It recommended formulating an action plan to implement the policy expeditiously and effectively.

## Health

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### Drugs and Cosmetics (Amendment) Bill, 2013 introduced in Parliament

The Drugs and Cosmetics Bill, 2013 was introduced in the Rajya Sabha on August 29, 2013.<sup>50</sup> The Bill amends the Drugs and Cosmetics Act, 1940 and changes the name of the Act to the Drugs, Cosmetics and Medical Devices Act, 1940.

The Bill proposes changes to the regulation of the import, export, manufacture, distribution and sale of drugs, cosmetics and medical devices to ensure safety, efficacy, quality and conduct of clinical trials.

Key features of the Bill are:

- The Drugs Controller General of India is the licensing authority that has the power to

issue, renew, suspend or cancel licences for import, export or manufacture of drugs, cosmetics or medical devices or permission for conducting clinical trials.

- The Drugs Controller General of India is also given the power to issue licenses for the manufacture, sale, and export of 17 categories of drugs. The Central Drugs Authority will regulate drugs and cosmetics and specify regulations for the functioning of central and state drug licensing authorities and will periodically assess their functioning. The Authority will have the power to review, suspend or cancel any permission or license for manufacturing of drugs and cosmetics.
- The Bill defines medical devices and regulates the import, manufacture, sale, distribution, export, and quality of such devices. It also constitutes the Medical Device Technical Advisory Board to advise the central and state governments and the Central Drugs Authority on technical matters pertaining to medical devices.
- Anyone conducting or initiating a clinical trial has to register with the Central Drugs Authority and get approval from an Ethics Committee registered with the Authority. The Bill creates provisions for the medical treatment and compensation in case of injury or death of a person during participation in a clinical trial or due to it.

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

## Taxation

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### Public Accounts Committee (PAC) submitted its report on tax administration of direct taxes

The PAC submitted its report on Tax Administration to Parliament on August 29, 2013.<sup>51</sup> The report is based on the report of the Comptroller and Auditor General on Direct Tax for 2011-12.

The Committee made the following observations/recommendations:

- **Tax Revenue:** Revenue forgone on account of tax exemptions has increased for

corporate income tax and personal income tax. The Department of Revenue (DoR) must re-orient its efforts for widening tax base by bringing in the potential and high net worth into the tax net. The Committee urged the government to implement the Direct Taxes Code expeditiously, and in the interim take measures to phase out unwarranted tax exemptions.

- **Growth of taxpayers:** The number of tax assesseees is not congruent with the economy's growth rate. DoR should focus on non-intrusive but penetrating methods of tax collections for being able to widen the tax base. The government should undertake a study to augment number of assesseees.
- **Pendency of cases:** The Committee noted an increase in the pendency of cases selected for assessment, and in the number of cases pending in the Income Tax (IT) Appellate Tribunal. It asked for the status of e-Benches that were to be established at eight stations to reduce pendency.
- **Uncollected Demand:** The Committee observed that the number of cases of uncollected demand have increased, and many of these cases are pending in various judicial fora. 45% of such demands pertain to money laundering and security scams. DoR should vigorously pursue such cases and apprise the committee of the outcome thereof.
- **Appeals:** There are large amounts of money locked up in appeal cases and the DoR needs to establish measures to clear this pendency.
- **Adventurous assessment:** The dissatisfaction of assesseees with the assessment orders of Assessing Officers has resulted in an increase in the number of appeals. Most of these appeals succeed against the DoR. Remedial steps must be taken to discourage officers from making an adventurous assessment. DoR should be more cautious in filing their appeals and should engage special council with expertise in taxation matters.
- **Staff shortage:** Staff shortages are affecting the entire administration of revenue collection, and there has also been a delay in the cadre restructuring of DoR by the Department of Personnel and Training (DoPT). The Committee would like to be informed of vacancies filled. DoPT should

take up the matter of restructuring of the IT Department vigorously.

- **Fixing responsibility:** Assessing officers make errors in assessment of corporation tax, in spite of the assessment being completed under scrutiny. The Committee observed that responsibility for acts of omissions and commission is fixed on Assessing Officers, while senior officers are asked for no explanation.

### Public Accounts Committee (PAC) submitted its report on Uneconomic Branch Lines in Indian Railways

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The PAC submitted its 88<sup>th</sup> report on the Action Taken on its 42<sup>nd</sup> Report on Uneconomic Branch Lines in Indian Railways.<sup>52</sup> The Committee made the following recommendations:

- While the Ministry of Railways has been cutting down expenditure on uneconomic branch lines and their numbers have come down, it is recommended that the position of such lines be reviewed more frequently.
- The loss due to uneconomic lines falls on the Union Exchequer. The Ministry should, in consultation with state governments, come up with appropriate mechanism of sharing the losses that will be incurred where it is considered expedient in public interest to not close the loss making branch lines.

## Women and Child Development

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### Standing Committee submits report on the Indecent Representation of Women (Prohibition) Amendment Bill, 2012

On September 24, 2013, the Standing Committee on Human Resource Development submitted its report on the Indecent Representation of Women (Prohibition) Amendment Bill, 2012.<sup>53</sup> The Bill was introduced in the Rajya Sabha on December 13, 2012 and seeks to amend the Indecent Representation of Women (Prohibition) Act, 1986, which prohibits indecent representation of women through advertisements or publications, writings and paintings (primarily the print media).

The Bill seeks to widen the scope of the Act to cover new forms of communication and prohibits the publication or distribution of any material, which contain indecent representation of women.

- The Bill defines “indecent representation of women” as the depiction, publication or distribution of the figure or form of a woman in such a way that it has the effect of being indecent or derogatory or is likely to affect public morality. The Committee viewed this definition as vague and subject to interpretation and recommended that an expert body should decide on the contentious issue of whether any content/material is objectionable or not.
- The Bill amends the definition of “advertisement” to include all types of media (printed and electronic). The Committee recommended that the definition be expanded to include all forms of advertisements through any medium such as digital, electronic SMS, MMS and hoardings.
- The Bill amends the definition of “distribution” to include all methods of distribution such as printed, broadcast and, electronic. The Committee recommended that distribution through publication, license, or uploading using computer resource, or communications device be covered under the definition
- On the question of whether indecent representation of women in films should be included under the ambit of the Act, the Committee recommended that the Ministry consult with the Central Board for Film Certification and the Ministry of Information and Broadcasting to bring the provisions under the Cinematograph Act in consonance with this Bill. The Committee suggested the Board needs to review its guidelines with respect to indecent representation of women.
- The Committee suggested the regulation of access to pornographic material in a stringent matter. Such material should not be viewed in any public place and be used only for private viewing/use.
- The Committee recommended that for the effective implementation of the legislation, a central authority should be created to regulate the cases of indecent

representation of women and receive and decide complaints.

- The Bill enhances penalties for various offences. The Committee observed that the penalties for the offences as proposed in the Bill and the Information Technology Act, 2000 are different and should be brought in consonance with each other.

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

### Cabinet approves the National Early Childhood Care and Education Policy

On September 20, 2013, the Cabinet approved the addition of certain features of the National Early Childhood Care and Education Policy.<sup>54</sup> The Policy focuses on early preschool learning for every child below the age of six years and seeks to provide them with opportunities for development, preschool education and building learning capacity.

According to the Ministry, the Policy is expected to target 158.7 million children under the age of six years who need holistic and integrated early childhood care. The Key features of the Policy are:

- The National and State Early Childhood Care and Education Councils will implement and monitor the Policy.
- A National Early Childhood Care and Education Curriculum Framework and Quality Standards will be developed and then implemented by states and union territories.
- The Ministry of Women and Child Development is delegated with the power to make necessary changes to the Policy.

## Agriculture

*Sakshi Balani (sakshi@prsindia.org)*

### High rainfall leads to above normal Kharif sowing of crops

According to the India Meteorological Department (IMD), the cumulative rainfall over the period from June 1 to September 25, 2013 was 5% above the Long Period Average (average rainfall during the monsoon over the last 10 years).<sup>55</sup> While the monsoon was above average

in peninsular and North India, it was deficient in East and North East India. The distribution of rainfall across regions is depicted in Table 3.

**Table 3: Rainfall distribution for the season (June 1 – September 25)**

Regions	Actual Rainfall (mm)	Normal Rainfall (mm)	% Departure from LPA
Country as a whole	906	864	+5%
Northwest India	647	605	+7%
Central India	1149	954	+21%
South Peninsula	818	685	+19%
East & Northeast India	996	1393	-29%

Source: India Meteorological Department Weekly Press Release, September 27, 2013; PRS

### Estimates of Kharif crop sowing

Due to good Monsoon rainfall, the estimated sowing of most Kharif crops is above normal for this time of the year, with sowing of coarse cereals and oilseeds being significantly higher than the figures from last year.<sup>56</sup> Table 4 presents a comparison of Kharif acreage for some of the major crops.

**Table 4: Cropped areas of major Kharif crops (lakh hectares)**

Crop	Area sown in 2013-14	Area sown in 2012-13	% change from last year
Rice	376.5	368.8	2.1%
Pulses	109.2	99.8	9.4%
Coarse cereals	195.8	175.9	11.3%
Oilseed	193.9	174.7	11.0%
Sugarcane	48.7	50.1	-2.8%
Cotton	114.4	116.0	-1.4%
Jute & Mesta	8.5	8.6	-1.2%
Total	1047.1	993.9	5.4%

Source: "Kharif Sowing Crosses 1047 Lakh Hectare Mark", Ministry of Agriculture, September 27, 2013.

### Water level and storage capacity in major reservoirs

The excess rainfall has also helped improve the water storage position. According to data from the Central Water Commission, the total live storage in 85 important reservoirs is 86% of the full reservoir level.<sup>57</sup> The water level in the reservoirs is 14% more than last year's storage and 17% more than the average of the last 10 years. Water stored in reservoirs during the monsoon season is used to sow crops during the Rabi sowing season.

## Power

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### Standing Committee Report on the functioning of the CERC

On August 27, 2013, the Standing Committee on Energy presented a report on action taken by the government on the Committee's recommendations in its report on the functioning of the Central Electricity Regulatory Commission (CERC).<sup>58</sup> The earlier report was presented to Parliament on August 24, 2012 and the government's replies were received on March 18, 2013. The Committee is not satisfied with the government's replies on the following three issues and has reiterated these recommendations:

- **Efficacy of CERC:** The Committee had observed that despite vast powers of regulation being vested in CERC and various activities undertaken by it, the Indian power sector has not grown as anticipated. The Committee therefore recommended that a detailed analysis be carried out by an independent expert panel as well as through internal review, to review the functioning of CERC and identify areas which require improvement in the working of the organisation.
- **Composition of CERC:** The Committee had observed that the appointment of retired officials to key positions in CERC, as opposed to technical persons, was compromising on its autonomy.

The Committee reiterated its recommendations and suggested that the government induct technically qualified people to CERC, particularly from financial sectors.

- **Non-effectiveness of Forum of Regulators:** The Committee observed that despite model regulations, on issues such as tariff, open access and renewable energy certificates, being arrived at through consensus by the Forum of Regulators, there was great disparity in implementation between states.

The Committee reiterated the need for granting the Forum of Regulators more power, and granting greater autonomy to the State Electricity Regulatory Commissions.

### Largest solar power project to be set up in Rajasthan

The government has approved the setting up of a 4000MW Ultra-Mega Green Solar Power Project in Rajasthan. Not only is this project the first ultra mega power plant in the solar sector in India, it is also expected to be the largest solar based power plant in the world. The first phase of the project of 1000MW capacity is likely to be commissioned in three years through a joint venture company to be formed with equity from various state-owned companies and government agencies.<sup>59</sup> Once fully completed, the entire project is expected to generate 6000 million units of power every year and will supply power to several states.

According to a news report, the expected investment amount is likely to be approximately Rs 30,000 crores.<sup>60</sup>

The Jawaharlal Nehru National Solar Mission which was launched in January 11, 2010 aims at deploying 20,000MW of grid connected solar power by 2022.<sup>61</sup>

In a related decision, the Ministry of New and Renewable Energy announced, on September 25, 2013, that it had set a target to generate 10,000MW of electricity through solar sources by 2017.<sup>62</sup>

## Petroleum

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### CCEA approves policy on exploration and exploitation of shale gas and oil

On September 24, 2013, the Cabinet Committee on Economic Affairs (CCEA) approved the Ministry of Petroleum and Natural Gas' proposed policy on exploration and exploitation of shale gas and oil by national oil companies.<sup>63</sup> Under this policy, national oil companies will be allowed to explore and exploit unconventional hydrocarbon resources in acreages already awarded to them under the nomination regime. To be able to explore and exploit these resources, national oil companies must apply for grant of shale gas and oil rights in their acreages and undertake a mandatory minimum work programme. Royalties, cesses and taxes will be payable at par with conventional oil and gas produced from the corresponding areas.

## Education

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### UGC frames rules for regulating the entry of foreign universities

On September 21, 2013, the University Grants Commission (UGC) notified the Promotion and Maintenance of Standards of Academic Collaboration between India and Foreign Educational Institutions Regulations, 2012.<sup>64</sup> These regulations apply to all foreign and Indian educational institutions that operate or intend to operate in India through collaboration with each other (other than technical institutions).

The regulations state the following:

- Foreign educational institutions are defined as those established in their home country and offer degree programmes or postgraduate diplomas in collaboration, partnership or twinning arrangements with an Indian educational institution.
- In order to collaborate, the foreign and Indian educational institutions shall enter into a Memorandum of Understanding which has to have the prior approval of the UGC. The regulations specify the detailed procedure for this approval. The approval is valid for five years. The UGC has the power to reject, extend or withdraw an approval.
- For a foreign educational institution to collaborate with an Indian institution, it has to be accredited with the highest grade in the home country, offer programmes of study in conformity with standards laid down by the UGC, and abide by any other condition laid down by the government and UGC. An Indian educational institution has to satisfy certain conditions in order to collaborate with a foreign educational institution. These include among others, grade B level accreditation by the National Assessment and Accreditation Council and five years' experience in offering degree and post graduate programmes, unless the institution is maintained by the government (centre or state) or the UGC.

The Foreign Educational Institutions (Regulation of Entry and Operations) Bill, 2010 was introduced in Parliament in May 3, 2010 to regulate the entry and operation of foreign educational institutions seeking to impart higher

education in India. The Bill is currently pending in Parliament.

For the PRS Legislative Brief on the Bill and the PRS summary of the standing committee recommendations see [here](#) and [here](#).

### Standing Committee submits report on the Central Universities (Amendment Bill)

On September 6, 2013, the Standing Committee on Human Resource Development submitted its report on the Central Universities (Amendment) Bill, 2012.<sup>65</sup> The Bill was introduced in the Lok Sabha in November 2012 to amend the Central Universities Act, 2009, which allows for the establishment of universities for teaching and research in various states. The Bill seeks to allow for the establishment of two central universities in Bihar to be known as the Central University of South Bihar and the Central University of North Bihar. The locations of the universities are Motihari and Gaya.

Key recommendations of the Committee are:

- The Committee agreed with the Bill and recommended an assessment of states with one central university in order to understand the requirement and feasibility of setting up another central university in the state.
- The Committee noted that according to the Financial Memorandum of the Bill, Rs 240 crore was approved under the Eleventh Plan for the Central university of Bihar. As this allocation will have to be split between the Central University of South Bihar and the Central University of North Bihar, the Committee recommended that adequate funds be provided to both universities
- The Committee expressed concern over the lack of infrastructure in newly established central universities such as a well-structured building, shortage of teachers, library, laboratories and, hostel facilities. The Committee recommended a vigorous monitoring mechanism to expedite the process of building infrastructure at the proposed universities.

### The Nalanda University (Amendment Bill), 2013 introduced in Parliament

The Nalanda University (Amendment Bill), 2013 was introduced in the Rajya Sabha on September 5, 2013 by the Ministry of External Affairs and

has been referred to the Standing Committee for detailed examination.<sup>66</sup> The Act establishes Nalanda University in Bihar as a result of decisions taken at the East Asia Summits.

Key features of the Bill are:

- Under the Act, the University is a non-profit public-private partnership, supported by each member country as well as other sources. The Bill amends the Act to provide for the central government to meet the university's capital and recurring expenditure to the extent required.
- The powers of the University are amended to include the power to set up a consortium of international partners to meet the objectives of the University, and appoint persons working in any other University or academic institution, including those located outside India, as faculty of the University.
- The size of the governing board of the University is being increased to include two persons of eminence and two members from the academic faculty of the University. The Bill also makes provision for the appointment of deans and provosts.

## Civil Aviation

*Alok Rawat (alok@prsindia.org)*

### President gives assent to the Rajiv Gandhi National Aviation University Act, 2013

The Rajiv Gandhi National Aviation University Act, 2013 was passed by Parliament and received the President's assent on September 18, 2013.<sup>67</sup> The Act facilitates the establishment of the Rajiv Gandhi National Aviation University (RGNAU) at Rae Bareilly in Uttar Pradesh. The University will be established as a central university under the administrative control of the Ministry of Civil Aviation.<sup>68</sup> It will promote aviation studies, teaching, training and research and provide academic inputs to safety and security regulators.

The government will provide funding of Rs 202 crore during the first phase (2013-14 to 2018-19) and Indira Gandhi Rashtriya Udan Academy will provide 26.35 acres of land for RGNAU. The M.

K. Kaw Committee on civil aviation and the Twelfth Five Year Plan had recommended establishing a national aviation university to augment qualified and trained manpower for the aviation sector.<sup>69</sup>

## Rural Development

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### Establishment of Bharat Rural Livelihood Foundation

The Union Cabinet has approved the establishment of the Bharat Rural Livelihood Foundation (BRLF) with the aim of improving livelihoods in rural India, particularly in the central Indian tribal region.<sup>70</sup> It will be a partnership between the government, private sector philanthropic organisations and private and public sector undertakings (under Corporate Social Responsibility).

The BRLF will be an independent charitable organisation under the Societies Registration Act, 1860 with a corpus of Rs 500 crore. While it has an all India mandate, it will initially focus on areas having a significant tribal population across the states of Odisha, Jharkhand, West Bengal, Chhattisgarh, Madhya Pradesh, Andhra Pradesh, Maharashtra, Rajasthan and Gujarat.

It will provide financial grants to Civil Society Organisations (CSOs) to: (a) meet their human resource and institutional costs for up-scaling of proven interventions (b) invest in institutional strengthening of smaller CSOs and (c) capacity building of professionals working at the grassroots level.

It aims at impacting one million poor households, and supporting the capacity building of 1000 CSOs over the next five years.

### Standing Committee submits report on Vigilance and Monitoring Committees

The Parliamentary Standing Committee on Rural Development submitted a report on the working of Vigilance and Monitoring Committees (V&MCs) in states and union territories (UTs) on August 30, 2013.<sup>71</sup>

V&MCs were set up at the district and state levels in 2002, superseding V&MCs that had existed at the village and other levels earlier. They monitor the implementation of the programmes of the Ministry of Rural

Development. The scope of the V&MCs has been enlarged to include the programmes of the Ministry of Tribal Affairs, Ministry of Panchayati Raj, Ministry of Power (only Rajiv Gandhi Grameen Vidyutikaran Yojana) and Ministry of Drinking Water and Sanitation.

Key observations and recommendations of the Committee include:

- Qualitative aspects of schemes should be measured along with financial outcomes.
- While nominating Members of Parliament to state level V&MCs, members of the Standing Committee on Rural Development should be given preference
- Vacancies of non-official members and members representing non-governmental organisations should be filled up.
- Meetings of the V&MCs should be held once every quarter of the year, as stipulated in the guidelines. At present, meetings are held less frequently than prescribed with significant inter-state variation.
- Appropriate action must be taken by state governments on the recommendations of the V&MCs, and the DoRD should establish a suitable mechanism to ensure prompt action by state governments.
- Better coordination between V&MCs, and other monitoring agencies should be facilitated to make the monitoring system more effective.
- A mechanism to allow beneficiaries to lodge complaints with the V&MCs, related to irregularities in implementation of schemes, should be created.

#### Standing Committee submits report on capacity building of PRIs

The Standing Committee on Rural Development submitted a report on the capacity building of Panchayati Raj Institutions (PRIs) on August 14, 2013.<sup>72</sup>

The Ministry of Panchayati Raj (MoPR) has identified four areas concerning the capacity building of PRIs: (a) devolution of 3 Fs (functions, functionaries and finances), (b) availability of staff, (c) availability of infrastructure, and information and communications technology (ICT) and (d) training of elected members of panchayats.

The Committee made the following key observations and recommendations:

- **Role of panchayats:** Funds earmarked for expenditure on panchayats by different ministries should be brought under the MoPR so that the capacity building of Panchayats can be done in a systematic manner. A literacy campaign targeting panchayat functionaries should be part of the capacity building process. The Constitution (One Hundred and Tenth Amendment) Bill, 2009 that seeks to increase the amount of reservation in panchayats for women from 33% to 50% should be enacted at the earliest.
- **Schemes for capacity building of panchayats:** The role of panchayats should be clearly defined in centrally sponsored schemes. Government institutions such as the National Institute of Rural Development and State Institutes of Rural Development should improve their programmes related to capacity building of PRIs. Schemes such as the Backward Region Grant Fund and Rashtriya Gram Swaraj Yojana should be strengthened.
- **Availability of staff:** Vacancies should be filled up at the earliest to address the shortage of manpower. In addition, the roles of key functionaries should be clearly defined.
- **Availability of infrastructure and ICT facilities:** Several states have not constructed 'Panchayat Ghars' to house gram panchayats. The Planning Commission must increase funds allocated for ICT for panchayats. The Ministry must ensure computerisation of gram panchayats.
- **Training of elected representatives of PRIs:** The MoPR should undertake a study to expand the network for training of elected representatives. A system of evaluation of training should be developed to ensure quality.
- **13<sup>th</sup> Finance Commission Grants to PRIs:** The Committee found that Rs 3 lakh per panchayat per annum is not adequate to meet their requirements for capacity building.

## Information Technology

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### CCEA approves setting up of an IT Investment Region near Hyderabad

The Cabinet Committee on Economic Affairs (CCEA) has approved a proposal by the Government of Andhra Pradesh to set-up an Information Technology Investment Region (ITIR) near Hyderabad.<sup>73</sup> The detailed feasibility study will be conducted by Ministry of Road Transport and Highways, Ministry of Urban Development and Ministry of Railways.

The AP Government has identified a 202 square-km area for the proposed ITIR. The project will be implemented in two phases – Phase I from 2013-2018 and Phase II from 2018-2038. The total investment for the ITIR is expected to be Rs 2.19 lakh crore, including Rs 1.18 lakh crore towards Information Technology and Information Technology Enabled Services and Rs 1.01 lakh crore towards Electronic Hardware Manufacturing. A majority of these investments are expected to be through Public-Private Partnerships.

### Government approves setting up of two semiconductor fabrication units

The government has approved proposals to set up two semiconductor wafer fabrication units.<sup>74</sup> It has also approved investment-linked deduction under Section 35AD of the Income Tax Act and Viability Gap Funding in the form of a 10-year interest free loan for both the facilities. These incentives are in addition to those available under the Modified Special Incentive Package Scheme for electronics design and manufacturing and the deduction available for Research and Development expenditure under the Income Tax Act. The government will take an 11% equity stake in each project. It has also mandated that the technology providers take at least 10% equity stake in each project.

One of the facilities will be set up at Greater Noida with an investment of Rs 26,300 crore and a capacity of 40,000 wafer starts/month. The other facility will be at Prantij, Gujarat, entailing an investment of Rs 25,250 crore for a capacity of 4,000 wafer starts/ month. The government expects the two projects to create direct employment of about 22,000 and indirect employment of about one lakh.

## Infrastructure

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### Standing committee submits report on road transport in the NCR

The Standing Committee on Transport, Tourism and Culture submitted its 198<sup>th</sup> report on management of road transport in the National Capital Region (NCR).<sup>75</sup> Key observations and recommendations made by the Committee are:

- **Multiplicity of agencies:** The Committee noted that there are 27 authorities/agencies for managing public transport in the NCR and the system needs a total revamp. These authorities/agencies often work in isolation, resulting in suboptimal results.
- **Lack of uniformity:** Due to the lack of a unified law for governing urban transport, rules and regulations framed by different states within NCR are different. Further, there is no effective and integrated enforcement mechanism.
- **Unified Transport Authority:** The long term solution requires the establishment of Unified Metropolitan Transport Authority (UMTA) with jurisdiction over the entire NCR. UMTA should be empowered to deal with important aspects relating to planning, execution, management, regulation and enforcement of an effective transport system.
- **Control of UMTA:** The Committee noted the variance of opinion between the Delhi Government and the Union Ministry of Urban Development regarding control of the UMTA. Further, it is unknown if state governments of Haryana, Uttar Pradesh and Rajasthan have agreed to the proposal.
- **Need for task force/GoM:** A Task Force or Group of Ministers (GoM) should be set-up to examine all the issues in consultation with the concerned governments and ministries, and evolve the most workable mechanism.
- **Role of NCRPB:** The role and performance of National Capital Region Planning Board (NCRPB) in addressing the transportation issues in the NCR needs to be reviewed.

## Environment

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### Draft Municipal Solid Waste Rules published for comments

The government has issued draft Municipal Solid Waste (Management and Handling) Rules, 2013 under the Environment Protection Act, 1986.<sup>76</sup> These will replace the Municipal Solid Wastes (Management and Handling) Rules, 2000.

The government has invited public comments on the draft Rules within 60 days of the notification being published and made them available to the public. The draft Rules were published on July 2, 2013 and were put up on the Ministry of Environment and Forest website on August 29, 2013.

Key features of the draft Rules are:

- The Ministry of Environment and Forests will periodically review these Rules, while the Ministry of Urban Development will co-ordinate and review their implementation.
- The State Level Urban Development Department shall prepare a Municipal Solid Waste Management Strategy for the state, which shall be consistent with the state Sanitation Strategy under the National Urban Sanitation Policy of the Ministry of Urban Development. A State Level Advisory Committee will be created that will review matters related to the implementation of the Rules.
- The Rules shall apply to every municipal authority responsible for collection, segregation, storage, transportation, processing and disposal of municipal solid waste. These activities will be done directly by the authority or by engaging agencies or groups working in waste management including waste pickers. Certain specifications and standards to be fulfilled by the authority have been specified in the Rules for the management of municipal solid waste.
- The Central and State Pollution Control Board will monitor that the standards stipulated for waste disposal are being met.
- If an accident occurs at any municipal solid waste collection, segregation, storage, processing, treatment and disposal facility or landfill site or during the transportation of the waste, the municipal authority or an operator of the facility shall report the accident to the

Secretary in-charge of the Urban Development Department and District Collector.

### Amendment to process for environment clearance for mining projects

The government is making an amendment to the Environment Impact Assessment Notification, 2006 related to the mining of minerals.<sup>77</sup> The 2006 notification had developed certain processes for the Ministry of Environment and Forests (MoEF) to examine the potential environmental impact of new projects or expansion of existing projects and give an environment clearance.

Activities falling under Category ‘A’ in the Schedule to the 2006 notification will be referred to the MoEF. Activities falling under Category ‘B’ in the Schedule will be examined by the State Environment Impact Assessment Authority (SEIAA). The 2013 amendment makes certain changes with regard to the activities referred to the MoEF and SEIAA. These changes are shown in Table 5.

**Table 5: 2013 amendments to the 2006 notification**

2006 notification	2013 amendment
MoEF will examine: (i) mining projects with greater than 50 hectare of mining lease area, and (ii) asbestos mining projects regardless of the size of the mining area	MoEF will examine: (i) projects with greater than 50 hectares of mining area in respect of non-coal mining, (ii) projects with greater than 150 hectares of mining area in respect of coal mining, and (iii) asbestos mining projects regardless of mining area.
SEIAA will examine: projects with mining lease area of greater than five hectares and less than 50 hectares	SEIAA will examine projects of: (i) less than 50 hectares in respect of minor minerals, (ii) less than 50 hectares and more than five hectares in case of non-coal mining, and (iii) less than 150 hectares and more than five hectares in case of coal mining.

Sources: MoEF Notification, 2006; Amendment to Notification, September 9, 2013; PRS.

## Industry

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### PMO finalises proposal for Amritsar-Delhi-Kolkata Industrial Corridor

The Prime Minister's Office (PMO) has finalised a proposal to develop the Amritsar-Delhi-Kolkata Industrial Corridor (ADKIC).<sup>78</sup> The proposal is based on the report of an Inter-Ministerial Group (IMG) set up by the Prime Minister to examine the feasibility of the ADKIC.<sup>79</sup> The proposal will now be presented to the Cabinet for its approval.

Key recommendations of the IMG are:

- The ADKIC is envisaged to be developed in a phased manner within 150-200 kms of the Eastern Dedicated Freight Corridor project.
- In the first phase, each state is expected to promote at least one Integrated Manufacturing Cluster (IMC) of about 10 square km, of which 40% should be dedicated towards manufacturing and processing activities.
- The corridor is planned to span 20 cities in seven states - Punjab, Haryana, Uttar Pradesh, Uttarakhand, Bihar, Jharkhand and West Bengal.
- ADKIC should be funded through Public Private Partnerships (PPP) as well as non-PPP routes. The non-PPP infrastructure should be developed through grants-in aid, either through a Special Purpose Vehicle (SPV) or by the Implementation Agency tasked with setting up the IMCs.
- A dedicated agency, Amritsar-Delhi-Kolkata Industrial Corridor Development Corporation (ADKICDC) should be set up to implement the project.
- The project should be monitored by: (a) an Apex Monitoring Authority, chaired by the Minister for Commerce and Industry, for overall guidance, planning and approvals; and (b) an Inter-Ministerial Group chaired by Secretary, Department of Industrial Policy and Promotion to approve the IMCs.
- The state governments should set up SPVs for the administration of IMCs.
- In the first phase, the central government is expected to commit up to Rs 5,749 crore budgetary support for development of seven

IMCs over 15 years. This includes interest subvention, development of infrastructure, funding towards ADKICDC's equity and initial grant to the ADKICDC.

## Media

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### TRAI issues recommendations on guidelines for television rating agencies

The Telecom Regulatory Authority of India (TRAI) has released its recommendations on guidelines for television rating agencies.<sup>80</sup> It had received a reference from the Ministry of Information and Broadcasting (MoIB) on August 31, 2012, asking for comprehensive guidelines /accreditation mechanisms for rating agencies.

In India, television ratings are currently provided by only one agency. The criticism of the current system includes small sample size, inappropriate geographical representation, disproportionate weights, lack of transparent methodology, potential for manipulation of the respondents, lack of validation/audit, and conflicts of interest.

Key recommendations are:

- **Regulation framework:** TRAI recommends that the agencies be regulated through MoIB guidelines. An agency needs to meet the eligibility norms and register with the MoIB to provide ratings.
- **Eligibility norms:** All agencies should be set up as a company under the Companies Act, 1956. An agency should have a minimum net worth of Rs 20 crore.
- **Conflict of interest:** An agency should not engage in consultancy or any other activity which could result in a conflict of interest. None of its directors should be engaged in the business of broadcasting or advertising.
- **Methodology:** The ratings should be technology-neutral and representative of the audience. The methodology should be disclosed publicly.
- **Cross-holdings:** No company, legal entity or individual should hold more than 10% equity stake in: (a) an agency as well as advertisers, advertising agencies or broadcasters, or (b) more than one agency operating in the same area.

- **Complaint Redressal:** Each agency should provide options for complaint registration and ensure their time-bound disposal. It should also establish an Appellate Authority.
- **Audit:** The agency should conduct quarterly internal audits. Further, it should get its rating process/system audited annually by a qualified independent auditor.
- **Disclosures:** The agency should publicly disclose details about rating methodology, coverage, potential conflicts of interest, quality control procedures, rate cards, ownership pattern, audit reports and complaint redressal statistics.
- **Penalties:** Non-compliance with guidelines would lead to a penalty between Rs 10 lakh to Rs 1 crore. Repeated non-compliance may result in cancellation of the registration.

## Shipping

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### Government allows extension of inland waterways to coastal waters

The Directorate General of Shipping has issued a notification under the Maritime Zone Act declaring waters inward of the baseline, as “Inland Waters”.<sup>81</sup> Thus, vessels which could previously operate only in rivers and other inland waters, can now also operate in coastal waters. The Ministry expects this development to boost internal transportation of goods and trade.

<sup>1</sup> “Quick Estimates of Index of Industrial Production and Use-Based Index for the Month of July, 2013 (BASE 2004-05=100)”, Press Information Bureau, Ministry of Statistics and Programme Implementation, September 12, 2013.

<sup>2</sup> “Index Numbers of Wholesale Price in India (BASE: 2004-05=100), Review for the Month of August, 2013”, Press Information Bureau, Ministry of Commerce and Industry, September 16, 2013.

<sup>3</sup> “Consumer Price Index Numbers on Base 2010=100 for Rural, Urban and Combined for the Month of August, 2013”, Press Information Bureau, Ministry of Statistics and Programme Implementation, September 12, 2013.

<sup>4</sup> “Developments in India’s Balance of Payments during the First Quarter (April-June) of 2013-14”, Reserve Bank of India Bulletin, September 30, 2013  
[http://www.rbi.org.in/scripts/BS\\_PressReleaseDisplay.aspx?rid=29662](http://www.rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?rid=29662)

<sup>5</sup> “India’s Foreign Trade: August, 2013”, Press Information Bureau, Ministry of Commerce and Industry, September 10, 2013.

<sup>6</sup> “Customs Duty on Articles of Jewellery and of Goldsmiths’ or Silversmiths’ Wares Revised from 10 % to 15%”, Press Information Bureau, September 17, 2013.

<sup>7</sup> “Statement by Dr. Raghuram Rajan on taking office on September 4, 2013”, Reserve Bank of India Bulletin, September 4, 2013,  
[http://www.rbi.org.in/scripts/BS\\_PressReleaseDisplay.aspx?rid=29479](http://www.rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?rid=29479).

<sup>8</sup> “Risk Management and Inter Bank Dealings”, Reserve Bank of India Bulletin, September 4, 2013,  
<http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=8376&Mode=0>.

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