

Monthly Policy Review

August 2016

Highlights of this Issue

[Monsoon Session of Parliament ends; 14 Bills passed \(p. 2\)](#)

Parliament had 18 sittings, during which it passed 14 Bills, including the constitutional amendment to enable the levy of GST, the Child Labour Prohibition Bill and the Compensatory Afforestation Fund Bill.

[Constitution Amendment Bill to enable the levy of GST passed by Parliament \(p. 3\)](#)

The Bill was passed with amendments that: (i) omit the 1% additional tax to producer states; (ii) compensate states for losses for five years; and (iii) mandate the GST Council to create a dispute resolution mechanism.

[GDP grows at 7.1% in the first quarter of 2016-17 \(p. 2\)](#)

Gross Value Added of goods and services grew at 7.3% in this quarter. Growth in the agricultural, manufacturing and construction sectors decreased, while growth in the services sectors increased over the last quarter of 2015-16.

[Citizenship \(Amendment\) Bill, 2016 referred to Joint Parliamentary Committee \(p. 10\)](#)

The Bill seeks to make illegal migrants belonging to certain religious groups (Hindus, Sikhs, Buddhists, Jains, Parsis and Christians) from Afghanistan, Bangladesh and Pakistan, eligible for Indian citizenship.

[Cabinet approves introduction of the Surrogacy \(Regulation\) Bill, 2016 \(p. 11\)](#)

The legislation prohibits commercial surrogacy and allows ethical surrogacy for infertile couples. The aim of the draft Bill is to regulate surrogacy and prevent unethical practices.

[Select Committee submits report on Prevention of Corruption \(Amendment\) Bill \(p. 11\)](#)

The recommendations include: (i) a bribe giver who reports the matter to the police within seven days may not be penalised, and (ii) prior sanction for investigating a public servant must be given by the government, not the Lokpal.

[Motor Vehicle \(Amendment\) Bill and Transgender Bill introduced in Lok Sabha \(p. 13,\)](#)

The Bills provide for: (i) the recall of defective motor vehicles by manufacturers, compulsory insurance cover to all road users, etc. and (ii) define transgender persons and prohibits discrimination against them, respectively.

[NITI Aayog Committee submits report on the Indian Medical Council Act, 1956 \(p. 16\)](#)

The Committee proposes to replace the Indian Medical Council Act, 1956 with a new law. It has presented a draft Bill with the report, which seeks to remove the bottlenecks in medical education and delivery of medical services.

[Enemy Property \(Amendment\) Ordinance re-promulgated \(p. 10\)](#)

Previously, three similar Ordinances were promulgated in January, April and May 2016. The current Ordinance provides that the Custodian of Enemy Property will have all rights, titles and interests in enemy property.

[Supreme Court lifts ban on new diesel cars in NCR; imposes 1% green cess \(p. 14\)](#)

The Court removed the ban on registration of all new private diesel cars in Delhi and NCR, with capacity above 2,000 cc. It allowed registration of these vehicles on the payment of a 1% cess.

[Central Government notifies inflation target at 4% \(+/- 2%\) for 2021 \(p. 3\)](#)

The inflation target was notified under the Monetary Policy Committee, set up in June 2016. The Committee will determine the policy repo rate required to meet this target over the next five years (2016-2021).

[Committees submit reports on several topics \(p. 6, 17, 14\)](#)

Parliamentary Committees, Expert Committees and the CAG submitted reports on topics such as agricultural banking and crop insurance, Central Water Commission and suburban train services.

September 1, 2016

Parliament

Tanvi Deshpande (tanvi@prsindia.org)

Monsoon session of Parliament ends

The Monsoon Session 2016 of Parliament ended on August 12, 2016.¹ In the session, Parliament passed 14 Bills, including the 122nd Constitutional Amendment Bill to enable the levy of the Goods and Services Tax (GST), the Enforcement of Security Interest (Amendment) Bill, the Compensatory Afforestation Fund Bill, the Child Labour (Amendment) Bill, and two Bills to replace the Ordinances which provided for a common entrance test for medical education institutions.

Four Bills were passed by one House and are currently pending in the other House. These are the Employee's Compensation (Amendment) Bill, the Factories (Amendment) Bill, the Maternity Benefits (Amendment) Bill, and the Mental Health Care Bill. Of these, the Employee's Compensation Bill, Maternity Benefits Bill and Factories Bill were introduced in the session.

Some other Bills were introduced in this session and are now pending in Parliament. These include the Transgender Persons (Protection of Rights) Bill, the Motor Vehicles (Amendment) Bill, and the Citizenship (Amendment) Bill. Of these, the Citizenship Bill was referred to a Joint Parliamentary Committee and the Motor Vehicles Bill was referred to the Standing Committee on Transport, Tourism and Culture.

The First Supplementary Demand for Grants 2016-17 was also taken up and passed by Parliament in this session.

For more details on the legislative business taken up during the Monsoon Session 2016, please see [here](#) and [here](#).

Macroeconomic Development

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GDP grows at 7.1% in the first quarter of 2016-17

The Gross Domestic Product (GDP) of the country grew at 7.1% in the first quarter (April to June) of 2016-17.² GDP growth across economic sectors is measured in terms of Gross Value Added (GVA). GVA of the country grew at 7.3% in the first quarter of 2016-17, as compared to 7.4% in the fourth quarter of 2015-

16. Table 1 shows the GVA across sectors in the first quarter of 2016-17.

Table 1: Gross Value Added across sectors in Q1 of 2016-17 (% growth year-on-year)

Sector	Q1	Q4	Q1
	2015-16	2015-16	2016-17
Agriculture	2.6	2.3	1.8
Mining and quarrying	8.5	8.6	-0.4
Manufacturing	7.3	9.3	9.1
Electricity	4.0	9.3	9.4
Construction	5.6	4.5	1.5
Services	8.8	8.7	9.6
GVA	7.2	7.4	7.3

Note: GVA is GDP without taxes and subsidies, at basic prices (2011-12 base year).

Sources: MOSPI; PRS.

Agricultural growth decreased from 2.3% (year-on-year) in the fourth quarter of 2015-16, to 1.8% in the first quarter of 2016-17. Growth in the mining sector fell from 8.6% to -0.4%, mainly owing to a decrease in production of crude oil and natural gas. Growth in the construction sector was 1.5% (4.5% in the previous quarter), while that in the services (hotels, transport, financial services, public administration, etc.) sectors was 9.6% (8.7% in the previous quarter).

Inflation target for 2021 notified by the central government

The central government notified the inflation target of the country on August 5, 2016.³ The target has been set at 4% (+/-2%) for the period 2016-2021, and would be measured in terms of Consumer Price Index (CPI) inflation.

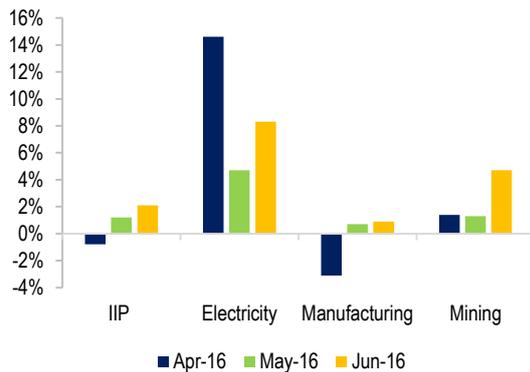
The inflation target has been set under the Monetary Policy Committee (MPC) framework, which was set up in June 2016.⁴ The MPC will determine the policy interest rates required to achieve the inflation target.

Industrial production grows at 0.6% in the first quarter of 2016-17

The Index of Industrial Production (IIP) increased by 0.6% in the first quarter (April-June) of 2016-17, year on year.⁵ Manufacturing production decreased by 0.7%, whereas electricity and mining production increased by 9% and 2.3% respectively.

The trend in IIP across the first quarter of 2016-17 is shown in Figure 1.

Figure 1: Industrial production growth in Q1 of 2016-17 (year on year % change)



Sources: Press Information Bureau, Ministry of Statistics and Programme Implementation; PRS.

Policy repo rate kept unchanged at 6.5%

The Reserve Bank of India (RBI) released its third Bi-Monthly Monetary Policy Statement of 2016-17 on August 9, 2016.⁶ The policy repo rate (at which RBI lends money to commercial banks) was kept unchanged at 6.5%. It had been reduced from 6.75% to 6.5% in April 2016.

Other decisions of the RBI include:

- The reverse repo rate (at which RBI borrows money from commercial banks) is unchanged at 6%.
- The marginal standing facility rate (under which scheduled commercial banks can borrow additional money) and bank rate (at which RBI buys or rediscounts bills of exchange) is unchanged at 7%.
- The cash reserve ratio has been kept unchanged at 4% of the Net Demand and Time Liabilities (which typically consist of all current, savings and time deposits).

Finance

Constitution Amendment Bill on GST passed by Parliament

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The Constitution (122nd Amendment) Bill, 2014 to enable the levy of the Goods and Services Tax (GST) was passed with amendments in Parliament on August 8, 2016.⁷ The Bill permits both Parliament and state legislatures to make laws on the taxation of goods and services. The Bill was examined by a Rajya Sabha Select Committee in July 2015. Salient amendments to the Bill as passed in August 2016 include:

- **Additional tax up to 1% on interstate**

trade omitted: The 2014 Bill stated that an additional tax of up to 1% on the supply of goods would be levied by the centre in the course of inter-state trade or commerce. The tax would be directly assigned to the states from where the supply originates. It would be levied for two years or more, as recommended by the GST Council. The amendments omitted this provision.

- **Compensation to states for five years:** The 2014 Bill stated that Parliament *may*, by law, provide for compensation to states for any loss of revenues, for a period which may extend to five years. This would be based on the recommendations of the GST Council. The amendments replaced the term *may* with the word *shall*. This implies that compensation must be provided for a full five-year period.
- **Dispute resolution:** The 2014 Bill stated that the GST Council *may* decide upon the modalities to resolve disputes arising out of its recommendations. The amendments state that the GST Council *shall* establish a mechanism to adjudicate any dispute arising out of its recommendations. Disputes can be between: (a) the centre and one or more states; (b) the centre and states and one or more states; (c) state and state.

The Bill will have to be ratified by at least 15 of the 29 state legislatures before it can receive the President's assent. This would exclude union territories with legislatures like Delhi and Puducherry.⁸ According to news reports, 15 states, namely: Assam, Bihar, Jharkhand, Himachal Pradesh, Chattisgarh, Gujarat, Madhya Pradesh, Delhi, Nagaland, Maharashtra, Haryana, Telangana, Mizoram, Sikkim and Goa have ratified the Bill.⁹

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

Parliament passes Bill to amend SARFAESI and DRT Acts

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The Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Bill, 2016 was passed by Parliament on August 9, 2016.¹⁰ Earlier, a Joint Committee of Parliament had submitted its report on the Bill in July 2016.

The Bill amends four laws including: (i) Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act), and (ii) Recovery of Debt Due to Banks and Financial Institutions Act, 1993 (RDDBFI Act).

Key provisions of the Bill include:

- **Taking possession over collateral:** The SARFAESI Act allows secured creditors to take possession over a collateral, if the borrower defaults upon repayment. This is done with the assistance of the District Magistrate (DM), without the intervention of courts or tribunals. The Bill provides that this process will have to be completed within 30 days by the DM. The DM may extend this limit to 60 days, and record reasons for the same.
- **Creation of database:** The SARFAESI Act has a central registry to maintain records of collateral security and transactions. The Bill creates a central database to integrate records of property registered under various registration systems with this central registry. This includes integration of registrations made under Companies Act, 2013, Registration Act, 1908 and Motor Vehicles Act, 1988.
- **Presiding Officer and Chairman:** The RDDBFI Act established Debt Recovery Tribunals (DRTs) to resolve disputes related to outstanding loans. The Bill increases the retirement age of Presiding Officers of Debt Recovery Tribunals from 62 years to 65 years and allows for their reappointment. Further, it allows officers of tribunals established under other laws, to head DRTs.

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

Benami Transactions (Prohibition) (Amendment) Bill, 2015 passed

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The Benami Transactions Prohibition (Amendment) Bill, 2015 was passed by Parliament on August 2, 2016.^{11,12} The Bill was introduced in May 2015, and the Standing Committee of Finance submitted its report on the Bill in April 2016. The Bill amends the Benami Transactions Act, 1988, which prohibits benami transactions and provides for confiscation of benami property.

Key features of the Bill include:

- The Act defines a benami transaction as a transaction where a property is held by or transferred to a person, but has been provided for or paid by another person. The Bill amends this definition to add other transactions which qualify as benami, such as property transactions where: (i) the transaction is made in a fictitious name, (ii) the owner is not aware of or denies

knowledge of the ownership the property, or (iii) the person providing the consideration for the property is not traceable.

- Under the Act, an authority to acquire benami properties was to be established under Rules. The Bill seeks to establish the following four authorities to conduct inquiries or investigations regarding benami transactions: (i) Initiating Officer, (ii) Approving Authority, (iii) Administrator, and (iv) Adjudicating Authority. These authorities will have the power of discovering, confiscating and managing benami transactions and properties.
- An Appellate Tribunal will be established to hear appeals against orders passed by the Adjudicating Authority. Certain Sessions Courts would be designated as Special Courts for the purpose of trying any offences which are punishable under the Bill.
- Under the Act, the penalty for entering into benami transactions was specified. The Bill: (i) increases the penalty for entering into benami transactions from three years to seven years, and (ii) specifies the penalty for providing false information.

The Bill was passed with certain amendments which include the provisions of: (i) right to representation for a benamidar during adjudication of a benami property, (ii) conformity to the Income Disclosure Scheme, of the Finance Act, 2016.

The Bill was notified on August 11, 2016.¹³

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

The Taxation Laws (Amendment) Bill, 2016 passed by Lok Sabha

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The Taxation Laws (Amendment) Bill, 2016 was introduced and passed by Lok Sabha on August 10, 2016.^{14,15} The Bill amends the Income Tax Act, 1961 and the Customs Tariff Act, 1975.

The Bill seeks to provide clarity to the definition of 'demerger', as defined in the Income Tax Act, 1961. It allows apparels manufacturers to be eligible for income tax exemptions under the 1961 Act. The Bill also amends the Customs Tariff Act, 1975 to increase customs duty on marble and granite.

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

Cabinet accepts recommendations of Sub-Group of Chief Ministers on CSS

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The Union Cabinet accepted the recommendations of the Sub-Group of Chief Ministers on Centrally Sponsored Schemes (CSS).¹⁶ The Sub-Group of Chief Ministers was set up under the NITI Aayog in March, 2015 to rationalise CSS. The Sub-Group submitted its recommendations in October 2015.¹⁷

Key recommendations of the Sub-Group include:

- **Number of CSS:** The existing 66 CSS should be restructured and reduced to a maximum of 30 schemes.
- **Categorisation:** CSS should be divided into (i) core schemes, (ii) core of core schemes, and (iii) optional schemes.
- States are required to participate in core and core of core schemes. Core of core schemes will have the highest preference in fund allocation. On the other hand, states may opt out of the schemes classified as optional.

For a summary of recommendations of the Sub-Group, please see [here](#).

Standing Committee submits report on rural/agricultural banking and crop insurance

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The Standing Committee on Finance submitted a report on 'State of rural/agricultural banking and crop insurance'.¹⁸ Key observations and recommendations of the Committee include:

- **Financial exclusion among rural households:** Currently about 31% of rural households are in debt. However, only 17% of these households receive credit from the formal sector (such as banks or co-operative societies), indicating a dependence on informal sources of lending (such as moneylenders and non-institutional sources). The Committee recommended that there is a need to increase institutional credit to agriculture and ensure that it reaches the poor and needy cultivators.
- **Growth in agricultural credit:** The flow of agricultural credit increased from Rs 1.3 lakh crore in 2004-05 to Rs 8.4 lakh crore in 2014-15. However, it is still below the 18% target for institutional credit to agriculture set by the RBI. The Committee recommended that the Kisan Credit Card scheme may be used to provide enhanced

credit to farmers. The scheme may also be expanded and linked to land records, Jan Dhan accounts and Aadhaar numbers.

- **Priority sector lending:** Of the 18% target for institutional agricultural credit, 8% is allotted for credit to small and marginal farmers. The Committee recommended that RBI should enhance the agricultural credit target above 18%. The credit limit for small and marginal farmers should also be increased, and made mandatory.
- **Crop insurance:** The persistent issues with the crop insurance system include unawareness about insurance schemes, inadequate coverage, and non-timely settlement of claims. The Committee recommended that crop insurance cover should be extended to cover all crops over the entire country, as opposed to selective crops in certain areas. In addition, assessment of crop damage should be completed and compensation should be deposited directly into farmers' accounts in a timely manner.

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

RBI releases draft circular on customer protection

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The Reserve Bank of India (RBI) released a draft circular on "Customer Protection- Limiting Liability of Customers in Unauthorised Electronic Banking Transactions".¹⁹ The draft circular lays down directions for determining customer liability in cases involving unauthorised electronic transactions. Electronic transactions include: (i) online payments, such as internet or mobile banking, and (ii) proximity payment transactions, such as ATM transactions.

Key directions proposed down by RBI include:

- **Banks' responsibilities:** Banks should take the following measures to ensure customer security: (i) lay down procedures to ensure safety of electronic banking transactions, (ii) incorporate fraud detection and prevention mechanisms, (iii) put in place mechanisms to assess risks due to unauthorised transactions, and (iv) incorporate measures to mitigate risks and protect banks from consequent liabilities.
- **Limited liability of consumers:** The customer's liability in case of unauthorised transactions will be determined based on when the bank is notified about such transactions. If the unauthorised transaction occurs owing to the negligence of the bank,

the customer will have zero liability, regardless of whether the transaction was reported to the bank.

- **Burden of proof:** The burden of proof regarding negligence in the case of unauthorised electronic banking transactions will lie with the bank.

Table 2 shows the customer's liability in other circumstances.

Table 2: Customer liability in unauthorised banking transactions

Time taken to report transaction	Customer liability
Within 3 working days	Zero liability
Within 4-7 working days	Liability of up to Rs 5,000
After 7 working days	As per the bank's approved policy

Sources: Reserve Bank of India; PRS.

Cabinet approves foreign investment in Non-Banking Finance Companies

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The Union Cabinet gave its approval to amend the regulations that allow foreign investment in Non-Banking Finance Companies (NBFCs).²⁰ NBFCs are involved in providing financial services (such as lending or acquiring shares), but are not allowed to take deposits.

The amendment would allow foreign investment in 'other financial services' of NBFCs, via the automatic route (i.e. without prior government approval). These 'other financial services' include those regulated by financial sector regulators such as RBI and SEBI or other government agencies. Investment in financial services which do not fall under the purview of these regulators will continue to require prior government approval.

RBI releases guidelines for 'on tap' licensing of banks in the private sector

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The RBI released guidelines for 'on tap' licensing of banks in the private sector.²¹ The guidelines provide for applicants to apply for a bank license on a rolling basis. Currently, an application for a license can be filed only when the RBI announces the grant of fresh licenses.

The applications will be screened by the RBI at the first stage. After this, the application will be referred to a Standing External Advisory Committee. The final decision will be taken by an Internal Screening Committee headed by the RBI Governor.

Key features of the guidelines are:

- **Promoter:** The following people, who are residents of India, will be eligible for a license: (i) an individual having at least 10 years of experience in banking, (ii) private sector entities having a successful track record of 10 years, and (iii) non-banking financial companies with a successful track record of 10 years.
- **Capital and Shareholding:** The minimum capital requirement to set up a bank would be Rs 500 crore. The promoters would be required to hold at least 51% of the equity shares, if establishing a new company, or 40% if converting an existing company.
- **Other Conditions:** The guidelines specify various other conditions, including the requirements to open at least 25% bank branches in unbanked rural centres (population of less than 10,000 people).

RBI constitutes Committee on household finance

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The Reserve Bank of India (RBI) constituted a Committee (Chair: Dr. Tarun Ramadorai) on household finance.²² The Committee will have representatives from financial sector regulators, namely RBI, SEBI, IRDA, and PFRDA.

The Committee will look at various aspects of household finance, and compare India's position with other countries. It is expected to submit its report by July 2017.

The terms of reference of the Committee include:

- Compare India with other markets based on the penetration of household financial products,
- Evaluate demand in formal financial markets (such as pensions and home loans),
- Consider why financial allocations deviate from desirable allocations (such as large household allocations towards gold),
- Re-design the existing system, and create new incentives and regulations to encourage participation in formal financial markets,
- Assess new technology and products to provide high quality financial products.

RBI announces steps to develop fixed income and currency markets

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The Reserve Bank of India (RBI) announced steps to develop fixed income and currency markets. These steps relate to the development of the corporate bond market, among others.²³ Earlier in the month, a working group (Chair: Mr. H. R. Khan) on development of corporate bond market in India submitted its report to the RBI.²⁴ Several recommendations of the Committee were accepted by RBI.

Key steps announced by the RBI include:

- The RBI will accept corporate bonds as collateral security to give banks credit as part of its Liquidity Adjustment Facility (LAF). Currently, it accepts only government securities under LAF.
- Banks will be permitted to issue rupee denominated bonds (also known as Masala bonds) to raise capital and financing for infrastructure and affordable housing. Currently, these bonds may be issued by corporate bodies, among others.
- To improve participation in the bond market, brokers will be permitted to trade in bonds, for profit. Currently, participation in the bond market is restricted to entities such as banks and mutual funds, among others.

Finance Ministry constitutes Committee to review digital payments framework

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The Ministry of Finance constituted a Committee to review the functioning of the digital payments framework.²⁵ It will be chaired by Mr. Ratan P. Watal (Principal Advisor, NITI Aayog), and have representatives from the RBI, Indian Banks Association, NASSCOM, and Unique Identification Authority of India, among others.

The terms of reference of the Committee include:

- Recommend changes to various laws including the Payment and Settlements Act, 2007, Prevention of Money Laundering Act, 2002, Income Tax Act, 1961 and other relevant laws;
- Recommend ways to leverage the unique identification number (Aadhaar) or other identity proofs for authentication of digital transactions and establish a centralised 'Know Your Customer' registry; and
- Study the feasibility of creating payments history of all digital and card payments and

recommend ways to incentivise card transactions.

The Committee is expected to submit its report within a year.

Draft National Policy Note on Value Capture Finance released

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The draft National Policy Note on Value Capture Finance was released by the central government in August 2016.²⁶ Value capture is a principle that states that people benefiting from public investments in infrastructure should pay for it. Currently when governments invest in roads, airports and industries in an area, private property owners in that area benefit from it. The draft Policy states that governments recover only a limited value from such investments, constraining their ability to make further public investments elsewhere. Comments on the draft Policy Note are invited till September 20, 2016.

Key features of the draft Policy Note include:

- **Urban:** Current value capture policies in urban areas such as land value tax, and land use fees should be extended to all urban local bodies by states. In addition, rate structure of the existing methods should be changed to increase revenues. Comparison of value capture policies across states and countries should be carried out to assess the appropriateness and relevance of value capture tools to urban local bodies.
- **Non-urban:** Feasibility reports of public investment in non-urban areas should give more weightage to value capture policies in assessing financial requirements. In addition, implementing agencies who make the public investment should work with state governments on revenue sharing mechanisms. State governments should also be consulted to estimate the increased value of rural properties.
- **Target Agencies:** The Policy is designed for state governments and the following central government Ministries: (i) Ministry of Urban Development and its line agencies at state and local level, (ii) Ministry of Railways, (iii) Ministry of Road Transport and Highways, (iv) Department of Industrial Policy and Promotion, (v) Ministry of Power, and (vi) Ministry of Shipping.

National Committee on Trade Facilitation constituted

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The National Committee on Trade Facilitation has been constituted as part of a World Trade Organisation agreement, known as the Trade Facilitation Agreement.²⁷ The Agreement aims to ease the movement of goods between member countries by simplifying procedures of international trade.

Key functions of the Committee include: (i) facilitating domestic co-ordination and implementation of provisions of the Agreement, and (ii) developing a domestic road map for trade facilitation in India.

Labour and Employment

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The Employee's Compensation (Amendment) Bill, 2016 passed by LS

The Employee's Compensation (Amendment) Bill, 2016 was passed by Lok Sabha on August 9, 2016.²⁸ It is currently pending in Rajya Sabha.

The Bill amends the Employee's Compensation Act, 1923. The Act provides for the payment of compensation to employees and their dependants in the case of injury by industrial accidents, including occupational diseases. Salient features of the Bill include:

- **Duty to inform employee of right to compensation:** The Bill introduces a provision which requires an employer to inform the employee of his right to compensation under the Act. Such information must be given in writing (in English, Hindi or the relevant official language) at the time of employing him.
- **Penalty for failure to inform:** The Bill penalises an employer if he fails to inform his employee of his right to compensation. Such penalty may be between Rs 50,000 to one lakh rupees.
- **Appeals from the Commissioner's order:** The Act permits appeals against the Commissioner's orders related to compensation, distribution of compensation, and award of penalty or interest, among others. However, this is only if the amount in dispute is at least Rs 300. The Bill raises this amount to Rs 10,000. It permits the central government to raise this amount.

- **Withholding payments pending appeal:** Under the Act, if an employer has appealed against a Commissioner's order, any payments towards the employee can be temporarily withheld. The Commissioner may do so only by an order of the High Court, until the matter is disposed of by the Court. The Bill deletes this provision.

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

The Factories (Amendment) Bill, 2016 introduced and passed by Lok Sabha

The Factories (Amendment) Bill, 2016 was introduced and passed in Lok Sabha on August 10, 2016.²⁹ The Bill amends the Factories Act, 1948. The Act regulates the safety, health and welfare of factory workers. Salient features of the Bill include:

- **Power to make rules on various matters:** The Act permits the state government to prescribe rules on matters such as double employment, conditions related to exemptions to certain workers, etc. The Bill gives such rule making powers to the central government as well.
- **Overtime hours of work in a quarter:** The Act permits the state government to make rules related to the regulation of overtime hours. However, the total hours of overtime must not exceed 50 hours for a quarter. The Bill raises this limit to 100 hours. Rules in this regard may be prescribed by the central government as well.
- **Overtime hours if factory has higher workload:** The Act enables the state government to permit workers in a factory to work overtime hours if the factory has an exceptional work load. Further, the total number of hours of overtime work in these circumstances must not exceed 75 hours in a quarter. The Bill permits the central or state government to raise this limit to 115 hours.
- **Overtime in public interest:** The Bill introduces a provision which permits the central or state government to extend the 115-hour limit to 125 hours. It may do so in case of: (i) excessive work load in the factory, and (ii) public interest.

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

The Maternity Benefit (Amendment) Bill, 2016 introduced and passed by RS

The Maternity Benefit (Amendment) Bill, 2016 was introduced and passed in Rajya Sabha on August 11, 2016.³⁰ The Bill amends the Maternity Benefit Act, 1961. The Act regulates

the employment of women during the period of child birth, and provides maternity benefits. The Act applies to factories, mines, plantations, shops and other establishments.

Salient features of the Bill include:

- **Duration of maternity leave:** The Act states that every woman will be entitled to maternity benefit of 12 weeks. The Bill increases this to 26 weeks.
- Under the Act, this maternity benefit should not be availed before six weeks from the date of expected delivery. The Bill changes this to eight weeks.
- In case of a woman who has two or more children, the maternity benefit will continue to be 12 weeks. Such benefits cannot be availed before six weeks from the date of the expected delivery.
- **Maternity leave for adoptive and commissioning mothers:** The Bill introduces a provision to grant 12 weeks of maternity leave to: (i) a woman who legally adopts a child below the age of three months, and (ii) a commissioning mother. A commissioning mother is defined as a biological mother who uses her egg to create an embryo implanted in another woman.
- The 12-week period of maternity benefit will be calculated from the date the child is handed over to the adoptive or commissioning mother.
- **Crèche facilities:** The Bill introduces a provision which requires every establishment with 50 or more employees to provide crèche facilities within a prescribed distance. The woman will be allowed four visits to the crèche in a day. This will include her interval for rest.

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

Inter-Ministerial Committee decides on charter of demands of CTU

An Inter-Ministerial Committee, chaired by the Finance Minister, took certain decisions in relation to the charter of demands of the Central Trade Unions.³¹ The Committee comprised of the Ministers of State for: (i) labour and employment, and (ii) power, coal, renewable energy and mines. Key decisions of the Committee include:

- **Minimum wages for unskilled workers:** Unskilled non-agricultural workers in 'C' category areas will be paid minimum wages of Rs 350 per day. Currently, they are paid around Rs 236 per day (the amount is higher

for those working in mines). 'C' category areas are those which are not category 'A' cities, or category 'B' towns.³²

- **Payment of bonus:** The central government will pay bonuses to relevant employees for the years 2014 and 2015 based on the 2015 amendments to the Payment of Bonus Act, 1965. The amendments raise the eligibility limit for receiving a bonus, and the ceiling of wages for the calculation of bonus.³³ The central government will take steps to resolve cases related to payment of bonus pending in the courts.
- **Registration of contract workers:** Registration of contract workers and their staffing agencies, which is mandated by law, must be strictly enforced by states.
- **Registration of trade unions:** State governments will be advised to ensure that trade unions are registered within 45 days.
- **Social security for the unorganised sector:** Issues related to social security benefits to the unorganised sector (which includes Anganwadi, Asha volunteers) will be examined by a committee at the earliest.

Home Affairs

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Enemy Property (Amendment) Fourth Ordinance, 2016 promulgated

The Enemy Property (Amendment and Validation) Fourth Ordinance, 2016 was promulgated on August 28, 2016.³⁴ It amends the Enemy Property Act, 1968. Previously, three similar Ordinances had been promulgated in January, April and May 2016 amending the 1968 Act. This Ordinance replaces the Ordinance promulgated in May, that was scheduled to lapse in August 2016.

The central government had designated some properties belonging to nationals of Pakistan and China as 'enemy properties' during the 1962, 1965 and 1971 conflicts. It vested these properties in the 'Custodian of Enemy Property', an office under the central government. The 1968 Act regulates these enemy properties.

Key features of the Ordinance include:

- **Retrospective application:** The Ordinance is deemed to have come into force on January 7, 2016, the date of promulgation of the first Ordinance. However, several of its provisions will be deemed to have come into

effect from the date of commencement of the 1968 Act.

- **Vesting of property:** The 1968 Act allowed for vesting of enemy properties with the Custodian, after the conflicts with Pakistan and China. The Ordinance amends the Act to clarify that even in the following cases these properties will continue to vest with the Custodian: (i) the enemy's death, (ii) if the legal heir is an Indian, etc. It also adds a provision to state that 'vesting' will mean that all rights and titles in such property will be with the Custodian.
- **Jurisdiction of courts:** The Ordinance bars civil courts from entertaining disputes against enemy property. However, it allows a person aggrieved by an order of the central government to appeal to the High Court, if the person wishes to claim that the concerned property is not enemy property. Such an appeal will have to be filed within 60 days (extendable up to 120 days).

Currently, a similar Bill is pending in Rajya Sabha, on which a Select Committee submitted its report in May 2016.³⁵ For a PRS Analysis of the Bill and the Select Committee recommendations, please see [here](#).

Citizenship (Amendment) Bill, 2016 referred to a Joint Parliamentary Committee

The Citizenship (Amendment) Bill, 2016 was introduced in Lok Sabha on July 19, 2016 and referred to a Joint Parliamentary Committee on August 12, 2016.³⁶ The Committee is expected to submit its report on the last day of the first week of the Winter Session 2016 of Parliament.³⁷

The Bill seeks to amend the Citizenship Act, 1955, that provides various ways of acquiring citizenship. Key features of the Bill include:

- **Eligibility for citizenship:** The Act prohibits illegal migrants from acquiring Indian citizenship. Illegal migrants are those foreigners in India who do not have valid passport or travel documents. The Bill provides that the following groups of persons will not be treated as illegal migrants: Hindus, Sikhs, Buddhists, Jains, Parsis and Christians from Afghanistan, Bangladesh and Pakistan.
- **Cancellation of Overseas Citizen of India registration:** An Overseas Citizen of India (OCI) cardholder is a foreign citizen, who is entitled to some benefits such as a multiple-entry, multi-purpose life-long visa to visit India. The Act provides that the central

government may cancel registration of an OCI on certain grounds. These include: (i) if the OCI has registered through fraud, or (ii) within five years of registration, the OCI has been sentenced to imprisonment for two years or more. The Bill adds one more ground for cancelling registration, that is, if the OCI has violated any law in the country.

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

Cabinet approves grant of permanent residency status to foreign investors

The Union Cabinet approved a scheme to grant Permanent Residency Status to foreign investors.³⁸ Under the scheme, foreigner investors will be allowed the following benefits: (i) a multiple entry visa to visit India for 10 years (may be extended up to 20 years), (ii) exemption from some restrictions imposed on foreigners visiting India (eg. requirement to register with local police or concerned authorities), (iii) permission to purchase one residential property for dwelling purposes, and (iv) permission for spouse and dependents of the investor to work in the private sector or pursue an education in India.

To qualify for the scheme, a foreign investor must invest: (i) a minimum of Rs 10 crore within 18 months, or (ii) at least Rs 25 crore within 36 months. Further, the foreign investment must generate employment for at least 20 resident Indians every financial year.

Health

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The Mental Health Care Bill, 2016 passed by Rajya Sabha

The Mental Health Care Bill, 2016 was passed by Rajya Sabha on August 8, 2016 and is currently pending in Lok Sabha.³⁹ The Bill repeals the Mental Health Act, 1987. Key features of the Bill include:

- **Advance Directive:** A mentally-ill person shall have the right to make an advance directive that states how he wants to be treated for a mental illness and who his nominated representative shall be. If a mental health professional does not wish to follow the directive while treating the person, he must make an application to the Mental Health Board to review, alter, or cancel the advance directive.
- **Mental Health Establishments:** Every mental health establishment has to be

registered with the relevant Central or State Mental Health Authority. In order to be registered, the establishment has to fulfil various criteria prescribed in the Bill. The Bill also specifies the process and procedure to be followed for admission, treatment and discharge of mentally ill individuals.

- **Decriminalising suicide, prohibiting electroconvulsive therapy and seclusion:** Electro-convulsive therapy is allowed only with the use of muscle relaxants and anaesthesia. The use of seclusion is prohibited. A person who attempts suicide shall be presumed to be suffering from severe stress and not mental illness at that time. Such a person will not be punished under the Indian Penal Code.

More information on the Bill is available [here](#).

Cabinet approves introduction of the Surrogacy (Regulation) Bill, 2016

The Union Cabinet approved the introduction of the Surrogacy (Regulation) Bill, 2016.⁴⁰ The aim of the draft Bill is to regulate surrogacy and prevent unethical practices. The unethical practices would include exploitation of surrogate mothers and abandonment of children born out of surrogacy.

A copy of the draft Bill has not been placed in the public domain. According to news reports, the features of the Bill include:^{41,40}

- **Ban on commercial surrogacy:** The Bill bans commercial surrogacy. Altruistic surrogacy would be permitted on the fulfilment of certain conditions.
- **Regulation of surrogacy:** The parentage of children born out of surrogacy should be legal and transparent. Surrogacy Boards would be established at the central level and state levels, and appropriate authorities in the union territories. These bodies would regulate surrogacy services in the country.
- **Eligibility to opt for surrogacy:** Only childless couples who have been married for at least five years would be eligible to go for altruistic surrogacy, provided that at least one of them is proven to have fertility-related issues.
- Married couples who have biological or adopted children, single people, live-in partners and homosexual persons would not be eligible to opt for surrogacy. Foreign nationals would not be allowed to commission surrogacies in India.

- **Surrogate mothers:** Childless or unmarried women would not be allowed to be surrogate mothers. Surrogate mothers may only be close relatives, and would be permitted to be a surrogate only once.

Law and Justice

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RS Select Committee submits report on the Prevention of Corruption Bill, 2013

The Select Committee constituted to examine the Prevention of Corruption (Amendment) Bill, 2013 submitted its report to Rajya Sabha on August 12, 2016.⁴² This included additional amendments to the Bill that were circulated in November 2015.⁴³ The Bill was introduced in Rajya Sabha in August 2013, and examined by the Standing Committee in February 2014.^{44,45} The Bill seeks to amend the Prevention of Corruption Act, 1988. Key recommendations of the Committee include:

- **Definition of taking a bribe:** The Act and Bill penalise a public servant if he 'agrees to receive' a bribe. The Committee recommended that this phrase be omitted. It noted that stakeholders had submitted that mere intention (to take a bribe) does not constitute a crime. It would only be a crime if such intention is acted upon.
- The 2015 amendments introduce a provision that exempts a person from penalty for bribe taking if he 'has not performed his public function dishonestly'. The Committee recommended that this provision be omitted.
- **Definition of giving a bribe:** The Bill penalises a person (including a commercial organisation) who 'offers or promises' a bribe to another. The Committee observed that the mere 'offer' of a bribe may not be an offence unless it is accepted. It suggested that the term 'offer' be deleted.
- **Coercive and collusive bribe giving:** The Committee noted that the Bill does not distinguish between someone who is coerced into giving a bribe, and one who colludes with the bribe taker and gives the bribe. It recommended that if a bribe giver who is compelled to give a bribe reports the matter to the police within seven days, he may be given immunity from criminal prosecution.
- **Prior approval for investigation of a public servant:** The 2015 amendments state that a police officer must get prior

approval of: (i) the Lokpal; or (ii) the Lokayukta or relevant state authority before it can investigate into an offence alleged to have been committed by a public servant. The Committee recommended that the sanctioning authority for a public servant must be the relevant government that has appointed him. In case of any other person, the sanctioning authority must be the one with the power to remove him from office.

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

Social Justice and Empowerment

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Transgender Persons (Protection of Rights) Bill introduced in Lok Sabha

The Transgender Persons (Protection of Rights) Bill, 2016 was introduced in Lok Sabha on August 2, 2016.⁴⁶

Key features of the Bill include:

- **Definition of a transgender person:** The Bill defines a transgender person as one who is: (i) neither wholly female or male; (ii) a combination of female and male; or (iii) neither female nor male. In addition, it requires that such a person's gender does not match the gender assigned at birth, and includes trans-men and trans-women, persons with intersex variations and gender-queers.
- **Certificate of identity for a transgender person:** A transgender person may make an application to the District Magistrate for a certificate of identity, indicating the gender as 'transgender'. The District Magistrate will issue such certificate based on the recommendations of a District Screening Committee. The Committee will comprise: (i) the Chief Medical Officer; (ii) District Social Welfare Officer; (iii) a psychologist or psychiatrist; (iv) a representative of the transgender community; and (v) an officer of the relevant government.
- **Prohibition against discrimination:** The Bill prohibits discrimination against a transgender person, including denial of a service or unfair treatment in relation to: (i) education; (ii) employment; (iii) healthcare; (iv) access to goods, facilities, opportunities available to the public; (v) right to movement; (vi) right to reside, rent, own or

otherwise occupy property; (vii) opportunity to hold public or private office; and (viii) access to a government or private establishment in whose care a transgender person is.

- **Health care:** The relevant central or state government shall take steps to provide health facilities to transgender persons including separate HIV surveillance centers, and sex reassignment surgeries. The government shall review medical curriculum to address health issues of transgender persons, and provide medical insurance schemes for them.

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

A private member Bill related to rights of transgender persons was passed by Rajya Sabha in April 2015, and is currently pending in Lok Sabha.⁴⁷ For more details on the private member Bill, see the PRS Monthly Policy Review of [April 2015](#).

Transport

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Motor Vehicle (Amendment) Bill, 2016 introduced in Lok Sabha

The Motor Vehicles (Amendment) Bill, 2016 was introduced in Lok Sabha on August 9, 2016. The Bill seeks to amend the Motor Vehicles Act, 1988. The 1988 Act provides for standards for motor vehicles, grant of driving licenses, and penalties for violation of these provisions. The Bill was referred to the Standing Committee on Transport, Tourism, and Culture, on August 16, 2016. The Committee has to submit its report within two months.

Key provisions of the Bill include:

- **Recall of vehicles:** The Bill allows the central government to order for recall of motor vehicles if a defect in the vehicle may cause damage to the environment, or the driver, or other road users. Vehicles may also be recalled if defects in a vehicle are reported to the central government. The manufacturer will have to: (i) reimburse the buyers for the full cost of the vehicle, or (ii) replace the defective vehicle with another vehicle with similar or better specifications.
- **Compulsory insurance:** The Bill requires the central government to constitute a Motor Vehicle Accident Fund. The Fund will provide compulsory insurance cover to all road users in India. It will be credited with: (i) a cess or tax as approved by the central

government, (ii) a grant or loan made by the central government, or (iii) any other source as prescribed by the central government. It will be managed by an authority specified by the central government.

- **Aggregator services:** The Bill defines an aggregator as a digital intermediary or market place. The aggregator's services may be used by a passenger to connect with a driver for transportation purposes. The Bill requires these aggregators to obtain licenses. The aggregators will also be required to comply with the Information Technology Act, 2000.
- **Offences and penalties:** The Bill increases the penalties for several offences under the Act. For example, the maximum penalty for driving under the influence of alcohol or drugs has been increased from Rs 2,000 to Rs 10,000. If a motor vehicle manufacturer fails to comply with construction or maintenance standards of motor vehicles, the penalty may be a fine of up to Rs 100 crore, or imprisonment up to one year, or both.

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

Supreme Court lifts ban on new diesel cars in NCR; imposes 1% green cess

In December 2015, the Supreme Court had ordered that the registration of all new private diesel cars in Delhi and NCR, with capacity above 2,000 cc, will stand banned till March 31, 2016.⁴⁸ On August 12, 2016, the Court removed this ban.⁴⁹ Both the orders seek to address the high pollution levels in Delhi and NCR.

In its order, the Court further stated that these diesel vehicles can be registered if car manufacturers, dealers, or purchasers pay 1% of the ex-showroom price of the car as a cess. The amount collected will be maintained in a separate account in a public sector bank, opened by the Central Pollution Control Board.

Standing Committee submits report on infrastructure lending in road sector

The Standing Committee on Transport, Tourism and Culture (Chair: Dr. Kanwar Deep Singh) submitted a report on infrastructure lending in road sector.⁵⁰ Key observations and recommendations of the Committee include:

- **Long-term loans:** Several of the long-term loans disbursed for the road sector are turning into non-performing assets (NPAs). Projects bids are often made without proper study, and projects are awarded in a hurry. This results in stalling of projects, and

leading to promoters leaving mid-way. The Committee recommended that banks should take due diligence while disbursing loans to concessionaires. It also suggested that NPAs may be supported by government allocation. Further, banks could be empowered to recover the bad debts.

- **Long-term bonds:** The Committee recommended long term bonds as a way of financing infrastructure projects. It suggested that the government should look at bonds for a period of 20 to 25 years.
- **Vigilance:** With regard to financing NPAs, banks currently work under the fear of the Central Bureau of Investigation and the Central Vigilance Commission. The Committee recommended that NPAs should be financed through the banks' discretion, and within their capacity. If decisions are taken in a transparent manner, there should not be any fear of investigation.
- **Project delays:** Highway projects get delayed due to delays in acquiring land and environmental clearances, and rehabilitation issues. These delays also increase the cost of the projects. The Committee recommended that the Ministry of Road Transport and Highways should obtain all these clearances before awarding the projects to concessionaires. It also noted that lack of dispute resolution is one of the major hurdles in clearing stressed or delayed projects. It recommended that the government should set up a dispute redressal mechanism for road projects.

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

CAG submits report on suburban train services in Indian Railways

The Comptroller and Auditor General of India submitted a report on the suburban train services in Indian Railways, between 2010-11 and 2014-15 in July 2016.⁵¹ Suburban trains are passenger trains that cover short distances of up to 150 km. These trains help in facilitating movement of passengers within cities and suburbs. Key findings and recommendations include:

- **Growth in traffic:** Eastern and Southern Railways, and Kolkata metro rail fell short of their traffic targets. Further, the number of passengers carried during 2014-15 was 1% less than the previous year.
- **Accidents:** Between January 2010 and December 2014, the number of deaths registered was 33,445. Of these: (i) 19,868 (59%) were due to trespassing, and (ii) 4,885

(15%) were due to falling from trains. To reduce accidental deaths, CAG recommended: (i) increasing the carrying capacity of trains, (ii) increasing the frequency of trains, and (iii) running trains on schedule.

- **Speed restrictions:** Train speeds get restricted due to: (i) weak condition of tracks, points and crossings, (ii) encroachment along tracks, and (iii) weak bridges, etc. Indian Railways has not initiated effective measures to remove these speed restrictions. The CAG recommended that capacity augmentation works such as: (i) withdrawal of speed restrictions, (ii) removal of encroachments, and (iii) replacement of over-aged rolling stock (wagons, locomotives) should be expedited.
- **Amenities at stations:** The CAG reported: (i) shortfall in booking counters, (ii) lack of toilets, and (iii) lack of foot-over bridges of the prescribed size, at suburban stations. It recommended that such amenities should be prioritised in a time-bound manner.
- **Operational costs:** None of the zonal railways reported a reduction in losses between 2010 and 2015. The CAG recommended that the areas for minimising operational costs of suburban trains should be identified. Further, revenue can be generated by rationalising suburban fares. It also recommended establishing a separate organisational set-up for suburban train services to increase organisational efficiencies in the concerned zones.

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

Cabinet authorizes NHAI to monetize public funded national highway projects

The Cabinet Committee on Economic Affairs authorized the National Highway Authority of India to monetize certain public funded National Highway projects.⁵² Projects can be monetized if they are operational and have been generating toll revenues for at least two years after the commercial operations date. This would be known as the Toll Operate Transfer (TOT) model. The monetization will be subject to approval by a competent authority within the Ministry of Road Transport and Highways on a case-to-case basis.

The revenue generated from project monetization could be utilized by the government for future development and operation and maintenance of highways. It will create business opportunities for: (i) developers specializing in operation and maintenance of highways, and (ii) investors who

are averse to taking construction risks but are equipped to make long term investments in road infrastructure. About 75 operational National Highways have been identified for potential monetization using the TOT model.

Permit requirements for e-carts and e-rickshaws removed

The Ministry of Road Transport and Highways removed the permit requirements for e-carts and e-rickshaws.⁵³ Permits are granted to drive transport vehicles in public places under Section 66(1) of the Motor Vehicles Act, 1988. As per the notification released by the Ministry, this provision will not apply to e-rickshaws and e-carts. However, state governments can impose restrictions under their respective traffic laws on the plying of these vehicles in specific areas or on specific roads.

The Act defines an e-cart or e-rickshaw as a special purpose battery powered vehicle of power not exceeding 4,000 watts. It should have three wheels, and should be meant for carrying goods or passengers. It may be used for hire or reward, and should be manufactured, constructed, and maintained according to prescribed specifications.

Education

Institutes of Technology (Amendment) Bill, 2016 passed

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The Institutes of Technology (Amendment) Bill, 2016 was passed by Parliament in August 2016.⁵⁴ The Bill amends the Institutes of Technology Act, 1961, which declares certain Institutes of Technology as institutions of national importance.

The Bill adds six new Indian Institutes of Technology (IITs) in Tirupati, Palakkad, Goa, Dharwar, Bhilai, and Jammu. It also seeks to bring the Indian School of Mines, Dhanbad within the ambit of the Act. All these institutions will be declared as institutions of national importance. In addition, the Bill provides for the incorporation of IIT (Indian School of Mines), Dhanbad. It states that until the statutes in relation to IIT (Indian School of Mines), Dhanbad are made under the Act, the statutes applicable to IIT Roorkee will apply to it.

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

National Institutes of Technology (Amendment) Bill, 2016 passed

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The National Institutes of Technology, Science Education and Research (Amendment) Bill, 2016 was passed by Parliament in August 2016.⁵⁵ The Bill establishes the National Institute of Technology (NIT), Andhra Pradesh as an institute of national importance under the National Institutes of Technology, Science Education and Research Act, 2007.

The NIT will be deemed to have been an institute of national importance as on August 20, 2015. This is the day the central government approved its establishment.

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

Central Agricultural University (Amendment) Bill, 2016 passed

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The Central Agricultural University (Amendment) Bill, 2016 was introduced and passed by Parliament in August 2016.⁵⁶ The Bill amends the Central Agricultural University Act, 1992.

The Act provides for the establishment of a University in the north eastern region for the development of agriculture, and advancement of research in agriculture and allied sciences. It states that the University is responsible for teaching and research in the field of agriculture in the following states: Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Sikkim and Tripura. The Bill extends the jurisdiction of the University to the state of Nagaland as well.

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

Report of the Committee on the Reform of the IMC Act, 1956 released

The Committee on the Reform of the Indian Medical Council (IMC) Act, 1956 (Chair: Dr. Aravind Panagariya) submitted its report.⁵⁷ It was set up under the NITI Aayog to examine the provisions of the IMC Act and provide recommendations to improve the outcomes of medical education.

The Committee proposed that the IMC Act be replaced by a new Act, and proposed a draft Bill for this purpose. The Committee recommends a complete overhaul of the existing regulatory structure for medical education. Key observations and recommendations of the Committee include:

- **Issues with the Medical Council of India (MCI):** The Committee noted the following regarding the functioning of the Council: (i) the conflict of interest where the regulated (includes management of medical colleges) elect the regulators, preventing the entry of skilled professionals for the job; (ii) centralisation of powers allowing no segregation of responsibilities; (iii) input based regulation consisting of inspections and a focus on infrastructure rather than on teaching quality and outcomes; and (iv) failure to meet the contemporary challenges of medical education.
- **New regulatory architecture:** The Committee recommended that the National Medical Commission (NMC) should be set up to replace the existing Medical Council of India. NMC would be the policy-making body for medical education in India.
- **‘For-profit’ organizations to establish medical colleges:** Currently, only ‘not-for-profit’ organizations are permitted to establish medical colleges. The Committee recommended that the sector should be opened to ‘for-profit’ organisations as well to address the supply gaps in medical education. This would also help to deal with the lack of transparency regarding funding sources that currently exists despite a ban on ‘for-profit’ organisations in this sector.

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

Report of the Committee for Evolution of the New Education Policy released

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The Committee for Evolution of the New Education Policy (Chair: Mr. T. S. R Subramanian) submitted its report on May 7, 2016.⁵⁸ It was made available in the public domain in August, 2016. The Committee was constituted under the Ministry of Human Resource Development. Note that in July 2016 the Ministry placed draft inputs on the National Education Policy in the public domain.

Key features of the Policy proposed by the Committee include:

- **Early Childhood Care and Education:** Early Childhood Care and Education for children from four to five years of age should be declared as a right. This would facilitate pre-school education by the government instead of the private sector until children reach six years of age.

- **School exam reforms:** Scaled scores and percentiles should be used instead of the traditional marking scheme. Students should be given the choice to pick the difficulty level for the subjects of Mathematics and Science exams in class 10.
- **Information and Communication Technology (ICT) in Education:** The integration of ICT and the education sector was observed to be inadequate despite computer literacy and studies in schools. ICT should be available for teacher training, adult literacy, remedial education and as a learning tool in higher education.
- **Teacher Management:** In order to deal with the steep rise in teacher shortages, absenteeism and grievances, an Autonomous Teacher Recruitment Board should be established. Teaching licenses should be subject to renewal every 10 years.
- **Vocational education and training:** The existing National Skills Qualification Framework should be scaled up to bring more students into the skilling system. There is a need to include vocational education at the secondary education level.

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

For details of the draft National Education Policy released by the government in July 2016, please see [here](#).

Standing Committee submits report on the promotion of legal education

The Standing Committee on Personnel, Public Grievances, Law and Justice (Chairperson: Dr. E.M. Sudarsana Natchiappan) submitted its report on ‘promotion of legal education and research under the Advocates Act, 1961’.⁵⁹ Key recommendations of the Committee include:

- **National law schools as institutes of national eminence:** At present, there are 17 law schools that have been set up by various state governments. The Committee recommended that more states should set up national law schools that impart a five year honours law degree. They must be treated similarly to institutes such as the All India Institute of Medical Sciences and the Indian Institutes of Technology, and receive funding from the central government. Further, the National Law Schools set up under state legislations may be declared as institutes of national eminence.
- **Statutory basis to committees set up by BCI:** Currently, the Legal Education Committee (LEC) has been constituted by

the Bar Council of India (BCI) to regulate the standards of the LLB degree. However, the composition of the LEC exceeds the prescribed limit. The BCI has also constituted the Curriculum Development Committee (CDC) and Directorate of Legal Education (DEC) to upgrade standards of legal education. The Committee noted that the expansion of the LEC, and the constitution of the CDC and DLE are beyond the scope of the powers of the BCI under the Advocates Act, 1961. It recommended that these bodies be given statutory basis through the Advocates Act.

- **Autonomy to universities in curriculum design:** Postgraduate, specialised courses and research curriculum of a law university are governed by the University Grants Commission (UGC). The Committee recommended that these universities be given autonomy in designing their courses.
- **Financial support to law universities:** National law schools, law universities and legal departments of universities need adequate financial support. The Committee recommended that the UGC frame rules under the UGC Act, 1956 to provide financial stability of legal educational institutions. This could be on the lines of support given to technological and agricultural universities at present.

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

Cabinet approves upgradation of 13 existing government medical colleges under PMSSY

The Cabinet Committee on Economic Affairs approved the upgradation of 13 existing government medical colleges/institutes under the Pradhan Mantri Swasthya Suraksha Yojana.⁶⁰ The scheme aims to provide for availability of affordable and reliable tertiary level healthcare in the country, and to augment facilities for quality medical education in backward states.

The upgradation will be done at a cost of Rs 200 crore for each government college or institute (central share: Rs 120 crore and state share: Rs 80 crore). Accordingly, the total upgradation cost shall be Rs 2,600 crore, and it will be completed within 36 months. The colleges which are to be upgraded are located in Uttar Pradesh, Bihar, Gujarat, Madhya Pradesh, Delhi, Rajasthan, Chhattisgarh and Odisha. The upgradation would involve strengthening the existing departments as well as building Super Speciality Blocks/Trauma Centres or other necessary facilities as Centres of Excellence.

Infrastructure

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Cabinet approves measures to revive the construction sector

The Cabinet Committee on Economic Affairs approved several measures to revive the construction sector.⁶¹ These include:

- Public sector undertakings (PSUs) or departments may transfer arbitration cases initiated prior to the 2015 amendments of the Arbitration Act, 1996 to the amended Act. The 2015 amendments allowed for fast-tracking of arbitration. The transfer can be done with the consent of the contractors or concessionaires. Currently, about Rs 70,000 crore is tied up in arbitration cases in the sector.
- In cases where the arbitral award has been challenged, the PSU may pay 75% of the award amount to the contractor or concessionaire against a bank guarantee. This guarantee would be margin free. The amount will be deposited in an escrow account. The escrow account can be used to repay bank loans or to meet commitments in ongoing projects.
- All PSUs and departments issuing public contracts may set up Conciliation Committees or Councils. These would comprise independent subject experts, and be responsible for ensuring the speedy disposal of pending or new cases.
- Item-rate contracts (costing is done based on the rate of each item) may be substituted by Engineering Procurement Construction (EPC) contracts (work is executed on a lumpsum basis). Further PSUs and departments may adopt the Model EPC contracts for construction works.
- The Department of Financial Services, in consultation with Reserve Bank of India, may evolve a scheme to address the stressed bank loans in the construction sector. Currently, about 45% of the bank loans in the sector are under stress.

Water resources

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Report on restructuring CWC and CGWB submitted

An Expert Committee (Chair: Dr. Mihir Shah) submitted its report on restructuring the Central Water Commission (CWC) and the Central Ground Water Board (CGWB) in July 2016.⁶² The CWC is responsible for coordinating with states for the implementation of schemes for the conservation and utilisation of water resources. The CGWB is responsible for assessment of ground water resources and implementation of policies for their sustainable management.

The Committee recommended that the CWC and CGWB should be restructured and unified to form a new National Water Commission (NWC). The NWC will be responsible for water policy, data and governance. It should be an adjunct office of the Ministry of Water Resources and function with full autonomy and accountability.

The key functions of the NWC will include: (i) incentivising state governments to implement irrigation projects in reform mode, (ii) leading the national aquifer mapping and ground water management program, and (iii) developing a location-specific program for rejuvenation of rivers. The Committee proposed that the NWC should have eight divisions. These include:

- **Irrigation Reform Division:** This division will help states to focus on irrigation projects and improve water management.
- **River Rejuvenation Division:** This division will help participatory institutions at various levels to implement location-specific programs for rejuvenation of rivers.
- **Aquifer Mapping and Participatory Ground Water Management Division:** This division will lead the National Aquifer Management Programme. In addition, it will build relationships with state ground water departments, research institutions, etc. It will also assess and estimate ground water resources at the national level.
- **Water Security Division:** This division will devise policies and programs to tackle challenges related to water security. These include: (i) ensuring the right to water for life, and (ii) protecting the agrarian economy from the impact of floods and droughts.

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

Standing Committee submits report on repair, renovation and restoration of water bodies

The Standing Committee on Water Resources submitted its report on the repair, renovation and restoration of water bodies.⁶³ The Committee examined issues such as the state of water bodies in the country, encroachment on water bodies and its impact, etc.

The salient observations and recommendations of the Committee include:

- **Census of water bodies:** The Ministry of Water Resources does not have complete information about the status of water bodies in the country. Information on water bodies, such as total number, status in terms of shrinkage (dried or vanished), and change in land use due to increase or decrease in catchment area has not been documented. The Committee recommended that a national database incorporating information from states should be set up. For this, a census of water bodies should be taken up within a definite time-line.
- **Uniform classification of water bodies:** Some states classify water bodies on the basis of total area covered, and some on the type of water body. It recommended that the Ministry should devise its own classification system, which should be uniformly applicable to all water bodies in the country.
- **Restoration of water bodies:** Presently, four different Ministries have their own schemes or programs for conservation and rejuvenation of water bodies. The Committee recommended that instead of multiple schemes, there should be one national scheme with inter-ministerial co-ordination for restoration of water bodies.
- **Encroachment of water bodies:** The lack of enforcement of existing laws and poor maintenance of land records in both urban and rural areas have resulted in unchecked encroachment of water bodies. The Committee recommended that the Ministry of Water Resources with the Ministry of Urban Development should pursue state governments to include water bodies in land records. Monitoring by local bodies should also be strengthened to check encroachment on water bodies and the consequent change in land use.

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

Agriculture

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4th advance estimates of production of food grains for 2015-16 released

The fourth advance estimates of production of food grains in 2015-16 were released by the Ministry of Agriculture.⁶⁴ The production of total food grains is estimated to be at the same level as the final estimates of production in 2014-15. While the production of rice and sugarcane is estimated to be marginally higher as compared to 2014-15, that of pulses, oilseeds and cotton is estimated to be lower.

Table 3: Fourth Advance Estimates of major crops in 2015-16 (in million tonnes)

Crop	Final estimates 2014-15	4th advance estimates 2015-16	% increase over final estimates 2014-15
Food grains	252.0	252.2	0.0%
Rice	105.5	104.3	0.9%
Wheat	86.5	93.5	-0.6%
Coarse cereals	42.9	37.94	0.4%
Maize	24.2	21.81	3.8%
Pulses	17.2	16.47	-3.5%
Oilseeds	27.5	25.3	-2.3%
Cotton*	34.8	30.1	-1.4%
Sugarcane	362.3	352.2	1.6%

* millions of bales of 170 kgs each.

Sources: Directorate of Economics and Statistics; PRS.

Standing Committee submits report on effect of chemicals and fertilizers on agriculture

The Standing Committee on Agriculture submitted a report on 'Impact of fertilizers and pesticides on agriculture and allied sectors in the country'.⁶⁵ Key observations and recommendations of the Committee include:

- **Consumption of fertilizers:** The food grains production increased from 83 million tonnes in the 1960s to 252 million tonnes in 2014-15. At the same time, use of chemical fertilizers (such as those containing nitrogen, phosphorus and potassium) increased from one million tonnes to 25.6 million tonnes. The Committee recommended that a study should be undertaken to measure the impact of chemical fertilizers and pesticides on soil fertility and general health.
- **Imbalance in use of fertilizers:** 292 out of the 525 districts in the country account for 85% of its fertilizer use. The ratio of usage of nitrogen, phosphorus and potassium

fertilizers is 6.7:2.4:1, as compared to the recommended usage ratio of 4:2:1. The Committee recommended that a strategy should be initiated to promote the balanced use of fertilizers.

- **Use of pesticides:** The consumption of chemical pesticides in the country increased from 55,540 tonnes in 2010-11 to 57,353 tonnes in 2014-15, while imports increased from 53,996 tonnes to 77,376 tonnes in the same period. The Committee noted that excessive use of pesticides may have a deteriorating effect on health. It recommended that a policy should be put in place to check its import and usage.
- **Fertilizer subsidy policy:** The present policy of fertilizer subsidy excludes liquid fertilizers, bio-fertilizers, and organic manure, and has been ineffective in promoting the balanced use of fertilizers. The Committee recommended that the existing fertilizer subsidy policy should be revised, and a new policy, more favourable to Indian conditions should be formulated.
- **Regulating authorities:** The Committee recommended that a regulating authority of fertilizers should be established to streamline the process of certification, innovations, and fixing prices of fertilizers. A regulating authority of pesticides should also be created to regulate the manufacturing, import, and sale of pesticides. In addition, the Committee noted that there is a need to review the Insecticide Act, 1968, to provide for a regulatory framework for pesticides.

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

IMD releases report on mid-season southwest monsoon 2016

The Indian Meteorological Department (IMD) released the mid-season report of the Southwest Monsoon season 2016.⁶⁶ From June 1 to July 31, cumulative rainfall has been normal, i.e. 0% deviation from the long period average rainfall since 1950.

Rainfall in various regions of the country has been: (i) Northwest India: 6% above normal, (ii) Central India: 6% above normal, (iii) Southern Peninsula: 4% above normal, and (iv) North and Northeast India: 13% below normal.

Rainfall in the country over the second half of the 2016 season is estimated to be 107% of normal rainfall, with an error of +/-8%.

Rural development

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CAG submits report on Pradhan Mantri Gram Sadak Yojana

The Comptroller and Auditor General (CAG) submitted a report on the performance of the Pradhan Mantri Gram Sadak Yojana.⁶⁷ The scheme was introduced in 2000 to provide all-weather road connectivity to unconnected habitations in rural areas. The audit covered the period from April 2010 to March 2015.

Key findings and recommendations of the audit include:

- **Programme planning:** In seven states, discrepancies in District Rural Road Plans (DRRPs) were observed. These include absence of information on population of habitations, status of connectivity, road inventory and maps, and taking village instead of habitation as a unit of connectivity were observed. The CAG recommended: (i) creation of a Geographical Information System database with information on rural roads for each state, and (ii) removal of deficiencies in DRRPs to cover eligible unconnected habitation under the scheme.
- **Programme implementation:** In 11 states, 372 works were abandoned due to non-availability of land or land disputes, after incurring an expenditure of Rs 280 crore. Some works were completed without required bridges or cross drainage structures. The CAG recommended: (i) preparation of detailed project reports by adopting properly laid down procedures, (ii) completion of works with required bridges and cross drainage structures to ensure all weather connectivity, and (iii) monitoring by programme implementing authorities to check cases of undue advantage to contractors, poor execution of work.
- **Fund management:** In eight states, programme funds worth Rs 25 crore were diverted towards maintenance and administrative expenditure, salaries and wages, etc. The CAG recommended that states should ensure that funds released for a specific purpose are not diverted. In addition, states should ensure that the annual physical and financial targets are met.

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

Energy

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Standing Committee submits report on production of Coal Bed Methane

The Standing Committee on Petroleum and Natural Gas (Chair: Mr. Pralhad Joshi) submitted a report on the production of Coal Bed Methane (CBM).⁶⁸ CBM is a natural gas found in coal seams and considered to be a clean source of energy. Key observations and recommendations of the Committee include:

- **Comprehensive policy:** The CBM Policy, 1997 has not been able to achieve its objective of production of CBM to the promised potential. The Committee recommended that a revised and new CBM policy should be released. The new policy should address issues such as: (i) coordination between multiple agencies, (ii) simultaneous mining of coal and CBM, (iii) use of CBM from existing coal mines, and (iv) pricing of CBM.
- **Reassessment of CBM:** The assessment of CBM availability in the country was last done in 1990s. After that, no exercise to assess the new CBM potential in the country has been undertaken so far. The Committee noted that this could be one of the reasons for poor performance of the CBM blocks. It recommended that the CBM potential in the country should be reassessed.
- **CBM blocks:** Between 2001 and 2008, four rounds of bidding for awarding 33 CBM blocks have been carried out. Of these 33, four have been relinquished, and 18 more are under relinquishment due to delays in obtaining statutory clearances, and poor CBM prospects. Since 2008, no new blocks have been awarded. The Committee recommended that the award of new blocks and the relinquished blocks should be initiated at the earliest under the new Hydrocarbon Exploration Licensing Policy.

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

Standing Committee submits report on power generation from municipal solid waste

The Standing Committee on Energy (Chair: Dr. Kirit Somaiya) submitted a report on power generation from municipal solid waste.⁶⁹ Key observations and recommendations of the Committee include:

- **Municipal solid waste:** About 1.43 lakh metric tonne of solid waste is generated every day in the country. About 23% of this waste is treated and disposed. Under the Swachh Bharat Mission, 100% scientific processing and disposal of municipal solid waste is envisaged by 2019. The Committee recommended that all urban local bodies should prepare action plans to establish waste treatment facilities. Further, segregation of waste should be made mandatory in all government offices, households, and commercial establishments.
- **Technology options:** Energy can be generated from waste in various ways such as: (i) biomethanation of wet biodegradable waste (produces biogas), (ii) combustion of dry high organic component of combustible wastes, and (iii) complete combustion (or mass burning) of solid waste. Most of these techniques require proper segregation of waste, however an efficient segregation mechanism is lacking. The Committee recommended that government should provide policy and technical support for converting waste to energy. Further, mass burning of municipal waste should be prohibited as it is detrimental to the environment and a major source of health hazards.
- **Role of urban local bodies (ULBs):** The Committee recommended that the process of garbage collection should be upgraded by the ULBs and be made more scientific and efficient. To maximise waste collection efficiency, state governments and ULBs should integrate ragpickers and kabadiwalas within the formal system.
- **Tariff:** The Central Electricity Regulatory Commission (CERC) has notified generic tariff for waste-to-energy at Rs 7.9 per unit of power for refuse derived fuel. The Committee recommended that the practice of tariff determination by the CERC must be reviewed. The tariff of electricity generated from all the waste to energy plants should be decided through competitive bidding.

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

Defence

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India and US sign an agreement on defence logistics cooperation

India and the United States signed the Logistics Exchange Memorandum of Agreement on August 29, 2016.⁷⁰

The Agreement establishes terms, conditions and procedures between India and the United States for the provision of logistics support to the armed forces during port visits, joint military exercises, joint training, and humanitarian or disaster related assistance. Logistics support includes provision of food, water, transportation, petroleum, spare parts, and communication, repair and medical services.

For cooperative efforts other than those specified above (i.e. port visits, joint exercises, etc.), logistics support may be provided on a case-by

¹ Parliament session wrap, August 12, 2016, <http://www.prsindia.org/uploads/media/Monsoon%202016/Session%20wrap%20Monsoon%202016.pdf>.

² “Estimates of Gross Domestic Product for the First Quarter (April-June) 2016-17”, Press Release, Ministry of Statistics and Programme Implementation, August 31, 2016, http://mospi.nic.in/Mospi_New/upload/nad_PR_31aug16.pdf.

³ S.O. 2623 (E), e-Gazette of India, Ministry of Finance, August 5, 2016, <http://egazette.nic.in/WriteReadData/2016/171115.pdf>.

⁴ “Government initiates process to constitute Monetary Policy Committee under the Reserve Bank of India Act, 1934”, Press Release, Ministry of Finance, June 27, 2016.

⁵ “Quick Estimates of Index of Industrial Production and Use Based Index for the Month of March, 2016 (Base 2004-05=100)”, Press Release, Ministry of Statistics and Programme Implementation, August 12, 2016.

⁶ Third Bi-Monthly Monetary Policy Statement 2016-17, Press Release, Reserve Bank of India, August 9, 2016, <https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR35650D39F516C004E98A51997670A5D771A.PDF>.

⁷ Amendments made by Rajya Sabha to the Constitution (122nd) Amendment Bill on August 3, 2016. List of Business for August 8, 2016, Lok Sabha, August 5, 2016, <http://164.100.47.132/lob/16/IX/LOB8.8.2016.pdf>.

⁸ Article 368 (2), Constitution of India; Clause 14, Constitution (122nd Amendment) Bill, 2014.

⁹ ‘Assam becomes first state to ratify GST Bill’, Indian Express, August 12, 2016, <http://indianexpress.com/article/business/economy/assam-assembly-passes-constitution-amendment-bill-gst-2970319/>; ‘Himachal becomes the 4th state to ratify the GST Bill’, Indian Express, August 22, 2016, <http://indianexpress.com/article/india/india-news-india/himachal-pradesh-assembly-gst-bill-passed-2990692/>; ‘Mizoram Assembly becomes 13th state assembly to ratify GST’, Indian Express, August 30, 2015, <http://indianexpress.com/article/business/economy/mizoram-assembly-becomes-13th-state-to-ratify-gst-3004017/>; ‘Goa becomes 15th state to ratify GST bill’, The Mint, September 1, 2016,

case basis with the mutual consent of both countries, consistent with domestic laws.

External Affairs

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President of Myanmar visits India

The President of Myanmar Htin Kyaw visited India from August 27-30, 2016.⁷¹ During the visit, India and Myanmar signed four agreements. These agreements are related to facilitation of the India-Myanmar-Thailand Trilateral Highway project, and cooperation in renewable energy and traditional medicine.⁷²

<http://www.livemint.com/Politics/9hroL8fyCU6jVfwG5Zb8MP/Goa-becomes-15th-state-to-ratify-GST-bill.html>;

¹⁰ The Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Act, 2016, <http://egazette.nic.in/WriteReadData/2016/171305.pdf>.

¹¹ The Benami Transactions Prohibition (Amendment) Bill, 2015, <http://www.prsindia.org/uploads/media/Benami/Benami%20Transactions%20bill,%202015.pdf>.

¹² Rajya Sabha Bulletin on August 2, 2016, <http://164.100.47.5/Bullitensessions/sessionno/240/02082016.pdf>.

¹³ The Benami Transactions (Amendment) Bill, 2016, e-gazette, <http://egazette.nic.in/WriteReadData/2016/171245.pdf>.

¹⁴ The Taxation Laws (Amendment) Bill, 2016, [http://www.prsindia.org/uploads/media/Taxation%20Laws/Taxation%20Laws%20\(A\)%20Bill,%202016.pdf](http://www.prsindia.org/uploads/media/Taxation%20Laws/Taxation%20Laws%20(A)%20Bill,%202016.pdf).

¹⁵ Lok Sabha Bulletin on August 10, 2016, <http://164.100.47.132/bull/16/IX/10.08.2016.pdf>.

¹⁶ Cabinet approves recommendations of the Sub-Group of Chief Ministers on Rationalisation of Centrally Sponsored Schemes, Press Information Bureau, Cabinet, August 3, 2016.

¹⁷ Report of the Sub-Group of Chief Ministers on Centrally Sponsored Schemes, October 2015, <http://niti.gov.in/writereaddata/files/Final%20Report%20of%20the%20Sub-Group%20submitter%20to%20PM.pdf>.

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¹⁹ Draft Circular: Limiting Liability of Customers in Unauthorised Electronic Banking Transactions, Reserve Bank of India, August 11, 2016, <https://rbidocs.rbi.org.in/rdocs/Content/PDFs/FDCL11082016F20B6FE1018A4B7C90F217174B6799C8.PDF>.

²⁰ ‘Cabinet approves foreign investment in other Financial Services sector’, Press Information Bureau, Cabinet, August 10, 2016.

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- <https://rbidocs.rbi.org.in/rdocs/Content/PDFs/GOTL01082016BB321081EF5A45A489080187CA4CA690.PDF>.
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