Monthly Policy Review
January 2016

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Macroeconomic Development

Tanvi Deshpande (tanvi@prsindia.org)

Retail inflation increases by 0.6% over the third quarter of 2015-16

The Consumer Price Index (CPI) inflation increased from 5.0% to 5.6% over the third quarter of 2015-16 (October to December). Food inflation increased from 5.3% to 6.4% during this period. The increase in CPI inflation was mainly a result of an increase in the prices of pulses, oils and fats.

The Wholesale Price Index (WPI) had an increase from -3.8% to -0.7% from October to December 2015. This could be attributed to an increase in the prices of pulses, fruits and vegetables. Prices of fuels such as LPG, petrol and kerosene also increased over this period.

The trend in CPI and WPI over the third quarter of 2015-16 is shown in Figure 1.

Figure 1: Trend in consumer and wholesale price inflation in Q3 of 2015-16

Sources: Ministry of Commerce and Industry; Ministry of Statistics and Programme Implementation; PRS.

Finance

Action plan for the Start-up India initiative announced

Vatsal Khullar (vatsal@prsindia.org)

The action plan for the Start-up India initiative was released by the Prime Minister, Mr. Narendra Modi on January 16, 2016. The initiative seeks to encourage start-ups in India, with the aim of promoting sustainable economic growth and generating large scale employment. The action plan defines a start-up as a business which is less than five years old, and has an annual turnover of less than 25 crore rupees.

Key features of the action plan include:

- **Self-certification and compliance**: Start-ups will be allowed to self-certify their compliance with six labour laws (such as the Contract Labour (Regulation and Abolition) Act, 1970, the Payment of Gratuity Act, 1972) and three environmental laws (such as the Air (Prevention & Control of Pollution) Act, 1981 and the Water (Prevention & Control of Pollution) Act, 1974). Further, in case of these labour laws, inspections will not be conducted for three years, unless a complaint is received. For environmental laws, random checks would be carried out to ensure compliance.

- **Mobile application**: A mobile application for registering start-ups with government agencies will be launched. It will also allow start-ups to file for compliances, and provide information on clearances.

- **Legal support**: Applications for registering patents will be fast-tracked. In addition, a panel of facilitators to assist filling of patents will be set up, and costs related to them will be borne by the government. The scheme will also provide start-ups with an 80% rebate on filing patents.

- **Fast track exit**: The action plan recommends having a swift and simple process for winding up operations of a company. In this regard, it refers to the Insolvency and Bankruptcy Code, 2015, currently pending in Parliament. The Code proposes a 90 day time limit for fast track resolution of insolvency, which may be followed by liquidation.

- **Tax exemption**: Start-ups will be exempt from paying income tax on their profits for the first three years.

- **Start-up hub**: The action plan proposes to create a start-up hub, which will act as a single point of contact for businesses. The hub will assist start-ups in obtaining finances, enhancing marketing skills, structuring the business, etc.
Committee on income tax simplification releases its first round of recommendations

Aravind Gayam (aravind@prsindia.org)

The Committee on Income Tax (IT) Simplification, formed under the Ministry of Finance in October 2015, released its draft first round of recommendations on January 18, 2016. The terms of reference of the Committee included studying the provisions of the Income Tax Act, 1961 which: i) give rise to litigation, ii) impact the ease of doing business, and iii) affect predictability of application of income tax. Key observations and recommendations made by the Committee include:

- **Income from sale of shares and securities:** Currently, the IT Department may apply either capital gains tax or business income tax on income raised from sale of shares/securities on a case to case basis. The Committee highlighted that there is an uncertainty in application of the appropriate tax on such income. To simplify such application, the Committee has recommended that capital gains tax should be applied on such income if: i) shares are held for more than one year by the taxpayer, or ii) shares are held for an amount up to five lakh rupees.

- **Expenditure on exempt income:** Currently, certain kinds of income are exempt from levy of tax, known as exempt income. The Finance Act, 2001 required the taxpayer to specifically report the expenditure incurred in earning such exempt income. The Committee noted that there is uncertainty in the calculation of such expenditure as defined by the provisions of the Act. The Committee recommended that the Central Board of Direct Taxes should makes administrative provisions to simplify these provisions presented in the Act.

- **Tax deducted at source (TDS):** TDS is a primary way of collecting taxes and is collected at the source of income. The Committee noted that the current thresholds above which TDS is collected are very low. The Committee recommended that the thresholds should be raised to simplify administrative proceedings.

- The Committee noted that TDS is currently collected at a high rate, resulting in administrative burden as a consequence of sizable tax refunds. The Committee recommended that TDS rates for individuals be reduced from 10% to 5% to avoid this.

For a PRS Report Summary, please see here.

Cabinet approves creation of credit guarantee fund for MUDRA loans

Vatsal Khullar (vatsal@prsindia.org)

The Cabinet approved the creation of a credit guarantee fund for Micro Units Development Refinance Agency (MUDRA) loans on January 6, 2016. MUDRA loans are available to micro and small enterprises with credit needs of less than Rs 10 lakh.

The Cabinet also approved the conversion of MUDRA Ltd. into MUDRA Small Industries Development Bank. The Bank will be a wholly owned subsidiary of the Small Industries Development Bank of India.

The creation of a credit guarantee fund for MUDRA loans was announced by the Finance Minister, Mr Arun Jaitley, in his budget speech for Union Budget 2015-16. The fund is aimed at reducing the credit risk faced by lending institutions such as banks and microfinance institutions. The fund is expected to guarantee more than Rs 1,00,000 crore worth of loans.

Key features of the fund include:

- Loans sanctioned under the Pradhan Mantri Mudra Yojana from April 8, 2015 onwards will be guaranteed by the fund.

- The National Credit Guarantee Trustee Company Ltd. (NCGTC) will be the trustee of the fund. The NCGTC was established in 2014 to act as a trustee for credit guarantee funds set up by the government.

- Based on the loan portfolio of the MUDRA Bank, a maximum guarantee of 50% of the default amount will be provided.

Cabinet approves setting up of an Empowered Committee to process Pay Commission recommendations

Vatsal Khullar (vatsal@prsindia.org)

The Cabinet approved the setting up of an Empowered Committee of Secretaries to process recommendations made by the Seventh Central Pay Commission, on January 13, 2016. The
Committee will function as a Screening Committee, with the Cabinet Secretary as its chairman. Additional information about the Committee, including its terms of reference is not available. The Committee was constituted on January 27, 2016 by the Ministry of Finance.7

For more information on recommendations of the Pay Commission, please see here and here.

Commerce and Industry

Tanvi Deshpande (tanvi@prsindia.org)

Cabinet approves Model text of Indian Bilateral Investment Treaty

The Cabinet approved the Model Text for the Bilateral Investment Treaty (BIT) on December 16, 2015.8 The Model Text replaces the existing Model Indian BIT of 1993. The BIT aims to protect Indian investors in a foreign country and foreign investors in India. Key features of the Model Text of the BIT include:

- **Investment:** An investment is defined as an enterprise organized and operated by an investor, and with characteristics such as commitment of capital or other resources, expectation of gain or profit, an assumption of risk, etc.

- **Applicability:** The treaty would apply to measures adopted by a party regarding investments of another party in its territory. It will not apply to matters of government procurement, taxation laws, subsidies, compulsory licenses regarding intellectual property, and services supplied by government.

- **National treatment:** Each party to the treaty will treat investors or investments of the other party as favourably as its own investors, in similar circumstances with respect to management, conduct, operation, sale, etc.

- **Expropriation:** Neither party to the treaty may nationalise or expropriate an investment unless it is done for reasons of public purpose, in accordance with law and after the payment of compensation.

- **Dispute settlement mechanism:** The treaty allows for the settlement of disputes caused by a breach of treaty, followed by negotiation or arbitration. However, before proceeding for settlement through negotiation or arbitration, the party must first exhaust domestic remedies such as courts and administrative bodies of the defending party.


Petroleum and Natural Gas

Dipesh Suvarna (dipesh@prsindia.org)

Direct Benefit Transfer of kerosene subsidy introduced in eight states

The central government has announced Direct Benefit Transfer (DBT) of kerosene subsidy across 26 districts in eight states on January 1, 2016.9 The eight states are Punjab, Maharashtra, Rajasthan, Chhattisgarh, Jharkhand, Haryana, Himachal Pradesh and Madhya Pradesh. This scheme will be implemented from April 1, 2016.

In areas where the transfer scheme is introduced, at the time of purchase, the consumer will pay the un-subsidised price of kerosene. Subsequently, subsidy amount will be directly transferred to the bank account of the beneficiary. Further, in order to avoid inconvenience to consumers, subsidy will be paid in advance during the initial purchase.

In order to incentivize implementation of DBT, states will be provided with cash incentive of 75% of subsidy savings during the first two years, 50% in the third year and 25% in the fourth year. In case the states undertake cuts in kerosene allocation beyond the savings due to DBT, a similar incentive will be provided to them. Accordingly, the calculation will be based on net savings in kerosene consumption from the baseline level. The baseline for the calculation of savings will be 90% of the 2015-16 allocation of kerosene.
Energy

Dipesh Suvarna (dipesh@prsindia.org)

Cabinet approves amendments to Power Tariff Policy

The Ministry of Power released the power Tariff Policy on January 28, 2016. The Policy amends the Tariff Policy, 2006 which lays down principles for electricity tariff determination in generation, transmission and distribution. The objectives of the amendments are (i) to provide electricity for all, (ii) to achieve efficiency in order to ensure affordable tariff, (iii) to develop an environment for a sustainable future, and (iv) to provide for ease of doing business to attract investments and ensure financial viability. Key features of the amendments include:

- **Providing electricity:** In order to provide uninterrupted power supply to all consumers by 2021-22 or earlier (depending on the conditions in the state), the state regulatory commissions will develop a power supply trajectory. To provide electricity to remote unconnected villages, the regulatory commissions will mandate the purchase of electricity from micro grids to the main grid at a regulated tariff. A micro grid is a small scale grid which can operate independently or along with the main grid.

- **Efficiency:** In order to reduce burden on consumers, the amendments allow for monthly/quarterly tariff revisions. Further, the amendments revise the cross subsidy surcharge formula (surcharge paid in order to maintain level of cross subsidy when transmission and distribution network of a licensee is used by another for the transfer of electricity).

- **Environment:** Under the amendments, after a specified date, new coal based thermal plants will be required to establish certain amount of renewable generation capacity or procure and supply such capacity (as prescribed by the central government). Further, due to geological uncertainties and clearance related issues, hydro projects have been exempted from competitive bidding till August 15, 2022.

- **Ease of doing business:** The amendments allow for pass through of cost to consumer tariff in case of imported coal, and in case of changes in domestic duties, levies, cess and taxes in competitive bid projects.

Urban Development

Roopal Suhag (roopal@prsindia.org)

20 cities announced as winners of the Smart City Challenge

The government declared 20 cities as winners of the Smart City Challenge competition on January 28, 2016. These cities were selected from 98 cities that had been nominated by their respective states and union territories (UTs) in the first stage of the competition in August 2015. Staring from 2016-17, these cities will be provided with central assistance of Rs 200 crore in the first year followed by Rs 100 crore each year for the next three years. The 20 cities are listed in the table below:

<table>
<thead>
<tr>
<th>Rank</th>
<th>City</th>
<th>State</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Bhubaneswar</td>
<td>Odisha</td>
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<tr>
<td>2</td>
<td>Pune</td>
<td>Maharashtra</td>
</tr>
<tr>
<td>3</td>
<td>Jaipur</td>
<td>Rajasthan</td>
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<tr>
<td>4</td>
<td>Surat</td>
<td>Gujarat</td>
</tr>
<tr>
<td>5</td>
<td>Kochi</td>
<td>Kerala</td>
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<tr>
<td>6</td>
<td>Ahmedabad</td>
<td>Gujarat</td>
</tr>
<tr>
<td>7</td>
<td>Jabalpur</td>
<td>Madhya Pradesh</td>
</tr>
<tr>
<td>8</td>
<td>Visakhapatnam</td>
<td>Andhra Pradesh</td>
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<td>9</td>
<td>Solapur</td>
<td>Maharashtra</td>
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<td>10</td>
<td>Davanagere</td>
<td>Karnataka</td>
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<tr>
<td>11</td>
<td>Indore</td>
<td>Madhya Pradesh</td>
</tr>
<tr>
<td>12</td>
<td>New Delhi Municipal Council</td>
<td>Delhi</td>
</tr>
<tr>
<td>13</td>
<td>Coimbatore</td>
<td>Tamil Nadu</td>
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<tr>
<td>14</td>
<td>Kakinada</td>
<td>Andhra Pradesh</td>
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<tr>
<td>15</td>
<td>Belagavi</td>
<td>Karnataka</td>
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<td>16</td>
<td>Udaipur</td>
<td>Rajasthan</td>
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<td>17</td>
<td>Guwahati</td>
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<td>18</td>
<td>Chennai</td>
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<td>19</td>
<td>Ludhiana</td>
<td>Punjab</td>
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<td>20</td>
<td>Bhopal</td>
<td>Madhya Pradesh</td>
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</tbody>
</table>

These 20 cities have proposed an investment of Rs 50,802 crore over five years with Public-Private-Partnership as a major vehicle for resource mobilisation.

The 23 states and UTs that could not make it to the list of winners will be given an opportunity to participate in a ‘fast track competition’. Each top ranking city from these states can upgrade their smart city proposal and submit it by April 15, 2016 this year for inclusion in the mission.
Transport

CCEA approves Hybrid Annuity Model for implementation of Highway Projects

Roopal Suhag (roopal@prsindia.org)

The Cabinet Committee on Economic Affairs (CCEA) on January 27, 2016 approved the hybrid annuity model as a mode of delivery under Public Private Partnership (PPP) arrangement for implementing highway projects. Under this model, 40% of the project cost will be provided by the government as construction support to private developers. The balance 60% shall initially be financed by the private developer. This amount will later be recovered from the government through annuity payments over a period of time along with interest on the amount.

The private partner is responsible for designing, building, operating and transferring the project at the end of the operations period. The developer is insulated from traffic and inflation risks, which are looked after by the implementing agency of the Ministry, the National Highway Authority of India (NHAI).

The highways sector has been facing difficulties in the implementation of projects through the PPP mode due to lack of availability of equity in the market. The hybrid annuity model decreases the initial capital outflow for NHAI as bulk of the financing is done through annuity payments. Additionally, developers can reduce equity in investments as 40% of the construction cost is borne by the implementing agency.

Ministry of Railways releases concept paper on Rail Development Authority

Prachee Mishra (prachee@prsindia.org)

The Ministry of Railways released a concept paper on the Rail Development Authority of India on January 1, 2016. In the past, several committees have recommended setting up an independent railway regulatory authority, which would also fix the rail tariff.

Key features of the proposed Authority include:

- Guiding principles: Guiding principles of the Authority will include (i) protecting consumer interest by ensuring quality of service and cost optimisation, (ii) promoting competition, efficiency and preventing market domination, (iii) encouraging participation of the private sector in Railways, (iv) providing non-discriminatory open access to Railways infrastructure, and (v) benchmarking standards for the quality of services.

- Role: While the role of the Authority will have to be clearly stated, areas not under its purview will include: (i) policy making, (ii) financial management, (iii) setting technical standards, and (iv) compliance of safety standards and practices.

- Functions: The Authority would (i) recommend passenger and freight tariffs, (ii) ensure compliance to stated performance and service obligations by both private parties and Indian Railways, and (iii) determine charges to access the tracks and ensure non-discriminatory access on the Dedicated Freight Corridors.

- Structure: The Authority may be established by amending the Railways Act, 1989. It will be independent of the Ministry of Railways, but will be funded through the annual railway budget. It will consist of a Chairman and four other members, having knowledge of and experience in the sector. The Selection Committee to select the Chairperson and members will comprise of: (i) Cabinet Secretary of the Central Government, (ii) a member of the Union Public Service Commission (UPSC) to be nominated by the UPSC chairperson, (iii) chairperson of the Authority, and (iv) Chairman of the Railway Board.

Health

Dipesh Suvarna (dipesh@prsindia.org)

National Family Health Survey released

The Ministry of Health and Family Welfare released the results of the National Family Health Survey-4 (NFHS-4) on January 19, 2016. The survey is the fourth round of the NFHS series and covers 13 states and two union territories. These consist of Andhra Pradesh, Bihar, Goa, Haryana, Karnatak, Madhya Pradesh, Meghalaya, Sikkim, Tamil Nadu, Telangana, Tripura, Uttarakhand and West Bengal, and the union territories of Andaman and Nicobar Islands and Puducherry. The survey includes information regarding the health,
nutrition and population in these states. Key findings are summarised below:

- **Infant Health:** Infant health is measured using the Infant Mortality Rate (IMR), which is the number of infant deaths per 1,000 live births during the year. Over the time period covered by NFHS-4, all states and union territories showed a decrease in infant deaths when compared to the NFHS-3 (2005-2006). The highest decline in IMR was observed in the state of Tripura, from 51 deaths per 1,000 live births in NFHS-3 to 27 in NFHS-4.

- **Child Nutrition:** A decline in stunting (height for different ages) in children was observed in all states and union territories in the NFHS-4. The most significant decline in stunting in children was observed in the states of West Bengal and Haryana. In West Bengal, the percentage of children under 5 years who are stunted reduced from 44.6% in NFHS-3 to 32.5% in NFHS-4, and in Haryana this percentage reduced from 45.7% to 34.0% over this period.

- **Immunization:** The survey found that at least 50% of the children in the participating states and union territories were fully immunized. The lowest rate of immunisation was observed in the state of Madhya Pradesh (53.6% of children fully immunised) and Tripura (54.5% of children fully immunised).

- **Delivery Care:** Over the survey period, all states and union territories showed an increase in the number of institutional births. The largest increase in this number was found in Madhya Pradesh, where number of institutional births increased from 26.2% in NFHS-3 to 80.8% in NFHS-4.

**Draft Drugs and Cosmetics (9th Amendment) Rules, 2016 released**


Presently, permission from the Central Drugs Standard Control Organisation (CDSCO) is required for conducting a clinical trial for a new drug. Permission is required for clinical investigation and for clinical experiment conducted by institutions. The draft Rules exempt clinical trials for academic purposes (on approved drug formulations for a new dose, etc.), from taking permission from the CDSCO. This is applicable where (i) the trial is approved by the ethics committee, and (ii) the data is not required to be submitted to the CDSCO.

For marketing a new drug in the country, the draft Rules propose to exempt data collected from toxicity studies on animals except in cases where concerns are recorded in writing. This will be applicable in case where such data has already been considered by the regulatory authority of the country where the drug has received approval.

**Expert committee to recommend ways to improve health of tribal population**

An Expert Committee (Chair: Abhay Bang) constituted under the Ministry of Health and Family Welfare will recommend ways to improve the health of the tribal population in India. The Terms of Reference include:

- To develop a national framework to improve matters including access, quality of health services in areas with tribal population;
- To review schemes and interventions undertaken by the Ministry. Further, to identify gaps in implementation and suggest interventions to improve implementation of the schemes;
- To suggest ways to improve monitoring systems for implementation of health programmes in tribal areas;
- To recommend requirement of additional resources including infrastructure, financial and human resources in tribal districts;
- To prepare guidelines for states to develop programme implementation plans for tribal population based health issues.

**Report on the Development of Manufacturing Capabilities in Pharmaceutical Production released**

The report of the Task Force on Development of Manufacturing Capabilities in each Medical Vertical in Pharmaceutical Production was released on January 13, 2016. Key recommendations of the Task Force include:
Communicable diseases

- **Policy:** Policies that restrict the distribution and availability of drugs for communicable diseases must be reviewed. In case Active Pharmaceutical Ingredients (API) (biologically active component of a drug) are short of supply or not manufactured in the country, special incentives must be provided for their manufacture.

- **Infrastructure:** Manufacture of fermentation based API have large power requirements. Further, as these APIs are not produced domestically due to their non-viability, subsidized power tariff should be provided to them.

Bio-pharmaceuticals and Non Communicable Diseases

- **Policy:** A Policy must be developed for voluntary collection of plasma (used for separation of components of plasma). A mechanism must also be developed for using expired blood samples/excess plasma.

- **Pricing and Infrastructure:** The existing vaccines under National List of Essential Medicines and price control must be reviewed. The supply and distribution system of medicines for non-communicable diseases are weak and fragmented, and need to be strengthened accordingly.

- **Regulatory:** A fast track mechanism (a single window system) for granting licenses for the manufacture of vaccines must be developed. Presently, in case of bio-pharmaceuticals, parallel submission and review is required from Review Committee on Genetic Manipulation and Drug Controller General of India. The approval pathway and time must be reviewed.

Home Affairs

Anviti Chaturvedi (anviti@prsindia.org)

Ordinance promulgated to amend the Enemy Property Act, 1968

The Enemy Property (Amendment and Validation) Ordinance, 2016 was promulgated on January 7, 2016.26 The Ordinance amends the Enemy Property Act, 1968 and the Public Premises (Eviction of Unauthorised Occupants) Act, 1971.

After the India-Pakistan wars of 1965 and 1971, the central government took over the properties (called ‘enemy properties’) of those who migrated from India and became citizens of Pakistan (i.e., ‘enemy’). These properties were vested in the office of the ‘custodian of enemy property’, instituted under the central government.27 The 1968 Act regulates rights over these enemy properties, and the powers of their custodian.

In July 2010, an Ordinance was introduced to amend the Act (subsequently lapsed).28 This Ordinance clarified that the office of the custodian will retain its power over enemy properties, even after the enemy dies, or if the legal heir is an Indian citizen, or the enemy changes his nationality, etc.

The 2016 Ordinance also provides for the same. In addition, it amends the Act to broaden the definition of enemies. For instance, the Act provided that a citizen of India cannot be considered an enemy. Under the 2016 Ordinance, legal heirs of enemies (even if they are Indian citizens) will be considered enemies. This will mean they will not be able to inherit enemy properties, or enjoy any benefits arising from them.

The 2016 Ordinance also modifies powers of the custodian of enemy property. For example, it adds the power to fix and collect rent, and evict unauthorised occupants from such properties. For the purpose of allowing regulation of unauthorised occupants in case of enemy properties, the Ordinance also makes some amendments to the 1971 Act.

The 2016 Ordinance has retrospective effect from the date of commencement of the 1968 Act. This is to ensure that transfers of enemy property that had taken place before its promulgation are deemed ineffective if they violate its provision. All such properties will continue to vest with the custodian.

For a comparison of the two Ordinances, please see here.

Reservation for women at constable level posts in CAPFs

The Ministry of Home Affairs approved reservation for women at constable level posts in the Central Armed Police Forces (CAPFs) on January 5, 2016.29 There will be 33% reservation for constable posts in Central Reserve Police Force and Central Industrial
Security Force. Border guarding forces, i.e. the Border Security Force, Sashastra Seema Bal and Indo Tibetan Border Police, will have a 14%-15% reservation.

In 2010, the Parliamentary Committee on Empowerment of Women had noted that representation of women in CAPFs was negligible. It had recommended that at least 10% of total posts in paramilitary forces be filled up by women.30

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**Telecom**

*Apoorva Shankar (apoorva@prsindia.org)*

**TRAI releases recommendations on valuation and reserve price of spectrum**

The Telecom Regulatory Authority of India (TRAI) released recommendations on Valuation and Reserve Price of Spectrum in the 700 MHz, 800 MHz, 900 MHz, 1800 MHz, 2100 MHz, 2300 MHz and 2500 MHz bands on January 27, 2016.31 TRAI had invited comments on the consultation paper issued in this regard on November 26, 2015.32

TRAI noted that the 700 MHz band is more efficient and has higher penetration inside buildings. Due to lower frequency it provides wide coverage which reduces the number of towers required. This significantly cuts down capital expenditure.

Key recommendations include:

- The entire spectrum available in the 700 MHz band should be put to auction. The same should be done in case of 800 MHz and 1800 MHz bands.

- All bands of spectrum should be harmonised. Reassignment should be carried out (in coordination with the Defence Ministry and Telecom Service Providers) to ensure that all spectrum available for commercial use is put to auction. This would prevent revenue loss to the government. The reassigned spectrum should be in contiguous blocks.

- Rollout obligations for the 700 MHz band have been specified. All towns and villages with a population between 15,000-50,000 should be covered within five years, and those with a population between 10,000-15,000, within seven years.

- Audits should be conducted for all allocated spectrum (commercial as well as spectrum allocated to PSUs/government organisations). This should be done by an independent agency.

- Reserve prices for various spectrum bands across the country have also been specified.

For more information on the consultation paper, please see the PRS Monthly Policy Review for November 2015, here.

**TRAI releases Telecommunication Interconnection Amendment Regulations**

The Telecom Regulatory Authority of India (TRAI) issued the sixth amendment to the Telecommunication (Broadcasting and Cable Services) Interconnection (Digital Addressable Cable Television Systems) Regulations, 2015 on January 7, 2016.33 The Authority had released the draft Regulations for consultation on November 3, 2015.34

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

- The service providers must enter into new interconnection agreements for retransmission of TV signals, amongst themselves, at least 60 days prior to expiry of existing agreement.

- Multi system operators are mandated to inform consumers in case of failure to execute new interconnection agreement. They must be informed of the date of expiry of the existing agreement and disconnection of TV channels, 15 days prior to expiry.

For more information, please see the November 2015 PRS Monthly Policy Review here.

**Comments invited on draft Direction on delivering broadband services**

The Telecom Regulatory Authority of India (TRAI) invited comments on the draft direction on delivering broadband services in a transparent manner on January 20, 2016.35

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

- **Fixed broadband service**: (i) data usage limit with specified speed, (ii) speed of broadband connection up to specified data usage limit, and (iii) speed of broadband connection beyond data usage limit.

- **Mobile broadband service**: (i) data usage limit with specified technology (3G/4G) for providing services, (ii) technology offered for providing broadband services up to specified data usage limit, and (iii) technology offered for providing broadband services beyond data usage limit.

All of the above information must be provided to consumers via email and SMS. They must also be alerted when their data usage reaches 80% of the subscribed plan.

Download speed of broadband service provided should not be reduced below 512 kbps under any tariff plan.

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**Social Justice**

Anviti Chaturvedi (anviti@prsindia.org)

**Draft Rights of Transgender Persons Bill, 2015 released**

The Ministry of Social Justice and Empowerment released the draft Rights of Transgender Persons Bill, 2015 in January 2016. The draft Bill seeks to ensure overall development and welfare of transgender persons.

A transgender person is defined as a person whose gender does not match with the gender assigned to them at birth, irrespective of whether they have undergone sex reassignment surgery or hormone therapy, etc.

Key provisions of the draft Bill include:

- **Certificate of identity**: A certificate indicating that a person is a transgender person will be issued by a state level authority, on the recommendation of a district screening committee (comprising District Magistrate, psychologist, psychiatrist, representatives of the transgender community, etc.). The certificate may be used to indicate gender on official documents, like ration card and Aadhaar card. Transgender persons will have the option to identify as ‘man’, ‘woman’ or ‘transgender’ in all such cases.

- **Rights of transgenders and duties of government**: The central and state governments must take steps to ensure that transgender persons enjoy right to equality, and protection from discrimination. The government must also ensure that transgender persons have accommodation, protection from torture, etc.

- **Health**: The central and state governments must take steps to provide health facilities to transgender persons including separate HIV surveillance centres, free of cost sex reassignment surgeries, etc.

- **Education**: Educational institutions funded or recognised by the government will have to admit transgender students without discrimination, provide accommodation and necessary support.

- **Employment**: Public or private establishments (including companies, unions, factories, etc.) will be prohibited from discriminating against transgender persons in matters related to employment including recruitment and promotion. Further, transgender persons may be declared a Backward Class so that they can be entitled to reservation under the ‘Other Backward Class’ category.

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

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**Education**

Apoorva Shankar (apoorva@prsindia.org)

**Rajendra Central Agricultural University Bill referred to Standing Committee**

The Rajendra Central Agricultural University Bill, 2015 was introduced by the Minister of Agriculture, Mr. Radha Mohan Singh, in Rajya Sabha on December 23, 2015. The Bill declares the existing Rajendra Agricultural University in Pusa, Bihar as an institute of national importance. The Bill seeks to replace the Bihar Agricultural University Act, 1987. It
was referred to the Standing Committee on Agriculture on January 11, 2016. The report is due within three months of this date.
For more information, please see [here](#).

### Agriculture

**Tanvi Deshpande (tanvi@prsindia.org)**

### Cabinet approves Pradhan Mantri Fasal Bima Yojana

The Cabinet approved a new agricultural insurance scheme, the Pradhan Mantri Fasal Bima Yojana on January 13, 2016. The scheme aims to provide insurance coverage to farmers for crop failure, stabilise farmers’ income, and encourage farmers to adopt modern agricultural practices, among others. Key features of the scheme are summarized below:

- **Implementing agency:** The scheme will be implemented by the Department of Agriculture and Cooperation (DAC), the relevant state government, and various agencies such as commercial banks, cooperative banks, regional rural banks, etc.
- **Farmers to be covered:** The scheme would cover all farmers. Enrolment would be compulsory for farmers who have received a crop loan for the season. Enrolment is voluntary for all other farmers.
- **Risks covered:** Risks covered by the scheme are (i) yield losses, (ii) prevented sowing (due to adverse weather conditions), (iii) post-harvest losses, and (iv) localised calamities (such as hailstorm, inundation, etc.). Yield losses and prevented sowing will be insured at the village level. Post-harvest losses and localised calamities will be covered at an individual farm basis.
- **Premium rates:** The sum insured (SI) under the scheme would be calculated on

the basis of the yield of the crop in a particular area, and the applicable minimum support price. The premium payable by farmers would be (i) Kharif crops: 2% of SI; (ii) Rabi crops: 1.5% of SI; (iii) Commercial/horticultural crops: 5% of SI. The balance premium would be borne equally by the states and centre.

- **Payment of compensation:** Insurance companies will be liable for up to 35% of the total sum insured, or 350% of the total premium collected, whichever is higher.
- **Losses which are valued above this ceiling will be shared equally by the central and state governments.**

### Mines and Minerals

**Prachee Mishra (prachee@prsindia.org)**

### Ministry of Mines released draft Mines and Minerals (Development and Regulation) (Amendment) Bill, 2016

The Ministry of Mines released the draft Mines and Minerals (Development and Regulation) (Amendment) Bill, 2016 on January 11, 2016. The draft Bill seeks to amend the Mines and Minerals (Development and Regulation) Act, 1957, to allow for the transfer of certain mining leases. Comments on the draft Bill were invited till January 26, 2016.

The 1957 Act was amended in March 2015, to allow for the transfer of mining leases granted only through an auction process. The holder of these mining leases may transfer the lease to any eligible person, with the approval of the state government, and as specified by the central government. If the state government does not convey its approval within 90 days of receiving the notice, the transfer shall be considered as approved. No transfer shall take place if the state government communicates, in writing, that the transferee is not eligible.

The draft Bill allows mining leases (i) granted through procedures other than auction, and (ii) where the minerals are used for captive purpose, to be transferred. Captive purpose is the mining of a mineral for a specific end-use. Such lease transfers will be subject to terms and conditions prescribed by the central government.
Water Resources

Roopal Suhag (roopal@prsindia.org)

Standing Committee submits report on ground water scenario in the country

The Standing Committee on Water Resources submitted its report on the subject “Review of ground water scenario, need for a comprehensive policy and measures to address problems in the country with particular reference to (i) dark blocks; and (ii) contamination of underground water by certain industries” on December 22, 2015.

Key recommendations of the committee include:

- **Database on natural and artificial recharge of water**: Assessment of ground water resources should be undertaken on a regular basis, preferably every two years.

- **Study of Dark Blocks**: A study to assess land-use and proportion of agricultural land falling under dark blocks (over-exploited assessment units) should be initiated. This will help determine suitable cropping pattern in areas that are water stressed.

- **Ground water withdrawal for agriculture**: To improve the depleting ground water levels in Punjab, Haryana and Rajasthan, measured suggested include: (i) on-farm water management techniques and adoption of improved irrigation methods, (ii) regulating extraction of ground water by private entities and (iii) revamping agricultural power pricing structure, as flat rate of electricity adversely affects the use of ground water.

- **Enforcement of NOCs by CGWA**: A system of regular inspections should be instituted in respect of industries to whom No Objection Certificate (NOC) has been issued by Central Ground Water Authority. This will ensure compliance of conditions mentioned in the NOC.

- **Census of water bodies and installation of water meets on tube wells**: An inventory of water bodies (including ponds) in the country should be undertaken and completed in a definite time-frame. Special programs for the upkeep, maintenance and restoration of water bodies should be implemented with sufficient budgetary allocation. To regulate over-use of ground water for irrigation and drinking purposes, installation of water meters in all tube-wells should be made mandatory on the principle of ‘Beneficiary Pays’.

- **Water under concurrent list of the Constitution**: Bringing water as a subject under the concurrent list will help evolve a comprehensive plan of action. Consensus between the centre and states for its conservation will result in better conservation, development and management of water, including ground water.

For a PRS Report Summary, please see here.

Approval of PPP model approach for faster implementation of Namami Gange

The Cabinet on January 6, 2016 approved the proposal for taking up Hybrid Annuity based Public Private Partnership (PPP) model under the Namami Gange program. In this model, a part of the capital investment (up to 40%) will be paid by government. The balance will be paid through an annuity over the contract duration up to 20 years. The Namami Gange project was introduced in May, 2015 and aims to consolidate the ongoing efforts for rejuvenation of river Ganga. The program has a budget outlay of Rs 20,000 crore for the next five years.

In order to scale up the model, the government will establish a Special Purpose Vehicle (SPV). It will help procure companies to whom concession can be granted for implementation of various PPP projects. Additionally, for concerned projects, the SPV will enter into a Memorandum of Agreement with participating state governments and concerned Urban Local Bodies. These agreements will aim at introducing reforms and regulatory measures for (i) recovery of user charges based on the extent of pollution caused by industries, and (ii) restrictions on usage of ground and fresh water for non-potable purposes.

The Ganga Gram Yojana was recently launched in Hapur district of UP. Under this scheme, 1,600 villages situated along river Ganga will be developed through (i) diverting open drains and making alternate arrangements for sewage treatment, and (ii) constructing toilets in all households. An allocation of one crore rupees per village has been proposed. The scheme will be implemented in a phase wise manner. In the first phase, 200 villages have been selected.
**Chemicals and Fertilizers**

*Dipesh Suvarna (dipesh@prsindia.org)*

**Cabinet approves policy on promotion of city compost**

The Cabinet approved the Policy on promotion of city compost on January 20, 2016. City compost includes compost prepared from city waste which can be further utilised by farmers. The Policy provides for a market development assistance of Rs. 1,500 per tonne of city compost to scale up production and consumption of the product. This market development assistance would lower the price of city compost for farmers. Further, the use of an ‘Eco-Mark’ standard will ensure that environment friendly and quality product reaches farmers. In order to monitor and facilitate the availability of city compost, a joint mechanism will be set up by the Ministries of Chemicals and Fertilizers, Urban Development and the Agriculture and Farmers Welfare. Initially, the marketing of city compost will be done through the existing fertilizer companies. Subsequently, compost manufacturers and other marketing companies (recognised by state government) with the approval of Department of Fertilizers will perform this function. The market development assistance will be routed through the marketing company.

**Environment**

*Anviti Chaturvedi (anviti@prsindia.org)*

**Government amends notification on environmental clearances regarding mining of minor minerals**

The Ministry of Environment, Forest and Climate Change amended the Environment Impact Assessment Notification, 2006 with regard to mining of minor minerals on January 15, 2016. The 2006 notification mandates that environmental clearances must be acquired for mining of minerals. Minor minerals covered under the amendment include building stones, gravel, clay, sand (unless it is used for purposes like manufacture of materials such as cement or ceramic or pottery.), etc. Key aspects of the amendment are:

- Environmental clearances in case of mining leases up to five hectares, will be granted by the District Level Environment Impact Assessment Authority. This will also be applicable for a mining lease that has been acquired for a cluster of mining sites up to 25 hectares. Earlier, state level authorities provided these clearances.
- The district level authority will be a four-member committee comprising District Magistrate, Sub-Divisional Magistrate, District Forest Officer and an expert (in mining, geology, hydrology, forestry, wildlife, etc.).
- Some activities have been exempted from environmental clearance. These include: (i) dredging and de-silting of dams, rivers and canals for their maintenance and disaster management, (ii) removal of sand deposits from fields by farmers, (iii) community works like de-silting of village ponds, etc.
- Each district will have a District Survey Report prepared for each minor mineral, which will form the basis of granting environmental clearances. The report is to be updated every five years.

**External Affairs**

*Anviti Chaturvedi (anviti@prsindia.org)*

**French President visits India**

The French President Francois Hollande visited India from January 24-26, 2016. 14 agreements and memoranda of understanding (MoUs) were concluded between the two governments, related to various sectors including defence, railways, space and education. In addition, 16 agreements were signed between French and Indian companies, regarding renewable energy, urban development, manufacturing, etc. Key agreements signed include:

- **Defence and security:** Both countries signed an MoU on purchase of 36 Rafale aircrafts by India. This deal had been announced during Prime Minister Modi’s visit to France in April 2015. Also, India and France released a joint statement on counter-terrorism, under which they resolved to improve bilateral cooperation through annual dialogues and joint...
operational exercises between security agencies of both countries.

- **Railways and urban development:** A joint venture agreement was signed between Indian Railways and Alstom, a French multinational company, for supply of 800 horse power locomotives manufactured in India. Another agreement was signed with regard to renovation of Ambala and Ludhiana railway stations. With regard to urban development, three MoUs were signed for the development of Chandigarh, Nagpur and Puducherry as smart cities.

- **Energy:** Three MoUs were signed to set up solar photo voltaic projects in Indian rural areas, develop solar projects with storage capacity for Indian airports, and develop wind based power projects in India.

- **Manufacturing:** The Indian company Mahindra and Mahindra and the France-based Airbus Group signed a deal for manufacture of helicopters under the Make in India initiative.

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5 “Cabinet approves creation of a Credit Guarantee Fund for MUDRA loans – A boost to refinance operations”, Press Information Bureau, Cabinet, January 6, 2016.


9 “Kerosene subsidy to be targeted to the really needy”, Press Information Bureau of India, Ministry of Petroleum and Natural Gas, January 1, 2016.


16 Progressive Year Book May 2015, Ministry of Road Transport and Highways, Government of India.


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