

Monthly Policy Review

August 2017

Highlights of this Issue

[GDP grows at 5.7% in the first quarter of 2017-18 \(p. 2\)](#)

GDP growth fell from 7.9% in the first quarter (April- June) of 2016-17 to 5.7% in the first quarter of 2017-18. Gross Value Added grew at 5.6%. All sectors, except mining, saw a decline in growth from last year.

[RBI releases Annual Report: shows that 99% of demonetised notes were returned \(p. 3\)](#)

It stated that demonetised notes (Rs 500 and Rs 1,000) worth Rs 15.28 lakh crore have been returned to the RBI. An estimated Rs 16,000 crore worth of these notes have not been returned.

[Supreme Court holds right to privacy to be a fundamental right \(p. 7\)](#)

It held that right to privacy is an intrinsic part of the right to life and personal liberty, and other fundamental rights guaranteed under the Constitution. It overruled earlier judgements which had given rulings to the contrary.

[The Code on Wages, 2017 introduced; referred to Standing Committee on Labour \(p. 8\)](#)

The Code consolidates four laws related to minimum wages, payment of wages and bonus. The central government will notify a national minimum wage. Minimum wages decided by the states should be above the national wage.

[Bill for the resolution of financial firms introduced; referred to Joint Committee \(p. 4\)](#)

It creates a Resolution Corporation which will: (i) classify financial firms (such as banks and insurance companies) based on their risk, (ii) undertake their resolution, and (iii) provide deposit insurance to banks.

[The Banking Regulation \(Amendment\) Bill, 2017 passed by Parliament \(p. 4\)](#)

The Bill allows the RBI to direct banks to initiate recovery proceedings in case a borrower defaults on repayment. Further, it allows the RBI to set up committees to advise banks on resolution of stressed assets.

[Standing Committee submits its report on Surrogacy \(Regulation\) Bill, 2016 \(p. 8\)](#)

The Committee recommended a compensation based surrogacy model instead of altruistic surrogacy. It also recommended removing the requirement of the surrogate mother being a close relative of the intending couple.

[Supreme Court holds the practice of triple talaq as invalid \(p. 7\)](#)

The practice was held invalid by three of the five judges on two different grounds. These are: (i) that it violated Article 14 (right to equality) of the Constitution, and (ii) that it was not permitted in the Quran.

[11 Bills introduced in Lok Sabha in the Monsoon session of Parliament \(p. 9, 10\)](#)

Of the introduced Bills, four have been referred to a Parliamentary Committee, including the Right of Children to Free and Compulsory Education (Second Amendment) Bill, 2017, and the National Sports University Bill, 2017.

[Committee constituted to draft a Data Protection Bill \(p. 7\)](#)

The Committee will study key issues with respect to data protection, and recommend methods to address them. The Committee will also suggest a draft Data Protection Bill.

[Standing Committees submit reports on various subjects \(p. 11, 13, 16, 17, 18\)](#)

The subjects include outstanding dues of railways, welfare of ex-servicemen, Indo-Pak relations, genetically modified crops, agriculture research in relation to climate change, and review of the National Electricity Policy.

[Implementation guidelines for Pradhan Mantri Matru Vandana Yojana released \(p. 16\)](#)

The PMMVY is a conditional cash transfer scheme to compensate for the wage loss of pregnant women and lactating mothers. The guidelines specify the conditions to be met, and the processing and transfer of claims.

September 1, 2017

Parliament

Roopal Suhag (roopal@prsindia.org)

Monsoon session of Parliament ends

The Monsoon Session of Parliament ended on August 11, 2017.¹ During the session, Parliament passed 11 Bills, including the Banking Regulation (Amendment) Bill, 2017, the Collection of Statistics (Amendment) Bill, 2017, the Indian Institutes of Information Technology (Public-Private Partnership) Bill, 2017, and the Admiralty (Jurisdiction and Settlement of Maritime Claims) Bill, 2016.

Bills passed by one House and currently pending in the other House include the National Bank for Agriculture and Rural Development (Amendment) Bill, 2017, the Companies (Amendment) Bill, 2016, the Indian Institutes of Management Bill, 2017.

Bills introduced during the session include the Financial Resolution and Deposit Insurance Bill, 2017, the Code on Wages, 2017, the Right of Children to Free and Compulsory Education (Second Amendment) Bill, 2017 and the National Sports University Bill, 2017. These Bills have been referred to a Parliamentary Committee for detailed examination.

For more details on the legislative business taken up during the Budget Session 2017, see [here](#).

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

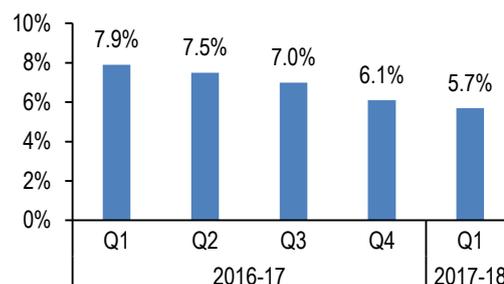
Macroeconomic Development

GDP grows at 5.7% in the first quarter of 2017-18

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The Gross Domestic Product (GDP) (at constant prices) of the country fell from 7.9% in the first quarter (April- June) of 2016-17 to 5.7% in the first quarter of 2017-18² The trends in GDP growth rates over the last year can be seen in Figure 1.

Figure 1: Real GDP growth



Note: Real GDP is at 2011-12 prices.

Sources: Ministry of Statistics and Programme Implementation; PRS.

GDP growth across economic sectors is measured in terms of Gross Value Added (GVA). GVA growth of the country fell from 7.6% in the first quarter of 2016-17 to 5.6% in the first quarter of 2017-18. All sectors, except mining, saw a decline in growth (year-on-year) from quarter one of 2016-17 to quarter one of 2017-18. Manufacturing witnessed the steepest decline, from 10.7% in the first quarter of 2016-17 to 1.2% in the first quarter of 2017-18. For details on sectoral GVA growth, see Table 1.

Table 1: Gross Value Added across sectors in Q1 of 2017-18 (% growth year-on-year)

Sector	Q1	Q4	Q1
	2016-17	2016-17	2017-18
Agriculture	2.5	5.2	2.3
Mining	-0.9	6.4	-0.7
Manufacturing	10.7	5.3	1.2
Electricity	10.3	6.1	7.0
Construction	3.1	-3.7	2.0
Services	9.0	7.2	8.7
GVA	7.6	5.6	5.6

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

Sources: Ministry of Statistics and Programme Implementation; PRS.

Policy repo rate reduced to 6%

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The Monetary Policy Committee (MPC) released the third Bi-Monthly Monetary Policy Statement of 2017-18.³ The policy repo rate (at which RBI lends money to banks) was reduced from 6.25% to 6% by a majority vote of the members. One member voted for a rate reduction of 0.50%, and another member voted to keep the rate unchanged.³ Other decisions of the MPC include:

- The reverse repo rate (at which RBI borrows money from banks) was reduced from 6% to 5.75%.

- The marginal standing facility rate (at which banks can borrow additional money) and bank rate (at which RBI buys or rediscounts bills of exchange) were also reduced from 6.50% to 6.25%.

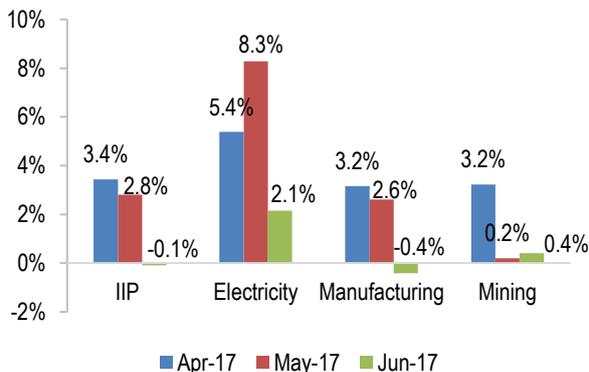
The MPC noted that factors that could have led to a rise in inflation have either reduced or did not materialise. These include: (i) fall in headline inflation (includes food and energy prices) below the projected rate, (ii) fall in food and fuel inflation over the past three months, (iii) smooth roll-out of GST, and (iv) a normal monsoon. The MPC also observed that while inflation has come down, prices of certain commodities, such as vegetables, are witnessing an increase, and excess supply is keeping the prices of pulses low. In light of this, the MPC opted for a rate cut.

Industrial production grew by 2% in the first quarter of 2017-18

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The Index of Industrial Production (IIP) grew by 2% in the first quarter (April- June) of 2017-18, as compared to the same period in 2016-17.⁴ Electricity production saw the highest increase of 5.3% in this quarter, followed by an increase of 1.8% in manufacturing and 1.2% in mining. Figure 2 shows the change in industrial production in the first quarter of 2017-18.

Figure 2: Change in industrial production (year- on- year)



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

Economic Survey 2016-17 Volume II released

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The Volume II of the Economic Survey 2016-17 was tabled in Parliament by the Finance Minister, Mr Arun Jaitley.⁵ Key highlights of the survey include:

- **Economic growth:** The real GDP is expected to grow by 6.75% to 7.5% in 2017-18 (same as the estimate in Volume 1 tabled earlier this year). Inflation is estimated to remain below the RBI's medium term target of 4% by March 2018.
- **Impact of Demonetisation:** The Survey discussed the impact of demonetisation, such as (i) an increase in demand for social security in the informal sector and (ii) a decline in profitability in the power and telecommunications industry. Further, it noted a growth of 45% over the previous year in taxpayers after demonetisation. The growth in last year was 25%.
- **State finances:** The Survey noted that finances of states worsened after they took over a part of the debt of their electricity distribution companies under the Ujjwal Discom Assurance Yojana (UDAY) scheme. It also noted that the combined fiscal deficit of states has increased from 2.5% in 2014-15 to 3.6% in 2015-16, partly due to the UDAY.
- **Farm loan waivers:** The Survey stated that the total amount of farm loan waivers could reach Rs 2.7 lakh crore across the country in 2018. These waivers are estimated to increase consumption by Rs. 55,000 crore and improve the financial position of banks by taking non-performing loans off their accounts. On the other hand, they will increase the borrowings of states to fund these waivers.

For more details related to Volume I of the Economic Survey, please see the PRS Monthly Policy Review for January 2017, [here](#).

Finance

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RBI releases Annual Report 2016-17: shows 99% of demonetised notes returned

The RBI released its Annual Report 2016-17.⁶ The report stated that as of June 30, 2017, demonetised notes (Rs 500 and Rs 1,000) worth Rs 15.28 lakh crore had been returned to the RBI. Note that prior to demonetisation in November 2016, demonetised notes worth Rs 15.44 lakh crore were in circulation.⁷ This implies that an estimated Rs 16,000 crore worth of these notes have not been returned.

The Report stated that figures related to these notes were subject to corrections as: (i) the verification process is still going on, (ii)

demonetised notes deposited with cooperative banks are being returned to the RBI, and (iii) the RBI is in talks with the central government to accept notes held by people or financial institutions in Nepal.

The Banking Regulation (Amendment) Bill, 2017 passed by Parliament

The Banking Regulation (Amendment) Bill, 2017 was passed by Parliament.⁸ It replaces an Ordinance which was promulgated in May 2017.⁹ The Bill amends the Banking Regulation Act, 1949 which regulates the functioning of banks and provides details on aspects such as their licensing, management, and operations. Key features of the Bill are:

- **Insolvency proceedings:** The central government may authorise the Reserve Bank of India (RBI) to issue directions to banks for initiating proceedings in case of a default in loan repayment. These proceedings will be carried out under the Insolvency and Bankruptcy Code, 2016.
- **Issuing directions to banks on stressed assets:** The RBI may issue directions to banks for resolution of stressed assets (stressed assets include NPAs, and loans that have been restructured.) Further, the RBI may specify authorities or committees to advise banks on resolution of these assets. Members on such committees will be appointed or approved by the RBI.

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

Three Bills related to GST passed by Parliament

Three Bills related to the Goods and Services Tax (GST) were passed in Lok Sabha.^{10,11,12} Since these are money bills, they will be deemed to have been passed by Parliament. These Bills replace three Ordinances promulgated in July 2017.^{13,14,15} Key features of these Bills are:

- **The Central Goods and Services Tax (Extension to Jammu and Kashmir) Bill, 2017:** The Central Goods and Services Tax Act, 2017 provides for the levy of Central GST on supplies of goods and services within a state. It applies to the whole of India except Jammu and Kashmir. The Bill extends the provisions of the Act to Jammu and Kashmir.
- **The Integrated Goods and Services Tax (Extension to Jammu and Kashmir) Bill, 2017:** The Integrated Goods and Services Tax Act, 2017 allows for the levy of Integrated GST on inter-state supplies of goods and services. It applies to the whole of India

except Jammu and Kashmir. The Bill extends the provisions of the Act to Jammu and Kashmir.

- **The Punjab Municipal Corporation Law (Extension to Chandigarh) Amendment Bill, 2017:** The Bill amends the Punjab Municipal Corporation Law (Extension to Chandigarh) Act, 1994. The 1994 Act regulates the functioning of the Municipal Corporation of Chandigarh.

Under the 1994 Act, the central government has the power to levy Entertainment Tax and Entertainment Duty for Chandigarh. The Bill transfers these powers from the central government to the Municipal Corporation of Chandigarh. Further, it deletes the provisions which allow the Municipal Corporation of Chandigarh to levy Octroi and taxes on vehicles and animals.

This is consequent to the Constitution (101st Amendment) Act, 2016 which subsumes Entertainment Tax with GST, except where it is levied by a panchayat or a municipality. The 2016 Act also subsumes Entry Tax, including Octroi, within the ambit of GST.

PRS summaries of these Bills are available [here](#), [here](#) and [here](#).

The State Banks (Repeal and Amendment) Bill, 2017 passed in Lok Sabha

The State Banks (Repeal and Amendment) Bill, 2017 was passed in Lok Sabha, and is currently pending in Rajya Sabha.¹⁶ The Bill seeks to repeal the two Acts: (i) the State Bank of India (Subsidiary Banks) Act, 1959, and (ii) the State Bank of Hyderabad Act, 1955. These Acts established the State Bank of Bikaner, State Bank of Mysore, State Bank of Patiala, State Bank of Travancore, and State Bank of Hyderabad. These banks were subsidiaries of the State Bank of India (SBI). This is consequent to the Union Cabinet approving the acquisition of these banks by SBI in February 2017.¹⁷

The Bill makes amendments to the State Bank of India Act, 1955 to remove references related to subsidiary banks.

For more details on the Cabinet decision, please see the PRS Monthly Policy Review for February 2017, [here](#).

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

Bill for the resolution of financial firms introduced; referred to Joint Committee

The Financial Resolution and Deposit Insurance Bill, 2017 was introduced in Lok Sabha by the

Minister of Finance, Mr. Arun Jaitley. It was referred to a Joint Committee of Parliament, which is expected to submit its report by the first week of Winter Session 2017. Key features of the Bill are:

- **Resolution Corporation:** The central government will establish a Resolution Corporation. Its functions will include: (i) providing deposit insurance to banks (to repay deposits to consumers), (ii) classifying financial institutions (such as banks and insurance companies) based on their risk, and (iii) undertaking resolution of financial institutions in case of failure.
- **Risk based classification:** The Resolution Corporation, in consultation with the respective regulators (e.g. RBI for banks, and IRDA for insurance companies) specify criteria for classifying financial institutions based on their risk of failure.

Table 2: Categories of risk

Category	Probability of failure
Low	Substantially below acceptable levels
Moderate	Marginally below acceptable levels
Material	Above acceptable levels
Imminent	Substantially above acceptable levels
Critical	Financial institution on the verge of failure

Sources: The Financial Resolution and Deposit Insurance Bill, 2017; PRS.

- **Resolution:** The Resolution Corporation will undertake resolution of a financial institution classified under the ‘critical’ category using options. These include: (i) transfer of its assets and liabilities to another person, (ii) merger or acquisition, and (iii) liquidation, among others.
- **Time limit:** The resolution process will be completed within a year from the date when a financial institution is classified as ‘critical’. This time limit may be extended by another year (i.e., maximum limit of two years). The financial institution will be liquidated if its resolution is not completed in this time period.

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

Cabinet approves Ordinance to increase the cap on cess levied on cars

The Union Cabinet approved an Ordinance to amend the Goods and Service Tax (Compensation to States) Act, 2017.¹⁸ The Act allows the central government to levy a GST Compensation Cess on items such as pan masala, coal, aerated drinks, and tobacco, subject to certain caps.

The Ordinance seeks to amend the Act to increase the cap on the cess levied on certain types of cars (such as sports utility vehicles) from 15% to 25%.

The GST Council had recommended this increase in cap on the grounds that post the introduction of GST, the total incidence of tax on motor vehicles had come down.

RBI committee on household finance submits report

The Household Finance Committee (Chair: Prof. Tarun Ramadorai) submitted its report to the RBI.¹⁹ The Committee was constituted in September 2016 to examine various aspects of household finance, and compare India’s position with other countries.²⁰ Key observations of the Committee include:

- **Wealth storage:** A large share of household wealth is stored in physical assets (i.e. gold and real estate). Further, the practice of investing wealth in pension accounts and life insurance is limited to a few states. If current trends continue, there will be a high demand for physical assets in the coming decades.
- **Debt:** Despite high holdings in real estate, penetration of mortgage is low in early life, and grows in later life. This indicates that Indians borrow later in life. Further, there is a high level of unsecured debt (such as borrowing from moneylenders).
- **Insurance:** Penetration of insurance is low despite numerous risks such as rainfall, health shocks, and floods.

Recommendations of the Committee include:

- **Customised products:** Indian households require customised financial products based on their unique economic conditions and traditions. Further, terms and conditions of the products should be explained to households in a salient and intuitive manner.
- **Regulation:** Currently, financial advice regulations vary across regulators. Standardised norms should be implemented across these regulators. There is a need for a flexible framework which allows financial technology firms to test their financial products on a small scale, and in a controlled environment.
- **Data privacy:** Technological solutions to household finance rely on the households sharing their personal data with financial institutions. A data privacy framework for household finance should be considered.

NITI Aayog releases a report on Ease of Doing Business

The NITI Aayog released the Ease of Doing Business Report.^{21,22} The Report is based on a

survey of 3,500 manufacturing firms across the country. Key observations and recommendations in the report include:

- **Growth rate:** There may be a link between ease of doing business and growth in state economies. The survey found that faster growing states exhibited fewer delays in granting clearances, and were more flexible in implementing labour and environment laws.
- **Labour:** The survey found that compliance with labour laws was difficult. It noted that reforming labour laws and bringing flexibility in their implementation may make it easier to do business.
- **Power:** Facilitating power sector reforms will ensure that businesses have steady and uninterrupted access to electricity. Further, with the country reporting a surplus in power generation, there may be an opportunity to lower costs, and opening up the distribution sector for competition.
- **Access to finance:** Half of the businesses do not borrow from financial institutions, and one-third consider access to finance as a major business obstacle. The report suggested that enhancing low cost access to capital may improve the business environment.
- **Dissemination of information:** There is a need to ensure better dissemination of government information related to procedures, to businesses. For example, the survey found that some businesses were unaware about the single window facilities created by the states to facilitate grant of clearances and permissions.

Cabinet gives in-principle approval for merger of public sector banks

The Union Cabinet gave its in-principle approval for public sector banks to merge.²³ This is aimed at consolidating public sector banks to create strong and competitive banks. Key features of the approved framework are:

- Decisions to merge banks would be based on commercial considerations,
- Proposals should be initiated from the boards of the respective banks,
- The final scheme for merger will be notified by the central government, in consultation with the RBI.

CCEA approves procedure and mechanism for disinvestment

The Cabinet Committee on Economic Affairs (CCEA) approved a procedure for strategic disinvestment.²⁴ As part of this procedure, an alternative mechanism will be established consisting of ministers of Finance, Road Transport and Highways, and the Administrative Department. The ministers will decide on the terms and conditions of the sale. Further, the core group of secretaries on disinvestment will take decisions regarding procedural issues.

SEBI constitutes two committees on 'Fair Market Conduct' and 'Financial and Regulatory Technologies'

The Securities and Exchange Board of India (SEBI) constituted two committees on: (i) fair market conduct, and (ii) financial and regulatory technologies.^{25,26}

Committee on Fair Market Conduct

- SEBI noted that an efficient securities market is based on investor confidence. The market environment being dynamic requires periodic review of regulations.
- The terms of reference of the Committee include identification of opportunities to improve SEBI regulations related to insider trading and unfair trade practices.
- The Committee will be chaired by Mr. T. K. Vishwanathan (former Secretary General, Lok Sabha), and have representatives from law firms, mutual funds, and stock exchanges, among others.

The Committee is expected to submit its report within four months.

Committee on Financial and Regulatory Technologies

- According to SEBI, the application of technology is changing the manner in which financial markets operate.
- In this context, the Committee will examine: (i) recent and medium term trends in financial technology (FinTech), (ii) opportunities and challenges from new FinTech solutions, and (iii) regulatory framework for adoption of FinTech, among others.
- The Committee will be chaired by Mr. T.V. Mohandas Pai (Chairman, Manipal Global Education), and have representatives working in areas such as digital payments, e-brokerage, and e-Commerce, among others.

Law and Justice

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Supreme Court holds right to privacy to be a fundamental right

A nine-judge Constitution Bench of the Supreme Court held that right to privacy is a fundamental right.²⁷ The case was referred to the Bench by a three-judge bench of the Supreme Court, which is currently hearing a case challenging the validity of Aadhaar. The Bench examined whether right to privacy was a fundamental right.

In its judgement, the Constitution Bench held that right to privacy is an intrinsic part of the right to life and personal liberty (Article 21), and other fundamental rights guaranteed in the Constitution. It also overruled two earlier judgements of the Supreme Court which had held that right to privacy is not a fundamental right under the Constitution.^{28,29}

The judgement also noted that similar to other fundamental rights, the right to privacy is not an absolute right. Any curtailment of the right will require a law, which is fair, just and reasonable.

Supreme Court holds triple talaq invalid

A five-judge Constitution Bench of the Supreme Court held the practice of *talaq-e-biddat* (triple talaq) to be invalid by a 3:2 majority.³⁰ Triple talaq is a form of divorce practiced in Islam. It may be given effect if the husband pronounces the word ‘talaq’ thrice, simultaneously. The practice was challenged on the grounds that it violates Articles 14 (right to equality), 15 (prohibition of religious discrimination), and 21 (protection of life and personal liberty) of the Constitution.

The Repealing and Amending (Second) Bill, 2017 introduced in Lok Sabha

The Repealing and Amending (Second) Bill, 2017 was introduced in Lok Sabha by the Minister of Law and Justice, Mr. Ravi Shankar Prasad. It seeks to repeal 131 Acts. Of these, 38 are amending Acts, where changes proposed by them have already been incorporated into the principal Acts. Further, among the Acts being repealed, 30 were passed before 1947.

The Bill also seeks to amend three Acts to delete some provisions, and rectify drafting errors. These three Acts are: (i) The Plantations Labour Act, 1951, (ii) The Juvenile Justice (Care and Protection of Children) Act, 2015, and (iii) The Rights of Persons with Disabilities Act, 2016.

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

High Level Committee on ‘Making India Hub of Arbitration’ submits report

The High Level Committee on Making India Hub of Arbitration (Chair: Justice B. N. Srikrishna) submitted its report.³¹ The Committee was formed in December 2016 to review the efficacy of existing arbitration mechanisms (dispute resolution involving a neutral third party), and recommend legislative changes that will facilitate international commercial arbitration, among others.

A copy of the report is not available in the public domain. Key recommendations made by the Committee, according to the press release, are:

- The Committee recommended that a specialised Arbitration Bench should be created in Courts to handle commercial disputes. Further, it suggested changes in provisions of the Arbitration and Conciliation Act, 1996.
- An Arbitration Promotion Council of India (APCI) should be established as an autonomous body. The APCI may recognise professional institutes for providing accreditation to arbitrators, and conduct training workshops. It should have representative from stakeholders for grading arbitral institutions in India.
- The International Centre for Alternative Dispute Resolution should be declared an institute of national importance. The Institute, currently functioning under the Ministry of Law and Justice, should be taken over by an Act of Parliament.
- The post of an ‘International Law Adviser’ should be created. The Adviser will coordinate the dispute resolution strategy for the government in disputes arising out of international law obligations.

Information Technology

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Committee constituted to draft a Data Protection Bill

The Ministry of Electronics and Information Technology constituted a Committee of experts to deliberate on a data protection framework.³² The Committee will be headed by Justice B. N. Srikrishna and consists of members from government, academia, and industry.

The Committee will study key issues with respect to data protection, and recommend methods to

address them. The Committee will also suggest a draft Data Protection Bill.

Labour

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The Code on Wages, 2017 introduced; referred to Standing Committee

The Code on Wages, 2017 was introduced in Lok Sabha by the Minister for Labour, Mr. Bandaru Dattatreya.³³ It was subsequently referred to the Standing Committee on Labour. The Committee is expected to submit its report within three months.³⁴ The Code consolidates four Acts, with some modifications. These Acts are: (i) the Payment of Wages Act, 1936, (ii) the Minimum Wages Act, 1949, (iii) the Payment of Bonus Act, 1965, and (iv) the Equal Remuneration Act, 1976. The Code will apply to establishments where any industry, trade, business, manufacturing or occupation is carried out. This will also include government establishments. Key features of the Code are:

- **National minimum wage:** The central government may notify a national minimum wage for the country. It may fix different national minimum wage for different states or geographical areas.

The minimum wages decided by the central or state governments will not be lower than the national minimum wage. The central or state governments will not reduce the minimum wages fixed by them, if these wages are higher than the national minimum wage.
- **Minimum wage:** The Code requires employers to pay at least the minimum wages to employees. These wages will be notified by the central or state governments. The wages will be determined based on time, or number of pieces produced, among others. The central or state governments will review or revise the minimum wage every five years.
- **Payment of wages:** Wages will be paid in coins, currency notes, by cheque, or through digital or electronic mode. The wage period will be fixed by the employer as either: (i) daily, (ii) weekly, (iii) fortnightly, or (iv) monthly.
- **Bonus:** The employer will pay employees an annual bonus of at least: (i) 8.33% of their wages, or (ii) Rs 100, whichever is higher. The employer will also distribute a part of the gross profits amongst the employees (allocable surplus).

- **Maximum bonus:** An employee can receive a maximum bonus of 20% of his wages. This will include any amount distributed as allocable surplus. If this surplus exceeds the maximum bonus payable to all employees in a year, a certain amount will be carried forward to the following years (up to four years). The amount carried forward will not exceed 20% of the total wages payable to all employees during the year.

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

Health

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Standing Committee Report on Surrogacy (Regulation) Bill, 2016 released

The Standing Committee on Health and Family Welfare (Chairperson: Prof. Ram Gopal Yadav) submitted its report on the Surrogacy (Regulation) Bill, 2016. Key observations and recommendations of the Committee are summarised below:

- **Commercial vs. altruistic surrogacy:** Surrogacy is the practice where one woman carries the child for another with the intention of handing over the child after birth. The Bill prohibits commercial surrogacy and allows altruistic surrogacy. Altruistic surrogacy involves no compensation to the surrogate mother other than the medical and insurance expenses related to the pregnancy.
- The Committee recommended a surrogacy model based on compensation rather than altruistic surrogacy. The compensation must take care of several things including the wages lost during the pregnancy, psychological counselling, and post-delivery care.
- The Committee noted that there is potential for exploiting poor women who become surrogates due to the lack of regulatory oversight and legal protection. However, it also noted that the economic opportunities available to surrogates through surrogacy services should not be dismissed entirely. It further stated that under altruistic surrogacy, permitting women to provide reproductive labour for free without them being paid is unfair and arbitrary.
- **Implications of the surrogate being a ‘close relative’:** Under the Bill, the surrogate can only be a ‘close relative’ of the intending couple. The Committee noted that altruistic surrogacy by close relatives will always be out

of compulsion and coercion, and not because of altruism. Such an arrangement within the family may have: (i) detrimental psychological and emotional impact on the surrogate child, (ii) parentage and custody issues, and (iii) inheritance and property disputes. The Committee recommended that the criteria of being a ‘close relative’ should be removed to allow both related and unrelated women to become surrogates. Further, the Committee recommended that the Bill must unambiguously state that the surrogate mother will not donate her own eggs for the purpose of the surrogacy.

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

A PRS analysis of the Surrogacy (Regulation) Bill, 2016 is available [here](#).

Comments invited on amendment to the Transplantation of Human Organs and Tissues Act, 1994

The Ministry of Health and Family Welfare has invited comments on a proposed amendment to the Human Organs and Tissues Transplantation Act, 1994. The comments will be accepted until September 25, 2017. The Act regulates the removal, storage, and transplantation of human organs for therapeutic purposes. It also seeks to prevent commercial dealing of organs. Under the Act, only near relatives can donate their organs (before their death) to the concerned recipients in need of such organs. The proposed amendment seeks to expand the definition of ‘near relative’.

Under the 1994 Act, ‘near relative’ was defined as ‘spouse, son, daughter, father, mother, brother or sister’. This definition was expanded in 2011 to include ‘grandfather, grandmother, grandson, and granddaughter’. The Ministry noted that expanding the definition has not led to an increase in the availability of living donors. This is because: (i) grandparents are not able to donate due to age or some adverse medical condition, and (ii) grand children are too young to donate organs.

A further expansion of this definition is being proposed to address the following issues: (i) the demand for organs exceeds the supply despite the expansion of definition of ‘near relatives’ in 2011, and (ii) increased incidents of organ trading due to the mismatch between such supply and demand.

The proposed amendment seeks to include the following in the definition of ‘near relative’: (i) step father, step mother, (ii) step brother, step sister, step son, step daughter and their spouses, (iii) spouses of sons and daughters of recipient, (iv) brothers and sisters of recipient's spouse and their spouses, (v) brothers and sisters of recipient's parents and their spouses, and (vi) first cousins

(having common grandparents) of the recipient and their spouses.

Education

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The RTE (Second Amendment) Bill, 2017 introduced in Lok Sabha

The Right of Children to Free and Compulsory Education (Second Amendment) Bill, 2017 was introduced in Lok Sabha.³⁵ The Bill amends the Right of Children to Free and Compulsory Education Act, 2009.

Under the Act, no child can be held back in any class until the completion of elementary school (classes 1-8).³⁶ The Bill amends this provision to empower the central or state government to allow schools to hold back a child in class 5, class 8, or in both classes.

The Bill states that a regular examination may be held in class 5 and class 8 at the end of every academic year. If a child fails in these examinations, he will be given additional instruction and the opportunity for a re-examination (within two months from the declaration of the result).

If he fails in the re-examination, the child may be held back in class 5, class 8, or in both classes. The central and state government may also decide to not hold back the child in any class till the completion of elementary education. Further, the central or state government will decide the manner and the conditions subject to which a child may be held back.

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

The RTE (Amendment) Bill, 2017 passed by Parliament

The Right of Children to Free and Compulsory Education (Amendment) Bill, 2017 was passed by Parliament.³⁷ The Bill amends the Right of Children to Free and Compulsory Education Act, 2009 to extend the deadline for teachers to acquire the prescribed minimum qualifications for appointment. Under the Act, if a state does not have adequate teacher training institutions or sufficient number of qualified teachers, the provision to possess minimum qualifications is relaxed for a period not exceeding five years i.e. till March 31, 2015.

The Bill further adds to this provision by stating that those teachers who do not possess the minimum qualifications as on March 31, 2015 will

acquire the minimum qualifications within a period of four years i.e., by March 31, 2019.

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

The IIIT (Amendment) Bill, 2017 passed by Parliament

The Indian Institutes of Information Technology (Amendment) Bill, 2017 was passed by Parliament.³⁸ The Bill amends the Indian Institutes of Information Technology Act, 2014. The Act declares certain Institutes of Technology as institutions of national importance. Further, it seeks to (i) develop new knowledge in information technology; and (ii) provide manpower of global standards for the information technology industry. Key features of the Bill include:

- **Appointment of Director:** Under the Act, there is a search-cum-selection committee which recommends names to the central government for the appointment of the Director of an institute. The Bill modifies the composition of the committee by replacing the Director of an Indian Institute of Information Technology with the Director of an Indian Institute of Technology.
- **Appointment for posts of Assistant Professor and above:** The Act permits the Board of Governors of the institutes to appoint Assistant Professors. The Bill permits the Board to appoint Assistant Professors and all the posts above that level as well.
- **Incorporation of an institute:** The Bill seeks to declare the Indian Institute of Technology, Design and Manufacturing, Kurnool as an institution of national importance and adds it to the Schedule of the Act (consists of other institutions of national importance).

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

The Indian Institute of Petroleum and Energy Bill, 2017 passed in Lok Sabha

The Indian Institute of Petroleum and Energy Bill, 2017 was passed by Lok Sabha.³⁹ It was introduced on July 18, 2017. The Bill establishes the Indian Institute of Petroleum and Energy, Vishakhapatnam, Andhra Pradesh. It declares the Institute as an institution of national importance. The Institute aims to provide high quality education and research focusing on petroleum, hydrocarbons and energy.

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

The National Sports University Bill, 2017 introduced in Lok Sabha

The National Sports University Bill, 2017 was introduced in Lok Sabha.⁴⁰ Key features of the Bill include:

- **Establishment of the University:** The Bill establishes a National Sports University located in Manipur. It will promote sports education in the areas of: (i) sports sciences, (ii) sports technology, (iii) sports management, and (iv) sports coaching. It will function as a national training centre for select sports disciplines. It may also establish campuses and study centres in other parts of the country. It will also be empowered to grant degrees, diplomas and certificates.
- **Objectives:** The key objectives of the University are: (i) research, development and dissemination of knowledge in physical education and sports sciences, (ii) strengthening physical education and sports training programmes, (iii) generating knowledge capabilities, skills and competence at various levels, and (iv) training talented athletes to help them to evolve into international level athletes.

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

NAAC launches revised accreditation framework

The National Assessment and Accreditation Council (NAAC) has released the revised accreditation framework.⁴¹ The NAAC is an autonomous body established by the University Grants Commission to assess and accredit institutions of higher education. The framework used for this process takes into consideration aspects including: (i) educational outcomes, (ii) curriculum, (iii) faculty, (iv) governance, and (v) financial well-being. The revised framework incorporates qualitative and quantitative methods for assessment and accreditation. The draft framework was previously pilot tested on certain select higher education institutions. Key features of the framework are as follows:

- **Simplification of process and ICT:** The revised framework will be more Information and Communications Technology (ICT) intensive. Further, simplification of the accreditation process is envisaged through a reduction in number of questions and the number of visit days during the assessment.
- **Additions to the current grading pattern:** A system of applying minimum qualifiers for achieving a grade will be implemented.

Differences in the metrics, weightages and benchmarks to universities, autonomous colleges and affiliated colleges have also been proposed. Further, the assessment process envisages enhanced participation by the students and alumni.

Cabinet approval for Madhyamik and Uchchatar Shiksha Kosh

The Union Cabinet approved the creation of a non-lapsable pool for secondary and higher education known as Madhyamik and Uchchatar Shiksha Kosh.⁴² All proceeds from the ‘Secondary and Higher Education Cess’ will be credited to this pool. The Cess is an additional cess of 1% levied on central taxes.

In a financial year, the expenditure on ongoing schemes of the Department of School Education and Literacy, and the Department of Higher Education would be initially incurred from the gross budgetary support. Once the amount allocated through the gross budgetary support is exhausted, the pool can be used for further expenditures. It will be managed by the Ministry of Human Resource Development. The pool will be primarily used for the following purposes:

- **Secondary education:** Several secondary education schemes including: (i) Rashtriya Madhyamik Shiksha Abhiyan Scheme; (ii) National Means-Cum-Merit Scholarship Scheme; and (iii) National Scheme for Incentives to Girls for Secondary Education.
- **Higher education:** Several higher education schemes including: (i) interest subsidy and contribution for guarantee funds; (ii) Rashtriya Uchchatar Shiksha Abhiyaan; and (iii) the National Mission on Teachers and Training.
- The Ministry of Human Resources Development can allocate funds for any scheme of secondary and higher education.

Transport

The Motor Vehicles (Amendment) Bill, 2016 referred to Select Committee

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The Motor Vehicles (Amendment) Bill, 2016 was referred to a Rajya Sabha Select Committee.⁴³ The Motor Vehicles (Amendment) Bill, 2016 was introduced in Lok Sabha on August 9, 2016.⁴⁴ The Bill amends the Motor Vehicles Act, 1988 to address issues around road safety.

The Standing Committee on Transport, Tourism and Culture had examined the Bill and submitted its report on February 8, 2017.⁴⁵ Following that a few amendments to the Bill were circulated in April 2017.⁴⁶ Lok Sabha passed the Bill, with these amendments, on April 10, 2017.⁴⁷ Key features of the Bill, as passed by Lok Sabha, include:

- **Road Safety Board:** The Bill provides for a National Road Safety Board, to be created by the central government through a notification. The Board will provide advice to central and state governments on all aspects of road safety and traffic management, including: (i) standards of design, operation and maintenance of motor vehicles, (ii) registration and licensing of vehicles, (iii) standards for road safety, road infrastructure and control of traffic, (iv) promotion of new vehicle technology, and (v) safety of vulnerable road users.
- **Motor Vehicle Accident Fund:** The Bill requires the central government to constitute a Motor Vehicle Accident Fund. The Fund will be utilised for: (i) treatment of persons injured in road accidents, (ii) compensation to representatives of a person who died in a hit and run accident, and (iii) compensation to a person grievously hurt in a hit and run accident, in accordance with schemes framed by central government.

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

Standing Committee submits report on outstanding dues of Railways

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The Standing Committee on Railways (Chairperson: Mr. Sudip Bandopadhyay) submitted its report on Outstanding Dues for Indian Railways.⁴⁸ Outstanding dues means the unrealised earnings of Railways. These include unpaid charges for the transportation of freight, dues resulting from mistakes in accounting, and unpaid rent on Railways’ land. Key observations and recommendations of the Committee include:

- **Outstanding dues:** The Committee noted that the outstanding dues of Railways were Rs 3,404 crore in July 2015, Rs 3,082 crore in July 2016, and Rs 3,117 crore in May 2017. It recommended that the Ministry of Railways must pay special attention to avoid accumulation of the outstanding dues and take steps to bring them down to the bare minimum in a progressive manner.
- **Targets to reduce the dues:** The Committee noted that the Railways’ yearly targets of

clearing the outstanding dues have been low at around Rs 100 crore. Between 2005-06 and 2015-16, the targets were even lower, at Rs 50 crore per year. Further, during the same time period, these targets could not be achieved, except in 2006-07, and 2015-16. The Ministry has attributed such shortfall in achievement of targets to reasons such as un-anticipated events of disputes by parties, technical issues, and court cases. However, the Committee noted that such reasons could not be attributed as un-anticipated.

- The Committee recommended that the Ministry must keep the targets for recovery of dues comparable to the total dues and fix them on a slightly higher side. Further, the Station Masters must personally involve themselves in periodically scrutinizing the outstanding dues at their respective stations.
- **Recovery of dues:** The Committee observed that of the total station outstanding dues (includes unrealised freight charges, mistakes in collection of railway dues) of Rs 1,764 crore at the end of May 2017, around Rs 784 crore (44%) is against various state electricity boards and power houses. It recommended that in order to recover these dues, the Ministry should initiate concrete steps against those electricity boards that have the major share of outstanding dues.

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

Committee on Public Undertakings submits report on NHAI

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The Committee on Public Undertakings (Chair: Mr. Shanta Kumar) submitted its report on the National Highways Authority of India.⁴⁹ National Highways Authority of India (NHAI) is responsible for the development, maintenance and management of National Highways. Key recommendations of the committee include:

- **Project delays:** The Committee noted that from 1995, till June 2016, only 14% of the projects were completed on or before time. Delays in the completion of projects were attributed to long time taken in land acquisition, forest and wildlife clearances, etc. The Committee recommended that these delays may be reduced by better project monitoring and fixing accountability on the part of the contractor, concessionaire, and officials of NHAI.
- **Land acquisition:** The Committee noted that from January 1, 2015, the compensation for land acquired by NHAI would be determined

as per the Right to Fair Compensation and Transparency in Land Acquisition Rehabilitation and Resettlement Act, 2013. Due to higher compensation under the 2013 Act, farmers who were entitled to lesser compensation under the older law, have been approaching courts for increased compensation. This has further delayed the land acquisition process. The Committee recommended strengthening of Land Acquisition Cells (at the district level) to facilitate greater coordination between stakeholders in the land acquisition process.

- **Road safety:** The Committee noted that 28% of the total road accidents occur on National Highways. It noted that monitoring of road construction and maintenance standards could help improve road safety. The Committee observed that while NHAI monitors road construction standards, it does not have a mechanism to monitor the maintenance of highways post construction. It recommended that NHAI may develop a policy for maintenance of roads post construction.

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

Defence

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Standing Committee submits report on Creation of Non-lapsable Capital Fund Account

The Standing Committee on Defence (Chair: Maj Gen B. C. Khanduri) submitted its report on the 'Creation of Non-lapsable Capital Fund Account'.⁵⁰ In the past, the Committee has recommended that a Non-lapsable Defence Capital Fund Account should be created. The money in such a Fund can be used by the Ministry of Defence in the following years, as and when required, without approaching the Ministry of Finance for re-approval. The salient observations and recommendations of the Committee include:

- **Reasons for not favouring the creation of a non-lapsable fund:** The Committee noted that previously, the Ministries of Defence and Finance have not favoured the creation of this Fund. The reasons include:

(i) limitations of the utility of such a proposal as Parliamentary approval would be required for appropriating any sum from the Fund; and

(ii) requirements of the defence forces for meeting their capital modernisation and acquisition plans can be addressed through the

current budgetary mechanism, with an increase in allocation; and

- **Reasons for creation of a non-lapsable fund:** The Committee observed that in the last few years, the allocation towards capital expenditure of the Defence Ministry has been lower than its projections. While the Defence Ministry estimated a capital expenditure of Rs 1,46,155 crore in 2017-18, only Rs 86,528 (59%) was allocated to it at the budget estimate stage. The Committee stated that such a gap in allocation versus the projection for capital acquisition affects the Defence Ministry's procurement proposals
- The Committee also noted that defence procurement and acquisition is a complicated process and takes about five to ten years to materialise. Consequently, funds allocated for it in one financial year may not be completely utilised in that year itself.
- The Committee recommended that creation of a Non-lapsable Defence Capital Fund Account will ensure that the money allocated for a particular item is spent entirely on the specified item only, if not necessarily in the same financial year. The Committee stated that such a Fund would ensure that procurement projects that are in the pipeline are not delayed because of lack of money due to technicalities of rules and regulations.

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

Standing Committee submits report on resettlement of ex-servicemen

The Standing Committee on Defence (Chair: Maj. Gen. B. C. Khanduri) submitted its report on 'Resettlement of Ex-Servicemen' on August 10, 2017.⁵¹ The Committee examined the issue of rehabilitation and welfare of ex-servicemen. The salient observations and recommendations of the Committee include:

- **Restructuring of DGR:** The Directorate General Resettlement (DGR) under the Ministry of Defence facilitates re-settlement of ex-servicemen by organising pre and post retirement training, re-employment and self-employment. The Committee noted that presently, there are no specialised experts available in the fields of management, insurance and marketing consultancy in the DGR. In addition, the DGR does not have any powers to ensure that central government organisations that have not prescribed a certain percentage of vacancies for ex-servicemen do so. It also observed that reservations made for SCs, STs, OBCs, and Persons with Disability (PWD) were statutorily backed and as a

consequence are implemented by all central government organisations. However, this is not the case for reservations made for ex-servicemen, as the directions of DGR are presently only executive in nature.

- The Committee recommended that the DGR should be re-structured and granted statutory powers. The Committee noted that this will enable them to function in a professional manner and generate self-employment projects for ex-servicemen on a large scale. It will also ensure that reservation for ex-servicemen are implemented on the lines of those for SCs, STs, OBCs, and PWD.
- **Re-employment of ex-servicemen:** For access to better employment opportunities, the DGR empowers retiring/ retired service personnel with additional skills through training courses. The Committee noted that DGR does not have a mechanism to find out the number of trained personnel who have been employed. In the absence of this, money spent on training is not efficiently utilised.
- The Committee recommended that a mechanism should be designed by the DGR to collaborate with the private sector and seek greater employment opportunities for ex-servicemen. In addition, a clause for providing job placement assistance to all ex-servicemen receiving training should be incorporated in the agreement with all training institutes.

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

External Affairs

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Standing Committee submits report on Indo-Pak relations

The Standing Committee on External Affairs (Chair: Dr. Shashi Tharoor) submitted its report on 'Indo-Pak relations'.⁵² Key observations and recommendations made by the Committee include:

- **Border management and security:** India shares 3,323 km of its international border with Pakistan. Noting that there exists a volatile situation across the border, the Committee recommended that tangible steps need to be taken to strengthen and modernise border security. The Committee expressed concerns towards the poor road conditions across the border. It recommended that the Comprehensive Integrated Border Management System to be completed in a time bound manner.

- **Surgical strikes:** The Committee noted that a limited counter terrorism operation (surgical strikes) was carried out by the Indian Army along the Line of Control (LoC) in September 2016. It further noted that the surgical strikes took place based on intelligence inputs regarding terrorist launch pads across the LoC, and the overall build-up of terrorist attacks stemming from Pakistan.
- The Committee stated that the surgical strikes demonstrate a restrained response and hence do not indicate a change in India's policy of 'strategic restraint'. The Committee recommended that this policy be continued along with diplomatic outreach to highlight terrorism supported by Pakistan.

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

India signs agreements with Nepal and Switzerland

The Prime Minister of Nepal, and the President of Switzerland visited India in August 2017.^{53,54} Key agreements signed with these countries include:

Nepal: India and Nepal signed eight agreements.^{55,56} These include agreements related to: (i) implementation of India's grant towards post-earthquake reconstruction in certain sectors in Nepal, (ii) modalities of using India's grant for the reconstruction of 50,000 houses in Nepal, (iii) the cost sharing and safeguard issues related to the construction of the Mechi bridge at the Indo-Nepal border, and (iv) drug demand reduction and prevention of illicit trafficking of narcotic drugs.

Switzerland: India and Switzerland signed two agreements.^{57,58} These agreements are regarding: (i) technical cooperation in the railway sector, and (ii) the establishment of George Fernandes Institute of Tunnel Technology at Goa.

Water resources

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Cabinet approves raising of resources for Long Term Irrigation Fund in 2017-18

The Union Cabinet approved raising extra budgetary resources of up to Rs 9,020 crore by NABARD for 99 irrigation projects in 2017-18.⁵⁹ These resources will be raised by issuing bonds to states at an interest rate of 6% per annum. The irrigation projects are being implemented under the Pradhan Mantri Krishi Sinchayee Yojana.⁶⁰ This measure has been introduced as a large number of irrigation projects under the Yojana were incomplete due to inadequate funds.

The government has estimated that during 2017-18, Rs 29,000 crore will be required from the Long Term Irrigation Fund (constituted under NABARD) for the completion of these 99 irrigation projects. Of this amount, Rs 9,020 crore (31%) is proposed to be raised through extra budgetary resources.

Urban Development

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Cabinet approves the new Metro Rail Policy

The Union Cabinet approved the new Metro Rail Policy.⁶¹ Currently, metro projects with a total length of 370 km are operational in eight cities. Projects with a length of 537 km are in progress, and 595 km are in various stages of planning. The Policy seeks to provide for private investments across a range of metro operations. Key features of the policy are:

- **Promoting public transport:** In order to ensure that the least cost mass transit mode is selected for public transport, the new policy mandates alternate analysis. Under this, an evaluation of other modes of mass transit in terms of demand, capacity, cost and ease of implementation will be undertaken. Other modes of mass transit include Bus Rapid Transit System, light rail, tramways, and regional rail.
- **Private investments:** The Policy makes the public private partnership (PPP) component mandatory for availing central assistance for new metro projects. Since metro projects are capital intensive, private investment and other innovative forms of financing have been made compulsory to meet the resource demands. Private participation could be either for the complete provision of metro rail or for certain unbundled components (such as automatic fare collection, and operation and maintenance of services).
- **Last mile connectivity:** The Policy seeks to ensure last mile connectivity (from the metro station to the final destination point), which is currently either inadequate or absent. It requires states to commit to provide necessary last mile connectivity through feeder services (buses, e-rickshaws), and non-motorised transport infrastructure, such as walking and cycling pathways.
- **Transit Oriented Development (TOD):** The policy seeks to look at metro rail projects as urban transformation projects. It mandates

TOD to promote compact and dense urban development along metro corridors. States will have to adopt innovative mechanisms like value capture financing tools (such as land pooling, betterment levy) to mobilize resources for financing metro projects.

- **Authorities:** The setting up of an Urban Metropolitan Transport Authority (UMTA) has been made mandatory. The UMTA will prepare comprehensive mobility plans for cities to ensure complete multi-modal integration between various modes of transport.

Rural Development

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Aajeevika Grameen Express Yojana launched under NRLM

The Ministry of Rural Development has launched a new sub-scheme, Aajeevika Grameen Express Yojana (AGEY) under the Deendayal Antyodaya Yojana – National Rural Livelihoods Mission (DAY-NRLM).⁶² NRLM was launched in 2011 and aims to increase the household income of rural poor, through sustainable livelihood enhancements and improved access to financial services. Self Help Groups (SHGs) are formed in villages to achieve this objective.

Under AGEY, members from SHGs will operate road transport services in backward areas.⁶³ This will help in providing safe, affordable and community monitored rural transport services and thereby connect remote villages with key services and amenities (such as markets, education and health) for the overall economic development of the area. To operate, a SHG member will be provided an interest free loan of upto Rs 6.50 lakh for purchase of the vehicle. This amount will be loaned out by the Community Based Organisation from their Community Investment Fund (seed fund). Alternatively, the Community Based Organisation will own the vehicle and lease it to a SHG member to operate the vehicle and pay lease rental to it.

AGEY will initially be implemented in 250 blocks in the country on a pilot basis. Each block will be provided with upto six vehicles to operate the transport services. During the current year (2017-18), implementation of the scheme has so far been approved for 52 Blocks in eight states. These are Andhra Pradesh, Jharkhand, Maharashtra, Tamil Nadu, Telangana, Uttarakhand and West Bengal. For this, a total provision of Rs 16 crore has been made. Of this, the central government share will

be Rs 10 crore. The balance funding will be provided by the respective states.

Standing Committee submits report on watershed development component of PMKSY

The Standing Committee on Rural Development (Chair: Dr. P. Venugopal) submitted its report on ‘Watershed Development Component of Pradhan Mantri Krishi Sinchayee Yojana erstwhile IWMP’.⁶⁴ The salient observations and recommendations of the Committee include:

- **Expeditious efforts for completion of projects:** 53% of the net sown area in the country, accounting for 74 million hectares is rain fed. The watershed development component of PMKSY aims to enhance productivity in these areas through suitable irrigation measures. The Integrated Watershed Management Programme (IWMP), now part of PMKSY, has been under implementation since 2009. The Committee noted that between 2009 to 2015, out of the 8,214 projects covering 39 million hectares being carried out, not even a single project has reached closure date as of April 2017. As per the watershed development project guidelines, projects should be completed in four to seven years. It recommended that serious efforts should be made to expedite the completion of all ongoing projects.
- **Budgetary allocation:** The Committee recommended that in the context of non-completion of projects due to shortfall of funds, the budgetary allocations should be commensurate to the requirements of the projects sanctioned.
- **Coordination with states for better implementation:** Under IWMP, the fund sharing pattern between centre and states was 90:10. This has changed to 60:40 under the watershed development component of PMKSY. The Committee noted that this change has made the role of states in effective fund utilisation even more significant. It added that the delay in completion of projects could be avoided through better coordination with state government agencies and all stakeholders.
- It recommended that all state level nodal agencies (primary coordinating and supervisory bodies for ground level activities), and stakeholders should work together for better implementation and completion of projects within the stipulated time frame.

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

Women and Child Development

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Implementation guidelines released for Pradhan Mantri Matru Vandana Yojana

The Ministry of Women and Child Development released the implementation guidelines for Pradhan Mantri Matru Vandana Yojana (PMMVY). The PMMVY is a conditional cash transfer scheme to provide compensation for the wage loss of pregnant women and lactating mothers.⁶⁵ The scheme seeks to ensure that women can take adequate rest before and after delivery (for the first living child) and not be deprived of proper nutrition.

Key features of the guidelines are as follows:

- **Payment of instalments:** A sum of Rs 5,000 will be paid to the beneficiaries in three instalments for the birth of the first live child. These instalments will be paid as follows: (i) first instalment of Rs 1,000 on early registration of pregnancy at the anganwadi centre/ approved health facility, (ii) second instalment of Rs 2,000 after six months of pregnancy on receiving at least one ante-natal check-up, and (iii) third instalment of Rs 2,000 after the child birth is registered and the child has received the first cycle of vaccines.
- **Processing of claims:** The eligible women are required to register under the Scheme at the anganwadi centre/ approved health facility. The processing for disbursement of benefits to the beneficiary will be completed within 30 days from their date of registration. No maternity claim under the scheme will be admitted after 730 days of pregnancy. Further, the instalments may be claimed independently and not interlinked with any of the stages, subject to fulfilment of eligibility criteria.
- **Transfer of claims:** All eligible beneficiaries will receive payments through direct benefit transfer to their individual bank/ post office accounts. No disbursement will be made in the form of cash or cheque.
- **Monitoring of the scheme:** NITI Aayog will monitor the scheme every month. After six months of the roll out, a detailed evaluation will be carried out to bring mid-course corrections.

Environment

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Standing Committee submits report on genetically modified crops

The Standing Committee on Science and Technology, Environment and Forests (Chair: Ms. Renuka Chowdhury) submitted its report on 'Genetically Modified Crops and its impact on environment'.⁶⁶ Genetically Modified Organisms (GMOs) are plants, animals or microorganisms in which the genetic structure is altered to introduce specific traits. Plants produced from genetic engineering techniques are called Genetically Modified (GM) crops. The salient observations and recommendations of the Committee include:

- **Regulatory Framework:** The Committee noted divergent views on the effectiveness of the existing regulatory mechanism. It stated that while the government claims to have put a stringent regulatory mechanism in place, civil society organisations are of the opinion that the regulatory mechanism is stringent only on paper. The process depends on data that is made available to regulators by the technology developers. It also noted that none of the regulators conduct closed field trials and are solely dependent on the data provided to them by the technology developer. This leaves scope for technology developers to tamper the data to suit their requirements.
- The Committee recommended that the central government, in consultation with states should ensure that the process of field trials is done in a closed environment and in consultation with agricultural universities. This will ensure bio and health safety and minimise the scope of fudging primary data.
- **Status of GM crops:** The Committee noted that 17 of the 20 most developed countries, including Europe, Japan, Russia, Israel, etc., do not grow GM crops. This is due to the increasing evidence about the lack of safety of GM crops and little or no benefits to justify the risks. In India, Bt cotton is the only GM crop that is cultivated. In its assessment on the success of Bt cotton, the Committee noted that government data talks about production and not the average yield in an area. A better assessment would be to see the increase in yield of cotton since the introduction of Bt cotton in 2005. The Committee recommended that a comprehensive study should be undertaken by the Ministry to better assess the success of Bt cotton.

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

Agriculture

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NABARD (Amendment) Bill, 2017 passed by Lok Sabha

The National Bank for Agriculture and Rural Development (Amendment) Bill, 2017 was passed by Lok Sabha.⁶⁷ The Bill seeks to amend the NABARD Act, 1981. The 1981 Act provides for the establishment of the National Bank for Agriculture and Rural Development (NABARD). NABARD is responsible for providing and regulating facilities like credit for agricultural and industrial development in the rural areas.

Key features of the Bill include:

- **Increase in capital of the NABARD:** Under the 1981 Act, NABARD may have a capital of Rs 100 crore. This capital can be further increased to Rs 5,000 crore by the central government in consultation with the Reserve Bank of India (RBI).
- The Bill allows the central government to increase this capital to Rs 30,000 crore. Further, the capital may be increased over Rs 30,000 crore by the central government in consultation with the RBI, if necessary.
- **Transfer of the RBI's share to the central government:** Under the 1981 Act, the central government and the RBI together must hold at least 51% of the share capital of NABARD. The Bill provides that the central government alone must hold at least 51% of the share capital. Further, the Bill transfers the share capital held by the RBI (valued at Rs 20 crore) to the central government. Consequently, the central government will pay an equal amount to the RBI.

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

Standing Committee submits report on climatic change and agriculture research

The Standing Committee on Agriculture (Chair: Mr. Hukm Deo Narayan Yadav) submitted its report on 'Comprehensive Agriculture Research based on Geographical Conditions and Impact of Climatic Changes to ensure Food Security in the Country'.⁶⁸ Key observations and recommendations made by the Committee include:

- **Impact of climate change on agriculture:** The Committee noted that climate change effects include rising sea levels, and changes in the frequency of rainfall, floods and drought. It further observed that climate

change affects the yields of major crops. In this regard, the Committee stated that there is a need to find solutions to address challenges in agriculture due to climate change. Consequently, it recommended that allocations to research projects under the National Innovations in Climate Resilient Agriculture should be increased.

- **Crop residue:** The Committee noted that though burning of crop residue is banned, it continues to add to the high levels of pollutants in the environment. Around 20% (130-140 million tonnes) of the crop residue is burnt annually in the country. The Committee stated the following causes as reasons for burning of crop residue: (i) shortage of agricultural labour, (ii) short interval between crops, and (iii) mechanised farming. In this regard, the Committee recommended that eco-friendly utilisation of crop residue should be taken up using new technologies.

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

4th advance estimates of production of major crops released

The fourth advance estimates of production of foodgrains and commercial crops were released by the Ministry of Agriculture and Farmers Welfare.⁶⁹ Production of foodgrains is expected to be 275.7 million tonnes in 2016-17, which is an increase of 9.6% as compared to the final estimates in 2015-16. This is contributed by a 7.5% growth in cereals and a 40.4% growth in pulses.

Production of oilseeds is expected to grow by 27.1% in 2016-17, as compared to the final estimates in 2015-16. Oilseeds include soyabean, groundnut, rapeseed-mustard and castorseed. Production of cotton is estimated to grow by 10.3% while production of sugarcane is estimated to decrease by 12%.

Table 3: Fourth advance estimates of production of major crops in 2016-17 (in million tonnes)

Crop	Final 2015-16	4th Advance Estimates 2016-17	% change over final estimate
Foodgrains	251.6	275.68	9.6%
Cereals	235.2	252.73	7.5%
Rice	104.4	110.2	5.5%
Wheat	92.3	98.4	6.6%
Coarse Cereals	38.5	44.2	14.7%
Pulses	16.4	23.0	40.4%
Gram	7.1	9.3	32.2%
Tur	2.6	4.8	86.7%

Oilseeds	25.3	32.1	27.1%
Soyabean	8.6	13.8	61.0%
Groundnut	6.7	7.6	12.4%
Rapeseed- Mustard	6.8	8.0	17.4%
Cotton*	30.0	33.1	10.3%
Sugarcane	348.4	306.7	-12.0%

*Million bales of 170 kgs each

Source: Directorate of Economics & Statistics, Ministry of Agriculture and Farmers Welfare; PRS.

IMD releases forecast for second half of Monsoon 2017

The Indian Meteorological Department (IMD) released its forecast for the second half (August to September) of the southwest monsoon 2017.⁷⁰ The highlights of the forecast include:

- Rainfall in the second half of the monsoon (August to September) is estimated to be 100% of the Long Period Average, with an error of +/- 8%. Long period average (LPA) is the average rainfall for the period from 1951 to 2000 in a region.
- The overall season's rainfall (June to September) is estimated to be normal (96%-104% of the LPA). The actual rainfall over the same period in 2016 was 97% of the LPA.

Energy

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Standing Committee submits report on review of the National Electricity Policy

The Standing Committee on Energy (Chair: Mr. Virendra Kumar) submitted its report on the Review of the National Electricity Policy.⁷¹ The central government had released the Policy in February 2005. Key observations and recommendations of the Committee include:

- **Achievement of objectives:** Objectives of the Policy included: (i) access to electricity for all households by 2010, (ii) meeting the power demand of the country by 2012, (iii) supplying reliable and quality power in an efficient manner and at reasonable rates, and (iv) financial turnaround and commercial viability of the electricity sector. The Committee noted that none of the Policy's objectives could be met within the stipulated timeline. It pointed out that: (i) four crore households still need to be electrified; (ii) while generation capacity is adequate, the demand for power has not been fully met; and

(iii) financial condition of the power distribution companies has worsened.

- **Access to electricity:** The Committee noted that a village with 10% electrified houses is assumed to be electrified, as per the definition of an electrified village. Currently, 99.4% villages are electrified, but more than four crore households in the country still do not have an electricity connection. It recommended that the definition of village electrification should be changed to declare a village electrified only when all the households of the village are electrified.
- **Electricity distribution:** The Committee noted that the economic viability of the whole electricity sector depends on the distribution sector, which is currently the most financially distressed in the country. The aggregate technical and commercial losses (AT&C) in the country are still high, and are the major reason behind the distressed condition of the distribution companies. It also noted that the concept of AT&C losses is flawed as it disguises commercial losses which unlike technical losses can be eliminated completely. It recommended that these two components must be segregated.

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

CAG submits report on loans to independent power producers by REC and PFC

The Comptroller and Auditor General of India (CAG) submitted a compliance audit report on the Loans to Independent Power Producers (IPPs) by Rural Electrification Corporation Limited (REC) and Power Finance Corporation Limited (PFC).⁷² The audit reviewed the loans disbursed between 2013-14 and 2015-16. Key observations and recommendations of the audit report include:

- **Appraisal of loan proposals:** The CAG observed that REC and PFC did not conduct appropriate due diligence while examining the credit worthiness of the loan applicant. They deviated from their internal guidelines and also did not conform to the Reserve Bank of India (RBI) guidelines on credit appraisal. Further, the experience and ability of the promoters/ borrowers to develop the projects was not assessed objectively. This resulted in delayed completion of projects, and consequent cost overruns.
- CAG also noted that the financial capacity of the promoter to bring in equity for the project was not adequately assessed. For example, nine projects had to be restructured multiple times. This increased the interest during

construction by Rs 13,313 crore in six loan cases and resulted in NPAs of Rs 3,038 crore in three loan cases.

- CAG recommended that the existing appraisal norms may be revisited to assess the financial and technical capabilities of the promoters. Further, compliance with internal guidelines and RBI norms may be ensured at every stage.
- **Adjustment of loans:** The CAG observed that for certain loans REC adjusted the interest during construction. Further, even though no repayment was made by the borrower as per the loan servicing schedule, this was not reflected in the loan account. If the interest had not been adjusted, these loan accounts would have become NPAs in 2013 itself. At the end of 2015-16, gross NPAs of Rs 11,763 crore for IPP loans were recognized in the books of accounts of both REC and PFC.
- CAG recommended that loan monitoring mechanisms may be strengthened to ensure that: (i) loans disbursed are used for the specific purpose for which they have been sanctioned, and (ii) incidents of diversion of loan funds are eliminated.

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

Ministry of Power releases consultation paper on Open Access

The Ministry of Power released a consultation paper on Open Access.⁷³ Most consumers buy power from distribution companies (discoms), who buy it from the generation companies. Under Open Access, certain consumers can buy power directly from generation companies through non-discriminatory (or direct) access to the transmission and distribution network.

Key issues identified in the paper include:

- **Frequent shifting of Open Access consumers:** It was observed that Open Access consumers shift frequently between discoms and other sources of power. This affects the discoms' ability to manage power procurement efficiently. It recommended that customers should be required to schedule power for at least 24 hours whenever they seek Open Access.
 - **Cross subsidy surcharge:** Open Access consumers are also required to pay a Cross Subsidy Surcharge (CSS) which is calculated by the State Electricity Regulatory Commissions (SERCs). However, in order to keep Open Access competitive, the CSS is capped at 20%, under the Tariff Policy, 2016. It was noted that the CSS is often insufficient to recover the entire loss of cross subsidy on
- account of consumers procuring power through the Open Access route.
 - It was recommended that SERCs should determine CSS based on category wise cost of supply, thus identifying real cross subsidy. Further, SERCs should introduce differential CSS for peak, normal and off-peak hours.
 - **Tariff design and realisation:** Currently, SERCs determine retail power tariff using a two-part mechanism. Under this, the tariff consists of: (i) fixed charges/demand charges, and (ii) energy charges. The fixed charges enable the discom to recover fixed costs such as transmission charges, operation and maintenance expenses, and interest on loans. Energy charges help recover the cost of the power supplied, and are variable in nature. It was noted that while two-part tariff has been introduced in most states, it is not proportionate to the liability of the discoms. Therefore, if certain consumers of a discom move to Open Access, the discom still has to incur the fixed costs. If the tariff design is not reflective of fixed costs, then the recovery of fixed charges will be insufficient.
 - It was recommended that tariff design should progressively reflect actual break-up between fixed and variable charges. Consumers with smaller load may be exempt from such charges, as they may not be able to absorb the fixed costs.

Mining

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Standing Committee submitted report on skill development in mining sector

The Standing Committee on Coal and Steel (Chairperson: Mr. Rakesh Singh) submitted its report on Skill Development in the Mining Sector.⁷⁴ Key observations and recommendations of the Committee include:

- **Skill gap:** The Committee noted that only 2% of the total workforce in the age group of 15-59 years in India has undergone skills training. Under the National Skills Policy, 2009, the target is to impart skills training to 500 million people by 2022. The Committee also observed that the mismatch between skills versus jobs results in unemployment of working age group people, impacts the economy and results in social unrest.
- The Committee recommended that skill initiatives must focus on three important

parameters i.e., quantity, quality and access. Skilling programmes must be scalable, replicable and accessible, and must have a high degree of inclusivity. The skilling standards being developed must ensure clarity on career choices, and receptivity of the qualification. The government should create a formal arrangement between the government, industry and skills providers to build skills training as a mainstream programme.

- **Skilling requirements in mining sector:** The Committee observed that the total employment in the mining industry was estimated to increase from 0.95 million currently to 1.2 million by 2025. Currently, about 70% of the mining workforce is employed in coal mining activities. With regard to non-coal mining, 86% of the mining leases are of less than 50 hectares in size, cover 16% of the mining area, and are labour intensive with low levels of mechanisation.
- The Committee noted that the key factors affecting skill requirement in the mining industry include: (i) technology up-gradation, (ii) ageing profile of workforce, and (iii) long gestation period for skill acquisition. Further, 50-55% of semi-skilled manpower require urgent re-skilling or up-skilling for which there is no credible, industry specific institution. It recommended that the government should explore the feasibility of establishing a mining industry specific institute. It must also develop a strategy for skill development in the private sector.

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

Committee set up to frame a new National Mineral Policy

On August 8, 2017, the Supreme Court directed the central government to revisit the National Mineral Policy, 2008 and implement a new policy before December 31, 2017. In light of this, the Ministry of Mines set up a Committee (Chair: Dr. K. Rajeswara Rao, Additional Secretary, Ministry of Mines) to frame a new National Mineral Policy.⁷⁵ The Committee will submit its report by October 31, 2017. The terms of reference of the Committee include:

- (i) Reviewing the National Mineral Policy, 2008, and suggesting a new policy. The Committee must also consider measures that may need to be undertaken for bringing in transparency, balanced social and economic growth, and the sustainability of the mining industry.
- (ii) Suggesting recommendations for the conservation and development of minerals,

environmental protection, and measures to assess the carrying capacity of mining regions.

- (iii) Suggesting measures to improve the survey and exploration of minerals, scientific methods of mining, manpower development, infrastructure development, financial support for mining, and research in mining.
- (iv) Examining and recommending development of strategic minerals.
- (v) Examining and reviewing the fiscal aspects conducive to the promotion of mineral exploration and development.

Social Justice

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Cabinet approved setting up of a Commission to examine the issue of sub-categorisation of OBCs

The Union Cabinet approved a proposal for setting up a Commission to examine the issue of sub-categorisation of the Other Backward Classes (OBCs).⁷⁶ The Commission will submit its report within 12 weeks from the date of appointment of its Chairperson.

The terms of references of the Commission are as follows: (i) examining the extent of inequitable distribution of the benefits of reservation among the OBCs (included in the central list consisting of OBCs across states); (ii) working out the mechanism and parameters, for the sub-categorisation within OBCs, and (iii) identifying the respective castes/communities/ sub-castes/ synonyms in the central list of OBCs and classifying them into their respective sub-categories. Nine states of the country have already carried out sub-categorization of OBCs.

Commerce

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Taskforce on Artificial Intelligence for Economic Transformation constituted

The Ministry of Commerce and Industry constituted a Taskforce on Artificial Intelligence for Economic Transformation.⁷⁷ The Taskforce will be chaired by Dr V. Kamakoti, and comprise experts, academics, and industry leaders in the field of artificial intelligence.

The Taskforce will explore possibilities to leverage artificial intelligence for development

across various fields. Artificial intelligence is the use of computing to replicate human intelligence (e.g., driverless cars).

Telecom

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TRAI releases a consultation paper on privacy, security and ownership of data

The Telecom Regulatory Authority of India (TRAI) released consultation paper on privacy, security, and ownership of data in telecom sector.⁷⁸ Comments have been invited on the paper until September 8, 2017.

TRAI noted that data collection, storage and analytics have become widely used tools that allow businesses to promote their products and services. At the same time, data allows government in efficient delivery of services and prevention and handling of crimes. In this context, there is a need for government intervention with respect to the following issues:

- Consumers are not aware of the value of their personal data, and the extent to which it may be used.
- Consumers underestimate the long-term consequences while consenting to share their personal information in the course of availing products or services.
- Financial institutions (such as email and social networking platforms) generate and hold data, through process of delivering service. This gives them an advantage to use the data.

In this context, TRAI seeks consultation on:

- Whether data protection requirements are uniformly applicable to all online financial institutions;
- If there is a need for the consent of a consumer for sharing their data for commercial purposes; and
- Measures needed to empower consumers to possess control over their personal data.

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