

Monthly Policy Review

October 2013

Highlights of this Issue

[RBI releases second quarter review of Monetary Policy \(p. 2\)](#)

RBI reduced the marginal standing facility to 8.75%, and increased the repo rate to 7.75%. It reduced the growth projection for the economy in 2013-14 to 5%.

[JPC submits report on allocation and pricing of telecom licences and spectrum \(p. 6\)](#)

The Joint Parliamentary Committee recommended a review of spectrum pricing by TRAI and formulation of a clear policy by the government in consultation with concerned departments.

[Cabinet approves the creation of a new state of Telangana \(p. 7\)](#)

The Union Cabinet has approved the creation of a new state of Telangana through the bifurcation of the existing state of Andhra Pradesh, with the city of Hyderabad serving as a common capital.

[Land acquisition draft Rules released for comments \(p. 8\)](#)

The draft Rules to the Act relate to consent, retrospective application of the Act, and rehabilitation and resettlement.

[Expert Group on Diesel, Domestic LPG and PDS Kerosene pricing submits report \(p. 10\)](#)

The expert group recommended a reduction of subsidy and price hike for regulated petroleum products.

[Housing ministry releases draft model policy on affordable housing \(p. 13\)](#)

The policy seeks to promote affordable housing, through interventions by the central and state governments in land, finance and legal and regulatory structures.

[SC directs setting up of Civil Services Board; fixed tenure for bureaucrats \(p. 15\)](#)

The Supreme Court directed that a Civil Services Board be set up for the management of transfers, postings and ordered a fixed minimum tenure of civil servants at the centre and state levels.

[Supreme Court orders 3% reservation in government jobs to disabled people \(p.14\)](#)

The Court ruled that reservation for disabled persons has to be computed on the basis of the total number of vacancies in the cadre and has to apply to Group A, B, C and D posts in a uniform manner.

[Third and fourth set of draft Rules under Companies Act, 2013 released \(p. 9\)](#)

The draft Rules pertain to acceptance of deposits by companies, the National Financial Reporting Authority and the Investor Education and Protection Fund.

[Supreme Court holds that co operative societies are outside the ambit of RTI \(p. 16\)](#)

The judgment holds that co operative societies would not fall under the definition of 'public authority' in the Right to Information Act, 2005, and hence are not bound to provide information to citizens under the Act.

[Draft amendments to the Electricity Act, 2003 proposed \(p. 11\)](#)

The amendments propose open access in distribution, unbundling and competitive bidding.

November 1, 2013

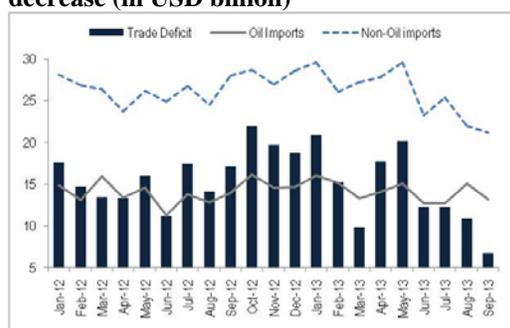
Macroeconomic Developments

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Trade deficit declines, WPI and CPI inflation increases further

India’s trade deficit fell to USD 6.8 billion in September 2013 against USD 10.9 billion in August 2013 as shown in Figure 1.¹ The deficit declined 60.6% from its September 2012 value of USD 17.2 billion. Compared to September 2012, imports declined 18.1%, exports increased 11.2%, and oil imports declined 5.9%.

Figure 1: Trade deficit contracts, oil imports decrease (in USD billion)

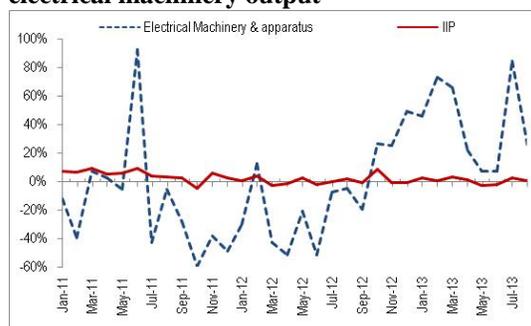


Sources: Ministry of Commerce; PRS.

The Index of Industrial Production (IIP) increased 0.6% during August 2013 above its August 2012 level. Production of basic goods and intermediate goods increased 1.5% and 3.6% respectively. Capital goods production declined 2.0%, and consumer goods production declined 0.8%, driven by a 7.6% decline in production of consumer durables.

As can be seen from Figure 2, electrical machinery and apparatus continued to be the sector with the most buoyant output growth for the second consecutive month, and increased 26.0% above August 2012.² Excluding this industry group, IIP would have *declined* 0.5%.

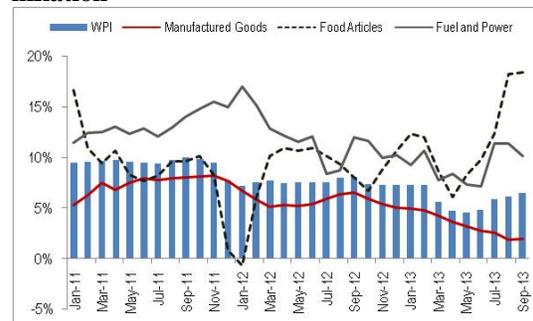
Figure 2: IIP increases due to growth in electrical machinery output



Sources: RBI; PRS.

Wholesale Price Index (WPI) inflation increased for the fourth successive month. WPI rose to 6.5% in September 2013 from 6.1% in August 2013.³ Price rise was led by food inflation, which rose 18.4% in September from 18.2% in August. Manufactured goods inflation increased to 2.1% in September from 1.8% in August, reflecting the slowdown in demand in the economy.

Figure 3: WPI inflation driven by food inflation



Sources: RBI; PRS.

The Consumer Price Index (CPI) inflation for September 2013 was 9.8%, a slight increase from the August 2013 figure of 9.5%.⁴ The CPI inflation was driven by inflation in the foods, beverages and tobacco commodity group, which increased to 11.3% in September from 11.0% in August.

RBI cuts MSF rates further, and increases repo rate

In its second quarter Monetary Policy Review 2013-14, the Reserve Bank of India (RBI) announced the following measures:⁵

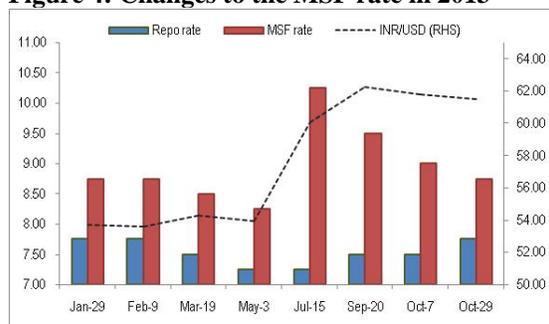
- **Liquidity Adjustment Facility (LAF)** policy repo rate has been increased to 7.75% from 7.50%. The LAF repo rate is the rate at which banks can borrow from RBI against their excess holding of government securities (above the Statutory Liquidity Ratio requirement). Banks can borrow overnight up to 0.50% of the bank’s Net Demand and Time Liabilities or NDTL (roughly speaking, all deposits).
- **Marginal Standing Facility (MSF)** rate has been reduced from 9.00% to 8.75%. The MSF rate was reduced to 9.50% (from 10.25%) in September, 2013,⁶ and further to 9% at the beginning of October.⁷ The emergency liquidity requirement of banks, in excess of LAF, is met through the MSF window, which is available on an overnight

basis to banks to the extent of excess holdings of government securities (other than those used for borrowing through repo). In addition, banks can borrow up to 2% of their NDTL.

- **Term repos** for 7-day and 14-day tenure under the LAF were introduced by the RBI on October 8, 2013 in addition to the existing repo and MSF facility. The amount of liquidity available under term repo was restricted to 0.25% of the NDTL of the banking system.⁸ This total amount of liquidity has been increased to 0.5% of NDTL.
- **Other rates:** The Cash Reserve Ratio remains unchanged at 4% of NDTL, while the reverse repo and the bank rate stand re-adjusted at 6.75% and 8.75% respectively.

According to the RBI, the WPI inflation is expected to remain high for the rest of the year, while the CPI inflation is expected to be around 9% in the months ahead. The RBI also lowered the growth projection for the economy from 5.5% to 5% for 2013-14. The RBI said that the measures taken were intended to curb mounting inflationary pressures and manage inflation expectation in situations of weak growth.

Figure 4: Changes to the MSF rate in 2013



Sources: RBI; PRS.

MSF rate, upon its introduction in 2011, was to be set at 100 basis points (a basis point is one-hundredth of a percentage point) above the repo rate, and remained so till June 2013. As can be seen from Figure 4, the RBI raised the MSF rate to 10.25% from 8.25% in July 2013 to restrict liquidity and curb speculation in the forex markets. With the rupee exchange rate stabilising, the RBI started reducing the MSF rate in September 2013. With the latest revision the MSF rate is again 100 basis points above the repo rate, which is in line with the normal monetary policy operation.

In addition to the monetary policy, RBI also released developmental and regulatory policy measures. These are listed in Table 1 below.

Table 1: Development and policy regulation decisions of the RBI

Subject	Details	Policy measure
Payment of interest on rupee-savings/term deposits	Currently, banks pay interest at quarterly or longer intervals	Banks have been given the option to pay interest at shorter intervals
Licensing of new banks in the private sector	A High Level Advisory Committee (HLAC) under Dr. Bimal Jalan had been constituted	HLAC will give recommendations to RBI on application for new licenses, but final decision will rest with RBI
Roadmap for provision of banking services in unbanked villages	State Level Banker's committees prepare a roadmap for covering all unbanked villages with population of less than 2000	4,90,000 unbanked villages have been identified and allotted to various banks to be covered by March 2016
Mode of presence of foreign banks in India	Incentivise banks to convert to Wholly Owned Subsidiaries (WOS), and give WOSs near national treatment	This scheme to be released by mid-November 2013
Retail Inflation indexed securities	CPI indexed securities with 10 year tenure for retail investors	To be launched in November/December 2013
Interest Rate Futures (IRF)	Decision to introduce 10-year IRF contracts	Guidelines by mid-November, and product launch by end-December 2013
Credit enhancements in corporate bonds	Corporates significantly dependent on bank financing because corporate bonds lack depth and liquidity	Allow banks to offer partial credit enhancement to corporate bonds by way providing credit facilities and liquidity facilities.
Revision in timing of MSF	MSF conducted between 4.45 pm and 5.15 pm	Now will be conducted between 7.00 pm and 7.30 pm
Repo facility for mutual funds	Window for banks to meet liquidity requirements of mutual funds was opened in July	This window has been shut
General Credit Card (GCC) scheme	Increase coverage of GCC to include non-farm entrepreneurial activity	Guidelines by mid-November 2013

International Finance Corporation to launch rupee-linked bonds worth USD 1 billion

The International Finance Corporation (IFC), a member of the World Bank group, has launched a USD 1 billion off-shore rupee-denominated bond programme.⁹ Under the programme, the IFC will issue the rupee bonds and use the proceeds to finance private sector investment in India. In the past IFC has issued bonds in 13 local currencies, including the Brazilian Real, Chinese Renmibi, and the Russian Rouble.¹⁰

Finance

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IRDA releases draft circular on life insurance products for People Living with HIV/AIDS (PLHA)

The Insurance Regulatory and Development Authority (IRDA), on October 11, 2013 released a draft circular on life insurance products for people living with HIV/AIDS. Further, the circular includes guidelines for health insurance schemes.¹¹ IRDA has invited comments within 15 days. Through the circular, IRDA seeks to prohibit refusal of life insurance/ health insurance coverage to subscribers with HIV/AIDS and lays down a set of guidelines for evaluating such subscribers. The key features of the circular are:

Life insurance products for people living with HIV/AIDS

- Life insurers are required to put in place an underwriting policy approved by their respective Boards with respect to life insurance products for people living with HIV/AIDS. The policy should provide clear guidelines, indicate eligibility criteria in terms of medical and non-medical parameters and specify risks which would be deferred or denied coverage. It explicitly prohibits the refusal of life insurance coverage to eligible subscribers.
- The underwriting policy of the life insurer should clearly indicate the specific loadings applicable to people living with HIV/AIDS with reference to the different stages of the disease. Loading refers to an increase in insurance premium upon progression of a disease. The specific loadings in this case

shall be detailed by IRDA and periodically reviewed.

- Subscribers who are HIV negative at the time of commencement of the policy and are subsequently found to be HIV positive during the term are not to be denied a claim on such grounds. In such cases, underwriting policies at the commencement of the policy shall apply.

Health insurance products for people acquiring HIV/AIDS after commencement of policy

- Health insurers may provide schemes in which contracting HIV/AIDS is considered a critical illness and entails a lump-sum payout in such a case. Further, there may be provisions for such a lump sum payment to be converted into an annuity or for health cover to be provided on a benefit basis, excluding treatment of only HIV/AIDS.

Consultation paper on draft SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2013 released

On October 14, 2013 the Securities and Exchange Board of India (SEBI) released a consultation paper on draft regulations for consent settlements. These regulations are preceded by guidelines issued for consent orders in April, 2007 and an amendment to these guidelines in May, 2012.¹² SEBI has invited comments on the draft by October 30, 2013.

The Securities Laws (Amendment) Second Ordinance, 2013 which was promulgated on September 16, 2013 confers explicit powers on SEBI to settle administrative and civil proceedings through consent settlements. The consent settlement procedure involves SEBI agreeing to the proposal for settlement, on payment of a sum by a defaulter, after taking into consideration the nature, gravity and impact of defaults.

The important features of the regulations are:

- Any person against whom proceedings have been initiated or may be initiated may file an application to SEBI for consent settlements. However, no application shall be considered if made after 60 days from the date of service of show-cause notice issued by SEBI.
- SEBI may decline an application for settlement under the following circumstances: (i) commission of insider

trading or communication of unpublished price sensitive information in contravention of the provisions of the SEBI Act, (ii) fraudulent and unfair trade practices including front running, i.e. usage of non-public information to undertake securities transactions, (iii) defaults or manipulative practices by mutual funds or asset management companies.

- The settlement amount paid will be credited to the Consolidated Fund of India.
- SEBI shall constitute a high powered committee consisting of a retired Judge of a High Court and three external experts having expertise in the securities market. The committee shall make recommendations on the consent settlement.
- SEBI shall constitute one or more internal committees for assisting the high powered committee. The application is first referred to the internal committee, which shall place its proposal for the terms of settlement before the high powered committee. A panel of two whole time members may be constituted by SEBI to consider the recommendations of the high powered committee. The panel will pass settlement orders after choosing to accept or reject the recommendations.
- Further, settlement orders may be passed by an adjudicating officer appointed by SEBI.

Consultation paper on draft SEBI (Real Estate Investment Trusts) Regulations, 2013 released

On October 10, 2013 the Securities and Exchange Board of India (SEBI) released a consultation paper on the regulation of Real Estate Investment Trusts (REITs) that are proposed to be introduced in India.¹³

REITs are currently in operation in several countries abroad. REITs are trusts which collect funds from investors, invest the same mainly in completed real-estate projects and distribute the revenue generated to their investors. The salient features of the regulations are:

- **Structure of the REITs:** The REITs shall be set up as a Trust under the provisions of the Indian Trusts Act, 1882. It shall have parties such as trustee (registered with SEBI), sponsor, manager and principal valuer.
- **Offer of units to the public:** The REITs shall raise funds through an initial offer of

units after compulsorily getting themselves listed on a stock exchange recognised under the Securities Contracts (Regulation) Act, 1956. Once listed, they may subsequently raise funds through follow-on offers. REITs may raise funds from any investor, domestic or foreign but SEBI has recommended that until the market develops, funds be raised from high net-worth individuals or institutions with a minimum subscription size of Rs two lakh.

- **Responsibilities of various parties to the REITs:** (i) The trustee shall be independent of the sponsor and manager and have a supervisory role. It shall ensure that the activities are taking place in accordance with the proposed regulations. (ii) The manager shall assume all operational responsibilities including application for registration, issue and listing of units, day to day operation and management of assets and delisting of units. (iii) The sponsor shall be responsible for appointment of the trustee and shall maintain a certain percentage holding in the REIT to ensure a level of accountability. Valuers have to ensure fair and transparent valuation of assets and must have robust internal controls.
- **Investment conditions and dividend policy:** REITs are required to invest at least 90% of their assets in completed revenue generating properties. They may invest the remaining 10% in other assets as may be specified. They may invest directly in properties or through Special Purpose Vehicles (SPVs) which hold at least 90% of their assets directly in such properties. REITs are only permitted to invest in India and are not allowed to invest in vacant or agricultural land. They may invest 100% of their assets in one project provided that the minimum size of such an asset is Rs 1,000 crore. At least 90% of the net distributable income after tax has to be paid as dividend.
- **Borrowings and deferred payments:** The aggregate consolidated borrowings and deferred payments of the REIT have been capped at 50% of the value of its assets.
- **Valuation of assets:** REITs are required to conduct a full valuation of underlying assets in physical inspection at least once a year and update it every six months. Consequently, the Net Asset Value (NAV) is required to be disclosed at least twice a year.

- **Rights of investors:** The investors have the right to remove the manager, auditor, principal valuer, seek delisting of units and apply to SEBI for changes in trustee. Further, approval of investors is mandatory for transactions exceeding 15% of REIT assets, borrowing in excess of 25%, change in manager or sponsor, change in investment strategy etc.

RBI appoints Technical Committee on Mobile Banking

The Reserve Bank of India (RBI), on October 9, announced the constitution of a Technical Committee on Mobile Banking to examine various alternative modes of mobile fund transfers to expand mobile banking in the country.¹⁴ The Committee is also tasked with examining the feasibility of using SMS based fund transfers using an application that can run on any type of handset. The Committee is chaired by Mr. B. Sambamurthy.

The Terms of Reference of the Committee are:

- To understand the challenges faced by banks in expanding mobile banking coverage.
- To understand the challenges faced in the implementation of the Unstructured Supplementary Service Data (USSD) channel and to suggest solutions.
- To study the advantages of having a single SMS-based application across all handsets.
- To examine solutions to challenges faced and to draw up a road map for their implementation.

The RBI invited suggestions from the public until October 31, 2013.

Committee on financial inclusion inviting suggestions from stakeholders

The Reserve Bank of India (RBI) had appointed a Committee on Comprehensive Financial Services for Small Businesses and Low-Income Households to propose measures for achieving financial inclusion and financial deepening.¹⁵

The Committee, constituted on September 23, is chaired by Mr. Nachiket Mor. It is due to submit its report by the end of December, 2013. It has invited suggestions from stakeholders to be sent by October 31.¹⁶

Telecom

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JPC submits report on allocation and pricing of telecom licences and spectrum

The Joint Parliamentary Committee (Chairman: Mr. P. C. Chacko) tasked with examining allocation and pricing of telecom licenses and spectrum submitted its report to the Lok Sabha speaker on October 29, 2013.¹⁷ The terms of reference of the Committee were to: (i) examine telecom policy and its interpretation by successive governments from 1998 to 2009, (ii) examine irregularities and aberrations, if any, and (iii) make recommendations for the formulation of appropriate procedures for the implementation of laid down policy.

Key observations and recommendations made in the report are:

- The Migration Package offered to the licensees under the New Telecom Policy, 1999 resulted in a Rs 43,524 crore reduction in licence fee and spectrum charges collection.
- The 2004 reduction in the licence fee for Unified Access Services (UAS) licensees caused a loss to the exchequer to the tune of Rs 968 crore for the first four years and Rs 885 crore per annum thereafter.
- The Department of Telecommunication's (DoT) decision to fix October 1, 2007 as the cut-off date for the receipt of cellular licence applications was transparent and consistent with existing policy. However, the later decision to advance the cut-off date from October 1, 2007 to September 25, 2007 was unfair and not communicated promptly.
- The Prime Minister was misled by the then Minister of Communications and Information Technology (MoCIT) about the procedure to be followed in respect of issuance of UAS licences.
- The First Come, First Serve mechanism, announced by the DoT for the award of licences through a January 10, 2008 press release, was a departure from its existing policy.
- The Committee censured DoT for the unusual manner in which it announced its decision to issue Letters of Intent (LOI) to all eligible applicants, issued LOIs/responses

and also received compliance with LOI conditions, all on a single day.

- While 85 of the 122 licences thus issued did not satisfy the eligibility conditions, DoT had no mechanism to detect such lapses.
- The loss figures calculated by the Comptroller and Auditor General (CAG) in context of the licences issued in 2008 should have been based on proven facts. CAG also failed to take cognisance of the benefits accrued to the citizens as a result of the government's telecom policy.
- The government should respond to Telecom Regulatory Authority of India's (TRAI) recommendations within a specific time frame and the TRAI Act, 1997 should be amended correspondingly.
- TRAI should be asked to conduct a comprehensive review of spectrum pricing. Government should formulate a policy on spectrum pricing, in consultation with concerned departments and agencies. Such a policy should also give due consideration to the telecom sector's growth, the Supreme Court verdict/opinion on spectrum auction and the results of recent auctions.
- Stringent guidelines for allocation of additional spectrum are needed to maximise utilisation of available spectrum and discourage hoarding of excess spectrum.

The conclusions of the report were not unanimous as 11 of the 30 members of the Committee voted against adoption of the draft report. Portions of the Minute of Dissent submitted by some of the members have been expunged under the directions of the Speaker, Lok Sabha. Key concerns raised in the edited Minutes of Dissent are:

- The report selectively quotes from evidence presented before it, ignoring crucial documents and verbal evidence. The Committee did not examine several key witnesses, including the Prime Minister, the Minister of Finance and the then MoCIT.
- The report, while contesting CAG's presumptive loss estimates, fails to address the question if there was any loss to the exchequer in allocation of licences in 2008.
- The report claims that spectrum was priced at low levels to ensure low telecom tariffs for the end-user. It fails to examine why

there was a change in rollout norms and the Merger and Acquisition (M&A) policy.

- The report asserts that the then MoCIT misled the Prime Minister. However, it does not examine why the Prime Minister did not stop the process of awarding licenses despite holding concerns about the process.
- The report fails to examine the role of Minister of Finance, the Cabinet Secretary and the Solicitor general in the awarding of licences and subsequent M&A deals.
- The report also fails to examine the licenses awarded during 2004 to 2007, but unnecessarily focuses on the allocations between 1998 and 2004.

Home Affairs

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Cabinet approves creation of a new state of Telangana

On October 3, 2013, the Union Cabinet approved the creation of the new state of Telangana through the bifurcation of the existing state of Andhra Pradesh.¹⁸ It has also been announced that the city of Hyderabad will function as the common capital for both the states for a period of ten years.

The Union Cabinet has approved the setting up of a Group of Ministers (GoM) to work out necessary legal and administrative measures. These include: (i) safety and security, and protection of fundamental rights of the residents, (ii) modalities for the provision of special financial disbursements required for the setting up of a new capital for the residuary state of Andhra Pradesh, and (iii) meeting the special needs of the backward regions and districts of the two states.

The GoM has had two meetings so far. In its first meeting on October 11, 2013, the GoM discussed the approach and methodology to be adopted by it.¹⁹ The GoM also finalised the different nodal ministries and departments of the central government, and state government, for the preparation of status reports on the subjects in the Terms of Reference.¹⁹

In its second meeting on October 19, 2013, the GoM had received status notes, on the issues in the terms of reference, from the central ministries

and departments, and the Planning Commission.²⁰ They have decided that more time should be given to enable political parties, public representatives and individuals to submit their suggestions.

Further, recent reports suggest that the Telangana Joint Action Committee has also submitted its report to the GoM, on 11 core issues, including a suggestion that Hyderabad should be made a common capital for a period of three years.²¹

Rural Development

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Draft land acquisition Rules released

The Ministry of Rural Development released the draft Rules for the Right to Fair Compensation and Transparency in Land Acquisition and Rehabilitation and Resettlement Act, 2013 on October 14, 2013.²² The Act seeks to regulate the process of land acquisition and provides for rehabilitation and resettlement of affected families.

The draft Rules cover provisions such as (a) consent, (b) Social Impact Assessment (SIA), (c) retrospective application, (d) Land Acquisition Rehabilitation and Resettlement Authority, (e) compensation, rehabilitation and resettlement, and, (f) establishment of monitoring authorities and a national resource centre.

- **Consent:** Land is acquired for government projects, private projects and public-private partnership projects with a public purpose. Consent is not required for government projects. Private projects require the consent of at least eighty percent affected families. Public-private partnership projects require the consent of at least seventy percent affected families.

The draft Rules specify the procedure for obtaining consent and require that consent must be sought within six months of the notification of the SIA. Where acquisition is spread across multiple locations, consent must be sought in all the affected areas at the same time.

- **Social Impact Assessment:** The Act mandates carrying out an SIA to examine, among other things, whether the acquisition serves a public purpose, the number of families that will be affected, and the social

impact of the project. It also mentions certain cases where an SIA need not be conducted.

The draft Rules further state that state governments will have to identify or establish state SIA Units to ensure that SIAs are carried out. The draft Rules specify the procedure for conducting the SIA including reviewing its stated public purpose, conducting a land assessment, determining the number of affected families, preparing a socio-economic and cultural profile of the affected area and preparing a Social Impact Management Plan. In addition, the process for conducting public hearings to present the finding of the SIA is outlined.

- **Retrospective application:** The Land Acquisition Act, 1894 (1894 Act) will continue to apply in certain cases when an award has been made under the 1894 Act. The new Act will apply in case an award has been made five years prior to the commencement of the new Act but the physical possession of the land has not been taken or compensation has not been paid.²³

The draft Rules state that for acquisitions initiated under the 1894 Act, if compensation has not been accepted or possession of land not released for five years or more prior to the commencement of the new Act then the new Act will apply. However, in case acquisition has remained pending for less than five years prior to the commencement of the new Act, the new Act will not apply unless the situation remains pending for a total of five years.

- **Rehabilitation and Resettlement (R&R):** The Act specifies that each affected family will get an R&R award.

The draft Rules specify the manner of preparation of the R&R scheme. The draft R&R scheme shall be based on the Social Impact Management Plan and shall be submitted to the Collector. The Collector will discuss the scheme with the R&R Committee at the project level and submit the scheme to the Commissioner R&R. The Commissioner will scrutinise the scheme, place it in the public domain and the Collector will grant the R&R award to each affected family.

- **National Resource Centre / Cell for Land Acquisition, Rehabilitation and Resettlement:** The draft Rules state that the

central government will establish a National Resource Centre for Land Acquisition and R&R to serve as a hub for capacity building and knowledge sharing on land acquisition. It will also provide support to state governments for conducting SIAs and ensure that SIAs are undertaken for multi-state projects.

- **Rules to be framed exclusively by state government:** State governments will frame Rules on the: (a) limits on the acquisition of multi-crop land and agricultural land, (b) limits beyond which private purchases will have to provide for rehabilitation and resettlement and, (c) multiplier to be used while determining compensation in rural areas.

The Ministry has invited comments on the draft Rules within 45 days of placing the document in the public domain. The deadline for comments is November 28, 2013.

In addition to the draft Rules, the Ministry has proposed to issue guidelines for the implementation of the Act which will be in areas where the central government does not have jurisdiction.

For PRS documents on land acquisition, see [here](#).

Corporate Affairs

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Third and fourth set of Draft Rules under Companies Act, 2013 released

The Ministry of Corporate Affairs (MCA) released the third and fourth set of draft Rules under the Companies Act, 2013 on October 22, 2013 and October 28, 2013 respectively.²⁴ MCA has invited comments for the same by November 5, 2013. The salient features of the third set of Draft Rules are:

- **Acceptance of deposits by companies:** The Act permits companies other than banks and non-banking financial companies to accept deposits from its members. The company is required to provide deposit insurance, secure the deposit against its assets and deposit at least 15% of the funds raised in a separate account called the deposit

repayment reserve account. The provisions of the Rules are as follows:

- (i) **Limits to acceptance of deposits:** The Rules specify that deposits accepted or renewed, along with other deposits, are not to exceed 25% of the aggregate of the paid up share capital of the company and its free reserves. Further, the Rules apply an additional condition for accepting deposits having maturities between three and six months, in that deposits not exceed 10 percent of the aggregate of the paid up share capital and free reserves of the company. The Rules prohibit acceptance of deposits with maturity exceeding three years.
 - (ii) **Cap on interest and brokerage:** Further, the rate of interest charged or brokerage paid is not to exceed the corresponding figures prescribed by the Reserve Bank of India (RBI) for non-banking financial companies.
 - (iii) **Deposit insurance:** The Rules require that the terms of the deposit insurance contract specify the monetary ceiling applicable to the payment to the depositor in case the company defaults in repayment.
 - (iv) **Trustees:** Further, the Rules mandate the appointment of trustees prior to the acceptance of deposit, whose role would be to ensure that the assets provided as security are sufficient to repay the principal and interest outstanding.
 - (v) **Penalties:** The Rules specify a penal rate of interest of 18% for re-payments that are overdue. Further, any officer of a company found contravening the provisions of the Rules shall be punished with a fine of Rs 10,000.
- **National Financial Reporting Authority:** The Act allows the central government to constitute a National Financial Reporting Authority to make recommendations relating to the formulation of accounting and auditing policies and standards. The authority will also monitor and enforce compliance with accounting and auditing standards. The key provisions of the rules are as follows:
 - (i) **Constitution of committees:** The Rules require the constitution of three committees under the authority, namely the Committee on Accounting

Standards, the Committee on Auditing Standards and the Committee on Enforcement. The chairpersons of the respective committees may be nominated as full time members by the central government. The Committee on Accounting Standards and the Committee on Auditing standards are required to examine matters related to the formulation of accounting and auditing standards respectively. The Committee on Enforcement shall examine matters referred to it by the other two committees for further investigation and inquiry. It is required to complete the investigation process within six months.

- (ii) **Punitive action:** If the party being investigated is found to be guilty of professional misconduct, the Committee on Enforcement can, after giving the party a chance to be heard, recommend punitive action to be taken by the authority. The authority may pass an order which may include reprimand, restriction or debarment from practice and imposition of penalty.
- (iii) **Appellate authority:** A person aggrieved by such an order may approach the Appellate Authority constituted under the Act within 90 days of receiving the order.

The fourth set of Draft Rules pertains to the Investor Education and Protection Fund (IEPF). The salient features are:

- **Investor Education and Protection Fund:** The Rules further delineate the powers and functions of the IEPF constituted by the government under the Act. As per the Act, the fund is to be utilised for promotion of investors' awareness, refund of unclaimed dividends and distribution of disgorged amounts made to investors who have suffered wrongful gains. Further, the Act provides for the establishment of an authority for the administration of the fund. The key provisions of the rules are as follows:
 - (i) **IEPF Authority:** The Rules provide for the setting up of an IEPF authority, chaired by the Secretary, Ministry of Corporate Affairs. The authority shall additionally be composed of a nominee of RBI, a nominee of the Securities and Exchange Board of India, an eminent

expert nominated by the government and three members with at least fifteen years of experience in investor education and/or protection. The Authority shall be responsible for the administration of the Fund.

- (ii) **Sources of funds:** The Rules specify additional sources of amounts that will be credited to the fund. The Rules expand the list of amounts to be credited to include disgorged amounts earned through unfair means, undue gains made by Managing Directors and earnings of the Authority.
- (iii) **Classification and uses of funds:** The Rules classify the funds into three different heads: (a) trust funds, containing funds and securities that can be claimed back by the rightful owner; these funds shall be used for settling claims of the respective beneficial owners, (b) revenue account containing all revenue receipts; the receipts shall be used for interest and salary payments, and (c) IEPF capital fund containing all other sums of money received by the Authority; these sums shall be credited to the revenue account.

Petroleum and Natural Gas

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Expert Group on Diesel, Domestic LPG and PDS Kerosene pricing submits report

The expert group (Chairman: Dr. Kirit S. Parikh) constituted by the Ministry of Petroleum and Natural Gas, to advise on the pricing methodology for petroleum products submitted its report in October 2013.²⁵ The expert group focussed in particular on the prices of diesel, domestic LPG and PDS kerosene as these continue to be government regulated and not market determined. This is in the context of losses incurred by Oil Marketing Companies on account of sharp increases in international oil prices and inadequate increases in domestic prices of petroleum products.

Some broad suggestions made by the expert group are as follows:

- The need to follow a pricing policy that will ensure sufficient returns to domestic

refineries to ensure long term sustainability of the sector and protect the energy security of the country;

- Deregulation of prices of petroleum products in the long run and gradual phasing out of subsidy;
- Fast-tracked implementation of direct benefit transfer schemes; and
- Making the crude oil procurement process more flexible and adopting global practices.

Some specific recommendations made with respect to the pricing are as follows:

- **Diesel:** Price to be raised by Rs 5 per litre and subsidy amount to be capped at Rs 6 per litre.
- **PDS Kerosene:** Price to be increased by Rs 4 per litre.
- **Domestic LPG:** Price to be increased to Rs 250 per cylinder and number of cylinders each household can buy in a year to be reduced from nine to six.

Acquisition of participating interest in oil blocks in Mozambique by ONGC and OIL

On October 3, 2013, the Cabinet Committee on Economic Affairs approved the Ministry of Petroleum and Natural Gas' proposal to authorise ONGC Videsh Limited (OVL) and Oil India Limited (OIL) to acquire a 20% participating interest in Rovuma Area 1 offshore block in Mozambique.²⁶ A participating interest with respect to the oil and gas sector implies a commitment to contribute to the costs of exploration and an assurance of receiving a share of the benefits of exploration to the extent of commitment.

The acquisition is proposed to be done in two parts:

- (i) OVL and OIL will jointly acquire a 10% participating interest in Videocon Mauritius Energy Limited for USD 2,475 million closing of which is expected to take place by December 31, 2013; and
- (ii) OVL will acquire a 10% participating interest in Anadarko Petroleum Corporation Limited for USD 2,640 million closing of which is expected to take place in February 2014.

Area 1 which is around 2.6 million acres large is estimated to contain 35 to 65 trillion cubic feet of recoverable resources, making it the largest gas discovery in offshore East Africa.

Power

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Draft amendments to Electricity Act, 2003

The Ministry of Power proposed some draft amendments to the Electricity Act, 2003 on October 17, 2013. These have been circulated to government bodies, including the Central Electricity Authority, the Central Electricity Regulatory Commission, Public Sector Undertakings under the Ministry, and state generation, transmission and distribution companies, for comments.²⁷

The key proposed changes are as follows:

- Distribution licensees are mandatorily required to provide open access of its distribution system. The functions of electricity distribution and supply should be unbundled;
- Supply licenses to be granted for the purchase of electricity from transmission companies and sale to the final consumer;
- Provision for tariff setting by the market with respect to such consumers where more than one supply licensee is obligated to supply power and benchmarking tariff to fuel cost;
- According to the Act, dedicated transmission lines are electricity supply lines required for point to point transmission, i.e. to connect electric lines or electric plants of a captive generating plant or generating station to any transmission lines or sub-stations or generating stations, or the load centre, as the case may be. The proposed amendments change this definition to restrict the same to radial lines that do not form a loop with the grid and can be shared only with the prior approval of the appropriate commission;
- Introduction of a new definition of “renewable energy sources” to mean renewable sources such as small hydro, wind, solar including its integration with combined cycle, biomass, bio fuel co-generation, urban

or municipal waste and other such sources as approved by the central government;

- The provisions of the National Electricity Policy have been made binding on electricity regulatory commissions, the central and state governments, authorities, licensees, generating companies and consumers; and
- The penalty amount for failure to comply with Regional Load Despatch Centre and State Load Despatch Centre regulations has been increased to Rs 1 crore and Rs 50 lakh from Rs 15 lakh and Rs 5 lakh respectively.

Deepak Parekh Committee report on compensatory tariff submitted

The Deepak Parekh Committee, which was set up to recommend a mechanism for payment of compensatory tariff to private power purchasers, recently submitted its report in October 2013.²⁸

The Committee had been established by an order of the Central Electricity Regulatory Commission (CERC) pursuant to petitions filed by Adani Power Limited (APL) and Coastal Gujarat Private Limited (CGPL). APL and CGPL had argued before the CERC that they had entered into power purchase agreements (PPAs) with state utilities in 2007 and 2008 agreeing to sell power at a pre-determined rate. In the meantime, fuel costs and project costs had increased significantly on account of non-availability of adequate coal linkages from Coal India Limited and increase in international coal prices. These companies claimed that as a result of these events, they were incurring significant loss.

The Committee held four consultative meetings with representatives from the state utilities, power generating companies, SBI Capital Markets Limited and technical experts. Major domestic lenders to these power projects were also consulted on other possible means to mitigate hardship, such as reduction of rates of interest, extension of tenor of loans and increasing the moratorium period.

- After considering various options, the Committee arrived at the conclusion that given the volatility of fuel prices, a compensatory tariff in the form of a fuel adjusted charge should be provided to APL and CGPL. The proposed compensatory tariff is to be calculated each year based on the difference between the actual energy cost

and the energy cost component quoted in the PPA.

- The Committee is of the view that this mechanism will, on the one hand, provide relief to the private power producers. On the other hand, in case there is any reduction in coal prices, the benefits from the same will be passed on to the power purchasers.
- The Committee also observed that the compensation determined through this method is one of the lowest and therefore there is minimal financial burden on the state utilities. It is also consistent with the Cabinet Committee on Economic Affairs' recent guidelines on pass through of the cost of imported coal and the Ministry of Power's recommendation that bids be invited on Station Heat Rate¹ basis under the revised draft Standard Bidding Documents.

Based on coal prices as on June 30, 2013, the illustrative compensatory tariff payable to APL in 2013-14 is as follows:

- (i) Rs 0.89 per unit for the PPA with the Gujarat state utility; and
- (ii) Rs 0.61 per unit for the PPA with the Haryana state utility.
- (iii) Based on coal prices in July 2013, the illustrative compensatory tariff payable to CGPL in 2013-14 is Rs 0.59 per kWh.

The Committee also suggested that the CERC may fix a ceiling on the compensatory tariff amount as a predetermined percentile of the power procurement cost.

Kudankulam Unit-1 synchronised to grid

The Department of Atomic Energy reported that the first unit of the Kudankulam Nuclear Power Project (KKNPP) has been operationalised and synchronised to the grid. While the plant will now generate 160 MW of power, it is expected that the output will be gradually raised to 1000 MW. This will take the total nuclear power output of the country from 4780 MW to 5780 MW.²⁹

¹ Station Heat Rate is the amount of heat energy, i.e. coal in the case of a thermal power plant or gas in the case of a gas power plant, required to generate each unit of electrical energy. It is measured in kCal/kWh.

750 MW of grid connected solar projects to be set up under solar mission with VGF

The Cabinet Committee on Economic Affairs approved the implementation of a scheme to set up 750 MW of grid connected solar photovoltaic (PV) projects under Batch-1 of Phase-II of the Jawaharlal Nehru National Solar Mission.³⁰

The projects will be supported through viability gap funding (VGF) of Rs 1,875 crore from the National Clean Energy Fund. VGF is a grant given by the central government to support infrastructure projects being undertaken through PPP mode. VGF is disbursed only after the private partner has subscribed and expended the equity contribution required for the project. It is estimated that the VGF support to these solar projects will leverage private investment of approximately Rs 5,000 crore.

The projects are likely to be built on a Build, Own and Operate basis at various locations around the country to supplement grid power generation. The selection of projects will be done through open competitive bidding based on the amount of VGF required by the private partner.

The power generated through these projects will be purchased by the Solar Energy Corporation of India for Rs 5.45 per kWh and sold to state utilities and distribution companies for Rs 5.50 per unit. Both the purchase and sale tariffs have been fixed for 25 years.

Urban Development

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Housing ministry releases draft model policy on affordable housing

The Ministry of Housing and Urban Poverty Alleviation (MoHUPA) has released a Draft Model State Affordable Housing Policy to promote affordable housing for all with special emphasis on Economically Weaker Sections (EWS) and Lower Income Groups (LIG).³¹ Since housing is a state subject under the Constitution, the central government has released the draft policy as a Model policy which states can adopt.

Background: The gap between the supply and demand of housing has been widening. According to the report of the Technical Group on Housing Shortage (2012-17), constituted by

the Ministry, there is a shortage of close to 19 million dwelling units, of which nearly 96% is in the EWS and LIG category.³² The policy seeks to address this gap and encourage private participation in the housing industry.

Key features of the Policy include:

- **Applicability:** The policy is applicable to areas that have been identified as municipal areas by state governments.
- **Role of the central government:** The central government is expected to support the policy through: (i) the provision of capital grants for affordable housing schemes, (ii) ensuring greater access to capital through external sources such like External Commercial Borrowings and Foreign Direct Investment and, (iii) encouraging the development of new avenues for financing of affordable housing through insurance and pension funds.
- **Role of the state governments:** State governments are to undertake initiatives in key areas such as:
 - a. **Land:** through reserving a certain percentage of the total dwelling units for EWS, provision of land for affordable housing projects, providing certain property rights to slum dwellers and ensuring slum up-gradation.
 - b. **Finance:** through providing financial incentives to housing providers for reducing the cost of dwelling units. This includes providing appropriate subsidies, facilitating access to loans under the Rajiv Rinn Yojana, establishing 'State Shelter Funds' to fund affordable housing projects, linking beneficiaries to formal lending institutes and granting certain concessions to private developers through waiver of stamp duty or charging a nominal stamp duty on affordable housing projects, etc.
 - c. **Legal and Regulatory Reforms:** include preparing an affordable housing action plan, establishing a faster process for getting building permits, creating institutional mechanisms to facilitate faster conversion of agricultural land to non agricultural land and reviewing existing master plans of cities to ensure land for affordable housing; and

- d. **Technology support:** through providing support for appropriate building and construction technologies.

Guidelines issued for Rajiv Rinn Yojana

The Ministry of Housing and Urban Poverty Alleviation has issued guidelines for Rajiv Rinn Yojana (RRY).³³ The RRY is a central sector scheme which provides an interest subsidy on housing loans to EWS and LIG households. It replaces the Interest Subsidy Scheme for Housing the Urban Poor (ISHUP).

Background: The ISHUP was launched in 2008 to enable the urban poor to access long term institutional finance for housing. It provided a subsidy on the interest charged on housing loans to EWS (monthly income up to Rs 5,000) and LIG households (monthly income from Rs 5,001 to Rs 10,000). An interest subsidy of 5% was provided on loans up to Rs 1 lakh. In 2011, the scheme was made a part of the Rajiv Awas Yojana, a centrally sponsored scheme which seeks to eradicate slums. Earlier this year, the scheme was re-launched as a central sector scheme and renamed Rajiv Rinn Yojana.

Key features of the Policy are:

- **Aim:** The scheme will provide home loans with an interest subsidy to EWS and LIG households. Assistance will also be given to such EWS/LIG beneficiaries with dwelling units of less than 40 square metres to make additions to the same.
- **Eligibility:** Unlike the ISHUP, under RRY, EWS households are identified as those with monthly incomes of less than Rs 3,300 per month and LIG households are those with monthly incomes between Rs 3,301 and Rs 7,300 per month.
- **Loan amount:** EWS individuals will be given loans of up to Rs 5 lakh, with an interest subsidy of 5%. LIG households will be given loans up to Rs 8 lakh and an interest subsidy on loans up to Rs 5 lakh.
- **Implementation mechanism:** The central nodal agencies for the scheme are the Housing and Urban Development Corporation Limited (HUDCO) and the National Housing Bank (NHB). Scheduled Commercial Banks and Housing Finance Companies will sign agreements with these agencies for the disbursement of housing loans. While borrowers can approach lending institutions directly, most borrowers will be identified by state governments or urban local bodies.
- **Steering Committee:** A Steering Committee will be established, chaired by the Secretary of the Ministry. Other members will include officials from state governments, Ministry of Finance, Reserve Bank of India, HUDCO and NHB. It will be responsible for providing guidance regarding the implementation and monitoring of the scheme.

Social Justice and Empowerment

Supreme Court directs government to provide 3% reservation in government jobs to disabled persons

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On October 8, 2013 the Supreme Court directed the government to provide reservation for disabled persons in all government departments, companies and institutions.³⁴ In its judgment, the Court interpreted certain provisions of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995 with regard to reservation for disabled persons in government jobs. The Act defines disability in terms of blindness, low vision, cured leprosy, hearing impairment, locomotor disability, mental retardation, and mental illness.

Section 32 of the Act requires the government to identify posts in establishments to be reserved for persons with disability and periodically review the posts so identified. Section 33 of the Act states that the government shall allocate at least three percent of vacancies in every establishment for disabled persons. Of this, one percent is to be reserved for persons suffering from: (i) blindness or low vision, (ii) hearing impairment and, (iii) locomotor disability or cerebral palsy, in the posts identified for each of these disabilities. Section 33 of the Act, allows the government to exempt any establishment from reserving posts for the disabled.

In December 2005, an office memorandum of the Department of Personnel and Training applied the reservation for disabled persons: (i) differently for Group A and B, and Group C and D government posts, and (ii) such reservation was to be confined to posts identified for each disability. The three percent reservation for

persons with disabilities in Group A, B, C and D posts was to be computed on the basis of vacancies occurring in direct recruitment in all the identified posts across the four groups. In addition, three percent of vacancies would be reserved for disabled persons in case of promotion to Group C and D posts (if direct recruitment does not exceed 75%).

Given the above office memorandum, the question before the Court was whether the three percent posts to be reserved for the disabled was to be on the basis of the vacancies available in the posts identified for disabled persons or on the total cadre strength.

The Court ruled that the reservation for disabled persons had to be computed on the basis of total number of vacancies in the strength of a cadre and not just on the basis of the vacancies available in the identified posts. It also held that three per cent reservation has to be computed across Group A, B, C and D posts in an identical manner, in entities established by, owned, controlled or aided by central, state or local governments or by a local authority.

The Court directed the government to: (i) amend the office memorandum and make it consistent with the judgment, (ii) compute the number of vacancies available in all government establishments, and (iii) identify the posts for disabled persons within three months of the passing of the judgment.

Draft Scheduled Castes Sub-Plan Bill

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The Ministry of Social Justice and Empowerment has prepared a draft Scheduled Castes Sub-Plan Bill, 2013. The existing Scheduled Castes Sub-Plan (SCSP) seeks to ensure proportionate flow of Plan resources for the development of Scheduled Castes (SC). The SCSP requires the relevant central/state level ministries to earmark funds under SCSP from the Plan outlay, at least in proportion to the percentage of SC population in the state/country. As per the 2011 census, SCs constitute 16.62% of the country's population.³⁵

Implementation of the SCSP has been viewed as being inadequate. Hence, it was considered appropriate to provide legislative backing to the SCSP. The Ministry constituted a Working Group to draft the SCSP Bill.

Key features of the draft Bill are:³⁶

- Planning Commission/state planning departments have to earmark a portion of the total plan outlay of the central/state government as the outlay for the SCSP. The outlay will be in proportion to the SCs population in the jurisdiction.
- The draft Bill seeks to put in place an effective institutional mechanism for identification, preparation, approval, implementation and monitoring of the SCSP.
- The ministries/departments identified for implementation of SCSP shall design schemes for the development of SCs. The Ministry of Social Justice and Empowerment at the central level and the social welfare department at the state level will appraise SCSP schemes submitted by ministries/departments to ensure conformity with the Act. It will also recommend reallocation of SCSP funds from one ministry to another. It will also facilitate an annual social auditing of expenditure of SCSP funds.
- It creates national and state-level scheduled caste development councils to advise on policy matters related to SCSP and approve the budget proposal. It proposes to set up an exclusive SCSP wing in the finance ministry of the central/state government for budget implementation and allocation.
- Funds will only be allocated to schemes specially designed to accelerate the development of SCs; not to general schemes accessible to all.
- The Bill provides that the central and state government should take disciplinary action for proven negligence and lack of due diligence while discharging responsibilities under the Act. It also provides incentives for commendable performance.

Law and Justice

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Supreme Court orders setting up of Civil Services Board, fixed minimum tenure for civil servants

The Supreme Court on October 31, 2013, directed the centre and the states to set up a Civil Services Board (CSB) for the management of transfers, postings, inquiries, promotion, reward,

punishment and disciplinary matters.³⁷ Further, it stated that Parliament could enact a Civil Services Act to set up a CSB.

The judgment was passed in a public interest writ petition filed by senior ranking bureaucrats. The Supreme Court had taken into consideration the recommendations made by the Hota Committee, 2004, the second Administrative Reforms Commission, 2008-2009, the Committee on Prevention of Corruption, 2012, and the Santhanam Committee, 1962.

The reasons cited by the Supreme Court were that civil servants did not have stability of tenure, particularly in the state governments where transfers and postings were made frequently, for political considerations and not in public interest.

Key highlights of the judgment include:

- **Setting up of CSB within 3 months:** The centre, state governments and the union territories shall constitute such Boards with high ranking serving officers, including specialists in their respective fields, within a period of three months. It shall be chaired by the Cabinet Secretary at the centre, and the Chief Secretary at the state.
- **Fixed minimum tenure:** This would ensure stability and efficiency of administration. It was also noted that minimum tenure had been implemented by the centre and about 13 states. Fixed minimum tenure would enable the civil servants to function as effective instruments of public policy.
- **Recording of Instructions and directions:** Civil servants should not act on verbal orders given by political executives and all actions must be taken by them on the basis of written communication. By acting on oral directions, that are not recorded, the rights guaranteed to the citizens under the Right to Information Act could be defeated.

Supreme Court holds that co-operative societies are outside the ambit of RTI

The Supreme Court has held that co-operative societies would not fall under the definition of “public authority” under Section 2 (h) of the Right to Information Act, 2005(RTI Act).³⁸ Consequently, co-operative societies would not be bound by obligations to provide information sought for by a citizen, under the RTI Act.

This question came up for examination in the matter of *Thalappalam Service Co operative*

Bank v. State of Kerala. The said co-operative society was registered under the Kerala Co-operative Societies Act, 1969. Earlier, the Kerala High Court had decided that all co-operative institutions under the administrative control of the Registrar of Cooperative Societies, Kerala would satisfy the definition of ‘public authority’ under the RTI Act. Consequently, an appeal was filed before the Supreme Court.

Key highlights of the judgment include:

- **Public Authority under the RTI Act:** Co-operative societies would not fall within the definition of ‘public authority’ under the RTI Act.
 - (i) **Statutory body:** Societies are neither a body nor institution of self-government established or constituted under the Constitution, by law made by Parliament or state legislature.
 - (ii) **Substantial Control:** The ‘control’ by the appropriate government must be of a substantial nature. The mere ‘supervision’ or ‘regulation’ by a statute or otherwise of a body would not make that body a ‘public authority’ within the meaning of the RTI Act. Further, powers exercised by the Registrar of Co-operative societies and others under the Co-operative Societies Act are only regulatory or supervisory in nature, with no interference in the management or affairs of the society.
 - (iii) **Substantial Funding:** Merely providing subsidies, grants, exemptions, privileges cannot constitute funding to a substantial extent, unless it is proven that but for such funding, the body would struggle to exist.
- **Burden of proof:** The burden to show that a body or NGO is owned, controlled or substantially financed by the government is on the applicant who seeks information or on the government.
- **‘State’ under Article 12:** Co-operative societies, of the nature discussed in this appeal, (like those registered under the Kerala Co-operative Societies Act, 1969) will not fall within the ambit of ‘state’ or ‘instrumentalities of state’ within the meaning of Article 12 of the Constitution.
- **Fundamental Right:** Right to form a co-operative society is a fundamental right

under Article 19(1)(c) of the Constitution. Further, a co-operative society is essentially an association of persons who have come together for a common purpose of economic development or for mutual help.

Railways

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Railways revises passenger fares and freight tariffs via FAC

The Ministry of Railways has undertaken Fuel Adjustment Component (FAC)-linked tariff revision for both passenger fares as well as freight tariffs.³⁹ The 2013-14 Railway Budget provided for FAC-linked tariff revisions, but passenger fares were excluded from the first FAC-linked revision conducted in April 2013. The revised passenger fares will be effective from October 7, 2013 while revised freight tariffs will come into effect on October 10, 2013. The Ministry expects these revisions to add Rs 1,150 crore to earnings in the second half of the financial year 2013-14.

Passenger fares for second class suburban and monthly season tickets remain unchanged. Fares for second class non-suburban travel have been raised by Rs 5 for 129 out of 240 distance slabs and by Rs 10 for 9 slabs; fares for remaining slabs have been left unchanged. For all other classes, fares have been raised by about 2%. Freight tariffs have been increased by about 1.7% across-the-board.

India and Japan Sign MoU for Feasibility Study of High Speed Railway System

India and Japan have signed a Memorandum of Understanding (MoU) to conduct joint feasibility study for the proposed Mumbai-Ahmedabad High Speed Railway corridor.⁴⁰ The trains on this corridor are planned to run at speeds of 300-350 km/hour. The study is expected to take 18 months and costs will be shared equally by the two countries. A Joint Monitoring Committee consisting of the concerned ministries from both countries, Planning Commission, Embassy of Japan and Japan International Cooperation Agency shall also be established.

Agriculture

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Minimum Support Prices of Rabi crops announced

The central government fixed the minimum support prices (MSPs) of rabi crops of the 2013-14 season to be marketed in 2014-15.⁴¹ The central government fixes MSPs based on recommendations by the Commission for Agricultural Costs and Prices. Table 1 indicates the MSPs of rabi crops for the 2014-15 marketing season compared to last year and to the average rate of increase per year between 2008-09 and 2013-14. The MSP for wheat this season increased by 3.7% compared to last year, while the compound average growth rate (CAGR) in the years during 2008-09 and 2013-14 was 6.2%.

Table 2: MSPs of rabi crops for 2014-15 season (Rs/quintal)

Commodity	MSP (2014-15)	MSP (2013-14)	% change over 2013-14	2008-09 to 2013-14 CAGR
Wheat	1400	1350	3.7	6.2%
Barley	1100	980	12.2	8.6%
Gram	3100	3000	3.3	13.4%
Lentil	2950	2900	1.7	11.3%
Rapeseed/ Mustard	3050	3000	1.7	10.8%
Safflower	3000	2800	7.1	11.2%

Sources: Minimum Support Prices for 2013-14 (July-June), Ministry of Agriculture; Press Information Bureau.

Education

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Cabinet gives nod to Rashtriya Uchhatar Shiksha Abhiyan

On October 4, 2013, the Cabinet approved a new centrally sponsored scheme in higher education, i.e. Rashtriya Uchhatar Shiksha Abhiyan (RUSA).⁴² The scheme will be implemented through the Twelfth and Thirteenth Plan period. The scheme focuses on state higher educational institutions and proposes to reach 316 state public universities and 13,024 colleges. It is also expected to improve the Gross Enrolment

Ratio in these institutions from 19% currently to 30% by 2020.

The key objectives of the scheme are as follows:

- Improve the quality of existing state higher educational institutions by ensuring compliance with quality norms and standards, including accreditation.
- Correct regional imbalances in access to higher education through high quality institutions in rural and semi-urban areas.
- Improve equity in higher education by providing adequate opportunities for women, minorities, Scheduled Castes, Scheduled Tribes, Other Backward Classes, and disabled persons.
- Ensure adequate availability of quality faculty in all higher educational institutions and ensure capacity building at all levels.
- Create an atmosphere of research and innovation in higher educational institutions.
- Integrate skill developments efforts of the government with the conventional higher education system.

The funding for the scheme will be provided by the central and state governments in the ratio of 65:35 for most states and union territories, 90:10 for north-eastern states and Jammu & Kashmir, and 75:25 for special category states. In the Twelfth Plan period, the scheme would have a financial outlay of Rs 22,855 crore, of which Rs 18,027 crore will be the central share. Private government-aided institutions can avail funding under the scheme upon meeting certain pre-conditions.

In order to be eligible for funding under the scheme, states will have to fulfill certain criterion which include among others: (i) creation of a State Higher Education Council, (ii) creation of accreditation agencies, (iii) preparation of state perspective plans, (iv) commitment of certain stipulated share of funds towards the scheme, (v) academic, and institutional governance reforms and, (vi) filling faculty positions etc.

An initial amount will be provided to the state governments to prepare them for complying with the above requirements. On meeting these requirements, states will receive funds on the basis of certain outcomes. The parameters for deciding the amount of funds for state higher education institutions include improvement in access, equity and excellence in education.

At the national level, the scheme will be implemented by the RUSA Mission Authority and assisted by a project advisory group, technical support group and project directorate. The State Higher Education Council will be set up as an autonomous body to coordinate the scheme in different states. The Council will be assisted by a state project directorate and technical support group.

Information Technology

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Cabinet approves National Policy on Universal Electronic Accessibility

The Cabinet has approved the National Policy on Universal Electronic Accessibility on October 3, 2013, which aims to eliminate discrimination on the basis of disabilities.⁴³ The policy also seeks to facilitate equal and unhindered access to electronics and Information and Communication Technologies (ICT) product and services by differently-abled persons including local language support.

India ratified the United Nations Convention on the Rights of the Persons with Disabilities (UNCRPD) in 2007. UNCRDP requires signatories to take appropriate measures to ensure that persons with disabilities have equal access to the physical environment, transportation, ICTs, systems and other facilities and services provided to the public.

Key strategies envisaged under the Policy are:

- Creating awareness on universal electronics accessibility and universal design.
- Setting up of model electronics and ICT centres for providing training and demonstration to special educators and differently-abled persons.
- Developing programme and schemes with greater emphasis on differently-abled women/children.
- Developing procurement guidelines for electronics and ICTs for accessibility and assistive needs.

Consumer Affairs, Food and Public Distribution

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Standing Committee presents report on Bureau of Indian Standards (Amendment) Bill, 2012

The Standing Committee on Food, Consumer Affairs and Public Distribution (Chairperson: Mr. Vilas Muttemwar) presented its report on the Bureau of Indian Standards (Amendment) Bill, 2012 on August 30, 2013.⁴⁴ The Bill was introduced in the Lok Sabha on May 3, 2012 by the Minister of Consumer Affairs, Food and Public Distribution, Mr. K.V. Thomas.

The Bill seeks to amend the Bureau of Indian Standards Act, 1986. The Act establishes the Bureau of Indian Standards (BIS) for the harmonisation of standards, marking and quality certification of goods and processes.

The Bill aims to: (i) establish BIS as the national standards body; (ii) empower BIS to bring important products and services under the compulsory certification scheme; (iii) allow self-registration by a manufacturer of a product to the relevant Indian Standard as an alternative mechanism to the compulsory certification regime; (iv) facilitate the introduction of hallmarking of precious metal articles under the compulsory certification regime; and (v) strengthen the penal provisions under the Act.

Some key recommendations of the Committee are:

- **Decentralisation of functions and strengthening of human resources:** The Committee noted that as a result of the amendments, the workload of BIS will increase significantly. It recommended that BIS involve other institutions such as the Quality Council of India and accreditation boards to conduct surveys, inspection, and testing the quality of goods. This will reduce its workload and help it focus on its primary responsibility of standards formulation. In addition, BIS should be strengthened in terms of manpower, infrastructure, technical expertise and testing facilities like laboratories.
- **Need for grievance redressal forum:** The Committee noted that neither the Act nor the Bill provide for a redressal forum for complaints relating to the faulty execution of

the Bill. It recommended the setting up of a direct redressal forum under BIS, to exclusively deal with complaints and issues pertaining to the misinterpretation or faulty execution of the Bill.

- **Need for effective monitoring by BIS:** The Committee noted that mandatory standards are implemented by state government officers or higher officers in the concerned central ministries. However, there is no monitoring mechanism by BIS, which often leads to inferior quality products. The Committee recommended the formulation of a well-devised policy on standards which should be properly implemented through mass and regular market checks by BIS.
- **Hallmarking of precious metals:** The Committee noted that with the implementation of compulsory hallmarking of jewellery, there will be a manifold increase in the number of licenses for hallmarking. It recommended that the government set up the required number of hallmarking centres so as to be equipped to deal with the increase in applications for licenses. To this end, it is necessary to publicise the financial assistance provided by the government for the setting up of hallmarking centres. The Committee also recommended that such centres be held accountable if they fail to conform to the standards of hallmarked jewellery.

For a PRS Standing Committee report summary, see [here](#).

Media

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Expert Committee submits report on film certification

An Expert Committee (Chairperson: Justice Mukul Mudgal) set-up by the Ministry of Information and Broadcasting to examine issues related to film certification under the Cinematograph Act, 1952 submitted its report on September 28, 2013.⁴⁵ The Committee has also incorporated most of its recommendations in a draft Cinematograph Bill.⁴⁶ Key observations and recommendations are:

- **Appointment of Advisory Panel members:** The central government has set-up Advisory Panels at different regional centres to examine films and make recommendations regarding certification to the Central Board of Film Certification (CBFC). The Committee noted some instances where panel members lacked cinematic understanding or imposed their political, religious or personal opinions. Hence, the Committee recommended introducing eligibility criteria for panel members and ensuring that the selection process is autonomous. CBFC should set-up a committee to draw up a list of qualified persons to be appointed as panel members. The strength of the list should be at least thrice the number of vacancies in Advisory Panel(s). At least one-third of the members of each panel should be women.
- **Guidelines for film certification:** The Committee opined that the guidelines for film certification cannot be water-tight. Hence, it recommended that such guidelines should include provisions for protecting artistic and creative freedom while ensuring social responsibility and sensitivity. The Committee argued that the Advisory Panel/CBFC should view a film in its entirety instead of the perspective of stand-alone scenes. The film should be examined in the light of the period depicted, context, content, theme and people. The deletions or amendments suggested by the CBFC/Advisory Panel should be clearly stated in terms of minutes and seconds instead of percentage.
- **Classification of films:** The Committee has recommended a revised form of classification with the following categories: (i) unrestricted exhibition (U), (ii) restricted to people above the age of twelve (12+), (iii) restricted to people above the age of fifteen (15+), (iv) restricted to adults (A), and (v) restricted to members of any profession or class of persons (S). This classification is on the lines of age and certifications prevalent internationally.
- **Suspension of exhibition by states:** The Committee concluded that the central government has the dominant legislative and executive power regarding exhibition of films throughout the country. Hence, it recommended inclusion of a legislative provision to ensure that exhibition of a film

certified by CBFC shall not be suspended in normal circumstances. In case exhibition of a film leads to or is likely to lead to a breach of public order, the central government may itself or on a state government's recommendation, suspend exhibition of such a film after providing the film's producer or distributor an opportunity to be heard. Such a suspension can be ordered only public exhibition of the film. A suspension can be challenged in the Film Certification Appellate Tribunal (FCAT).

- **Appellate Tribunal:** The Committee noted that presently, only an applicant for film certification can appeal to the FCAT against the CBFC's decision. Any other person aggrieved by such decision typically approaches the relevant High Court. This has led to large number of cases and adoption of disparate standards by various High Courts. Hence, the Committee recommended that FCAT's jurisdiction be expanded to permit appeals by any person aggrieved by CBFC's decision. FCAT should also be given powers to issue interim orders. The decisions of the FCAT should be allowed to be appealed only in the Supreme Court.
- **Scope of the Cinematograph Act:** The scope of the Cinematograph Act, 1952 should be widened to include a film's songs, lyrics and advertising material.

TRAI releases consultation paper on issue and extension of DTH licences

The Telecom Regulatory Authority of India (TRAI) has issued a consultation paper on issue/extension of Direct-to-Home (DTH) licences.⁴⁷ A DTH licence allows the operator to provide broadcasting service directly to the end-user. The first DTH licence was issued on October 1, 2003 and currently there are six DTH operators in the country.

The first DTH licence expired on September 30, 2013 and current DTH guidelines do not have an explicit provision for extension/renewal of the licence. Hence the Ministry of Information and Broadcasting sought TRAI's recommendations on terms and conditions for the extension of the DTH licences. TRAI has invited comments from stakeholders by October 15, 2013.

Key issues discussed in the paper are:

- **Entry fee:** TRAI has argued that the entry fee is typically levied to: (a) deter non-serious players, (b) account for the cost of induction of a service provider in the sector, (c) account for the fixed component of the overall licence fee, and (d) account for the cost of administering the licence. The paper invites comments on whether an entry fee should be charged for issue of a new licence to an existing DTH licensee and what should be quantum of such an entry fee.
- **Period of new licence:** The paper invites comments on the period for which the new licence should be issued to an existing DTH licensee on the expiry of his initial licence period. TRAI also believes that new licences should have clear provisions for extension/renewal. Hence, the paper also invites comments about the period of future extension/renewal of the new licences on their expiry.

Period of bank guarantee: The paper invites comments on the amount and the validity period of the bank guarantee to be furnished by an existing DTH licensee on the issue of a new licence.

Chemicals

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Scheme for setting up of plastic parks approved

The Ministry of Chemicals and Fertilisers approved a scheme to support the setting up of plastic parks to promote downstream plastic processing industries, increase capacity investment in the sector and promote exports on October 9, 2013.⁴⁸ The scheme envisages the establishment of Special Purpose Vehicles (SPVs) to provide infrastructure and common facilities to the industries.

It is proposed that the central government would provide a grant-in-aid to the extent of 50% of the project cost up to a maximum of Rs 40 crore for each SPV. Funds will be released based on timely achievement of milestones identified by the Scheme Steering Committee in the Department of Chemicals and Petrochemicals. At least 20% of the equity of each SPV must be contributed by state governments or their agencies. The remaining cost is to be funded by

beneficiary industries or loans from financial institutions.

Rating system for safety and security of chemical plants proposed

The Ministry of Chemicals and Fertilisers has proposed a draft rating system for safety and security of chemical plants and sought comments from stakeholders by the end of the month.⁴⁹ The rating system aims to promote the need for making the sector accident-free and incentivise chemical units that have good safety operational measures.

The draft rating system lays down 19 key performance indicators to assess the rating of chemical plants, such as whether or not there is an Emergency Preparedness and Response Plan in place, and whether the facility handles corrosive, toxic, explosive or inflammable materials.⁵⁰

The proposed system envisages a two-stage methodology for assessment of safe and secure performance of facilities:

- (i) **First stage:** Organisations that do not meet basic safety and security mechanisms will be filtered out; and
- (ii) **Second stage:** A more rigorous assessment will be carried out to benchmark the present safety and security mechanisms against the stipulated safety and security framework.

Environment

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MoEF to declare parts of the Western Ghats as ecologically sensitive

The Ministry of Environment and Forests (MoEF) has decided 'in principle' to declare parts of the Western Ghats as an Ecologically Sensitive Area (ESA).⁵¹ The MoEF decision is based on an acceptance of the recommendation of the High Level Working Group (HLWG) (Chairman: Dr. K. Kasturirangan) that submitted its report in April 2013.

The HLWG has identified approximately 37% (60,000 sq km) of the Western Ghats as Ecologically Sensitive Area (ESA). The ESA is spread across six states of the Western Ghats

region: Gujarat, Maharashtra, Goa, Karnataka, Kerala and Tamil Nadu.

The MoEF has accepted the following recommendations of the HLWG on the ESA:

- Complete ban on mining, quarrying and sand mining as also thermal power plants and other heavily polluting industries.
- Hydro power and wind energy permitted subject to applicable regulations.
- Ban on new building and construction projects of over 20,000 sq m.
- Cumulative impact and development needs of projects, not specifically prohibited, to be assessed before grant of environment clearance.
- The Forest Rights Act should be implemented. Consent of the gram sabha for projects should be mandatory.

A draft notification declaring parts of the Western Ghats as an ESA would be issued by the MoEF and circulated for inputs of stakeholders. A High Level Committee of the MoEF would be set up to monitor the time bound implementation of the recommendations of the HLWG.

Constitution of Expert Committee on Uttarakhand floods

The Ministry of Environment and Forests has constituted an Expert Committee to study whether: (i) hydroelectric power projects in the river basins of Alaknanda and Bhagirathi have contributed to environmental degradation, and (ii) whether they contributed to the floods that occurred in Uttarakhand in June, 2013.⁵²

The Committee will also do the following:

- Examine the impact of the proposed 24 hydropower projects on the biodiversity of Alaknanda and Bhagirathi river basins.
- Prepare a Draft Himalayan Policy for Uttarakhand given its unique ecological and social characteristics.
- Suggest suitable measures to mitigate the adverse environmental impact of ongoing projects including tourism projects.

The Committee was set up consequent to a Supreme Court direction to the Ministry.⁵³ The Court referred to various reports which pointed to the adverse impact of the various hydroelectric power projects on the ecology and environment of the Alaknanda and Bhagirathi river basins.

The Court was of the view that the cumulative impact of the various projects on the river basins has not been properly examined, and requires a scientific study.

The report is due to be submitted by January 14, 2014.

Karnataka High Court stays notification of Draft Municipal Solid Waste Rules

The Ministry of Environment and Forests has issued the draft Municipal Solid Wastes (Management and Handling) Rules, 2013 under the Environment Protection Act, 1986.⁵⁴ These will replace the Municipal Solid Wastes (Management and Handling) Rules, 2000.

As per news reports, the Karnataka High Court has directed that these draft Rules be kept on hold.⁵⁵ The Court was of the view that the draft Rules run counter to the 2000 Rules, because they do not prioritise waste segregation at source by citizens.⁵⁶

For the key features of the draft Rules please see the September 2013 PRS Monthly Policy Review, [here](#).

Draft amendments to the Hazardous Waste Rules, 2008

The Ministry of Environment and Forests (MoEF) has put out a draft notification containing amendments it proposes to make to the Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008.⁵⁷ The MoEF is seeking comments on the draft rules until December 13, 2013.

Key proposed amendments are:

- **Change in title:** The title of the rules is being changed to Hazardous *and Other* Wastes (Management, Handling and Transboundary Movement) Rules, 2008.
- **Definition of waste added:** ‘Waste’ means materials that are not products or by-products, for which the generator has no further use for the purposes of production, transformation or consumption and which are to be disposed of.
- **Trade in hazardous waste:** At present the import and export of certain specified hazardous wastes including wastes bearing mercury, selenium, asbestos and thallium is prohibited. The draft rules seek to amend this position. While import of such hazardous

wastes continues to be prohibited, export shall be permitted with the prior informed consent of the exporting and importing countries.

Streamlining of process of Environment Clearance and Forest Clearance

The Ministry of Environment and Forests is seeking to streamline the process of granting environment and forest clearances for hydro power and river valley projects.⁵⁸

Presently, these are granted by the Expert Appraisal Committee (EAC) and Forest Advisory Committee (FAC) respectively. The EAC and FAC function under two different Acts, the Environment Protection Act, 1986 and Forest (Conservation) Act, 1980. However, there are certain issues that may need the consideration of both the Committees. The Ministry has now identified parameters that will be looked into by either Committee and the findings shall be shared with the other. Streamlining of the process would avoid duplication of effort by the Committees. Based on the composition of the EAC and FAC and consequently the expertise available in each, the Ministry has decided the following:

- **Environmental flow of the river:** As the EAC has got the requisite expertise, this aspect may be considered by EAC alone and the outcome shared with FAC.
- **Biodiversity:** Agencies preparing the environmental impact assessment report and environment management plan are not well-equipped to examine the impact of the project on biodiversity. Hence, a study of the project's impact on bio-diversity is to be undertaken by specialised institutes. The developers of a project would chose from a list of such institutes put up by the MoEF. The terms of reference of the study would be prepared by the EAC and input would be sought by the FAC. The study would be shared with the EAC and FAC.
- **Carrying capacity study:** The study of the carrying capacity of a river basin is important to plan the optimal number of power projects in a basin. State governments will have to get scientific assessment of the carrying capacity of the river basin done by institutes identified in consultation with the EAC. This study will be made a pre-requisite for considering environment and forest clearances for projects in any basin.

- **Cumulative Impact Study:** The EAC will be responsible for ensuring that a cumulative impact study of the river basin is conducted. This study would reflect the cumulative impact of commissioned projects in the basin on environmental flow, biodiversity, muck disposal sites, traffic flow in the region and resettlement and rehabilitation issues. While it may not be necessary for the first project in a basin, subsequent hydro power projects in the basin would require this assessment. The results of the study should be shared by EAC with FAC.

Tribal Affairs

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Xaxa Committee on socio-economic status of tribal communities invites suggestions

The High Level Committee (Chairperson: Virginius Xaxa) formed to enquire into the socio-economic status of tribal communities in August 2013 is inviting suggestions on tribal issues till December 31, 2013.⁵⁹

The Committee was formed earlier this year to prepare a position paper on the present socio-economic, health and educational status of scheduled tribes. It will also make recommendations on policy initiatives as well as prescribe outcome oriented measures to improve development indicators of ST communities.

For more information about the HLC please see the August 2013 PRS Monthly Policy Review, available [here](#).

External Affairs

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India at the UN General Assembly: focus on inclusive growth, poverty eradication

At the 68th United Nations (UN) General Assembly, the Prime Minister's statement in the General Debate stated that India endeavours to retain its focus on the post 2015 development agenda like that of poverty eradication and inclusive growth.⁶⁰ This should be supported by an appropriate international economic environment and an open multilateral trading regime.

The Prime Minister also discussed the issues of reformation and restructuring of the UN Security Council, to include more developing countries as both permanent and non-permanent members.⁶⁰ Further, he stated that multilateral financial institutions should also create a more conducive environment for developing countries to voice their opinions on their decision making structures.

In the context of the Middle East, he said that India supports an early realisation of a sovereign, independent, State of Palestine, with East Jerusalem as its capital. Further, India remains committed to the Palestinian quest for full membership of the UN.

He also reiterated India's commitment and sought support for global efforts towards combating terrorism and nuclear non proliferation.

Treaty on Transfer of Sentenced Persons signed at Indo-Russian Annual summit

India and Russia signed the Treaty on Transfer of Sentenced Persons at the 14th Indo- Russian Annual Summit, in Moscow on October 21, 2013.⁶¹ The Treaty states that it shall facilitate the process of social rehabilitation of persons sentenced in the other country by providing them the opportunity to serve out their remaining sentences (under certain conditions) in their country of nationality. Further, this is expected to boost consular cooperation between the two countries.

In addition, India and Russia have signed four other bilateral documents during the course of the summit during October 20-22, 2013. These are an: (i) MoU on energy saving and energy efficiency, (ii) MoU to facilitate technical cooperation in the field of standardisation, (iii) MoU to deepen cooperation in the field of science and technology, and innovation.

India signs Agreement on Border Defence Co-operation with China

India and China signed an Agreement on Border Defence Co-operation on October 23, 2013 during the Prime Minister official visit to China.⁶² The Agreement states that this is in furtherance of the India-China strategic and cooperative partnership for peace and prosperity. It also stated that neither country shall use threat of use of force or its military capability to attack the other side.⁶² The Agreement was signed

without prejudice to their respective positions on the alignment of the line of actual control as well as on the boundary question.⁶³

Key Articles of the Agreement include:

- Implementation of border defence cooperation in the following ways:
 - (i) Information exchange on issues related to military exercises, and taking consequent measures conducive to the maintenance of peace and stability,
 - (ii) Jointly combat smuggling of arms, wildlife, wildlife articles and other contrabands,
 - (iii) Assistance in locating personnel, livestock, means of transport and aerial vehicles around the line of actual control in the India-China border areas,
 - (iv) Assistance in combating natural disasters or infectious diseases that may affect or spread to the other side.
- Implementation of border defence co-operation shall be through meetings between the officers of the armed forces and Ministry of Defence of the two countries.
- To facilitate these contacts and meetings, Border Personnel meeting sites, telephone contacts and telecommunication links to be established at mutually agreed locations along the line of actual control.
- Organising of joint celebrations, cultural activities, sports events and small scale tactical exercises along the line of actual control in the India-China border areas.
- Clarifications may be sought on activities that have taken place, on which there is no prior agreement. Further, both sides shall exercise maximum self-restraint, not use force or threaten to use force against the other side and prevent exchange of fire or armed conflict.

India and China signed nine agreements and Memorandums of Understanding in the course of the Prime Minister's official visit. These included MoUs to strengthen cooperation on trans-border rivers, cooperation in road transport and highways, and establishment of power service centres in India.⁶⁴

India, Peru to establish a Joint Commission on bilateral relations

India and Peru signed a Memorandum of Understanding to establish a Joint Commission to promote bilateral relations on October 28, 2013.⁶⁵ The Commission will aim to strengthen cooperation in areas such as political relations, security concerns, human resource development, economic partnership, and science and technology. It is to be chaired jointly by the Foreign Ministers of the two countries.

Additionally, the two countries signed three other agreements, on education, defence cooperation and prevention of proliferation of weapons of mass destruction. The two countries also decided to work towards reform of the United Nations Security Council and on South-South cooperation.

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⁶⁴ List of Agreements/MoUs signed between India and China during Prime Minister’s Official Visit to China (October 23, 2013), Ministry of External Affairs,
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⁶⁵ “List of documents signed during the official visit of Vice President of India to Peru, October 26-28, 2013” Ministry of External Affairs, October 29, 2013,
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