Monthly Policy Review

February 2016

Highlights of this Issue

Union Budget 2016-17 presented in Parliament (p. 2)
The government expenditure is estimated at Rs 19,78,060 crore in 2016-17, a 10.8% increase over the revised estimate of 2015-16. Total receipts are estimated at Rs 14,44,156 crore, and fiscal deficit, 3.5% of GDP.

Budget session: President's address highlights agenda on macroeconomy, energy, etc. (p. 2)
Other focus areas included poverty reduction, farmer's prosperity, employment generation through Make in India, electricity provision in all census villages by 2018 and launch of *Bharatmala* for development of national highways.

Railways Budget 2016-17: estimates increase in revenue by 10%, expenditure by 13% (p. 3)
The Ministry plans to improve freight and non-tariff revenue, bring in seven activities under Mission mode, and introduce five types of train services for the reserved and unreserved passengers.

Economic Survey 2015-16 presented in Parliament (p. 4)
The economy is expected to grow at 7%-7.75% in 2016-17, and retail inflation is expected to moderate to 4%-4.5%. The survey discusses multiple problems including barriers of exit for companies and presents possible solutions.

GDP grows at 7.3% in the third quarter of 2015-16 (p. 4)
Gross Value Added of goods and services grew at 7.1% in this quarter. Growth in the agricultural sector declined, whereas growth in the manufacturing, construction and services sectors increased over the last quarter.

TRAI prohibits service providers from charging differential tariffs for data services (p. 5)
TRAI released regulations prohibiting any agreement resulting in discriminatory tariffs for data services or online content. However, it made certain exceptions, such as in the case of public emergencies.

Election Laws (Amendment) Bill, 2016 passed by Parliament (p. 10)
The Bill aims to empower the Election Commission to carry out delimitation of constituencies in areas that were affected by the exchange of enclaves between India and Bangladesh on July 31, 2015.

Standing Committees on Finance and Environment submit reports (p. 6, 12)
The Standing Committee on Finance submitted its report on Non- Performing Assets. The Standing Committee on Environment and Forests submitted its report on the Compensatory Afforestation Fund Bill, 2015.

Government sets up Tax Policy Research Unit and Tax Policy Council (p. 7)
The Tax Policy Research Unit will establish coherence between direct and indirect tax policy research. The Tax Policy Council will make broad recommendations based on the findings of Tax Policy Research Unit.

Detailed instructions released on implementation of OROP (p. 8)
The detailed instructions provide the revised rates of pension for defence personnel according to their rank and period of service. These rates of pension will be deemed to have come into effect on July 1, 2014.

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Parliament

Union Budget 2016-17 presented in Parliament

Tanvi Deshpande (tanvi@prsindia.org)

The Finance Minister, Mr. Arun Jaitley, presented the Union Budget for financial year 2016-17 on February 29, 2016.[1] The key highlights are:

- The government proposes to spend Rs 19,78,060 crore in 2016-17, which is 10.8% above the revised estimate for 2015-16.
- Total receipts (other than borrowings) are expected to increase by 15.5%. Tax receipts are expected to go up by 11.7%.
- A nominal GDP growth rate of 11% has been assumed in 2016-17. Fiscal deficit (or borrowings of the government) is targeted at 3.5% of GDP (compared to 3.9% in 2015-16) and revenue deficit is targeted at 2.3% of GDP (compared to 2.8% in 2015-16).

Table 1: Budget 2016-17 (in Rs crore)

Items	Revised 2015-16	Budgeted 2016-17	% change
Total Expenditure	17,85,391	19,78,060	10.8%
Total Receipts (without borrowings)	12,50,301	14,44,156	15.5%
Fiscal Deficit (borrowings)	5,35,090	5,33,904	-0.2%
% of GDP	**3.9**	**3.5**	**n/a**
Revenue Deficit	3,41,589	3,54,015	3.6%
% of GDP	**2.5**	**2.3**	**n/a**

Sources: Budget at a Glance, Union Budget 2016-17; PRS.

The key policy proposals of the budget are:

- **Direct Benefit Transfer:** The government plans to introduce a Bill to give statutory backing to direct benefit transfer through the usage of Aadhaar. It has also proposed to introduce a scheme to provide LPG subsidy to BPL families, with an allocation of Rs 2,000 crore. A pilot program for direct benefit transfer for fertilizers is proposed to be carried out in selected districts.
- **Health insurance scheme:** A new health insurance scheme is proposed to be launched with a coverage of one lakh rupees. An additional coverage of Rs 30,000 would be provided to senior citizens.
- **FDI policy:** Changes in the FDI policy have been proposed in sectors including insurance and pension, and Asset Reconstruction Companies, Stock Exchanges, etc. 100% FDI has been announced in the marketing of food products that are produced and manufactured in India.
- **Recapitalisation of PSU banks:** Rs 25,000 crore has been allocated for the recapitalisation of PSU banks in order to help them deal with the growing proportion of stressed assets.
- **Legislative Proposals for 2016:** The RBI Act, 1934 is proposed to be amended through the Finance Bill, 2016 to provide for a Monetary Policy Committee. Laws including the Motor Vehicles Act, 1988, Companies Act, 2013 and SARFESI Act, 2002 are proposed to be amended in 2016. A few new Bills, such as the Code on Resolution of Financial Firms and the Public Utility (Resolution of Disputes) Bill are proposed to be introduced in 2016.

The major tax changes announced are:

- **Income Tax:** The surcharge payable by persons with an income above Rs one crore has been increased from 12% to 15%. A voluntary declaration scheme for undisclosed income is to be introduced.
- **Krishi Kalyan cess:** A 0.5% cess on taxable services has been announced. The cess is intended for the financing and promotion of agriculture in the country.
- **Infrastructure cess:** An infrastructure cess on vehicles was announced. A 1% cess will be levied on CNG and petrol vehicles, 2.5% on diesel vehicles and 4% on higher engine capacity vehicles, including SUVs.

President addresses joint sitting of Parliament; highlights key priorities

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The President of India, Mr. Pranab Mukherjee, addressed a joint sitting of both Houses of Parliament on February 23, 2016.[2] He outlined the major policy priorities of the government in his address, including:

- **Macroeconomy:** Increase in GDP growth has made India the world's fastest growing economy among large economies. 23 banking licenses have been issued.

- **Poverty eradication:** Under *Pradhan Mantri Jan Dhan Yojana*, of the 21 crore accounts opened, 15 crore accounts are operational. Direct Benefit Transfer has been extended to 42 schemes.
- **Industry:** *Start-Up India* campaign has been launched to expand and support the innovative ecosystem in the country. Under *Pradhan Mantri Mudra Yojana*, banks have disbursed over Rs 1,00,000 crore to more than 2.6 crore micro, small and medium enterprise borrowers.
- **Agriculture:** *Pradhan Mantri Fasal Bima Yojana* has been launched for crop insurance. The Food Processing Fund has been operationalised last year to provide affordable credit to designated food parks.
- **Energy:** Ujwal DISCOM Assurance Scheme (UDAY), for financial turnaround of power distribution companies, has been launched. Electricity to all census villages will be provided by May 2018.
- **Education:** National Institutional Ranking Framework has been launched for higher educational institutions.
- **Defence:** Defence procurement procedure has been streamlined with a focus on indigenously designed, developed and manufactured weapon systems. The government has fulfilled its commitment to implement One Rank One Pension.
- **Governance:** Close to 1,800 obsolete legislations are at various stages of repeal. Amendments to the Prevention of Corruption Act are also on the anvil.

For more details on the President's address, please see here. For a status check of the announcements made in the President's address last year, please see here.

Railways Budget 2016-17 presented in Parliament

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The Railways Minister presented the Railways Budget 2016-17 in Parliament on February 25, 2016.[3] Key highlights of the Budget include:

- **Revenue**: Total revenue for 2016-17 is expected to increase by 10% from the revised estimates (RE) of 2015-16 to Rs 1,89,271 crore.
- **Expenditure**: Total expenditure for 2016-17 is projected to increase by 13% from 2015-16 RE to Rs 1,71,060 crore. A capital expenditure of Rs 1.21 lakh crore is proposed for 2016-17.
- **Surplus**: Surplus (after payment of dividend to the central government) in 2016-17 is expected to decrease by 26% from 2015-16 RE to Rs 8,479 crore.
- **Operating Ratio**: Operating Ratio for 2016-17 is projected to increase to 92%. In 2015-16, the Operating Ratio increased from a budgeted estimate of 88.5% to 90.5%.
- **Revenue from traffic**: Revenue from traffic is expected to grow by 10% to Rs 1,84,820 crore. Revenue from freight is expected to grow at 5%, and from passenger at 12%.
- **Challenges**: Slowdown of the international market and the impact of the Seventh Pay Commission have been identified as major challenges for the Railways finances in 2016-17.
- **Improving freight and non-tariff revenue**: The freight basket of Railways will be expanded to increase the revenue base. The freight tariff policy will be reviewed to rationalize freight tariffs. Further, revenue generated from non-tariff sources (such as redevelopment of stations, monetisation of land, etc.) will be improved.
- **Seven Missions**: Seven activities will be undertaken in Mission mode. These include (i) Mission Zero Accident to reduce accidents, (ii) Mission Raftaar to increase train speeds, and (iii) Mission Beyond Book-Keeping to move to an accrual based accounting system.
- **New services**: The Minister announced five new types of train services: two for unreserved passengers, and three for reserved passengers.

Macroeconomic Development

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Economic Survey 2015-16 presented

The Finance Minister, Mr Arun Jaitley presented the Economic Survey 2015-16 on February 26, 2016.[4] Some highlights of the survey include:

- **Growth:** Economic growth for 2015-16 is estimated to be 7.6%. In 2016-17, it is expected to be between 7% and 7.75%, owing to declining global oil prices and the possibility of a good monsoon.
- **Inflation:** The estimate for consumer price index inflation for 2016-17 is between 4.5% and 5% (5.7%, as of January 2016).
- **Current Account Deficit:** A lower trade deficit has resulted in the current account deficit to be at 1.4% of GDP in the first half of 2015-16, and is expected to be about 1% to 1.5% of GDP in 2016-17.
- **Chakravyuha challenge:** The Survey discusses the barriers to exit for sick companies in India. It suggests a few ways of addressing the problem of exit. These include: (i) introducing laws such as the Insolvency and Bankruptcy Code, 2015 to expedite exit, (ii) strengthening existing institutions, increasing the use of technology by reducing the number of intermediaries, (iii) increasing transparency to highlight the costs and benefits of schemes and entitlements, and (iv) promotion of private sector entry for firms, etc.
- **Agriculture:** The agriculture sector is expected to grow at 1.1% in 2015-16. Steps suggested to improve the productivity of agriculture include: (i) scaling up investments in water efficient irrigation and setting up policies for better distribution of irrigated land, (ii) effective use of fertilizers, quality seeds, pesticides, etc., (iii) diversification of produce through dairy industry products, (iv) reducing wastage in the post-harvest value chain, etc.
- **Social infrastructure:** The Survey states that there is a need to improve the educational outcomes in public and private sector schools. There should be push towards social infrastructure with a focus to improve the efficiency of human capital.

GDP grows at 7.3% in the third quarter of 2015-16

The Gross Domestic Product (GDP) of the country grew at 7.3% in the third quarter (October to December) of 2015-16, as compared to 7.7% in the second quarter (July to September) of 2015-16.[5] The advance estimate of GDP growth for the year is 2015-16 is 7.6%.

Gross Value Added (GVA) at basic prices (GDP without taxes and subsidies) grew at 7.1% this quarter, as compared to 7.5% in the previous quarter of 2015-16. Table 1 looks at the growth in GVA across sectors over Q3 of 2015-16.

Table 2: Gross Value Added across sectors in Q3 of 2015-16 (%)

Sector	Q3 2014-15	Q2 2015-16	Q3 2015-16
Agriculture, forestry and fishing	-2.4	2.0	-1.0
Mining and quarrying	9.1	5.0	6.5
Manufacturing	1.7	9.0	12.6
Electricity, gas, water supply and other utility services	8.8	7.5	6.0
Construction	4.9	1.2	4.0
Services	12.9	7.5	9.4
GVA	**6.7**	**7.5**	**7.1**

Note: GVA growth is at the 2011-12 prices.
Sources: MOSPI; PRS.

Agricultural growth has declined from 2.0% (year-on-year) in the second quarter of 2015-16, to -1.0% in the third quarter of 2015-16. Growth in manufacturing and construction sectors has increased by 12.6% and 4% respectively. Services sectors (hotels, transport, financial services, public administration, etc.) have also grown from 7.5% to 9.4% from Q2 to Q3 of 2015-16.

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 February 2, 2016.[6] The policy repo rate (at which RBI lends money to commercial banks) was kept unchanged at 6.75%. Other decisions include:

- The reverse repo rate (at which RBI borrows money from commercial banks) remains at 5.75%, and 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%.

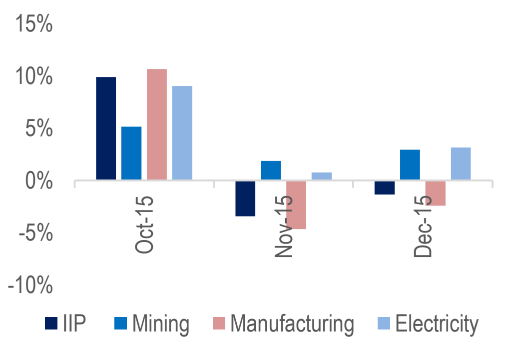
- The Cash Reserve Ratio has been kept unchanged at 4% of the Net Demand and Time Liabilities (which roughly consist of all current, savings and time deposits).

Industrial production grows at 1.5% in the third quarter of 2015-16

Index of Industrial Production (IIP) in the country increased by 1.5% in the third quarter (October - December) of 2015-16, year on year.[7] Manufacturing production increased by 0.9%, electricity by 4.4% and mining by 3.3% in this period. The growth in electricity production, in particular, has been volatile this year, going from 9.0% in October to 0.7% in November, and then rising to 3.2% in December. IIP has had an overall growth of 3.1% over the first three quarters of 2015-16. Figure 1 shows the trend in IIP over the first three quarters of 2015-16.

It is interesting to note the divergence between IIP and GDP data. While IIP indicates that manufacturing rose 0.9% year on year in the third quarter (October-December) of 2015-16, the GDP data indicates manufacturing growth of 12.6% for the same period.

Figure 1: Trend in industrial production April- December 2015



Sources: MOSPI; PRS.

Telecom

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TRAI prohibits discriminatory tariffs for data services (net neutrality)

The Telecom Regulatory Authority of India (TRAI) released the Prohibition of Discriminatory Tariffs for Data Services Regulations, 2016 on February 8, 2016.[8]

TRAI released the regulations in order to maintain the regulatory principles of transparency, non-discriminatory and non-predatory pricing on the internet. It said that since many Indians are yet to be connected to the internet, service providers should not decide the nature of access to the internet. Consumers should be able to access the full internet and at affordable prices. TRAI had released a consultation paper on Differential Pricing for Data Services in December 2015.[9] For more information on the paper, please see the PRS Monthly Policy Review for December 2015.

Key provisions of the regulations are:

- **Definitions:** The regulations define :(i) closed electronic communications network, which is a communication network where data is not received or transmitted over the internet, (ii) consumer means a consumer of a service provider, (iii) discriminatory tariffs for data services means the charging of different prices by a service provider for data services, based on the content accessed by the consumer on the internet, etc.
- **Main prohibition:** No service provider shall charge discriminatory tariffs (or enter into any such agreement) for data services on the basis of content.
- **Exemptions:** This prohibition will not apply to tariffs for data services charged over closed communication networks. Additionally, it may not apply to service providers reducing tariffs for providing emergency services.
- **Penalty:** A fine of Rs 50,000 would be levied on a service provider for each day of contravention, up to Rs 50 lakh.

For more information on net neutrality, see here.

TRAI releases Telecommunication Interconnection Amendment Regulations

The Telecom Regulatory Authority of India (TRAI) issued the sixth amendment to the Telecommunication (Broadcasting and Cable Services) Interconnection (Digital Addressable Cable Television Systems) Regulations, 2015 on January 7, 2016.[10] The Authority had released the draft Regulations for consultation on November 3, 2015.[11]

The Regulations have been notified in the context of rising disputes and abrupt disconnections of cable services, affecting the quality of service to consumers. Key provisions of the Regulations include:

- The service providers must enter into new interconnection agreements for retransmission of TV signals, amongst themselves, at least 60 days prior to expiry of existing agreement.
- Multi system operators are mandated to inform consumers in case of failure to execute a new interconnection agreement. They must be informed of the date of expiry of the existing agreement and disconnection of TV channels, 15 days prior to expiry.

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

Comments invited on draft Direction on delivering broadband services

The Telecom Regulatory Authority of India (TRAI) invited comments on the draft direction on delivering broadband services in a transparent manner on January 20, 2016.[12]

The draft directions have been released to :(i) ensure transparency in delivery of internet and broadband services, (ii) protect interests of consumers, and (iii) facilitate further growth of such services. The directions mandate all Telecom Service Providers (TSPs) delivering broadband services to provide information to consumers regarding:

- **Fixed broadband service:** (i) data usage limit with specified speed, (ii) speed of broadband connection up to specified data usage limit, and (iii) speed of broadband connection beyond data usage limit.
- **Mobile broadband service:** (i) data usage limit with specified technology (3G/4G) for providing services, (ii) technology offered for providing broadband services up to specified data usage limit, and (iii) technology offered for providing broadband services beyond data usage limit.
- **Download speed of broadband:** Download speed of the broadband service provided should not be reduced below 512 kbps under any tariff plan.
- **Information to consumers**: All of the above information must be provided to consumers via email and SMS. They must also be alerted when their data usage reaches 80% of the subscribed plan.

Finance

Standing Committee on Finance submits report on Non-Performing Assets

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The Standing Committee on Finance submitted a report on Non-Performing Assets (NPAs) of Financial Institutions on February 24, 2016.[13] The Committee made recommendations on improving the quality and recovery of outstanding loans given by financial institutions.

An NPA is a loan given by a financial institution, which ceases to generate income. NPAs include loans where payment has been overdue for more than 90 days.

Key recommendations of the Committee are:

- **Empowered committee:** The Committee recommended that specially empowered committees should be set up at three levels: (i) RBI, (ii) banks, and (iii) borrower, to continuously monitor large loan portfolios. These committees may be mandated to submit periodical reports on their findings, to the central government and Parliament.
- **Wilful defaulters:** The Committee observed that wilful defaulters constituted 21% of the total NPAs of banks. It suggested that banks should make names of the top 30 wilful defaulters public. It recommended that necessary amendments to the RBI Act, 1934, and other relevant laws or guidelines be made, to enable such public disclosure. It also recommended that names of companies that have undergone loan restructuring should be made public.
- **Absorbing written off NPAs:** The Committee suggested that the RBI should allow banks to absorb their written-off assets gradually, in phases. This would help the banks in restoring their balance sheets to normal health.

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

Cabinet approves the creation of a Banks Board Bureau

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The Union Cabinet approved the constitution of a Banks Board Bureau, on February 28, 2016.[14] The Bureau will be an autonomous body, responsible for: (i) making recommendations on heads of public sector banks and financial institutions, and (ii) helping banks with developing strategies and raising capital.

The Bureau will be headed by Mr. Vinod Rai, former Comptroller and Auditor General of India and six other members. Other members in the Bureau will include: (i) Secretary, Department of Financial Services, (ii) Secretary, Department of Public Enterprises, and (iii) Deputy Governor, Reserve Bank of India.

Government sets up Tax Policy Research Unit and Tax Policy Council

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The Ministry of Finance announced the formation of the Tax Policy Research Unit (TPRU) and the Tax Policy Council (TPC) on February 2, 2016.[15]

The Tax Administration Reform Commission (TARC) was set up in 2013 to make recommendations for reviewing the tax administration system in the country. TARC has recommended that tax policy and related legislation needs structural modification. Currently, research related to direct and indirect tax policies is handled under two different boards within the Ministry of Finance. In this regard, it recommended the formation of a common research body to achieve coherence and consistency in direct and indirect tax policies.

TPRU is a multi-disciplinary tax research body which performs research on topics related to both direct and indirect taxes. The TPC, chaired by the Finance Minister, will suggest broad policy measures based on the research findings of the TPRU.

Corporate Affairs

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Companies Law Committee submits its recommendations on the Companies Act

The Companies Law Committee (Chair: Secretary, Ministry of Corporate Affairs) released its report on the Companies Act, 2013 on February 1, 2016.[16] The Committee was constituted in June 2015 to examine and make recommendations on issues arising out of implementation of the Companies Act, 2013.

The Committee has proposed changes to 78 sections of the Companies Act, 2013, which would result in 100 amendments to the Act. Key recommendations of the Committee include: 16

- **Definition of associate company**: Currently, an associate company is defined as one in which another company has control of at least 20% of shares. The Committee noted that this definition is inconsistent with accounting standards. It recommended changing this definition to one in which the other company has control of 20% of its voting power.
- **Managerial remuneration:** Currently, the Act requires a company to approach government authorities for approving remuneration payable to their managerial personnel. The Committee noted that this is not the case in other countries such as the United Kingdom, United States and Switzerland. It recommended that this requirement be omitted. Instead, necessary safeguards such as disclosures and audits should be prescribed.
- **Private placement:** Companies can raise capital by selling securities, such as shares, to a small number of select investors. This is called private placement. Under the Act, companies need to submit a separate offer letter disclosing extensive information about the company, when a private placement offer is being made to an investor. The Committee recommended that this process be simplified. It suggested that filing of the separate offer letter be done away with. Instead, such information should be provided through other existing means under the Act such as explanatory forms.
- Other recommendations of the Committee include: (i) simplifying the procedure for

formation of companies, (ii) reducing penal provisions for small companies, (iii) doing away with filing fees if financial statements and annual returns are submitted within the prescribed time limit, etc.

Commerce and Industry

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Cabinet approves Trade Facilitation Agreement of WTO

The Trade Facilitation Agreement (TFA) received Cabinet approval on February 17, 2016.[17] The TFA was adopted by the World Trade Organisation (WTO) in November 2014.[18] The Agreement aims to ease the movement of goods between member countries by simplifying procedures of international trade. It will come into force when two-thirds of the WTO member countries ratify it.

According to the WTO, the Agreement is expected to reduce total trade costs by more than 14% for low-income countries and more than 13% for upper-middle income countries.[18] The Agreement lays out procedures to speed up the movement, release and clearance of goods from one country to another, including goods in transit. It allows developing and least developed countries to: (i) determine when they will implement specific provisions of the Agreement, and (ii) identify provisions which they will be able to implement with technical assistance and support for capacity building. To help these countries in implementing these provisions, a permanent Trade Facilitation Agreement Facility was created in November 2014.

To facilitate the implementation of the Agreement, the Government of India will be setting up a National Committee on Trade Facilitation. The Committee will be jointly chaired by Secretaries of the Ministries of Commerce and Industry and Finance.[17]

Defence

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Detailed instructions regarding implementation of OROP released

The Ministry of Defence released detailed instructions regarding implementation of One Rank One Pension (OROP) scheme on February 3, 2016.[19] OROP guarantees that uniform pension will be paid to armed forces personnel retiring at the same rank with the same length of service, irrespective of their date of retirement. The government announced its decision to implement OROP in September 2015.[20]

The detailed instructions contain 101 tables that provide the revised rates of pension for personnel according to their rank and period of service.[21] These instructions are applicable to those commissioned officers, junior commissioned officers, Defence Security Corps, etc., who were receiving certain categories of pension (including service pension, disability pension and family pension) as on July 1, 2014. However, they are not applicable to certain groups of pensioners, including reservist pensioners (i.e., those were deployed in reserve forces for a period of time), Pakistan and Burma Army pensioners, etc.

The revised rates of pension will be deemed to have come into effect retrospectively from July 1, 2014. The instructions also provide details of how the pension arrears will be paid.

The annual financial implication of implementing OROP will be approximately Rs 7,500 crore. Arrears from July 2014 to December 2015 will be approximately Rs 10,900 crore. Consequently, the defence budget for pensions is likely to increase from Rs 54,000 crore (2015-16) to Rs 65,000 crore (2016-17), by about 20%.[22]

However, the Union Budget has allocated approximately Rs 82,000 crore towards defence pension for 2016-17.[1]

For more details on OROP, please see the PRS Monthly Policy Review for September 2015.

Energy

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Auction of coal linkages to non-regulated sectors approved

The Cabinet Committee on Economic Affairs approved auction of coal linkages to non-regulated sectors such as cement, steel etc., on February 3, 2016.[23] Following the approval, the Ministry of Coal issued guidelines for the auction of these linkages on February 15, 2016.[24]

Initially, under the New Coal Distribution Policy, 2007, non-regulated sector companies received coal linkages through an approval process. In 2014, the Supreme Court cancelled the allocation of 204 coal blocks/mines, and stated that the procedure followed was arbitrary. Following the directions of the Court, electronic auction of these mines were conducted.

At present, under the new system, non-regulated companies will also receive coal linkages through an auction process. However, this will not apply to the urea sector. The auction will be carried out by Coal India Limited or Singareni Collieries Company Limited.

Under the new system, the existing fuel (coal) supply agreements between coal companies and non-regulated sector companies will not be renewed after 2015-16. However, these agreements may be renewed for central public sector companies and the urea sector. Also, for addition requirement of linkages, these central public sector companies may participate in the auction process.

According to the guidelines, the maximum period of new fuel supply agreements will be 15 years. Further, for the auction, separate quantities of linkages will be earmarked for sub-sectors such as cement, steel and aluminium etc.

Guidelines for coal bridge (short term) linkage issued

The Ministry of Coal issued guidelines for bridge (short term) linkage of coal to end use plants of central and state public sector undertakings (PSU) on February 8, 2016.[25] This will include power and non-power sector PSUs (such as cement, steel etc). Bridge linkage is a short term coal linkage. It enables meeting the requirement of coal before the start of production from the allocated coal mine/block.

Bridge linkages will be provided to PSUs which have been allocated coal mines earmarked for a specified end use (under Schedule III of Coal Mines (Special Provisions) Act, 2015). This also includes coal blocks allotted under Mines and Minerals (Development and Regulation) Act, 1957. The 2015 Act provides for allocation of coal mines/blocks which were cancelled by the Supreme Court. The 1957 Act regulates the mining sector and overall mine development in the country.

Bridge linkages will not be granted to PSUs which have been allocated mines producing coal or that are ready to produce coal (Schedule II of the 2015 Act). Linkages will not be provided to private companies as it amounts to change of bid conditions in the initial bidding document.

This linkage will be granted for a period of three years. Under normal circumstances, no further extensions will be granted. Due to constraints in the availability of coal, coal companies such Coal India Limited will try to supply 75% of the agreed requirement. However, they will not be penalised for supplying coal lesser than the agreed requirement.

Urban Development

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Ministry of Urban Development approves plans for 13 cities under AMRUT Mission

The Ministry of Urban Development has approved an investment of Rs 495.11 crore for 13 cities in six states under the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) Mission.[26] The Mission seeks to provide all urban households in the 500 Mission cities with water supply and sewer connections. Further, it also seeks to augment water supply, sewerage services, storm water drainage, and promote green spaces in these cities.

Of the total cost of Rs 495.11 crore, the central government will provide an assistance of Rs 425 crore. Details of the state-wise allocations are provided in the table on the following page:

Table 3: Approved financial outlay

State	Financial outlay (in Rs crore)
Assam	186.27
Jammu & Kashmir (J&K)	171.00
Goa	59.44
Tripura	36.62
Meghalaya	22.81
Puducherry	18.97

Sources: Press Information Bureau, Ministry of Urban Development; PRS.

The central government will bear 100% of the project costs for Puducherry, 90% for north eastern states and J&K, and 50% for Goa. The Ministry has so far approved investment of Rs 20,491 crore under AMRUT in 2015-16 for 483 cities across 26 states and union territories.

Home Affairs

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Election Laws (Amendment) Bill, 2016 passed by Parliament

The Election Laws (Amendment) Bill, 2016 was introduced in Lok Sabha on February 24, 2016, and passed by Parliament on February 26, 2016.[27] The Bill seeks to amend the Representation of the People Act, 1950 and the Delimitation Act, 2002. These Acts regulate allocation of seats to Parliament and state legislatures, and delimitation (fixing boundaries) of parliamentary and assembly constituencies.

The Bill aims to empower the Election Commission to carry out delimitation of constituencies in areas that were affected by the enactment of the Constitution (100th Amendment) Act, 2015. Under the 2015 Act, enclaves were exchanged between India and Bangladesh. Enclaves are territories belonging to one country that are entirely surrounded by another country. India transferred 111 enclaves (17,161 acres) to Bangladesh, and received 51 enclaves (7,110 acres) from Bangladesh on July 31, 2015. All the Bangladeshi enclaves transferred to India are located in the Cooch Behar district of West Bengal.[28]

For a PRS Summary of the Bill, see here.

Health

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Draft Indian Medicine and Homoeopathy Pharmacy Central Council Bill released

The Ministry of AYUSH released the draft Indian Medicine and Homoeopathy Pharmacy Central Council Bill, 2016 on February 10, 2016.[29] The draft Bill seeks to regulate the standards of pharmacy education and practice in ayurveda, siddha, unani tibb, sowa rigpa and homeopathy.

Key features of the draft Bill include:

- **Regulatory bodies:** The draft Bill mandates the central and state governments to establish a Central Pharmacy Council and State Pharmacy Authorities respectively. The Central Council will regulate: (i) educational standards, and (ii) standards of professional conduct of pharmacists. Among other aspects, the State Pharmacy Authority will regulate: (i) registration of pharmacists, and (ii) dispensation of drugs.
- **Prior permission of the government:** Prior permission of the central government will be required to: (i) establish a pharmacy college, (ii) introduce a new pharmacy course, (iii) increase admission capacity, and (iv) admit a new batch of students. If prior permission is not obtained, the educational qualifications awarded by the college will not be recognised.
- **Standards of education and professional conduct:** The Central Council will: (i) prescribe minimum standards of education, and (ii) standards of professional conduct. The Central Council will be responsible for monitoring the standards of education. Further, the State Authority will be responsible for ensuring compliance with standards of professional conduct.
- **Registry:** Prior registration in the state register will be required to practice pharmacy profession. The State Authority will be responsible for the entry of names and the maintenance of the register. Similarly, the Central Council will maintain a central register of pharmacists.
- **Penalties**: If a person other than a registered pharmacist prepares, dispenses drugs, etc., he will face up to six months' imprisonment or fine up to Rs 25,000 or

both. However, this will not apply to a registered practitioner dispensing drugs to his patients.

Comments invited on the Draft National Policy on AYUSH 2016

The Ministry of AYUSH invited comments on the draft National Policy on AYUSH (Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy) 2016.[30] The last date for submitting comments has not been specified.

In light of new developments in the sector, the Ministry intends to replace the existing National Policy on Indian Systems of Medicine and Homoeopathy, 2002. The 2002 Policy aims to achieve certain objectives, including (i) expanding the outreach of healthcare by using certain interventions, and (ii) improving standards of teaching and professional practice in AYUSH institutions.[31]

Recent developments in the sector include: (i) launching of the National AYUSH mission, and (ii) providing infrastructure facilities to the drug industry to ensure safety and efficacy of AYUSH drugs. The National AYUSH Mission aims to promote the AYUSH medical system through means such as providing cost effective AYUSH services, etc. Further details of the 2016 draft Policy are not available at this stage.

Education

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Report on preparing a roadmap for the development of Sanskrit submitted

The Ministry of Human Resource Development had set up a Committee in November 2015 to suggest a long term vision and roadmap for Sanskrit, over the next 10 years. The Committee submitted its report in February 2016.[32] Key recommendations of the Committee include:

- **School education:** All states and all boards should be mandated to offer Sanskrit in higher secondary schools, with all subject combinations. Five lakh Sanskrit teachers should be trained under the Rashtriya Madhyamik Shiksha Abhiyan and the Sarva Shiksha Abhiyan. One agency in every state should be identified for producing new material and content in Sanskrit.
- **Higher education:** The University Grants Commission should implement 'Sanskrit through Sanskrit' in a phased manner from 2016 to 2017. This means that faculty members should teach Sanskrit after improving their own communication skills in the language. A two-week workshop should be conducted for this purpose. Sanskrit universities should also be set up.
- **Preservation of Sanskrit**: Various new schemes and financial assistance have been proposed for preservation of 'veda vidya' and for learning in Sanskrit language.

Agriculture

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Second advance estimates of production of major crops in 2015-16

The second advance estimates of production of crops in 2015-16 were released by the Ministry of Agriculture on February 15, 2016.[33] The production of total food grains is estimated to be 0.5% higher than the final estimates in 2014-15. While the estimates of production of pulses and some oilseeds are higher than the final estimates of 2014-15, those of rice, coarse cereals, cotton and sugarcane are lower.

Table 4: Second Advance Estimates (AE) of major crops in 2015-16 (in million tonnes)

Crop	Final estimates 2014-15	2nd advance estimates 2015-16	% change over final estimates
Food grains	252.0	253.2	0.5%
Rice	105.5	103.6	-1.8%
Wheat	86.5	93.8	8.4%
Coarse cereals	42.9	38.4	-10.0%
Maize	24.2	21.0	-13.1%
Pulses	17.2	17.3	1.0%
Tur	2.8	2.6	-9.3%
Gram	7.3	8.1	10.4%
Oilseeds	27.5	26.3	-4.3%
Soyabean	10.4	9.1	-12.0%
Groundnut	7.4	7.2	-3.0%
Rapeseed and mustard	6.3	6.8	8.9%
Cotton*	34.8	30.7	-11.8%
Sugarcane	362.3	346.4	-4.4%

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

Environment

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Standing Committee submits report on Compensatory Afforestation Fund Bill

The Standing Committee on Science and Technology, Environment and Forests (Chairperson: Mr. Ashwani Kumar) submitted its report on the Compensatory Afforestation Fund Bill, 2015 on February 26, 2016.[34] The Bill was introduced in Lok Sabha on May 8, 2015, and then referred to the Committee.

The Bill seeks to establish Compensatory Afforestation Funds at the national and state levels. These funds will receive payments collected to compensate for loss of the forest ecosystem, when forest land is diverted for non-forest uses (such as industrial and infrastructural projects). The Bill regulates administration and use of the monies in the funds.

Key recommendations of the Standing Committee include:

- **National and state funds:** The Bill states that the national and state funds will receive 10% and 90% of the collected payments respectively. The Committee recommended that the national and state funds should receive 5% and 95% of the collected payments respectively.
- **Use of Net Present Value (NPV) monies:** The Bill provides that NPV payments must be used for forest and wildlife protection, forest regeneration, infrastructure development, other allied activities, etc. The Committee recommended that some of these uses (such as infrastructure development and allied activities) must be clearly defined.
- **Land for compensatory afforestation:** The Committee noted that it has been difficult to procure land for compensatory afforestation. It recommended that provisions should be made in the Bill to allow for improving density of available forests, if land is unavailable for compensatory afforestation.
- **Administrative authorities:** The Bill provides that the governing body of the National Authority will include the Environment Minister, Secretaries of various Ministries, forest officers and two experts (environmentalists, economists, etc.). The Committee recommended that: (i) there should be five experts instead of two, (ii) Secretaries of Earth Sciences and Space Ministries must be included, etc.

A PRS Analysis of the Bill and summary of the Standing Committee Report, is available here.

Ministry releases the Draft National Wildlife Action Plan (2017-2031)

Ministry of Environment, Forests and Climate Change released the Draft National Wildlife Action Plan (2017-2031) on February 3, 2016.[35] The Draft Action Plan reviews the implementation of the National Wildlife Action Plan for the period 2002-2016. Further, it develops a road map for conservation of wildlife for 2017-2031.

The Draft Plan contains specific targets, time frames for completion of these targets, and the agencies responsible for implementation. It has been prepared by a committee comprising government officers, forests officers and experts, set up by the government on May 22, 2014.

It has 17 focus areas including improving protected area networks, rehabilitation of threatened species, conservation of their habitats, integrating climate change in wildlife planning, control of poaching and illegal trade, etc.

External Affairs

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Nepal's Prime Minister visits India

Nepal's Prime Minister K. P. Sharma Oli visited India from February 19-24, 2016.[36] Seven agreements and memoranda of understanding (MoUs) were signed between both the countries related to post-earthquake reconstruction, infrastructure development, trade and commerce, energy, etc.[37] Key agreements include:

- **Post-earthquake reconstruction:** An MoU was signed regarding utilisation of India's assistance package granted to Nepal for post-earthquake reconstruction (USD 250 million). It was decided that the assistance will be used in the following manner: (i) USD 100 million for construction of houses, and (ii) USD 50 million each for health, education and cultural heritage.

- **Infrastructure, energy and commerce:** MoUs were signed regarding: (i) strengthening road infrastructure in the Terai region of Nepal, (ii) improving supply of power through the Muzaffarpur-Dhalkebar transmission line from initial supply of 80 MW to 600 MW by December 2017, and (iii) simplification of procedures for goods transiting through India from Nepal to Bangladesh.

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