

# Monthly Policy Review

December 2015

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## Highlights of this Issue

### [Parliament passed 8 Bills in the Winter Session of Parliament \(p.2\)](#)

These include the Juvenile Justice Bill which treats 16-18 year olds committing certain types of offences as adults, and amendments to the Arbitration Act to fast-track arbitration cases.

### [The Insolvency and Bankruptcy Code, 2015 introduced in Lok Sabha \(p.3\)](#)

The Code seeks to create a regulator to oversee the insolvency process in India. It also outlines a process for insolvency resolution, and sets a timeframe for completion of the exercise.

### [Standing Committees submitted reports on various Bills and other issues \(p.4,7,8,8,12,17\)](#)

Bills examined include the Lokpal, Commercial Courts and Merchant Shipping Bills. Issues examined include ease of doing business, central and state election cycles, and the Hudhud cyclone.

### [Arvind Subramanian report on revenue neutral rates on GST released \(p.3\)](#)

The Committee recommended that the Revenue Neutral Rate be 15-15.5 per cent and the Standard Rate be 17-18 per cent, in relation to the levy of GST.

### [Paris Agreement on climate change adopted \(p.9\)](#)

The Agreement aims to hold the increase in the global average temperature to well below 2° Celsius above pre-industrial levels, and pursue efforts to limit it to 1.5° Celsius.

### [Kelkar Committee report on revitalising the PPP model released \(p.11\)](#)

Recommendations include optimal risk allocation across all stakeholders, strengthening contracts by allowing for renegotiations, developing a national PPP policy, and creating regulators for sectors getting into PPPs.

### [India signs the Nairobi Package at the 10<sup>th</sup> WTO Ministerial Conference \(p.10\)](#)

The WTO agreed to allow developing countries to continue to provide farm subsidies until a permanent solution on food security is reached.

### [Limits to avail LPG subsidies modified \(p. 14 \)](#)

LPG subsidies will not be available for consumers if the consumer or their spouse had an annual taxable income of more than Rs 10 lakh during the previous financial year.

### [Public Accounts Committee submitted reports on various issues \(p.17,19\)](#)

Issues examined by the Committee include disaster preparedness and indigenous construction of naval warships.

### [CAG submitted audit reports on various policies and issues \(p.12,14,14,20,21,21\)](#)

The CAG reports were on the Mid-Day Meal scheme, Nirmal Bharat Abhiyan, renewable energy, safety issues in railways, milling and procurement of paddy, and land management of major ports.

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January 4, 2016

## Parliament

Tanvi Deshpande (tanvi@prsindia.org)

### Winter Session of Parliament ends

The Winter Session 2015 of Parliament ended on December 23, 2015. Parliament met for 20 days, during which it passed eight Bills. Bills passed by both Houses include the Juvenile Justice (Care and Protection of Children) Bill, 2014, the Arbitration and Conciliation (Amendment) Bill, 2015, and the Negotiable Instruments (Amendment) Bill, 2015.

Eight bills were introduced in this session, of which five were passed. The Insolvency and Bankruptcy Code, 2015 was introduced in Lok Sabha and was referred to a Joint Committee consisting of Members of Parliament from both Houses, for examination.

In addition, Standing Committee reports on the Merchant Shipping (Amendment) Bill, 2015 and the Lokpal and Lokayuktas and Other Related Law (Amendment) Bill, 2014 were submitted during the session.

For more details on the Bills introduced and functioning of Parliament in the Winter Session 2015, please see [here](#) and [here](#).

## Macroeconomic Developments

Tanvi Deshpande (tanvi@prsindia.org)

### Mid Year Economic Analysis 2015-16 released

The Ministry of Finance released the Mid Year Economic Analysis 2015-16 on December 18, 2015.<sup>1</sup> The report looked at the state of the economy, GDP growth, trade, and growth in sectors such as agriculture and industry. Some highlights of the report include:

- **Inflation:** Consumer Price Index decreased from 6.7% in Q2 of 2014-15, to 3.9% in Q2 of 2015-16. Over the same time period, wholesale price index (WPI) decreased from 3.9% to -4.5%. Factors resulting in the decline in inflation over the past year include decline in global crude oil prices, ban on the export of pulses, stock limits set for onions, pulses, etc.
- **GDP:** GDP growth rate at constant prices (2011-12) decreased from 8.4% in Q2 of

2014-15 to 7.4% in Q2 of 2015-16. Overall GDP for 2015-16 is estimated to grow at 7%-7.5%.

- **Expenditure:** Of Rs 17,77,477 crore budgeted for expenditure in 2015-16, the government had spent Rs 9,10,545 crore (51.2%) as of September 2015. Last year, by the same time, 48% of the budgeted amount had been spent.
- **Tax revenue:** The government had collected 40.2% of its estimated tax revenue for 2015-16, up to September 2015. It had collected 33.1% of its tax revenue up to the same time last year.
- **Fiscal deficit:** 68.1% of the fiscal deficit budgeted for 2015-16 was utilized until September 2015. In September 2014, this number stood at 82.6%.
- **International trade** of the country has been affected by the decline in global commodity prices. Indian trade deficit for the period between April and November 2015 stood at \$87.5 billion, as compared to \$102.5 billion from April to November 2014. Total exports in Q2 of 2015-16 declined by 18.4% as compared to Q2 in 2014-15, while total imports declined by 15.5%.
- **Production of major foodgrains** witnessed an increase as compared to the same time last year. The 1<sup>st</sup> advance estimates of production of Kharif foodgrains in 2015-16 was 3.2% higher than the 1<sup>st</sup> estimates of 2014-15. Compared to the same time last year, production estimates of sugarcane and cotton were higher by 0.4% and 3.2%.

### Policy repo rates remain unchanged in RBI's Monetary Policy Statement

The Reserve Bank of India (RBI) released its fifth Bi-Monthly Monetary Policy Review Statement on December 1, 2015.<sup>2</sup> The policy repo rate (at which RBI lends money to commercial banks) was kept unchanged at 6.75%. Other decisions included:

- The reverse repo rate (at which RBI borrows money from commercial banks) remains at 5.75%. The marginal standing facility (under which scheduled commercial banks can borrow additional money) and bank rate (at which RBI buys or rediscounts bills of exchange) remains at 7.75%.

- The Cash Reserve Ratio has been kept unchanged at 4% of the Net Demand and Time Liabilities (which roughly consist of all current, savings and time deposits).

### Balance of Payments for the second quarter (July to September) of 2015-16

India's Balance of Payments in the first quarter of 2015-16 indicates that the current account deficit (CAD) decreased from USD 10.9 billion in the second quarter of 2014-15, to USD 8.2 billion in the second quarter of 2015-16.<sup>3</sup> CAD in the previous quarter, i.e. the first quarter of 2015-16 was USD 6.2 billion.

**Table 1: Balance of Payments in Q2 of 2015-16 (in USD billion)**

	Jul-Sept 2014	Apr-Jun 2015	Jul-Sept 2015*
A. Current Account Deficit	-10.9	-6.2	-8.2
B. Capital Account	17.6	18	9
C. Errors and Omissions	0.3	-0.5	0.1
Net increase in reserves	6.9	11.3	0.9

\* Preliminary estimate.

Sources: Reserve Bank of India; PRS.

## Finance

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### Insolvency and Bankruptcy Code, 2015 introduced in Lok Sabha

The Insolvency and Bankruptcy Code, 2015 was introduced in Lok Sabha on December 21, 2015.<sup>4</sup> The Code seeks to consolidate the existing framework by creating a single law for insolvency and bankruptcy. It was referred to a Joint Committee of Parliament, consisting of Members of both Houses of Parliament, on December 23, 2015. The Committee is expected to submit its report by the first week of the Budget Session, 2016.

The Code seeks to repeal the Presidency Towns Insolvency Act, 1909 and Provincial Insolvency Act, 1920. In addition, it seeks to amend 11 laws, which include the Companies Act, 2013, Recovery of Debts Due to Banks and Financial Institutions Act, 1993 and Sick Industrial Companies (Special Provisions) Repeal Act, 2003, among others.

Key features of the Code include:

- **Insolvency Resolution:** The Code outlines separate insolvency resolution processes for individuals, companies and partnership firms. The process may be initiated by either the debtor or the creditors. A maximum time limit, for completion of the insolvency resolution process, has been set for corporate and individuals. For companies, the process will have to be completed in 180 days, which may be extended by 90 days, if majority of the creditors agree.
- **Insolvency regulator:** The Code establishes the Insolvency and Bankruptcy Board of India, to oversee the insolvency proceedings in the country and regulate the entities registered under it. The Board will have 10 members, including representatives from the Ministries of Finance and Law and the Reserve Bank of India.
- **Insolvency professionals:** The insolvency process will be managed by licensed professionals. These professionals will also control the assets of the debtor during the insolvency process.
- **Bankruptcy and Insolvency Adjudicator:** The Code proposes two separate tribunals to oversee the process of insolvency resolution, for individuals and companies: (i) the National Company Law Tribunal for companies and limited liability partnerships firms; and (ii) the Debt Recovery Tribunal for individuals and partnerships.

For PRS Summary of the Code, please see [here](#).

### Subramanian Committee submits report on the Revenue Neutral Rate for GST

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

The Committee that was constituted to recommend tax rates under the proposed Goods and Services Tax (GST) regime (Chair: Arvind Subramanian) submitted its report to the Finance Ministry on December 6, 2015.<sup>5</sup>

The Constitution (122<sup>nd</sup> Amendment) Bill, 2014, which seeks to enable the levy of GST by centre and states, was passed by Lok Sabha in May 2015.<sup>6</sup> Following this, it was examined by a Select Committee of Rajya Sabha, which submitted its report in July 2015.<sup>7</sup> The Bill is currently pending in Rajya Sabha.

Salient recommendations of the Committee include the following:

- **Definitions of RNR and standard rates:** The Committee clarified that the term Revenue Neutral Rate (RNR) refers to that single rate which maintains revenue at current levels. This would differ from the standard rate, which is the rate that would apply to a majority of goods and services.
- **RNR:** The Committee recommended that the range of the RNR be fixed between 15%-15.5% (to be levied by the centre and states combined). However, a 15% rate would be preferable.
- **Three rate structure:** The Committee suggested that the standard rate be 17%-18% (for most goods and services). The lower rates should be 12% (to be applied to certain goods consumed by the poor). Further, the demerit rates should be 40% (to be applied on luxury cars, aerated beverages, paan masala, and tobacco). The numbers indicate the rates that would be levied by the centre and states combined.  
  
The Committee also suggested that India must aim at levying a single rate in the medium term. This would facilitate tax compliance and administration.
- **Exemptions from GST:** The Committee noted that the standard rate will be higher if several goods are exempted or treated differently. Further, exemptions will break the value added chain, and result in multiplicity of rates and distortions. Also, the centre can achieve revenue neutrality only if its base (the goods and services covered by GST) is similar to that of the states, which has fewer exemptions.
- **1% additional tax:** The Committee stated that the objective of creating a uniform national market will be achieved by replacing all taxes on inter-state trade with a single GST. This would include eliminating the 1 percent additional tax proposed in the Constitution (122<sup>nd</sup> Amendment) Bill, 2014.

A PRS Summary of the report is available [here](#). An analysis of the Constitution (Amendment) Bill to introduce GST is available [here](#).

### Negotiable Instruments (Amendment) Bill, 2015 passed by Parliament

The Negotiable Instruments (Amendment) Bill, 2015 was passed by Rajya Sabha on December 7, 2015 and by Lok Sabha on December 11, 2015.<sup>8</sup> The Bill was introduced in Lok Sabha on July 27, 2015 to replace the Negotiable Instruments (Amendment) Ordinance, 2015.<sup>9</sup> It amends the Negotiable Instruments Act, 1881.

The Bill clarifies the jurisdiction of courts, where cases related to cheque bouncing can be filed. Further, it transfers all pending cases of cheque dishonour to the courts with the appropriate jurisdiction as per the Bill.

For more details on the Bill, please see [here](#).

### Indian Trusts (Amendment) Bill, 2015 passed by Lok Sabha

The Indian Trusts (Amendment) Bill, 2015 was passed by Lok Sabha on December 9, 2015.<sup>10</sup> The Bill was introduced on August 13, 2015 to amend the Indian Trusts Act, 1882. The Act regulates the functioning of private trusts and trustees. It also outlines the manner in which surplus funds of the trusts can be invested.

The Act specifies seven categories of securities, where trust money can be invested. These categories include some pre-independence references such as securities issued by the United Kingdom, Presidency towns, Rangoon port trust of Karachi, etc. In addition to this, the Act also allows trust money to be invested in securities authorised by the instrument of trust, or by the central government by issuing a notification. This may be done provided that consent is taken of any person, who is competent to contract and entitled to receive trust income for life.

The Bill amends the Act to delete the seven categories, related to pre-independence references. It retains the provision that allows trust money to be invested in securities authorised by the instrument of trust or by the central government.

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

### Standing Committee on Commerce submits report on ease of doing business

The Standing Committee on Commerce submitted its report on the ease of doing business on December 22, 2015.<sup>11</sup> The report makes

recommendations to improve India's ease of doing business rankings on various parameters.

Key recommendations of the Committee are:

- **Starting a business:** A unique business ID, containing all information about the company, should be used as the sole reference for regulatory processes. Further, Aadhaar, PAN and passport, must be linked to eliminate the need for verification, certification as well as digital signature.
- **Registering property:** Land records, maps, etc. must be digitised at the earliest. Further, land titling may be done by integrating space technology (such as satellites used for communication, positioning, etc.) and ID proofs like Aadhaar for smooth transfer of property. The Committee also recommended that the government upload standardized formats of documents like sale deed, lease deed, power of attorney, etc on their websites. Further, it suggested that only online payments for registering a property may be allowed.
- **Cross-border trading:** In order to reduce delays, setting up an online portal for cross-border trading was recommended. This will help in creating a single online application for getting necessary certificates and no objection certificates. The time taken for clearance of goods should also be reduced to half a day.
- **Resolving insolvency:** The National Company Law Tribunal must be made functional at the earliest because it is to be approached for resolving insolvencies. The Bankruptcy Code and commercial benches in high courts should also be introduced to strengthen insolvency resolution.
- **Getting credit:** The Committee expressed concern about the rising number of stressed loans, which have affected the performance of public sector banks. It recommended that RBI give new licenses to asset reconstruction companies, in order to bring more capital to businesses, and clean up stressed assets.

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

### **RBI releases revised External Commercial Borrowings framework**

The Reserve Bank of India (RBI) released a revised framework for External Commercial

Borrowings (ECBs) on November 30, 2015.<sup>12</sup> RBI had earlier invited comments on a draft ECB framework, in September, 2015. ECBs are commercial loans, taken from non-resident lenders, with a minimum maturity of three years.

The revised framework is based on general principles which include: (i) fewer restrictions on how long term borrowings can be used, (ii) a regime for rupee denominated borrowings, where risk of price fluctuations is borne by the lender, (iii) expansion of the list of overseas lenders to include long term investors such as pension funds, insurance companies, etc. and, (iv) alignment of list of infrastructure companies eligible to borrow externally, with a harmonised list of infrastructure sub-sectors maintained by the central government.

The guidelines under the revised ECB framework comprise three tracks:

- **Track I:** Medium term foreign currency borrowings with a minimum average maturity of three or five years. The minimum maturity in the case of borrowings up to 50 million US dollars or its equivalent will be three years, while for borrowings above this amount, it will be five years.
- **Track II:** Long term foreign currency borrowings with a minimum average maturity of 10 years.
- **Track III:** Indian rupee denominated borrowings with a minimum average maturity of three or five years. The minimum maturity in the case of borrowings up to 50 million US dollars or its equivalent will be three years, while for borrowings above this amount, it will be five years.

For more information about the draft ECB framework please see the PRS Monthly Policy Review for September 2015, [here](#).

### **RBI announces Marginal Cost of Funds for advances**

The Reserve Bank of India (RBI) announced a Marginal Cost of Funds methodology for Interest Rate on Advances, on December 17, 2015.<sup>13</sup> The methodology is aimed at ensuring better transmission of policy rates set by RBI, to the lending rates offered by banks and ensure transparency in the methods used by banks to determine interest rates on advances. It will be used for computation of interest rate on advances from April 1, 2016 onwards.

Presently, banks calculate lending rates based on average costs of funds, among other methods.

The new methodology requires every bank to release the Marginal Cost of Funds based Lending Rate (MCLR) on a periodic basis. The MCLR will be calculated by taking into account the marginal cost of borrowings (includes savings deposits, foreign currency deposits, borrowings by the bank, etc.) incurred by the bank, and return on net worth. This means that instead of taking an average of costs incurred in employing funds for business, the banks will take into account the current cost of borrowings, to calculate lending rates.

In addition, the bank should have an approved policy of spread components, which can be charged to a customer. Spread is the margin charged by a bank, based on the risk associated with the advance.

Actual lending rates of the bank will be determined by adding components of spread to MCLR. Thus, there will not be any lending below the MCLR.

### **RBI releases report of committee on medium-term path on financial inclusion**

The RBI released the report of the Committee on medium-term path on financial inclusion, on December 28, 2015.<sup>14</sup> Comments are invited till January 29, 2015.

The Committee (Chair: Mr Deepak Mohanty) was formed to review existing policies related to financial inclusion, study experiences across the country and suggest a measurable medium term (five year) action plan.

Key recommendations of the Committee are:

- The government must consider a welfare scheme called Sukanya Shiksha, aimed at opening bank accounts for females. The scheme can be jointly funded by the central and state governments. Education and banking services can be linked through the scheme, by crediting money in the account of each girl child who enrolls in middle school. This would help in opening bank accounts for cash transfers.
- Linking of a unique biometric identifier, such as Aadhaar, to bank accounts, and sharing of information between credit information companies will assist in identifying multiple bank accounts, and improve information sharing.

- Phase out the interest subvention scheme introduced to make agriculture credit available at a reasonable cost. The subsidy amount must be utilised for a universal crop insurance scheme, aimed at small and marginal farmers.
- Commercial banks should be enabled to open interest free windows for selected financial products like deposits.
- To improve penetration of ATMs, more ATMs should be installed in rural and semi-urban areas.
- To improve last mile delivery of services, low-cost solutions like mobile technology can be used.
- NABARD must work out a plan to improve the penetration of Self-Help Group (SHG) - Bank Linkage Programme (SBLP), in areas with lower presence of SHGs. The SBLP is a group-savings linked programme aimed at providing micro credit to SHG members.

For more information, please see the PRS Monthly Policy Review for [July 2015](#).

## **Women and Child Development**

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### **The Juvenile Justice Bill, 2015 passed by Parliament**

The Juvenile Justice (Care and Protection of Children) Bill, 2015 was passed by Parliament on December 22, 2015. It replaces the Juvenile Justice (Care and Protection of Children) Act, 2000. The Bill was introduced in Lok Sabha on August 12, 2014 and the Standing Committee on Human Resource Development submitted its report on February 25, 2015.<sup>15,16</sup>

The Bill addresses children in conflict with law, children in need of care and protection, and details procedures for dealing with both categories of children.

Among other things, the Bill permits the treatment of 16-18 year olds committing heinous crimes, as adults. A heinous crime has been defined as one that attracts a minimum of seven years imprisonment, under any existing law. However, no juvenile can be awarded the death penalty or life imprisonment.

For more information on the Bill, see [here](#).

## Law and Justice

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

### Bill to replace commercial courts ordinance passed by Parliament

The Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Bill, 2015 was passed by Parliament during Winter Session 2015. The Bill was introduced in Lok Sabha on December 7, 2015 by the Minister for Law and Justice, Mr. D.V. Sadananda Gowda.<sup>17</sup> It replaces an Ordinance promulgated on October 23, 2015.<sup>18</sup>

The purpose of the Bill is to fast track high value commercial cases. It enables state governments to set up commercial courts, equivalent to district courts, to hear commercial disputes of a certain value as specified by the central government (not below one crore rupees).

However, a commercial court must not be set up in an area where the high court exercises original jurisdiction over civil matters. Instead, commercial divisions would be set up in such high courts, that is, the High Courts of Delhi, Bombay, Calcutta, Madras and Himachal Pradesh. They will be set up by the Chief Justice of that particular High Court.

During the session, the Standing Committee on Personnel, Public Grievances, Law and Justice submitted its recommendations on an earlier version of the Bill.<sup>19</sup>

A PRS Summary of the Bill is available [here](#) and a PRS Summary of the Standing Committee report is available [here](#).

### Bill to replace arbitration ordinance passed by Parliament

The Arbitration and Conciliation (Amendment) Bill, 2015 was passed by Parliament during Winter Session 2015. It was introduced in Lok Sabha on December 3, 2015 by the Minister for Law and Justice, Mr. D.V. Sadananda Gowda.<sup>20</sup> The Bill replaces the Arbitration and Conciliation (Amendment) Ordinance, 2015 promulgated on October 23, 2015.<sup>21</sup>

The Bill amends the Arbitration and Conciliation Act, 1996. The Bill permits parties to opt for fast track arbitration, with the decision being granted within six months. The Bill also provides for time bound disposal of all

arbitration matters. It imposes costs on arbitrators for delays caused by them in disposing of the matters.

A PRS Summary of the Bill is available [here](#).

### Bill related to allowances of higher court judges passed in Lok Sabha

The High Court and the Supreme Court Judges (Salaries and Conditions of Service) Amendment Bill, 2015 was passed in Lok Sabha on December 7, 2015. The Bill was introduced in that House on August 13, 2015.<sup>22</sup>

The Bill amends the High Court Judges (Salaries and Conditions of Service) Act, 1954 and Supreme Court Judges (Salaries and Conditions of Service) Act, 1958.

The amendments to the 1954 Act reflect a Supreme Court (SC) decision of March 2014. As part of the decision, the court issued a direction for adding 10 years practice as an Advocate in calculating pensionary benefits for a High Court (HC) judge.<sup>23</sup> It also specified that this be effective from April 1, 2004.

The 1954 and 1958 Acts provide for leave on full allowances and half allowances. The Bill adds that casual leave for SC and HC judges will be computed in a manner to be prescribed.

A PRS Summary of the Bill is available [here](#).

### Prevention of Corruption (Amendment) Bill, 2015 referred to Select Committee

The government introduced amendments to the Prevention of Corruption (Amendment) Bill, 2013 currently pending in Rajya Sabha on November 27, 2015.<sup>24</sup> The Bill with the proposed amendments was referred to a Select Committee of Rajya Sabha for examination on December 11, 2015. The Committee is to submit its report by the first week of the next session of Parliament.

The Bill amends the Prevention of Corruption Act, 1988, and was introduced in Rajya Sabha in August 2013.<sup>25</sup>

Key amendments proposed by the government to the 2013 Bill include:

- **Giving a bribe:** Under the 1988 Act, a bribe giver may be charged with the offence of abetment. The 2013 Bill makes the giving of a bribe to a public servant a direct offence. The 2015 amendments add a provision to state that a person would not be

charged with the offence of giving a bribe if he did so after informing the law enforcement agency (in order to provide assistance in its investigation against a public servant).

- **Taking a bribe:** Under the 1988 Act, and 2013 Bill, taking of a bribe is an offence. The 2015 amendments add a proviso to this provision to state that whoever does not perform a public function or activity dishonestly, would not be committing the offence of taking a bribe.
- **Prior sanction for investigation:** The 2015 amendments state that before a police officer can conduct any investigation in relation to an alleged offence by a public official, prior approval of the Lokpal or Lokayukta must be taken. However, such approval would not be necessary in cases which involve the arrest of a person, on the spot, on the charge of taking a bribe.

A PRS analysis of the proposed amendments is available [here](#).

### Standing Committee submits report on the Lokpal (Amendment) Bill, 2014

The Standing Committee on Personnel, Public Grievances, Law and Justice (Chair: Dr. E.M. Sudarsana Natchiappan) submitted its report on the the Lokpal and Lokayuktas and Other Related Law (Amendment) Bill, 2014 on December 7, 2015.<sup>26</sup> The Bill was referred to the Committee on December 22, 2014.

The Bill amends the Lokpal and Lokayuktas Act, 2013, and the Delhi Special Police Establishment Act, 1946 (which set up the Central Bureau of Investigation or CBI). Salient recommendations of the Committee include:

- **Leader of single largest opposition party to be part of Selection Committee:** The 2013 Act states that the Leader of Opposition (LoP) in Lok Sabha would be part of the Selection Committee to appoint the Lokpal. The Bill amends this provision to state that the Leader of the single largest party in Opposition would perform this role in the absence of a recognised LoP. The Committee stated that such an amendment was appropriate.
- **Declaration of assets and liabilities by public servants:** The 2013 Act requires all public servants to declare their assets and liabilities (including that of spouses and

dependent children). The Bill replaces this provision to require that a public servant's declaration contain information of all his liabilities and assets, including property owned by him or his family.

The Committee stated that family members of public servants are not obliged to disclose assets acquired through their own income. However, the public servant must declare assets of his dependents, and those acquired by him in the name of another.

- **Integrated approach to address corruption:** The Committee recommended that the Central Vigilance Commission and the CBI (in relation to its anti corruption functions), must be fully integrated with Lokpal. The Lokpal must be at the apex level with the CVC and CBI (anti-corruption wing) working directly under its control. The Lokpal must use these organisations for inquiry, investigation and prosecution of corruption cases.

A PRS Summary of the report is available [here](#).

### Standing Committee submits report related to central and state election cycles

The Standing Committee on Personnel, Public Grievances, Law and Justice (Chair: Dr. E.M. Sudarsana Natchiappan) submitted its report on 'Feasibility of Holding Simultaneous Elections to Lok Sabha and State Legislative Assemblies' on December 17, 2015.<sup>27</sup> The Committee made the following recommendations:

- **Holding of elections in two phases:** The Committee recommended that general elections could be held in two phases. It stated that elections to some legislative assemblies could be held during the midterm of Lok Sabha. Elections to the remaining legislative assemblies could be held with the end of Lok Sabha's term.
- **Conditions for holding mid-term elections:** It was recommended that in order to hold mid-term elections to Lok Sabha and state legislative assemblies, one of two conditions must be met: (i) a motion for an early General Election must be agreed to by at least two-thirds of all members of the House; or (ii) a no confidence motion must be passed with no alternative government confirmed by the House within 14 days by passing a confidence motion.

- **Schedule of next cycle of elections:** The Committee suggested that the proposed first phase could be held in November 2016. Elections to all state assemblies whose terms end within six months to one year before or after the appointed election date can be clubbed together. Similarly, the second phase of elections can be held in 2019 along with the General Elections to Lok Sabha.
- **Schedule of bye-elections:** Further, the Committee recommended that bye-elections to all seats that become vacant in during a year may be conducted together during a pre-determined time period.

A PRS Summary of the report is available [here](#).

### Supreme Court upholds disqualifications to panchayat elections in Haryana

The Supreme Court upheld the constitutional validity of the Haryana Panchayati Raj (Amendment) Act, 2015.<sup>28</sup> The amendments introduced certain grounds for disqualification from contesting panchayat elections, and were challenged for violating Article 14 of the Constitution (right to equality).

The Haryana Panchayati Raj Act, 1994 provides for the creation, membership and functioning of a three-tier panchayat system in Haryana. The 2015 amendments introduced five additional grounds for disqualification from membership to panchayat bodies. Of these, four grounds were challenged, namely:

- not passed matriculation examination or its equivalent from a recognized institution (with some relaxation for women and Scheduled Caste candidates);
- failure to pay any arrears due to an agriculture co-operative society, bank, etc.;
- failure to pay arrears of electricity bills;
- failure to submit self declaration of owning a functional toilet in his residence.

The Court examined these grounds for disqualifications, and held that the amendment Act creates two classes of voters, those who are educationally qualified to contest panchayat elections, and those who are not. The objective of such classification was to ensure that they had some basic education to effectively discharge their duties as elected representatives. This objective was rational and directly related to the purpose of the 1994 Act, and hence permissible.

It also upheld the constitutional validity of the provisions related to arrears to co operative societies, electricity bills and functional toilets in residences of election candidates.

## Environment

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### Paris Agreement, 2015 on climate change adopted

The Paris Agreement, 2015 was adopted at the 21<sup>st</sup> session of the Conference of Parties to the United Nations Framework Convention on Climate Change, 1992 on December 12, 2015.<sup>29</sup> The Convention is an international treaty on limiting increase in average global temperature and the resulting climate change.<sup>30</sup>

Key features of the agreement are:

- **Mitigation of climate change:** The agreement aims to limit the increase in the global average temperature to a level between 1.5 degrees Celsius to 2 degrees Celsius above pre-industrial levels. Member countries will pursue this target by undertaking voluntary domestic commitments (i.e., Intended Nationally Determined Contributions or INDCs) which must be increased every five years.
- **Climate finance:** Under the agreement, developed countries will provide financial resources to developing countries to assist them with mitigating and adapting to climate change. These resources may be mobilised from various sources, including public funds, and must be progressively increased with time.
- **Review mechanisms:** The agreement allows for primarily two kinds of review mechanisms for tracking progress made with regard to climate change commitments: (i) transparency arrangements (such as biennial reports) under which each country will disclose their emissions, progress made on INDCs, etc.; and (ii) global stocktake every five years from 2023 onwards, to assess global progress towards various goals under the agreement.

India had submitted its INDCs to the United Nations Framework Convention on Climate Change on October 2, 2015.<sup>31</sup>

For more details on India's INDCs, see [here](#).

## Commerce and Industry

### India signs Nairobi Package at 10th Ministerial Conference at WTO

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The 10<sup>th</sup> Ministerial Conference of the World Trade Organization (WTO) was held in Nairobi from December 15-19, 2015.<sup>32</sup> Member countries adopted the Nairobi Package at this Conference. It consists of six ministerial decisions regarding agriculture, cotton and certain issues faced by the least developing countries (LDCs).

Some of the key decisions under the Nairobi Package are:

- **Right to use the 'special safeguard mechanism':** Under the special safeguard mechanism, developing countries may temporarily increase import tariffs on agricultural products in order to control imports and deal with sudden decreases in domestic prices.
- **Peace clause on public stockholding reaffirmed:** The WTO reaffirmed the peace clause on public stockholding which was agreed on between the United States and India in November 2014. The peace clause regarding public stockholding of food grains enabled developing countries to continue to provide farm subsidies until a permanent solution on food security is reached. A permanent solution on food security would allow developing countries to provide farm subsidies without distorting global trade.
- **Preferential treatment to LDCs:** Proposals agreed on regarding LDCs allow them to: (i) have duty-free and quota-free access to cotton markets in developed and certain developing countries, and (ii) extend the 'service waiver' to LDCs until 2030. Under the service waiver, non-LDCs provide service providers from LDCs with greater access to their markets.

For more information on developments at the WTO over the past year, see the PRS Monthly Policy Review for November 2014 [here](#).

### The Industries (Development and Regulation) Amendment Bill, 2015 passed by Lok Sabha

*Aravind Gayam (aravind@prsindia.org)*

The Industries (Development and Regulation) Amendment Bill, 2015 was passed by Lok Sabha on December 10, 2015. The Bill was introduced in the House on December 7, 2015.<sup>33</sup> It seeks to amend the Industries Act, 1951 which regulates industries such as telecommunication, transportation and alcohol, among others.<sup>34</sup>

The Act regulates the production of alcohol for industrial and potable (drinkable) purposes. The Supreme Court had ruled that the centre should regulate the production of alcohol for industrial purposes, and states should regulate it for potable purposes. In order to comply with the judgement, the Bill excludes the production of alcohol for potable purposes from the ambit of the Act.

For more details about the Bill, please see [here](#).

## Corporate Affairs

*Aravind Gayam (aravind@prsindia.org)*

### Financial Committee released its report on corporate social responsibility in public sector undertakings

The Financial Committee on Public Undertakings submitted its report on Corporate Social Responsibility (CSR) in Central Public Sector Undertakings (CPSUs) on December 4, 2015.<sup>35</sup> CSR refers to the actions undertaken by a company to demonstrate their responsibility towards their community and society. The Companies Act, 2013 requires all companies with net worth above a certain threshold to participate in CSR. The Committee studied CSR activities performed by CPSUs and the regulation surrounding it.

Key observations and recommendations made by the Committee include:

- CSR is not clearly defined in the Companies Act. This might result in CPSUs not targeting their activities on all sections of the community. The Committee recommended that CSR should be clearly defined in the Act.

- More than 50% of the CSR funds allocated by CPSUs are underutilised. The Committee recommended that funds accumulated for more than 3 years should be used by the government on poverty alleviation programs.
- The Committee has noted that certain CPSUs had spent CSR funds on ineligible activities. The Committee recommended that such violations should be taken up with the concerned ministry and CPSUs.
- The Committee noted that there are no provisions to penalise companies for not spending on CSR activities. It recommended that provisions should be made in the Companies Act, 2013 to penalise such non-compliance.
- The Ministry of Corporate Affairs is responsible for regulating CSR participation of companies. The Committee noted that information on the amount of funds spent by companies on CSR related activities has not been collected by the Ministry. The Committee recommended that Ministry should maintain such information.

allocation should be to ensure that the entity that is best suited to manage a risk should be allocated that risk. A generic risk monitoring and evaluation framework should be developed covering all aspects of a project's lifecycle.

- **Strengthening policy, governance and institutional capacity:** Capacity of all stakeholders including regulators, authorities, consultants, financing agencies, etc should be built up. Ministry of Finance may develop a national PPP policy document, endorsed by Parliament. Further, independent regulators must be set up in sectors that are going for PPPs.
- Service delivery to citizens is the government's responsibility and PPPs should not be used to evade such responsibilities. PPPs should be adopted only after checking their viability for a project, in terms of costs and risks. Further, PPP structures should not be adopted for very small projects, since the benefits are not commensurate with the costs.
- **Strengthening contracts:** Since infrastructure projects span over 20-30 years, a private developer may lose bargaining power because of abrupt changes in the economic or policy environment. The Committee recommended that the private sector must be protected against such loss of bargaining power. This could be ensured by amending the terms of the concession agreement to allow for renegotiations.

A PRS Summary of the Report is available [here](#).

## Infrastructure

*Prachee Mishra (prachee@prsindia.org)*

### Kelkar Committee on revitalizing the PPP model of infrastructure development submits report

The Committee on Revisiting & Revitalizing the PPP model of Infrastructure Development (Chair: Dr. Vijay Kelkar) submitted its report to the Finance Minister on November 19, 2015.<sup>36</sup> Key observations and recommendations of the Committee include:

- **Revisiting PPPs:** Currently, PPP contracts focus more on fiscal benefits. The Committee recommended that the focus should instead be on service delivery for citizens. Further, fiscal reporting practices and performance monitoring of PPPs should be improved.
- **Risk allocation and management:** Inefficient and inequitable allocation of risk can be a major factor leading to failure of PPPs. The PPP contracts should ensure optimal risk allocation across all stakeholders. The basic principle for risk

## Transport

*Prachee Mishra (prachee@prsindia.org)*

### Carriage by Air (Amendment) Bill, 2015 passed by Lok Sabha

The Carriage by Air (Amendment) Bill, 2015 was passed by Lok Sabha on December 2, 2015.<sup>37</sup> The Bill was introduced in Lok Sabha in August 2015. The Bill amends the Carriage by Air Act, 1972. The Act regulates carriage by air and gives effect to the Warsaw Convention, 1929, and the Montreal Convention, 1999.

The Montreal Convention establishes airline liability in the case of death, injury or delay to

passengers or in cases of delay, damage or loss of baggage and cargo. The Bill seeks to amend the Act to adhere to the revised limits of liability as per the Montreal Convention.

The Bill empowers the central government to revise the limits of liability for airlines and compensation as per the Montreal Convention. It also provides for the central government to make rules to carry out provisions of the Act.

For more details on the Bill, please see [here](#).

### **National Waterways Bill, 2015 passed by Lok Sabha**

The National Waterways Bill, 2015 was passed by Lok Sabha on December 21, 2015.<sup>38</sup> The Bill was introduced in Lok Sabha in May 2015. It identifies 106 waterways as national waterways, in addition to the five existing national waterways. On December 9, 2015, the Cabinet had approved amendments to the original Bill, increasing the number of proposed national waterways from 101 to 106 taking the total to 111 national waterways.<sup>39</sup>

As per the government the declaration of the additional 106 waterways will not have any immediate financial implications. Financial approval for each waterway will be taken based on the techno-economic feasibility studies, currently being undertaken by the Inland Waterways Authority of India.

For more details on the Bill, please see [here](#).

### **Standing Committee submits report on Merchant Shipping (Amendment) Bill, 2015**

The Standing Committee on Transport, Tourism and Culture (Chair: Dr. Kanwar Deep Singh) submitted its report on the Merchant Shipping (Amendment) Bill, 2015 on December 1, 2015.<sup>40</sup> The Bill amends the Merchant Shipping Act, 1958 and seeks to ensure compliance with the International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001.

Key observations and recommendations of the Committee include:

- The Bill provides that a ship owner will not be liable for pollution damage if he proves that the damage resulted due to an act of war, hostilities or an inevitable natural phenomenon. The Committee observed that such an exemption may leave ample scope for litigation, and a ship owner may use this to get away from paying compensation. It

recommended reconsidering this aspect to take care of ambiguities.

- In order to avoid oil spillage from ships at the time of loading and unloading of cargo, it was recommended that ports should be provided with the latest equipments.
- Under the Bill, the ship master has been given the power to execute contracts on behalf of the ship owner. A ship master is any person, except a pilot or harbour master, having command of a ship. The Committee observed that since the ship master will be an employee of the ship owner, the owner may not always honour such contracts. The Committee recommended that a provision should be added where the ship owner will not be allowed to challenge the decision of the ship master, if the decision has been taken after sufficient consultation.
- The Committee also recommended that the Bill should look at cases of ship owners going bankrupt and failing to pay the salvors. Further, it should provide a mechanism for grievance redressal.

A PRS Summary of the report is available [here](#).

### **CAG submits report on fire accidents and utilization of safety items in Railways**

The Comptroller and Auditor General of India submitted its audit report on fire accidents and the distribution and utilization of safety items in Railways on December 8, 2015.<sup>41</sup> The report contains findings from audits conducted between 2011-12 and 2013-14.

Key observations and recommendations include:

- **Fire safety:** The Railways Corporate Safety Plan envisaged bringing down the number of accidents by 80% between 2001 and 2013. However, the number of accidents went up by 160%. The Railway Board does not have a clear roadmap to improve the safety standards, and have them match international standards.
- The creation of facilities for fire testing at Research Designs and Standards Organisation (RDSO) should be closely monitored. Efforts to match the current specifications with international standards should be intensified. Further, RDSO should continue their efforts to cross-check the quality of fire safety supplies by testing samples at external laboratories.

- **Distribution and utilization of safety items in Railways:** The categorization of safety items is not uniform across all the railway zones. Safety items are items of stores and spares directly related to the safety of train operations, such as brake equipment, head lights, etc. Safety items are numbered for efficient monitoring. It was observed that this assignment of numbers was not completed by the zonal Railways and the stock position of safety items was not monitored effectively.
- The categorization of safety items should be done in a timely manner to facilitate better coordination among zones. Railway Board should issue guidelines specifying the time limit required for procurement of safety items. Further, the monitoring mechanism should be strengthened at both the zonal and Railways Board level.

### **CAG submits report on land management of major ports**

The Comptroller and Auditor General of India submitted a performance audit report on land management of major ports on December 8, 2015.<sup>42</sup> The audit was conducted to assess the extent of clarity and uniformity in application of the policy guidelines for land management in various ports. The guidelines were issued in 1995 and were revised in 2004, 2010, and 2014.

Key observations and recommendations include:

- Of the total land holdings of 77,191 acres, title deeds were not available for 45% of them. Six ports did not have title deeds for their entire land holdings of 28,816 acres.
- Discrepancies were found in the land holding records of the ports and the state revenue authorities.
- Records maintained by the ports did not reflect the real position of encroachment. Further, port authorities did not take any action to remove these encroachments.
- The tariff proposals for ports could not be revised timely. This was either due to incomplete proposals submitted by the ports, or the proposals not adhering to the land policy guidelines.
- It was recommended that the Ministry should review existing policies and formulate a new comprehensive policy to avoid any ambiguity or multiplicity in the

policies. The new policy should deal with all issues related to land management.

- All important terms related to land allotment may be clearly defined in order to avoid inconsistent treatment by individual ports.
- Certain powers may be delegated to the ports, instead of seeking the Ministry's approval. This would help minimize the time required to resolve issues.
- A review mechanism must be developed to review land management decisions at least every six months. This would help ensure compliance with current policies.
- A structured quarterly review may be introduced to report the status of land management processes and procedures.

### **Cabinet approves formation of joint ventures with states for rail projects**

Cabinet approved the formation of joint ventures between Ministry of Railways and state governments for rail infrastructure projects, on December 30, 2015.<sup>43</sup> This is to ensure (i) greater participation by states in the decision making process for railway projects, and (ii) speed up the process of getting approvals for such projects.

The initial paid up capital of the Ministry of Railways for each state will be limited to Rs 50 crore. The details of the joint ventures are:

- The joint venture companies will be formed with equity participation of the Ministry of Railways and the state government.
- The initial paid up capital for each joint venture will be Rs 100 crore and will be based on the quantum of projects that will be undertaken. Additional funding will be provided after obtaining approvals from the competent authority.
- The joint ventures can also form special purpose vehicles with equity holding by other stakeholders like banks, ports, public sector undertakings, mining companies, etc.

## Energy

### Limits to avail LPG subsidies modified

Prachee Mishra ([prachee@prsindia.org](mailto:prachee@prsindia.org))

The government has announced that LPG subsidies will not be available for consumers if the consumer or their spouse had an annual taxable income of more than Rs 10 lakh during the previous financial year.<sup>44</sup>

At present, there are 16.35 crore LPG consumers in the country. Of these, 14.78 crore consumers receive direct subsidies under the PAHAL scheme. The government had introduced the PAHAL scheme in June 2013, which required that in order to avail LPG subsidy the consumer must have an Aadhaar number. The objective of the scheme was to ensure that the subsidy benefits go to the targeted group.

### The Atomic Energy (Amendment) Bill, 2015 passed by Parliament

Dipesh Suvarna ([dipesh@prsindia.org](mailto:dipesh@prsindia.org))

The Atomic Energy (Amendment) Bill, 2015 was introduced in Lok Sabha on December 14, 2015. It was passed by Parliament in December 2015.<sup>45</sup> The Bill seeks to amend the Atomic Energy Act, 1962. The Act empowers the central government to produce, develop, control, and use atomic energy.

Currently, only a government company may be given a license for generating atomic energy. The Bill permits licenses to be granted to joint ventures between government companies.

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

### Cabinet approves policy framework for Underground Coal Gasification

Dipesh Suvarna ([dipesh@prsindia.org](mailto:dipesh@prsindia.org))

The Cabinet approved a policy framework for the development of Underground Coal Gasification (UCG) in coal and lignite bearing areas on December 16, 2015.<sup>46</sup> UCG is a method of extraction of energy from coal and lignite. Extraction of energy from these sources, using conventional mining methods, is generally considered uneconomical.

Under this policy, coal blocks will be offered through a competitive bidding process and on a revenue sharing basis. In the revenue sharing

model, the bidder bids for a certain percentage of revenue that he will share with the government.

An inter-Ministerial Committee will be established under the Ministry of Coal to identify the areas for UCG. This committee will also be responsible for listing of eligible blocks for bidding or for awarding of coal blocks to public sector companies on nomination basis. The Central Mine Planning and Design Institute Limited will be the nodal agency for conducting the bidding process and evaluation of bids.

### CAG submits report on renewable energy sector

Dipesh Suvarna ([dipesh@prsindia.org](mailto:dipesh@prsindia.org))

The Comptroller and Auditor General of India submitted a report on renewable energy sector on December 8, 2015.<sup>47</sup> The report examined aspects such as the contribution of renewable energy to the energy mix of the country. The key observations and recommendations include:

- **Renewable energy targets:** The National Action Plan for Climate Change (NAPCC) sets the target for RPO. RPOs are purchase obligations on electricity distribution companies to purchase certain amount of their energy requirements from renewable energy sources. It was observed that while the RPO target for 2012-13 and 2014-15 was 8% and 9% respectively, the achievement was only 4.28% and 4.51% respectively. The CAG recommended that the Ministry of New and Renewable Energy must pursue the State Electricity Regulatory Commissions to align their RPO targets with the NAPCC.
- **Wind power:** The lack of availability of transmission network and absence of synchronised generation has led to problems relating to the transport of the generated wind power. In addition, the absence of scientific techniques to predict wind power has also created issues related to the maintenance of the grid. The Ministry must develop adequate transmission and distribution infrastructure for the transport of wind power by using scientific forecasting techniques.
- **Solar Power:** The cost of the solar photovoltaic plants and the tariffs offered by the Central Electricity Regulatory Commission has been reducing over time. However, the programme offering

incentives such as Generation Based Incentive (GBI) do not contain flexibility for downward revisions. This creates a liability on the central government. GBI is based on a fixed tariff that is provided for a long period of time to support renewable energy power projects.

A PRS Summary of the report is available [here](#).

## Consumer Affairs

*Tanvi Deshpande (tanvi@prsindia.org)*

### Bureau of Indian Standards Bill, 2015 passed by Lok Sabha

The Bureau of Indian Standards Bill, 2015 was passed by Lok Sabha on December 3, 2015.<sup>48</sup> It was introduced on August 7, 2015.

The Bill seeks to replace the Bureau of Indian Standards Act, 1986. The Act established a Bureau for the purpose of standardization, marking and certification of articles and processes. The Bill seeks to broaden this ambit to include goods, services and systems, and provide for the mandatory hallmarking of precious metal articles.

Key features of the Bill include:

- **Functions of the Bureau of Indian Standards:** The Bureau of Indian Standards will be the national standards body of India. It will formulate, implement and certify certain standards of quality for goods, services, articles, processes and systems. A good, service, article, process and system have been defined in the Bill.
- **Certification of precious metals:** A hallmark will be used to certify precious metal articles. A hallmark indicates a proportionate content of the precious metal in the article, as per the Indian standard. Such articles can be sold only in certified sales outlets.
- **Mandatory certification of certain goods:** The Bill allows the central government to notify any goods, articles, etc, for mandatory standardization, if it thinks it necessary for: (i) public interest or for the protection of human, animal or plant health, (ii) safety of the environment, (iii) prevention of unfair trade practices, or (iv) national security.

- **Recall of goods, services, articles etc:** The Bureau has the power to issue an order to recall a good or article which is out for sale or supply. It may do so if it is convinced that the good or article does not conform to relevant Indian standards.
- **Penalties:** The penalty for improper use of the Indian standard mark will be a fine of up to five lakh rupees. The Bill also introduces penalties for: (i) the improper use of the standard mark by testing and marking centres, and (ii) manufacturing or selling goods and articles which do not carry a standard mark and have been mandated to do so, among others.

For more details on the Bill, please see [here](#).

## Labour

*Anviti Chaturvedi (anviti@prsindia.org)*

### Payment of Bonus (Amendment) Bill, 2015 passed by Parliament

The Payment of Bonus (Amendment) Bill, 2015 was introduced in Lok Sabha on December 7, 2015.<sup>49</sup> It was passed by Parliament on December 23, 2015.<sup>50</sup> The Bill seeks to amend the Payment of Bonus Act, 1965. The Act provides for the annual payment of bonus to employees of all factories, and establishments employing 20 or more persons.

Key features of the Bill include:

- **Eligibility for bonus:** The Act requires bonus to be paid to employees whose salary is up to Rs 10,000 per month. The Bill raises this eligibility limit to Rs 21,000.
- **Calculation of bonus:** The Act provides that the bonus payable to an employee will be in proportion to his or her salary. However, if an employee's salary is more than Rs 3,500 per month, for the purposes of calculation of bonus, the salary will be assumed to be Rs 3,500 per month. The Bill raises this calculation ceiling to Rs 7,000 per month or the minimum wage notified for the employment under the Minimum Wages Act, 1948 (whichever is higher).

The Bill as introduced also stated that it will come into force on April 1, 2015. However, this was modified to April 1, 2014 at the stage of consideration and passage in Lok Sabha.

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

## Telecom

### Consultation paper on differential pricing for data services (net neutrality) released

*Apoorva Shankar (apoorva@prsindia.org)*

The Telecom Regulatory Authority of India (TRAI) released a Consultation Paper on Differential Pricing for Data Services on December 9, 2015. Counter-comments on the paper are invited by January 7, 2016.<sup>51</sup>

The existing tariff framework allows Telecom or Internet Service Providers (TSPs or ISPs) the freedom to design tariffs according to market conditions. The paper states that there is a need for TRAI to maintain regulatory oversight on tariffs to ensure that they are transparent, reasonable, non-discriminatory and competitive.

Key issues for consultation include:

- Whether TSPs should be allowed to have differential pricing for data usage for accessing different websites or applications (i.e., different rates for different websites);
- If differential pricing is permitted, what measures may be adopted to ensure principles of transparency, non-discrimination, affordable internet access, competition, etc; and
- Alternative methods or technologies (other than differentiated tariff plans) available to achieve the objective of providing free internet access to consumers.

## Agriculture

*Tanvi Deshpande (tanvi@prsindia.org)*

### Sugar Cess (Amendment) Bill, 2015 passed by Lok Sabha

The Sugar Cess (Amendment) Bill, 2015 was introduced in Lok Sabha on December 11, 2015, and passed by the House on December 15, 2015.<sup>52</sup> Being a Money Bill, it is deemed to be passed by Rajya Sabha in 14 days. The Bill seeks to amend the Sugar Cess Act, 1982.

The Act provides for the imposition of a cess as an excise duty on the production of sugar. The rate of sugar cess is notified by the central government from time to time. Under the Act, the ceiling on the cess is Rs 25 per quintal. The Bill proposes to increase this ceiling to Rs 200 per quintal of sugar.

The increase in cess has been proposed to meet the government's expenditure on interventions to ensure payment of dues to sugarcane farmers.

For more details on the Bill, please see [here](#).

### Integrated Development and Management of Fisheries scheme approved by CCEA

The Cabinet Committee on Economic Affairs (CCEA) approved the Integrated Development and Management of Fisheries scheme on December 22, 2015.<sup>53</sup> The scheme will have a financial outlay of Rs 3,000 crore, for a period of five years.

The scheme will consist of the following components: (i) the National Fisheries Development Board and its activities, (ii) development of inland fisheries and aquaculture, (iii) development of marine fisheries, infrastructure and post harvest operations, (iv) strengthening of database and Geographical Information System of the fisheries sector, etc.

The scheme aims to: (i) increase the production and productivity of inland and marine fisheries and aquaculture, (ii) encourage SCs, STs and women and their co-operatives to take up fishing and fisheries related activities, (iii) increase private investment, entrepreneurship development, and PPPs in the sector, etc. It also aims to ensure a growth rate of 6%-8% in the fisheries sector over the next five years.

## Home Affairs

*Anviti Chaturvedi (anviti@prsindia.org)*

### Draft amendments to the Citizenship Act, 1955 published

The Ministry of Home Affairs published draft amendments to the Citizenship Act, 1955 on December 21, 2015.<sup>54</sup> Suggestions have been invited on these draft amendments within a month. The proposed changes seek to allow minority communities from Bangladesh and

Pakistan, who came to India due to religious persecution, to acquire Indian citizenship.

The Act prohibits illegal migrants from acquiring Indian citizenship. It defines an illegal migrant as a foreigner: (i) who enters India without a valid passport or travel documents, or (ii) stays beyond the permitted time.

The draft amendments provide that the following groups of persons will not be treated as illegal migrants: (i) Hindus, Sikhs, Buddhists, Jains, Parsis and Christians from Bangladesh and Pakistan, (ii) who have been exempted from provisions of the Foreigners Act, 1946 and the Passport (Entry into India) Rules, 1950 by the central government. The 1946 Act regulates the entry and departure of foreigners in India, while the 1950 rules mandate passport requirements.

In addition, the draft amendments provide that Overseas Citizens of India (OCI) may have their OCI cards cancelled if they exercise rights to which they are not entitled.

### Draft amendments to the Foreign Contribution (Regulation) Act, 2010 published

The Ministry of Home Affairs published draft amendments to the Foreign Contribution (Regulation) Act, 2010 on December 21, 2015.<sup>55</sup> Suggestions have been invited on these draft amendments within a month.

The Act requires that individuals, associations and companies who have a cultural, economic, educational, religious or social program must register with the central government before accepting any contribution from a foreign source. Foreign source is defined to include: (i) a foreign government, (ii) international agencies like the United Nations, and (iii) companies in which have more than half of the shares are held by foreign governments, foreigners, foreign companies, etc.

The draft amendments seek to exclude those companies whose foreign shareholding is within the prescribed foreign investment limits under the Foreign Exchange Management Act, 1999, from the definition of foreign source.

### PAC submits report on Disaster Preparedness in India

The Public Accounts Committee submitted a report on 'Disaster Preparedness in India' to Parliament on December 10, 2015.<sup>56</sup> The recommendations of the Committee are based on

a Comptroller and Auditor General of India audit of 2013.<sup>57</sup>

Key observations and recommendations of the Committee include:

- **Institutional set-up:** The National Executive Committee (NEC) was responsible for coordinating the response in case of a disaster, preparing the National Plan for disaster management, etc. The Committee noted that the NEC had met infrequently when there had been some disasters (eg. floods in West Bengal in 2007 and stampede in Rajasthan in 2008), and this had also contributed to delays in preparation of the National Plan. It recommended that the NEC should either meet more often, or its powers must be delegated to a suitable authority.
- With regard to the National Disaster Management Agency (NDMA), the central policy making body for disaster management, it was recommended that its project execution capacity must be reviewed, and its advisory committee must be re-constituted.
- **Disaster planning:** There was a seven year delay, from 2006 to 2013, in finalising the National Plan for disaster management, and it was still awaiting final approval. The National Plan will include measures for prevention, mitigation and developing preparedness for disasters, responsibilities of different Ministries, etc. The Committee desired to know the status of the Plan.
- **Communications:** The Committee concluded that all projects undertaken for strengthening the communications network for disaster management were either delayed considerably, or were at the planning stage. For example, while the National Disaster Communication Network was still being planned by the NDMA, the satellite based communication network had not been made fully operational. It was recommended that these projects be completed and operationalised at the earliest.

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

### Standing Committee submits report on the Hudhud cyclone

The Standing Committee on Home Affairs submitted a report on the Hudhud cyclone in Andhra Pradesh and Odisha to Parliament on

December 22, 2015.<sup>58</sup> The Hudhud cyclone had developed over the Andaman Sea, and affected Andhra Pradesh and Odisha in October 2014.

Key observations and recommendations of the Committee include:

- **Loss to infrastructure:** While there were few fatalities due to evacuation efforts, roads, communications, power, water supply, etc. were affected due to the cyclone. The Committee noted that implementation of the National Cyclone Risk Mitigation Project will improve disaster preparedness of states. The project involves improving infrastructure in cyclone prone states, including creation of shelters, roads, bridges, saline embankments, underground cabling, etc.
- **Loss to agriculture and industry:** The Committee recommended that innovative and strategic harvesting programmes and patterns be adopted in coastal areas of Odisha, to reduce farmers' vulnerability to loss of crops.
- In context of loss caused to industries in Andhra Pradesh, the Committee recommended that: (i) reconstruction and insurance claims should be fast-tracked, (ii) tax incentives may be given to industries for three years, and (iii) wages must be paid to workers for days on which no work could be done due to the cyclone.
- **Funding:** It was recommended that an adequate advance amount be released to states as soon as a severe calamity occurs without waiting for an assessment by a central team. Further, funds from the National Disaster Response Fund must also be spent on reconstruction and mitigation. Currently these funds may only be spent on immediate disaster relief.

### Cabinet approves rehabilitation and improvement of infrastructure in enclaves transferred from Bangladesh

The Cabinet approved a package for rehabilitation and improvement of infrastructure on December 2, 2015 for: (i) enclaves transferred from Bangladesh, and (ii) the Cooch Behar district.<sup>59</sup> Enclaves are territories that belong to one country, but are entirely surrounded by another country. The Constitution (100<sup>th</sup> Amendment) Act, 2015 allowed for exchange of such territories between

India and Bangladesh in May 2015. The package will be implemented by the state governments within three to five years at a cost of about Rs 1,006 crore.

For more information on the Constitution (100<sup>th</sup> Amendment) Act, 2015, see [here](#).

## Social Justice

Anviti Chaturvedi ([anviti@prsindia.org](mailto:anviti@prsindia.org))

### Prevention of Atrocities (Amendment) Bill, 2015 passed by Parliament

The Scheduled Castes and the Scheduled Tribes (Prevention of Atrocities) Amendment Bill, 2015 was passed by Parliament on December 21, 2015.<sup>60</sup> It was introduced in Lok Sabha on July 16, 2014. The Bill seeks to amend the Scheduled Castes and Scheduled Tribes (Prevention of Atrocities) Act, 1989.

Key features of the Bill include:

- **List of atrocities:** The Act makes certain acts committed by any person other than a Scheduled Caste (SC) or Scheduled Tribe (ST) against an SC or ST punishable as atrocities. The Bill adds to this list of atrocities. For example, the Bill makes imposing a social or economic boycott against an SC or ST a punishable atrocity.
- **Duties of public servants:** The Act states that it is a punishable offence for a public servant to neglect his duties relating to SCs or STs. The Bill specifies these duties to include registering an FIR, filing a chargesheet within 60 days, etc.
- **Exclusive special courts:** The Act mandates that states designate Sessions Courts as Special Courts to try offences under the Act. The Bill mandates that states establish Exclusive Special Courts for one or more districts in each state. Special Courts may continue to be designated in districts where there are fewer cases.

For more information on the Bill, please see [here](#) and [here](#).

## Defence

Anviti Chaturvedi (*anviti@prsindia.org*)

### Government allows defence vendors to offset their investment obligation in ‘services’

The Ministry of Defence decided to allow vendors of defence equipment to discharge their ‘offset obligations’ in the services sector on December 7, 2015.<sup>61</sup>

Under the Defence Procurement Procedure, 2013, offset obligations require vendors of defence equipment to invest at least 30% of the contract value in the Indian defence manufacturing sector. The list of eligible products and services for discharge of offset obligations include defence products, civil aerospace products, services such as maintenance and training, etc.

However, in May 2013 ‘services’ was suspended as an avenue for discharge of offset obligations because of the absence of regulatory oversight in the sector.<sup>62</sup>

The Ministry has now decided to reinstate the following services as eligible avenues: (i) maintenance and overhaul of eligible products, (ii) upgradation, (iii) research and development, (iv) engineering, design and testing, and (v) software development. In case offset obligations are discharged through the last two categories, some conditions will be applicable. For example, one of the conditions is that only 20% of the total offset obligation may be discharged via these services.

### Government sets up judicial committee on OROP

The central government appointed a judicial committee to examine the implementation of the One Rank One Pension (OROP) scheme for ex-servicemen on December 14, 2015.<sup>63</sup> The committee will have one member, Justice L Narasimha Reddy, retired Chief Justice of Patna High Court. It will submit its report within six months from its date of constitution.

The terms of reference of the committee include making recommendations regarding:

- Removal of anomalies that may arise in the implementation of OROP;

- Addressing any inter-service issues among the Army, Navy and Air Force that may arise on implementation of OROP; and
- Any other matter regarding implementation of OROP.

### PAC submits report on indigenous construction of naval warships

The Public Accounts Committee tabled its report on ‘Indigenous Construction of Indian Naval Warships’ on December 22, 2015.<sup>64</sup>

Key observations and recommendations of the Committee include:

- **Coordination among shipbuilding agencies:** Naval shipbuilding involves multiple agencies interacting with each other, with regard to feasibility studies, design issues, construction, test and trial, etc. The Committee recommended that there should be a single point of control and accountability which can be responsible for overall coordination between all agencies.
- **Delays in shipbuilding:** Delays were noted in the construction of warships such as the P-17 and P-28. The Committee recommended that contracts between the Ministry of Defence and defence shipyards must be concluded on time so that projects do not have time overruns. Further, the Ministry must revise its policy of getting warships only from Defence Public Sector Undertakings (PSUs), and also consider other shipyards from the public sector or private sector.
- **Modernisation of shipyards:** The Committee noted that delays (of more than seven years) had taken place in upgrading infrastructure in some defence shipyards. It was recommended that shipyards must be modernised so that production of warships is in line with demands of the Navy, and at par with international standards.
- **Cost escalation:** The cost of producing warships escalate due to various factors including delays in delivery of equipments, lack of industrial support base, labour overheads, use of obsolete technology, etc. To address this, the Committee recommended that: (i) initial cost estimates should be accurate, (ii) vendors should be identified on the basis of their track record with supplying materials, (iii) delivery

schedules should be assessed and used for monitoring purposes, etc.

## Education

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### CAG audit report on Mid-Day Meal Scheme tabled in Parliament

The Comptroller and Auditor General (CAG) of India tabled its report on the performance audit of the Mid-Day Meal Scheme (MDMS) on December 18, 2015.<sup>65</sup>

The MDMS is a scheme to provide meals to children in elementary schools, having a certain nutritional value. It supports the Sarva Shiksha Abhiyan and is run by the Ministry of Human Resource Development. Key findings and recommendations of the Committee include:

- **Planning and coverage:** The MDMS mandates the preparation of the Annual Work Plan and Budget based on information maintained at school level and aggregated at block, district and state levels. The audit found that 16 states did not follow this bottom-up approach, resulting in discrepancies. While some states inflated enrolment figures to get more central funding, others missed collecting data of certain schools. The report recommended that the Ministry establish a reliable system to capture data. In addition, rates for cost of cooking should be revised in proportion with inflation.
- **Implementation of the scheme:** The report highlighted lifting of food grains in various states such as Assam, Haryana, Karnataka, etc. No inspection with regard to quality of food grains was carried out in Arunachal Pradesh, Karnataka, Odisha, etc. It was recommended that the system of inspections be strengthened to ensure that food grains of fair and average quality are received from the Food Corporation of India depot.
- **Financial management:** Under the scheme, funds flow from the centre to states and ultimately to schools. The report observed delay in release of funds in many states such as Arunachal Pradesh, Assam, Jammu and Kashmir, etc. Diversion of funds amounting to Rs 123 crore in eight states was also noted by the CAG. Some states reported

full utilisation of funds while large unspent balances existed.

- **Management, monitoring and evaluation:** Severe shortfall in inspections was observed in states like Haryana Jharkhand and Nagaland (less than 30% of prescribed target). In Bihar and Meghalaya, inspection reports were not submitted to the appropriate authority. In several cases, state governments did not take action on reports prepared by monitoring institutions. The CAG recommended surprise inspections to check malpractices. It also said that grievance redressal mechanisms should be established to resolve complaints promptly.

### Cabinet approves revised cost estimates for setting up five new IISERs

The Cabinet approved the revised cost estimates for setting up five new Indian Institutes of Science Education and Research (IISERs) on December 2, 2015. The estimates have been revised to Rs 4,799 crore, from the original Rs 2,500 crore (an increase of about 92%). The IISERs will be set up in Kolkata, Pune, Mohali, Bhopal and Thiruvananthapuram.<sup>66</sup>

The revised figures are aimed at enhancing the pace of work, as construction is already underway. These IISERs are expected to have a capacity of 9,725 students, 928 faculty and 1,020 non-teaching staff by 2018-19.

### Cabinet approves setting up of six new IITs as registered societies

The Cabinet gave its approval for setting up of six new Indian Institutes of Technologies (IITs) in Andhra Pradesh, Chhatisgarh, Goa, Jammu, Kerala and Karnataka, on December 2, 2015.<sup>67</sup> Further, it approved their initial formation as societies under the Societies Registration Act, 1860. This was done to give them a legal status until the amendment for their incorporation under the IIT Act, 1961 is enacted.

Each new IIT will have an initial intake of 180 students in the first year, 450 in the second year and 928 in the third year of its operation. The total cost for running these IITs till 2018-19 will be Rs 1,411.80 crore. They will shift to a permanent campus in their fourth year and have a faculty student ratio of 1:10.

## Central government signs MoU to establish three IIITs in PPP mode

The Department of Higher Education, under the Ministry of Human Resource Development, has signed a Memorandum of Understanding (MoU) with certain private bodies, to establish three more Indian Institutes of Information Technology (IIITs). These will be situated in Ranchi, Nagpur and Pune, and will operate on a Public-Private Partnership (PPP) mode.<sup>68</sup>

With this, the total number of IIITs in PPP mode has gone up to 16.

## Drinking Water and Sanitation

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### CAG report on Total Sanitation Campaign/ Nirmal Bharat Abhiyan

The Comptroller and Auditor General of India (CAG) report on Total Sanitation Campaign or the Nirmal Bharat Abhiyan reviews the functioning of this sanitation campaign. CAG submitted this report on December 8, 2015.<sup>69</sup>

Key observations and recommendations made by CAG include:

- **Project planning:** Plans prepared at Gram Panchayat level were not consolidated into Block plan and further into District plan in 73 (49%) test checked districts of 12 states. Further, the Annual Implementation Plan did not indicate the District/Block/Gram Panchayat wise allocation of physical and financial targets.
- **Project implementation:** The scheme had an objective of construction of around 426 lakh and 470 lakh Individual Household Latrines for Below Poverty Line and Above Poverty Line families, respectively. However, project districts could construct 52% and 44% latrines from 2009-10 to 2013-14. Additionally, 12.97 lakh latrines involving an expenditure of Rs 186 crore were constructed by engaging contractors/Non- Governmental Organisations, etc., in violation of the scheme guidelines.
- **Management of funds:** The Ministry released only 48% of the funds and 16 states did not release or released less funds during 2009-10 to 2013-14. As against the

availability of funds of Rs 13,494 crore, Rs 10,157 crore or 75% of funds were spent on the implementation of the scheme.

- **Information, Education and Communication (IEC):** Being a demand-driven scheme, IEC is critical for creating awareness about the Nirmal Bharat Abhiyan. However, during 2009-10 to 2011-12, 25% of total IEC expenditure was incurred on activities unrelated to IEC.
- **Monitoring and Evaluation:** The Ministry spent Rs 0.32 crore out of Rs 22.40 booked under monitoring during 2009-14 and spent the remaining amount on other activities. Also, the audit found that no system was in place to verify the data received through online monitoring, resulting in incorrect reporting of the targets achieved.

## Food and Public Distribution

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### CAG submits report on procurement and milling of paddy for the central pool

The Comptroller and Auditor General of India (CAG) released a report on Procurement and Milling of Paddy for the Central Pool on December 8, 2015.<sup>70</sup> The report examined issues related to the procurement, milling and selling of paddy and rice by the Food Corporation of India (FCI) and state governments for the central pool.

The FCI and state government agencies procure paddy from farmers, and then give it to mills so that it may be converted into rice. The rice mills transfer the rice to FCI, on the payment of milling charges. Alternatively, millers directly procure paddy from farmers or mandis, and transfer a specified percentage of the rice to FCI.

Key recommendations of the CAG include:

- **Non-delivery of price support:** Issues with payment of support to farmers such as non-authentication of land holdings, cases of doubtful identity, non-delivery of MSP certificates to farmers, non-availability of details such as bank accounts, etc. have been observed in certain states. CAG recommended that the FCI and state agencies may consider direct payment of MSP to farmers' identity linked accounts.

- **Fair and Average Quality (FAQ):** FAQs are specifications of food grains which are formulated by the Ministry of Consumer Affairs, Food and Public Distribution every year. However, it was observed that state agencies in Punjab procured paddy under FAQs despite the stock being below specifications. State agencies may request for relaxing of FAQs when the quality of food grains has been affected by excessive rainfall, drought, etc. CAG has recommended that a mechanism be developed wherein the benefit of relaxing FAQs is accrued to the farmers, and not the rice millers.
- **Safeguard against non-delivery:** State governments, FCI, and state agencies may consider developing a mechanism by which a bank guarantee may be obtained from rice millers as a safeguard against non-delivery of rice.

### CCEA approves creation of buffer stock for pulses

The Cabinet Committee on Economic Affairs (CCEA) approved the creation of a buffer stock for pulses, on December 9, 2015.<sup>71</sup> A procurement of 50,000 tonne of pulses from the kharif crop 2015-16, and one lakh tonne from the rabi crop of 2015-16 has been approved. The buffer stock was approved in order to deal with wide fluctuations in the prices of pulses.

Procurement of pulses will be done at market prices through the Food Corporation of India, National Agricultural Cooperative Marketing Federation of India, Small Farmers Agribusiness Consortium, and other agencies as may be decided. Funds for procurement may be used from the Price Stabilisation Fund.

The Price Stabilisation Fund is a central fund of Rs 500 crore, for the procurement and distribution of identified commodities.<sup>72</sup> The scheme aims to: (i) protect farmers from distress sales (selling below market price) of selected commodities, (ii) maintain a buffer stock to discourage hoarding of commodities, and (iii) control release of stocks in order to supply commodities at reasonable prices.

### CCEA mandates use of jute for packaging foodgrains and sugar

The Cabinet Committee on Economic Affairs (CCEA) approved the mandatory use of jute for

packaging in 2015-16, on December 9, 2015.<sup>73</sup> Under the Jute Packaging Materials (Compulsory use in Packing Commodities) Act, 1987, the government may provide for the compulsory use of jute packaging material in the supply and distribution of certain commodities. The government has taken the following decisions under the 1987 Act:

- From July 1, 2015 to June 30, 2016, 90% of the foodgrains produced and 20% of the sugar produced is to be reserved for the packaging of jute.
- Consumer containers of between 10 kg and 25 kg should be packed in jute bags for distribution under the Food Security Act, 2013. In order to reduce the cost of jute bags, lighter bags of 580 and 600 gm should be produced, subject to relevant standards as set by the Bureau of Indian Standards.
- Certain commodities, such as sugar packed for export but not exported, consumer containers of less than 10 kg for foodgrains will be exempted from this provision.

## Rural Development

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### Cabinet approves changes in the implementation framework of NRLM

The Cabinet gave its approval for changes to National Rural Livelihood Mission (NRLM) on December 2, 2015.<sup>74</sup> NRLM was launched in June 2011 with the aim to enable the rural poor to increase their household income through sustainable livelihood enhancements and improved access to financial services.

The changes include expanding the benefits of the mission to 100 more districts and relaxing the existing criteria for allocation of funds to North-East states other than Assam.

Key changes in the implementation framework for NRLM are:

- **Planning for targeted reduction of poverty using Socio-Economic Caste Census (SECC) database:** The SECC data will help identify rural households using parameters such as income level and asset ownership and will help in more effective targeting of the scheme.

- **Extending interest subvention in 100 more districts from current financial year:** This will include interest subvention to all women Self Help Groups (SHGs) to avail loans upto Rs three lakh from banks at the interest rate of seven per cent per annum. An additional subvention of three percent for prompt repayment will bring the effective rate of interest to four percent.
- **Greater emphasis on skill development under Deen Dayal Upadhyaya Grameen Kaushalya Yojana:** The existing restriction limits the allocation to this scheme to 25% of NRLM funds. Removal of this will help the Ministry to include courses of longer duration with better placement prospects for the rural youth.
- The existing ceiling for administrative expenses will be enhanced to six percent of the NRLM allocation.
- **Need based financial allocation of Himayat programme of Jammu & Kashmir:** The existing cap of Rs 235.30 crore on the total outlay for Himayat (a training-cum-placement scheme for unemployed youth in Jammu & Kashmir) will be replaced with a demand-based allocation and target within the overall budget provision of NRLM, to be funded entirely by the central Government.
- Three agreements on cooperation in railways: (i) developing the Mumbai-Ahmedabad high speed rail corridor; (ii) technological cooperation involving exchange of best practices, officials and technicians, and (iii) safety in train operation, and use of environment friendly train technologies; and
- Two defence related agreements on transfer of defence equipment and technology, and protection of classified military information.

### Prime Minister visits Russia, Afghanistan and Pakistan

Prime Minister Mr. Narendra Modi visited Russia, Afghanistan and Pakistan between December 23-25, 2015.<sup>77</sup> During these visits, India entered into about 16 agreements and memoranda of understanding with Russia in various sectors such as defence, nuclear energy, hydrocarbons, solar energy, customs violations, railways and tourism.

Key agreements signed between India and Russia include:<sup>78</sup>

- A defence agreement between Russia's Rostec and Hindustan Aeronautics Limited for manufacture of Kamov-226T military helicopters in India;
- A program of action to undertake local manufacturing in India for Russian-designed nuclear reactor units; and
- Two deals in the oil and gas sector related to acquisition of 15% stake in the second largest oilfield in Russia, and cooperation in geological survey, exploration and production of hydrocarbons in Russia.

## External Affairs

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### Prime Minister of Japan visits India

Prime Minister of Japan Mr. Shinzo Abe visited India from December 11-13, 2015.<sup>75</sup> During the visit, India and Japan entered into 16 agreements and memoranda of understanding on issues related to nuclear cooperation, railways, defence, education, science and technology, energy, disaster management, etc.

Key agreements signed during the visit are:<sup>76</sup>

- Two agreements in the energy sector regarding: (i) cooperation in peaceful uses of nuclear energy, and (ii) cooperation between NITI Aayog and Institute of Energy Economics, Japan on analysing issues related to energy, such as resource availability, production, consumption, environmental impact, etc.;

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