

Monthly Policy Review

December 2016

Highlights of this Issue

[Winter Session 2016 of Parliament ends; Two Bills passed \(p. 2\)](#)

Parliament had 21 sittings, but over 80% of the time was lost to disruptions. It passed two Bills, the Rights of Persons with Disabilities Bill, 2014 and the Taxation Laws (Second Amendment) Bill, 2016.

[Rights of Persons with Disabilities Bill, 2014 passed by Parliament \(p. 5\)](#)

The Bill confers rights and entitlements on disabled persons. Persons with at least 40% disability are entitled to benefits such as reservations in education and employment and preference in government schemes.

[Seven Bills introduced in Winter Session 2016 \(p. 5, 7, 8, 10, 11\)](#)

Bills introduced include the Payment of Wages (Amendment) Bill, 2016, the Merchant Shipping Bill, 2016, the Major Port Authority Bill, 2016, the Surrogacy (Regulation) Bill, 2016, among others.

[The Specified Bank Notes \(Cessation of Liabilities\) Ordinance, 2016 promulgated \(p. 2\)](#)

The Ordinance removes the liability of the RBI and the central government to honour old Rs 500 and Rs 1,000 notes which were demonetised in November 2016. It also imposes penalties for holding more than 10 such notes.

[Enemy Property Ordinance re-promulgated for the fifth time \(p. 6\)](#)

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

[Committee on Digital Payments submits report \(p. 3\)](#)

The Committee recommended: (i) amending the Payment and Settlements Act, 2007, (ii) withdrawing service charge levied on digital transactions, and (iii) levying a cash handling charge on transactions over a limit.

[Standing Committee on Finance submits its report on the Companies Bill, 2016 \(p. 3\)](#)

The Committee recommended: (i) designing compliance requirements for companies based on volume of business, and (ii) maintaining harmony between provisions of the Companies Act and SEBI regulations.

[Standing Committees submit reports on various subjects \(p. 8, 10, 11, 12, 13\)](#)

The subjects include safety and security in Railways, delays in appointing higher court judges, proxy and postal voting by defence services personnel, and industrial policy in changing global scenario.

[Guidelines on prevention of sexual harassment of women at workplace issued \(p. 13\)](#)

The guidelines require: (i) record of implementation; (ii) time-bound inquiry; and (iii) prevention of victimisation of the complainant under the Prevention of Sexual Harassment Act, 2013. They are applicable to all central ministries.

[CAD at 0.6% of GDP in Q1 of 2016-17, as compared to 1.7% in Q2 of 2015-16 \(p. 2\)](#)

The decrease in the current account deficit was on account of a lower trade deficit of \$25.6 billion in the second quarter of 2016-17, as compared to \$37.2 billion in the second quarter of 2015-16.

[Process for granting environmental clearance for building projects amended \(p. 14\)](#)

The amendment allows local authorities to grant environmental clearance for projects covering between 20,000 and 1,50,000 sq. metres, instead of state level authorities. It also requires local authorities to set up environmental cells.

[CERC issues orders on revising tariff for power generated from imported coal \(p. 14\)](#)

The CERC issued two orders, allowing private companies to revise their power tariff due to the increase in price of imported coal. Losses arising from the increase in price of coal will be paid up by the consumers.

January 2, 2017

Parliament

Roopal Suhag (roopal@prsindia.org)

Winter session of Parliament ends

The Winter Session of Parliament ended on December 16, 2016.¹ There were 21 sittings in the session, but over 80% of the scheduled time in each house was lost to disruptions. Two Bills were passed in this session, the Rights of Persons with Disabilities Bill, 2014 and the Taxation Laws (Second Amendment) Bill, 2016.

Seven other Bills were introduced in this session and are now pending in Parliament. These include the Surrogacy (Regulation) Bill, 2016, the Major Port Authority Bill, 2016, the Merchant Shipping Bill, 2016, among others. During this session, 10 Bills were listed for consideration and passing. These included the Enemy Property (Amendment and Validation) Bill, 2016, the Maternity Benefit (Amendment) Bill, 2016, the Prevention of Corruption (Amendment) Bill, 2013, the Factories (Amendment) Bill, 2016, among others. However, none of these Bills was passed.

The Second 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 Winter Session 2016, please see [here](#) and [here](#).

For details on the functioning of Parliament during the Winter Session 2016, please see [here](#).

Macroeconomic Development

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CAD at 0.6% of GDP in second quarter of 2016-17

India's current account deficit (CAD) in the second quarter (July to September) of 2016-17 decreased to USD 3.4 billion (0.6% of GDP), from USD 8.5 billion (1.7% of GDP) in the second quarter of 2015-16.² CAD in the previous quarter, i.e. the first quarter (April to June), of 2016-17 was USD 0.3 billion (0.1% of GDP).

The decrease in CAD was mainly owing to a lower trade deficit (difference between exports and imports) in the country as compared to last year. Trade deficit reduced from USD 37.2 billion in the second quarter of 2015-16 to USD 25.6 billion in the second quarter of 2016-17.

Table 1: Balance of Payments in Q2 of 2016-17 (in USD billion)

	Q2 2015-16	Q1 2016-17	Q2 2016-17
Current Account Deficit	-8.5	-0.3	-3.4
Capital Account	9.9	7.1	12.7
Errors and Omissions	-0.4	0.2	-0.7
Net increase in reserves	0.9	7	8.6

Sources: Reserve Bank of India; PRS.

Monetary Policy Committee keeps rates unchanged

The Monetary Policy Committee released the fifth Bi-Monthly Monetary Policy Statement of 2016-17.³ The policy repo rate (at which RBI lends money to commercial banks) was kept unchanged at 6.25%. Other decisions of the Committee include:

- The reverse repo rate (at which RBI borrows money from commercial banks) remains unchanged at 5.75%.
- 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) remains unchanged at 6.75%.

Finance

The Specified Bank Notes (Cessation of Liabilities) Ordinance, 2016 promulgated

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The Specified Bank Notes (Cessation of Liabilities) Ordinance, 2016 was promulgated on December 30, 2016.⁴ It provides that old notes of Rs 500 and Rs 1,000 will cease to be liabilities of the Reserve Bank of India (RBI) from December 31, 2016. Further, these notes will no longer be guaranteed by the central government. Earlier in November 2016, these notes had been demonetised.⁵

Key features of the Ordinance include:

- **Grace period:** The central government will specify a grace period during which the following persons may deposit the specified notes with the RBI: (i) an Indian citizen who makes a declaration that he was outside India between November 9, 2016 to December 30, 2016, or (ii) any other class of persons specified by the central government. Any such persons depositing old notes will be

required to make declarations or statements as specified by the RBI.

- The government notified March 31, 2017 as the last date (grace period) for depositing these notes for Indian residents, and June 30, 2017 for non-resident Indians.⁶
- Any person wilfully making a false declaration will be punished with a fine: (i) which may extend to Rs 50,000, or (ii) five times the value of notes deposited, whichever is higher.
- **Prohibitions related to specified notes:** Any person is prohibited from holding, transferring or receiving the specified bank notes from December 31, 2016 onwards. It exempts persons from this prohibition if: (i) a person holds up to 10 old notes (irrespective of denomination), (ii) a person holds up to 25 notes for the purposes of study, research or numismatics (collection or study of coins and notes), or (iii) a person holds notes on the direction of a court. In addition, the RBI or any person authorised by it are also exempted from this prohibition.
- **Punishment for holding specified bank notes:** Any person holding the specified bank notes, except in the circumstances mentioned above will be punishable with a fine: (i) which may extend to Rs 10,000, or (ii) five times the value of notes possessed, whichever is higher.

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

For more details related to the demonetisation of currency notes, please see the PRS Monthly Policy Review for November 2016, [here](#).

Standing Committee submits report on the Companies (Amendment) Bill, 2016

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The Standing Committee on Finance (Chair: Mr Veerappa Moily) submitted its report on the Companies (Amendment) Bill, 2016. The Bill was introduced in Lok Sabha in March 2016. It seeks to amend the Companies Act, 2013, which regulates the incorporation, management, and functioning of companies. Key recommendations of the report include:

- **Objects clause:** Currently, the Act requires that the Memorandum of Association of a company to state the objects behind incorporating a company. The Bill removes this requirement, and only requires companies to state that it will engage in lawful activities or businesses. The Committee was of the opinion that the proposed amendment may lead to the

creation of bogus entities. Further, specifying the objects clause at the time of incorporation is not a complex issue, as the creation of company should be for a specific business activity to attract investors. The Committee recommended that status quo be restored.

- **Compliance requirements:** The Act has various compliance requirements for companies such as a minimum number of members in the Board. These requirements vary based on whether the company is public or private. The Committee noted that the compliance requirements may be determined based on the business volume of the company, instead of the nature of the company (public or private).
- **Managerial remuneration:** Under the Act, if remuneration of management level employees of a company exceeds prescribed limits, the approval of the central government must be obtained. The Bill seeks to omit this requirement. The Committee endorsed the proposed amendment. However, it noted that the government should bear some element of control. This should be done by the government retaining the right to seek necessary information of managerial remuneration of listed companies and companies operating with public funds.
- **Harmonization between SEBI and the Act:** The Committee noted that certain provisions of the Act have differences with the regulations of the Securities and Exchange Board of India (SEBI). Such differences have led to practical difficulties in following compliance requirements. Some examples include variations in provisions related to independent directors and related party transactions. The Committee noted that such provisions should be harmonized with SEBI's regulations to avoid confusion.

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

Committee on Digital Payments submits report

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The Committee on Digital Payments (Chair: Mr. Ratan P. Watal) submitted its report to the Ministry of Finance.⁷ Comments have been invited on the report by January 11, 2017.⁸ Key recommendations made in the report include:

- **Legislative changes:** The function of regulating payments should be independent

of the RBI. In addition, amendments to the Payment and Settlements Act, 2007 should be made to provide for: (i) competition and innovation in the payments market, and (ii) consumer protection, among others.

- **Promotion of digital payments:** The government should promote digital payments for its own transactions. In addition, convenience fee, service charge or surcharge currently levied on electronic payments (such as, at petrol pumps, the railways or the airlines) should be withdrawn.
- **DIPAYAN fund:** A fund called DIPAYAN (Digital Payments Action Network) should be created using savings generated from cashless transactions. It should be used for promoting and incentivising digital payments.
- **Dis-incentivise cash:** A cash handling charge should be levied for transactions above a certain threshold. The threshold of quoting of PAN for cash transactions should be reduced from the current threshold of Rs 50,000 for banking and Rs 2,00,000 for other transactions.
- **Upgrade payment systems:** The RBI should extend the working hours of RTGS to ensure that RTGS and NEFT facilities are available for 24*7.

The Committee has identified the Ministry of Finance, the RBI, the NITI Aayog, among other agencies to implement its recommendations.

Task Force releases draft Bill to establish a Financial Data Management Centre

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A Task Force (Chair: Mr. Ajay Tyagi) set up by the Ministry of Finance released the draft Financial Data Management Centre Bill, 2016.⁹ The draft Bill proposes to set up a Financial Data Management Centre to collect and analyse data from financial sector regulators such as the RBI and SEBI. It also seeks to amend the Reserve Bank of India Act, 1934, and the Banking Regulation Act, 1949.

Key features of the draft Bill include:

- **Data Centre:** A Data Centre will be established consisting of: (i) a chief executive officer, (ii) a chief data officer, (iii) a chief economist, and (iv) two non-executive members. The centre will collect, maintain, and analyse financial data to assist the Financial Stability and Development Council (FSDC). The FSDC is responsible

for inter-regulatory coordination and development of the financial sector. It is headed by the Finance Minister and its members include heads of various financial sector regulators.¹⁰

- **Levy of fee:** The Data Centre may charge regulators a fee for collecting, storing and allowing them access to data. The Data Centre will determine, along with the regulators or the FSDC, the manner in which they can access data.
- **MoU with regulators and Council:** The Data Centre will enter into Memoranda of Understanding (MoUs) with regulators for subjects including: (i) role of the Centre and the regulator, and (ii) development of standardised formats for data collection. The Data Centre will also enter into an MoU with the FSDC to determine the manner in which it will access the data.
- **Offences:** The draft Bill specifies penalties for offences such as accessing data without authorisation, introduction of a computer virus, and destroying data. The penalty for such offences will be imprisonment ranging between three to 10 years, with a fine ranging from one lakh rupees to three times the gain made by the offender.

Report of Task Force on Financial Redress Agency released

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The Ministry of Finance released the report of the Task Force (Chair: Mr. Dharendra Swarup) on the Financial Redress Agency (FRA).¹¹ The setting up of FRA was earlier proposed by the Financial Sector Legislative Reforms Commission (FSLRC) in 2013. Comments have been invited on the report by January 31, 2017.¹²

The FRA is envisaged as redress system for retail consumers filing complaints against regulated financial service providers (such as banks and insurance companies). Key recommendations of the Task Force include:

- **Legislative framework:** The government should conceive a financial consumer protection and redress legislation and amend existing legislations accordingly. This could be done by adopting provisions from the draft Indian Financial Code.¹³
- **Design and organisation:** The FRA should be designed using a technology intensive model, and discourage court-like processes. The mediators and adjudicators should focus on providing redress services to consumers,

and should not be burdened with support or management functions.

- **Funding of FRA:** The government should provide an overall budget of Rs 90 to 100 crore for the FRA. The regulators and the FRA should determine a model to levy fees on the financial service providers to fund the FRA. No fee should be charged from the consumers.
- **Implementation:** A phased roll-out of the FRA has been recommended. The government should establish a shell FRA through an executive order, and hire consultants to scale it up to be a fully functional redress agency. The shell FRA should be empowered to enter into contracts, build infrastructure, hire staff, and receive or spend funds, among others. Further, the FRA should be given statutory backing through a financial consumer protection and redress legislation.
- **Transition:** The FRA should start functioning in 12 months after the shell FRA has been created. It should be empowered to redress complaints currently handled by the financial sector regulators, or their Ombudsman.

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

Labour and Employment

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The Payment of Wages (Amendment) Bill, 2016 introduced; Ordinance issued

The Payment of Wages (Amendment) Bill, 2016 was introduced in Lok Sabha.¹⁴ The Bill amends the Payment of Wages Act, 1936, in relation to the method of payment of wages. Salient provisions of the Bill include:

- Under the 1936 Act, all wages must be paid either in coin or currency notes, or both. However, the employer may pay his employee's wages either by cheque or by crediting it into his bank account, after obtaining his written authorisation.
- The Bill amends the 1936 Act to permit the employer to pay an employee's wages: (i) in coin or currency notes; or (ii) by cheque; or (iii) by crediting them into his bank account. The Bill removes the requirement of obtaining written authorisation for payment of wages through a cheque or bank account.

- Further, the relevant central or state government may specify certain industrial or other establishments where the employer should pay his employees only by: (i) cheque; or (ii) crediting the wages in his bank account.

Subsequently, on December 28, 2016, an Ordinance with the same provisions was issued.¹⁵

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

Health

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Rights of Persons with Disabilities Bill, 2014 passed by Parliament

The Rights of Persons with Disabilities Bill, 2014 was passed by Parliament.¹⁶ The Bill confers rights and entitlements to disabled persons. The Bill repeals the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995.

The Standing Committee on Social Justice and Empowerment submitted its report on the Bill in May 2015. Official amendments were circulated in Rajya Sabha in December 2016. Key features of the Bill include:

- **Definition of disability:** Disability has been defined to include 19 conditions, such as, autism, low vision and blindness, cerebral palsy, mental illness, among others. Persons with at least 40% disability (benchmark disability) are entitled to certain benefits such as reservations in education and employment, and preference in government schemes.
- **Nature of guardianship:** District courts will review decisions regarding the support to be given to a person with disability where limited guardianship (decisions taken by guardian in consultation with the person with disability) is granted repeatedly. Further, any person with a disability who is aggrieved by the decision of the appointment of a legal guardian may appeal against it to an appellate authority.
- **Reservation provision:** At least four percent of the vacancies in government establishments are to be filled by persons or class of persons with at least 40% disability. Of this, one per cent will be reserved for persons with the following disabilities: (i) blindness and low vision; (ii) deaf and hard

of hearing; (iii) locomotor disability and leprosy cured, dwarfism, acid attack victims; (iv) autism, intellectual disability, specific learning disability and mental illness; and (v) multiple disabilities

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

NITI Aayog launches the National Index for Performance on Health Outcomes

A composite index for health outcomes of states was launched by NITI Aayog and the Ministry of Health and Family Welfare.¹⁷ It will be calculated and disseminated annually. Monitorable indicators that form a part of the Sustainable Development Goal for health have been included in the index. The aim of this index is to: (i) assist in state level monitoring of performance, (ii) serve as an input for providing performance based incentives, and (iii) improve health outcomes.

Key features of the index include:

- The indicators are categorised into the domains of ‘health outcomes’, ‘governance and information’ and ‘key inputs/processes’;
- The index has been changed from a base year to a reference year. Further, in each subsequent year, the index will measure incremental improvement of each state, relative to its own baseline performance; and
- The indicators have been selected based on their periodic availability through existing data sources such as the Sample Registration System, Civil Registration System, and Health Management Information Systems.

Home Affairs

Enemy Property (Amendment) Fifth Ordinance, 2016 promulgated

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The Enemy Property (Amendment and Validation) Fifth Ordinance, 2016 was promulgated.¹⁸ It amends the Enemy Property Act, 1968. Previously, four similar Ordinances were promulgated in January, April, May and August 2016 amending the 1968 Act. This Ordinance replaces the Ordinance promulgated in August, and scheduled to lapse in December 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 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. 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 related to 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 2016.¹⁹ For a PRS Analysis of the Bill and the Select Committee recommendations, please see [here](#).

Draft amendments to the National Investigation Agency Act 2008 released

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The Ministry of Home Affairs released draft amendments to the National Investigation Agency (NIA) Act, 2008.²⁰ Salient amendments proposed include:

- **Coverage:** The 2008 Act specifies that it would apply to all persons in India. It would also extend to certain categories of persons outside of India if they are: (i) Indian citizens; (ii) government servants; and (iii) persons on ships and aircrafts registered in India. The draft Bill seeks to extend the coverage of the 2008 Act to persons outside India, if the offence is included in the Schedule to the 2008 Act (known as a Scheduled offence).

- **New Acts to be included in the Schedule:** Under the 2008 Act, the NIA has jurisdiction over offences committed under eight Acts which have been included into the above mentioned Schedule. These include the Unlawful Activities (Prevention) Act, 1967 and the Anti Hijacking Act, 1982. The draft Bill seeks to include five new entries into the Schedule, including: (i) the Explosive Substances Act, 1908; and (ii) certain sections of the Ranbir Penal Code (criminal law of Jammu and Kashmir).
- **Jurisdiction of officers:** In relation to a Scheduled offence under the 2008 Act, officers of the NIA have the same powers of investigation and arrest as that of police officers, throughout India. The draft Bill seeks to extend the jurisdiction of NIA officers outside India, subject to international treaties and the domestic law of the relevant foreign country.
- **Special Courts:** The 2008 Act permits the central government to set up Special Courts for the trial of Scheduled offences. The draft Bill requires the central government, in consultation with the Chief Justice of the High Court, to set up Special Courts.
- **Special Investigation techniques:** The draft Bill further states that the Special Court may permit an officer who is operating under the supervision of an officer, at least of the rank of Superintendent of Police, to use special investigation techniques, in a manner to be prescribed. Special investigation techniques include those mentioned in international conventions that India is a party to.

Draft amendments to the Unlawful Activities Prevention Act 1967 released

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The Ministry of Home Affairs released draft amendments to the Unlawful Activities Prevention Act, 1967.²¹ Salient amendments proposed include:

- **Names of individual terrorists:** The Act permits the central government to include or remove names of terrorist organisations in the First Schedule. The draft Bill permits the central government to also include or remove names of individual terrorists in a Fourth Schedule.
 - **Second schedule:** The Act defines a terrorist act to include any offence defined in treaties specified in the Second Schedule. The Second Schedule includes nine treaties,
- such as the Convention for the Suppression of Unlawful Seizure of Aircraft (1970); and the International Convention against the Taking of Hostages (1979). The draft Bill adds the Convention on the Physical Protection of Nuclear Materials (1980) to the Second Schedule.
- **Officers competent to investigate:** The Act states that an officer, at least the rank of an Assistant Commissioner of Police, will investigate into terror related offences in metropolitan areas. The draft Bill includes a provision that in case of the National Investigation Authority (NIA), an officer at least of the rank of Inspector will conduct investigations.
 - **Approval for seizure of property:** Under the 1967 Act, the investigating officer may seize property related to terrorist activities with prior written approval of the Director General of Police of the relevant state in which the property is situated. The draft Bill states that the investigating officer may also obtain prior written approval of the Director General of the NIA, instead.

Transport

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The Merchant Shipping Bill, 2016 introduced

The Merchant Shipping Bill, 2016 was introduced in Lok Sabha by the Minister of State for Shipping, Mr. Pon Radhakrishnan.²² The Bill seeks to bring in reforms in the shipping sector to promote ease of doing business, and develop Indian coastal shipping. The Bill replaces the Merchant Shipping Act, 1958, and repeals the Coasting Vessels Act, 1838. Key features of the Bill include:

- **National Shipping Board and Seafarer's Welfare Board:** The Bill allows the central government to establish a National Shipping Board, which will advise the central government on the development of Indian shipping. Members of the Shipping Board will include: (i) six Members of Parliament, and (ii) up to 16 members representing the central government, ship-owners, and seafarers.
- The Bill allows the central government to create a Seafarers Welfare Board. The central government may provide for the composition, term of office, and procedures for conduct of business of the Welfare

Board. The Board will advise the central government on measures to promote the welfare of seafarers with regard to the following: (i) lodging and boarding, (ii) provision of hospitals and medical treatment, and (iii) measures to be taken for the welfare of distressed or abandoned seafarers.

- **Registration of Indian vessels:** Every Indian vessel must be registered at a port or place in India that has been declared as a port of registry by the central government. The Registrar of Indian vessels at each port will grant a certificate of registry and a tonnage certificate to every vessel (indicating the capacity of the vessel). The Bill also specifies the procedure to transfer the ownership of a registered vessel. An Indian vessel may be registered in another country subject to certain conditions.
- **Safety and security:** The Bill requires all ships to comply with various international conventions such as: (i) the Safety Convention, 1974, (ii) the Convention on the International Regulations for Preventing Collisions at Sea, 1972, and (iii) the International Convention for Safe Containers, 1972.

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

The Major Port Authorities Bill, 2016 introduced

The Major Port Authorities Bill, 2016 was introduced in Lok Sabha by the Minister of State for Shipping, Mr. Pon Radhakrishnan.²³ The Bill seeks to provide greater autonomy and flexibility to major ports. The Bill repeals the Major Port Trusts Act, 1963. Key features of the Bill include:

- **Application:** The Bill will apply to the major ports of Chennai, Cochin, Jawaharlal Nehru Port in Navi Mumbai, Kandla, Kolkata, Mumbai, New Mangalore, Mormugao, Paradip, V.O. Chidambaranar in Tuticorin, and Vishakhapatnam. The central government may notify other major ports.
- **Major Port Authorities Board:** Under the 1963 Act, all major ports are managed by the respective Board of Port Trusts that have members appointed by the central government. The Bill provides for the creation of a Board of Major Port Authority for each major port. The Boards will succeed the existing Port Trusts.
- **Composition and powers of Board:** The Board will comprise of a Chairperson and a deputy Chairperson, both of whom will be

appointed by the central government on the recommendation of a select committee. The Board will also include one member each from: (i) the respective state governments, (ii) the Railways Ministry, (iii) the Defence Ministry, and (iv) the Customs department. The Bill allows the Board to use its property, assets and funds as it considers fit for the development of the major ports. The Board can also make rules on: (i) declaring availability of port assets for port related activities and services, and (ii) developing and providing infrastructure facilities such as setting up of new ports and jetties.

- **Fixing of rates:** Currently, the Tariff Authority for Major Ports, established under the 1963 Act, fixes the scale of rates for assets and services available at ports. Under the Bill, the Board or committees appointed by the Board will determine these rates. They may determine rates for: (i) services that will be performed at ports, (ii) the access to and usage of the port assets, and (iii) different classes of goods and vessels.

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

Standing Committee submits report on safety and security in Railways

The Standing Committee on Railways (Chair: Mr. Sudip Bandopadhyay) submitted its report on safety and security in Railways.²⁴ Key observations and recommendations of the Committee include:

- **Institutional framework:** The Committee observed that, within Railways, each department defines its own safety parameters for assets and prioritizes its own concerns with regard to safety. The Committee recommended that a separate department should be created, solely entrusted with providing safety and security.
- **Under-investment in Railways:** The Committee observed that slow expansion of the rail network has put undue burden on the existing infrastructure leading to severe congestion and safety compromises. Further, under-investment in Railways has resulted in congested routes, inability to add new trains, reduction of train speeds, and more rail accidents.
- **Accidents at unmanned level crossings:** The Committee noted that unmanned level crossings (UMLCs) (or railway crossings) continue to be the biggest cause of maximum casualties in rail accidents. The Committee recommended that certain

measures such as Approaching Train Warning Systems, Train Actuated Warning Systems for giving audio-visual warning to road users about an approaching train should be implemented to reduce these accidents.

- **Accidents due to derailments:** Between 2003-04 and 2015-16, derailments were the second highest reason for casualties. One of the reasons for derailment is a defect in the track or rolling stock. The Committee also noted that the Linke Hoffman Busch (LHB) coaches do not witness higher casualties in case of derailments as the coaches do not pile upon each other. It recommended that Indian Railways should switch completely to LHB coaches.

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

Committee to propose taxi policy guidelines submits report

The Committee to propose taxi policy guidelines to promote urban mobility, constituted by the Ministry of Road Transport and Highways, submitted its report.²⁵ The Committee reviewed issues related to taxi permits in cities and suggested taxi policy guidelines. The guidelines will provide states with a common detailed framework to formulate regulations for taxi operations. Key observations and recommendations of the Committee include:

- **Growth of cars:** The Committee noted that Indian cities suffer from severe traffic congestion which amounts to losses of about Rs 60,000 crore per annum, and adds to pollution levels. One of the major reasons behind this is the uncontrollable growth of cars in Indian cities. Lack of reliable and convenient transport alternatives has resulted in the growth of car ownership in the country. Further, the current challenges are despite only about 5% of Indians owning cars. With car ownership increasing, the problem will only worsen in the future. The Committee recommended a national level policy intervention to promote shared mobility over private vehicle ownership.
- **Taxi permits:** The Committee noted that, in most cities, taxi permits have not been issued after 1998. Further, several conditions attached to these permits have become outdated with technology. These act as barriers to entry into the market. It recommended that states should facilitate unhindered grant of permits for all taxis without any restrictions. In addition, online grant of permits should be allowed.

- **Aggregators:** Taxi aggregators must get their apps validated from the Standardisation Testing and Quality Certification or any other agency authorised by the Ministry of Electronic and Information Technology. They must also include a firewall for the security of personal data of passengers. The aggregators must have a physical presence in the states where they are operating. They must also provide a grievance redressal mechanism and have an emergency response centre to handle SOS alerts by passengers.
- **Taxi permissions:** The Committee recommended that city taxis may be allowed to ply on aggregator platforms. Taxis with All India Tourist Permit may be allowed to operate for all purposes except as street hailing taxis.

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

Draft policy for providing new suburban rail systems released

The Ministry of Railways released a draft policy for providing new suburban rail systems to cater to the growing demand of urban transport.²⁶ These draft guidelines seek to help address the growing demand for introduction and construction of suburban rail systems in various cities. Key guidelines include:

- **Objectives:** The key objective is to eliminate the conflict between long distance intercity transport and suburban transport, and build a financially sustainable transport model that can be replicated in other cities.
- **Project features:** The projects will be implemented through a Special Purpose Vehicle (SPV) with equal equity participation from respective state governments and Indian Railways. Projects that would require integration with the existing Railway systems for operational purpose will be considered by Indian Railways depending upon technical, financial, and operational feasibility. In other cases, state governments may take up independent rail based suburban projects under their respective Metro Acts in line with National Urban Transport Policy.
- **Feasibility studies:** Feasibility studies for the projects will be carried out by state governments at their own cost. The feasibility reports will be examined by the concerned Zonal Railway for technical, financial and operational feasibility. Based on the state governments' request, Indian Railways will seek sanction of the competent authorities for the projects.

- **Land:** Indian Railways will provide land on lease for the projects after considering its own future requirements. The complete cost of land acquisition, leasing of Railway land, and any resettlement and rehabilitation will be met by the state governments.
- **Revenue:** All revenues will accrue to the SPV. Operation and maintenance expenses, depreciation and revenue accrual to Indian Railways will be binding on the state government. The state governments will set up a dedicated urban transport fund at state and city level for partly financing the capital cost of the project, and replacement of assets. This fund will be funded through levy of dedicated taxes, levies, betterment tax, impact fee, and development charges around the proposed railway stations.

Education

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The National Institutes of Technology, Science Education and Research (Second Amendment) Bill, 2016 introduced

The National Institutes of Technology, Science Education and Research (Second Amendment) Bill, 2016 was introduced by the Minister of Human Resource Development, Mr. Prakash Javadekar in Lok Sabha.²⁷

The Bill amends the National Institutes of Technology, Science Education and Research Act, 2007 (NITSER Act). The NITSER Act declares certain institutions of technology, science education, and research as Institutes of National Importance and provides for research, training and dissemination of knowledge in these institutions. The Bill adds two institutes to the Second Schedule of the NITSER Act: (i) Indian Institute of Science Education and Research, Tirupati (Andhra Pradesh); and (ii) Indian Institute of Science Education and Research, Berhampur (Odisha).

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

Draft Indian Institute of Information Technology (Public - Private Partnership) Bill, 2016 released

The draft Indian Institute of Information Technology (Public - Private Partnership) Bill, 2016 was released by the Ministry of Human Resource Development.²⁸ The Draft Bill seeks to declare certain Indian Institutes of Information Technology (IIITs), established under public-

private partnership, as Institutions of National Importance. The objectives of the Draft Bill are:

- To make IIITs emerge as foremost institutions in information technology and allied fields of knowledge;
- To advance new knowledge and innovation in information technology and allied fields;
- To promote and provide transparency in matters of admission, appointment to various positions, academic evaluation, administration, and finance.

Standing Committee submits report on the implementation of Sarva Shiksha Abhiyan and Mid-Day-Meal Scheme

The Standing Committee on Human Resource Development (Chairperson: Dr. Satyanarayan Jatiya) submitted its report on 'The Implementation of Sarva Shiksha Abhiyan (SSA) and Mid-Day-Meal Scheme (MDMS)'.²⁹

SSA, launched in 2000, seeks to achieve universal access to education and retention of students in schools. MDMS, launched in 1995, seeks to address the issues of hunger and education in schools by serving hot, cooked meals. It also seeks to improve the nutritional status of children, enrolment, attendance and retention rates. Key observations and recommendations of the Committee include:

- **Outcomes:** The Committee noted that due to SSA, enrolment is now near universal. However, learning outcomes are still far from satisfactory. For example, only about half the children in standard V could do a two-digit subtraction problem with borrowing. The Committee recommended that states should undertake measures at their own level to improve learning outcomes of schools.
- **Implementation of SSA:** The Committee noted that State Institutes of Educational Management and Trainings, which act on state specific issues and innovations, are absent. Further there are wide variations in the nature and effectiveness of the District Institutes of Education and Training. The Committee recommended that the discrepancies between national and state systems (such as the norms for age of entry) should be removed.
- **Implementation of MDMS:** The Committee noted that MDMS has diverted the attention of teachers and students on activities related to it, rather than towards teaching and learning. A shortfall in the infrastructure required for the

implementation of MDMS was also observed. For example, it noted the lack of pucca buildings, separate toilet facilities for boys and girls, unavailability and poor functional condition of kitchen sheds, etc. Further, MDMS led to more attendance of pupils but did not significantly aid fresh enrolments into schools.

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

Tribal Affairs

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Bill introduced to amend the list of SCs and STs in various states

The Constitution (Scheduled Castes and Scheduled Tribes) Orders (Amendment) Bill, 2016 was introduced in Lok Sabha.³⁰ The Bill seeks to amend the Constitution (Scheduled Castes) Order, 1950 and the Constitution (Scheduled Tribes) Order, 1950.

The two Orders were issued by the President under the Constitution specifying the Scheduled Castes (SCs) and the Scheduled Tribes (STs) of various states. The Bill seeks to modify the list of SCs and STs for the states of Assam, Chhattisgarh, Jharkhand, Tamil Nadu and Tripura. Key features of the Bill include:

- **Assam:** The Bill seeks to add the following communities to the list of STs: (i) Boro, Boro Kachari, Bodo, Bodo Kachari, and (ii) Karbi (Mikir).
- **Jharkhand:** The Bill seeks to remove the Bhogta community from the list of SCs, and include it in the list of STs. It also clarifies the equivalent names of the Kharwar community in the list of STs. These include Bhogta, Deshwari, Ganjhu, Dautalbandi, Dwalbandi, Patbandi, Raut, Maajhia, Kairi and Kheri. It also adds a new community to the list of STs: Puran.
- **Tamil Nadu:** Under the Scheduled Tribes Order, 1950, the Malayali community is an ST for the districts of Dharmapuri, North Arcot, Pudukottai, Salem, South Arcot, and Tiruchirapali in Tamil Nadu. The Bill amends this entry to make the 'Malayali Gounder' community an ST throughout Tamil Nadu. It also adds a community to the STs list: Narikarovan or Kurivikkaran.

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

Law and Justice

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Standing Committee submits report on delays in appointing higher court judges

The Standing Committee on Personnel, Public Grievances, Law and Justice (Chairperson: Mr. Anand Sharma) presented its report on 'Inordinate delay in filling up the vacancies in the Supreme Court and High Courts'.³¹ Salient recommendations of the Committee include:

- **Role of executive in appointments:** Judicial appointments is the joint responsibility of the Executive and the Judiciary, with neither body having primacy over the other. The present interpretation of the Constitution in Supreme Court (SC) judgments needs to be reversed.
- **Finalisation of Memorandum of Procedure (MoP):** The present lack of consensus between the Executive and Judiciary, in relation to finalisation of the MoP, has led to delays in filling up vacancies in the higher courts. The MoP (which lays down the process of appointments and the role of the judiciary and executive) must be finalised. It must also include the appointment procedure of High Court (HC) judges from the subordinate judiciary.
- **Adherence to timelines in filling vacancies:** Timelines for appointments to all higher courts should be specified in the MoP, and adhered to by all constitutional authorities. Further, when a judge retires, an appointment against that vacancy is to be carried out simultaneously.
- **Transparency:** Various aspects related to the appointments process, such as: (i) eligibility criteria; (ii) method and criteria of selection; (iii) manner of evaluation of merit, should be made public. However, the final short-list of names may be kept confidential till the process is completed.
- **National security and public interest:** The government proposes to decline the collegium's recommendations (comprising the Chief Justice and four senior most SC judges) for appointment on grounds of 'national security' and 'larger public interest' under the revised MoP. If the government were to reject a candidate on these grounds, it would be similar to giving it a veto power, which is against the constitutional mandate. The terms 'national security' and 'larger public interest' should

be clearly defined. The circumstances that would fall within the purview of these terms should also be listed.

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

Government constitutes high level committee on institutionalised arbitration

The Ministry of Law and Justice constituted a high level committee to review institutionalised arbitration in India.³² This is to ensure speedy resolution of commercial disputes.

The Committee will be chaired by Justice B.N. Srikrishna, and include retired and sitting judges, advocates and representatives of industry.

The terms of reference of the High Level Committee include:

- To review the efficacy of existing arbitration mechanisms, including facilities and resources allocated to them;
- To evaluate information outreach and the efficacy of existing legal framework for arbitration;
- To suggest ways to institutionalise national and international commercial arbitration;
- To recommend legislative amendments that would facilitate International Commercial Arbitration;
- To advise on the empanelment of national and international arbitrators to ensure time bound arbitral proceedings;
- To examine the role of arbitrations in matters involving the central government, including arbitrations related to bilateral investment treaties and make relevant recommendations.

The Committee is scheduled to present its report within three months.

Defence

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Standing Committee submits report on Proxy and Postal Voting by Defence Services Personnel

The Standing Committee on Defence (Chairperson: Major General BC Khanduri (Retd.)) submitted its report on 'Proxy and Postal Voting by Defence Services Personnel in General Elections- An Evaluation'.³³

Members of the armed forces may vote either: (i) at their native place even though they are not ordinarily resident there as 'service voters', or (ii) at their place of posting as 'general voters'. If the person chooses to vote in his native place, he may do so through postal ballot or a proxy appointed by him. However, the Committee noted that about 30 lakh defence service personnel and their family members are unable to exercise their right to vote because of complicated procedures involved in proxy and postal voting.

Key observations and recommendations of the Committee include:

- **Proxy voting:** The procedure for proxy voting requires the service voter and his proxy to sign an application form, and have it verified by the commanding officer and a first class magistrate. The Committee observed that this process is taxing for the service voter and his proxy, and recommended that it be replaced by an alternative system.
- **Postal ballot:** The Committee noted that approximately 90% of the defence personnel are unable to exercise their right to vote because of inadequacies in the postal ballot system. For example, defence personnel do not receive their postal ballots in time, and therefore they are not able to cast their vote within the 14-day stipulation. It was recommended that the postal ballot system be immediately reformed.
- **Linking with aadhar number:** The Committee recommended that every voter, whether general or service, be linked with his aadhar number. This would enable the authentication of service voters through measures such as one-time passwords as used by banks for financial transactions.

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

India declared as a major defence partner of the United States

The United States (US) Secretary of Defence Mr. Ash Carter visited India.³⁴ During the visit, India and the US finalised India's status as a 'major defence partner' of the US. The joint statement released by the Ministry of Defence provides that this will institutionalise and facilitate defence trade and technology sharing between the two countries.

In December 2016, the US Congress also passed the National Defence Authorisation Act of 2017 that allocates funding to the US military.³⁵ This Act, among other things, recognises India's

status as a major defence partner of the US. It also provides a mechanism for monitoring the defence cooperation between the two countries, and resolving issues impeding this relationship (including defence trade and co-production of defence equipment).

Commerce and Industry

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Standing Committee submits report on industrial policy

The Standing Committee on Commerce submitted a report on the 'Industrial Policy in a Changing Global Scenario'.³⁶ Key observations and recommendations of the Committee include:

- **Industrial reforms:** Reforms to be taken up in the industrial sector include transparency in the allocation of natural resources, and greater disclosure of the approval process for industries. The Committee recommended that the National Manufacturing Policy must be reoriented to promote smart manufacturing, which includes zero emission, zero-incident, and zero-defect manufacturing.
- **Foreign direct investment:** Recent measures taken to promote foreign direct investment (FDI) mainly benefit large industries. The Committee recommended that the government may take measures to promote FDI in the small and medium enterprises sector. It also recommended that, for FDI in any industry, the ownership may be allowed to be transferred to the Indian partner after a specified period (15-20 years), including the transfer of technology.
- **Multiplicity of laws:** Currently, 35 laws regulate the industrial sector, which impedes the setting up of new industries. The Committee recommended that a single window system should be established to give all statutory clearances including environment, forest and pollution clearances, particularly for small and medium industries. The labour laws and social security laws should also be reviewed.
- **Inclusion of MSME sector:** The Micro, Small and Medium Enterprises (MSME) sector accounts for about 45% of the manufacturing output of the country, and about 40% of the total exports. However, the sector faces issues such as lack of access to credit, technology, infrastructure, and skill development, among others. The

Committee recommended that access to finance for MSMEs should be supplemented by alternative sources such as private equity, venture capital and angel funds.

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

Women and Child Development

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Guidelines on Prevention of Sexual Harassment of Women at Workplace Act, 2013 issued for central ministries

The Department of Personnel and Training has released guidelines regarding Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 on December 28, 2016.³⁷ The new guidelines include:

- **Time bound inquiry:** The inquiry of cases must be completed within 30 days, which may be extended to 90 days, from the date of the filing of the complaint.
- **Preventing the victimisation of the aggrieved woman:** The ministries must ensure that the complainant is not victimised in any manner because of her having filed the complaint. The aggrieved woman may send representation to the Secretary of the Ministry of Women and Child Development or head of the organisation in case she feels that she is being victimised. The concerned authority will be required to dispose of such complaints within 15 days.
- **Record in the annual reports and submission of monthly progress reports:** Annual report of all ministries must contain brief details of the implementation of the Sexual Harassment of Women at Workplace Act. This must include the number of cases received and disposed of. All ministries will be required to submit a monthly progress report of the implementation of the Act to the Ministry of Women and Child Development.

Environment

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Process for granting environmental clearance for building and construction projects amended

The Ministry of Environment, Forest and Climate Change issued a notification amending the Environment Impact Assessment Notification, 2006.³⁸ The 2006 notification provides that construction of new projects and expansion of existing projects may be undertaken only with prior environmental clearance. The amendment seeks to further decentralise the process of granting clearance, and improve the ease of doing business.

Currently projects covering a build-up area of 20,000 sq. metres and above require environmental clearance from the State Level Environment Impact Assessment Authority. Under the amendment, projects with size:

- below 20,000 sq. metres may self-declare that they are compliant with environmental conditions (such as water conservation, energy efficiency, green cover, etc.),
- between 20,000 and 1,50,000 sq. metres may apply to the local authority (eg. municipal corporation) for the clearance along with the building permissions,
- between 1,50,000 and 3,00,000 sq. metres may apply to the State Level Environment Impact Assessment Authority, and
- above 3,00,000 sq. metres may apply to the central government.³⁹

In addition, the amendment provides that local authorities must constitute Environmental Cells to support appraisal and monitoring of environmental conditions in building projects. These cells will also provide assistance with environmental planning and capacity building at the local level. They must comprise at least three experts in the fields of waste management, environmental and transport planning.

Note that the amendment will come into effect in each state only when the state makes the necessary changes in its building bye-laws, integrating environmental conditions with the building permissions.

Energy

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CERC issues order on revising tariff for power generated from imported coal

The Central Electricity Regulatory Commission (CERC) issued two orders, allowing private companies to revise their power tariff due to the increase in price of imported coal.^{40,41} The petitioners in the cases, Adani Power Limited and Coastal Gujarat Power Limited (a subsidiary of Tata Power Company Ltd.) were supplying power to their consumers (power distribution companies in Haryana, Gujarat, Maharashtra, Rajasthan, and Punjab) by importing coal from Indonesia. In 2010, due to a change in the mining regulations in Indonesia, the price of coal being exported from the country increased, and hence affected the commercial viability of the generating plants in India.

The CERC noted that since the petitioners had Coal Sales Agreements for imported coal for the entire quantum of coal required for supply of power, the change in regulations completely changed the premises on which they had quoted tariffs in their bids to their consumers. The CERC ruled that the petitioners could invoke 'force majeure' (unforeseeable circumstances that prevents a contract from being fulfilled). Losses arising due to the increase in price of coal will be paid up by the consumers (through higher power tariff). It also ordered the petitioners to source domestic coal and reduce dependence on imported coal.

Ministry of Power releases guidelines on cross-border trading of electricity

The Ministry of Power released guidelines on cross-border trading of electricity to facilitate transparency and consistency across jurisdictions and minimise regulatory risks.⁴² Key guidelines include:

- **Objectives:** Objectives of the guidelines include: (i) facilitating cross border trade of electricity between India and neighbouring countries, (ii) meeting the energy demand of participating countries by utilising the available resources in the region, and (iii) evolving a robust electricity infrastructure for cross border transactions.
- **Institutional framework:** The Ministry of Power will appoint a Designated Authority to facilitate the approval process and lay down the procedure for cross border transaction and trade in electricity. The Central Electricity Regulatory Authority will

frame the regulations to facilitate cross-border trading of electricity in accordance with these guidelines.

- **Cooperation with neighbouring countries:** Transactions related to the cross border trading of electricity will be governed by the policies of the respective countries. Eligibility to participate in cross border trading will depend on the fulfilment of certain conditions. For example, electricity can be imported by Indian entities from (i) projects (public or private or government owned) that have at least 51% Indian ownership, or (ii) projects that have 100% equity by an Indian entity or the neighbouring country's government.
- **Tariff:** For transaction of electricity through government negotiations, the tariff will be determined through similar negotiations. For transaction of electricity through agreements, the tariff will be determined through competitive bidding.
- **Dispute resolution:** Disputes within the Indian territory will be settled as per the Electricity Act, 2003. The disputes involving entities of separate countries may be settled through the Singapore International Arbitration Centre or as may be mutually agreed by the participating entities.

Ministry of Power releases draft National Electricity Plan (generation)

The Ministry of Power released the draft National Electricity Plan (generation).⁴³ As per the Electricity Act, 2003, the Central Electricity Authority is required to prepare a National Electricity Plan in accordance with the National Electricity Policy. The National Electricity Policy, 2005 aimed at making electricity available in all households by 2010, and fully meeting the demand for power by 2012. Key features of the draft Plan include:

- **Capacity addition:** The generation capacity addition target for 2012-17 was set at 88,537 MW. As of March 2016, the capacity added was 57,721 MW. By the end of the term, the total capacity addition is expected to go up to 101,645 MW. With regard to renewable energy, while the target for the same time period was 24,920 MW, the installed capacity as of March 2016 was 42,849 MW. Most of the capacity addition was in thermal power generation.
- For the period 2022-27, priority has been given to development of hydro and nuclear based projects for power generation. Coal based capacity addition will not be required

in this period, as a capacity of 50 GW is already under construction against a requirement of 44 GW.

- **Demand side management and energy efficiency:** Demand side management helps reduce the end-user's energy demand by encouraging the use of energy efficient technologies. Such measures help reduce the operation and maintenance cost and the customer's overall electricity bill. Between 2006 and 2014, 36,323 MW of energy was saved through energy efficiency schemes. Some measures to improve energy efficiency could include: (i) developing an energy efficiency code for buildings, (ii) undertaking energy efficiency schemes in the small and medium enterprise sector, (iii) using energy efficient pump sets in agriculture, and (iv) bringing in regulatory instruments such as demand based pricing.

External Affairs

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India signs agreements with Tajikistan and Qatar

India signed various agreements with Tajikistan and Qatar in December 2016.

Tajikistan: Three agreements were signed between India and Tajikistan related to the avoidance of double taxation, exchange of financial intelligence related to money laundering and terrorism, and broadcasting of audio-visual programs. Both countries also announced initiation of a bilateral investment treaty to facilitate cross-border investments.⁴⁴

Qatar: Four agreements and Letters of Intent were signed between India and Qatar related to the exemption of visa requirements, industrial and cyber cooperation, and port development.⁴⁵

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⁴⁴ “List of Agreements/MOUs exchanged during the State visit of President of Tajikistan to India”, Ministry of External Affairs, December 17, 2016, <http://www.mea.gov.in/incoming-visit-detail.htm?27860/List+of+AgreementsMOUs+exchanged+during+the+State+visit+of+President+of+Tajikistan+to+India>.

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