Annual Policy Review
April 2020-March 2021
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COVID-19
As of March 2021, there were more than 12 million confirmed cases of COVID-19 in India and more than 63 million people had been vaccinated. Restrictions to manage the spread of the pandemic including a national lockdown were imposed, and gradually relaxed. The Aatma Nirbhar Bharat Yojana was announced to provide relief measures to the poor, labourers, and small businesses who were adversely affected by the pandemic and the lockdown.

Macroeconomic Developments
In 2020-21, India’s GDP is estimated to contract by 8% over the previous year (at constant prices). The RBI reduced the repo rate from 4.4% to 4% during the year. In March 2021, retail inflation stood at 5.5% and wholesale price index inflation at 7.4% (year on year).

Finance
The 15th Finance Commission report for the period 2021-26 was submitted. Parliament passed Bills to increase the maximum FDI allowed in an Indian insurance company from 49% to 74% and to set up a new Development Financial Institution. A new disinvestment policy was approved to keep government presence only in certain strategic sectors.

Labour
Three Codes were passed by Parliament to regulate labour relations and welfare. These Codes on occupational safety and health, industrial relations, and social security together replaced 25 existing Acts.

Home Affairs
Parliament passed the Government of NCT of Delhi (Amendment) Bill, 2021 to provide greater powers to the Lieutenant Governor of Delhi. The Foreign Contribution (Regulation) Act, 2010 was amended to limit overhead expenses of grants and prohibit grantees to make sub-grants.

Agriculture
Three farm Bills were passed to deregulate agricultural marketing, enable contract farming, and impose stock limits on agricultural produce only in case of sharp price rise. Their implementation was stayed by Supreme Court after protests by farmers. The Cabinet approved a Production Linked Incentive scheme for food processing.

Education
The National Education Policy (NEP), 2020 was released to bring early childhood care and education within the scope of school curriculum. Institutes of Eminence were allowed to set up offshore campuses.

Health
Parliament passed laws to set up National Commissions for regulating the education and practice of Homoeopathy and Indian systems of medicines (such as Ayurveda). An amendment increased the permitted period for terminating pregnancy from 12 to 20 weeks.

Road Transport
Several amendments to Central Motor Vehicle Rules, 1989 were notified to enable recall of vehicles, mandate fitting of airbags, and facilitate electronic maintenance and delivery of documents. A vehicle scrapping policy was released.

Communications and Technology
Restrictions were placed on procurement of telecom equipment; licensees were allowed to connect only trusted product in their network. The Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021 were notified.

Railways
The Draft National Rail Plan providing for rail infrastructure development was released. Railways invited private participation for the operation of passenger train services.

Power
The Ministry of Power released the Draft Electricity (Amendment) Bill, 2020 which requires electricity tariffs to be fixed without accounting for subsidy. The government will be required to provide the subsidy directly to the consumer. The Ministry imposed a limit on the rate of late payment surcharge.

Defence
Permanent commission for women officers in the Army was sanctioned. Defence Acquisition Procedure, 2020 was released. An embargo was imposed on the import of 101 weapons and platforms. Up to 74% FDI will be permitted in defence under the automatic route.
### Table 1: Bills passed by Parliament from April 2020 to March 2021

<table>
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<tr>
<th>Short Title</th>
<th>Sector</th>
<th>Key Objectives</th>
</tr>
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<tbody>
<tr>
<td>The Farmers’ Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020</td>
<td>Agriculture</td>
<td>Permits inter-state and intra-state trade and commerce of farm produce outside the physical premises of markets, and provides a framework for electronic trading.</td>
</tr>
<tr>
<td>The Farmers (Empowerment and Protection) Agreement on Prices Assurance and Farm Services Bill, 2020</td>
<td>Agriculture</td>
<td>Provides a national framework for contract farming agreements between farmers and buyers of their produce.</td>
</tr>
<tr>
<td>The Essential Commodities (Amendment) Bill, 2020</td>
<td>Consumer Affairs, Food and Public Distribution</td>
<td>Limits the power of government to impose price control and stock limits on farm produce to specific events such as a sharp price increase.</td>
</tr>
<tr>
<td>The Occupational Safety, Health and Working Conditions Code, 2020</td>
<td>Labour and Employment</td>
<td>Consolidates 13 laws related to health, safety, and working conditions of workers. Applies to establishments with more than 10 workers, and to all mines and docks.</td>
</tr>
<tr>
<td>The Insolvency and Bankruptcy (Second) Amendment Bill, 2020</td>
<td>Finance</td>
<td>Temporarily suspends initiation of corporate insolvency resolution process under the Insolvency and Bankruptcy Code as a special measure during the COVID-19 crisis and resulting economic shock.</td>
</tr>
<tr>
<td>The Banking Regulation (Amendment) Bill, 2020</td>
<td>Finance</td>
<td>Expands RBI’s regulatory control over co-operative banks, and enables RBI to prepare a scheme for reconstruction or amalgamation of a banking company without imposing a moratorium.</td>
</tr>
<tr>
<td>The Taxation and Other Laws (Relaxation of Certain Provisions) Bill, 2020</td>
<td>Finance</td>
<td>Provides certain relaxations related to tax compliance, such as extension of time limit and waiver of penalty for various taxation laws and provides for donations to PM-CARES fund to be eligible for 100% deduction.</td>
</tr>
<tr>
<td>The Foreign Contribution (Regulation) Amendment Bill, 2020</td>
<td>Finance</td>
<td>Limits the overheads expenses of FCRA grants, prohibits grantees to make sub-grants, and requires all funds to be received through a specified branch of State Bank of India.</td>
</tr>
<tr>
<td>The Bilateral Netting of Qualified Financial Contracts Bill, 2020</td>
<td>Finance</td>
<td>Allows the netting of claims between two parties on contracts specified by a regulator such as SEBI or RBI. This will reduce credit exposure on over-the-counter derivative products.</td>
</tr>
<tr>
<td>The Companies (Amendment) Bill, 2020</td>
<td>Corporate Affairs</td>
<td>Removes imprisonment as a penalty for certain offences and reduces the amount of fine payable for certain offences.</td>
</tr>
<tr>
<td>The Insurance (Amendment) Bill, 2021</td>
<td>Corporate Affairs</td>
<td>Increases the limit on foreign investment in an Indian insurance company from 49% to 74%.</td>
</tr>
<tr>
<td>The Epidemic Diseases (Amendment) Bill, 2020</td>
<td>Health and Family Welfare</td>
<td>Provides measures to prevent violence against health care personnel and damage of property during the COVID-19 pandemic.</td>
</tr>
<tr>
<td>The Medical Termination of Pregnancy (Amendment) Bill, 2020</td>
<td>Health and Family Welfare</td>
<td>Increases the threshold for terminating a pregnancy from 12 to 20 weeks with the opinion of one doctor, and from 20 to 24 weeks with the approval of two doctors.</td>
</tr>
<tr>
<td>The Indian Medicine Central Council (Amendment) Bill, 2020</td>
<td>Health and Family Welfare</td>
<td>Provides for supersession of the Central Council of Indian Medicine by the Board of Governors for a period of one year.</td>
</tr>
<tr>
<td>Short Title</td>
<td>Sector</td>
<td>Key Objectives</td>
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<tr>
<td>-----------------------------------------------------------------</td>
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<tr>
<td>The Homoeopathy Central Council (Amendment) Bill, 2020</td>
<td>Health and Family Welfare</td>
<td>Extends the tenure of Board of Governors, superseding the Central Council of Homoeopathy, for a period of one year.</td>
</tr>
<tr>
<td>The Government of National Capital Territory of Delhi (Amendment) Bill, 2021</td>
<td>Home Affairs</td>
<td>Limits the power of the Delhi Assembly to inquire into some administrative matters, and requires prior opinion of the Lieutenant Governor before taking executive action on some matters.</td>
</tr>
<tr>
<td>The Rashtriya Raksha University Bill, 2020</td>
<td>Home Affairs</td>
<td>Establishes Rashtriya Raksha University as an institute of national importance and eminence.</td>
</tr>
<tr>
<td>The National Forensic Science University Bill, 2020</td>
<td>Home Affairs</td>
<td>Establishes National Forensic Science University as an institute of national importance.</td>
</tr>
<tr>
<td>The Arbitration and Conciliation (Amendment) Bill, 2021</td>
<td>Law and Justice</td>
<td>Ensures that all the stakeholder parties get an opportunity to seek unconditional stay of enforcement of arbitral awards where the underlying arbitration agreement or contract or making of the arbitral award are induced by fraud or corruption.</td>
</tr>
<tr>
<td>The National Capital Territory of Delhi Laws (Special Provisions) Second (Amendment) Bill, 2021</td>
<td>Housing and Urban Affairs</td>
<td>Extends the validity of the moratorium on sealing of some structures and changes the criteria for regularisation of unauthorised colonies.</td>
</tr>
<tr>
<td>The Constitution (Scheduled Castes) Order (Amendment) Bill, 2021</td>
<td>Social Justice and Empowerment</td>
<td>Modifies the list of Scheduled Castes in Tamil Nadu.</td>
</tr>
<tr>
<td>The Indian Institutes of Information Technology Laws (Amendment) Bill, 2020</td>
<td>Human Resources Development</td>
<td>Declares five IIITs set up under Public Private Partnership mode in Surat, Bhopal, Bhagalpur, Agartala, and Raichur as institutions of national importance.</td>
</tr>
<tr>
<td>The Aircraft (Amendment) Bill, 2020</td>
<td>Civil Aviation</td>
<td>Converts DGCA, BCAS, and AAI into statutory bodies and increases the maximum amount of fine for certain penalties to one crore rupees.</td>
</tr>
<tr>
<td>The Major Port Authorities Bill, 2020</td>
<td>Shipping</td>
<td>Replaces the existing 1963 Act to grant enhanced autonomy to the major ports including fixing of rates for their services.</td>
</tr>
<tr>
<td>The Mines and Minerals (Development and Regulation) Amendment Bill, 2021</td>
<td>Mines</td>
<td>Amends the MMDR Act, 1957 to remove restriction on end-use of minerals and allows the sale of minerals by captive mines.</td>
</tr>
<tr>
<td>The Salary, Allowances and Pension of Members of Parliament (Amendment) Bill, 2020</td>
<td>Parliamentary Affairs</td>
<td>Reduces the salary of MPs by 30% for a period of one year commencing from April 1, 2020 to meet the exigencies arising out of COVID-19.</td>
</tr>
<tr>
<td>The Salary and Allowances of Ministers (Amendment) Bill, 2020</td>
<td>Parliamentary Affairs</td>
<td>Reduces the sumptuary allowance payable to each minister by 30% during 2020-21 to meet the exigencies arising out of COVID-19.</td>
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</tbody>
</table>
Coronavirus disease (COVID-19) is an infectious disease caused by a new type of virus. The disease originated in Wuhan, China and has since spread globally. On March 11, 2020, the World Health Organisation declared COVID-19 to be a global pandemic. India had its first confirmed case on January 30, 2020. As of March 31, 2021, there were 1,20,39,644 confirmed cases of COVID-19 in India. Of these, 1,14,34,301 had recovered and 1,62,468 persons had died. Vaccinations began in a phased manner from January 16, 2021. As of March 31, 2021, 6,30,54,353 individuals were vaccinated. For details on the number of daily cases across states, please see here.

With the spread of COVID-19, the central government announced a nationwide lockdown and several policy decisions to contain the spread of the disease. Further, several economic measures were also announced to support citizens and businesses that were affected due to the lockdown. Key announcements made in this regard are discussed below. COVID-19 related notifications issued by central and state governments are available here.

The following subsections describe: (a) restrictions on movement and activities; (b) actions related to health infrastructure; (c) financial and economic measures; and (d) extensions of various deadlines and relaxation of laws.

Restrictions on activities

Nationwide lockdown and unlock guidelines

In March 2020, the National Disaster Management Authority (NDMA) imposed a 21-day national lockdown to contain the spread of COVID-19. Some lockdown measures continued to stay in force through the year. These measures were issued under the provisions of the Disaster Management Act, 2005. The Act sets up the NDMA and state-level Disaster Management Authorities and gives these authorities powers for the effective management of disasters.

The lockdown directives issued in March 2020 stated that all establishments, other than those selling or producing essential goods (such as food and medicine) or providing essential services (including banking and pharmaceuticals), and activities related to agricultural operations be closed.

Restrictions were also imposed on travel, industrial activities, and educational institutes. These restrictions were gradually relaxed through monthly ‘unlock’ guidelines released between July and December 2020.

Subsequent guidelines provided for: (i) opening up of economic activities in a phased manner through Standard Operating Procedures, (ii) imposition of lockdowns only in containment zones, and (iii) directives to manage COVID-19 in workplaces and public spaces.

However, in March 2021, noticing a surge in cases, the Ministry of Home Affairs issued revised guidelines to manage the pandemic. These included the Test-Track-Treat strategy (adequate testing, quick isolation and creation of micro-containment zones, and prompt treatment), ensuring COVID-19 appropriate behaviour, and scaling up the vaccination drive to cover all target groups.

Aarogya Setu app

In April 2020, the central government launched Aarogya Setu mobile application (app) to enable contact tracing (identification and monitoring of persons who are at a higher risk of being infected by COVID-19) and for users to assess their own risk of getting infected. In May 2020, the Ministry of Electronics and Information Technology released the Aarogya Setu Data Access and Knowledge Sharing Protocol, 2020. The protocol is aimed at ensuring secure and efficient collection and sharing of data by the application and protecting the personal data of individuals. Key features of the protocol include:

- **Data collection:** Data collected by the app and the purpose for which it will be used should be clearly specified in the privacy policy of the app. Data collection should be minimised to the extent that it is required for formulating or implementing health responses.

- **Data storage:** The app collects data regarding: (i) demographic details of the user, (ii) location of the user from time to time, (iii) data of other individuals who have come in proximity with the user, and (iv) self-assessment data. Demographic details will be stored with the government for as long as necessary unless the user requests for deletion of their data. Location data and data of other users who have...
come in proximity will remain on the user's device, but it may be shared with the government to formulate or implement health responses. This data, along with any self-assessment data will not be stored for more than 180 days from the date of collection.

**Sharing of personal data:** Any data collected by the app may be shared with the health ministry, health department of any state, or the national (or state) disaster management authorities for formulating or implementing appropriate health responses. Data may be shared with other departments of the central or state government in a de-identified (where personal identifiers are removed or masked from the dataset) format, if required. The National Informatics Centre (developer of the app) will maintain a list of agencies with whom such data has been shared. Data may be shared for the purpose of research in an anonymised manner (where it is not possible to identify the user to whom the data pertains).

Violation of the protocol may lead to penalties as prescribed under the Disaster Management Act, 2005. The protocol was originally applicable till November 10, 2020 (six months from the date of notification). It was subsequently extended for another six months, i.e., up to May 10, 2021.9

**Aarogya Setu App made open source:** In May 2020, Aarogya Setu app was made open source, and the source code of the android and iOS applications were released.10 Source code of an open-source software is freely available for possible modification and redistribution. Source code of the backend of the app was released in November 2020.11

**Open API service introduced:** In August 2020, open API service was introduced under the Aarogya Setu app. This enables organisations to check the health status of the app’s users.12 Open API service is a publicly available application programming interface which provides programmatic access to the software. This enables two software to interact with each other. The open API service can be availed by organisations and business entities with more than 50 employees. They can use the service to query the Aarogya Setu application in real-time and get the health status of their employees or any other Aarogya Setu user who have provided their consent for sharing their health status with the organisation. Only the name of the individual and Aarogya Setu status will be shared with the entities using open API service.

**Air travel**

In March 2020, to contain the spread of COVID-19, the government imposed a ban on domestic and international passenger flights.13,14,15,16 These bans were extended and modified several times during the year.17 Domestic civil flight operations were partially resumed with certain limitations from May 25, 2020.18 In June 2020, the Ministry of Home Affairs relaxed air travel restrictions in special circumstances, such as evacuating Indian nationals stranded abroad.19

The guidelines for the arrival of international passengers have been updated several times since May 2020.20 The latest update was issued in February 2021.21 The guidelines require all passengers to submit their details and a negative RT-PCR test report conducted 72 hours before the scheduled travel. Passengers without such a report are allowed to arrive in India, only if they are travelling in the exigency of a death in the family.

In June 2020, DGCA released certain guidelines related to various regulations in the civil aviation sector. These guidelines provide directions on various aspects of air travel in terms of the COVID-19 risk. Key aspects covered in the guidelines include: (i) COVID-19 risk assessment of airline crew, (ii) directions for the aeromedical disposition of aircrew to determine their fitness for flying, (iii) extension in validity of certifications of all categories of dangerous goods regulations training, (iv) on-board meal services, and (v) availability of in-flight entertainment.22,23,24,25

In July 2020, India created transport bubbles with USA, France, and Germany. Transport bubbles refer to temporary arrangements between two countries for restarting commercial passenger services while regular international flights remain suspended due to the COVID-19 pandemic. As of March 2021, regular commercial international flights are banned till April 30, 2021.26

In December 2020, the Director General of Civil Aviation (DGCA) suspended all flights to and from United Kingdom till January 7, 2021.27,28 The Ministry of Health and Family Welfare issued a Standard Operating Procedure (SOP) for epidemiological surveillance and response in the context of a new COVID-19 variant.29 The SOP provided for actions required at the point of entry in the country for all international passengers who travelled from or transited through United Kingdom between November 25, 2020 to December 23, 2020.
This was in response to a new variant of SARS-CoV-2 virus detected in the UK. The suspension of flights came into effect on December 22, 2020. Limited flights from the UK were resumed from January 2021.

Passenger train travel

In March 2020, passenger train services including suburban train services were completely suspended throughout the country.\(^{30,31}\) In May 2020, Railways started operating trains specifically for carrying stranded inter-state migrants (shramik special trains).\(^{32}\) Shramik special trains were run from point to point upon the request of the concerned state governments. Subsequently, passenger train travel resumed in a graded manner from May 12, 2020, starting with 15 pairs of special trains.\(^{33}\) Suburban train services were resumed from June 15, 2020.\(^{34}\)

As of February 24, 2021, Railways had operationalised about 65% of the mail and express trains and over 90% of suburban services as compared to the pre-COVID period.\(^{35}\) However as of March 2021, note that express trains and suburban trains were operational as special trains. Regular passenger train services are yet to resume.\(^{36}\) A limited number of passenger trains were also permitted to operate. In February 2021

Urban transport services

The Ministry of Housing and Urban Affairs released an advisory for states, union territories, and metro rail companies for providing urban transport services in view of COVID-19 in June 2020.\(^{37}\) The advisory recommended a three-pronged strategy which may be adopted in phases: (i) short term (within six months), (ii) medium term (within a year), and (iii) long term (one to three years). Key suggestions include:

- Reviving non-motorised transport since most trips are less than five kilometres.
- Public transport may be re-commenced. However, transmission of infection should be curbed by adopting measures related to sanitisation, containment, and social distancing.
- Technology may be utilised to curb the spread of virus. Enabling technologies such as indigenous cashless and touch less payment systems and National Common Mobility Card will reduce human interaction in the operations of public transport systems.

Ensuring safe drinking water during lockdown

The Ministry of Jal Shakti issued an advisory to state governments in April 2020 to ensure that safe potable water is available to all citizens.\(^{38}\) The advisory was in compliance of a Supreme Court order on the provision of clean water to all persons in the country to fight against COVID-19. The key highlights of the advisory include:

- Taking measures to expand supply in areas where water supply is deficient. Special care to be given to relief camps, hospitals, quarantine facilities, old age homes, slums, and the poor strata of the society.
- Arranging for round the clock vigil to ensure functionality of water supply systems from source to delivery points.
- Providing personal safety measures such as masks and sanitisers to Public Health Engineering Department officials, particularly those who are managing the operation and maintenance of the water supply systems.

Schools, coaching institutes, and universities

During the lockdown imposed in March 2020, all academic institutions (including schools and universities) were shut down.\(^{39}\) Later in the year, certain guidelines were issued for re-opening of these academic institutions.

Schools

In October 2020, the Ministry of Education issued guidelines for the reopening of schools and coaching institutes.\(^{40}\) As per the guidelines, states and union territories (UTs) may decide on the reopening of schools and coaching institutes after October 15, 2020, in a graded manner. States and UTs should consult the respective school or institution management and decide based on the local situation. The guidelines required the schools to ensure health and safety precautions (including disinfecting and maintenance of social distancing).

Further, the guidelines specified that the states should facilitate learning while ensuring social distancing by: (i) requiring the creation of an updated academic calendar, (ii) re-integrating students into schools, and (iii) using diverse teaching techniques that promote social distancing (such as empowering family members to teach).
Universities and colleges

In November 2020, the University Grants Commission issued guidelines for re-opening of universities and colleges.41 The guidelines specified that the universities and colleges shall be allowed to open only if they are outside the containment zones. Further, students and staff living in containment zones will not be allowed to attend colleges. For centrally funded higher education institutions outside containment zones, the head of the institution will decide the feasibility of restarting physical classes. For other institutes, the decision will be made by the respective state government.

The guidelines directed Universities to reopen in a phased manner. For example, certain categories of students (such as students in research programmes) may be permitted to join first. For other programmes, online/distance learning should continue to be the preferred mode of teaching. Teaching hours may be extended, and a six-day schedule may be followed. Students coming from different locations should remain in quarantine for 14 days before being allowed to attend classes.

Examinations and academic calendar for Universities

In April 2020, the University Grants Commission (UGC) constituted an Expert Committee to look into the issues being faced by universities and colleges in view of the COVID-19 pandemic and the countrywide lockdown.42 The Committee was tasked with looking into the issues related to examinations and the academic calendar.

Based on the recommendations of the Committee, UGC issued certain guidelines in April 2020 for the timeline for conducting examinations and commencement of the new session.43 These guidelines were revised in July 2020 and then further revised in September 2020,44,45,46

According to the revisions in the timeline, classes for first year students could commence from November 1, 2020. The following calendar was suggested for first year students for the 2020-21 academic session.

The guidelines specified that students cancelling their admission till November 30, 2020 should get full refund on the deposited fees. Post this period, a processing fee of up to Rs 1,000 may be charged.

<table>
<thead>
<tr>
<th>Particular</th>
<th>Date</th>
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<tbody>
<tr>
<td>Admission process to be completed</td>
<td>October 31, 2020</td>
</tr>
<tr>
<td>Commencement of classes</td>
<td>November 1, 2020</td>
</tr>
<tr>
<td>Conduct of examinations</td>
<td>March 8–March 26 2021</td>
</tr>
<tr>
<td>Semester break</td>
<td>March 27 – April 4 2021</td>
</tr>
<tr>
<td>Commencement of classes for even semester</td>
<td>May 5, 2021</td>
</tr>
<tr>
<td>Conduct of examinations</td>
<td>August 9 – August 21, 2021</td>
</tr>
<tr>
<td>Next academic session begins</td>
<td>August 30, 2021</td>
</tr>
</tbody>
</table>

Sources: University Grants Commission; PRS.

To expedite the admission process, universities could give provisional admission and the required documents may be collected later (till December 31, 2020). Further, they were allowed to follow a six-day week pattern in the academic sessions 2020-21 and 2021-22, and reduce session breaks to compensate for the loss of time. Universities could alter these guidelines to deal with particular situations as they see fit.

The guidelines required the universities to complete the examinations by the end of September 2020. They were allowed to conduct examinations in offline, online, or a blended (online + offline) mode. Further, the guidelines specified that:

- If a student is unable to appear in the examination conducted by the university in this academic session, they must be provided with an opportunity to reappear.
- Students in the final year or final semester who have backlog must be evaluated by conducting examinations. For intermediate semester/year students, the universities may conduct examinations, after making an assessment of their level of preparedness, residential status, spread of the pandemic, and other factors.

Reopening of Anganwadis

The Ministry of Women and Child Development issued an order allowing states to reopen anganwadis outside containment zones in November 2020.46 States were allowed to formulate their own Standard Operating Procedures, while adhering to COVID-19 directions given by the Ministry of Health and Family Welfare. The Ministry of Women and Child Development provided some operational guidelines for the continuation of anganwadi services. These include:
- **Supplementary nutrition**: States may provide cooked food or take-home ration at anganwadis or deliver them at homes, based on the prevailing local situation.

- **Growth monitoring services**: Severely malnourished children, high-risk pregnancy, and lactating mothers should be monitored strictly and be provided home-based service delivery and take-home cooked food.

- **Counselling services**: Counselling on maternal, infant, and young child care and feeding practices may be carried out during home visits, or through video/telephone calls, or messages.

- **Early childhood care and education**: Preschool education may be resumed in anganwadis in small groups of five to eight children per day. Children may visit the anganwadi once a week and follow up on the lessons at home, with their parents’ help. Online preschool education should be encouraged, wherever possible.

### Workplaces and businesses

#### Offices

Effective May 4, 2020, the central government demarcated the country into various zones (red, orange, green) based on their risk profile, and with increasing level of permitted activities. It also issued directives for work places, including compulsory wearing of face masks, thermal screening, frequent sanitisation, maintaining social distance, and mandatory use of Aarogya Setu.47 Similar directives were issued with subsequent lockdown renewals but the mandatory Aarogya Setu requirement was dropped from May 18, 2020.48

In February 2021, the Ministry of Health and Family Welfare issued Standard Operating Procedure (SoP) to contain the spread of COVID-19 in offices.49 The SoP provided for certain preventive measures to be followed in offices. These include: (i) maintaining distance of at least six feet in common places, and (ii) using face masks, and (iii) frequent hand washing with soap. It specified that only asymptomatic people must be allowed entry to offices and work from home must be permitted for individuals residing in containment zones.

If a case of COVID-19 is identified, the concerned individual must be isolated till he is inspected by a doctor. If there are two or less cases reported, the areas visited by patient in past 48 hours must be disinfected before resuming work. If more than two cases are reported, the complete area of the workplace must be disinfected.

#### Tourism service providers, restaurants, hotels, and home stays

The Ministry of Tourism provided safety and hygiene guidelines and operational recommendations for certain areas of the tourism sector in June 2020.50 Some of the key features of the guidelines are:

- **Tourism Service Providers**: These include: travel agents, tour operators, tourist transport operators, and tourist facilitators and guides.50 The guidelines for tourism service providers specified sanitisation of office premises, hygiene protocol for office staff, declaration and medical proof of tourists before taking tourist bookings, among others.

- **Restaurants**: Guidelines for restaurants included: (i) ensuring that the seating capacity is reduced by 50% and the seating style is changed to maintain social distancing, (ii) ensuring that the premises has fully functional CCTV cameras to ease tracking of infected persons, and (iii) checking the Aarogya Setu app status of every guest before entry.51

- **Hotels**: Guidelines for hotels cover the hotel premises, staff, and guests.52 Some of the guidelines included: (i) ensuring all staff wears mask and hand gloves, (ii) establishing a Rapid Response Team responsible for preventing incidents, effectively managing cases, and mitigating impact, and (iii) ensuring all employees and guests download Aarogya Setu app. Similar guidelines were provided for bed and breakfasts and home and farm stays.53

#### Media Production

In August 2020, the Ministry of Information and Broadcasting released the guiding principles and SoP on preventive measures for media production to contain the spread of COVID-19.54 States/UTs may propose additional measures based on their assessment. The SoP reiterated measures including social distancing and wearing of masks by all cast and crew besides actors facing the camera. It also prohibited media activity in containment zones.

It stated that a designated COVID-19 coordinator must be nominated amongst the crew, who will: (i) keep a record of the zone (red/orange/green) where the workplace exists, (ii) ensure everyone has
installed the Aarogya Setu app, (iii) keep a record of medical history, travel history, and health of the cast and crew members, and (iv) monitor all protocols for sanitation across production area.

**Exhibition of films**

In October 2020, the Ministry of Information and Broadcasting issued a SoP for the exhibition of films to prevent the spread of COVID-19.55 The SoP required: (i) physical distancing and mandatory wearing of masks, (ii) thermal screening of staff and visitors on entry, (iii) staggered row exit, (iv) maximum occupancy of 50%, and (v) staggering the show timings of different screens in multiplexes. States may specify additional measures as per their field assessment. Exhibition of films is not allowed in containment zones.

**National Parks, Sanctuaries and Tiger Reserves**

In April 2020, the Ministry of Environment, Forest, and Climate Change issued an advisory regarding the containment and management of COVID-19 in national parks, sanctuaries, and tiger reserves.56 The Ministry noted that there could be possibilities of the transmission of the COVID-19 virus from humans to animals and vice-versa.

The key highlights of the advisory include: (i) constituting a task force with field managers, veterinary doctors, and frontline staff, to manage the situation quickly, (ii) enhancing the disease surveillance, mapping, and monitoring system, (iii) restricting the movement of people to these places, and (iv) reporting all action regarding this situation.

Further, the Central Zoo Authority under the Ministry of Environment, Forest and Climate Change also issued an advisory to zoos in the country.57 The advisory included: (i) keeping continuous surveillance of animals using CCTV for any abnormal symptoms, (ii) restricting the entry of handlers in the vicinity without safety gear, (iii) isolating and quarantining sick animals, and (iv) having least contact while feeding animals.

**Functioning of courts during COVID-19**

In view of the lockdown, the Supreme Court issued a series of directions in April 2020 for the functioning of courts during COVID-19.58 The Supreme Court and High Courts were authorised to take measures for functioning of the judiciary through video conferencing. High Courts were authorised to determine the modalities for the use of video conferencing for itself and all the subordinate courts in its jurisdiction. All courts were required to maintain a helpline to register grievances regarding the audio and video quality of the online hearings, during the proceedings or immediately after it. They were also required to make video conferencing facilities available to those litigants who do not have access to them.

In March 2021, the Supreme Court approved resumption of hearings in a hybrid format, i.e., both online and physical.59 This was done after considering the requests received from Bar Associations, and on the recommendations of the Judges Committee of the Supreme Court.

**Fact check unit established to counter fake news related to COVID-19**

In April 2020, a fact check unit was established under the Press Information Bureau (PIB) to counter fake news related to COVID-19.60 PIB started publishing a daily bulletin covering government measures, and progress on COVID-19 from April 1, 2020 onwards.60 Further, the Ministry of Information and Broadcasting designated a nodal officer to address COVID-19 related grievances.61

**UIDAI allowed Aadhaar updation facility through Common Services Centres**

In April 2020, the Unique Identification Authority of India (UIDAI) allowed Common Service Centres (CSCs), which operate as banking correspondents, to begin with Aadhaar updation facility (for updating Aadhaar details).62 This was aimed at providing relief to Aadhaar cardholders in rural areas during the national lockdown, as they would not need to visit Aadhaar centres in bank branches or post offices for this work.

CSCs provide web-enabled e-governance services such as filling application forms, issuance of certificates, and utility payments in rural areas.63 In 2018, an agreement was signed to enable CSCs to operate as banking correspondents or customer service points for the banking system.64 There are nearly 20,000 CSCs which operate as banking correspondents. This is out of a total of more than three lakh CSCs in the country.65

**Guidelines issued for continued education of migrant children**

In January 2021, the Ministry of Education issued guidelines for identification, admission, and
continued education of migrant children. The guidelines aim to minimise the impact of the COVID-19 pandemic on school education across the country by devising a strategy to prevent dropouts.

The guidelines provide that states must carry out identification of out of school children in the six to 18 years age group through a door-to-door survey and prepare an action plan for their enrolment. Further, they must undertake measures to spread awareness among parents and the community for enrolment and attendance of children. Enrolment drives may also be conducted.

When schools reopen post COVID-19, the state governments must: (i) prepare and run school readiness modules/ bridge course for the initial period so that students can adjust to the school environment and do not feel stressed, (ii) relax detention norms to prevent drop out this year, and (iii) identify students across different grades based on their learning levels.

Health infrastructure

Vaccination drive rolled out

Vaccine approvals

In January 2021, based on the recommendations of a Subject Expert Committee, the Central Drugs Standard Control Organisation (CDSCO) gave restricted emergency approval to two vaccines. These are: (i) Covishield, presented by the Serum Institute of India, Pune, and (ii) Covaxin, developed by Bharat Biotech in collaboration with the Indian Council of Medical Research and the National Institute of Virology.

CDSCO also permitted Cadila Healthcare Ltd. to conduct phase-three trials of its Novel Corona Virus-2019-nCov-Vaccine.

Vaccination drive

The vaccination drive was rolled out on January 16, 2021. Priority was given to healthcare workers and frontline workers (numbering three crore persons), followed by those above 50 years of age as well as younger persons who have co-morbidities (about 27 crore persons).

On March 1, 2021, COVID-19 vaccination commenced for all people over the age of 60 years and for people between 45 to 59 years with specified co-morbid conditions. Notified co-morbidities include: (i) heart failure with hospital admission in the past one year, (ii) disabilities due to acid attacks with involvement of respiratory system, persons with high support needs, or intellectual disabilities, and (iii) lymphoma or leukaemia, among others.

Vaccination for people above 45 years of age would begin from April 2021. Online registration for vaccination of this category was started on March 24, 2021.

Operational guidelines for vaccination

In December 2020, the Ministry of Health and Family Welfare released operational guidelines for the COVID-19 vaccine. Key features of the guidelines included:

- **Training**: The guidelines recommended carrying out training for enumerators, health functionaries, and communication using a mix of virtual and face-to-face training. It stated that the vaccine will be introduced after all training is completed at the district and planning unit. Cold chain handlers and vaccinators will also be trained on procedures for logistics management and precautions.

- **Sessions**: The vaccination process would be similar to the election process, with states identifying specific days for vaccination. A vaccination team will consist of: (i) a vaccinator officer including doctors, nurses, pharmacists, and others authorised to administer injections; (ii) two vaccination officers responsible for checking registration status, regulating entry, and authenticating identification documents; and (iii) two vaccination officers acting as support staff to manage crowd and ensure a 30-minute waiting time post-vaccination.

- **Tracking**: A digital platform, COVID-19 Vaccine Intelligence Network (Co-WIN) system will be used to track enrolled beneficiaries for vaccination on a real-time basis. The existing surveillance system monitoring adverse events post immunisation will be utilised to understand safety profiles. This will be integrated with Co-WIN system to ensure rapid detection.
Parliament passed a Bill to protect healthcare personnel from acts of violence

The Epidemic Diseases (Amendment) Bill, 2020 was passed by Parliament in September 2020. It amends the Epidemic Diseases Act, 1897. The Act provides for the prevention of the spread of dangerous epidemic diseases. The Bill amends the Act to provide for protection for healthcare personnel from acts of violence. It replaced an Ordinance promulgated in May, 2020. The Bill also penalises any action that causes damage to property, in which a healthcare service personnel has a direct interest, in relation to the epidemic.

For a PRS Bill Summary, please see here.

Standing Committee on Health submitted report on the COVID-19 pandemic

In November 2020, the Standing Committee on Health and Family Welfare submitted its report on the outbreak of the COVID-19 pandemic and its management. The Committee noted that a downward trend in COVID-19 cases had begun, however, the threat of a second wave was high. In this regard, it recommended the following:

- **Financing the health sector**: Healthcare spending should be increased to 2.5% of the GDP (compared to 1.6% of GDP seen in 2019-20) within two years.

- **Health infrastructure**: The total number of government hospital beds were inadequate to deal with the rise in cases of COVID-19. Further, the cost and price set for COVID-19 treatment by the government was causing small private hospitals to shut down. It suggested that the government institute fair costing and pricing for COVID-19 treatment in private hospitals.

- **Healthcare workers**: The Committee observed a shortage of healthcare workers due to vacancies in state-run hospitals. It recommended that these vacancies be filled at the earliest. Further, it recommended the creation of the Indian Health Service as a public health cadre similar to the Indian Administrative Service.

- **Testing and tracing**: Poor contact tracing and less testing could have been a factor in the growth of COVID-19 cases in the country. Further, the large-scale use of less reliable rapid antigen tests may adversely impact the containment strategy. It recommended that the number of testing facilities should be increased and accurate tests, such as the RT-PCR test, should be utilised.

- **Vaccines**: The Committee recommended that the whole population should be vaccinated. It also suggested that: (i) the cost of the vaccine should be subsidised for poorer sections of society, (ii) vaccines should be administered based on a risk-based approach (where high-risk individuals are vaccinated first), and (iii) the cold-storage system across the country should be upgraded.

For a PRS summary of the report, please see here.

Standing Committee on Home Affairs reported on management of COVID-19

The Standing Committee on Home Affairs submitted its report on the management of the COVID-19 pandemic in December, 2020. Key recommendations of the Committee include:

- **Preparedness**: The Committee noted that the sudden imposition of the lockdown caused an unprecedented economic disruption. It also caused fear and anxiety among migrant workers leading to large-scale movement of migrants back to their home states. To address such a crisis in the future, the Committee recommended framing a national plan and guidelines under the Disaster Management Act, 2005 and Epidemic Diseases Act, 1897.

- **Health infrastructure**: The central and state governments incurred heavy expenditure on COVID-19 treatment. The Committee noted the need for a strong public healthcare system to deal with such shocks. It recommended greater investment in health infrastructure to scale up public health services increasing budgetary allocation towards public hospitals.

- **Vaccines**: While undertaking vaccine trials, all mandatory requirements must be fulfilled, and all phases of the trial must be completed. Emergency use authorisation should only be used in the rarest of rare cases.

- **Data collection**: The Committee noted that a study is needed to understand the patterns in test rate, recovery, and fatality rate. It also recommended that relevant data should be made publicly available to provide inputs for COVID-19 management, and to provide real-time solutions to control the pandemic.

- **Social impact**: A national database on migrant workers be launched at the earliest to help in
their identification and ensure delivery of rations and benefits to them.

- Food distribution: The Committee recommended that until all states implement One Nation One Ration card, and inter-state operability of ration cards must be allowed.

For a PRS summary of the report, please see here.

MCA amended CSR rules to permit expenditure on medical research

In August 2020, the Ministry of Corporate Affairs released the Companies (Corporate Social Responsibility Policy) Rules, 2020, amending the Companies (Corporate Social Responsibility Policy) Rules, 2014. As per the 2014 Rules, Corporate Social Responsibility (CSR) Policy refers to programs undertaken by companies related to a specified list of activities, outside the normal course of business. Some activities which may be included under CSR are: (i) promotion of education, (ii) promotion of gender equality, and (iii) combating HIV, AIDS and other diseases.

The list of eligible CSR policies was amended twice since March 2020. The updated list includes: (i) contribution to Prime Minister’s Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) and (ii) contribution to incubators or research projects in the field of science, technology, and medicine (funded by the central government, state government, any of their agencies, and public-funded universities).

The 2020 Rules amend the coverage of CSR Policy to include: (i) research and development of new vaccine, drugs, and medical devices undertaken in the normal course of business and (ii) research and development activity related to COVID-19 for three financial years from 2020-21 to 2022-23. Such research activity must be carried out in collaboration with central or state government or public institutes.

IRDAI issued guidelines on short-term health insurance policies for COVID-19

In June 2020, the Insurance Regulatory and Development Authority of India (IRDAI) issued guidelines on the introduction of short-term health insurance policies to provide coverage for persons contracting COVID-19. Insurance companies were permitted to offer short-term (between 3-11 months) life, health, and general insurance policies specific to COVID-19. The guidelines allowed the policy to be offered as an individual product or a group product, but only specific to COVID-19 without separate add-ons.

Insurance for health workers under PMGKP extended by six months

In March 2020, Pradhan Mantri Garib Kalyan Package (PMGKP) was launched to provide insurance cover of up to Rs 50 lakh to 22 lakh healthcare providers, including private hospital staff engaged in responsibilities related to the COVID-19 pandemic. Initially, it was launched for 90 days. In September 2020, the scheme was extended for another six months (until March 2021).

The insurance provided is over and above any other insurance cover being availed by the beneficiary and does not require any separate registration. The premium for it is borne by the Ministry of Health and Family Welfare.

Price of liquid medical oxygen and medical oxygen cylinders capped temporarily

In September 2020, the National Pharmaceutical Pricing Authority (NPPA) capped the factory price of domestically produced liquid medical oxygen and medical oxygen cylinders for six months to ensure its continued availability throughout the country. Previously, there was no price cap for liquid medical oxygen. Price of liquid medical oxygen was capped at Rs 15 per cubic metre. The price cap for medical oxygen cylinder was revised from Rs 17 per cubic metre to Rs 26 per cubic metre (exclusive of GST), subject to transport costs at the state level. The existing rate for contracts with state governments for the purchase of oxygen continued to apply.

Persons stocking and selling hand sanitiser exempted from requirement of sales license

In July 2020, the Ministry of Health and Family Welfare exempted persons stocking or selling hand sanitiser from the requirement of obtaining a sales license. The Drugs and Cosmetics Act, 1940, and the Drugs and Cosmetics Rules, 1945 require a person, stocking or selling hand sanitisers, to obtain a sales license. This was done to ensure the availability of hand sanitiser during the COVID-19 pandemic. Note that provisions in the 1945 Rules regarding stocking and selling of drugs after the date of expiration will continue to apply.
Guidelines on handling of COVID-19 specimen for research issued

In April 2020, the Department of Biotechnology issued guidelines on the handling of COVID-19 specimen for DNA research purposes. The guidelines include: (i) procedure to be followed, (ii) risk assessment and mitigation measures, (iii) guidelines for viral isolation, and (iv) lab waste management and shipment procedure. Key guidelines include:

- Appropriate personal protective equipment, as determined by a detailed risk assessment, should be worn by all laboratory personnel handling these specimens.
- Patient specimens from confirmed or suspected cases should be transported according to WHO Guidance on Regulations for the Transport of Infectious Substances 2017-18.
- The laboratory waste should be handled like other biohazardous waste as per the ‘Regulations and Guidelines on Biosafety of Recombinant DNA Research and Biocontainment’ (2017) notified by the Department of Biotechnology.
- Waste disposal should be in accordance with the ‘Revised Guidelines for Common Biomedical Waste Treatment and Disposal Facilities (2016)’ developed by the Central Pollution Control Board.

Revised guidelines for handling and disposal of waste generated during treatment of COVID-19 patients released

In July 2020, the Central Pollution Control Board released revised guidelines for handling, treatment, and disposal of waste generated during treatment, diagnosis, and quarantine of suspected and confirmed COVID-19 patients. The initial guidelines were issued in March 2020. The guidelines are applicable to healthcare facilities, quarantine facilities, sample collection centres, laboratories, State Pollution Control Boards, and Urban Local Bodies (ULBs), among others. The revised guidelines add the following features:

- **General solid waste:** Solid waste should be collected separately. Solid waste includes wrappers of medicines and syringes, empty bottles of disinfectants, and left-over food. The wet and dry solid waste bags should be handed over to authorised ULB waste collectors on daily basis for final disposal.

- **Biomedical waste:** Used masks, tissues, and toiletries of COVID-19 patients must be treated as biomedical waste. Segregation of biomedical waste and general solid waste should be done at the point of waste generation in wards or isolation rooms to ensure occupational safety.

- **Collecting and transporting waste:** Proper personal protective equipment (PPE) should be provided to the staff involved in collecting general solid waste and biomedical waste. The PPE includes three-layer masks, splash-proof gowns, heavy-duty gloves, gum boots, and safety goggles.

- **Responsibilities of ULBs:** ULBs are required to ensure daily collection of general solid waste in securely tied bags from quarantine centres, home-care, and hospitals. In case of disposal in landfills, a dedicated area should be identified for the purpose.

- **Disposal of PPEs:** The masks and gloves in general households used by people other than COVID-19 patients should be treated as general solid waste. Similar guidelines apply towards PPEs from general public at commercial establishments, shopping malls, institutions, and offices. These should be cut to prevent reuse and be stored in a paper bag for at least of 72 hours before disposal.

Economic Measures

**Atma Nirbhar Bharat Economic Package announced**

In light of the COVID-19 pandemic, the central government announced the Atmanirbhar Bharat Economic Package of Rs 20 lakh crore (nearly 10% of India’s GDP) in May 2020. The package aimed to prepare the country for the tough competition in the global supply chain and to empower the poor, labourers, and small businesses who got adversely affected by the pandemic and the lockdown. Earlier, in March 2020, the government had announced various relief measures for the poor under the Pradhan Mantri Garib Kalyan Yojana, which also formed a part of the Economic Package.

Subsequently, during October-November 2020, the government announced more measures under Atma
Nirbhar Bharat Economic Package 2.0 and 3.0 to boost consumer demand and provide stimulus to certain sectors such as infrastructure and real estate. Key measures include:

- **Higher borrowing limit**: Borrowing limit for state governments for the year 2020-21 was increased from 3% to 5% of the Gross State Domestic Product (GSDP). Of this, 1% was conditional on the implementation of reforms related to: (i) one nation one ration card scheme, (ii) ease of doing business, (iii) power distribution, and (iv) urban local body revenue.

- **Support to farmers**: Key initiatives include: (i) concessional credit worth two lakh crore rupees for 2.5 crore farmers, (ii) one lakh crore rupees fund for the development of agriculture infrastructure projects, and (iii) additional fund of Rs 30,000 crore to meet the crop loan demand through NABARD and Rural Banks.

- **Fertiliser subsidy**: Allocation for subsidies for fertilisers was increased by Rs 65,000 crore.

- **One nation one card**: Under the scheme of One Nation One Card, migrant workers were allowed to access the benefits under the Public Distribution System from any fair price (ration) shop in India till March 2021.

- **Rural employment**: Additional Rs 40,000 crore was allocated to the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) under the package.

- **Production Linked Incentives (PLI)**: The government allocated Rs 1.45 lakh crores for new PLI schemes for 10 sectors. These include automobiles and auto components (Rs 57,042 crore), pharmaceuticals (Rs 15,000 crore), telecom (Rs 12,195 crore), and food processing (Rs 10,900 crore).

- **Collateral free loans**: Collateral free loans worth three lakh crore rupees will be provided to businesses. These loans will be provided through banks and Non-Banking Financial Companies (NBFCs).

- **Support for power distribution companies (discoms)**: A liquidity support of Rs 90,000 crore was provided to power discoms as loans from Power Finance Corporation and Rural Electrification Corporation. These were to clear dues owed to generation companies. State governments would guarantee the loans.

Table 3 summarises major components announced.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (in Rs crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pradhan Mantri Garib Kalyan Yojana</td>
<td>2,75,711</td>
</tr>
<tr>
<td>Businesses, including Micro, Small, and Medium Enterprises (MSMEs)</td>
<td>5,04,550</td>
</tr>
<tr>
<td>Poor people, including labourers and farmers</td>
<td>3,10,000</td>
</tr>
<tr>
<td>Agriculture and allied sectors</td>
<td>1,50,000</td>
</tr>
<tr>
<td>Other sectors such as power, rural employment, and social infrastructure</td>
<td>1,38,100</td>
</tr>
<tr>
<td>Aatma Nirbhar Bharat Economic Package 2.0</td>
<td>73,000</td>
</tr>
<tr>
<td>Aatma Nirbhar Bharat Economic Package 3.0</td>
<td>2,65,080</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>17,16,441</strong></td>
</tr>
<tr>
<td>RBI measures (announced till October 2020)</td>
<td>12,71,200</td>
</tr>
<tr>
<td><strong>Grand total</strong></td>
<td><strong>29,87,641</strong></td>
</tr>
</tbody>
</table>

Sources: Aatma Nirbhar Bharat Economic Package; PRS.

For a detailed summary of the Economic Package announced in May 2020, please see [here](#). For an analysis of its implementation, please see [here](#).

**Bills to reduce salaries and entitlements of MPs and Ministers passed by Parliament**

Parliament passed two Bills to amend Acts which provide for the salaries and emoluments of MPs and Ministers in September, 2020. These Bills replace Ordinances which were promulgated in April 2020. They reduce the salary (one lakh rupees per month) of MPs by 30% for one year. There is also a reduction of 30% in the sumptuary allowance of Ministers (meant for official entertainment of visitors, which was Rs 3,000 per month for the Prime Minister, Rs 2,000 per month for cabinet ministers, and Rs 1,000 per month for ministers of state earlier).

This was done to supplement the financial resources of the centre to tackle the COVID-19 pandemic. The reduction in salaries amounts to Rs 54 crore.

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

**RBI took various measures to enhance liquidity in 2020-21**

In 2020-21, RBI took various measures to enhance liquidity in light of the COVID-19 pandemic. These measures include:
Liquidity for various sectors: In October 2020, RBI announced the launch of on-tap TLTRO (targeted long term repurchase operations), up to March 31, 2021. Under the scheme, banks can borrow money for a period of three years which may either be: (i) invested in bonds and other financial instruments, or (ii) used to extend loans to entities operating in certain sectors. 

Earlier, the sectors eligible under the scheme were agriculture, agri-infrastructure, MSMEs, and healthcare, drugs, and pharmaceuticals. In December 2020, the scheme was expanded to cover entities in 26 stressed sectors (such as real estate, construction, and hospitality) identified by the Expert Committee on Resolution of COVID-19 related Stress.

Refinancing of financial institutions: RBI noted that all financial institutions such as the National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI), and National Housing Bank (NHB) are facing difficulty in raising resources from the market. In April 2020, RBI announced that it will provide refinancing facilities amounting to Rs 50,000 crore for these institutions (Rs 25,000 crore to NABARD, Rs 15,000 crore to SIDBI, and Rs 10,000 crore to NHB).

Freeze on dividend payment by banks: In April 2020, RBI announced that banks could not declare dividend from the profits for the financial year 2019-20 until further assessment. The freeze was instituted as a measure to conserve the capital of banks. In December 2020, RBI announced its decision to not allow banks to declare dividend from the profits of the financial year 2019-20.

Reduction in CRR: In March 2020, the Cash Reserve Ratio (CRR) was reduced from 4% to 3% to provide liquidity to banks, which was available till March 2021. CRR is the proportion of deposits banks have to maintain in cash. In February 2021, RBI decided to restore CRR to 4% in two phases. Banks have to maintain CRR of 3.5% starting March 27, 2021 and CRR of 4% from May 22, 2021.

Extension of relaxation under MSF: In March 2020, the borrowing limit under the marginal standing facility (MSF) was increased from 2% to 3%. This relaxation, initially valid till June 30, 2020, was extended in phases up to March 31, 2021. Under MSF, banks can borrow overnight from RBI by dipping into their statutory liquidity ratio (SLR). SLR is the proportion of deposits that banks have to maintain in liquid assets such as gold, and government securities, over and above CRR. In February 2021, RBI extended the relaxation under MSF till September 30, 2021.

RBI released a resolution framework for COVID-19 related stress of borrowers

In August 2020, noting that the financial stress of COVID-19 could impact the long-term viability of firms, RBI formulated a special resolution framework for borrowers. Key features include:

Eligibility: Borrower accounts that were classified as standard accounts (which are not NPAs) will be eligible for resolution under the special framework. These accounts must not be in default for more than 30 days as on March 1, 2020 and must continue to remain standard till the date of invocation of the resolution plan. Loans to MSMEs (of less than Rs 25 crore), institutions lending for agricultural and rural development, financial service providers, and the central and state governments are not eligible for resolution under this framework.

Resolution for personal loans: A resolution plan may include rescheduling payments, sanction of additional credit (for accrued interest), and granting of a moratorium on payment. A moratorium legally authorises postponement of payment on the specified transaction. The payment moratorium may apply for a maximum of two years. Resolution must be invoked before December 31, 2020 and implemented within 90 days. If a resolution plan is implemented under this framework, asset classification of standard accounts will be retained. Default after implementation of the plan will trigger an asset classification downgrade on the loan.

Resolution for other exposures: A resolution plan may include sanction of additional credit without renegotiating existing debt. It may also extend the residual term of the loan, with or without payment moratorium, by a period of not more than two years. Resolution must be invoked before December 31, 2020 and implemented within 180 days. If a resolution plan is implemented under this framework, asset classification of standard accounts will be
reverted. Default after implementation of a resolution plan will trigger a 30-day review period with no change in asset classification. If the borrower remains in default with any of the lenders at the end of the review period, asset classification will be downgraded.

**Sector-specific resolution plans**

RBI also constituted an Expert Committee under Mr. K.V. Kamath in reference to the resolution framework in August, 2020. The Committee was asked to recommend financial parameters to be used for different sectors to formulate resolution plans for non-personal loans and evaluate resolution plans with exposure of Rs 1,500 crore or more. It submitted its report in September 2020.

The Committee identified five financial ratios related to solvency, liquidity, and coverage for the assessment of resolution plans. Solvency ratios such as total debt to earnings before interest, depreciation and tax ratio (i.e., debt-EBITDA ratio) denote a company’s ability to meet its long-term financial obligations. Liquidity ratio or current ratio denotes its ability to meet short-term obligations. Coverage ratio (such as debt service coverage ratio) denotes the extent to which a company’s cash flow can cover its debt payments (in a given time period).

The Committee selected 26 sectors, including power, construction, and real estate, and recommended sector-specific values for the financial ratios to be used to assess whether resolution plans may be undertaken for certain borrowers. For example, in the construction sector, resolution plans may be considered for those borrowers whose financial performance is projected to be such that the total debt-EBIDTA ratio will be four or less by 2021-22 and debt service coverage ratio will be one or more by 2022-23 (among other parameter thresholds).

For sectors where thresholds have not been specified: (i) lenders can make their own assessment regarding the solvency ratios, (ii) the current ratio and debt service coverage ratio should be one or more, and (iii) average debt service coverage ratio should be 1.2 or above.

**Ministry of Finance imposed restriction on initiation of new schemes in 2020-21**

In June 2020, the Ministry of Finance imposed restriction on proposals for initiating new schemes in the financial year 2020-21. It prohibited all ministries/ departments from initiating new schemes/ sub-schemes, including the ones which have already received in-principle approval from the Ministry of Finance. This restriction did not apply to the schemes announced under the Aatma Nirbhar Bharat Economic Package and any other special package/ announcement. The restriction was imposed due to an unprecedented demand for public funds due to the COVID-19 pandemic.

**Rs 15,000 crore sanctioned towards the COVID-19 Emergency Response and Health System Preparedness Package**

In April 2020, the central government sanctioned Rs 15,000 crore towards the COVID-19 Emergency Response and Health System Preparedness Package. Of this, Rs 7,774 crore was to be utilised for immediate COVID-19 response. The remaining funds would be used for medium-term support over the next one to four years. The funds will be used for: (i) developing diagnostics and COVID-19 dedicated treatment facilities, (ii) procuring essential medical equipment and drugs, and (iii) strengthening central and state health systems to prevent and prepare for other disease outbreaks in the future.

**Garib Kalyan Rojgar Abhiyaan launched**

The Garib Kalyan Rojgar Abhiyaan was launched in June 2020. It aims to provide livelihood to migrant workers who returned to their villages due to the COVID-19 pandemic. It aims to create public infrastructure in villages related to roads, housing, and anganwadis, among others.

The campaign was planned to be undertaken in 116 districts across six states. These states included Bihar, Uttar Pradesh, Madhya Pradesh, Rajasthan, Jharkhand, and Odisha. The campaign was implemented by 11 ministries of the central government including Road Transport and Highways, Mines, Environment, Railways, Petroleum and Natural Gas, Telecom, and Agriculture. The campaign was in force for 125 days and 25 public infrastructure works were identified to be taken up for completion.

**PM Garib Kalyan Anna Yojana extended till November 2020**

In June 2020, the central government extended the Pradhan Mantri Garib Kalyan Anna Yojana for five months, till November 2020. The scheme had
been announced in March 2020 as a part of the relief package provided for the poor in light of the COVID-19 pandemic and the lockdown.

Under the scheme, five kg of wheat or rice and one kg of pulses was provided for free every month to persons from poor families during the period April-June 2020. The benefits under the scheme were extended for five months, till November 2020. The benefits were provided to all beneficiaries under the National Food Security Act, 2013, in addition to their existing food grain entitlements under the Act. The extension of the scheme for five months was expected to cost more than Rs 90,000 crore.\(^{117}\)

**Special micro-credit facility for street vendors launched**

The Ministry of Housing and Urban Affairs launched the PM Street Vendor’s Atma Nirbhar Nidhi (PM SVANidhi) scheme in June 2020.\(^{118}\) The scheme provides working capital loans to street vendors whose businesses were impacted by COVID-19.\(^{119}\) Key features of the scheme include:

- **Eligibility:** The scheme is available to states which have notified rules and schemes under the Street Vendors (Protection of Livelihood and Regulation of Street Vending) Act, 2014. The Act specifies the rights and obligations of street vendors and regulates their business.\(^{120}\) Under the Act, states are required to establish Town Vending Committees that are responsible for conducting an identification survey of vendors in their zone/ward.

- The scheme is available to street vendors who are engaged in vending in urban areas as of March 24, 2020. The street vendors will be identified on the basis of the criteria: (i) vendors with a Certificate of Vending (Identity Card), (ii) vendors without a certificate, but identified in an identification survey, or (iii) vendors left out of the identification survey but issued a letter of recommendation by the urban local body or Town Vending Committee.

- **Loan and interest subvention:** Under the scheme, eligible street vendors may apply for collateral-free working capital loans of up to Rs 10,000 with one-year tenure from scheduled commercial banks, regional rural banks, non-banking financial companies, alongside micro finance institutions.

- Vendors under the scheme will also be eligible to receive an interest subsidy of 7% per annum. This subsidy will be available up to March 31, 2022 and will only be available for accounts not classified as NPAs.

- **Credit guarantee:** For loans under this scheme, defaults on loans of up to 5% of total loan portfolio will be fully (100%) guaranteed. For default between 5% to 15% of total loan portfolio, 75% of default amount will be guaranteed. The credit guarantee is subject to a maximum coverage of 15% of the portfolio for the year.

**Cabinet approved an interest subsidy scheme for Mudra loans up to Rs 50,000**

In June 2020, the Union Cabinet approved a scheme for interest subsidy of 2% for all ‘Shishu’ loan account borrowers under the Pradhan Mantri Mudra Yojana.\(^{121}\) Under the scheme, loans for income generating activities up to Rs 50,000 are termed as Shishu loans. The interest subsidy is aimed at helping micro and small enterprises, funded through Shishu loans, to recover from the impact of COVID-19. The cost of the scheme is estimated to be close to Rs 1,542 crore.

The interest subsidy is being provided for a period of 12 months for all loans which were outstanding as on March 31, 2020. This is available for loans that have not been classified as NPAs as per RBI guidelines. To incentivise regular repayment of loans, the interest subsidy is also available to NPA accounts for the months during which they regularise their repayment and become standard (non-NPA) accounts. The scheme is being implemented through the Small Industries Development Bank of India.

**Cabinet approved modifications in the Partial Credit Guarantee Scheme**

In May 2020, the Union Cabinet approved modifications to the Partial Credit Guarantee Scheme to expand the coverage of the scheme.\(^{122}\) The scheme was announced in the Union Budget 2019-20 and approved by Cabinet in December 2019.\(^{123}\) Under the scheme, the government provided a guarantee to public sector banks for buying high-rated pooled assets from financially sound NBFCs and Housing Finance Companies. The guarantee was given to cover initial losses of 10% of the value of the assets or Rs 10,000 crore,
whichever was lower. Under the expanded scheme, the government also gave public sector banks a guarantee for covering up to 20% of the first loss for purchase of bonds or commercial papers issued by NBFCs and Micro Finance Institutions. The minimum rating for such bonds or commercial papers was required to be AA or below (including unrated paper with initial maturity of one year).

The government expected that the guarantee will help NBFCs, Micro Finance Institutions, and Housing Finance Companies continue with capital formation in MSMEs and help mitigate the adverse effects of COVID-19. The scheme was earlier valid till June 2020. It was extended till March 31, 2021, or till such date by which Rs 10,000 crore worth of guarantees were provided by the government, whichever was earlier.

**FDI policy revised to curb opportunistic takeovers from neighbouring countries**

In April 2020, the central government revised the Foreign Direct Investment (FDI) policy to curb opportunistic takeovers or acquisitions of Indian companies due to the situation arising out of the spread of the COVID-19 pandemic. The revised policy restricts entities, citizens, and residents of countries, which share land border with India, from investing through the automatic route. Such entities or persons can only invest through the government route. Under the automatic route, a foreign investor is not required to take any approval for FDI, whereas under the government route, the government’s approval is mandatory. Any transfer of existing or future FDI to entities or persons from such countries will require government approval.

Certain additional restrictions previously applicable to entities and citizens of Pakistan and Bangladesh remain unchanged under the revised FDI policy. Even earlier, entities and citizens of Pakistan and Bangladesh could invest only through the government route. Entities and citizens of Pakistan are also prohibited from investing in certain sectors such as defence, space, and atomic energy.

**Relief measures for power sector announced**

In April 2020, the central government announced several relief measures for the power sector to mitigate the impact of COVID-19. Key measures include the following:

- **Advisories to state governments:** The Ministry of Power issued guidelines to state governments regarding: (i) allowing operation and maintenance of inter-state transmission network, (ii) construction activities related to the transmission system and generation plants, and (iii) allowing operational continuity of power generation utilities during the extended lockdown period.

- **Clarification regarding payments by discoms:** On March 27, the Ministry of Power had provided a moratorium of three months to distribution companies (discoms) for their payments to generation companies. On April 1, the Ministry of New and Renewable Energy issued a clarification regarding payment by discoms to renewable energy generation companies during the moratorium period. The payment to renewable energy generation companies were not covered under the moratorium. The renewable energy generation had must run status even during the lockdown.

- **Extension for Renewable Energy Projects:** In April 2020, the Ministry of New and Renewable Energy provided an extension (equivalent to the period of lockdown and additional 30 days after the end of such lockdown) to the deadline for the commissioning of renewable energy projects. In August 2020, this extension was increased to an extension of five months from the date of lockdown (March, 2020).

- **Usance Letter of Credit facility by Coal India Limited (CIL):** CIL provides the facility of Usance Letter of Credit to power generation companies for payment of coal instead of cash advance for the fuel supply agreements. This is aimed towards ensuring the availability of working capital for power generation companies. In April 2020, this mechanism was extended to non-power sector consumers to boost liquidity in the markets and provide relief to coal consumers.

- **Working capital loans:** In August 2020, the Cabinet Committee on Economic Affairs approved a one-time relaxation in the limit on working capital loans extended to state-owned distribution companies by the Power Finance Corporation and the Rural Electrification Corporation. The Ujwal Discom Assurance Yojana (UDAY) limits the working capital loans to 25% of a discom’s last year revenue. This limit has been relaxed. This is expected to facilitate liquidity in the power sector which is facing financial crisis due to COVID-19.
Supreme Court ordered the waiver of compound interest during moratorium

In March 2020, in view of the COVID-19 pandemic, RBI had allowed lending institutions to grant a six-month moratorium (during March-August 2020) to borrowers on all payments due against their term loans, including interest payment. Borrowers who opted for the moratorium and deferred payment of interest had to pay interest on deferred interest.

The Supreme Court directed the government to provide relief to borrowers from payment of ‘interest on interest’ in view of the COVID-19 pandemic. The government issued guidelines in October 2020 to compensate them in this regard. The government made an ex-gratia payment to loan accounts of eligible borrowers through lending institutions. The amount of payment was equal to the difference between the compound interest and simple interest payable for the period March-August 2020 (interest to be calculated based on the loan amount outstanding as of February 29, 2020; not eligible if classified as an NPA on the date). The ex-gratia payment was made to all borrowers who satisfied the following conditions, irrespective of whether they had opted for the moratorium:

- borrowers who had an aggregate outstanding amount of only up to two crore rupees (across all loans and lending institutions), and
- the loan taken belonged to any one of the following categories: (i) housing loans, (ii) education loans, (iii) consumer durable loans, (iv) automobile loans, (v) consumption loans, (vi) personal loans to professionals, (vii) loans to MSMEs (including cash credit and overdraft facilities), and (viii) credit card dues.

In March 2021, the Supreme Court ordered the waiver of the compounding of interest on all loans during the moratorium period. In its judgement, the Court observed that there is no rationale in restricting the relief from compound interest to only those borrowers who satisfy the eligibility conditions of the government. It noted that compound interest or ‘interest on interest’ shall be chargeable on any deliberate or wilful default by borrowers and is a kind of penal interest.

It further noted that since non-payment of instalments during the moratorium period cannot be called wilful, there is no justification to charge interest on interest or compound interest or penal interest during this period. It ordered that no borrower must be charged with such penal interest or compound interest, and if charged already, the amount was to be refunded.

Welfare scheme for seafarers announced

In May 2020, the Seafarers Welfare Fund Society announced a welfare scheme for Indian seafarers and their families who may have suffered due to the impact of COVID-19. The scheme was effective from February 2020 till December 2020. Under the scheme, seafarers and their families were provided with financial support: (i) for in-patient treatment for COVID-19 in notified hospitals, and (ii) in case of death of seafarers. The maximum financial support for medical treatment was announced to be one lakh rupees, and for death, two lakh rupees.

Ministry of Shipping reduced port tariff rates for cruise ships

The Ministry of Shipping rationalised tariff rates for cruise vessels in August, 2020. The port charges for a Cruise Ship were decreased from $0.35 per Gross Registered Tonnage (GRT) to $0.085 per GRT for the first 12 hours stay (fixed rate) and $5 per passenger (head tax). Ports were directed not to charge any other rate such as berth hire, port dues, pilotage, and passenger fee. The rationalised tariff will be effective for a period of one year starting August 2020.

The Ministry stated that this would result in a reduction in port charges which ranged from 60% to 70%. These changes sought to provide support to the cruise shipping business, which was adversely affected due to the COVID-19 pandemic.

Extensions and Relaxations

Parliament passed a Bill to extend deadlines under various tax laws

The Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Bill, 2020 was passed by Parliament in September 2020. It replaced the Ordinance promulgated in March 2020. The Bill provided certain compliance-related relaxations and extended deadlines under tax laws such as the Income Tax Act, 1961 (IT Act). These relaxations were provided in view of the spread of the COVID-19 pandemic. The Bill
extended various deadlines including those for filing returns and claiming deductions under the IT Act. It allowed the central government to extend deadlines for various GST-related compliances under the Central Goods and Services Tax Act, 2017.

For a PRS summary of the Bill, please see here.

**A Bill to suspend CIRP temporarily was passed and certain deadlines under IBC were extended**

*The Insolvency and Bankruptcy Code (Amendment) Ordinance and Bill*

The Insolvency and Bankruptcy Code (Second Amendment) Bill, 2020 was passed by Parliament in September 2020. It replaced the Ordinance promulgated in June 2020 to amend the Insolvency and Bankruptcy Code, 2016. The Code provides a time-bound process for resolving insolvency in companies and among individuals. Insolvency is a situation where individuals or companies are unable to repay their outstanding debt. The Amendment suspended initiation of the corporate insolvency resolution process (CIRP) for defaults that occur for a period of six months from March 25, 2020. It also allowed the central government to extend this period by six months. Subsequently, the central government extended the suspension period up to March 24, 2021.

For a PRS analysis of the Bill, please see here.

**Extension of deadlines/ relaxations**

In April 2020, the Ministry of Corporate Affairs amended various regulations notified under the Insolvency and Bankruptcy Code, 2016. Key amendments include:

- **Extension of timelines**: Lockdown period during COVID-19 will not be counted towards the timeline of activities required during a corporate insolvency resolution or liquidation process (such as, timelines for approval of resolution plan or liquidation process). This provision came into effect from March, 2020 (provisions on resolution) and from April, 2020 (provisions on liquidation).

- **Relaxation of deadline for fee payment**: Insolvency Professionals (IPs) and Insolvency Professional Entities (IPEs) are required to pay a fee of 0.25% of the professional fee earned (by IPs) and 0.25% of turnover from services (rendered by IPEs) in the previous financial year, by April 30 every year. These Regulations were amended to extend the application fee payment deadline for the financial year 2019-2020 to June 30, 2020. Further, the timeline for IPEs to report that an individual has either joined or stepped down as a partner or director with the IPE was extended from seven days to 30 days. An IPE is an entity which provides support to insolvency professionals. This provision came into effect from March 28, 2020.

- **Extension of deadline for payment of penalties**: Insolvency and Resolution Professionals are required to file forms at various stages of the insolvency and resolution processes, respectively. These forms range from the initial consent of relevant parties to details of the resolution plan or liquidation order. Any forms filed after April 1, 2020 are subjected to penalties for every month of delay thereafter. The date for application of penalties was pushed to October 1, 2020 instead of April 2020. This provision came into effect from March 25, 2020.

**Extension of some deadlines under Companies Act, 2013**

The Ministry of Corporate Affairs extended certain deadlines under the Companies Act, 2013. These include the following:

- **Passing of ordinary and special resolutions**: The Act does not contain specific provisions to allow companies to hold general meetings of their shareholders through video conferencing or other audio-visual modes. In April 2020, the Ministry had circulated guidelines to allow meetings via video conferencing and other audio-visual means and for conducting business through postal ballot. These guidelines were valid up to June 30, 2020. The Ministry extended the validity of these guidelines to September 30, 2020.

- **Scheme for relaxation for filing charge-related forms**: Under the Act, companies have to file various forms if any security interest is created over their properties (for example, a mortgage over the company’s properties) or if the charge is modified. These forms need to be filed within 30 days of the date on which the security interest is created (extendable to 300 days on payment of additional fee). A new
scheme was launched to exclude the period from March to September 2020 from calculation of time period for filing forms.\textsuperscript{156}  

**Environment Impact Assessment (EIA) notification 2006 amended**  
The Ministry of Environment, Forest and Climate Change amended the EIA Notification 2006 in October 2020 and in January 2021 in view of COVID-19 pandemic. The Notification is aimed at regulation of social and environment impact of various projects such as dams, mines, airports, and highways. Key amendments include:

- **Extension of tenure:** In May 2020, considering COVID-19 as an exceptional circumstance, the Ministry amended the EIA notification 2006 to allow six months extension in the tenure of the existing State Environment Impact Assessment Authorities (SEIAA) and appraisal committees.\textsuperscript{157} Certain specified categories of projects require prior environmental clearances from SEIAA on the recommendation of the appraisal committee. SEIAA and appraisal committees are constituted by the central government for a fixed term of three years. In October 2020, the EIA notification was amended again to increase the period of extension in the tenure of SEIAA and appraisal committees from six months to 12 months.\textsuperscript{158}

- **Calculating validity of clearances and terms of reference:** The Notification was amended in January 2021 to specify that the period between April 1, 2020 to March 31, 2021 will not be accounted in calculating the validity period of: (i) prior environmental clearances, and (ii) terms of reference.\textsuperscript{159} For example, mining projects have 30 years of validity of the clearance. The period specified by the amendment will not be accounted for in the 30 years validity of clearance for mining projects.

**Extension of validity of registration certificates for import of drugs**  
In July 2020, the Ministry of Health and Family Welfare extended the validity of registration certificates for the import of drugs for sale or distribution in India till January 2021.\textsuperscript{160} This was to ensure that the supply of drugs is not affected. The extension was applicable for existing registration certificate holders who had applied for renewal before expiry of existing certificates.

**Validity of certain restrictions under the Environment (Protection) Rules extended**  
In December 2020, the Ministry of Environment, Forest and Climate Change notified the Environment (Protection) Third Amendment Rules, 2020 which amend the Environment (Protection) Rules, 1986.\textsuperscript{161} The 1986 Rules specify that the central government may prohibit/restrict industrial locations or industrial activities in an area, through notifications.\textsuperscript{162} Such restrictions may include: (i) limits on industrial pollutants and emissions (such as a limit on nitrogen oxide emission from thermal power plants), and (ii) proximity to human settlements (_restrictions on industrial activities within certain areas from human settlements).

The amendments extend the validity of the notifications with such restrictions, expiring in the financial year 2020-21, to June 30, 2021 in view of the COVID-19 pandemic.

**Validity of Motor Vehicle documents extended**  
In March 2020, the Ministry of Road Transport and Highways had extended the validity of various documents under the Motor Vehicles Act, 1988 and the Central Motor Vehicle Rules, 1989.\textsuperscript{163} Documents whose validity expired since February 1, 2020 would be valid till June 30, 2020. These included documents related to fitness, permits, driving licence and registration. This deadline was extended four more times, in June, August and December 2020, and March 2021 with the latest advisory extending the validity until June 30, 2021.\textsuperscript{164,165,166,167}
Finance and Industry

Macroeconomic Developments

Economic Growth in 2020-21

In 2020-21, COVID-19 and measures to tackle it such as the national lockdown affected the overall output of the economy. India’s real Gross Domestic Product (GDP), i.e., at 2011-12 constant prices, is estimated to contract by 8% over the previous year.\(^{168,169,170}\) In comparison, India’s real GDP is estimated to have grown at the rate of 4% in 2019-20. In 2020-21, other than agriculture and electricity, all other major sectors are estimated to observe a contraction (Table 4).

Table 4: Gross Value Added (GVA) across sectors at constant prices (growth in %, year-on-year)

<table>
<thead>
<tr>
<th>Sector</th>
<th>2018-19</th>
<th>2019-20</th>
<th>2020-21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>2.6%</td>
<td>4.3%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Mining</td>
<td>0.3%</td>
<td>-2.5%</td>
<td>-9.2%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>5.3%</td>
<td>-2.4%</td>
<td>-8.4%</td>
</tr>
<tr>
<td>Electricity</td>
<td>8.0%</td>
<td>2.1%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Construction</td>
<td>6.3%</td>
<td>1.0%</td>
<td>-10.3%</td>
</tr>
<tr>
<td>Services</td>
<td>7.2%</td>
<td>7.2%</td>
<td>-8.1%</td>
</tr>
<tr>
<td>GVA</td>
<td>5.9%</td>
<td>4.1%</td>
<td>-6.5%</td>
</tr>
<tr>
<td>GDP</td>
<td>6.5%</td>
<td>4.0%</td>
<td>-8.0%</td>
</tr>
</tbody>
</table>

Note: Data for 2018-19, 2019-20, and 2020-21 are second revised estimate, first revised estimate, and second advance estimate, respectively. GVA is measured at base prices (2011-12). GDP is derived by adding taxes on products net of subsidies on products to GVA at basic prices.

Sources: Central Statistics Office, MOSPI; PRS.

- In 2020-21, nominal GDP (at prices including inflation) is estimated to be Rs 196 lakh crore, as against Rs 204 lakh crore in 2019-20, a decline of 3.8%.\(^{168}\)

- The per capita income in 2020-21 is estimated to be Rs 85,929 (at constant prices), a decrease of 9.1% from 2019-20.\(^{168}\)

Inflation trends in 2020-21

Consumer Price Index (CPI) measures the change in prices of items at the retail level. The CPI inflation rate was 5.5% in March 2021, lower than 7.2% in April 2020 (year-on-year).\(^{171}\) During the April-November period, CPI inflation had remained above 6%. The CPI basket includes items commonly consumed by households such as food articles, fuel, clothing, housing, and health services. Food and beverages have a share of 46% in the CPI basket. Food inflation rate was 4.9% in March 2021, lower than 11.7% in April 2020.\(^{171}\)

The Wholesale Price Index (WPI) measures the average change in the prices of commodities for bulk sale at the level of the early stage of transactions.\(^{172}\) WPI inflation rate was 7.4% in March 2021, significantly higher than -1.6% in April 2020.\(^{173}\)

Figure 1: CPI and WPI in 2020-21 (in %, year-on-year)

![CPI and WPI graph]

Sources: MOSPI; Ministry of Commerce and Industry; PRS.

Industrial Production in 2020-21

The Index of Industrial Production (IIP) looks at the volume of production in the sectors of manufacturing, mining, and electricity in the economy. The IIP assigns a weight of 78% to the manufacturing sector, 14% to the mining sector, and 8% to the electricity sector. Between April 2020 and August 2020, IIP continued to decline in comparison to the previous year.\(^{174}\) Subsequently, growth in IIP has remained volatile. In January 2021 and February 2021, IIP again registered a decline (year-on-year).

Figure 2: IIP in 2020-21 (% year-on-year)

![IIP graph]

Sources: MOSPI; PRS.
Monetary Policy Decisions

The Monetary Policy Committee of the Reserve Bank of India was reconstituted in October 2020. It took the following decisions during 2020-21.

- **Policy rates**: In view of the impact of COVID-19 on the economy, the policy repo rate (the rate at which RBI lends money to commercial banks) had been reduced from 5.15% to 4.4% in March 2020. In May 2020, the policy repo rate was reduced further to 4.0%. Since May 2020, the repo rate has remained unchanged.  
- The reverse repo rate (the rate at which RBI borrows money from commercial banks) had been reduced from 4.9% to 4.0% in March 2020. The reverse repo rate was reduced further twice during the year, from 4% to 3.75% in April 2020 and from 3.75% to 3.35% in May 2020. The reverse repo rate has remained unchanged since March 2020.  
- The marginal standing facility rate (under which banks can borrow additional money) and bank rate (at which RBI buys or rediscouts bills of exchange) were reduced from 4.65% to 4.25% in May 2020. The rates had been reduced from 5.4% to 4.65% in March 2020. These rates have remained unchanged since May 2020.  
- The committee continued with its accommodative stance of monetary policy throughout the year to revive growth on a durable basis and mitigate the impact of COVID-19 on the economy.

The primary objective of the monetary policy is to maintain policy stability while keeping in mind the objective of growth. For the period between August 2016 and March 2021, the CPI inflation target was set at 4% (+/- 2%). The central government has specified the same target for the period between April 2021 and March 2026.

Economic Survey 2020-21 presented

The Finance Minister, Ms. Nirmala Sitharaman, tabled the Economic Survey 2020-21 in Parliament in January 2021. Some highlights of the Survey include the following:

- **GDP growth in 2021-22**: In 2021-22, Gross Domestic Product (GDP) is estimated to grow at 15.4% in nominal terms, and at 11% in real terms (after adjusting for inflation). In 2020-21, real GDP is estimated to decline by 7.7%.

- **Expenditure on public health**: The survey highlighted that India has one of the highest levels of out-of-pocket expenses as a share of total health expenditure (65%). The survey observed that increasing the spending on public health from the current 1% of GDP to 2.5-3% of GDP will help in reducing the out-of-pocket expenses from the 65% to 30%.

- **Sovereign Credit Rating**: The survey noted that India’s sovereign credit rating does not reflect its fundamentals in terms of GDP growth and inflation, among others. It observed a bias in ratings against emerging economies like India and China. Credit rating maps the probability of default, reflecting the willingness and ability of a borrower to meet debt obligations. Poor sovereign credit ratings have an adverse impact on inflow of foreign investments in the country.


**RBI permitted Regional Rural Banks to access additional liquidity facilities**

In December 2020, RBI permitted scheduled Regional Rural Banks (RRBs) to access its liquidity adjustment facility, the marginal standing facility, and the call money market. These measures are expected to improve liquidity management. Earlier, these facilities were available to scheduled commercial banks, certain cooperative banks, and primary dealers. Scheduled RRBs that meet certain criteria (such as maintenance of adequate capital) will also be eligible to avail these facilities.

Liquidity Adjustment Facility (LAF) is a window through which RBI provides liquidity (at the repo rate) and absorbs liquidity (at the reverse repo rate). Marginal Standing Facility is a facility where banks can borrow additional liquidity over the limits prescribed under the LAF.

The call money market is a market for uncollateralised inter-bank short-term lending.
Finance

15th Finance Commission submitted its report for the period 2021-22 to 2025-26

The 15th Finance Commission’s report for the period 2021-22 to 2025-26 was presented in Parliament in February 2021.184 The Finance Commission is a constitutional body formed by the President to give suggestions on centre-state financial relations. Earlier, the 15th Finance Commission had submitted an interim report for 2020-21 which was presented in February 2020. Key recommendations for 2021-26 include the following:

- **Share in divisible pool of taxes:** The share of states in the divisible pool of central taxes during 2021-26 will be 41%, same as that for 2020-21. This is lower than the 42% share during 2015-20 (14th Finance Commission period). The adjustment of one percentage point is to provide funds to the union territories of Jammu and Kashmir and Ladakh from the central government’s resources.

- **Distribution among states:** The criteria for distribution of central taxes among states during 2021-26 is the same as that for 2020-21. Table 5 shows the criteria recently used by Finance Commissions, i.e., parameters used and the weight assigned to them.

Table 5: Criteria for state-wise devolution

<table>
<thead>
<tr>
<th>Criteria</th>
<th>14th FC 2015-20</th>
<th>15th FC 2020-21</th>
<th>15th FC 2021-26</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Distance</td>
<td>50.0</td>
<td>45.0</td>
<td>45.0</td>
</tr>
<tr>
<td>Area</td>
<td>15.0</td>
<td>15.0</td>
<td>15.0</td>
</tr>
<tr>
<td>Population (1971)</td>
<td>17.5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Population (2011)</td>
<td>10.0</td>
<td>15.0</td>
<td>15.0</td>
</tr>
<tr>
<td>Demographic</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>-</td>
<td>12.5</td>
<td>12.5</td>
</tr>
<tr>
<td>Forest Cover</td>
<td>7.5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Forest and Ecology</td>
<td>-</td>
<td>10.0</td>
<td>10.0</td>
</tr>
<tr>
<td>Tax and fiscal efforts</td>
<td>-</td>
<td>2.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Note: *14th FC used the term ‘demographic change’ for 2011 population. *Though 15th FC used the term ‘tax effort’ for 2020-21, definition of the criterion is same. Sources: 14th and 15th Finance Commissions; PRS.

- **Grants-in-aid:** The Finance Commission recommended grants worth Rs 10.3 lakh crore for the period 2021-26 (Table 6). Some of these are conditional in nature, e.g., the sector-specific grants have been recommended for reforms in sectors such as health, education, and agriculture.

Table 6: Grants-in-aid to states for 2021-26

<table>
<thead>
<tr>
<th>Grants-in-aid</th>
<th>Amount (Rs crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue deficit grants</td>
<td>2,94,514</td>
</tr>
<tr>
<td>Local governments grants</td>
<td>4,36,361</td>
</tr>
<tr>
<td>Disaster management grants</td>
<td>1,22,601</td>
</tr>
<tr>
<td>Sector-specific grants</td>
<td>1,29,987</td>
</tr>
<tr>
<td>State-specific grants</td>
<td>49,599</td>
</tr>
<tr>
<td><strong>Total grants-in-aid to states</strong></td>
<td><strong>10,33,062</strong></td>
</tr>
</tbody>
</table>

Sources: 15th Finance Commission for 2021-26; PRS.

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

Parliament passed Union Budget 2021-22

The Union Budget 2021-22 was presented by the Finance Minister, Ms. Nirmala Sitharaman, in February 2021, and passed by Parliament in March 2021.185186 Key highlights from the Budget include:

- **Expenditure:** The government proposes to spend Rs 34,83,236 crore in 2021-22. This is a 14% annual increase from the actual expenditure of the government in 2019-20.

- **Receipts:** The government’s total receipts (excluding net borrowings) are expected to be Rs 19,76,424 crore in 2021-22, which is an annual increase of 6% over 2019-20.

- **GDP growth:** Nominal GDP (i.e., real growth plus inflation) is expected to grow by 14.4% to Rs 223 lakh crore in 2021-22. In 2020-21, nominal GDP was estimated to grow by 10% to Rs 225 lakh crore, but has been revised down to Rs 195 lakh crore.

- **Deficits:** Fiscal deficit is targeted at 6.8% of GDP in 2021-22, out of which revenue deficit is estimated to be 5.1% of GDP (76%). Primary deficit (i.e., fiscal deficit excluding interest payments) is estimated to be 3.1% of GDP.

Policy proposals: Key proposals announced in the budget include: (i) disinvestment of Air India, IDBI Bank, and Pawan Hans in 2021-22, (ii) asset reconstruction and management companies to consolidate and take over existing stressed debt, and manage and dispose assets, and (iii) PM Aatma Nirbhar Swasth Bharat Yojana to develop health systems’ capacity.
Table 7: Union Budget 2021-22 (in Rs crore)

<table>
<thead>
<tr>
<th>Items</th>
<th>Actuals 2019-20</th>
<th>Revised 2020-21</th>
<th>Budget 2021-22</th>
<th>Change (Annualised) 2019-20 to BE 2021-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Expenditure</td>
<td>26,86,330</td>
<td>34,50,305</td>
<td>34,83,236</td>
<td>14%</td>
</tr>
<tr>
<td>Total Receipts (excluding net borrowing)</td>
<td>17,52,679</td>
<td>16,01,650</td>
<td>19,76,424</td>
<td>6%</td>
</tr>
<tr>
<td>Fiscal Deficit (net borrowing)</td>
<td>9,33,651</td>
<td>18,48,655</td>
<td>15,06,812</td>
<td>27%</td>
</tr>
<tr>
<td>% of GDP</td>
<td>4.6%</td>
<td>9.5%</td>
<td>6.8%</td>
<td></td>
</tr>
<tr>
<td>Revenue Deficit</td>
<td>6,66,545</td>
<td>14,55,989</td>
<td>11,40,576</td>
<td>31%</td>
</tr>
<tr>
<td>% of GDP</td>
<td>3.3%</td>
<td>7.5%</td>
<td>5.1%</td>
<td></td>
</tr>
</tbody>
</table>

Note: Change from 2019-20 to BE 2021-22 represents the compounded annual growth rate (CAGR) during the period. Sources: Budget at a Glance, Union Budget 2021-22; PRS.

Parliament passed the Finance Bill, 2021

In March 2021, Parliament passed the Finance Bill, 2021 to give effect to the government’s financial proposals for the financial year 2021-22. Key tax proposals under the Bill include:

- **No change in income tax rates**: The Bill made no change in the income tax rates for individuals and corporations.

- **New cess**: The Bill introduced the Agriculture Infrastructure and Development Cess for financing agriculture infrastructure and other development activities. The cess is levied on the import of certain goods such as alcoholic beverages, coal, cotton, gold, and silver, on which the existing customs duty has been cut by an equivalent amount to levy the cess. The cess also replaced a part of the excise duty levied on petrol (Rs 2.5/litre) and diesel (Rs 4/litre).

- **Tax on interest earned from provident funds**: Under the Income Tax Act, 1961, the interest earned from provident funds was exempted from tax. The Bill provides that if the total contribution to the fund in a year exceeds Rs 2.5 lakh, the interest earned on such excess contribution is taxable. For a fund which receives no contribution from the employer, this threshold is Rs 5 lakh.

- **Reduction in time limit for reopening an assessment**: Income tax assessments were allowed to be reopened up to four years after the assessment (six years if the unassessed income is Rs 1 lakh or more). The Bill reduced the time limit allowed to reopen assessments to three years (ten years if unassessed income is Rs 50 lakh or more).

In addition, the Finance Bill, 2021 consisted of certain non-tax proposals, including:

- The Bill amended the LIC Act, 1956 to: (i) create a board of directors, (ii) issue shares, (iii) allow the central government to reduce its shareholding to up to 51% of the equity (but not below 75% in the first five years), and (iv) cap voting rights of shareholders other than the central government at 5%.

- The Bill amended the Securities Contracts (Regulation) Act, 1956 to allow pooled investment funds (used to collect money from investors) to borrow money or issue debt securities for the purpose.

For an analysis of the Union Budget 2021-22 and the expenditure of 15 major ministries, please see here.

Parliament passed Supplementary budget to approve Rs 5.8 lakh crore for 2020-21

Parliament passed two Supplementary Demands for Grants (DFG) to approve an additional budget allocation of Rs 5.8 lakh crore for the year 2020-21. The first Supplementary DFG was passed in September 2020 to approve an incremental cash outgo of Rs 1,66,984 crore, i.e., an increase of Rs 1,66,984 crore in expenditure over the 2020-21 budget (which was passed in February 2020). The second Supplementary DFG was passed in March 2021 to approve an incremental cash outgo of Rs 4,12,653 crore. Together, the two Supplementary DFG increased the allocation for 2020-21 by Rs 5,79,637 crore, 16.8% of the revised estimate of expenditure in 2020-21. The major expenditure items approved through the incremental cash outgo include the following:

- **Food subsidy**: More than three lakh crore rupees was approved for payment of food subsidy, of which nearly Rs 2.66 lakh crore was allocated for payment to the Food Corporation of India (FCI) and the remaining amount to states for procurement on behalf of FCI. Note that in 2020-21, the allocation for food subsidy to FCI was increased by 341% from Rs 0.78 lakh crore at the budgeted stage to Rs 3.44 lakh crore at the revised stage. Of this, Rs 1.25 lakh crore is estimated to have been spent on clearing the unpaid subsidy dues of FCI for previous years.
The remaining subsidy to FCI and states was towards payment of the subsidy cost they incurred in 2020-21.

- **Fertiliser subsidy**: Rs 64,598 crore was approved for payment of fertiliser subsidy. This was to be spent for subsidy dues pertaining to previous years which had remained unpaid owing to insufficient budgetary allocation.

- **Revenue deficit grants**: Rs 44,340 crore was approved for providing revenue deficit grants to states. The 15th Finance Commission had recommended a transfer of Rs 74,450 crore to states as revenue deficit grants for 2020-21, of which Rs 30,000 crore was allocated in the 2020-21 budget.

- **Rural employment**: Rs 43,458 crore was approved for the Mahatma Gandhi National Rural Employment Guarantee Scheme.

- **Women Jan Dhan accounts**: Rs 30,957 crore was approved for providing Rs 500 per month to women Jan Dhan account holders for three months. This was provided as a part of the relief measures under the Pradhan Mantri Garib Kalyan Yojana during the lockdown imposed due to COVID-19.

**Insurance (Amendment) Bill, 2021 passed by Parliament to raise FDI limit to 74%**

The Insurance (Amendment) Bill, 2021 was passed by Parliament in March 2021. The Bill amended the Insurance Act, 1938. The Act provides the framework for the functioning of insurance businesses and regulates the relationship between an insurer, its policyholders, its shareholders, and the regulator (the Insurance Regulatory and Development Authority of India). Earlier, the Act allowed foreign investors to hold up to 49% of capital in an Indian insurance company, which must be owned and controlled by an Indian entity.

The Bill increased the limit on foreign investment in an Indian insurance company from 49% to 74%. It also removed restrictions on ownership and control. However, such foreign investment may be subject to further additional conditions as prescribed by the central government.

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

**Parliament passed a Bill to set up a new Development Financial Institution**

In March 2021, Parliament passed the National Bank for Financing Infrastructure and Development Bill, 2021 to set up a new Development Financial Institution (DFI). The Bill sets up the National Bank for Financing Infrastructure and Development (NaBFID) as the principal DFI for financing infrastructure projects in India. DFIs are set up to provide long-term finance for such segments of the economy where the risks involved are beyond the acceptable limits of commercial banks and other ordinary financial institutions. Unlike banks, DFIs do not accept deposits from the public. They source funds from the market, government, as well as multilateral institutions, and are often supported through government guarantees. Key features of the Bill include the following:

- **Ownership**: NaBFID will be set up with an authorised share capital of one lakh crore rupees. Initially, the central government will own 100% of its shares, which may subsequently be reduced up to 26%. The shares of NaBFID may be held by: (i) the central government, (ii) multilateral institutions, (iii) sovereign wealth funds, (iv) pension funds, (v) insurers, (vi) financial institutions, (vii) banks, and (viii) any other institution prescribed.

- **Functions of NaBFID**: NaBFID will have both financial as well as developmental objectives. Its financial objective will be to directly or indirectly lend, invest, or attract investments for infrastructure projects located entirely or partly in India. The central government will notify the sectors to be covered under the infrastructure domain. The developmental objectives of NaBFID include facilitating the development of the market for bonds, loans, and derivatives in India for infrastructure financing.

- **Other DFIs**: The Reserve Bank of India (RBI) may also grant licences to set up other DFIs in consultation with the central government. RBI will also prescribe the regulations for DFIs.

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

**Parliament passed the Banking Regulation (Amendment) Bill, 2020**

The Banking Regulation (Amendment) Bill, 2020 was passed by Parliament in September 2020. It amended the Banking Regulation Act, 1949, which
regulates the functioning of banks, including their licensing, management, and liquidation. Key features of the Bill include:

- **Reconstruction or amalgamation without moratorium:** Earlier, after placing a bank under moratorium, RBI would prepare a scheme for reconstruction or amalgamation of the bank to secure its proper management, or in the interest of depositors, general public, or the banking system. Banks placed under moratorium face restrictions including on making payments or discharging liabilities. It allowed RBI to initiate a scheme for reconstruction or amalgamation of any bank without imposing a moratorium.

- **Cooperative banks:** The Bill extended the regulatory power of RBI over cooperative banks, and brought their regulations in line with those for the commercial banks. It placed qualification requirements for the Chairman and Board of Directors and empowered RBI to remove them and supersede the Board of a state cooperative bank after consulting the state government. The Bill allowed cooperative banks to issue equity, preference, or special shares and unsecured debt to members or any other person residing within its area of operation based on and subject to RBI’s prior approval.

The Bill replaced an Ordinance issued in June 2020. For a PRS analysis of the Bill, see here.

The Bill was introduced in Lok Sabha in February 2021. The Bill introduces a legal framework for the enforcement of netting of qualified financial contracts (derivatives contracts) and close-out netting arrangements. Key features of the Bill include the following:

- **Bilateral netting:** Netting is the determination of a net amount payable by one party to the other, offsetting all claims arising from dealings between the parties.

- **Qualified financial contracts (QFC):** QFC is any bilateral contract notified as a QFC by a relevant authority. The relevant authorities are RBI, the Securities and Exchange Board of India (SEBI), the Insurance Regulatory and Development Authority of India (IRDAI), the Pension Fund Regulatory and Development Authority (PFRDA), and the International Financial Services Centres Authority (IFSCA).

- **Applicability:** The Bill applies to QFCs between two qualified financial market participants (designated as such by the relevant authorities), where at least one party is an entity regulated by the RBI, SEBI, IRDAI, PFRDA, and IFSCA.

- **Enforceability of netting:** The Bill provides that netting of QFCs is enforceable if the contract has a netting agreement. Netting agreement is an agreement that provides for the netting of amounts involving two or more QFCs. A netting agreement may also include a collateral arrangement (form of security provided for one or more QFCs in a netting agreement). This may include a pledge of assets, a third-party guarantor, or an arrangement to transfer the title to collateral.

For a PRS summary of the Bill, please see here.

### Factoring Regulation (Amendment) Bill introduced; Committee submits its report

The Factoring Regulation (Amendment) Bill, 2020 was introduced in Lok Sabha in September 2020. The Bill seeks to amend the Factoring Regulation Act, 2011 to widen the scope of entities that can engage in the factoring business. The Bill was referred to the Standing Committee on Finance (Chair: Mr. Jayant Sinha), which submitted its report in February 2021.

As per the Act, factoring is a business where an entity (referred to as the factor) acquires the receivables of another entity (referred to as the assignor) for an amount. Receivables is the total amount owed or yet to be paid by the customers (referred to as the debtors) to the assignor for the use of any goods, services or facilities. A factor can be a bank, a registered non-banking financial company (NBFC), or any company registered under the Companies Act. Key features of the Bill include:

- **Registration of factors:** Under the Act, no company can engage in factoring business without registering with RBI. NBFC to engage in a factoring business, its: (i) financial assets in the factoring business, and (ii) income from the factoring business should both be more than 50% (of the gross assets or net income), or more than a threshold as notified by RBI. The Bill removes this threshold for NBFCs.

- **Registration of transactions:** The Act provides that the factors are required to register
the details of every transaction of assignment of receivables in their favour. These details should be recorded with the Central Registry setup under the SARFAESI Act, 2002 within 30 days. The Bill removes this 30-day time period. It states that the time period and manner of registration may be specified in further regulations.

- The Bill states that where trade receivables are financed through Trade Receivables Discounting System (TReDS), the details regarding transactions should be filed with the Central Registry by the concerned TReDS, on behalf of the factor. TReDS is an electronic platform for facilitating financing of trade receivables of Micro, Small, and Medium Enterprises (MSMEs).

The Standing Committee recommended that the Bill be amended to mandate the listing of receivables from the central and state governments on the TReDS platform. This would ensure payments pending from the government to MSMEs are made available on a timely basis. It also recommended integrating the TReDS platform with the GST e-invoicing portal to enable automatic uploading of all GST invoices and real-time access to invoices. It noted that this would add a layer of authenticity making the TReDS platform attractive for factors, and improve the flow of credit to MSMEs.

For a PRS summary of the Bill, please see here. For summary of the Standing Committee report, please see here.

Centre proposed to use borrowing to meet the shortfall in GST compensation

In August 2020, the central government proposed to use borrowing to meet the shortfall in GST compensation to states in 2020-21. Under the GST (Compensation to States) Act, 2017, the central government is required to pay compensation to states if their GST revenue growth is less than 14% in any year during the period July 2017-June 2022. To generate funds for this purpose, the Act provides for the levy of GST compensation cess on certain luxury and sin goods, such as cigarettes, tobacco products, pan masala, coal, and certain passenger vehicles and beverages. In 2020-21, the cess collection was expected to be lower than the compensation requirement of states for the year, resulting in a shortfall of nearly Rs 2.3 lakh crore. The central government attributed Rs 1.1 lakh crore shortfall to the implementation of GST and the remaining shortfall to the COVID-19 pandemic.

**Borrowing options:** The central government proposed two options to states to meet the Rs 2.3 lakh crore shortfall: (i) borrow in 2020-21 only to meet the shortfall due to GST implementation (Rs 1.1 lakh crore), with the rest payable after 2022 from surplus cess collections, or (ii) borrow in 2020-21 to meet the entire shortfall. Under both the options, the borrowing done by states will be repaid from future cess collections. Under Option 1, the interest payable on such borrowing will also be paid from future cess collections. However, under Option 2, states were required to pay the interest using their own resources. States were allowed to individually exercise their options. All states (including Delhi and Puducherry) chose Option 1.

To enable this option, in October 2020, the GST Council recommended the central government to extend the levy of the compensation cess beyond June 2022 for such period as may be required to meet the shortfall. Subsequently, the central government increased its market borrowing programme for 2020-21 by Rs 1.1 lakh crore. The borrowing done by the central government was passed on to states as back-to-back loans in lieu of their GST compensation grants.

**Ministry of Finance imposed restrictions on procurement from certain countries**

In July 2020, the Ministry of Finance amended the General Financial Rules, 2017 to impose restrictions on public procurement from certain countries on the grounds of national security. The General Financial Rules, 2017 are to be followed by all the Ministries, departments, and bodies of the central government in matters of public finance. The restrictions also apply to all public sector banks, central PSEs, and union territories, among others. Key features include:

- **Restrictions on bidders:** Any bidder from a country sharing land border with India is eligible to bid in procurement contracts only if registered with the Competent Authority i.e., the Registration Committee constituted by the Department for Promotion of Industry and Internal Trade (DPIIT).
- **Clearances for registration:** To register with DPIIT, bidders from countries sharing land border with India need to obtain political and
security clearances from the Ministries of External and Home Affairs.

- **Certificate of compliance**: Every bidder has to submit a certificate of compliance with these provisions. If the certificate from an accepted bidder is found to be false, the contract will be cancelled and legal action would be initiated.

- **Exemptions**: These restrictions will not apply to: (i) cases where contracts have been concluded or letter of acceptance has been issued, (ii) certain special cases such as for procurement of medical supplies to contain the COVID-19 pandemic, and (iii) bidders from those countries where the central government has extended lines of credit or is engaged in development projects in the country.207

**Ministry of Finance released draft Bills to give effect to NDB and AIIB agreements**

In March 2021, the Ministry of Finance released two draft Bills related to the New Development Bank (NDB) and the Asian Infrastructure Investment Bank (AIIB) for public consultation. NDB and AIIB are banks set up under inter-governmental agreements to mobilise resources for sustainable economic development and infrastructure. NDB was set up under an agreement signed by BRICS countries (Brazil, Russia, India, China, and South Africa) in 2014 for development in BRICS and other emerging market economies. AIIB was set up under an agreement signed by 57 founding countries, including India, in 2014 for infrastructure development in Asia. The draft Bills seek to extend certain privileges and immunities to NDB, AIIB, and their staff and operations, as per the commitments made by India under the NDB and AIIB agreements. These privileges and immunities include the following:

- **Immunity from judicial proceedings**: The banks will be immune from every form of legal process, except in cases relating to their powers to raise funds, guarantee obligations, or buy and sell or underwrite securities. No action must be brought against the banks by any member country or any of its agencies, except as per the procedure prescribed in the agreements, regulations, or contracts.

- **Immunity to personnel**: All officers and employees of the banks will be immune from legal process with respect to the acts performed by them in their official capacity, except when the banks waive the immunity.

- **Immunity to assets**: Assets and properties of the banks will be immune from actions such as search, seizure, and attachment taken under executive or legislative powers or before a final judgement to this effect. These will be exempt from any restrictions, regulations, and moratoria that may specified.

- **Exemption from taxation**: The banks, their properties, assets, income, operations, and transactions relating to their agreements will be immune from all forms of taxation, including any obligation to pay, withhold, or collect any tax or duty. This will also be applicable to salaries and allowances paid by the banks to employees, unless specified otherwise in the agreements signed by India.

**Cabinet approved a new disinvestment policy for public sector enterprises**

In January 2021, the Union Cabinet approved a new policy for disinvestment of Public Sector Enterprises (PSEs), which will govern the ownership and control of PSEs by the central government. Under the policy, the government seeks to minimise the presence of PSEs across sectors and create new investment space for the private sector. The policy categorises all sectors into strategic and non-strategic based on the criteria of national security, availability of important minerals and energy, financial services, and any critical infrastructure.

Strategic sectors are: (i) atomic energy, defence, and space, (ii) transport and telecommunication, (iii) power, petroleum, coal, and other minerals, and (iv) banking, insurance, and financial services. The policy envisions a bare minimum presence of existing PSEs in the strategic sectors as the government aims to retain control through holding companies (i.e., a company owning the shares of the company running the business). All other existing PSEs in the strategic sectors will be either privatised, closed, merged with another PSE, or made its subsidiary. All existing PSEs in sectors other than strategic sectors will be privatised, if feasible, or closed.

The new policy is applicable to central PSEs and public sector banks and insurance companies. It is not applicable to certain PSEs including those working as not-for-profit companies, providing support to vulnerable groups, performing any developmental or regulatory role, or maintaining critical data having bearing on national security.
Production Linked Incentive schemes approved

The Union Cabinet approved the Production Linked Incentive (PLI) schemes for: (i) pharmaceuticals, (ii) food processing, and (iii) IT hardware.\(^211\),\(^212\),\(^213\) Under PLI schemes, companies receive incremental incentives on sale of products manufactured in India.

**Pharmaceuticals**

The approved PLI scheme aims to enhance India's manufacturing capacity in the pharmaceutical sector by increasing investment, production and product diversification.\(^211\) Key features include:

- **Target Groups:** The manufacturers of pharmaceutical goods will be grouped based on their Global Manufacturing Revenue (GMR). These groups will be applicants with GMR (2019-20) of pharmaceutical goods: (i) Group A: Rs 5,000 crore or more, (ii) Group B: between Rs 500 crore and Rs 5,000 crore, and (iii) Group C: less than Rs 500 crore. A sub-group for MSME industry will be made within this group.

- **Incentives:** The total incentive under the scheme is Rs 15,000 crore. The incentive allocation among the target groups is as follows: (i) Group A: Rs 11,000 crore, (ii) Group B: Rs 2,250 crore, and (iii) Group C: Rs 1,750 crore. The incentive allocation for Group A and Group C will not be transferred to any other category. However, incentive allocated to Group B applicants, if underutilised may be moved to Group A applicants.

- **Goods covered:** Goods covered under the scheme will be categorised in: (i) Category 1: including complex generic drugs, patented drugs, and cell based or gene therapy drugs, (ii) Category 2: including active pharmaceutical ingredients and key starting materials, and (iii) Category 3: drugs not covered under Category 1 and Category 2 such as repurposed drugs, anti-cancer drugs, and anti-diabetic drugs.

- **Rate of incentive:** For Category 1 and Category 2, the rate of incentive will be 10\% (of sales value of products) for first four years, 8\% for the fifth year, and 6\% for the sixth year of production under the scheme. For Category 3, the rate of incentive will be 5\% (of sales value of products) for first four years, 4\% for the fifth year and 3\% for the sixth year of production under the scheme.

**Food processing**

The scheme aims to support food manufacturing entities in expansion of their processing capacity and incentivise emergence of strong Indian brands through international branding.\(^212\) Key features include the following:

- **Target Groups:** The government will incentivise manufacturing of plant machinery in four major food product segments: (i) ready to cook/ eat foods, (ii) processed vegetables and fruits, (iii) marine products, and (iv) mozzarella cheese. Manufacturers will be eligible for receiving benefits under the scheme, if they record minimum specified sales and make a minimum specified amount of investment between 2020-23. However, these conditions will not be applicable in case of innovative/ organic products of Small and Medium Enterprises (SMEs), including eggs, egg products, and poultry meat.

- **Incentives:** The government will provide the incentive to the chosen beneficiaries on a yearly basis for a period of six years, between 2021-22 to 2026-27. Rs 10,900 crore has been allocated to the scheme for the six-year period.

- Rs 9,040 crore has been allocated for providing the incentives to manufacturers under the scheme, out of which Rs 250 crore has been earmarked for innovative/ organic products of SMEs. In addition, Rs 1,500 crore will be provided as grants to support branding and marketing abroad to incentivise emergence of strong Indian brands. These grants will be provided for in-store branding, shelf space renting, and marketing.

**IT hardware**

The scheme is aimed at promoting domestic manufacturing and attracting large investments in the value chain of IT hardware.\(^213\) It will cover the following segments of IT hardware: (i) laptops, (ii) tablets, (iii) all-in-one personal computing devices, and (iv) servers. The total cost of the proposed scheme is about Rs 7,350 crore over four years.

Cabinet approved revised Viability Gap Funding norms for social infrastructure

In November 2020, the Union Cabinet approved a revised Viability Gap Funding (VGF) scheme for providing financial support to Public Private Partnerships (PPPs) for infrastructure projects.\(^214\) The scheme was started in 2006 to support infrastructure projects that are economically justified,
but commercially unviable due to: (i) high capital investment requirements, (ii) long gestation period, and (iii) the inability to increase user charges to commercial levels. Under the scheme, the central government provides VGF to cover up to 20% of the project cost. The public partner in the PPP project (e.g., the concerned Ministry, state government, or statutory authority) may additionally cover up to 20% of the project cost. Under the revised scheme, a higher VGF was approved for the following kinds of social infrastructure projects:

- **Social sectors**: The central government will provide a higher VGF of up to 30% of the project cost to infrastructure projects in social sectors (such as education, health, water supply, waste water treatment, and solid waste management). The public partner in the project may additionally cover up to 30% of the cost.

- **Pilot projects**: The central and state governments will provide a total VGF of up to 80% of the project cost to pilot projects in the education and health sectors. They may also provide up to 50% of the project’s operational cost for the first five years of its commercial operation. Share of the central government will be capped at 40% of the project cost and 25% of the operational cost.

An outlay of Rs 8,100 crore was approved for the revised scheme for the period 2020-21 to 2024-25. Of this, about Rs 2,100 crore will be provided as support to social infrastructure projects, with the remaining Rs 6,000 crore earmarked for economic infrastructure projects.

**Extension of the Pradhan Mantri Vaya Vandana Yojana approved**

In May 2020, the Union Cabinet approved the extension of the Pradhan Mantri Vaya Vandana Yojana for the three-year period 2020-23. The scheme aims to provide social security to persons above 60 years of age to protect them against a future fall in their interest income due to uncertain market conditions. Under the scheme, an assured rate of return is guaranteed by the insurer. The difference between the return generated by the insurer and the assured return is paid for by the central government.

For 2020-21, the assured rate of return was 7.4%. This rate will be revised every year. The scheme can be purchased at a minimum purchase price of Rs 1,56,658 for a yearly pension of Rs 12,000. For the monthly pension pay-out option, the minimum purchase price will be Rs 1,62,162 for a monthly pension of Rs 1,000.

**RBI took various policy measures related to the payments ecosystem in India**

RBI took various policy measures related to the payments ecosystem. A payment system enables payments between a payer and a beneficiary, involving clearing, payment, and settlement service. The measures taken by RBI include:

**Payments Infrastructure Development Fund**: In June 2020, RBI announced the creation of a Payments Infrastructure Development Fund to encourage acquirers to deploy Point-of-Sale (PoS) infrastructure in tier-3 to tier-6 centres and north-eastern states. This is being done to incentivise digital payment in these places. As per RBI’s classification, tier-3 centres are areas of population below 50,000 (according to Census 2011) and tier-6 centres are areas of population below 5,000.

The central government will initially contribute Rs 250 crore to the Fund. The remaining contribution will be from card-issuing banks and networks operating in India. They will make recurring contributions which will be used to cover operational expenses. RBI will contribute yearly to meet the shortfall, if any.

**Interoperability of QR codes**: In October 2020, RBI issued directions for interoperability of the Quick Response (QR) code infrastructure to facilitate digital payments. QR codes facilitate digital payments without any PoS terminal. An interoperable QR code enables payment using any payment app. Without interoperability, QR codes of a particular Payment System Operator (PSO) could only be scanned through its payment app.

As per RBI’s directions, the two interoperable QR codes in existence, UPI QR and Bharat QR, will continue to operate. PSOs, such as mobile wallet providers, using proprietary (non-interoperable) codes must shift to interoperable codes by March 2022. PSOs cannot launch new proprietary codes.

**Online dispute resolution**: In August 2020, RBI introduced an online dispute resolution system for resolving customer disputes related to digital payments. Authorised PSOs are required to put in place systems for online dispute resolution which are technology-driven, rule-based, transparent, and user-friendly. RBI issued minimum requirements for such a dispute resolution system, including:
Structure: Each PSO will institute a system for resolving disputes and grievances arising out of failed transactions. Customers must be provided access for lodging grievances irrespective of whether such transactions are within the same bank or across different banks.

Types of transactions: Initially the scope of the online dispute resolution system will be limited to grievances for failed transactions, and later extended to cover other kind of grievances.

Umbrella entities for retail payments: In August 2020, RBI notified a framework to set up pan-India umbrella entities for retail payment systems. Currently, RBI operates an umbrella organisation for retail payments and settlement system called the National Payments Corporation of India. Key features of the framework include the following:

Functions: The entity’s functions include: (i) establishing, managing and operating new payment systems in the retail space, and (ii) performing clearing and settlement functions for participating banks and non-banks.

Capital: The entity must have a minimum paid-up capital of Rs 500 crore. No single promoter can hold more than 40% share in the entity. The promoter shareholding can be diluted up to 25% after five years of commencement of business of the entity.

Self-Regulatory Organisation (SRO): In August 2020, RBI issued a draft framework for recognition of a SRO for PSOs. The draft framework noted that as payment systems grow, the industry needs to develop standards for security, pricing, consumer protection, and grievance redressal, to optimally use the regulatory resources of RBI. SRO will be a non-governmental organisation that sets and enforces rules and standards for PSOs. Key features of the draft framework include:

Eligibility conditions: SRO must have a majority of the members from the industry. RBI will grant a letter of recognition to eligible organisations. It will also reserve the right to clear the appointment of important positions in the governing body of the organisation.

Functions: SRO will: (i) establish minimum standards, (ii) frame a code of conduct for its members and have surveillance capacity to ensure they comply, and (iii) establish a uniform grievance redressal and dispute management framework for all its members.

Working Group submitted report on ownership and control of private banks

In June 2020, RBI had constituted an Internal Working Group to review the guidelines on ownership and corporate structure for private banks. Its Terms of Reference included a review of the: (i) regulations for ownership and control in private banks, (ii) eligibility criteria for entities to apply for a banking license, and (iii) norms for promoter shareholding. The Group submitted its report in November 2020. Key recommendations of the Group include:

Promoter shareholding: The existing guidelines require promoters’ shareholding to be at least 40% in the first five years of operations of a new bank. Thereafter, promoter shareholding must be reduced to up to 30% within 10 years of commencement of operations of the bank, and to 15% within 15 years. The Group recommended retaining the original lock-in of 40% for promoters’ shareholding, raising the ceiling on the 15-year promoter shareholding from 15% to 26%, and removing the intermediate targets.

Non-promoter shareholding: The existing guidelines impose different ceilings on long-run shareholding for different kinds of investors in private banks. For instance, individuals and non-financial institutions can hold up to 10% shares in private banks, but well-diversified government financial institutions can hold up to 40% of the shares. It recommended a uniform 15% cap on long-run, non-promoter shareholding of banks.

Ownership of banks by business houses: The Group recommended that large business houses may be permitted to be promoters of banks. However, it was noted that this would require a legal framework to address lending by the bank to other companies promoted by the same business house. Ownership by large business houses would also require an adequate framework to ensure supervision.

Conversion to banks: Well-run NBFCs, with an asset size of over Rs 50,000 crore, including those owned by large business houses may be converted to banks. This may be allowed for NBFCs that have been in operation for more than 10 years, and are subject to safeguards to manage potential conflict of interest.

Licensing new banks: The Group recommended increasing the minimum initial capital
requirement for licensing new banks: (i) from Rs 500 crore to Rs 1,000 crore for universal banks and (ii) from Rs 100 crore to Rs 300 crore for small finance banks.

**Task force on National Infrastructure Pipeline submitted its report**

The Ministry of Finance had constituted a task force in September 2019 to draw up a National Infrastructure Pipeline (NIP) of projects costing more than Rs 100 crore for the period 2019-25. The task force submitted its report in April 2020. The aim of the NIP is to adequately prepare projects to operationalise the plan of Rs 100 lakh crore investment in infrastructure over the next five years. Key observations and recommendations include:

- **Spending on infrastructure**: The task force projected capital expenditure of Rs 111 lakh crore in infrastructure sectors in India during the period 2019-20 to 2024-25. Of the total capital expenditure on NIP, 79% is expected to be made by the government (39% by the centre and 40% by states), and the rest 21% by the private sector.

- **Sector-wise breakup**: 71% of the total investment projected in infrastructure projects in the NIP is across four sectors. These are energy (24% of the total investment), roads (18%), urban infrastructure (17%), and railways (12%). Other major sectors include irrigation (8%) and rural infrastructure (7%).

- **Financing the NIP**: 18%-20% of the NIP is expected to be financed through direct allocations in the union budget and 24%-26% through allocations in state budgets. 31% of the funds required for NIP would be raised through debt from bond markets, banks, and NBFCs. Equity from private developers, external aid from multilateral and bilateral agencies, and internal accruals of PSUs would comprise 4%-10% of the funds. In addition to using these existing sources, which would finance 83%-85% of the NIP, the task force suggested other sources of financing such as new DFIs and asset monetisation by the centre and states.

- **Reforms**: The task force recommended a set of reforms to scale up infrastructure investments in various sectors. These include: (i) improving project preparation process, (ii) enhancing execution capacity of the private sector, and (iii) providing all key clearances and approvals upfront to avoid undue delays.

**Working Group set up on formation of a pandemic risk pool submitted its report**

In July 2020, IRDAI constituted a Working Group to study and make recommendations on the formation of a pandemic risk pool. Risk pool is a form of risk management practised by insurance companies. To protect against large or hard-to-place risks from events such as a nuclear event or a terror attack, insurance companies form a pool and contribute money to it. If such an event occurs, any connected insurance claims will be covered by the pool. A pandemic risk pool is expected to provide a long-term solution to address the risks to insurance companies from pandemics. The Working Group submitted its report in September 2020. Key recommendations of the Group include the following:

- **Need for a pandemic risk pool**: The Group recommended the formation of an Indian Pandemic Risk Pool to address losses caused by a pandemic to low-income groups and MSMEs. The Group noted the inability of private insurers or the government alone to bear the system-wide risk posed by a pandemic. A risk pool provides a risk sharing mechanism for insurers to enable offers for a low-cost product.

- **Product coverage**: The pandemic pool in its first phase may provide protection to cover salary of employees of MSMEs. Such protection will cover payment of Rs 6,500 per month (extendable to Rs 7,000) for a maximum of 10 employees (extendable to 15), for up to three months or the end of a pandemic induced lockdown, whichever is earlier. This may be expanded to cover health and life insurance.

- **Government participation**: Losses from the pandemic are expected to be significantly larger than the size of the pool, at least in the initial years. The Group estimated that the pool will require a government guarantee of between Rs 75,000 crore to Rs 1.23 lakh crore for claims in excess of the size of the pool. The pool is expected to become self-sufficient in the next 20 to 25 years.

- **Administration of the pool**: The risk pool would be administered by the General Insurance Company (GIC) which also administers the terrorism risk pool and the nuclear risk pool. The Group recommended mandatory participation of general insurers, reinsurance companies and insurers in all sectors covered by the pool (such as health insurance and life insurance if applicable).
Report of the Committee on Standalone Micro-insurance Company was submitted

In October 2020, the Committee on Standalone Micro-insurance Company (Chair: Ms. Mirai Chatterjee) submitted its report to IRDAI. Micro-insurance is a mechanism to protect low-income individuals against risks such as death, accident, illness, and natural disasters. Key recommendations of the Committee include:

- **Standalone micro-insurance company**: The Committee noted the inadequacy of existing insurance companies to undertake micro-insurance business effectively due to high transaction cost and low average premium. It recommended setting up standalone micro-insurance companies.

- **Regulatory framework**: Insurance business is regulated under the Insurance Act, 1938. The Committee recommended that the Act should be amended to include a chapter on micro-insurance and define related terms.

- **Minimum capital requirement**: The Insurance Act, 1938 requires a minimum capital of Rs 100 crore to operate an insurance business. The Committee recommended reducing this to Rs 20 crore or less for micro-insurance companies.

- **Scope of business**: It recommended that micro-insurance companies should be allowed to offer both life and non-life insurance products.

- **Risk-based capital framework**: It recommended micro-insurance companies to implement a risk-based capital framework. Insurers will have to maintain capital based on the size and risk profile of their business. Currently, insurers follow the factor-based solvency system where capital maintained is a fixed multiple of total liabilities.

- **Micro-insurance development fund**: The Committee recommended a fund should be set up with an initial corpus of fifty crore rupees. The fund may assist micro-insurance companies in the development of technical infrastructure, human resource training, and product development, among other functions.

IRDAI report on Cyber Liability Insurance released

In October 2020, IRDAI constituted a Working Group to study the need for a standard Cyber Liability Insurance product. Cyber liability insurance could provide cover against cyber-attacks and data breaches for individuals and establishments. These may include identity theft, unauthorised transactions, malware intrusions, or cyber extortions. These events are not covered by general liability insurance which covers bodily injury and property damage. The Terms of Reference of the Working Group included: (i) study statutory provisions on information and cyber security, (ii) evaluate critical legal issues in transactions in the cyber space, (iii) examine incidents involving cyber security and possible insurance coverage for those incidents, (iv) examine current availability of cyber liability insurance products, and (v) recommend scope of cyber liability insurance.

In January 2021, IRDAI released the report of the Working Group. The Group observed that presently, cyber insurance policies exist for individuals and businesses, and cover theft of funds, data restoration due to malware, cyber ransom, among many others. It studied the state of cyber liability insurance and identified the need to tackle ‘silent insurance’. Silent insurance is when a policy does not explicitly include or exclude coverage. Policies not designed to cover related losses could end up paying such claims. The Group also noted the importance of insurance cover for individuals, and the need for creating awareness.

The Group also made certain recommendations to enhance cyber insurance cover. Insurance must also cover the cost of hardware damaged in a cyber-event (in addition to cover for damage to data). The Group also recommended that insurance cover must remove reference to targeted intrusion by attackers and provide cover as long as the intrusion is unauthorised. Current policies cover targeted intrusion and not cyber-attacks that are directed at multiple users.

Committee on retail business development in IFSC submitted its report

In November 2020, the International Retail Business Development Committee (Chair: Mr. Injeti Srinivas) of the International Financial Services Centre (IFSC) submitted its report. The Committee made recommendations to develop retail participation in the banking, insurance, and capital markets segments in the IFSC. Key recommendations include:

- **Banking**: Banking units in the IFSC should be allowed to provide banking services to resident Indian retail clients. Clients must also be permitted to open current, savings, and term
deposit accounts in any currency of their choice. The 2015 circular of RBI which regulated banks operating in IFSC allowed them to serve non-retail clients.238 IFSCA notified the Banking Regulations, 2020 in November 2020 for banking units operating in the IFSC, in supersession of the RBI’s circular.239 The Regulations outline the regulatory norms and the set of permitted activities for banking units. Implementing certain recommendations of the Committee, IFSCA allowed Indian and non-Indian residents, with net worth of at least USD one million, to open foreign currency accounts.

- The Committee recommended that resident Indians be allowed to use the Liberalised Remittance Scheme (LRS) to remit money to an account in the IFSC. LRS allows resident individuals to remit foreign currency for permitted transactions.240 The Banking Regulations, 2020 allowed Indian residents to undertake permissible transactions using LRS. In February 2021, RBI allowed resident individuals to use LRS for investment in IFSCs in securities issued by non-resident entities.241

- **Insurance:** The Committee recommended that Non-Resident Indians (NRIs) and Persons of Indian Origin (PIOs) should be allowed to buy insurance policies for themselves and family members from insurers in IFSC. The insurance premium should be payable in any currency and portable (to later permit a change in the currency of payment). Currently, insurers operating in IFSC are allowed to only transact in foreign currency.242 The Committee also recommended that resident Indians should be allowed to buy overseas health insurance for medical treatment anywhere in the world. Currently, insurers operating in IFSC are permitted to transact within IFSC, with other Special Economic Zones in India, or with entities outside India.

- **Capital markets:** The Committee recommended that resident Indians should be allowed to invest in: (i) companies listed on the IFSC stock exchanges, and (ii) alternative investment funds and mutual funds in IFSC (through the LRS route). Currently, resident Indians may invest in entities in IFSC if their net worth is at least USD one million and they are eligible under the Foreign Exchange Management Act, 1999 to invest offshore.243

**SEBI and IFSCA introduced frameworks for regulatory sandbox**

SEBI and IFSCA introduced frameworks for regulatory sandbox in June 2020 and October 2020, respectively.244,245 A regulatory sandbox provides an environment which allows market participants to test new fintech solutions (i.e., products, services, or business models based on financial technology) with customers in a controlled environment.246 Key features of the SEBI and IFSCA frameworks include the following:

- **Exemptions from regulations:** Under the regulatory sandbox, both SEBI and IFSCA will grant exemptions from compliance with regulations on a case-by-case basis. IFSCA may also grant a comprehensive exemption. However, in any case, no exemptions would be granted from the Know Your Customer (KYC) and Anti-Money Laundering rules.

- **Eligibility:** As per SEBI’s framework, all entities registered with it are eligible for testing in its regulatory sandbox. In case of IFSCA, eligible entities include: (i) entities registered with RBI, SEBI, IRDAI, and PFRDA, (ii) start-ups registered with Start-up India, (iii) companies incorporated and registered in India, and (iv) companies incorporated and registered in jurisdictions compliant with the Financial Action Task Force (FATF) and operating out of the IFSC GIFT City. FATF is an inter-governmental body that sets standards to tackle money laundering and terror financing.

- **Criteria:** Both SEBI and IFSCA will evaluate the applicants based on criteria such as: (i) use of innovative technology, (ii) benefits to investors or markets, (iii) need for live testing, (iv) safeguards against risks from testing, and (v) feasibility of large-scale deployment of the solution after tests.

- **Testing:** Both SEBI and IFSCA require the entity to obtain the informed consent of the user before inclusion in the testing. The maximum duration of the testing will be 12 months, which may be extended further on request. SEBI and IFSCA may revoke the testing approval given to an entity before the end of the testing period in certain situations. These situations include: (i) if the entity fails to implement methods to mitigate risk and (ii) if it undergoes liquidation.
SEBI notified the Investment Advisers (Amendment) Regulations, 2020

In July 2020, SEBI notified the Investment Advisers (Amendment) Regulations, 2020.\textsuperscript{247} It amended the SEBI (Investment Advisers) Regulations, 2013 with effect from October 1, 2020. An investment adviser is a person (individual or institution) who advises clients on the purchase, sale, or portfolio management of investment products. A person is restricted from providing this service without registration under the 2013 Regulations.\textsuperscript{248} Key changes include:

- **Separation of functions:** The 2020 Regulations introduced certain restrictions on advisers from functioning both as an adviser and a distributor of investment products. Individual investment advisers cannot provide distribution services. Institutional investment advisers may register to provide both services but must maintain an arm’s length relationship between their advisory and distribution services by providing advisory services through a separately identifiable department/division. The 2013 Regulations did not prohibit advisers from providing both services to a single client.

- **No fees for providing implementation services:** Investment advisers can provide implementation services through direct schemes or products in the securities market. However, no consideration (such as commission or fees) can be charged by the advisers for providing such services.

- **Net worth requirement for registration:** The 2020 Regulations raised the net worth requirements for seeking registration as an investment adviser. The limits were increased from one lakh rupees to five lakh rupees for individual investment advisers and from Rs 25 lakh to Rs 50 lakh for institutional advisers.

- **Large individual advisers:** If the number of clients of individuals registered as investment advisers exceeds 150, they have to register again as institutional investment advisers.

SEBI released a discussion paper on ownership norms for stock exchanges

In January 2021, SEBI released a discussion paper on ownership and governance norms to facilitate new entrants to set up stock exchanges and depositories.\textsuperscript{249} The paper proposed a review of the ownership norms in light of concentration of the market by a single entity in both the stock exchange and depository space, and the need for competition. Key changes proposed include:

- **Resident individuals/domestic institutions:** Promoter setting up a new stock exchange or depository may hold up to 100% shareholding, which should be brought down to either 51% or 26% in 10 years. Similar limits will apply for persons acquiring shareholding in an existing stock exchange or depository. Acquisition of more than 25% shareholding will require SEBI’s approval. Currently, individuals cannot have more than 5% shareholding. While certain institutions (such as stock exchanges, banks) can hold up to 15%, any other institutions cannot hold more than 5%.

- **Foreign individuals/entities:** Foreign individuals/entities from certain jurisdictions can set up a stock exchange or depository with up to 49% shareholding. The shareholding must be brought down to either 26% or 15% in 10 years. Similar limits will apply for foreign persons acquiring shareholding in an existing stock exchange or depository. Acquisition of more than 25% shareholding will require SEBI’s approval. The combined holdings of all foreign residents cannot exceed 49%, which is in line with the existing norms.

- **Qualification of promoter:** Domestic and foreign promoters applying to set up a stock exchange or depository must ensure: (i) no conflict of interest and (ii) at least 50% of the ownership consists of persons with five years or more experience in capital markets or technology related to financial services.

**Ministry of Finance relaxed restrictions on private banks for government business**

In February 2021, the Ministry of Finance lifted the ban on the use of private banks for the conduct of government-related banking transactions.\textsuperscript{250} Private banks may now be used for government-related banking transactions such as taxes, pensions, and receipts and disbursements under government schemes. Earlier, the government’s banking transactions were primarily handled by public sector banks. In 2003, three private sector banks (HDFC Bank, ICICI Bank and Axis Bank) were permitted to do government business.\textsuperscript{251} In January 2012, RBI had allowed all private banks to do government business.\textsuperscript{251} This was reversed by
the Ministry in September 2012.\textsuperscript{252} The Ministry had advised RBI to undertake a comprehensive review of the policy to authorise private banks for undertaking government business. After conducting a review in 2015, the government had not found any sufficient reason to reverse the ban imposed on private banks.

**RBI released the National Strategy for Financial Education for 2020-25**

In August 2020, RBI’s National Centre for Financial Education released the National Strategy for Financial Education (NSFE) for the period 2020-25.\textsuperscript{253} Key aspects of NSFE are:

- **Objectives:** Objectives of NSFE include: (i) inculcating financial literacy through financial education, (ii) encouraging active savings behaviour, (iii) encouraging participation in financial markets to meet financial goals, and (iv) developing credit discipline and encouraging formal credit.

- **Policy design:** Components of financial education include: (i) basic concepts such as the importance of savings, interest rate, inflation, need for insurance, (ii) sector-specific knowledge on kinds of financial services available, including information on safe use of digital financial services, and (iii) process education to ensure knowledge translates to behaviour (on topics such as use of ATM cards, insurance cover, and loan application filing).

- **Action plan:** NSFE seeks to achieve its objectives through a focus on: (i) developing financial literacy content for schools, colleges, training establishments, (ii) developing capacity of financial service providers, (iii) adopting a community-led approach to disseminating financial literacy, (iv) using technology and mass media communication to disseminate financial education messages, and (v) encouraging collaboration among stakeholders to create a digital repository of all financial literacy programmes and integrating financial literacy in training programmes. The action plan outlines timelines for achieving each objective.

- **Monitoring and evaluation:** Oversight for NSFE is vested with the Financial Stability and Development Council (chaired by the Union Finance Minister). A Technical Group on Financial Inclusion and Financial Literacy (chaired by the Deputy Governor, RBI) will monitor the implementation of NSFE.

**RBI constituted a working group on digital lending**

In January 2021, RBI constituted a Working Group on digital lending, including lending through online platforms and mobile apps.\textsuperscript{254} The Group is headed by the Executive Director, RBI, and consists of five other members (internal as well as external members). The Terms of Reference of the Group include: (i) evaluating digital lending activities and assessing standards of outsourced digital lending activities by RBI regulated entities, (ii) identifying risks posed by unregulated digital lending to financial stability and consumers, (iii) suggesting regulatory changes to promote orderly growth of digital lending, and (iv) suggesting measures for enhanced consumer protection. The Group was advised to submit its report within three months.

**RBI constituted an expert committee on Urban Cooperative Banks**

In February 2021, RBI constituted an Expert Committee on Urban Cooperative Banks (UCBs) to examine the issues faced by them and provide a roadmap for strengthening the sector.\textsuperscript{255} The Committee is required to submit its report within three months of its first meeting.

**IRDAI constituted a Health Insurance Advisory Committee**

In January 2021, IRDAI constituted a Health Insurance Advisory Committee, consisting of doctors and other healthcare experts.\textsuperscript{256} The Terms of Reference of the Committee include: (i) examining the availability of health insurance products and recommending suitable products, (ii) examining existing health insurance product structure in terms of policy conditions to protect the interest of policyholders, and (iii) developing a strategy on treatment protocol or rate structure to improve the affordability of health insurance. The Committee will have a term of one year.
IRDAI released report on linking motor insurance premium with traffic violations

In January 2021, IRDAI released the report of the Working Group set up to examine the linking of motor insurance premium with traffic violations. The Working Group was constituted in September 2019. Key recommendations of the Group include:

- **Traffic violation premium**: The Group recommended that insurers add traffic violation premium to motor insurance. When a new vehicle is insured, it will attract no traffic violation premium, even if the owner of the vehicle has a history of traffic violation. For a second-hand vehicle, traffic violation premium will be reset to zero and be built according to traffic violations after transfer of ownership.

- **Traffic violation points**: Traffic violation premium will be based on traffic violation points. Points will be calculated on the basis of the frequency and severity of traffic offences. Points range from 10 for wrong parking, to 100 for drunk driving. Enhanced penalties will be levied for repeat violations.

- The Group also recommended the amount of premium to be charged for two and three-wheelers, and four-wheelers, for various levels of traffic violation points.

- **Length of impact**: Traffic violation history will affect the motor insurance premium for two years. If a vehicle does not cause any violation for two years, the history will be reset to zero.

- **Technical infrastructure**: The Insurance Information Bureau of India (IIB) collects data on insured vehicles from insurance companies. The IIB will coordinate with the traffic police of various states to capture traffic violation data. IIB will then calculate violation points and share the data with the insurers. It will store the data on violation points for two years.

- **Pilot**: The NCT of Delhi will link motor insurance premium with traffic violations for one year on a pilot basis.

Corporate Affairs

Companies (Amendment) Bill, 2020 passed by Parliament

The Companies (Amendment) Bill, 2020 was passed by Parliament in September 2020. The Bill amended the Companies Act, 2013. Key amendments made by the Bill include:

- **Changes to offences**: The Bill made three key changes to the list of offences. First, it moved 23 compoundable offences to in-house adjudication where penalties will be levied instead of imposing fines/imprisonment (e.g., for non-maintenance of registers). Second, 11 offences were amended to restrict punishment to fines only and to remove imprisonment (e.g., for non-compliance with provisions related to foreign companies). Third, seven offences were omitted (e.g., for non-compliance with certain orders of the National Company Law Tribunal).

- **Corporate Social Responsibility (CSR)**: Under the Act, companies with net worth, turnover, or profits above a specified amount are required to constitute CSR Committees and spend 2% of their average net profits (of the last three financial years) towards its CSR policy. The Bill exempted companies with a CSR liability of up to Rs 50 lakh a year from setting up CSR Committees. Further, companies which spend any amount in excess of their CSR obligation in a financial year can set off the excess amount towards their CSR obligations in subsequent financial years.

- **Direct listing in foreign jurisdictions**: The Bill empowered the central government to allow certain classes of public companies to list certain securities (as prescribed) in foreign jurisdictions.

For a PRS summary of the Bill, please see here.

Amendments to CSR Rules notified

In January 2021, the Ministry of Corporate Affairs issued the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021. These Rules amend the 2014 Rules, issued under the Companies Act, 2013. Under the Act, certain companies are required to spend 2% of their average net profit of the last three financial years towards CSR. Key features of the Rules include:

- **Registration**: The 2021 Rules require every entity undertaking CSR activities to register
itself with the central government with effect from April 1, 2021. This requirement will not apply to projects undertaken before the implementation of these Rules.

- **CSR expenditure**: The 2014 Rules provide that expenditure undertaken on activities specified under the Act will count towards CSR expenditure. These include eradicating hunger, promoting education, and contributing to the PM’s National Relief Fund. The 2021 Rules add that funds may be spent for creation or acquisition of capital assets, held by: (i) trust or society with CSR registration, (ii) beneficiaries of CSR project, or (iii) public authority.

- **Impact assessment**: The 2021 Rules add that companies whose CSR obligation is greater than ten crore rupees will have to prepare an impact assessment report for all CSR projects with expenditure greater than one crore rupees. Expenditure on impact assessment may be counted as CSR expenditure provided it does not exceed 5% of the total CSR for that year or fifty lakh rupees, whichever is lower.

- **Disclosure and reporting**: The 2021 Rules require the publication of additional disclosure regarding CSR activities on the company website and in its annual report. In addition to the CSR policy, the website must disclose the composition of the CSR Committee, and projects approved by the Board. The annual report must contain the impact assessments (if applicable) and details regarding ongoing CSR projects undertaken within the last three years.

As per the Companies Act, 2013, CSR funds must be spent towards certain scheduled activities, such as promoting education. In June 2020, the Ministry of Corporate Affairs added that CSR funds may also be spent on contributions towards the benefit of the veterans in the Central Armed Police Forces and Central Para Military Forces, and dependents.  

**Limits on remuneration to managerial persons under the Companies Act revised**

In March 2021, the Ministry of Corporate Affairs revised the maximum limits on remuneration to managerial persons under the Companies Act, 2013. The schedules under the Act specify limits which can be amended by the central government through a notification. Limits on remuneration to other directors (non-managerial) of the company have been added (Table 8). The limits have been increased for managerial persons (Table 9). These limits are based on the effective capital of the company. The effective capital of a company refers to the total money received from shareholders in exchange for the company’s shares.

**Table 8: Limit on the annual remuneration to other directors (non-managerial)**

<table>
<thead>
<tr>
<th>Effective capital</th>
<th>Limit on annual remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than Rs 5 crore</td>
<td>Rs 12 lakh</td>
</tr>
<tr>
<td>Rs 5 crore to Rs 100 crore</td>
<td>Rs 17 lakh</td>
</tr>
<tr>
<td>Rs 100 crore to Rs 250 crore</td>
<td>Rs 24 lakh</td>
</tr>
<tr>
<td>Rs 250 crore and above</td>
<td>Rs 24 lakh plus 0.01% of the effective capital exceeding Rs 250 crore</td>
</tr>
</tbody>
</table>

Sources: The Companies Act, 2013; S.O. 1256 (E), Ministry of Corporate Affairs, March 18, 2021; PRS.

**Table 9: Changes in the limit on the annual remuneration to managerial persons**

<table>
<thead>
<tr>
<th>Effective capital</th>
<th>Earlier limit</th>
<th>New limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than Rs 5 crore</td>
<td>Rs 30 lakh</td>
<td>Rs 60 lakh</td>
</tr>
<tr>
<td>Rs 5 crore to Rs 100 crore</td>
<td>Rs 42 lakh</td>
<td>Rs 84 lakh</td>
</tr>
<tr>
<td>Rs 100 crore to Rs 250 crore</td>
<td>Rs 60 lakh</td>
<td>Rs 1.2 crore</td>
</tr>
<tr>
<td>Rs 250 crore and above</td>
<td>Rs 60 lakh plus 0.01% of the effective capital in excess of Rs 250 crore</td>
<td>Rs 1.2 crore plus 0.01% of the effective capital in excess of Rs 250 crore</td>
</tr>
</tbody>
</table>

Sources: The Companies Act, 2013; S.O. 1256 (E), Ministry of Corporate Affairs, March 18, 2021; PRS.

**Rules for One Person Companies amended**

In February 2021, the Ministry of Corporate Affairs amended Rules for One Person Companies (OPCs) to relax provisions governing the incorporation of OPCs and their conversion into other kinds of companies. Earlier, as per the Companies (Incorporation) Rules, 2014 (under the Companies Act, 2013), only an Indian citizen who was resident in India was eligible to incorporate an OPC. A person is considered to be a resident in India if they have stayed in India for at least 182 days in the preceding calendar year. The amended Rules lower this requirement from 182 days to 120 days. The amended Rules also provide that all Indian citizens, whether resident in India or otherwise, can incorporate an OPC.

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The 2014 Rules provided that an OPC can convert into any other kind of company only after two years of its incorporation, unless: (i) its paid-up capital exceeds fifty lakh rupees, or (ii) its average annual turnover is more than two crore rupees. The amended Rules do not mandate an OPC to convert to a public or private company if it exceeds the threshold on paid-up capital and annual turnover. An OPC may convert to a public or private company at any time if it meets the requirements of paid-up capital and the number of directors for a public or private company. The amended Rules also allow a private company to convert to an OPC even if its share capital and annual turnover exceed fifty lakh rupees and two crore rupees, respectively.

**Threshold for capital and turnover for Small Companies increased**

In February 2021, the Ministry of Corporate Affairs notified an increase in the threshold for capital and turnover to be classified as a Small Company under the Companies Act, 2013. The threshold for paid-up capital was increased from fifty lakh rupees to two crore rupees. The threshold for turnover was increased from two crore rupees to twenty crore rupees. These changes came into effect on April 1, 2021. More than two lakh companies are expected to be reclassified as a small company due to the higher threshold. These companies are expected to benefit from lower disclosure requirements, and lesser fees and fines.

**Report on Pre-packaged Insolvency Resolution Process released**

In January 2021, the report of the Sub-Committee of the Insolvency Law Committee on the Pre-packaged Insolvency Resolution Process was released. The Pre-packaged Insolvency Resolution Process (pre-pack) is a restructuring plan which is agreed to by the debtor and financial creditors prior to insolvency filing and then sanctioned by the court on an expedited basis. Pre-pack would provide another option for the resolution of financial stress (default) of corporate debtors under the Insolvency and Bankruptcy Code, 2016 (IBC). IBC provides for the Corporate Insolvency Resolution Process (CIRP) which is the insolvency resolution framework for companies. Key features of the pre-pack include:

- **Availability of pre-pack**: The Committee recommended that pre-pack should be available to all corporate debtors, with phase-wise implementation. In the first phase, it may be available for defaults of between one lakh and one crore rupees, and defaults occurring during COVID-19, for which CIRP is not available. Eventually, pre-pack could be used to resolve pre-default stress.

- **Initiation**: Pre-pack may be initiated only by a corporate debtor, in contrast to CIRP where it may be initiated by either the debtor or the creditors. The initiation of pre-pack must be approved by a simple majority of financial creditors, and shareholders.

- **Process**: Once pre-pack is initiated, a base resolution plan is formulated. The plan may be submitted by the debtor or another person arranged by financial creditors. The formal process is triggered once the plan is submitted to the Adjudicating Authority. Any plan must then be approved by a 66% majority vote by the committee of creditors. If the base plan is not approved, the creditors may invite plans to challenge the base plan. At any time during the process, creditors can vote for liquidation with a majority of 75%. The debtor or creditors can also close the pre-pack process at any stage.

- **Debtor-in-possession**: During the pre-pack proceedings, the debtor retains management control, unlike under CIRP where the control shifts to a Resolution Professional.

- **Cooling-off period**: The Committee recommended that pre-pack may not be initiated within three years of closure of another pre-pack. For CIRP, a new proceeding cannot be initiated within 12 months of the closure of another CIRP.

**Company Law Committee released its report on decriminalisation of the LLP Act**

In January 2021, the Company Law Committee released its report on decriminalisation of the Limited Liability Partnership Act, 2008 (LLP Act). The LLP Act governs limited liability partnerships. LLP is a business structure that is a hybrid between a company (with limited liability) and a partnership. Key recommendations of the Committee include:

- **Rationale for re-categorisation**: The Committee suggested that criminality may be removed from offences under business laws where no mala fide intentions are involved. For violations of the LLP Act which do not affect the public interest, the Committee recommended the
imposition of a penalty by the appropriate authority rather than a fine (imposed by a court upon conviction and criminal in nature).

- **Decriminalisation of compoundable offences**: The Committee recommended that compoundable offences (punishable with a fine only) that relate to minor issues, involving mostly objective determinations, be decriminalised. These offences will be treated under an In-house Adjudication Mechanism framework, instead of being treated as criminal offences. Such offences relate to non-disclosure of information by partners in LLPs.

- **Offences maintaining status quo**: The Committee recommended retaining fines for offences which involve an element of fraud, deceit, injury to public interest, and any possible wrongful dealings.

- **Ease of doing business**: Recommendations to promote ease of doing business include: (i) introduction of a definition of Small LLP with lower compliance and lower penalties, and (ii) permission to LLPs to issue non-convertible debt (otherwise they can only raise equity).

**Committee of Experts submitted its report on framework for valuation professionals**

In April 2020, the Committee of Experts (Chair: M.S. Sahoo) submitted its report on an institutional framework for valuation professionals (who determine the value of an asset). Based on its recommendations, the Committee also submitted a draft Valuers Bill, 2020 which aims to protect the interest of stakeholders, regulates the valuation profession, and develops a market for valuation services. Key features of the draft Bill include:

- **National Institution of Valuers**: The Bill proposes to set up the National Institute of Valuers. The Institute will be governed by a Governing Council comprising of: (i) a Chairperson, (ii) three whole-time members including a person with a degree and professional experience in law, (iii) two ex-officio members representing the government and regulators, and (iv) eight part-time members. The Council will constitute a committee to recommend valuation standards. The Institute will specify valuation standards for valuers based on the recommendations of the Committee.

- **Functions of the Institute**: Key functions include: (i) development and regulation of practices of service providers under the Act, (ii) registering service providers and monitoring their performance, and (iii) specifying model bye-laws for VPOs.

- **Registration of service providers**: The Institute can register individual valuers, valuer institutes (VIs), and valuation professional organisations (VPOs), based on an asset class (such as plant and machinery, or land and building). A VI will offer educational courses and conduct exams. A VPO will be responsible for the development of the valuation profession. The Bill also sets out other eligibility conditions for registration. For example, to register as a valuer, a person must have completed the higher secondary examination and a national valuation programme of the relevant asset class.

- **Investigations**: An individual can inform the Institute if he is unhappy with the services of service providers under the Act. The Institute can direct an inspection or investigation (in serious cases) against the service provider based on this information or any other information on its record. The Bill specifies categories of scheduled offences. Based on the nature of violations, the orders against the service provider may range from warnings to cancellation of license. Appeals from these decisions can be made to the High Court within 30 days.

**Committee Report on Business Responsibility Reporting format released**

In August 2020, the Committee on Business Responsibility Reporting, constituted by the Ministry of Corporate Affairs, released its report. The Committee was constituted in November 2018 to finalise a format for Business Responsibility Reporting (BRR) for listed and unlisted companies under the National Guidelines on Responsible Business Conduct (NGRBC). The Guidelines are articulated as a set of nine principles which provide guidance on various aspects of responsible business conduct. These include ethical governance, protection of the environment, and promotion of inclusive growth.

In 2012, the Securities Exchange Board of India (SEBI) introduced SEBI-BRR, the first regulatory mandate for sustainability reporting by businesses, for the top 100 listed companies (later expanded to
The reporting framework proposed by the Committee seeks to modify the SEBI-BRR format to incorporate principles of the NGRBC.

The Committee recommended that the proposed format for disclosures be called the Business Responsibility and Sustainability Reporting (BRSR). The BRSR questionnaire contains three sections: (i) general disclosures (name, sector of operation, profile of employees, CSR activities), (ii) information on company policies related to leadership, governance, and stakeholder engagement (in compliance with NGRBC principles), and (iii) principle-wise performance (with actions and outcomes for each NGRBC principle). The Committee recommended that disclosures be made effective from the financial year 2021-22 for the top 1,000 listed companies.

The Ministry may subsequently extend the reporting requirement to unlisted companies above a specified turnover or paid-up capital threshold. For small unlisted companies, BRSR would be applied in a staggered way, beginning with disclosures made on a voluntary basis. The Committee also proposed a version of the BRSR format called BRSR Lite with fewer questions for such companies.

### Commerce and Industry

**Classification of Micro, Small and Medium Enterprises revised**

In June 2020, the Ministry of Micro, Small and Medium Enterprises (MSME) notified a change in the definition of MSMEs.277 MSMEs are defined under the Micro, Small and Medium Enterprises Development Act, 2006. The Act classifies micro, small and medium enterprises based on: (i) amount of investment in plant and machinery for enterprises engaged in manufacturing or production of goods, and (ii) amount of investment in equipment for enterprises providing services. As per the revised definition, the investment limits will be revised upwards and annual turnover of the enterprise will be used as additional criteria for the classification of MSMEs. The revised investment and turnover limits are specified in Table 10.

The calculation of investment in plant and machinery will be linked to the Income Tax return of the previous years filed under the Income Tax Act, 1961.278 For new enterprises, the investment will be based on self-declaration of the promoter.

<table>
<thead>
<tr>
<th>Table 10: Criteria used for defining MSMEs</th>
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</thead>
<tbody>
<tr>
<td>Criteria under 2006 Act</td>
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<tr>
<td>-------------------------</td>
</tr>
<tr>
<td>Investment (in Rs)</td>
</tr>
<tr>
<td><strong>Type</strong></td>
</tr>
<tr>
<td><strong>Micro</strong></td>
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<tr>
<td><strong>Small</strong></td>
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<tr>
<td><strong>Medium</strong></td>
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Sources: MSME Development Act 2006, Gazette Notification, Ministry of Micro, Medium and Small Enterprises (June 1, 2020).

Information on turnover will be linked to the GST identification number (GSTIN). Exports of goods or services will be excluded while calculating the turnover of any enterprise for classification. All units with GSTIN listed against the same Permanent Account Number will be collectively treated as one enterprise for turnover and investment figures.

**Empowered Group of Secretaries set up by the Cabinet for attracting investment**

In June 2020, the Union Cabinet approved setting up of an Empowered Group of Secretaries and Project Development Cells in all ministries/ departments for attracting investment in the country.279 This is expected to enhance the coordination between various ministries and among the central and state government regarding investment-related policies. This is also aimed at attracting FDI especially from large companies trying to diversify their investments into new geographies for mitigating the risks exposed by the COVID-19 pandemic.

The Empowered Group is chaired by the Cabinet Secretary. Other members of the Group include the Chief Executive Officer of NITI Aayog and the Secretaries of the following departments: (i) Commerce, (ii) Promotion of Industry and Internal Trade, (iii) Economic Affairs, and (iv) Revenue. The Group is responsible for: (i) ensuring policy stability and consistency in the overall investment environment, (ii) facilitating investment by top investors in a targeted manner, (iii) evaluating investment proposals put forward by the departments, and (iv) ensuring timely clearances from various departments responsible.
The Project Development Cell of each Ministry/department is responsible for developing investible projects and ensuring coordination between the central and state governments. Its functions include: (i) creating projects with all approvals and ensuring the availability of land for allocation, and (ii) identifying roadblocks in attracting investments and putting forth these issues before the Group.

**Public Procurement (Preference to Make in India) Order, 2017 amended**

The Ministry of Commerce and Industry amended the Public Procurement (Preference to Make in India) Order, 2017 in September 2020. ²⁸⁰ The amendment aims to enhance the preference for local suppliers in government procurement contracts. The 2017 Order classifies suppliers based on the amount of local content into: (i) Class-I local suppliers (50% or more), (ii) Class-II local suppliers (20%-50%), and (iii) non-local suppliers (less than 20%). ²⁸¹ Local content is the amount of value added in India, typically calculated as the difference between the total value of an item less the value of imported content (expressed as a percentage of the total value). Key amendments to the Order include:

- **Procurement preference to apply in multiple bidder contracts**: Preference to Class-I suppliers will be applicable in procurement tenders where the contract is awarded to multiple bidders. Preference will be given: (i) by restricting participation of other suppliers in cases of sufficient local capacity, and (ii) by ensuring that at least 50% of the contract is fulfilled by Class-I suppliers, subject to pricing conditions.

- **Joint venture for foreign participation**: If the nodal Ministry notifies a lack of sufficient local capacity for an item, foreign companies may participate in the tender for procurement. For contracts above a threshold (to be notified), foreign companies may participate only through a joint venture with an Indian company.

- **Local content thresholds**: The amendment retained the local content threshold for Class-I and Class-II suppliers at 50% and 20%, respectively. It further specified that these are minimum limits and nodal Ministries may prescribe only a higher threshold for local content for classification under Class-I and II. However, the Ministries are allowed to grant exemptions from the minimum limit with the approval of the Minister-in-charge.

- **Restrictions on foreign suppliers**: For procurement of an item, the Order permits the nodal Ministry to restrict the participation of entities from certain countries if it finds that Indian suppliers of the same item face restrictions in participating in government procurement in those countries. The restriction or exclusion of entities from such countries was left to the discretion of the nodal Ministry. The amendment prohibited the participation of entities from such countries in procurement of all items under the Ministry, except the items to be notified.

**Start-up India Seed Fund scheme notified**

In January 2021, the Ministry of Commerce and Industry notified the Start-up India Seed Fund scheme for 2021-25. ²⁸² The scheme provides financial assistance to start-ups across sectors for proof of concept, prototype development, trials of product, market entry, and commercialisation. The scheme has a corpus of Rs 945 crore which will be distributed to start-ups through grants to incubators. Key features of the scheme include:

- **Eligibility**: Start-ups must: (i) be recognised under the Start-up India program, (ii) not be older than two years (at the time of application), (iii) not have received more than ten lakh rupees monetary support under any other central or state government scheme, and (iv) have a scalable business idea that uses technology. Start-ups creating solutions in health, education, financial inclusion, and defence, among others will be given preference over other sectors. A start-up will receive seed funding only once.

- **Eligibility for incubators**: Incubators must be a legal entity operational for at least two years, and must not be disbursing seed fund using funding from a third-party private entity. Incubators must have at least five start-ups undergoing incubation if it is assisted by the central or state government. If not, it must: (i) have at least 10 start-ups undergoing incubation and (ii) have been operational for at least three years.

- **Expert Advisory Committee**: An Expert Advisory Committee will select incubators for allocating up to five crore rupees of grants, which will be released in instalments based on achievement of milestones. ²⁸³ The Expert Committee will also monitor the implementation of the scheme.
Disbursement of funds: Incubators will disburse seed fund to start-ups in the following manner: (i) up to Rs 20 lakh as a grant for proof of concept or product trials, disbursed on the achievement of milestones, (ii) up to Rs 50 lakh as investment through debt instruments for commercialisation of the venture.

Incubator Seed Management Committee: Each incubator will constitute an Incubator Seed Management Committee to select start-ups. It will consist of representatives from the incubator, the state government start-up nodal team, a venture capital fund, and entrepreneurs.

Credit Guarantee scheme for sub-ordinate debt launched for MSMEs
In June 2020, the Ministry of MSME launched the Credit Guarantee scheme for subordinate debt. Under this scheme, the central government will provide a guarantee cover worth Rs 20,000 crore to promoters for investing in stressed MSMEs. The scheme was announced by the Finance Minister in May 2020 under the Aatma Nirbhar Bharat Scheme. Promoters of stressed MSMEs (which have become NPA as on April 30, 2020) will be given credit equal to 15% of their stake (equity plus debt) or Rs 75 lakh, whichever is lower. Promoters will infuse this amount in the MSME as equity to enhance the liquidity and maintain the debt-equity ratio. There will be a moratorium of seven years on payment of principal. The maximum tenor for repayment will be 10 years. The scheme will be operationalised through a Credit Guarantee Fund Trust for Micro and Small Enterprises.

Cabinet approved a scheme for industrial development of Jammu and Kashmir
The Union Cabinet approved a new central scheme for industrial development of Jammu and Kashmir in January 2021. The scheme provides incentives to new and existing businesses to undertake investment. The central government runs certain industrial development schemes for the Himalayan and northeast states. The earlier scheme for Jammu and Kashmir was notified in 2018 and valid up to March 2021. Key features of the new scheme include:

Incentive for capital investment: New and existing industrial units of manufacturing and service sectors with investment of up to Rs 50 crore will be provided incentives for capital investment. Districts in Jammu and Kashmir are classified into Zones A and B based on their degree of industrialisation. For units located in Zone A, an incentive of 30% of the investment value (up to five crore rupees) is provided under the scheme. For units in Zone B, it is at 50% of the investment value (up to Rs 7.5 crore).

Interest subsidy: New and existing industrial units will be given an interest subsidy of 6% for a maximum of seven years for loans of up to Rs 500 crore. The loans availed must be used for investment in plant and machinery, construction of the building, and other durable physical assets.

Working capital interest incentive: The existing units will receive interest subsidy of 5% on their working capital loan for a maximum of five years. The incentive given will be capped at one crore rupees.

The government approved Rs 28,400 crore of outlay for the scheme for the period 2020-37.

Labour and Employment
Parliament passed Occupational Safety, Health and Working Conditions Code

Coverage: The Code applies to establishments employing at least 10 workers. It will apply to all mines, docks, and establishments carrying out any hazardous or life-threatening activity (may be notified by the central government). The Standing Committee on Labour on the 2019 Code observed that the safety of unorganised sector workers is not protected under the Code. It recommended that the Code should include a mechanism to notify provisions for unorganised sector workers.
- **Exemptions**: The appropriate government may exempt any workplace or activity from the Code in case of a public emergency, disaster, or pandemic for up to a year. Further, the state government can exempt new factories from the Code for the specified period for creating more economic activity and employment.

- **Registration and license**: Establishments covered by the Code are required to register within 60 days (of commencement of the Code) with registering officers, appointed by the central or state government. Factories may be required to obtain a license to operate. The Code requires those hiring workers such as contract labourers or beedi and cigar workers to obtain licenses.

- **Duties of employers**: Duties of employers include: (i) providing a workplace that is free from hazards, and (ii) informing relevant authorities in case any accident at the workplace leads to death or serious injury to any employee.

- **Work hours**: No worker is required or allowed to work in any establishment for more than eight hours in a day. For overtime work, workers must be paid at twice the rate of daily wages. Prior consent of workers is required for overtime work.

- **Leave**: Workers cannot be required to work for more than six days a week. Further, they must receive one day of leave for every 20 days of work per year.

The Standing Committee on Labour further observed that it was unclear when appropriate government refers to state governments. It recommended a clear demarcation of responsibilities between state and central governments, while maintaining that working conditions are a state responsibility.

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

**Industrial Relations Code, 2020 passed by Parliament**

The Industrial Relations Code, 2020 was passed by Parliament in September 2020. In April 2020, the Standing Committee on Labour (Chair: Mr. Bhartruhari Mahtab) had submitted its report on the Industrial Relations Code, 2019. The 2019 Code was withdrawn before introducing the 2020 Code in Lok Sabha in September 2020. The 2020 Code replaces three labour laws: (i) the Industrial Disputes Act, 1947, (ii) the Trade Unions Act, 1926, and (iii) the Industrial Employment (Standing Orders) Act, 1946. Key features of the Code include:

- **Trade unions**: Trade unions with membership of at least 10% workers or 100 workers, whichever is less, will be registered.

- **Negotiating unions**: If there is only one trade union in an establishment, the employer is required to recognise such trade union as the sole negotiating union of the workers. In case of multiple trade unions, the trade union with support of at least 51% of workers will be recognised as the sole negotiating union. If no union has the support of 51%, then a negotiating council will be formed consisting of representatives of the unions that have at least 20% of the workers as members.

- **Standing orders**: All industrial establishments with at least 300 workers must prepare standing orders on certain matters. These include: (i) classification of workers, (ii) manner of informing workers about hours of work, holidays, paydays, and wage rates, (iii) termination of employment, and (iv) grievance redressal mechanisms.

The Standing Committee on Labour (2020) recommended that either no industrial establishment or class of establishments should be exempted from provisions related to Standing Orders, or specific situations where establishments may be exempted be clearly specified in the Code. Note that the 2020 Code allows the appropriate government to exempt any industrial establishment or class of establishments from provisions related to Standing Orders under the Code.

- **Lay-off and retrenchment**: Mines, factories, and plantations with 50 to 300 workers must: (i) pay 50% of basic wages and dearness allowance to a worker who has been laid off, and (ii) give one month’s notice or equivalent pay to a retrenched worker with 15 days’ compensation for every year of service.

- Non-seasonal industrial establishments with at least 300 workers must take prior permission of the central or state government before lay-off or retrenchment. Further, they must also: (i) pay 50% of basic wages and dearness allowance to a worker who has been laid off, and (ii) either give
three months’ notice or equivalent pay, along with 15 days’ compensation for every year of service.

- The 2020 Code includes certain special provisions for lay-off and retrenchment in establishments employing 100 or more workers or such number as notified by the government. The Standing Committee on Labour (2020) recommended that the power to specify the threshold of employees in an establishment, to which the special provisions of lay-off and retrenchment applies, should not be with the executive.293 Instead, the state legislature should pass an amendment to the law to change this threshold.293

- **Exemptions from the Code:** The Code provides that the central or state government may exempt any new establishment or a class of new establishments from all or any of the provisions of the Code in public interest.

For a PRS summary of the Bill, see here. For PRS summary of the Standing Committee report, please see here. For PRS analysis of the Code, see here.

### Code on Social Security, 2020 passed by Parliament


- **Social security schemes:** Under the Code, the central government may notify various social security schemes for the benefit of workers. These include: (i) an Employees’ Provident Fund (EPF) Scheme, (ii) an Employees’ Pension Scheme (EPS), (iii) an Employees’ Deposit Linked Insurance (EDLI) Scheme, and (iv) maternity benefits.

- In addition, the central or state government may notify specific schemes for gig workers, platform workers, and unorganised workers to provide various benefits, such as life and disability cover. Gig workers refer to workers outside of the traditional employer-employee relationship (e.g., freelancers). Platform workers are workers who access other organisations or individuals using online platforms and earn money by providing them with specific services. Unorganised workers include workers who are home-based and self-employed.

- **Coverage and registration:** The Code specifies different applicability thresholds for the schemes, which may be amended by the government. For example, the EPF scheme will apply to establishments with 20 or more employees. All eligible establishments are required to register under the Code, unless they are already registered under other labour laws.

- The Standing Committee on Labour (2020) stated that the Code should provide a framework to achieve universal social security for all workers with a secure financial commitment and within a definite time frame. It also recommended that the government: (i) reconsider enterprise-size based thresholds, (ii) provide a model scheme prescribing “mandatory minimum entitlements” for unorganised workers across all states, (iii) provide unemployment insurance to all unorganised, building and plantation workers, and (iv) re-introduce welfare funds for workers in specific industries such iron ore mines.295

- **Contributions:** The EPF, EPS, EDLI, and employees’ state insurance (ESI) schemes will be financed through a combination of contributions from the employer and employee. For example, in the case of the EPF scheme, the employer and employee will each make matching contributions of 10% of wages, or at a rate as notified by the government.

- **Social security organisations:** The Code provides for the establishment of several bodies to administer the social security schemes. These include: (i) a Central Board of Trustees to administer the EPF, EPS and EDLI Schemes, (ii) an Employees State Insurance Corporation to administer the ESI Scheme, and (iii) National and State Social Security Boards, headed by the central and state Ministers for Labour and Employment, respectively, to administer schemes for unorganised workers.

Further, the Standing Committee had recommended amendments to various definitions. These include: (i) expanding “social security” to cover the nine components recommended by the International Labour Organisation (including unemployment,
maternity, old-age, and medical care benefits), (ii) expanding “employees” to include anganwadi and ASHA workers and (iii) expanding “unorganised workers” to include gig and platform workers.295

For a PRS summary of the Bill, please see here. For a PRS summary of the Standing Committee report, please see here. For PRS analysis of the Code, please see here.

Code on Wages (Central Advisory Board) Rules, 2021 notified

In March 2021, the Ministry of Labour and Employment notified the Code on Wages (Central Advisory Board) Rules, 2021.296 These Rules apply to all central sector establishments. Key features of the Rules include:

- **Constitution of the Board:** The Code provides for the constitution of the Central Advisory Board. The Rules specify that the Board will include: (i) 12 persons representing employers, (ii) 12 persons representing employees, (iii) 11 independent persons (including two Members of Parliament, and four persons who are professionals in the field of wages and labour), and (iv) five representatives of state governments. Further, one-third of the total members must be women and number of independent members must be less than one-third of the total members.

- **Functions of the Board:** The Code provides that the Board will advise the central government on various issues including: (i) fixation of minimum wages, and (ii) increasing employment opportunities for women. The Rules add that the Board will also advise the central government on the issue relating to the fixation of minimum wages of working journalists and sales promotion employees.

- **Meetings of the Board:** The Chairperson of the Board may call a meeting at any time by giving a notice of at least 15 days. Further, the Chairperson must call a meeting within 30 days from the date of receiving a request for it from at least half of the members.

- **At least one-third of the members and at least one representative member each from employers and employees must be present in a meeting for transaction of any business.

For a PRS analysis of the draft 2019 Rules, see here.

Draft model Standing Orders and Rules under the three labour codes released

In December 2020, the Ministry of Labour and Employment released draft Model Standing Orders for the manufacturing, mining, and service sectors.297,298 The draft Orders were issued under the Industrial Relations Code, 2020 to replace the current model standing orders under the Industrial Employment (Standing Orders) Central Rules, 1946.299,300 Key highlights of the draft Orders include the following:

- **Probation period:** A worker needs to complete a probationary period to qualify as a permanent worker. The draft Orders propose increasing the probation period from three to six months.297,298

- **Work from home:** The draft Orders provide that work from home (for the service sector) may be allowed for periods determined by the employer based on mutual agreement.298

**Draft Industrial Relation (Central) Rules, 2020**

In October 2020, the Ministry of Labour and Employment released the draft central Rules under the Industrial Relations Code, 2020.301,302 Key features of the draft Rules include:

- **Layoffs, retrenchment and closure:** Factories, mines, and plantations with 300 or more workers need to apply for prior permission before laying off or retrenching workers, or before closing an establishment. The draft Rules provide that the application to the government must be made at least 15 days before the intended date of layoff, 60 days before the intended date of retrenchment, and 90 days before the intended date of closure.301

- **National Tribunal:** The Code provides for the constitution of National Industrial Tribunals (consisting of a judicial and administrative member) for settling disputes which: (i) involve questions of national importance, or (ii) could impact establishments situated in more than one state. The Rules specify the composition of the Selection Committees which will recommend members for appointment to the Tribunals.301

**Draft Occupational Safety, Health and Working Conditions (Central) Rules, 2020**

In November 2020, the Ministry of Labour and Employment released the draft central Rules under the Occupational Safety, Health and Working
Key features of the draft Rules include the following:

- **Work hours**: The Code provides that no worker shall be allowed to work for more than eight hours a day. It requires the Rules to notify intervals and spread over to meet the eight hours’ maximum work limit. The draft Rules specify that the work day should not spread over more than 12 hours including intervals for rest. Further, no worker will be allowed to work for more than 48 hours every week.303

- **Overtime work**: The Code provides that if a worker exceeds eight hours of work per day, he is entitled to overtime wages at twice the ordinary wage rate. The draft Rules provide that no worker can exceed 125 hours of overtime work in a quarter.303

**Draft Code on Social Security (Central) Rules, 2020**

In November 2020, the Ministry of Labour and Employment released the draft central Rules under the Code on Social Security, 2020.305 Key features of the draft Rules include:

- **Organised sector schemes**: Under the Code, the central government may notify various social security schemes for the benefit of workers, including provident fund (PF) and employees’ insurance (ESI) benefits, as well as maternity benefits and gratuity. The Rules specify detailed procedures for payment of benefits and provide for the registration of establishments required to pay PF and ESI benefits for workers.305

- **Construction workers**: The Code provides for the payment of a cess for the welfare of construction workers and registration to avail of these benefits. The Rules provide for Aadhaar-based registration of construction workers on the portal of the central or state government or the state welfare boards. Cess will be payable on the basis of self-assessment certified by a chartered engineer. When a construction worker migrates from one state to another, he will be entitled to benefits in the state where he is working, and it will be the responsibility of that state’s welfare board to provide benefits to such a worker.305

- **Unorganised workers, and gig and platform workers**: The Code makes provisions for registration of unorganised, gig and platform workers, and for notification of social security schemes for their benefits. Gig workers refer to workers outside of the traditional employer-employee relationship (e.g., freelancers). Platform workers are workers who access other organisations or individuals using online platforms and earn money by providing them with specific services. Unorganised workers include home-based and self-employed.305

The draft Rules will apply to establishments which are under the control of the central government and will replace the previous central rules.

**Ministry of Labour notified the scheme Aatma Nirbhar Bharat Rozgar Yojana**

The Employees’ Provident Funds and Miscellaneous Provisions Act, 1952 provides for a contribution-based Employee Provident Fund (EPF) scheme in certain establishments, with contributions from both the employee and the employer. In January 2021, the Ministry of Labour and Employment notified the scheme Aatma Nirbhar Bharat Rozgar Yojana to subsidise such provident fund contributions in case of certain new employees.306 Key features of the scheme include:

- **Applicability**: The central government will pay EPF contribution for new employees for two years (up to June 30, 2023). For establishments with 1,000 or less employees, it will cover EPF contribution of 24% (12% each for the employer and the employee). For others, the government will cover the employee’s contribution.

- **Eligibility criteria for employees**: The scheme will be applicable to new employees earning less than Rs 15,000 per month and engaged between October 1, 2020 and June 30, 2021. New employees include: (i) employees who were not working in any establishment and did not have a Universal Account Number (UAN) prior to October 1, 2020, and have been allotted UAN thereafter, or (ii) any EPF member possessing UAN who left employment between March 1, 2020 and September 30, 2020 (and whose exit is recorded in UAN). The UAN is a unique member number allotted by Employees’ Provident Fund Organisation (EPFO) (under the 1952 Act).

- **Benefits under the scheme**: Benefits under the scheme will not be available to employees whose employers are already availing benefits under the Pradhan Mantri Rozgar Protsahan Yojana (PMRPY). Under PMRPY, the central government pays the pension contribution (8.33% of the employer’s
share under the 1952 Act) on behalf of employer for hiring new employees (for three years).

- **Eligibility criteria for establishments:** To avail benefits under the scheme, establishments which are already registered with EPFO must employ at least two new employees over the reference base if the reference base is 50 or less workers, and at least five new employees if the reference base is over 50. The reference base is the number of employees for whom the employer has filed returns in month of September 2020.

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**Consumer Affairs**

**Certain Rules notified under the Consumer Protection Act, 2019**

The Department of Consumer Affairs notified certain Rules under the Consumer Protection Act, 2019 in July 2020. These Rules relate to the following aspects: (i) trade practices of e-commerce entities, (ii) the Consumer Disputes Redressal Commissions and the Central Consumer Protection Council, (iii) members of the District and State Consumer Disputes Redressal Commissions, and (iv) mediation of disputes. Key features include:

- **Duties and liabilities of e-commerce entities:** An e-commerce entity is required to: (i) provide an adequate grievance redressal mechanism and (ii) state upfront the policies regarding shipping, exchange, return, refund, and warranty. The entity is prohibited from: (i) manipulating or imposing unjustified prices so as to gain unreasonable profit, and (ii) discriminating between consumers of the same class or making any arbitrary classification of consumers which affects their rights.

- **Marketplace e-commerce entities** (entities providing a platform to facilitate e-commerce transactions) are required to: (i) include any differentiated treatment given to goods, services, or sellers of the same category in its terms and conditions, and (ii) explain main parameters determining the rank of goods, services, or sellers on its e-commerce platform.

- **Sellers on the marketplace** are required to also specify the expiry date of goods and the country of origin of goods or services. For imported products, sellers are required to provide the details of the importer.

- Sellers on marketplace, and inventory e-commerce entities (entities also owning the inventory) cannot refuse a refund in specified cases including the delivery of damaged goods and late delivery. They are prohibited from falsely representing themselves as consumers and posting reviews or misrepresenting the quality or features of goods and services.

- **Fee for filing complaints:** The Rules specify the fee required to be paid for filing a complaint with the Consumer Disputes Redressal Commissions. The fee depends on the value of goods or services under the complaint. No fee is required to be paid if such value is up to five lakh rupees. The fee ranges between Rs 200 and Rs 7,500 for complaints filed for higher values.

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

**Draft amendments to the Legal Metrology Act, 2009 released**

In July 2020, the Department of Consumer Affairs released draft amendments to the Legal Metrology Act, 2009. The Act establishes and enforces standards of weights and measures and regulates their trade. The amendments proposed to the Act include:

- **Decriminalisation of certain offences:** Under the Act, the repeat offenders of certain offences are punishable with imprisonment. Such offences include: (i) using, manufacturing, or selling non-standard weights and measures, (ii) tampering or altering standard weights and measures, and (iii) making weights and measures without a licence. The proposed amendments remove the provision for imprisonment of repeat offenders and instead specify a higher fine for these offences. For instance, the maximum fine for using non-standard weights and measures is proposed to be increased from Rs 50,000 to ten lakh rupees.

- The Department noted that these offences can be decriminalised since they may not necessarily involve criminal intent and may not adversely affect public interest at large. Therefore, a fine may be sufficient for these offences, instead of imprisonment. It also observed that civil liability (i.e., a fine) may be imposed for offences of technical nature, instead of criminal liability.

- **Definition of sale:** The definition of ‘sale’ under the Act covers the transfer of property and
goods. Definition of sale expanded to includes rendering of services.

- **Selling over and above the Maximum Retail Price (MRP):** The proposed amendments make selling, distributing, delivering, or otherwise transferring a pre-packaged commodity over and above its MRP an offence. This will be punishable with a fine between Rs 5,000 and Rs 25,000. In case of repeat offenders, the fine may extend to one lakh rupees.

**Agriculture**

**Parliament passed three farm Bills; Supreme Court stayed implementation**

In September 2020, Parliament passed three Bills related to agricultural marketing: (i) Farmers’ Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020, (ii) Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Bill, 2020, and (iii) Essential Commodities (Amendment) Bill, 2020. The three Bills were passed to replace Ordinances promulgated in June 2020. Key features of the three Bills include:

- **Trade outside APMC markets:** Entities allowed to trade in farmers’ produce outside APMC markets include: (i) farmers or farmer producer organisations, and (ii) traders with PAN card or any document notified by the central government. State governments and APMCs must not levy any fee, cess, or other charges on the trade outside APMC markets.

- **Farming agreement:** The second Bill provides a framework for farmers to engage in contract farming, i.e., farming as per an agreement with the buyer before sowing, under which the farmer can sell his produce to the buyer at a pre-determined price.

- **Restriction on stock limits:** The third Bill amends the Essential Commodities Act, 1955 to require that imposition of any stock limit on agricultural produce must be based on price rise. A stock limit may be imposed only in case the retail price of horticultural produce increases by 100% or that of non-perishable agricultural food item increases by 50%. The value chain participants and exporters are exempted from stock limits.

In January 2021, following protests against the three farm laws, the Supreme Court stayed their implementation until further orders. Petitions have been filed before the Court on grounds such as the constitutional validity of the laws and the blockade near Delhi due to farmers’ protests.

The Court noted that no solution seems to be in sight despite several rounds of negotiations between the central government and the farmers’ organisations to resolve their issues. An expert committee negotiating between them may create a congenial atmosphere and improve farmers’ trust and confidence. A stay on implementation of the three laws may alleviate the hurt feelings of farmers and encourage them to come for negotiations with confidence and good faith.

The Supreme Court passed an interim order to: (i) stay the implementation of the three laws until further orders, and (ii) constitute an expert committee to listen to farmers’ grievances with the laws and the government’s views, and make recommendations.

The committee was required to submit its report within two months. As per news reports, the committee submitted its report in March 2021.

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

**Rajya Sabha passed a Bill according national importance to NIFTEMs**

The National Institutes of Food Technology, Entrepreneurship and Management Bill, 2019 (NIFTEM Bill) was passed by Rajya Sabha in March 2021. The Bill declares the following institutes of food technology, entrepreneurship, and management as institutions of national importance: (i) NIFTEM Kundli and (ii) the Indian Institute of Food Processing Technology, Thanjavur (to be named as NIFTEM Thanjavur).

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

**Minimum Support Prices for 2020-21**

The Union Cabinet approved the Minimum Support Prices (MSP) for Kharif crops in June 2020 and for Rabi crops in September 2020. Table 11 shows the change in MSP for Kharif crops between 2019-20 and 2020-21. The MSP for paddy increased to Rs 1,868 per quintal in 2020-21, a 2.9% increase from that in 2019-20.
The MSP for copra in January 2021.

The Union Cabinet also approved sugarcane’s Fair and Remunerative Price (FRP) in August 2020 and the MSP for copra in January 2021. The MSP for milling copra increased by 3.8% for the 2021 season, from Rs 9,960 per quintal to Rs 10,335 per quintal. The MSP for ball copra increased by 2.9%, from Rs 10,300 per quintal to Rs 10,600 per quintal.

### Cabinet approved revised nutrient-based subsidy rates for P&K fertilisers

The Union Cabinet approved revised nutrient-based subsidy rates for P&K fertilisers for the year 2020-21 in April 2020. Under the Nutrient Based Subsidy scheme, the subsidy is provided to fertiliser manufacturers and importers for sale of Phosphatic and Potassic (P&K) fertilisers based on their nutrient content. The subsidy rates approved for 2020-21 were lower than the 2019-20 subsidy rates for all four nutrients (Table 13).

### Table 13: Nutrient-based subsidy rates for P&K fertilisers for 2020-21 (in Rs per kg)

<table>
<thead>
<tr>
<th>Nutrient</th>
<th>2019-20</th>
<th>2020-21</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nitrogen (N)</td>
<td>18.901</td>
<td>18.789</td>
<td>-0.6%</td>
</tr>
<tr>
<td>Phosphatic (P)</td>
<td>15.216</td>
<td>14.888</td>
<td>-2.2%</td>
</tr>
<tr>
<td>Potassic (K)</td>
<td>11.124</td>
<td>10.116</td>
<td>-9.1%</td>
</tr>
<tr>
<td>Sulphur (S)</td>
<td>3.562</td>
<td>2.374</td>
<td>-33.4%</td>
</tr>
</tbody>
</table>

Sources: Ministry of Chemicals and Fertilisers; PRS.

The cost of providing subsidy for P&K fertilisers was estimated to be Rs 22,187 crore in 2020-21, a 3% decrease from Rs 22,876 crore in 2019-20.

### Cabinet approved export subsidy for sugar for the 2020-21 season

The Union Cabinet approved an export subsidy of Rs 6,000 per metric tonne (MT) for sugar for the 2020-21 season in December 2020. The export subsidy covers costs incurred by sugar mills towards: (i) marketing, including handling, upgrading, and processing (Rs 1,600 per MT), (ii) internal transport (Rs 2,400 per MT), and (iii) ocean freight charges (Rs 2,000 per MT). The subsidy has been approved for export of up to 60 lakh MT of sugar. This was done to reduce the surplus stock of sugar with mills.

The subsidy amount payable to mills is given directly to sugarcane farmers, and settled against the sugarcane dues they owe to farmers. Any balance remaining is then provided to the mills. An expenditure of close to Rs 3,500 crore has been approved for providing the subsidy.
Cabinet approved Infrastructure Funds for agriculture and animal husbandry

The Union Cabinet approved the schemes setting up the Agriculture Infrastructure Fund in July 2020 and the Animal Husbandry Infrastructure Development Fund in June 2020.329,330 The Funds were announced under the Aatma Nirbhar Bharat Economic Package in May 2020.331

Agriculture Infrastructure Fund: The Fund aims to provide debt of one lakh crore rupees for financing post-harvest infrastructure projects at farm-gate and aggregation points (where farmers can directly or collectively sell their produce). Under the scheme, banks and other financial institutions will provide debt of Rs 10,000 crore in 2020-21 and Rs 30,000 crore per year during the period 2021-22 to 2023-24 for this purpose.

Beneficiaries eligible for loans under the scheme include farmers, farmer producer organisations, agricultural credit and cooperative societies, self-help groups, start-ups, and government agencies.

Under the scheme, the government provides a 3% interest subsidy on all such loans, up to a limit of two crore rupees. The subsidy will be provided for a maximum period of seven years. The government is estimated to incur an expenditure of Rs 10,736 crore under the scheme over a period of 10 years (2020-21 to 2029-30).

Animal Husbandry Infrastructure Development Fund: The Fund aims to incentivise private investment in infrastructure for dairy and meat processing and value addition. It also covers investment made for establishment of animal feed plants. Private companies, MSMEs, Farmer Producer Organisations, and individuals would be eligible beneficiaries, provided they contribute at least 10% of the total investment. Banks will extend loans for the balance 90% of the investment.

Under the scheme, the government provides 3% interest subsidy to eligible beneficiaries on their loans. Beneficiaries can repay the principal loan amount over a period of six years, after the completion of the two-year moratorium period.

Department of Fisheries released the draft National Fisheries Policy, 2020

The Department of Fisheries released a revised draft of the National Fisheries Policy in December 2020.332 A previous draft of the policy was released in February 2020.333 The policy aims to integrate the various policies relating to different aspects of fisheries (such as inland fisheries, marine plants and animals, processing, and marketing) for its comprehensive development. Key features of the revised draft policy include:

- **Objectives:** The objectives of the policy include: (i) sustainable development of the fisheries sector during 2021-30, (ii) sound management and sustainable development of the resources and associated habitats, (iii) meeting the food and nutritional security of the growing population, and (iv) making Indian fish and fish products globally competitive.

- **Legal framework:** The Marine Fishing Regulation Acts of coastal states need to be amended to align them with international agreements to ensure that they cover all the aspects of fisheries management. The central government will prepare a model Bill in this regard for consideration of the states. Similarly, there is a need to prepare a model Bill for regulation of inland fisheries and aquaculture, which can be used by states to replace or amend their existing Acts to make them contemporary and in compliance with the topical requirements.

- **Sustainability:** The expertise of scientific institutions and fishers will be utilised to optimise fishing efforts and implement measures to check resource depletion and ensure sustainability. Comprehensive fisheries management plans will be made to conserve and sustainably manage natural fisheries.

- **Coordination:** Kerala, Puducherry, and Tamil Nadu have set up co-management structures at different tiers for management of fisheries resources by the government and the community, through instruments such as a charter of rights and duties. The policy aims to take forward such initiatives to the other inland and coastal states. The policy also aims to enhance the mandate of the present Ministry under the Ministry of Fisheries and Maritime Affairs, an umbrella agency for effective fisheries governance. The new Ministry will converge various institutions working on aspects under different Ministries.
Civil Aviation

Parliament passed Aircraft (Amendment) Bill

The Aircraft (Amendment) Bill, 2020 was passed by Parliament in September 2020 to amend the Aircraft Act, 1934. The Act regulates the manufacture, possession, use, operation, sale, import, and export of civil aircrafts, and licensing of aerodromes. Key provisions of the Bill include:

- **Authorities:** The Bill converted three existing bodies under the Ministry of Civil Aviation into statutory bodies under the Act. These are: (i) Directorate General of Civil Aviation (DGCA), (ii) Bureau of Civil Aviation Security (BCAS), and (iii) Aircraft Accidents Investigation Bureau (AAIB). Each of these bodies will be headed by a Director General appointed by the centre.
- The DGCA will carry out safety oversight and regulatory functions as specified under the Act or its Rules. The BCAS will carry out regulatory oversight functions related to civil aviation security as specified under the Act. The AAIB will investigate aircraft accidents.
- **Penalty:** Under the Act, the penalty for various offences was imprisonment of up to two years, or a fine of up to Rs 10 lakh, or both. These offences include: (i) carrying arms, explosives, or other dangerous goods aboard an aircraft, (ii) constructing structures within the specified radius around an aerodrome, and (iii) contravening any rules under the Act. The Bill increased the maximum fine for these offences from ten lakh rupees to one crore rupees.

For aPRS summary of the Bill, please see here.

AERA (Amendment) Bill, 2021 introduced in Lok Sabha

The Airports Economic Regulatory Authority of India (Amendment) Bill, 2021 was introduced in Lok Sabha in March 2021. It amends the Airports Economic Regulatory Authority of India Act, 2008. The 2008 Act established the Airports Economic Regulatory Authority (AERA). AERA regulates tariffs and other charges (such as airport development fees) for aeronautical services at major airports.

The Act designates an airport as a major airport if it has an annual passenger traffic of at least 35 lakh.

The central government may also notify any airport as a major airport. The Bill allows the government to group airports and notify the group as a major airport.

For aPRS summary of the Bill, please see here.

Cabinet approved the leasing out of three airports through PPP model

In August 2020, the Union Cabinet approved the proposal to lease out the Jaipur, Guwahati, and Thiruvananthapuram airports for operation, management, and development under Public-Private Partnership model. The lease for the three airports was awarded to Adani Enterprises Limited for a period of 50 years, through a competitive bidding process based on the fee per passenger.

In November 2018, the Cabinet had approved leasing out of six airports (Ahmedabad, Jaipur, Lucknow, Guwahati, Mangaluru, and Thiruvananthapuram). The Ahmedabad, Lucknow, and Mangaluru airports were leased out in July 2019. The lease of the other airports was held due to litigation and other issues.

Unmanned Aircraft System Rules notified

In March 2021, the Ministry of Civil Aviation notified the Unmanned Aircraft System Rules, 2021. The Rules regulate the manufacture, trade, possession, and operation of Unmanned Aircraft Systems (UAS). UAS refers to an aircraft operated without a pilot and includes systems related to it, such as communication systems and ground control stations. The Rules apply to: (i) all UAS registered in India irrespective of the current location, (ii) persons manufacturing, exporting, importing, possessing, or operating a UAS, and (iii) all UAS operating in or over India. Key features of the Rules include:

- **Authorisation:** The Rules specify that no UAS (including a prototype) must be manufactured or imported without the permission of DGCA. An application seeking the authorisation to import, manufacture, export, own, or operate the UAS must be made to DGCA. The authorisation will be valid for of ten years and may be renewed.
- **Operation of UAS:** No UAS must be operated without: (i) a certificate of manufacture and airworthiness, and (ii) a non-transferable permit, issued by DGCA. The certificate will be granted on the recommendation of authorised testing labs.
Unmanned aircrafts cannot be operated in certain areas. These include areas: (i) within 3 km from other civil, private, and defence airports, and military facilities, and (ii) within 25 km from international borders.

**Penalties:** The Rules specify penalties (between Rs 10,000 and Rs 1 lakh) for the violation of its various provisions. The penalties will be levied at a higher rate of: (i) 200% if the violation is done by a small organisation (up to 50 employees), (ii) 300% if it is done by a medium organisation (51-200 employees), and (iii) 400% if it is done by a large organisation (more than 200 employees).

**Draft traffic management policy released for unmanned aircraft systems**

The Ministry of Civil Aviation released the draft unmanned aircraft system traffic management (UTM) policy in November 2020. It is aimed at creating a separate safe ecosystem for unmanned aircraft operations in low-level airspace (within 1,000 feet above the ground level). It identifies 11 UTM operational scenarios, including: (i) testing or recreational purposes, (ii) flying within and beyond visual line of sight, and (iii) night operations. It also provides for a framework to integrate UTM with the existing traffic management system for aircrafts.

The Airports Authority of India will be the nodal agency for regulating the UTM operations on behalf of DGCA. It will ensure that the operations comply with the various standards acceptable to DGCA.

Data security and privacy of the unmanned aircraft systems will be governed by the proposed Personal Data Protection Act. The policy recommends all software and hardware systems to be hosted in India.

**Open sky policy updated for foreign non-scheduled cargo flights**

In September 2020, DGCA notified changes in the open sky policy for non-scheduled cargo flights to or from India. The policy regulates the operations of cargo flights. Key changes in the policy include:

- Operations of foreign non-scheduled cargo flights are now restricted to six airports in India. These airports are: (i) Bengaluru, (ii) Chennai, (iii) Delhi, (iv) Kolkata, (v) Hyderabad, and (vi) Mumbai. Earlier, non-scheduled cargo flights could operate from any Indian airport where customs/immigration facilities were available.

- These changes do not apply to cargo flights: (i) operating for humanitarian and emergency needs through the United Nations or other multilateral bodies in which India is a member, and (ii) hired by any Ministry, Department, or Public Sector Undertaking of the central or state government.

**Shipping**

The Major Port Authorities Bill, 2020 passed by Parliament

The Major Port Authorities Bill, 2020 was passed by Parliament in February 2020. It replaced the Major Port Trusts Act, 1963. The Bill provides for the regulation, operation, and planning of major ports in India and provide greater autonomy to these ports. Major ports include Chennai, Cochin, Jawaharlal Nehru Port, Kandla, Kolkata, Mumbai, New Mangalore, Mormugao, Paradip, and Vishakhapatnam. Key features of the Bill include:

- **Board of Major Port Authority:** Under the 1963 Act, all major ports were managed by the respective Board of Port Trusts with members appointed by the central government. The Bill constitutes a Board of Major Port Authority for each major port to replace existing Port Trusts for their administration, control, and management.

- **Fixing of rates:** The 1963 Act established the Tariff Authority for Major Ports, to fix the scale of rates for assets and services available at ports. The Bill empowers the Board of Major Port Authority or committees appointed by the Board to determine rates for: (i) services performed at ports, (ii) access to and usage of the port assets, and (iii) different classes of goods, services and vessels, among others.

- **Adjudicatory Board:** The Bill provides for an Adjudicatory Board to replace the existing Tariff Authority for Major Ports. Functions of the Adjudicatory Board include: (i) certain functions of the existing Tariff Authority, and (ii) adjudicating on disputes or claims related to rights and obligations of the major ports.

For PRS summary of the Bill, please see [here](#).
The Marine Aids to Navigation Bill, 2021 passed by Lok Sabha

The Marine Aids to Navigation Bill, 2021 was passed by Lok Sabha in March, 2021. The Bill provides a framework for the development, maintenance, and management of aids to navigation in India. It repealed the Lighthouse Act, 1927, which provided for the maintenance and control of lighthouses in India. Key features of the Bill include:

- **Application**: The Bill applies to the whole of India including various maritime zones including territorial waters, the continental shelf, and exclusive economic zone.

- **Aid to navigation**: The Bill defines aid to navigation as a device, system, or service, external to the vessels designed and operated to enhance the safety and efficiency of navigation of vessels and vessel traffic.

- **Management of General Aids to Navigation and vessel traffic services**: The central government will be responsible for the development, maintenance, and management of all general aids to navigation and vessel traffic services. Its powers with regard to the management of aids to navigation include: (i) establishing, maintaining, adding, altering, or removing any aid to navigation, and (ii) authorising to inspect any such aid which may affect the safety of navigation.

- **Training and certification**: The Bill states that no person shall be allowed to operate on any aid to navigation (including any ancillary activities), or any vessel traffic service in any place unless he holds a valid training certificate.

- **Penalties**: The Bill specifies certain offences and penalties. For instance, intentionally causing an obstruction or reduction in the effectiveness of any aid to navigation will be punished with up to six months of imprisonment, or a fine of up to one lakh rupees, or both.

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

Draft Indian Ports Bill, 2020 released

The Ministry of Ports, Shipping and Waterways released the draft Indian Ports Bill, 2020 in December, 2020, which seeks to repeal the Indian Ports Act, 1908. The Bill aims to enable growth of ports and increase investment by establishing effective administration and management of all ports in India. Key features of the draft Bill include:

- **Maritime Port Regulatory Authority**: The draft Bill proposes to establish the Maritime Port Regulatory Authority. The Authority will include a Chairperson, and two full-time members appointed by the central government, and two part-time members nominated in rotation by coastal states. Functions of the Authority include: (i) advising the central government on formulation of the National Port Policy, and (ii) aiding in formulating and implementing short-term plans.

- **State Maritime Board**: Every state government must establish a State Maritime Board for ports other than Major Ports (notified by the central government). State Maritime Boards can initiate plans for development of ports, and license infrastructure and services.

- **Dispute redressal**: For Major Ports, a Bench consisting of nominated members from the Authority will receive and adjudicate on complaints concerning: (i) anti-competitive practices, (ii) abuse of dominant positions, or (iii) disputes between Port service providers and terminal operators. For all other ports, Adjudicatory Boards constituted by state governments can adjudicate on disputes concerning: (i) rights and obligations of ports, (ii) port officials, users, service providers and licensees, and (iii) private operators.

- **Safety requirements**: The draft Bill lays down safety and security requirements to be followed by all ports and vessels. For instance, every port must appoint officers and prepare plans to ensure security based on requirements notified.

Draft Coastal Shipping Bill, 2020 released

The Ministry of Ports, Shipping and Waterways released the draft Coastal Shipping Bill, 2020 in October, 2020. Coastal shipping refers to the transport of goods and passengers by sea. It is currently regulated under the Merchant Shipping Act, 1958. The draft Bill seeks to provide a standalone framework for the sector. Only registered or licenced vehicles may engage in trade, exploration, or research in the coastal waters of India.

The Bill states that a strategic plan to improve and manage existing water networks must be developed within two years. It should include: (i) an assessment of shipping routes, (ii) identification of operational improvements required, and (iii) best practices to improve overall performance.
**Terms and conditions for employment of seafarers on Indian ships released**

In April 2020, the Directorate General of Shipping released the terms and conditions for employment of seafarers on Indian flag ships, as per the requirements under the Merchant Shipping Act, 1958.353 Key terms and conditions include:

- **Collective bargaining agreement**: The Merchant Shipping (Maritime Labour) Rules, 2016 provide for a collective bargaining agreement. This contains detailed terms and conditions of employment for seafarers which has been agreed upon between ship-owners associations and seafarers’ representative unions. The released terms provide that this agreement should provide for a welfare fund contribution to be made by shipping companies to Seafarers Welfare Fund Society and Seamen’s Provident Fund Organisation. Ship-owners may also provide additional benefits.

- **The agreement should be gender neutral and follow the provisions of the Maternity Benefit Act, 1961. The disability compensation should be over and above the cost of treatment and the wages payable.**

- **Liability of ship-owners**: The agreement should specify the liability of the ship-owner to provide legal support and bear legal expenses. It should also specify the means to cover this liability if a seafarer is stranded, detained, or arrested at a port during the course of employment on a ship.

**Merchant Shipping (Conditions for Carriage of Livestock) Rules, 2020 notified**

The Ministry of Shipping notified the Merchant Shipping (Conditions for Carriage of Livestock) Rules, 2020 in July, 2020.354 These Rules apply to transportation of livestock by sea, whether being imported in or exported out of the country, or if being transported from one Indian port to another. Key features of the Rules include:

- **Approval of livestock vessel**: A person can carry livestock by sea only in accordance with the livestock vessel approval. To get such approval, a ship must be registered under the Merchant Shipping Act, 1958. In case of a foreign flag ship, it must be classified as a livestock carrier by one of the recognised organisations of the central government. The approval will be valid for five years.

- **Voyage plan**: A person shall not load or allow another person to load livestock on a ship unless a voyage plan for the intended voyage has been approved by the Director General. This plan will show the intended route and a list of ports or harbours of refuge which can accommodate the ship during its intended voyage.

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**Railways**

**Draft National Rail Plan released**

In December 2020, the Ministry of Railways released the draft National Rail Plan.355,356,357 The plan seeks to improve the infrastructural capacity of Indian Railways to cater to the growth in demand up to the year 2050. It aims to increase the modal share of Railways in freight in the country from the current 27% to 45% by 2030. The implementation cost of projects under the plan will be about Rs 38 lakh crore (see Table 14).

These projects will be executed between 2021 and 2051. The plan envisages an initial surge in capital investment up to 2030. Post 2030, it is expected that the revenue surplus generated by Railways would be adequate to finance future capital investments and government funding will not be required.

**Table 14: Cost of National Rail Plan (given in lakh crore rupees)**

<table>
<thead>
<tr>
<th>Head</th>
<th>2021-26</th>
<th>2026-31</th>
<th>2031-41</th>
<th>2041-51</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dedicated Freight Corridors</td>
<td>-</td>
<td>1.5</td>
<td>0.5</td>
<td>0.3</td>
<td>2.3</td>
</tr>
<tr>
<td>High-Speed Rail Corridors</td>
<td>-</td>
<td>5.1</td>
<td>2.9</td>
<td>7.0</td>
<td>15.0</td>
</tr>
<tr>
<td>Network Improvements</td>
<td>1.3</td>
<td>0.7</td>
<td>2.2</td>
<td>1.8</td>
<td>6.0</td>
</tr>
<tr>
<td>Flyovers and Bypasses Terminals</td>
<td>0.8</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.8</td>
</tr>
<tr>
<td>Rolling Stock</td>
<td>3.1</td>
<td>1.7</td>
<td>3.6</td>
<td>4.8</td>
<td>13.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5.8</strong></td>
<td><strong>9.2</strong></td>
<td><strong>9.3</strong></td>
<td><strong>13.9</strong></td>
<td><strong>38.2</strong></td>
</tr>
</tbody>
</table>

Source: Draft Final Report on the National Rail Plan, Ministry of Railways; PRS.

Key proposals under the Plan are:

- **Dedicated freight corridors**: Three new dedicated freight corridors with a cumulative length of 5,750 km will be developed: (i) East Coast (Kharagpur-Vijayawada), (ii) East-West (Palghar-Dankuni), and (iii) North-South (Pirthala-Arakkonam).356
• **High-speed rail corridors**: Several high-speed rail corridors with a cumulative length of 7,479 km will be developed (Table 15).

• **Network improvements**: Number of lines will be increased on specified routes with higher capacity utilisation or high traffic demand such as Delhi-Howrah and Mumbai-Chennai. Connectivity with ports and industrial corridors will be improved.

### Table 15: Proposed High-Speed Rail Corridors

<table>
<thead>
<tr>
<th>Phase</th>
<th>Corridors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2031</td>
<td>Delhi-Ayodhya-Varanasi, Varanasi-Patna, Patna-Kolkata, Delhi-Udaipur-Ahmedabad</td>
</tr>
<tr>
<td>2041</td>
<td>Hyderabad-Bangalore, Nagpur-Varanasi</td>
</tr>
<tr>
<td>2051</td>
<td>Mumbai-Nagpur, Mumbai-Hyderabad, Patna-Guwahati, Delhi-Chandigarh-Amritsar, Amritsar-Patankol-Jammu, Chennai-Bengaluru-Mysuru</td>
</tr>
</tbody>
</table>

Source: Draft Final Report on the National Rail Plan, Ministry of Railways; PRS.

**Private participation invited for the operation of passenger train services**

In July, 2020, the Ministry of Railways invited private sector participation for the operation of passenger train services on 109 Origin-Destination pair of routes through the introduction of 151 trains. These 151 trains will be in addition to the existing trains. Private entities will be selected through a competitive bidding process. The concession period for the project will be 35 years. This is expected to attract an investment of about Rs 30,000 crore from the private sector. Key features of the project include:

• **Role of private entity**: The private entity will be responsible for financing, procuring, operating, and maintaining these trains. The operation and maintenance will be governed by the standards specified by Indian Railways.

• **Role of Indian Railways**: The drivers and guards operating these trains will be provided by Indian Railways.

• **Charges to be paid by private entity**: The private entity will pay the following fees and charges to Indian Railways: (i) fixed haulage charges, (ii) energy charges based on actual consumption, and (iii) a share in gross revenue as determined through the bidding process.

• **Performance standards**: The private entity will be required to conform to key performance standards on matters including punctuality, reliability, and upkeep of trains.

• **Timeline for the project**: The tenders were proposed to be finalised by March 2021. The trains will start operating from March 2023.

**Policy on development of sheds at small stations through private investment released**

In October 2020, the Ministry of Railways released a policy for the development of goods-sheds at small and road-side stations through private investment. The policy seeks to promote setting up of new goods-shed facilities and development of existing goods-sheds. Key features of the policy include:

• **Types of facilities**: The policy covers the development of goods wharf (landing place), loading and unloading facilities, resting space for workers, and other related infrastructure. The facilities will be developed and maintained by the private party through its own investment during the agreement period. Railways will not levy any charges for the construction. These facilities can be used by anyone for common use without any preference.

• **Selection**: Developers will be selected through a competitive bidding process. Their bids will be based on the share they seek in terminal charges and terminal access charges, which will be levied on the traffic at the goods sheds, for five years.

• **Additional revenue**: Developers will be allowed to earn additional revenue through utilisation of the available space for establishing canteens and tea shops, and displaying any advertisements.

### Road Transport and Highways

**Central Motor Vehicles Rules, 1989 amended**

The Ministry of Road Transport and Highways made several amendments to the Central Motor Vehicles Rules, 1989 in 2020-21. The Rules were framed under the Motor Vehicles Act, 1988. The Act provides for standards for motor vehicles, grant of driving licenses, and penalties for violation of the provisions under the Act. The Rules provide details on: (i) licensing of drivers, and (ii) design, maintenance, and registration of motor vehicles, among others. Key amendments include:

• **Recall**: The amendments made in March 2021 enable owners of vehicles, testing agencies, and other authorised entities to make an application to the Vehicle Recall Portal to designate a
particular type of vehicle as defective.\textsuperscript{364} Designated officers can also make suo-moto applications to declare vehicles as defective.

- **E-services:** The amendments made in September 2020 provide for: (i) electronic issuance of challans in the form of e-challans, (ii) use of validated electronic certificates for inspection and regulatory compliances, and (iii) submission of documents electronically.\textsuperscript{365} The amendments also relaxed the restrictions on the use of handheld devices while driving and permitted the use of mobile phones for route navigation.

- **Airbags:** The amendments made in March 2021 mandate all vehicles to be fitted with airbags for the front passenger seat.\textsuperscript{366}

- **International driving permits:** Requirements to obtain an International Driving Permit were amended in January 2021.\textsuperscript{367} These changes include: (i) an increase in application fees from Rs 500 to Rs 1,000, (ii) applicants need to specify whether they have been barred from driving in the specified country, and (iii) medical certificate and visa proof no longer required to obtain the international driving permit.

The Ministry also released several draft amendments to the Rules during 2020-21. Key proposals include:

- **National Road Safety Board:** The draft Rules released in December 2020 propose to establish a National Road Safety Board which must meet at least once a month.\textsuperscript{368} The Board will consist of five to nine members, including a Chairman. Functions of the Board will include: (i) licensing and registration of motor vehicles, and (ii) constituting technical working groups on matters including road safety and traffic management.

- **Electronic Enforcement Devices (EED):** The draft Rules released in February 2021 define an EED to include speed cameras, CCTVs, and body-wearable cameras.\textsuperscript{369} These devices may be used to issue a challan after issuance of an approval certificate by the police. EEDs must be placed by the state government in high-risk areas such as National Highways and critical junctions in the state capital. The draft Rules specify certain violations, such as driving over speed limits and parking at an unauthorised location, where EEDs may be used to issue a challan.

- **Vehicle Scrapping:** The draft amendments released in March 2021 propose giving tax concessions to vehicles registered against a certificate of vehicle scrapping.\textsuperscript{370} The concession will be equivalent to 25% of the motor vehicle tax for non-transport vehicles and 15% of the tax for transport vehicles.

### Vehicle Scrapping Policy released

The Ministry of Road Transport and Highways released the Vehicle Scrapping Policy in March 2021.\textsuperscript{371} The policy aims to create a system to phase out unfit and polluting vehicles. Key features of the policy include:

- **Criteria:** The criteria for scrapping of vehicles will be based on a fitness test. This will include emission tests, braking, safety equipment and other tests prescribed under the Central Motor Vehicle Rules, 1989. Vehicle fitness for commercial vehicles will be determined by automated fitness centres and through non-renewal of registration certificates, in case of private vehicles. Vehicles failing fitness tests or not getting certificates renewed will be declared as end of life vehicles.

- **Commercial vehicles:** Commercial vehicles will be deregistered after 15 years, in case of failure to get fitness certificates. Further, increased fees for fitness certificates and tests may be applicable on commercial vehicles after 15 years from the date of initial registration.

- **Private vehicles:** Private vehicles will be deregistered after 20 years, if the vehicle is found to be unfit or for failure to renew registration certificates. Re-registration fees will be applicable after 15 years from the date of initial registration.

- **Government vehicles:** All vehicles of the: (i) central, state, and local governments, (ii) state transport and public sector undertakings, and (iii) autonomous bodies of the central and state governments will be de-registered and scrapped after 15 years from registration.

- **Incentives:** Incentives will be established for owners of old vehicles to scrap old and unfit cars. These incentives include: (i) scrap value (4% to 6% of ex-showroom price for a new vehicle) to be given by scrapping centres, and (ii) waiving of registration fees for purchase of new vehicles against scrapping certificates.
Guidelines for taxi aggregators released

The Vehicle Aggregator Guidelines 2020 were released under the Motor Vehicles (Amendment) Act, 2019 in November 2020. The Act defines aggregators as digital intermediaries or market places which can be used by passengers to connect with a driver for transportation purposes (taxi services). Aggregators must obtain licenses from the state government to operate. The state governments may regulate aggregators based on the guidelines issued by the central government.

The guidelines seek to regulate shared mobility, reduce traffic congestion and pollution, and provide ease of doing business, customer safety, and driver welfare. Key features of the guidelines include:

- **Eligibility for aggregators**: An applicant must be registered as a company under the Companies Act, 2013, or a co-operative society under the Co-operative Societies Act, 1912. They must also have an office registered in India.

- **Licensing**: The license issued to aggregators will be valid for five years after which they will be renewed by competent authorities. Licenses may be cancelled by the Authority if the aggregator does not comply with these guidelines.

- **Driver guidelines**: Applicants will also have to comply with various guidelines with regard to the drivers including: (i) testing their driving ability as per prescribed guidelines, (ii) ensuring a valid identity proof and driver’s license, and (iii) ensuring a health and term insurance for each driver as specified.

- **Vehicle compliance**: Applicants will have to ensure various compliances with regard to the vehicles, such as: (i) valid registration, permits and fitness certificate, (ii) valid third-party insurance, and (iii) compliance with fuel norms.

- **Fare regulation**: The base fare will be the city taxi fare indexed by wholesale price index for the current year. The aggregator will be allowed to charge a fare which is up to 50% lower than, and up to 50% higher than the base fare.

All India Tourist Vehicles Authorisation and Permit Rules, 2021 notified

Rules to replace the Motor Vehicles (All India Permit for Tourist Transport Operators) Rules, 1993 were notified in March 2021. Key features include:

- **Authorisation and permit**: The Rules specify that transport authorities can grant authorisation to tourist vehicles operators subject to payment of taxes or fees. A permit is issued by the Transport Authority to enable a tourist vehicle operator to ply tourist vehicles throughout the territory of India without payment of taxes or fees after an inspection of requisite documents.

- **Insurance coverage**: Every vehicle operating under the all-India authorisation and permit must have valid insurance coverage for passenger liability as well as for the driver.

- **List of tourists**: A vehicle plying under permit must always carry a list of passengers in electronic form or in physical form. Every
tourist vehicle operator holding an authorisation and permit must maintain a record of the passengers, including journey details, for a minimum period of one year.

Notifications related to FASTags released

FASTag is an electronic toll collection system operated by the National Highways Authority of India. It was made mandatory for registration of new four-wheeler vehicles in 2017. Notifications related to use of FASTags were released including:

- **Mandatory use:** FASTag was made mandatory for vehicles sold before 2017 from January 1, 2021. A valid FASTag will also be mandatory when getting a new third-party insurance.
- **Toll fees:** Vehicles with an invalid FASTag or with insufficient funds in it will be charged twice the toll fees applicable to such vehicles.
- **Availing discounts:** In August 2020, FASTags were made mandatory to avail return journey discounts or other exemptions on toll charges.

Advisory issued for implementing Rent a Motor Cab and Motorcycle schemes

An advisory for implementing the Rent a Motor Cab and Rent a Motorcycle schemes was issued in June 2020. The schemes provide for: (i) licensing, (ii) duties and responsibilities of those hiring motor cabs, and (iii) powers of licensing authorities.

Previously, persons driving rented vehicles were required to display a badge with an identification number issued by the appropriate authority. As per the advisory, the person driving the rented vehicle will not be asked for any badge if he is carrying: (i) a valid driving license or international driving permit, and (ii) a copy of the license for renting a motor cab or motorcycle.

Guidelines for auction of mineral blocks with pre-embedded clearances notified

In June 2020, the Ministry of Mines released the guidelines for the auction of greenfield mineral blocks with pre-embedded clearances. For such mineral blocks, the statutory clearances required to start mining will be obtained by the state governments and provided to the successful bidder along with the award of the mine in the auction. This aims to: (i) overcome delays in starting production
after the auction, (ii) improve the ease of doing business, and (iii) bring greater participation and higher rates in auctions. This scheme will be implemented by states on a pilot basis. Each state will identify at least five mineral blocks for auction with pre-embedded clearances. Key features of the guidelines are:

- **Agency for obtaining clearances:** The state government may set up a Project Monitoring Unit (PMU) for obtaining requisite clearances and approvals. The PMU will get the mining plan prepared and approved. The successful bidder will be allowed to enhance or reduce the production limit by 25%. The PMU will also obtain land rights for mining in case of both the government and privately owned land.

- **Forest clearance:** Forest clearance is required to be obtained for diversion of forest land for non-forest purposes including mining operations. Forest clearance is provided in the form of in-principal approval and formal approval and is referred to as stage-I and stage-II approval. The PMU will only obtain stage-I clearance. The successful bidder will be required to obtain the stage-II approval after the auction.

- **Environment clearance:** The successful bidder will be allowed to either enhance or reduce the production limit by 25% without being required to obtain fresh environment clearance approval.

- **Accounting of expenses:** The fees paid by PMU for obtaining clearances will be initially borne by the state government. Costs incurred by the state government for engagement of PMU and obtaining clearances will be subsequently recovered from a successful bidder for the mine.

**Mineral concession rules amended to enable transfer of letter of intent in insolvency cases**


Under the amended Rules, the new owner of the successful bidder will apply to the state government for the transfer of the letter of intent. The new owner must meet the eligibility criteria for participating in the auction of mines as per the MMDR Act. The state government must decide on the application for transfer within 90 days. It may approve or reject the request after recording its reasons in writing.

**Mineral auction rules amended to incentivise early commencement of mineral production**

In March 2021, the Ministry of Mines notified the Mineral (Auction) Amendment Rules, 2021. It amended the Mineral (Auction) Rules, 2015, which regulate the auction of mines. The amendments aim to incentivise the early commencement of production from auctioned mines. Under the 2015 Rules, the lessee is required to share with the state government a percentage of the value of minerals despatched. The amendments provide that if the lessee commences dispatch before the scheduled date of commencement of production, it will be required to pay only 50% of the required amount for quantity despatched before the scheduled date. This will apply to production from fully explored mineral blocks.

**New methodology for rationalisation of coal linkages notified**

In June 2020, the Ministry of Coal notified a new methodology for the rationalisation of coal linkages/ swapping of coal. Coal linkage is the allocation of coal mines for supply to coal consumers such as power and steel plants. Such supply of coal is facilitated through a contractual agreement between a coal company and a coal consumer. Rationalisation involves the transfer of the coal supply source of a consumer from one coal mine to another such that the consumer may get coal supply from mines closer to it. The objective of this exercise is to reduce coal transportation costs. Key features of the new methodology are as follows:

- **Eligibility:** Rationalisation will be achieved through bilateral arrangements between two willing consumers involving swapping of full or part of their eligible quantities. As per the earlier methodology, only consumers from the power sector (power plants) were eligible. The new methodology provides that all other sectors (such
as steel and cement sectors) will also be eligible. The arrangement will be allowed only between consumers within the same sector, i.e., power with power and non-regulated (steel and cement) with non-regulated. Only non-coking coal will be considered under the methodology. Coal procured from e-auction schemes and captive coal blocks will not be eligible. Rationalisation can be done across domestic coal linkage and imported coal. However, any such arrangement will not be allowed between two consumers of imported coal.

- **Terms of rationalisation**: The rationalisation will be based on the quantity calculated in Gross Calorific Value equivalence. Hence, the quality of coal will also be factored. The linkage holder will continue to pay the price as per the existing contract and there will be no change in any of its commercial terms. The minimum tenure of the arrangement will be six months. The maximum term of the arrangement will be subject to the expiry of the existing contracts of the two parties, whichever is earlier.

- **Accounting of savings**: Savings from the rationalisation will be passed on to: (i) the power distribution companies in the case of coal supplied under power purchase agreements, and (ii) the Indian Railways in the case of non-regulated sector consumers.

### Power

**Draft Electricity (Amendment) Bill, 2020 released**

The Ministry of Power released the draft Electricity (Amendment) Bill, 2020 in April 2020. The Bill amends the Electricity Act, 2003, which regulates the generation, transmission, distribution, and trade of electricity in the country. Key features of the draft Bill include:

- **Tariff determination**: The Act provides that when determining tariff for the retail sale of electricity, the State Electricity Regulatory Commission must ensure that the tariff reflects the cost of supply progressively. This implies that revenue recovery can be deferred over a multi-year period. The Commission may also specify different tariffs for different consumer segments based on criteria such as load factor, and purpose of consumption. The draft Bill amends this to provide that tariff should reflect the cost of supplying electricity. Further, any cross-subsidy will be provided as per the National Electricity Tariff Policy prescribed by the central government.

- **Treatment of government subsidy**: Under the Act, state governments may provide a subsidy to keep electricity prices affordable. The subsidy must be paid in advance in a manner specified by the State Commission. The draft Bill provides that the Commission will fix the tariff without accounting for subsidy. The government will be required to provide the subsidy to the consumer.

- **Electricity Contract Enforcement Authority (ECEA)**: The draft Bill provides for the constitution of the ECEA. The Authority will adjudicate over matters related to the performance of contracts of purchase, sale, or transmission of electricity between electricity generation companies and other licensees.

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

### The Electricity (Rights of Consumers) Rules, 2020 issued

In December 2020, the Ministry of Power issued the Electricity (Rights of Consumers) Rules, 2020. These have been issued under the Electricity Act, 2003. Key features of the Rules include:

- **Servicing of consumer requests**: Discoms must provide a web-based information system with details on various procedures and tracking mechanisms for all applications for various services. These procedures and services include grant of new/temporary connection or modification of existing connections. The grant of new connection or modification in existing connection must be completed within 7 days for metro cities, 15 days in municipal areas, and 30 days in rural areas from the date of application.

- **Metering**: A new connection must be provided with a pre-payment meter, unless approved otherwise by the State Electricity Regulatory Commission (SERC). All defective meters will have to be replaced by the distribution licensees within: (i) 24 hours in urban areas, and (ii) 72 hours in rural areas.

- **Compensation for not adhering to performance standards**: SERCs will specify certain standards of performance for the distribution licensees such as the limit on
interruptions in power supply, the maximum time for resolution of complaints, and providing other consumer services. If licensees fail to adhere to these standards, they will have to compensate the consumers. The compensation amount will be specified by SERCs and will be provided to consumers as adjustments in electricity bills.

The Electricity (Late Payment Surcharge) Rules, 2021 notified

In February 2021, the Ministry of Power notified the Electricity (Late Payment Surcharge) Rules, 2021. The Rules will apply to the power purchase and power supply agreements for which the tariff is determined either by the state regulatory commissions or by the bidding process. Late Payment Surcharge (LPS) refers to the charge payable for delay beyond the due date in the payment of monthly charges for the purchase of electricity or use of the transmission system.

The Rules specify that for the first month of default, the LPS must be charged at the base rate. The base rate refers to the State Bank of India’s (SBI) rate of marginal cost of funds-based lending for one year plus 5%. The central government may notify the base rate in absence of the SBI lending rate. For the successive default months, the rate of LPS must increase by 0.5% for every month. The rate of LPS must not be higher than: (i) 3% of the base rate, and (ii) the rate specified in the agreement. Any distribution licensee with bills (including the LPS) due for more than seven months must be debarred from procuring electricity till the bills are paid.

Central Electricity Regulatory Commission (Power Market) Regulations, 2021 notified

The Central Electricity Regulatory Commission notified the Central Electricity Regulatory Commission (Power Market) Regulations, 2020 in February 2021. It had invited comments on the draft Regulations in July 2020. The Regulations provide for the manner of operating exchange markets dealing in electricity including power exchanges and Over-The-Counter (OTC) market. Key features are:

- **Power exchange**: The objectives of a power exchange will be to: (i) design electricity contracts and facilitate transactions of such contracts, and (ii) facilitate extensive, quick, and efficient price discovery, and dissemination. A person seeking to establish a power exchange will need to register with the Commission.

- **OTC platforms**: The objectives of the OTC platforms will be to: (i) provide an electronic platform with the information of potential buyers and sellers of electricity, and (ii) maintain a repository of data related to buyers and sellers, which is to be provided to the market participants. A person seeking to establish an OTC platform will need to register with the Commission. The 2021 Regulations provide for: (i) eligibility criteria and manner of registration of OTC platforms, and (ii) conditions for revocation of registration.

- **Electricity Contracts**: The 2021 Regulations specify the price discovery mechanism, and the manner of scheduling and delivery of various types of electricity contracts traded in these exchange markets. These include day-ahead, real-time, intra-day, term-ahead, and contingency contracts traded in power exchanges.

- **Market oversight**: The 2021 Regulations empower the Commission to order inquiry or investigation for: (i) non-compliance of statutory obligations by market participants, (ii) involvement of market participants in market manipulation, insider trading, cartelisation, and abuse of dominant position. The Commission may also intervene in situations of abnormal fluctuations in prices and volumes of trade of electricity in these exchange markets.

CERC (Regulation of Power Supply) (First Amendment) Regulations, 2021 notified

The Central Electricity Regulatory Commission (CERC) notified the CERC (Regulation of Power Supply) (First Amendment) Regulations, 2021. This amends the CERC (Regulation of Power Supply) Regulations, 2010.

The 2010 Regulations regulate the power supply to distribution companies and entities with open access in cases of default in payment of outstanding dues, or non-maintenance of letter of credit or payment security as per the contract. Power supply in such cases may be reduced or access to the transmission system may be withdrawn by the generator or the transmission licensee, respectively. Key features of the Regulations include:

- **Applicability**: The 2010 Regulations applied only when there is a specific provision in the
The guidelines released in July 2020 specified that, the composite tariff (tariff for renewable energy complimented with any other source of energy) was the parameter for bid evaluation. The amendments specify weighted average levelized tariff per unit supply of RTC power as the parameter for bid evaluation. The weighted average levelized tariff determined by considering the proportion of energy from RE sources and non-RE sources as per the power purchase agreement.

**Penalty for shortfall in power availability:** The guidelines released in July 2020 specified that: (i) annually at least 51% of power must come from renewable sources, and (ii) the renewable power generator is required to ensure at least 85% availability of power annually and during the peak hours. In case these targets are not achieved, the power generators were subject to a penalty of 25% of the cost of this shortfall in energy terms (calculated at the maximum composite tariff payable during the year). The amendments increase the penalty to 400% of the cost of this shortfall in energy terms, calculated at the applicable tariff payable during the year.

**Threshold for sharing the amount realised from non-scheduled power:** The power generators and procurers are required to follow a forecasting and scheduling process for sale of power. If the power is not procured by the procurer as per the schedule, the procurer must compensate the generators. Also, the generators may sell the non-scheduled power to a third-party and adjust the amount realised against the compensation. The power generators are required to share certain part of the amount realised, from the third-party sale of non-scheduled powers (powers offered but not scheduled), with the procurer.

**Guidelines and Standards for Charging Infrastructure for Electric Vehicles amended**

The Ministry of Power amended the Guidelines and Standards for Charging Infrastructure for Electric Vehicles in June 2020. The original guidelines were released in December 2018 and were subsequently revised in October 2019. Key changes are as follows:

**Tariff for electricity supply:** As per the revised guidelines, the Central or State Electricity Regulatory Commissions will determine the tariff for supply of electricity to the public charging stations as per the Tariff Policy issued under the Electricity Act, 2003. The amendments add that the tariff will not be more than the average cost of supply plus 15% unless specified otherwise by the Tariff Policy.

**Types of charging stations:** The amendments define various types of charging stations (Table 16). These entities were not defined in the existing guidelines. The amendments provide that a Battery Charging Station will be treated at par with Public Charging Station and the same tariff for electricity supply will apply to both types of charging stations.
Table 16: Definition of types of charging stations

<table>
<thead>
<tr>
<th>Entity</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Charging Station</td>
<td>Batteries of electric vehicles are recharged</td>
</tr>
<tr>
<td>Battery Charging Station</td>
<td>Discharged or partially discharged batteries of electric vehicles are recharged</td>
</tr>
<tr>
<td>Captive Charging Station</td>
<td>Vehicles owned or controlled by the owner of the charging stations are serviced</td>
</tr>
<tr>
<td>Battery Swapping Station</td>
<td>Discharged battery of any electric vehicle are replaced by a charged battery</td>
</tr>
</tbody>
</table>

Source: Notification No. 12/2/2018-EV, Ministry of Power; PRS.

Waiver of inter-state transmission charges and transmission losses for certain solar and wind power plants

In August 2020, the Ministry of Power issued an order regarding the waiver of inter-state transmission charges and transmission losses for certain solar and wind plants.403 This is in accordance with the National Electricity Tariff Policy, 2016. The waiver will apply for a period of 25 years from the date of commissioning of the power plants meeting the following criteria:

- Power plants using solar, or wind sources of energy commissioned until June 30, 2023 will be eligible. This will also include hybrid solar-wind power plants.
- Only those plants will be eligible who sell power to entities having a renewable purchase obligation (RPO), irrespective of whether the power supplied is within RPO or not. For power produced for distribution licensees, the power should have been procured through a competitive process under the relevant guidelines from the central government.
- Solar power plants must have been commissioned under the Ministry of New and Renewable Energy’s Central Public Sector Undertaking (CPSU) scheme phase II or under Solar Energy Corporation of India tender for manufacturing linked capacity scheme. Phase II of the Ministry’s CPSU scheme is aimed at facilitating national energy security and environment sustainability for government purposes by setting up solar projects through production by the government.404

Guidelines for continuance or exit of distribution companies from the power purchase agreement issued

In March 2021, the Ministry of Power issued guidelines to enable distribution companies (discoms) to either continue or exit from a power purchase agreement (PPA) with centrally owned power generating stations, after completion of the period of the agreement (25 years or as specified in the agreement).405 The guidelines do not apply to PPAs with a nuclear power generating station. Key features of the guidelines include:

- **Continuance or exit of discoms from the PPA:** The guidelines specify that the state discoms may continue or exit from the PPA after 25 years. The first right to avail power beyond the 25-years period will be with the discom with which the PPA was signed. The discoms are required to clear all the dues before exiting the PPA.
- **Unallocated power:** Unallocated power refers to the power which has not been allocated to any particular discom. It is distributed among the existing discoms in the proportion to the allocated power. The discoms may withdraw from the agreement of any unallocated power. Partial withdrawal from the arrangement of unallocated power is not allowed.
- **Sale of available power by generating stations:** On withdrawal of the discoms from the PPA, the generating stations may sell the available power: (i) to the buyers willing to enter into a PPA through a competitive bidding process, (ii) in power exchange markets, and (iii) to the existing discoms by reallocating available power.

Methodology for allocation of coal for short-term linkage under SHAKTI policy amended

The Ministry of Power amended the methodology for allocation of coal under the SHAKTI Policy in May 2020.406 The SHAKTI policy seeks to provide for the allocation of coal among thermal power plants in a transparent and accountable manner.407 Under the policy, short-term linkage is provided to thermal power plants. Currently, except the captive power plants, all other power plants with united capacity more than 50% (generation capacity without power purchase agreements) are eligible to participate in short term coal linkage auctions.

The linkage is provided for a period of three months. The amendment will now allow all power plants not
having power purchase agreements to participate in coal linkage auctions. The duration of coal linkage provided to power plants will now be up to a year.

**Equity lock-in period for selection of transmission service provider for inter-state transmission system amended**

The Ministry of Power amended the equity lock-in period specified in standard bidding documents for selecting transmission service provider to establish inter-state transmission system in November 2020. These providers are selected through a tariff-based competitive bidding process.

As per earlier provisions, the selected bidder was required to hold at least 51% paid up equity share capital for two years after the commercial operation date and 26% for a period of three years thereafter. The amendments specify that the selected bidder is required to hold at least 51% paid up equity share capital only for one year after the commercial operation date.

In case of a consortium of bidders for Request for Proposals, the consortium was required to hold an aggregate equity share capital of 51% for two years after commercial operating date with lead member having 26% of shareholding for five years after commercial operation date. The amendments now require the consortium to hold aggregate equity share capital of 51% for one year after commercial operating date with the lead member having 26% of shareholding for one year after the commercial operation date of the project.

**New and Renewable Energy**

**Green Term Ahead Market launched**

The Green Term Ahead Market (GTAM) was launched on September 1, 2020. Term ahead market refers to the market platform where electricity can be traded on a term basis for a duration of up to 11 days in advance. GTAM will facilitate competitive prices and ensure transparency in the short-term procurement of renewable energy. Some of the features of the market are:

- GTAM contracts will be classified into solar renewable power obligations (RPO) and non-solar RPO. RPO is the mandatory requirement to generate or purchase a minimum specified quantity of energy requirements from renewable sources. The definition of contracts will include green intra-day, day ahead contingency, daily, and weekly contracts.

- Energy procured through GTAM contracts will be considered under the RPO target applicable to the buyer.

- Price discovery will be facilitated on price time priority basis. In price time priority basis, bids and offers are ranked based on their price for execution. In case of two bids or offers with same price, the bid or offer entered first into the trading platform will be ranked first.

**Guidelines for implementation of feeder level solarisation under component-C of PM-KUSUM scheme issued**

In December 2020, the Ministry of New and Renewable Energy issued guidelines for implementation of feeder level solarisation under component-C of Pradhan Mantri Kisan Urja Suraksha evam Utthan Mahabhiyaan (PM-KUSUM) scheme. Component-C of the scheme aims at solarisation of 15 lakh grid-connected agricultural pumps (including 7.5 lakh pumps with feeder level solarisation) by 2022.

- **Modes of implementation**: The guidelines specify two methods for installing solar power plants for feeder level solarisation: (i) capital expenditure (CAPEX) mode, and (ii) Renewable Energy Service Company (RESCO) mode. The distribution company (discom) will be the implementing agency in their respective areas of distribution. Farmers with power consumption below the benchmark consumption (determined by discoms) will be incentivised.

- **Financial assistance**: Under CAPEX mode, 30% of total cost will be provided by the central government as central financial assistance (CFA). The CFA for north-eastern states will be 50%. 40% of the total CFA amount will be provided to discoms on completion of tendering process and signing of agreement with the selected Engineering, Procurement, And Construction (EPC) contractor.

The project life of solar plants will be of 25 years. In case of failure of plant within this period, the discom may have to refund CFA amount on pro-rata basis.

All components used in installation of solar power plants must confirm to applicable specifications and guidelines issued by Bureau of Indian Standards and
the Ministry. Further, the guidelines specify that the solar plants must mandatorily use indigenous solar panels (with indigenous solar cells and modules).

**PM-KUSUM scheme targets revised**

In November 2020, the Ministry of New and Renewable Energy revised the targets of Pradhan Mantri Kisan Urja Suraksha evam Uththaan Mahabhiyaan (PM-KUSUM) scheme. The scheme was launched in March 2019 for solarisation of agriculture pumps. The scheme planned to add solar and other renewable capacity of 25.8 GW by 2022 with total financial support of Rs 34,422 crore. The scheme is being expanded to achieve 30.8 GW of enhanced solar capacity by 2022 with revised financial support of Rs 34,035 crore from the central government.

The scheme is divided into three components. Component A aims at achieving decentralised ground mounted grid-connected solar power plants of individual plant size of 2 MW. Component B aims at installation of standalone solar powered agricultural pumps of individual capacity up to 7.5 HP. Component C aims at solarisation of grid-connected agricultural pumps of individual pump capacity up to 7.5 HP. Table 17 shows revision in targets for each of the components under the scheme.

**Guidelines released for bidding process for procurement of power from grid-connected wind-solar hybrid projects**

In October 2020, the Ministry of New and Renewable Energy released guidelines to provide for a framework based on competitive and transparent tariff-based bidding process for procurement of power from grid-connected wind-solar hybrid projects. This is in accordance with the Wind-Solar Hybrid Policy issued in May 2018. The policy is aimed at providing a framework for the promotion of grid-connected wind-solar hybrid projects for achieving better grid stability. Key features of the guidelines are:

- **Applicability:** The guidelines will be applicable on the long-term procurement of electricity from hybrid projects with capacity of more than 50 MW at one site, where the rated capacity of one of the resources (wind or solar) must be at least 33% of total contracted capacity.

- **Bid process:** A bidder will be allowed to bid for a minimum of 50 MW of project capacity at one site. The maximum capacity for allotment to a bidder may be decided by the distribution licensee based on certain factors such as economies of scale, and land availability. The tariff quoted by the bidder will be the bidding parameter for the process.

- **Power purchase agreement (PPA):** A PPA will be signed by the selected bidder. The minimum duration of PPA should be 25 years from the scheduled commissioning date. If the selected bidder is a single company, its shareholding in the project company, without prior approval, must not decrease below 51% in the first year after commercial operation date.

**Guidelines and model PPA released for implementation of off-grid solar power packs/plants under RESCO model**

In July 2020, the Ministry of New and Renewable Energy released guidelines and model Power Purchase Agreement (PPA) for implementation of off-grid solar power packs/plants under the Renewable Energy Service Company (RESCO) model. Key features of the guidelines include:

- **Applicability:** The guidelines apply to off-grid solar power plants with capacity up to 25kWp in areas beyond the reach of grid power and those with unreliable grid connections. The...
beneficiaries of these plants will include public service institutions including hostel, schools, panchayats, and police stations.

- **Implementation Model**: The plants will be made operational through a framework based on RESCO model. In this model, an external company or a government agency owns all the equipment and performs complete maintenance as well as repair work. The beneficiary only pays the service charge which covers the cost of providing electricity including cost of maintenance and repairs.

- **Duration**: The vendor will install and operate the power plant with capacity up to 10 kWp for at least 10 years and those with capacity above 10 kWp for at least 15 years.

- **Features of solar PV plants**: The plants will be designed to supply a daily minimum guaranteed energy to the beneficiary. The guidelines specify features of solar power plants in areas isolated from grid system and areas with unreliable grid connections. Some of the common features include: (i) use of energy efficient equipment such as LED lights, and (ii) battery back-up to support daily guaranteed energy.

- **Central Financial Assistance**: 90% of the benchmark cost will be paid upfront as central financial assistance on successful commissioning of the plant. This will include the cost of complete system, transportation of material, installation, commissioning, and insurance.

### Petroleum and Natural Gas

**Biofuel Coordination Committee allowed the use of surplus rice for making ethanol**

In April 2020, the National Biofuel Coordination Committee approved the utilisation of the surplus rice available with the Food Corporation of India for making ethanol. The approval was given so that the ethanol thus produced can be used for making alcohol-based hand sanitisers and for blending with petrol under the Ethanol Blended Petrol (EBP) programme. The EBP programme was launched in 2003 to promote the use of alternative and environment-friendly fuels. Blending ethanol with petrol helps reduce vehicle exhaust emissions and reduces the import burden for petroleum.

According to the National Biofuels Policy, 2018, if over-supply of foodgrains is anticipated during a year, the surplus quantities of foodgrains can be converted to ethanol, based on the approval of the National Biofuel Coordination Committee.

**Cabinet approved the revised interest subsidy scheme for ethanol production**

In December 2020, the Union Cabinet approved the revised scheme for interest subsidy on loans to sugar mills and distilleries for augmenting their ethanol production capacity. Under the scheme, interest subsidy is provided at the rate of 6% per annum or 50% of the rate of interest charged, whichever is lower. Earlier, only sugar mills and molasses-based standalone distilleries which produce ethanol from sugar, sugarcane juice, sugar syrup, and B-heavy molasses were eligible under the scheme. The revised scheme aims to enhance the capacity of production of ethanol from other feed stocks as well such as cereals (including rice, wheat, sorghum, maize, and barley) and sugar beet.

Under the EBP programme, the government has fixed a target of 20% blending of ethanol with petrol by 2030, which it plans to prepone to 2025. As the ethanol production level required to achieve the blending target is not possible through sugarcane and sugar only, the government seeks to incentivise the production of ethanol from other feed stocks, where the current production capacity is not sufficient. Under the revised scheme, the interest subsidy is extended to loans taken for setting up or expanding: (i) distilleries to produce ethanol from other feed stocks producing ethanol, (ii) grain-based distilleries using dry milling process, and (iii) dual feed distilleries (i.e., distilleries using both molasses and grain/any other feed stocks). It is also provided on loans taken for conversion of molasses-based distillers or grain-based distilleries to dual feed distilleries. Only those distilleries are eligible under the revised scheme which supply at least 75% of the ethanol produced from the added capacity to oil marketing companies for blending with petrol.

**Cabinet approved revised mechanism for procurement of ethanol by oil companies**

In October 2020, the Union Cabinet approved a revised mechanism for procurement of ethanol by public sector Oil Marketing Companies (OMCs) under the EBP programme. Under the programme, OMCs procure ethanol from distilleries at administered prices and sell petrol blended with
ethanol up to 10%. The earlier mechanism required OMCs to prioritise the procurement of ethanol made from sources using higher sugar content (sugarcane juice followed by various kinds of molasses). This was aimed at incentivising the production of ethanol from sugarcane-based raw materials, thereby reducing the sugar production in the country. Under the revised mechanism, OMCs will decide the criteria for determining the priority of ethanol procurement from various sources. The criteria would account for factors such as transportation cost and availability, and will apply within the state boundaries. The revised mechanism seeks to provide a fair opportunity to the localised industry and reduce the haphazard movement of ethanol across states.

The Union Cabinet also approved an increase in the prices of ethanol for the supply year 2020-21 (December 2020-November 2021) in October 2020. The increase in price was as follows:

- The price of ethanol from sugarcane juice, sugar, or sugar syrup was increased from Rs 59.48 per litre to Rs 62.65 per litre.
- The price of ethanol from B-heavy molasses (by-product of sugar, but still contains some sugar content) was increased from Rs 54.27 per litre to Rs 57.61 per litre.
- The price of ethanol from C-heavy molasses (end product left after sugar processing, with little sugar content) was increased from Rs 43.75 per litre to Rs 45.69 per litre.

### Electronics and IT

#### IT (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021 notified

In February 2021, the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021 were notified under the Information Technology Act, 2000 (IT Act).[^424][^425]

These Rules replaced the Information Technology (Intermediaries Guidelines) Rules, 2011.[^426] Key features of the 2021 Rules include:

**Intermediaries:** Intermediaries are entities that store or transmit data on behalf of other persons, including internet or telecom service providers, online marketplaces, and social media platforms. The following provisions apply to the intermediaries:

- **Due diligence:** The due diligence to be observed by intermediaries includes: (i) blocking access to unlawful information within 36 hours upon receiving an order from the court or the government, and (ii) retaining information collected for the registration of a user for 180 days after cancellation or withdrawal.

- **Grievance redressal:** The intermediary will designate a grievance officer to address complaints against violation of the Rules. Complaints must be acknowledged within 24 hours and disposed of within 15 days.

- **Significant social media intermediaries:** A social media intermediary with registered users in India above a threshold (to be notified) will be classified as a Significant Social Media Intermediaries. Additional due diligence to be observed by such intermediaries include: (i) appointing a chief compliance officer to ensure compliance with the IT Act and the Rules, and (ii) appointing a grievance officer residing in India. Further, such intermediaries which provide messaging as a primary service must enable the identification of the first originator of the information on its platform. This originator must be disclosed if required by an order from the Court or the government. Such order will be passed for specified purposes including investigation of offences related to sovereignty and security, public order, or sexual violence.

**Digital Media Publishers:** The Rules specify that the following apply to the publishers of digital media such as: (i) news and current affairs content and (ii) online curated content (includes OTT platforms):

- **Code of Ethics:** For publishers of news and current affairs, the following existing codes will apply: (i) the norms of journalistic conduct formulated by the Press Council of India, and (ii) the programme code under the Cable Television Networks Regulation Act, 1995. For publishers of online curated content, the requirements include: (i) classifying content in age-appropriate categories as specified, (ii) implementing an age verification mechanism for access to adult content, and access control measures such as parental controls, and (iii) improving accessibility for persons with disabilities.

- **Grievance redressal:** A three-tier grievance redressal mechanism will be in place for dealing with complaints regarding content: (i) self-regulation by the publishers, (ii) self-regulation by the self-regulating bodies of the publishers,
and (iii) oversight mechanisms established by the central government.

For PRS summary of the Rules, please see here.

Rules notified for the use of Aadhaar authentication for good governance purposes

In August 2020, the Ministry of Electronics and Information Technology notified the Aadhaar Authentication for Good Governance (Social Welfare, Innovation, Knowledge) Rules, 2020.427 These Rules have been notified under the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (Aadhaar Act).428 The Aadhaar Act allows the central government to frame rules on purposes for which Aadhaar authentication may be sought.

The Rules empower the central government to allow entities to seek Aadhaar-based authentication for certain purposes including: (i) good governance, (ii) preventing leakage of funds, (iii) promoting ease of living of residents, and (iv) enabling better access to services. The authentication may be sought for the following purposes on a voluntary basis: (i) using digital platforms to ensure good governance, (ii) preventing leakage of social welfare benefits, and (iii) enabling innovation and spread of knowledge. Any department of the central or state government willing to use Aadhaar authentication for the above purposes shall prepare a proposal and submit it to the Unique Identification Authority of India for approval.

59 mobile apps banned on the grounds of national security and public order

In June 2020, the Ministry of Electronics and Information Technology banned 59 apps on the grounds that they pose a threat to the sovereignty, integrity, defence and security of the state, and public order.429 On similar grounds, the Ministry banned an additional 118 apps in September 2020 and 43 apps in November 2020.430,431 These apps include TikTok, ShareIt, UC Browser, Mi Video Call, and Cam Scanner. Use of these apps has been disallowed in both mobile and non-mobile devices. The ban was imposed under the IT Act.432 The Act empowers the central government to issue directions to block public access of any information through any computer resource where it is in the interest of national security or public order. An intermediary failing to comply with the direction may be punished with up to seven years of imprisonment and fine.

The Ministry noted that these apps had engaged in theft and secretive transmission of users’ data in an unauthorised manner to servers outside India. It noted that the compilation of such data and its mining and profiling by hostile elements can be a threat to national security. A ban on these apps was also recommended by the Indian Cyber Crime Coordination Centre of the Ministry of Home Affairs.

Revised report of the Expert Committee on non-personal data released

In July 2020, an Expert Committee (Chair: Mr. Kris Gopalakrishnan) constituted by the Ministry of Electronics and Information Technology, to study various issues relating to non-personal data, had published a draft report for public consultation.433 Based on the feedback received, the Committee released a revised version of the draft report in December 2020.434 Key recommendations of the Committee under the revised draft report are:

- **Definition of non-personal data:** According to the Committee, non-personal data is: (i) data that is not covered under the definition of personal data in the Personal Data Protection Bill, 2019 (PDP Bill), or (ii) data without any personally identifiable information. The PDP Bill defines personal data to include data pertaining to characteristics, traits, or attributes of identity, which can be used to identify an individual.

- The Committee recommended that the PDP Bill should be amended to remove provisions related to non-personal data so that there is no overlap between the two regulatory frameworks. Currently, the PDP Bill empowers the central government to direct any entity to provide non-personal data for targeting of delivery of services or formulation of evidence-based policies.

- In its first report, the Committee had categorised non-personal data into: (i) public: data collected or generated by government, (ii) community: raw or factual data sourced from a community of natural persons, and (iii) private: data collected or generated by private entities through privately owned processes (derived insights or proprietary knowledge). The Committee removed this classification in the revised draft of the report.

- **High-value datasets:** The first draft provided that the government may specify certain datasets as high-value datasets at a national level. The revised draft defines a high-value dataset as a dataset beneficial to the community at large and
is shared as a public good, subject to certain guidelines. It will include datasets useful for: (i) creation of new and high-quality jobs, (ii) creation of new businesses, and (iii) socio-economic objectives such as financial inclusion, healthcare, and urban planning. A representative entity called data trustee may be appointed for the creation, maintenance, and sharing of high-value datasets. The data trustee will request the data custodian (entity collecting, processing, and storing data) to provide the required data.

- **Sharing of non-personal data:** As per the first draft, sharing of non-personal data could be mandated for specified purposes including: (i) sovereignty: national security, law enforcement, or regulatory purposes, (ii) public interest: community benefits, research and innovation, policy making for better delivery of public services, and (iii) economic value: to encourage competition or provide a level-playing field among for-profit entities. The revised draft mandates data sharing only for the purpose of public good. It mandates sharing of only high-value datasets managed by data trustees.

For PRS summary of the revised draft of the report, please see [here](#).

**Draft Data Centre Policy, 2020 released**

In November 2020, the Ministry of Electronics and Information Technology released the draft Data Centre Policy, 2020. The policy seeks to promote the data centre sector in the country. Data centres are centralised locations where computing and networking equipment is concentrated for the purpose of collecting, storing, processing, distributing, or allowing access to large amounts of data. Key features of the draft policy include:

- **Infrastructure status:** The central government will work towards providing infrastructure status for the data centre sector, at par with other infrastructure sectors such as railways and power. This will enable the data centre operators to avail long-term credit and thus, provide a boost to investments in the sector. Data centres will also be declared as an essential service under the Essential Services Maintenance Act, 1968. The Act empowers the central government to prohibit strikes by employees engaged in rendering specified essential services.

- **Data centre economic zones and parks:** The central government will set up at least four data centre economic zones in the country under a central sector scheme. States will be encouraged to demarcate land with necessary infrastructures such as roads, power, and high-capacity internet connectivity for setting up data centre parks.

- **Institutional mechanism:** An Inter-Ministerial Empowered Committee will be set up under the chairmanship of the secretary of the Ministry. The committee will be the key decision-making body for the effective implementation of the policy. A Data Centre Facilitation Unit will be set up within the Ministry as the nodal agency to work under the Committee and support the implementation of its decisions.

**Draft National Strategy for Additive Manufacturing released**

In December 2020, the Ministry of Electronics and Information Technology released the draft National Strategy for Additive Manufacturing. Additive manufacturing (popularly known as 3D printing) refers to the construction of a three-dimensional object from a digital 3D model by adding materials layer by layer. The technology is being utilised in several industries including aerospace, electronics, and consumer goods.

The Ministry noted that the additive manufacturing industry is growing rapidly and is expected to be at USD 36 billion by 2023. However, in comparison to countries such as USA, China, and Germany, it has not seen much traction in India. The Ministry identified certain key challenges in the adoption of additive manufacturing. These include: (i) high cost of equipment and material due to dependence on import, (ii) lack of formal industry standards, (iii) lack of skilled manpower, and (iv) uncertainty in the regulatory and legal framework. Key recommendations under the draft strategy include:

- **Promotion:** The government procurement policies should encourage the purchase of additive manufacturing machines, manufactured components, and systems for their operations. A preferential market access policy should be developed to support local manufacturers. Additive manufacturing should be included in the government schemes for technology upgradation for MSMEs. Following benefits to the industry are suggested: (i) long-term tax benefits, (ii) ready to use facilities at a subsidised rental cost, and (iii) benefit in electricity tariffs for units with high consumption requirements.
National Additive Manufacturing Centre: A dedicated Centre may be constituted to lead the national initiative for the development and adoption of additive manufacturing technologies. The Centre may take initiatives such as a study of the sectoral potential for integrating additive manufacturing and development of standards and certifications for centres.

Research: A centre of excellence dedicated to additive manufacturing may be established. The research efforts in the area of additive manufacturing could be supported by an increase in grants-in-aid. Intellectual property developed through government-funded projects should be made accessible. International partnerships for research and development at the government as well as industry level should be encouraged.

Draft Strategy on Blockchain released

In February 2021, the Ministry of Electronics and Information Technology released the draft National Strategy on Blockchain.437 Blockchain is a distributed ledger technology based on a shared ledger between various parties involved in business transactions. The data structure used in blockchain maintains an unchangeable record of transactions in a time-sequence manner, eliminating the need for a central entity to validate transactions.

The Ministry highlighted the following key challenges in the adoption of blockchain: (i) scalability and transaction speed, (ii) data security and privacy, (iii) standardisation and interoperability, and (iv) skilled manpower. Key features include:

National-level Blockchain Framework: The Strategy proposes the creation of a national-level blockchain framework. Under the framework, infrastructure for hosting blockchain platforms will be created across multiple zones in the country. The strategy proposes the creation of infrastructure for blockchain as a national resource and recommends offering Blockchain as a Service. It refers to cloud-based services for building and hosting blockchain applications.

The Strategy proposes to evolve an indigenous technology stack with an open Application Programming Interface (APIs). APIs enable two software systems to interact with each other. Open API means a publicly available interface for programmatic access to the software. For planning and implementing the national framework, a multi-institutional centre of excellence will be created.

Integration of national-level services: The following national-level services can be integrated with the blockchain framework: (i) eSign, an online service providing for instant signing of documents, (ii) ePramaan, an authentication service used to access different government applications, and (iii) DigiLocker, an online service to access documents issued by government agencies.

Capacity building: The Strategy noted that blockchain needs to be promoted by conducting short terms courses or bootcamps. It proposes to create sandbox environments for development and testing of applications and offering virtual training. A sandbox provides a controlled environment for developers to test new products, services, or business models with customers.

Communications

Restrictions placed on procurement of telecom equipment

In March 2021, the Department of Telecommunications added certain conditions on procurement of telecom equipment in various telecom licenses including unified license, unified license-virtual network operator license, and national long-distance license.438 Under these telecom licenses, the central government is empowered to modify the terms and conditions of the license.439,440 These modifications may be made on the grounds of public interest, security of the state, or proper conduct of telecommunication.439,440

As per these conditions, the National Cyber Security Coordinator (NCSC) will have the right to impose conditions for the procurement of telecom equipment on grounds of defence of India and national security. NCSC under the National Security Council Secretariat coordinates with different agencies at the national level for cybersecurity matters.441 NCSC will: (i) notify trusted sources along with associated telecom equipment (trusted products), (ii) notify categories of equipment for which security requirement related to trusted sources will be applicable, and (iii) notify sources from whom no procurement can be done.
From June 15, 2021, the licensees will be allowed to connect only trusted products in their network. Licensee will require permission from NCSC for upgradation of existing network utilising the telecom equipment which has not been designated as trusted products. These conditions will not affect ongoing annual maintenance contracts or updates to already inducted equipment.

Spectrum under various frequency bands auctioned

In December 2020, the Union Cabinet approved the proposal to conduct the auction of spectrum in 700 MHz, 800 MHz, 900 MHz, 1,800 MHz, 2,100 MHz, 2,300 MHz, and 2,500 MHz frequency bands. A total of 2,251 MHz of spectrum with the valuation at Rs 3.9 lakh crore was to be offered through auction. Spectrum are to be assigned to the successful bidder for a period of 20 years. Successful bidders may pay the entire bid amount in one go. They will also have an option to pay a certain amount up front and the remaining amount in up to 16 equated annual instalments. For spectrum in 700 MHz, 800 MHz, and 900 MHz bands, 25% of the bid amount will be required to be paid upfront. For other bands, 50% of the bid amount will be required to be paid upfront. A moratorium of two years will be available for payment of instalments. In addition to the bid amount, successful bidders will also have to pay 3% of the Adjust Gross Revenue (AGR) as spectrum usage charges annually. For this purpose, revenue from wireline services will not be included in the AGR. AGR is arrived at after subtracting certain charges and taxes from gross revenue, such as roaming charges passed on to other service providers and any service tax and sales tax included in the gross revenue.

Subsequently, auctions were conducted in March 2021. A total of 2,309 MHz of spectrum was put to auction. Of this, a total of 856 MHz of spectrum was acquired. The total amount raised from the auction is Rs 77,815 crore.

Orders suspending telecom services not to be in operation for more than 15 days

In November 2020, the Department of Telecommunications notified the Temporary Suspension of Telecom Services (Amendment) Rules, 2020 to amend the Temporary Suspension of Telecom Services (Public Emergency or Public Safety Rules), 2017. The 2017 Rules have been issued under the Indian Telegraph Act, 1885. The Act empowers the central and state governments to suspend telecom services in an area on the occurrence of any public emergency or in the interest of public safety. The 2017 Rules prescribe the manner of issuance of the orders regarding the suspension of telecom services. The 2020 Rules add that any suspension order will not be in operation for more than 15 days.

Projects for improving telecom connectivity in remote areas approved

In December 2020, the Union Cabinet approved two projects for improvement in telecom connectivity in remote areas. These projects will be funded from the Universal Service Obligation Fund (USOF). USOF has been established to provide widespread, non-discriminatory, and affordable access to information and communication technology services to people in rural and remote areas. Resources for USOF are raised through a levy on the revenue of all the telecom operators under various licenses. The projects include:

- **Submarine optical fibre cable link between Kochi and Lakshadweep Islands:** Under this project, a direct communication link through a dedicated submarine optical fibre cable will be created between Kochi and 11 islands of Lakshadweep. Currently, the only medium of providing telecom connectivity to Lakshadweep islands is through satellites, and the bandwidth available is limited to 1 Gbps. The estimated cost of the project is Rs 1,072 crore. The project is targeted to be completed by May 2023.

- **Mobile coverage in Arunachal Pradesh and parts of Assam:** This project will provide mobile coverage to 1,683 uncovered villages in Arunachal Pradesh, and 691 villages in Karbi Anglong and Dima Hasao districts of Assam. The estimated cost of the project is Rs 2,029 crore. The project is targeted to be completed by December 2022.

New guidelines for other service providers released

In November 2020, the Department of Telecommunications (DoT) released new guidelines for Other Service Providers (OSPs). The new guidelines seek to reduce the compliance burden for the Business Process Outsourcing (BPO) and IT-enabled services industry. It replaces the
guidelines issued in August 2008.\textsuperscript{451} Key features of the new guidelines are:

- **Definition of OSPs:** Earlier, the OSPs were defined as companies providing application services including telebanking, telecommerce, call centre, and other IT-enabled services, by using telecom resources provided by authorised telecom service providers.\textsuperscript{451,452} The new guidelines define OSPs as companies providing voice-based BPO services. Hence, as per the new guidelines, BPOs engaged in data-related work will be out of the ambit of OSP regulations.

- **Registration of OSPs:** As per the earlier guidelines, OSPs were required to register with the DoT for offering services in the country. The new guidelines remove this requirement for registration of OSPs.

- **Work from home facility:** OSPs may employ persons who work from home. Earlier, OSPs were required to seek permission from DoT and provide a bank guarantee for extending the work from home facility. The new guidelines remove these requirements for extending work from home facility.

- **Sharing of infrastructure:** Earlier, sharing of infrastructure between domestic and international OSPs was permitted with prior approval from DoT. The sharing was allowed only between entities of the same company. The OSPs were required to provide a bank guarantee for this purpose. The new guidelines allow the sharing of infrastructure between domestic and international OSPs. No bank guarantee will be required for this purpose.

**New framework for the proliferation of broadband through public Wi-Fi released**

In December 2020, the Department of Telecommunications (DoT) released a new framework called the Prime Minister’s Wi-Fi Access Network Interface (PM-WANI) for the proliferation of broadband through public Wi-Fi networks.\textsuperscript{453,454} The framework seeks to improve last-mile broadband connectivity through a network of public Wi-Fi access points. The framework will facilitate local shops and small establishments in becoming Wi-Fi service providers. The framework will include:

- **Public Data Office (PDO):** PDOs are entities which will procure internet bandwidth from telecom/internet service providers and establish and operate PM-WANI compliant Wi-Fi access points. PDOs will not be required to obtain any licence or register with any authority. No fees will be charged to PDOs for providing services.

- **Public Data Officer Aggregator (PDOA):** PDOA will be an aggregator of PDOs and will perform the functions relating to the authorisation of users and accounting of subscription charges on their behalf. PDOAs will need to register with the DoT.

- **App provider:** App providers will develop an app to register a user, discover the PM-WANI compliant Wi-Fi access points in the nearby area, and display the same within the App to the users for accessing internet. App providers will be required to register with the DoT. The registration with DoT will provide permission for pan India operations to both PDOA and specific App providers.

- **Central Registry:** The central registry will maintain the details of PDOs, PDOAs, and App providers (made available through PDOAs). It will certify the systems and software applications of PDOA and app providers for compliance with the specifications of the framework.

The potential user will need to download the app of any of the app providers, get authenticated, and thereafter access internet from any PM-WANI compliant Wi-Fi access point.

**TRAI released recommendations on regulation of OTT communication services**

In September 2020, the Telecom Regulatory Authority of India (TRAI) released its recommendations on the regulatory framework for over-the-top (OTT) communication services.\textsuperscript{455} OTT communication services include voice calling, video calling, and messaging over the internet. These services bypass the need for accessing corresponding services provided over the telecom network. Examples of such service providers include Skype, Facebook Messenger, and WhatsApp. TRAI recommended that:

- There should be no regulatory intervention on OTT communication services at the moment. Deliberations across the world on the regulation of OTT services are at the study level, and hence, may not be an opportune moment to recommend any regulations.
TRAI released recommendations on the usage charges in cases of spectrum sharing

In August 2020, TRAI released recommendations on the methodology of assessment of spectrum usage charges in cases of spectrum sharing. Licensees providing mobile access services are required to pay Spectrum Usage Charges (SUC) which is computed as a percentage of Annual Gross Revenue (AGR). These charges vary between 3% to 8% depending on quantum and type of spectrum held by a wireless licensee. AGR represents the net revenue after allowing permissible deductions from the gross revenue. AGR is arrived at after subtracting certain charges and taxes from gross revenue, such as roaming charges passed on to other service providers and any service taxes and sales taxes included in the gross revenue.

A licensee who has been allocated spectrum through the specified process (auction or administrative allocation) can share its spectrum with other licensees. Currently, sharing of the spectrum is allowed only in the same band. SUC rate of each of the licensees post sharing increases by 0.5% of AGR. The Department of Telecommunications had received representations requesting that the incremental rate of SUC should only apply to the spectrum band allowed to be shared instead of the entire spectrum band held by the licensees. TRAI had received a reference from the Department to furnish its recommendations in this regard. Key recommendations include:

- **Applicability of incremental SUC rate**: TRAI recommended that an increment of 0.5% on SUC rate should apply on the spectrum holding in a specific band in which sharing is taking place, and not on the entire spectrum holding of the licensee. It noted that in case incremental SUC rate is applied on the overall spectrum held by licensees, the cost of spectrum sharing could surpass the benefits achieved through sharing.

- **Intimation of termination of spectrum sharing**: TRAI noted that existing guidelines on spectrum sharing do not have specific mention of mutual termination of spectrum sharing arrangement by licensees. It recommended that such clauses should be included in the guidelines. This is expected to provide flexibility to manage the spectrum on a need and commercial basis.

TRAI sought views on a new licence regime based on different layers of telecom

In August 2020, TRAI released a consultation paper on enabling unbundling of different layers of telecom through differential licensing. The current Unified Licence regime does not create a distinction between different layers of telecom such as infrastructure, network, service, and application. This implies that there is no provision for separate licences to allow entities to operate in these layers independently.

The consultation paper is in accordance with the National Digital Communications Policy 2018 which envisages a differential licensing regime for different layers of telecom. Such licensing system is expected to promote investments, ease of doing business, and innovation in the sector. Further, it will provide opportunities for sharing of telecom resources and its optimum utilisation. As per the current licensing regime, the Uniform Licence issued by the Department of Telecommunications does not segregate infrastructure, network, and service layers. However, there are other licences which provide for segregation in a limited manner. These include: (i) Infrastructure Provider licence allowing entities to own, establish, and maintain certain telecom infrastructure elements and lease, rent, or sell these to Telecom Service Providers (TSPs), and (ii) Virtual Network Operator (VNO) Licence allowing enterprises which do not have spectrum, to provide wireless services by sharing the spectrum of TSPs.

TRAI sought views on the following matters: (i) the need for separation of network services and service delivery layers and scope of separate licences for them, (ii) if network service licensee should also be allowed to engage in service delivery, and (iii) whether existing unified licensee should be required to migrate to the unbundled licensing regime.

TRAI sought views on promotion of broadband connectivity

In August 2020, TRAI released a consultation paper on the roadmap to promote broadband connectivity and enhanced broadband speed. TRAI noted that in the post-COVID-19 pandemic era, there will be an
increasing reliance on broadband connectivity and demand for these services is likely to grow faster.

Currently, in India, a broadband connection is defined to have a minimum download speed of 512 kbps (kilobits per second) to an individual subscriber. As of March 2020, 93% of internet subscribers in India use a broadband connection. Threshold download speed of broadband vary across countries. For instance, in USA, UK, and China, it is defined to be 25 Mbps (megabits per second), 24 Mbps, and 20 Mbps, respectively.

Broadband connection is classified among fixed and mobile-based on the mode of the last mile of connectivity. Fixed broadband is provided to customer premises (fixed location) whereas mobile broadband is a portable connection through handheld devices (mobile, dongle) connected to the wireless network. As of March 2020, 97% of broadband subscribers in India use mobile broadband.

TRAI noted that India experiences download speeds of 12 Mbps in case of mobile broadband and around 38 Mbps in case of fixed broadband. The corresponding global averages are 35 Mbps and 78 Mbps, respectively. India ranked 129th among 138 nations in mobile broadband speed and 75th among 174 countries in fixed broadband speed. Note that the National Digital Communications Policy 2018 seeks to achieve broadband connectivity at 50 Mbps to every citizen by 2022.

TRAI sought views on the following key matters: (i) need for revising the definition of broadband and criteria for such revision, (ii) concerns with right of way permissions for laying optical fibre and development of common ducts infrastructure, (iii) ways to improve subscription rate of fixed broadband services, (iv) reasons for slower mobile broadband speeds and how this could be addressed, and (v) need for minimum standards for consumer devices.

**TRAI sought views on licensing framework for satellite-based connectivity for low bit-rate applications**

In March 2021, TRAI released a consultation paper on licensing framework for satellite-based connectivity for low bit-rate applications. Satellite communication allows connectivity in remote and inaccessible areas where terrestrial connectivity is not reasonably accessible either due to cost or terrain constraints. TRAI noted that new types of applications involving low bit-rate communication (i.e., low data transfer per unit of time) are emerging. Such applications require low cost, low power, and small size terminals and can effectively perform the task of signal transfer with minimum loss.

TRAI observed that satellite communication will be crucial for low-bit rate internet of things (IoT) devices which are on the move and frequently go out of reach of terrestrial networks. IoT refers to a system of internet-connected objects that can communicate over a wireless network without human intervention. It observed that IoT based applications through satellite connectivity provide enterprises with newer opportunities to increase operational efficiency, reduce costs, and simultaneously secure goods, personnel, and assets. Such applications have use cases in sectors including transport, agriculture, and disaster management.

TRAI has sought views on the following key issues: (i) models of satellite-based connectivity for IoT and low-bit-rate applications, (ii) types of satellites to be considered for such communication, (iii) frequency bands for such communication, (iv) whether a new licensing framework is required or existing licensing framework may be suitably amended, (v) licensing framework for captive usage, (vi) whether licensees should be permitted to obtain bandwidth from foreign satellites, and (vii) measures for improving the affordability of satellite-based services in India.

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**Media and Broadcasting**

**Digital media content to be regulated by Ministry of Information and Broadcasting**

In November 2020, the government amended the Allocation of Business Rules, 1961 to bring regulation of certain content provided by online platforms under the ambit of the Ministry of Information and Broadcasting (I&B). The Ministry’s ambit of regulation will now include: (i) films and audio-visual programmes made available by online content providers, and (ii) news and current affairs content on online platforms. The Allocation of Business Rules are made under Article 77 of the Constitution which provides for the conduct of business by the different ministries. Note that, under the Rules, policy matters related to internet, cyber-laws and other laws on information technology are under the purview of the Ministry of Electronics and Information Technology.

In February 2021, the Information Technology (Intermediary Guidelines and Digital Media Ethics
Code) Rules, 2021 were notified. As per these Rules, the Ministry of I&B will be responsible for administering rules regarding publishers of digital media. Publishers of digital media include publishers of: (i) news and current affairs content and (ii) online curated content (includes OTT platforms).

For a PRS summary of the Rules, please see here.

**Revision in license conditions for providing DTH services approved**

In December 2020, the Union Cabinet approved revised guidelines for obtaining a license to provide Direct-To-Home (DTH) broadcasting service in India.464 A DTH license allows the operator to provide broadcasting service directly to the end-user. Key changes made by the guidelines include:

- **Period of license**: Currently, a DTH license is valid for a period of 10 years. This period has been increased to 20 years. This license may be renewed for a period of 10 years.

- **License fee**: Currently, the licensee is required to pay an annual license fee of 10% of the company’s gross revenue. This has been revised to 8% of the Adjusted Gross Revenue (AGR). AGR is calculated by deducting GST from the gross revenue. This revision will be applicable for licenses granted after the notification of these guidelines. Further, the license fee will be collected every quarter instead of annually.

- **Platform services**: Distribution service providers offer certain programs which are not obtained from satellite-based broadcasters and are specific to each platform. These programs are referred to as platform services. The guidelines state that DTH operators will be permitted to operate a maximum of 5% of their total channel carrying capacity as permitted platform channels. A one-time non-refundable registration fee of Rs 10,000 will be levied for each such channel.

- **Sharing of infrastructure**: The DTH operators may share their hardware infrastructure with another operator voluntarily. Sharing of infrastructure by the DTH operators is expected to bring in more efficient use of satellite resources and reduce costs borne by consumers.

**TRAI released recommendations on the TRP measurement system**

In April 2020, the Telecom Regulatory Authority of India (TRAI) released its recommendations on the Television Audience Measurement and Rating System, also known as the TRP measurement system.465 Currently, the Broadcast Audience Research Council (BARC), an industry-led body, is the sole provider of television rating services on a commercial basis in the country. TRAI observed that structural reforms are required in BARC to mitigate the potential risk of conflict of interest, improve credibility, and bring transparency to the TRP measurement system. Key recommendations of TRAI are:

- **Composition of the BARC board**: The BARC board should have at least 50% independent members, including: (i) one measurement technology expert, (ii) one statistician of national repute, and (iii) two representatives from the government or regulator. Further, its constituent industry associations should have equal voting rights irrespective of their proportion of equity holding. The chairmanship should be rotated among the constituent industry associations every two years.

- **Functions of BARC**: Multiple data collection and data processing agencies should be encouraged to operate. Functions of BARC should be limited to publishing the ratings, framing methodology and audit mechanism.

- **Sample size for rating**: The sample size (represents the number of homes where the audience measurement device is placed) should be increased from the existing 44,000 to 60,000 by the end of 2020, and to one lakh by the end of 2022. TRAI observed that a larger sample size improves the robustness of measurement rating.

- **Data practices**: BARC should retain all relevant data for at least one year. BARC should automate data processing in such a manner that no manual intervention is required in determining the final TRP rating. BARC should get an annual audit conducted by an independent agency to ensure conformity with rating methodology and sample size requirements.
Committee constituted to review guidelines on television rating agencies

In November 2020, the Ministry of Information and Broadcasting constituted a Committee (Chair: Mr. Shashi S. Vempati, CEO, Prasar Bharti) to review the existing guidelines on television rating agencies. The guidelines specify the eligibility criteria and registration process for television rating agencies. It also specifies the methodology for the audience measurement. For measurement of television ratings, the existing guidelines (2014) prescribed a panel selected from a pool of households where the audience measurement device is placed (sample size for measurement of ratings). It prescribed a sample size of 20,000 households, which was to be increased by 10,000 every year to 50,000 households.

The Ministry stated that there is a need to review the guidelines keeping in view the technological advancements, and certain recommendations made by TRAI in this regard. Hence, it constituted the Committee to recommend changes in the existing guidelines. The terms and reference of the Committee include: (i) studying past recommendations made on the subject, (ii) making recommendations for a transparent and accountable rating system, and (iii) suggesting steps to enhance competition in the sector.

Recommendations of TRAI on reserve price for auction of FM radio channels released

In April 2020, TRAI released recommendations on reserve price for the auction of FM radio channels. Currently, the permission for operating FM radio channels is given city-wise and is granted through a one-time entry fee. This fee is a successful bid amount arrived at through an auction process. This is being done under the latest phase (Phase-III) of the FM radio broadcasting policy announced in 2011. Under the policy, a city-wise reserve price is announced before auction. This is the minimum price acceptable for the sale of an item under auction. In addition, the operators also pay an annual license fee, which is equal to 4% of annual gross revenue, or 2.5% of the entry fee, whichever is higher. The phase-III policy seeks to enable setting up of private FM Radio channels in all cities with a population of more than one lakh, and certain specified cities in border areas including Jammu and Kashmir and the north-eastern region.

The Ministry of Information and Broadcasting intends to conduct the latest round of auction for FM radio channels in 283 such cities. Hence, the Ministry sought recommendations from TRAI on determining reserve prices for auction. Key recommendations of TRAI on the auction of FM radio channels are:

- **Reserve price**: The reserve price for radio channels in a city should be set at 0.8 times the valuation of the FM radio channel in that city. However, for cities situated in North-East, Jammu and Kashmir, and Andaman and Nicobar Islands, the price should be set at 0.4 times the valuation. The reserve price for 10 border cities should be five lakh rupees for each channel.

- **Choice of broadcasting technology**: Auction of channels under Phase-III should not restrict the choice of technology for broadcasting. Where broadcasters choose digital technology, they should be permitted to broadcast more than one channel subject to technical feasibility.

- **Withdrawal of limit on owning frequency**: Currently, no entity is allowed to hold more than 15% of total FM radio channels allocated in the country. TRAI recommended withdrawing this limit on owning frequency.

TRAI released recommendations on interoperability of set-top box

In April 2020, TRAI released recommendations on the interoperability of set-top box. A set-top box is a device that receives digital signal, decodes and displays it on television. At present, a set-top box of one service provider cannot be used for accessing television broadcasting services of another service provider. If a subscriber wants to change one’s service provider, new set-top box must be purchased. Interoperability of set-top box will provide consumers with the freedom to change their service provider without changing their set-top boxes. Key recommendations include:

- **Interoperability to be mandatory**: All set-top boxes in the country should support technical interoperability. The Ministry of Information and Broadcasting may amend rules and licensing terms related to cable television to mandate interoperability of set-top boxes. Due to technical constraints, the interoperability of set-top boxes will apply within the Direct to Home and cable segments. The operators will be required to adopt interoperable set-top boxes within six months of the date of notification.
Interoperability through digital TV: TRAI recommended mandating the provision of (i) USB port based common interface, and (ii) built-in tuners to enable reception of TV content through both satellite and cable platforms, for all digital TV sets in India.

Coordination and Implementation Committee: A coordination committee may be set up by the Ministry with members from: (i) the Ministry of Electronics and Information Technology, (ii) TRAI, (iii) the Bureau of Indian Standards, and (iv) representatives of manufacturers of TVs.

Advisory on online gaming and fantasy sports advertisements issued

In December 2020, the Ministry of Information and Broadcasting observed that a large number of advertisements on online gaming and fantasy sports have been appearing on television. In view of this, it issued an advisory to all private satellite television channels to ensure compliance with the guidelines issued in November 2020 by the Advisory Standards Council of India (ASCI).\(^471\) The guidelines by ASCI provide for the following:

- Advertisements must not depict any person under the age of 18 or anyone who appears below the age of 18 engaged in playing an online game for winning real money.
- It must carry a disclaimer stating that the game involves financial risk and may be addictive. Such disclaimer should occupy at least 20% of the advertisement space.
- The advertisements must not present ‘online gaming for real money winnings’ as an income opportunity or alternative career. Further, it should not suggest that the person engaged in gaming activity is in any way more successful than others.

Science and Technology

Standing Committee submitted report on the DNA Technology Regulation Bill, 2019

In February 2021, the Standing Committee on Science and Technology, Environment, Forests and Climate Change (Chair: Mr. Jairam Ramesh) submitted its report on the DNA Technology (Use and Application) Regulation Bill, 2019.\(^472\) The Bill regulates the use of DNA technology for establishing the identity of persons such as victims, offenders, suspects, and missing persons. Key observations and recommendations of the Committee include:

- Definition of DNA Profile: The Bill defines DNA profile as the result of analysis of a DNA sample for establishing the identity of a person. The Committee recommended that DNA profile should be defined as the DNA pattern that establishes only the genetic identity of a person, and not the characteristics of an individual such as physical appearance, behaviour, or health status.

- Sources for collection of DNA samples: The Bill provides a list of sources for the collection of DNA samples including blood sample, hair, and mouth swab. It also lists photographs or video recording of body parts, and handprint, fingerprint, or footprint as such sources. The Committee noted that currently, there is no technology to derive DNA profile from photographs, videos, or print of any body part. Therefore, it recommended deletion of these as sources for collection of samples.

- National Data Bank: The Committee recommended not having any regional DNA data banks as they do not provide any additional benefits, and create more vulnerability to the accuracy and security of the DNA system. Further, labs must remove DNA profiles after sharing them with the National DNA data bank.

- Removal of DNA profiles: The Bill provides that DNA information in the crime scene index will be retained. DNA profiles of a suspect or an under trial will be removed on a court order. The Committee recommended that: (i) the DNA profile of an offender be removed within 30 days from acquittal, and (ii) deleting the provision on removal of data for a suspect and under trial, among others.

- Power to make Rules/Regulations: The Bill provides power to the central government/ DNA Regulatory Board to make Rules/ Regulations on certain provisions of the Bill. The Committee recommends that some of these provisions should only be amended by legislation. These include amending: (i) the Schedule to the Bill which lists matters where DNA evidence may be used for identification of persons, and (ii) the purposes for which access to DNA information may be given.

For a PRS summary of the Committee report, please see here. For a PRS analysis of the Bill, see here.
Guidelines released for acquiring and producing geospatial data and services

The Department of Science and Technology issued guidelines for acquiring and producing geospatial data and services, including maps, in February, 2021.473 Examples of geospatial data include location information on individuals, mobility data, and location and attributes of natural objects or phenomena, such as weather patterns and seismic patterns. The Department noted that availability of comprehensive and high accuracy geospatial data will encourage innovation and enhance the preparedness for emergency response. Key features of the guidelines include:

- **Processing of geospatial data:** There will be no restrictions in the form of clearance, approval, or licence for the processing of geospatial data. Processing includes collection, generation, preparation, dissemination, storage, and publication. Self-certification will be used to convey adherence to the guidelines. However, there will be a negative list of attributes which cannot be identified or associated with any location on a map. For attributes in the negative list, a different threshold value for accuracy as well as regulations will be specified.

- **Certain permissions only to Indian entities:** Permission for terrestrial mobile mapping survey, street view survey, and surveying of Indian territorial waters will be granted only to Indian entities. Maps or geospatial data of spatial accuracy finer than the threshold value can only be created and owned by Indian entities and must be stored and processed in India. Foreign companies will be permitted to license data with finer accuracy from Indian entities. However, such a license will only be for serving its customers in India.

- **Geospatial data generated using public funds:** Geospatial data generated using public funds will be made accessible for free for scientific, economic, and developmental purposes to all Indian entities. The government agencies will take immediate measures to simplify procedures, abolish requirements such as licences, and make data accessible online in a useful format. The government will encourage crowdsourcing efforts to build maps by allocating public funds towards such efforts.

Biotechnology Development Strategy released

The Department of Biotechnology released the National Biotechnology Development Strategy 2021-25 in March 2021.474 The strategy seeks to make India globally competitive in biotechnology research, innovation, and industry. The strategy document noted that the growth of the biotechnology industry in India is primarily driven by vaccines, and drugs produced by using genetic engineering (altering the genetic makeup of an organism). The size of the biotechnology industry of India is estimated to be USD 63 billion in 2019. The strategy aims to increase it to USD 150 billion by 2025.

The strategy identified the following as key focus areas: (i) research academic partnership, (ii) venture capital for high-risk science, (iii) expenditure on research and development by industry, (iv) link between research and commercialisation, and (v) quality assurance as per international standards. It proposed the following key initiatives:

- Setting up: (i) 10 strategically located technology clusters, (ii) 5 bio-manufacturing zones in the vicinity of special economic zones, (iii) 100 bio-incubators, (iv) 100 rural bio-resource technology clusters, (v) bio-design centres in IITs, NITs, and IIITs, etc., (vi) biotech angel networks for catalysing early-stage investments, (vii) international incubators in areas such as agriculture and clean energy, (viii) new biotech parks with the active participation of state governments, and (ix) a focused biotechnology mission on national priorities including climate change, climate-resistant crops, and nutrition,

- Ensuring import substitution as well as enhancement of export for key products,

- Developing regulatory guidelines for emerging technologies such as gene editing, defining policy on sharing biological data,

- Developing a National Biosafety and Biosecurity Network for epidemics,

- Promoting skill development in the area of biotechnology and enhancing employability.

Draft Science, Technology and Innovation Policy, 2020 released

The Ministry of Science and Technology released the draft Science, Technology and Innovation Policy, 2020 (STI Policy) in January 2020, replacing the STI Policy, 2013.475,476 The Policy aims to: (i) achieve
technological self-reliance, and (ii) double the number of full-time researchers and gross domestic expenditure on research and development every five years. Key features of the draft Policy include:

- **Open science framework:** All data used in and generated from public-funded research will be available to everyone. Exceptions will be made on grounds of privacy and national security, wherever applicable. A dedicated portal will be developed to provide access to the outputs of all publicly-funded research. Further, a national STI Observatory will be set up as a central repository for all data related to the STI ecosystem. This will include information on all financial schemes, programmes, grants, and incentives existing in the STI ecosystem.

- **Financing STI:** India’s gross expenditure on research and development (0.7% of GDP) is low as compared to most countries. To increase investment, an STI Development Bank will be set up to facilitate a corpus fund for investing in select areas. Each state will earmark allocation for STI-related activities under a separate head.

- **One nation one subscription policy:** The government will negotiate a subscription policy with journal publishers whereby all individuals in India will have access to journal articles based on a centrally-negotiated payment to journals.
Development

Health and Family Welfare

Parliament passed the Medical Termination of Pregnancy (Amendment) Bill, 2020

The Medical Termination of Pregnancy (Amendment) Bill, 2020 was passed by Parliament in March 2021. The Bill amended the Medical Termination of Pregnancy Act, 1971 which provides for the termination of certain pregnancies by registered medical practitioners. Key amendments made by the Bill include:

- **Approval of medical practitioners**: Under the Act, a pregnancy may be terminated within 12 weeks, if a registered medical practitioner is of the opinion that: (i) continuation of the pregnancy may risk the life of the mother or cause grave injury to her health, or (ii) there is a substantial risk that the child, if born, would suffer physical or mental abnormalities.

- **Earlier, for termination of a pregnancy between 12 to 20 weeks, two medical practitioners were required to give their opinion. The Bill amended this provision to state that a pregnancy may be terminated within 20 weeks, with the opinion of one registered medical practitioner. Approval of two registered medical practitioners is required for termination of pregnancies between 20 to 24 weeks. Termination of pregnancies between 20 to 24 weeks will be allowed only for specific categories of women, as may be prescribed by the central government.**

- **Constitution of Medical Boards**: Under the Bill, every state government is required to constitute a Medical Board. The Medical Board will consist of the following members: (i) a gynaecologist, (ii) a paediatrician, (iii) a radiologist or sonologist, and (iv) any other number of members, as may be notified by the state government. The central government will notify the functions of the Medical Boards.

For PRS analysis of the Bill, please see here.

Assisted Reproductive Technology (Regulation) Bill introduced in Lok Sabha

The Assisted Reproductive Technology (Regulation) Bill, 2020 was introduced in Lok Sabha in September 2020. It seeks to provide for the regulation of Assisted Reproductive Technology (ART) services. Key features of the Bill include:

- **ART techniques**: The Bill defines ART to include all techniques that seek to obtain a pregnancy by handling the sperm or the oocyte (immature egg cell) outside the human body, and transferring the gamete or the embryo into the reproductive system of a woman. Examples of ART services include gamete (sperm or oocyte) donation, in-vitro fertilisation (fertilising an egg in the lab), and gestational surrogacy (the child is not biologically related to the surrogate mother).

- **Registration of ART clinics and banks**: The Bill provides that every ART clinic and bank in the country must be registered with the proposed National Registry of Banks and Clinics of India.

- **Conditions for ART services**: ART procedures can only be carried out with the written informed consent of both, the party seeking ART services as well as the donor. The party seeking ART services will be required to provide insurance cover to the oocyte donor for any loss, damage, or death. Clinics are prohibited from offering to provide a child of pre-determined sex.

The Bill was referred to the Standing Committee on Health and Family Welfare in October 2020. The Committee submitted its report in March 2021. Its key observations and recommendations include:

- **ART banks**: Under the Bill, an ART bank acts as a registered entity for: (i) screening of gamete donors, and (ii) collection, screening, and storage of semen. The Committee observed that the role of the ART bank is not clear in the definition. Screening of gamete donors is a complicated process, which needs the presence of specialised doctors. ART banks may not have such doctors. The Committee recommended that the Department of Health Research should clearly define the role of ART banks, and the specialists required in them. Screening of a gamete should be done by ART clinics and ART banks should be responsible for its collection, storage, and supply.

- **Data privacy**: The Bill specifies that the data collected by ART clinics and banks must be transferred to the National Registry within a month. ART clinics and banks must store this data for at least ten years. The Committee noted that these are personal data which may lead to identification of the commissioning couples,
women, or donors. It recommended that the personal data should be converted to a form in which the data principal (the person to whom the data belongs) cannot be identified. The Bill should provide for anonymisation of data at the primary source.

For a PRS summary of the Bill, please see here. For a summary of the Committee’s report, please see here. For a PRS analysis of the Bill, please see here.

National Commission for Allied and Healthcare Professions Bill, 2020 passed

The National Commission for Allied and Healthcare Professions Bill, 2020 was passed by Parliament in March 2021.\(^{481}\) The Bill provides for the regulation of the education and practice of allied and healthcare professionals. Key features of the Bill include:

- **Definitions:** The Bill defines ‘allied health professional’ as an associate, technician, or technologist trained to support the diagnosis and treatment of any illness, disease, injury, or impairment. Such a professional should have obtained a diploma or degree under this Bill. The duration of the degree or diploma should be at least 2,000 hours (in two to four years).

- **Allied and healthcare professions:** The Bill specifies certain categories of allied and healthcare professions as recognised categories in the Schedule to the Bill. These include life science professionals, trauma and burn care professionals, surgical and anaesthesia related technology professionals, and physiotherapists.

- **National Commission:** The Bill sets up the National Commission for Allied and Healthcare Professions. It is responsible for framing policies and standards, creating and maintaining an online central register of all registered professionals, and providing basic standards of education and training, among others.

- **Offences and penalties:** No persons other than those enrolled in a state register or the national register are allowed to practice as a qualified allied and healthcare practitioner. Any person who contravenes this provision will be punished with a fine of Rs 50,000.

For PRS summary of the Bill, please see here.

Bills establishing Commissions for Indian System of Medicine and Homoeopathy passed

Four Bills to regulate the education and practice of Indian System of Medicine and Homoeopathy were passed by Parliament.\(^{482,483,484,485}\) These include:

- **The National Commission for Indian System of Medicine Bill, 2019**

The National Commission for Indian System of Medicine Bill, 2019 was passed by Parliament in September 2020.\(^{482}\) The Bill empowers the central government to repeal the Indian Medicine Central Council Act, 1970 by a notification. The Act provided for the constitution of a Central Council which regulates the education and practice of the Indian Medicine system (includes Ayurveda, Yoga, Naturopathy).\(^{486}\) The Indian System of Medicine includes Ayurveda, Unani, Siddha and Sowa-Rigpa systems of medicines. The Bill creates a framework for regulation of education and practice of these systems of medicine. Key features include:

- **National Commission for Indian System of Medicine (NCISM):** Functions of the NCISM include: (i) framing policies for regulating institutions and professionals of Indian System of Medicine, and (ii) assessing human resources and infrastructure requirements of healthcare.

- **Advisory Council:** The central government will constitute an Advisory Council which will be the primary platform through which the states and union territories can put forth their views and concerns before the NCISM. It will also advise the NCISM on measures to maintain the minimum standards of medical education.

- **Entrance examinations:** There will be a uniform National Eligibility-cum-Entrance Test for admission to undergraduate education in all medical institutions regulated by the Bill. There will also be a similar uniform postgraduate National Entrance Test. The Bill also proposes a National Teachers’ Eligibility Test for postgraduates who wish to take up teaching that particular discipline as a profession.

For PRS summary of the Bill, please see here.

The Indian Medicine Central Council (Amendment) Bill, 2020

Another Bill amending the Indian Medicine Central Council Act, 1970 was passed by Parliament in September 2020.\(^{483}\) The Indian Medicine Central Council (Amendment) Bill, 2020 provided that the
The Homoeopathy Central Council will stand superseded from April 24, 2020 for a maximum period of one year. In the interim period, the central government will constitute a Board of Governors who will exercise the powers of the Central Council. The Bill replaced an Ordinance promulgated on April 24, 2020.\textsuperscript{487,488}

For PRS summary of the Bill, please see \textit{here}.

\textbf{The National Commission for Homoeopathy Bill, 2019}

The National Commission for Homoeopathy Bill, 2019 was passed by Parliament in September 2020.\textsuperscript{484} The Bill empowers the central government to repeal the Homoeopathy Central Council Act, 1973 by a notification. The 1973 Act provides for a Central Council to regulate homoeopathic education and practice.\textsuperscript{489} The Bill creates a framework for regulating the education and practice of Homoeopathy. Its key features include:

- \textbf{National Commission for Homoeopathy (NCH):} Functions of the NCH include: (i) framing policies for regulating medical institutions and homoeopathic medical professionals, and (ii) assessing the requirements of healthcare related human resources and infrastructure.

- \textbf{Advisory Council for Homoeopathy:} An Advisory Council for Homoeopathy will be appointed to function as the primary platform through which the states/union territories can put forth their views and concerns advise the NCH on measures to determine and maintain minimum standards of medical education.

- \textbf{Entrance examinations:} There will be a uniform National Eligibility-cum-Entrance Test for admission in all medical institutions regulated by the Bill. A common final year National Exit Test for the students graduating to obtain the license for practice and a National Teachers’ Eligibility Test for postgraduates who wish to take up teaching homoeopathy as a profession will also be set up.

For a PRS Bill Summary, please see \textit{here}.

\textbf{The Homoeopathy Central Council (Amendment) Bill, 2020}

The Homoeopathy Central Council (Amendment) Bill, 2020 was passed by Parliament in September 2020.\textsuperscript{485} The Bill amended the Homoeopathy Central Council Act, 1973 and replaced an Ordinance promulgated in April 2020.\textsuperscript{490,491} The Act sets up the Central Council of Homoeopathy which regulates homoeopathic education and practice. The Bill amended the Act to increase the time period for the supersession of the Homoeopathy Central Council from two years to three years. The provision for supersession was inserted through an amendment in 2018, in which the Council was superseded for one year.\textsuperscript{492} This was further increased from one year to two years through an amendment in 2019.\textsuperscript{493}

For PRS summary of the Bill, please see \textit{here}.

\textbf{Parliament passed the Institute of Teaching and Research in Ayurveda Bill, 2020}

The Institute of Teaching and Research in Ayurveda Bill, 2020 was passed by Parliament in September 2020.\textsuperscript{494} Key features of the Bill include:

- **Merger:** The Bill merges three Ayurveda institutes to form the Institute of Teaching and Research in Ayurveda. These institutes include: (i) the Institute of Post Graduate Teaching and Research in Ayurveda, (ii) Shree Gulabkunverba Ayurved Mahavidyalaya, and (iii) the Indian Institute of Ayurvedic Pharmaceutical Sciences. The Bill declares the Institute as an Institution of National Importance. An Institution of National Importance is an autonomous institute established with the power to hold examinations, grant degrees, diplomas, and other academic titles. Such institutions also receive funding from the central government.

- **Functions:** The functions of the Institute include: (i) providing undergraduate and postgraduate teaching in Ayurveda (including pharmacy), (ii) prescribing courses and curricula for undergraduate and postgraduate studies, and (iii) providing facilities for research in various branches of Ayurveda.

For PRS summary of the Bill, please see \textit{here}.

\textbf{NIPER (Amendment) Bill, 2021 introduced in Lok Sabha}

The National Institute of Pharmaceutical Education and Research (Amendment) Bill, 2021 was introduced in Lok Sabha in March 2021.\textsuperscript{495} It amends the National Institute of Pharmaceutical Education and Research Act, 1998. The Act established institutes for pharmaceutical education including the National Institute of Pharmaceutical Education and Research (NIPER), Punjab. NIPER
was also declared as an Institution of National Importance. An Institution of National Importance is an autonomous institute established with the power to hold examinations, grant degrees, diplomas, and other academic titles. Such institutions also receive funding from the central government. Key amendments proposed by the Bill include:

- **New institutions of national importance**: The Bill declares six additional NIPERs as Institutions of National Importance. These institutes are located in Ahmedabad, Hajipur, Hyderabad, Kolkata, Guwahati, and Raebareli.

- **Establishment of the Council**: The Bill provides for a Council to coordinate the activities among NIPERs to ensure development of pharmaceutical education and research and maintenance of standards. Other functions include: (i) advising on matters related to course duration and admission standards in the institutes, and (ii) formulating policies for recruitment, conditions of service, and fees.

- **Board of Governors**: The Bill reduces the number of members in the Board of Governors for each institute from 23 to 12. The Board will be chaired by an eminent academician or professional. The ex-officio members of the Board include: (i) the Director of the institute, and (ii) a representative of the Drug Controller General of India.

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

**Draft amendments to Cigarettes and other Tobacco Products Act, 2003 released**

In January 2021, the Ministry of Health and Family Welfare released draft amendments to the Cigarettes and other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003. The Act regulates the sale, production, and distribution of cigarettes and other tobacco products in India. Key amendments proposed include:

- **Licensing**: The draft amendments propose that the production, supply, sale, and import of any cigarette or tobacco products will require a license, registration, or permission from the central or state government.

- **Restrictions on sale and trade**: The minimum age for sale of tobacco products is proposed to be increased from 18 years to 21 years. Trade and commerce of cigarettes or tobacco products without sealed original packaging is proposed to be prohibited under the draft Bill.

- **Illicit tobacco products**: The draft amendments prohibit the production, supply, sale, and import of illicit cigarettes or tobacco products.

- **Enhanced punishment**: The draft amendments also propose to increase several penalties. For example, the maximum penalty for selling cigarettes to an underage person will be increased from Rs 200 to one lakh rupees. This will be in addition to an imprisonment of up to seven years. The Act currently does not provide for any imprisonment for this offence.

In July 2020, the Ministry of Health and Family Welfare notified amendments superseding the Cigarettes and other Tobacco Products (Packaging and Labelling) Amendment Rules, 2020 notified under the Act. The rules came into force from December 2020. Key amendments include:

- **Labelling**: The 2008 Rules required packages containing tobacco to reflect certain textual warnings such as “tobacco causes cancer” and “tobacco causes painful death”. The 2020 Rules remove the requirement of the warning label of “tobacco causes cancer” on the packaging.

- **The 2008 Rules required the packaging of tobacco products to include a pictorial health warning that covers 60% of the display area of the packaging. The 2020 Rules remove the specification of the percentage of display area for the pictorial warning on the packaging.**

**Certain key indicators of the first phase of the National Family Health Survey-5 released**

In December 2020, the Ministry of Health and Family Welfare completed the first phase of the fifth National Family Health Survey (NFHS). The fourth NFHS was conducted five years ago in 2015-16. The survey covers key indicators on population, reproductive and child health, family welfare, and nutrition. The first phase covers 17 states and 5 union territories. Key results of the survey include:

- **Fertility rate**: The replacement level of fertility at which population stability is achieved (i.e., population replaces itself) has been achieved in 19 out of the 22 states and union territories. Three states (Bihar, Manipur, and Meghalaya) have a total fertility rate (average number of
children born to a woman) higher than the replacement level.

- **Sex ratio:** Sex ratio at birth refers to the number of female children born per 1,000 male children. The survey found it below 900 in Telangana, Himachal Pradesh, Goa, Daman and Diu, and Dadra and Nagar Haveli.

- **Infant mortality:** Infant mortality rate has marginally declined in nearly all states. Assam has seen one of the largest drops, from 48 deaths (per 1,000 live births) to 32 deaths. It remains high in Bihar (47 deaths per 1,000 live births).

- **Malnutrition:** Nutritional status of children below the age of five years is worsening. Stunting or chronic malnutrition (i.e., low height with respect to age) has increased in 11 of the 17 states. Proportion of severely wasted children has increased in 13 of the 17 states. Wasting or acute malnutrition refers to low weight with respect to height. Children who are stunted or wasted are more vulnerable to diseases.

- **Internet usage:** Across all states, the proportion of men who have used the internet was higher than women, with the difference being higher than 25%-point in states such as Telangana, Gujarat, and Andhra Pradesh. In Andhra Pradesh, Bihar, and Tripura, less than 25% women have used internet.

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

**Unique Health Identifier Rules, 2021 notified**

In January 2021, the Ministry of Health and Family Welfare notified the Unique Health Identifier (UHID) Rules, 2021. The Rules were issued under the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016. The Act provides for targeted delivery of subsidies and services to individuals residing in India by assigning them unique identity numbers, called Aadhaar numbers. The Ministry aims to create UHID for identification and authentication of beneficiaries in various health IT applications implemented by the Ministry. UHID will facilitate the integration of health data and the creation of electronic health records for citizens. Key features of the Rules are:

- **Creation of UHID:** Aadhaar authentication will be used for establishing the UHID. Creation of UHID is voluntary and services will not be denied in the absence of UHID. The Ministry may need additional documents to create UHID.

- **Use of UHID by entities:** Entities will be permitted to provide users with an option to use Aadhaar voluntarily for the creation of Health ID and share health information under various health IT applications.

- **Requesting entity:** The Ministry of Health and Family Welfare will be the requesting entity for the purpose of providing Aadhaar authentication services for UHID. The requesting entity includes agencies and persons who submit Aadhaar number along with demographic or biometric information to the centralised Aadhaar database for authentication.

**Draft Health Data Management Policy released**

In August 2020, the Ministry of Health and Family Welfare released the draft Health Data Management Policy. This policy sets out the manner in which data privacy will be maintained once the National Digital Health Mission (NDHM) is implemented. The NDHM aims to digitise health records and maintain registries for healthcare professionals and facilities. Key aspects include:

- **Applicability:** The Policy will be applicable to all entities involved in the NDHM such as: (i) healthcare professionals, (ii) health information providers, (iii) payers (government, and insurers, among others), (iv) pharmaceutical manufacturers, and (v) research bodies.

- **Objectives:** The Policy will set out a framework for the secure processing of personal data of individuals who are part of the National Digital Health Ecosystem (NDHE). Further, it aims to create a system of digital personal and medical health records which is easily accessible to individuals and health service providers.

- **Consent and rights of data principals:** Data principals should be given complete control and decision-making power over the manner in which their personal data is collected and processed. Consent of the data principal will be considered valid if it is: (i) given freely, (ii) informed, (iii) specific, (iv) clearly given, and (v) capable of being withdrawn. Further data principals have the right to: (i) confirmation of processing and access to information on data fiduciaries, (ii) correction and erasure of their data, and (iii) restrict or object to disclosure.
Health ID: A data principal may request for the creation of a health ID at no cost. The ID will enable them to participate in the NDHE. The personal data of the data principal will be linked to his/her health ID.

Pradhan Mantri Swasthya Suraksha Nidhi constituted to fund healthcare initiatives

In March 2021, the Ministry of Health and Family Welfare constituted the Pradhan Mantri Swasthya Suraksha Nidhi (PMSSN). It is a non-lapsable fund created from the proceeds of the share of health in the Health and Education Cess. PMSSN will be used for various healthcare initiatives including: (i) National Health Mission, (ii) Ayushman Bharat – Health and Wellness Centres, (iii) Ayushman Bharat Pradhan Mantri Jan Arogya Yojana, and (iv) preparedness for healthcare emergencies and response to them.

Rules on food safety and standards notified for the food served to children in schools

In September 2020, the Ministry of Health and Family Welfare notified the Food Safety and Standards (Safe Food and Balanced Diets for Children in School) Regulations, 2020. The regulations provide for standards of safety for food served across schools. As per the regulations, any school authority catering or serving meals must be registered as a Food Business Operator (FBO) with the Food Safety and Standards Authority of India or state food authorities. If it is in contract with any other FBO, it must also ensure that the other FBO is duly registered and licensed. School authorities must ensure that food products high in saturated fat, trans-fat, or added sugar or sodium are not sold on campus.

School Education: The current structure of school education (10+2 design) will be replaced by a 5-3-3-4 curriculum structure corresponding to: (i) five years of foundational stage (age 3 to 8), (ii) three years of preparatory stage (age 8 to 11), (iii) three years of middle stage (age 11 to 14), and (iv) four years of secondary stage (age 14 to 18). This will bring Early Childhood Care and Education (ECCE) within the scope of the school curriculum. The National Council of Educational Research and Training (NCERT) will develop the curriculum and pedagogy framework for ECCE.

Schools will be grouped together to form a school complex. A school complex will consist of a secondary school and other schools, anganwadis in a 5-10 km radius. This will ensure: (i) adequate teachers for all subjects in a school complex, (ii) adequate physical resources (such as library books, sports equipment), and (iii) effective governance of schools.

Higher Education: The Gross Enrolment Ratio (i.e., students enrolled as a percent of population of corresponding age group) in higher education needs to be increased to 50% by 2035 (from 26.3% in 2018). The undergraduate degree will be made more flexible with multiple exit options with appropriate certification.

National Research Foundation will be established for fostering research in higher education. The Higher Education Commission of India will be set up as the single regulator for higher education (excluding medical and legal education). It will have four independent verticals for regulation, standard setting, funding, and accreditation. High-performing Indian universities will be encouraged to set up campuses in other countries.

For PRS summary of the NEP 2020, please see [here](#).

IIIT Laws (Amendment) Bill, 2020 passed

The Indian Institutes of Information Technology Laws (Amendment) Bill, 2020 was passed by Parliament in September 2020. The Bill amended the Indian Institutes of Information Technology Act, 2014 and Indian Institutes of Information Technology (Public-Private Partnership) Act, 2017. The 2017 Act declared certain Indian Institutes of Information Technology (IIITs) established under public-private partnership mode as institutions of national importance. Under the Act, 15 institutes were incorporated as institutions of national importance.
The Bill declared five IITs set up under the public-private partnership mode in Agartala, Surat, Bhopal, Bhagalpur, and Raichur as institutions of national importance. Earlier, these institutes were registered as Societies under the Societies Registration Act, 1860 and did not have the power to grant degrees or diplomas. After the amendments made by the Bill, the five institutes have the power to grant degrees.

For PRS Summary of the Bill, please see here.

**Strengthening Teaching-Learning and Results for States project approved**

In October 2020, the Union Cabinet approved the Strengthening Teaching-Learning and Results for States (STARS) project. It aims to improve the quality of school education in India. At the national level, the scheme aims to: (i) strengthen data collected on retention, transition, and completion rates of students, (ii) set up a National Assessment Centre to facilitate inter-state communication, and (iii) set up a Contingency Emergency Response Component to facilitate education during natural and man-made disasters, amongst others. At the state-level, the scheme will focus on matters such as: (i) strengthening early childhood education and foundational learning, (ii) improving learning assessment systems, and (iii) strengthening vocational education and instruction in classroom.

The scheme focuses on the following six states: Himachal Pradesh, Kerala, Odisha, Madhya Pradesh, Maharashtra, and Rajasthan. The total cost of the project will be Rs 5,718 crore, including the financial assistance of Rs 3,700 crore from the World Bank.

**School Bag Policy, 2020 released**

In November 2020, the Ministry of Education released the School Bag Policy, 2020. It has been formulated by a working group constituted in 2018, after directions by the Madras High Court. The policy provides recommendations for reducing the weight of the school bag.

It recommends that the universally accepted norm of limiting the weight of the school bag to 10% of the student’s weight should be followed for Classes 1 to 10. It observed that a heavy bag can affect a student’s spinal posture, foot shape, and walk. It recommended that the weight of school bags needs to be monitored on a regular basis in schools. Lockers may be installed for storing and retrieving books and other items for students with disabilities.

Further, it recommended that NCERT must develop guidelines to conduct bagless days in schools using different timetable, experiential pedagogies, and team teaching. Note that NEP 2020 has recommended a 10-day bagless period for grades 6-8 where they intern with local vocational experts.

**UGC notified regulations for open and distance learning, online programmes**

In September 2020, the University Grants Commission (UGC) notified regulations for open and distance learning (ODL) and online programmes. The regulations laid down the minimum standards for granting degrees or diplomas through the ODL and online modes. Institutions may offer only those ODL or online programmes which are being offered under the conventional mode of classroom teaching. The regulations provide for the following:

- **ODL programmes**: Higher education institutes have to meet the following criteria to be eligible for offering programmes in ODL mode: (i) minimum accreditation score of 3.01 (out of 4) by the National Assessment and Accreditation Council (NAAC), or (ii) rank in top 100 in the university rankings under the National Institute Ranking Framework (NIRF), at least once in the two preceding cycles at the time of application.

- **Online courses**: Institutes have to meet the following criteria to be eligible for offering online programmes: (i) NAAC accreditation score of 3.26 or above (out of 4), or (ii) rank in top 100 in the university rankings of NIRF, at least twice in the three preceding cycles (at the time of application) can start online programmes without the approval of UGC.

- **Programmes**: The eligible institutions may offer degree or diploma courses in domains other than the specified prohibited programmes. Prohibited programmes include programmes in the domains of engineering, medical, architecture, law, and agriculture, among others.

- **Quality standards**: All institutions offering ODL or online courses should establish a centre for internal quality assurance. This centre will responsible for devising a mechanism to ensure quality of ODL and online courses.
UGC published the guidelines for offering internship embedded programmes

In August 2020, UGC published guidelines for higher education institutes on offering apprenticeship or internship embedded degree programmes. The guidelines aim to: (i) improve employability of students pursuing undergraduate programmes, and (ii) improve linkage between higher education system and industry. Any programme by a Higher Education Institution (HEI) which is empowered to grant degrees is eligible to be embedded with an internship. Key features of the guidelines include:

- The internship will offer a traineeship undertaken at the premises of the workplace to get work-based learning. At least 20% of the total credits for the degree should be assigned to the internship. Institutes may opt for assessment of the internship in consultation with the industry or organisation providing the internship.
- HEIs will have the option to embed at least one semester of internship as part of the degree programme without altering the total duration of the programme.
- HEIs should have a prior Memorandum of Understanding with organisations, enterprises, and industrial bodies for providing internships, before introducing the programme.
- Students graduating from the internship embedded programme will be eligible for taking admission in the Master’s programme in the subject of study of their undergraduate degree.

UGC allowed institutes of eminence to set up offshore campuses

In January 2021, UGC amended the regulations for Institutes of Eminence. The Institutes of Eminence programme was launched in 2017, under which 10 public institutions and 10 private institutions have been declared as Institutes of Eminence. Among key changes, the regulations permitted Institutes of Eminence to set up off-shore campuses (i.e., a campus outside India) and off-campus centre (i.e., a centre outside the main campus within India):

- Off-campus centre: Institutes of Eminence are permitted to set up a maximum of three off-campus centres in five years, subject to not more than one centre in a year. Institutes can submit their application to the Ministry detailing a 10-year vision plan and a 5-year implementation plan. Further, the proposed off-campus centres should meet the following conditions within a period of five years: (i) minimum 500 students under regular classroom mode with at least one-third as postgraduate or research students, (ii) five postgraduate programmes, (iii) a teacher-student ratio of 1:10, and (iv) appointment of at least 60% of the faculty on a permanent basis.

- Off-shore campus: Institutes of Eminence are permitted to set up off-shore campuses with the approval of the Ministry of Education and after receiving no objection certificates from the Ministries of Home Affairs and External Affairs. Institutes must ensure that they follow the same norms and standards for admissions, curriculum, and examination as the main campus.

The functioning of the off-campus centres and off-shore campuses will be reviewed by an Expert Committee once in three years, which can recommend discontinuation of the off-campus centre/off-shore campus. Note that, NEP 2020 had recommended the setting up of off-shore campuses by high performing Indian universities.

Ministry granted retrospective recognition to certain teacher education programmes

In May 2020, the Ministry of Education granted retrospective recognition to various teacher education programmes conducted by the central and state governments. These include Bachelor of Arts, Bachelor of Education, and other bridge courses conducted by institutions. These programmes were being conducted without any formal recognition from the National Council for Teacher Education (NCTE).

Note that NCTE grants a legal recognition to academic institutions for conducting courses on teacher education. It is only after completing these recognised courses that a person becomes eligible for appointment as a school teacher. However, some government institutions had admitted students in teacher education courses not recognised by NCTE. In this context, the National Council for Teacher Education (Amendment) Bill, 2019 was passed by Parliament to allow retrospective recognition of courses of certain teacher education institutions.
Women and Child Development

Juvenile Justice (Care and Protection) Amendment Bill, 2021 passed by Lok Sabha

The Juvenile Justice (Care and Protection of Children) Amendment Bill, 2021 was passed by Lok Sabha in March 2021. The Act contains provisions related to juvenile justice (care and protection). The Bill seeks to strengthen the child protection setup through various measures. Key amendments proposed under the Bill include:

- **Serious offences**: The Act mandates the Juvenile Justice Board to inquire about a child accused of a serious offence. Serious offences are those for which the punishment is imprisonment between three to seven years. The Bill adds that serious offences will also include offences for which maximum punishment is imprisonment of more than seven years, and minimum punishment is not prescribed or is of less than seven years.

- **Adoption**: The Act prescribes the procedure for adoption of children by prospective adoptive parents from India and abroad. On the acceptance of the child by prospective adoptive parents, a specialised adoption agency applies to a civil court to obtain the adoption order. In cases where a person living abroad intends to adopt a child from his relative in India, he is required to obtain an adoption order from the court. This court-issued order establishes that the child belongs to the adoptive parents. It amends this procedure to empower the District Magistrate instead, to issue such adoption orders.

- **Appeals**: The Bill provides that any person aggrieved by an adoption order passed by the District Magistrate may file an appeal before the Divisional Commissioner, within 30 days of passage of such order. The Divisional Commissioner must dispose of the appeal within four weeks from the date of its filing.

- **Designated Court**: The Act provides that any offence against children under the Act, which is punishable with imprisonment of more than seven years, will be tried in the children’s court. Other offences (punishable with imprisonment of seven years or less) will be tried by a Judicial Magistrate. The Bill proposes that all offences under the Act will be tried in children’s court.

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

Social Justice and Empowerment

Constitution (Scheduled Castes) Order (Amendment) Bill passed by Parliament

The Constitution (Scheduled Castes) Order (Amendment) Bill, 2021 was passed by Parliament in March 2021. The Bill amends the Constitution (Scheduled Castes) Order, 1950. The Constitution empowers the President to specify the Scheduled Castes (SCs) in various states and union territories. It permits Parliament to modify the list of notified SCs. The Bill gives effect to modifications related to Tamil Nadu.

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

Transgender Persons (Protection of Rights) Rules, 2020 notified

The Transgender Persons (Protection of Rights) Rules, 2020 were notified in September 2020. The Rules were notified under the Transgender Persons (Protection of Rights) Act, 2019. The Act provides for the welfare and protection of transgender persons. Key features of the Rules include:

- **Issuance of certificate of identity**: Under the Act, a transgender person must make an application to the District Magistrate to receive a certificate of identity. To apply for a certificate of identity, the Rules require the submission of an application form and affidavit declaring the gender identity of the applicant. In the case of a minor, such application shall be made by the parent or guardian of the child. For a child in need of care and protection, the Child Welfare Committee under the Juvenile Justice Act, 2015 will submit the application.

- The certificate must be issued within 30 days. The District Magistrate will also issue a transgender identity card. The District Magistrate may issue certificates to applicants only if they have been residents of the area under his/ her jurisdiction for a continuous period of 12 months on the date of application.

- **Issuance of revised certificate**: If a person undergoes sex reassignment surgery, a certificate by the Medical Superintendent or Chief Medical Officer of the institution in which the surgery took place, must be submitted. A revised certificate of identity indicating the gender of the person as male or female will be issued by them within 15 days.
▪ **Appeals**: If an application for a certificate of identity is rejected, the applicant may appeal the decision (before a notified appellate authority) within 90 days.

▪ **Welfare measures**: The central and state government shall formulate welfare schemes on matters such as, medical insurance, scholarships for transgender students, and affordable housing. All educational institutions must have a committee that transgender persons can approach in case of harassment and discrimination.

The Rules were notified after inviting comments on the draft Rules released in September 2020. For a PRS analysis of the draft Rules, please see here.

**Committee submitted report on Bill related to maintenance and welfare of senior citizens**

In January 2021, the Standing Committee on Social Justice and Empowerment (Chair: Ms. Rama Devi) submitted its report on the Maintenance and Welfare of Parents and Senior Citizens (Amendment) Bill, 2019. The Bill seeks to amend the Maintenance and Welfare of Parents and Senior Citizens Act, 2007, which provides for financial security, welfare, and protection for senior citizens. Key observations and recommendations of the Committee include:

▪ **Care homes**: The Act prescribed establishment of at least one old age home in each district by the state government. The Bill replaces this to provide that senior citizen care homes may be set up by the central or state government or any organisation. The Committee observed that out of more than 700 districts in the country, only 482 have care homes. It recommended that the Bill should mandate at least one care home and one multi-service day care centre in each district.

▪ **Healthcare for senior citizens**: The Act provides for certain facilities (provision of beds, separate queues, separate facilities for geriatric patients) for senior citizens in government hospitals. The Bill requires all hospitals, including private organisations, to provide these facilities for senior citizens.

▪ The Committee recommended that the Bill should require district hospitals to also provide adequate counselling facilities for senior citizens.

For a PRS summary of the Committee’s report, please see here. For a PRS analysis of the Bill, please see here.

**Housing and Urban Development**

**NCT of Delhi Laws (Special Provisions) Second (Amendment) Bill, 2021 passed**


The 2011 Act provides for: (i) relocating slum dwellers and Jhuggi-Jhoppi clusters, (ii) regularising unauthorised colonies, village abadi areas (and their extensions), and (iii) not taking any punitive action and minimising inconvenience to the people of Delhi in case of any demolition or sealing of structures under the Master Plan for Delhi, among others. The Master Plan for Delhi 2021 provides for strategies of housing for urban poor as well as for dealing with the informal sector. Key features of the Bill include:


▪ **Regularisation of Unauthorised Colonies**: The 2011 Act provided for the regularisation of certain unauthorised colonies, including those: (i) which existed as on March 31, 2002, and (ii) where construction took place till June 1, 2014. The Bill amended this to provide that unauthorised colonies will be identified for regularisation as per the regulations issued under the National Capital Territory of Delhi (Recognition of Property Rights of Residents in Unauthorised Colonies) Act, 2019. Thus, the unauthorised colonies: (i) which existed as on June 1, 2014, and (ii) having 50% development as on January 1, 2015, will be eligible for regularisation under the Act.

For a PRS summary of the Bill, please see here.

**Draft Model Tenancy Act, 2020 released**

The Ministry of Housing and Urban Affairs released the draft Model Tenancy Act, 2020 in September, 2020. The Model Act is a recommendatory legal framework based on which states and union territories may pass their own tenancy laws. Key features of the draft Act include:

▪ **Tenancy agreement**: The draft Act provides that a written agreement will be required by the
landlord and the tenant to let or take any premises on rent. The rent payable and the time period for the tenancy will be agreed upon between the landlord and the tenant and specified in the tenancy agreement. This has to be informed to the Rent Authority within two months from the date of the agreement.

- **Tenancy period:** The draft Act provides that the tenant may request the landlord for renewal or extension of the tenancy period. A tenant will be liable to pay enhanced rent if he fails to vacate premises after the agreed upon term for tenancy ends and is not renewed.

- **Eviction:** Grounds for eviction and possession of premises include: (i) refusal to pay agreed upon rent, (ii) failure to pay rent for more than two months, (iii) misuse of premise after written notices, and (iv) structural change by the tenant without written consent.

- **Adjudication:** The draft Act proposes to establish a three-tier quasi-judicial mechanism for adjudication of disputes. Rent Authorities and Rent Courts can be appointed by the District Collector with the approval of the state government. The state/union territory government can establish a Rent Tribunal after consulting with the jurisdictional High Court. No civil court will have jurisdiction over matters pertaining to provisions under the draft Act.

- **Functions:** The Rent Authority is responsible for: (i) resolving disputes on revision of rent and rent determination, (ii) penalising property managers, and (iii) passing interim orders to restore the supply of essential services. Rent Courts will adjudicate appeals against Orders issued by the Rent Authority and are also empowered to order for eviction. Rent Tribunals will adjudicate appeals on any orders issued by Rent Courts.

### Report related to lowering of the stamp duty and registration charges for housing released

The Ministry of Housing and Urban Affairs released a report on the impact of changes in stamp duty and registration charges on registration property in September, 2020. This report provides a rationale for states to lower their stamp duty and registration charges especially for low value housing without compromising their overall revenues from these taxes. Key findings in the report include:

- **Housing for All:** The policy aims to provide housing to all citizens by 2022. Under this policy, the government seeks to increase housing supply by incentivising private developers. However, the policy does not address the issue of high real estate prices directly. One of the key reasons for high housing prices is the high stamp duty and registration charges levied by the state governments at the time of a transaction.

- **High stamp duty:** While the rates of stamp duty and registration have declined over the past few years, they are still high, and range from 5-13% of the property value. Since these taxes generate significant revenue for the state governments (around 7%), they are reluctant to lower these taxes. In comparison, other countries (such as the UK, Japan, and Germany) have lower duties.

- **Issues:** High stamp duty incentivises under-reporting of transactions and tax evasion. Under-reporting has several consequences such as: (i) inability to fully collateralise land and property, (ii) loss in government revenue, (iii) growth in black money transactions, and (iv) market becoming susceptible to price bubbles. Circle rates or Guidance Values were instituted to curb such under-reporting, however, they have not been successful.

- **Revenue neutral approach:** The report suggests that states could remain revenue neutral (or even increase their revenue) if they lower stamp duties for low value housing. The loss of revenue due to lowering of taxes would be compensated by additional tax revenue that the new housing stock created under the Housing for All programme would yield. Lowering taxes could spur demand that would bring in additional supply, even without the housing programme. It proposes that stamp duties for low value housing are either reduced or removed completely, while duties for higher value housing remain as before.

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### Environment

**Ordinance issued to set up a commission for air quality management in NCR**

The Commission for Air Quality Management in National Capital Region and Adjoining Areas Ordinance, 2020 was promulgated in October 2020. The Ordinance established a Commission for better coordination, research, identification, and
resolution of problems related to air quality in the national capital region (NCR) and adjoining areas. Adjoining areas refer to areas in the states of Haryana, Punjab, Rajasthan, and Uttar Pradesh where any source of pollution may cause adverse impact on the air quality in NCR. The Ordinance lapsed in March 2021 and was re-promulgated in April 2021. Key provisions of the Ordinance include:

- **Functions:** Functions of the Commission include: (i) coordinating actions taken under the Ordinance by the concerned state governments (Delhi, Haryana, Punjab, Rajasthan, and Uttar Pradesh), (ii) planning and executing plans to prevent and control air pollution in the region, and (iii) training and creating a special work force to deal with issues related to air pollution.

- **Powers:** Powers of the Commission include: (i) restricting activities influencing air quality, (ii) investigating and conducting research on air pollution, and (iii) issuing directions which will be binding on the concerned person or authority. In case of any conflict, the orders of the Commission will prevail over the orders of the concerned state governments, the Central Pollution Control Board (CPCB), or any other state-level statutory body.

- **Composition:** The Commission consists of: (i) a Chairperson, (ii) three persons with knowledge and expertise related to air pollution, and (iii) three members from non-government organisations, among others.

- **Penalties:** Non-compliance with or violation of the Ordinance, and orders and directions of the Commission is punishable with imprisonment of up to five years or fine of up to one crore rupees or both. All appeals against the orders of the Commission will be heard by the National Green Tribunal.

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

**Environment Impact Assessment Notification, 2006 amended**

In March 2021, the Ministry of Environment, Forest and Climate Change amended the Environment Impact Assessment Notification, 2006. The notification regulates the social and environmental impact of various projects such as dams, mines, airports, and highways. Key amendments include:

- **Exemption from prior environmental clearance:** As per the 2006 notification, certain specified categories of projects (including the expansion or modernisation of existing projects and any change in product-mix in an existing manufacturing unit) are required to obtain prior environmental clearance from the concerned regulatory authority (Ministry of Environment, Forest and Climate Change or State Environment Impact Assessment Authority).

The amendments exempt certain existing manufacturing units willing to increase their production capacity from obtaining prior environmental clearance. The exemption may be given if: (i) the increase in production capacity does not lead to an increase in pollution load, and (ii) the concerned manufacturing unit implements online continuous monitoring system with at least 95% up time for reporting emission to CPCB. A certificate specifying no increase in pollution load will be required to obtain the exemption.

- **Exemption from public hearing:** Public hearing is one of the components of the public consultation stage in the process of obtaining a prior environmental clearance. The consultation is aimed at considering and addressing the concerns of locally affected persons and other stakeholders while designing a project. The amendments exempt the under-construction projects with an expired environmental clearance from conducting the public hearing, if: (i) the application for renewal of the clearance has been made, and (ii) at least 50% construction of the project is completed.

**Rules amended to permit the use of coal without any conditions on ash content for thermal power plants**

In May 2020, the Ministry of Environment, Forest and Climate Change amended the Environment (Protection) Rules, 1986 to remove the requirement for certain coal-based thermal power plants to only use coal with ash content up to 34% (on a quarterly basis). These plants include captive plants with capacity of 100 megawatts or above, and all stand-alone plants. This requirement depended on the distance of the thermal power plant from coal mines.

The mandatory requirement was removed in the light of representations by the Ministry of Power, Ministry of Coal, and NITI Aayog, with the aim of stimulating the domestic coal sector during the COVID-19
pandemic. Their representations included: (i) the requirement of maintaining the average ash content at 34% prompts industries to import coal, leading to outflow of foreign exchange, (ii) use of coal washery rejects generates more pollution, and (iii) coal washing process involves increased water use and effluent generation.

The Ministry provided that the use of coal by power plants will be permitted without any conditions on ash content or distance. However, the following measures will have to be complied with:

- **Technology solutions for emission**: These measures include: (i) complying with specified emission norms for particulate matter, as per the instructions of CPCB, and (ii) adopting suitable technologies in washeries to utilise rejects.

- **Management of Ash Ponds**: These measures include: (i) complying with fly ash conditions notified by the Ministry, and (ii) installing appropriate technology solutions to optimise water consumption for ash management.

- **Transportation**: It should be ensured that a rail siding or conveyor facility is set up at or near the power plant for transportation of coal by rail or conveyor. If transportation by rail or conveyor facility is not available, the coal should be transported in covered trucks by road.

The environment clearances for projects starting 2020-21 will depend on fulfilling above conditions.

**Draft Plastic Waste Management (Amendment) Rules, 2021 released**

In March 2021, the Ministry of Environment, Forest and Climate Change released the draft Plastic Waste Management (Amendment) Rules, 2021. These Rules seek to amend the Plastic Waste Management (Amendment) Rules, 2021. The 2016 Rules emphasised on the reduction of plastic waste. Key amendments proposed include:

- **Ban on plastic items**: The draft amendments seek to impose a ban on the manufacture, sale, and use of certain plastic items across the country from January 1, 2022. These items include: (i) earbuds with plastic sticks, (ii) plastic sticks for balloons, (iii) plastic flags, and (iv) candy sticks.

- The draft Rules seek to ban manufacture, sale, and use of single use plastic items from July 1, 2022. Single use plastic items refer to plastics which are used only once before being recycled or disposed. These include: (i) plates, (ii) cups, (iii) cutlery (such as spoons), and (iv) wrapping and packaging films. The ban will not be applicable to items made of compostable plastics.

- **Thickness of carry bags**: The 2016 Rules specify that the thickness of the plastic carry bags made up of virgin plastics (plastics made from unprocessed petrochemical resins) or recycled plastics must be at least 50 microns. The draft Rules seek to increase the minimum required thickness of these bags to 120 microns.

- The amendments add that the thickness of sheets of non-woven plastic carry bag must be at least 60 grams per square meter (GSM) or 240 microns.

**Guidelines issued for producer’s responsibility under Plastic Waste Management Rules, 2016**

In June 2020, the Ministry of Environment, Forest and Climate Change issued guidelines on a uniform framework for Extended Producer Responsibility (EPR) for plastic waste management. The 2016 Rules define EPR as the responsibility of a producer for environmentally sound management of a product until the end of its life. This framework is based on the premise that producers are responsible for providing financial incentives to plastic waste collection systems and the recycling industry to collect and process plastic waste to meet the targets set by the government.

A Committee constituted to evaluate the mechanism for implementation of EPR noted that urban local bodies are responsible for waste collection and segregation. It observed that handing over this responsibility to the producers would be inefficient. It suggested a uniform framework for EPR, which will be based on the creation of an online national registration and database repository. The Committee noted that one single model for EPR may not work for the entire country. It suggested various models for EPR compliance. These include:

- **Fee-based model**: This model could be applicable to producers who use less than a specified quantity of plastic for packaging. They will contribute to the EPR corpus fund at the central level. The amount to be contributed by each producer will be decided based on the generation of plastic waste and the efforts required and money spent by the urban local bodies in handling plastic waste.
- **Plastic credit model**: Under this model, a producer will not be required to recycle their own packaging, but will ensure that an equivalent amount of packaging waste has been recovered and recycled to meet their obligation. Producers will be mandated to acquire evidence of recycling (plastic credit) from accredited processors or exporters.

- **Producer Responsibility Organisations**: Producers can join a Producer Responsibility Organization (PRO), which will carry out the legal requirements on behalf of their member companies. PROs will operate as a contractor or service provider for the producers. However, the final responsibility of providing evidence of reprocessing of plastic packaging will be with the producer only.

**High-level ministerial committee constituted for implementation of the Paris agreement**

In December 2020, the Ministry of Environment, Forest and Climate Change constituted a high-level Inter-Ministerial Committee for implementation of the Paris agreement. Paris agreement is an international treaty on climate change, which is aimed at reducing greenhouse gas emissions globally. The Committee consists of 17 members, including the: (i) Secretary of the Ministry as Chairperson, (ii) Additional Secretary as Vice-Chairperson, (iii) Additional Director General (Forest), and (iv) Joint Secretaries from 14 ministries as members.

The Committee will be the national regulatory authority for carbon markets in India. Its functions include: (i) developing policies and programmes to make India’s domestic climate change compliant to international obligations, (ii) coordinating communications of the Nationally Determined Contributions (NDCs) to the United Nations Framework Convention on Climate Change, and (iii) defining responsibilities of concerned ministries to achieve India’s NDC goals. NDCs are the climate action plans of a country.

**Chemicals listed as hazardous under the Stockholm Convention banned**

In October 2020, the Union Cabinet ratified ban of seven persistent organic pollutants (POPs) listed under the Stockholm Convention as chemicals hazardous to health and environment. The Stockholm Convention is a global treaty to protect human health and environment from POPs.

Exposure to POPs may: (i) lead to cancer, (ii) damage nervous system, (iii) harm immune system, (iv) cause reproductive disorders, and (v) impact child development.

**Coastal Regulation Zone notification amended**

In May 2020, the Ministry of Environment, Forest and Climate Change amended the Coastal Regulation Zone Notification, 2011. The Coastal Regulation Zone Notification declares certain coastal stretches as Coastal Regulation Zone and imposes restrictions on the setting up and expansion of industries, operations, and processes in this zone.

The amendment to the notification provides that certain areas of mangroves will be protected under the notification. These include mangrove areas arising due to saline water access beyond a sluice gate (constructed before February 19, 1991). Therefore, these mangroves shall not be diverted for any developmental activities.

**Advisory issued for import and possession of exotic live species**

In June 2020, the Ministry of Environment, Forest and Climate Change issued an advisory on import and possession of exotic live species in India. Exotic live species refer to animals under the Convention of International Trade in Endangered Species of Wild Fauna and Flora (CITES). CITES is an international agreement to ensure that trade of wild animals and plant species does not threaten their survival. India ratified CITES in 1976. Key features of the advisory include:

- **Voluntary Disclosure**: An inventory of exotic live species will be developed through a voluntary disclosure scheme. Such disclosure may be made by the owner or holder of the exotic live species to the respective state Chief Wildlife Warden (constituted under the Wild Life (Protection) Act, 1972) within six months from the date of the advisory.

- Any acquisition, death, trade, change in possession, or birth by the imported animal after the disclosure should be informed to the state Chief Wildlife Warden within 30 days.

- **Import and stock maintenance**: An importer has to apply for a license to import exotic live species accompanied by a no-objection certificate from the respective state Chief.
Wildlife Warden. The importer has to take certain steps to maintain the stock of such species. These include: (i) maintaining a health card for each exotic live species, and (ii) providing details of facilities for their housing.

### Water Resources

#### Guidelines notified to regulate and control groundwater extraction

In September 2020, the Ministry of Jal Shakti notified guidelines to regulate and control ground water extraction in the country. The National Green Tribunal noted that the 2018 guidelines were unsustainable and would result in fast depletion of groundwater and damage to water bodies, if implemented. Key features of the new guidelines include:

- **No Objection Certificate (NOC):** All industries, infrastructure projects, and mining projects abstracting groundwater, will be required to seek a NOC from the Central Ground Water Authority or the concerned state Ground Water Authority.

- **Exemption:** Certain categories of consumers will be exempted from seeking a NOC for ground water extraction. These include: (i) individual domestic consumers in rural and urban areas for drinking water and domestic uses, (ii) Armed Forces Establishments and Central Armed Police Forces establishments in rural and urban areas, (iii) agricultural activities, and (iv) micro and small enterprises drawing ground water less than 10 cubic meter/day.

- **Agricultural usage:** States may review their policy on free or subsidised electricity to farmers, bring a water pricing policy, and work towards crop rotation, diversification, and other such initiatives to reduce overdependence of farmers on groundwater.

- **Ground water abstraction charges:** The guidelines provide different rates of ground water abstraction charges for different types of users. All residential apartments, group housing societies, industries, mining, and infrastructure projects will have to pay ground water abstraction charges based on the quantity of ground water extraction and the category of assessment unit.

- **Penalties:** The guidelines prescribe a minimum environmental compensation of one lakh rupees on industrial, mining and infrastructure users for extracting groundwater without a NOC. This can be further increased depending on the quantity of water extracted and the duration of the breach.

#### Operational Guidelines for Swachh Bharat Mission Phase II notified

In May 2020, the Ministry of Jal Shakti notified the Operational Guidelines for Swachh Bharat Mission (Grameen) (SBM-G) Phase II. The aim of the second phase of the scheme is to sustain the open defecation free status of villages and to improve the levels of cleanliness in rural areas through solid and liquid waste management activities. Key features of the guidelines include:

- **Components of SBM-G Phase II:** All states must develop a detailed implementation strategy based on the components including: (i) construction of individual household latrines and community sanitary complexes, and (ii) works for solid waste management, among others.

- **Institutional Mechanism:** Committees will be set up at centre, state and village level to help in planning and facilitating the implementation of the mission. An eight-member National Scheme Sanctioning Committee will be constituted to approve state project implementation plans and the annual implementation plan for the scheme.

- **Capacity building:** Training will be provided for all stakeholders at state, district, and village levels. Stakeholders will include functionaries of ASHA, anganwadi workers, self-help group members, masons, and NGOs. The training may be on various aspects of the phase, including promoting behavioural change, masonry work, plumbing, skills for maintenance of toilets, and other Solid and Liquid Waste Management (SLWM) activities.

- **Market linked SLWM activities:** SBM-G Phase II will focus on commercially viable solutions to make the sanitation economy attractive to private businesses. Possible avenues of engagement for engaging the private sector in rural sanitation could be: (i) providing technical assistance in developing innovative and...
low-cost models of latrine and SLWM infrastructure, and (ii) raising demand for sanitation value chain products by providing market linkages and financing options.

Campaign launched for safe piped water supply in schools and anganwadi centres

In October 2020, the Ministry of Jal Shakti launched a 100 days campaign to ensure safe piped water supply in schools and anganwadi centres across the country. This campaign comes under the Jal Jeevan Mission which aims to provide universal coverage of tap water connection to every rural household by 2024. Key features include:

- **Components:** Key components of the campaign include: (i) provision of piped water supply for anganwadi centres, schools, tribal hostels, health and wellness centres, and community toilets, (ii) greywater treatment and reuse to ensure improved environmental sanitation, and (iii) water quality monitoring at delivery points.

- **Administration:** The Public Health Engineering Department of states will be the nodal department to head the campaign. It will involve the Gram Panchayats and its sub-committees, along with other departments such as education, women and child welfare, panchayati raj, and rural development.

- **Implementation:** Implementation strategies for various situations include: (i) institutions with functional tap water connections: provide adequate and safe water for long term, (ii) institutions with defunct piped water supply: water supply to be improved, (iii) institutions with no proposed piped water supply: provision of standalone water supply schemes such as tube well be made permanent piped water supply, along with planning for 100% functional tap water connections.

Draft Policy Framework for blue economy released

In February 2021, the Ministry of Earth Sciences released the draft policy framework for India’s blue economy. Blue economy comprises of oceanic resources and man-made economic infrastructure in marine, maritime, and onshore coastal zones. The policy outlines a strategy that the government can adopt to utilise oceanic resources for sustainable development. The strategy seeks to: (i) enhance the contribution of the blue economy to GDP, (ii) improve lives of coastal communities, and (iii) preserve marine biodiversity. Key recommendations of the draft policy include:

- ** Contribution of blue economy:** The size of the blue economy in India is estimated to be about 4% of GDP, but this may be higher if more reliable methodology is used. A new robust mechanism should be devised to collect reliable data regarding the blue economy. An Expert Group should be constituted to identify the sectors and activities, which are a part of the blue economy.

- **Coastal Marine Spatial Planning and Tourism:** A Coastal Marine Spatial Planning approach should be adopted for the management of oceanic resources through maps and data on environmental characteristics, geography, and present utilisation of available resources. A national level authority should be constituted to define its scope.

- **Sustainable marine fisheries:** The policy recommends: (i) developing a new national policy for the sector and establishing legal and institutional frameworks for the effective management of marine fisheries, and (ii) exploring deployment of a dedicated satellite system for the management and regulation of fisheries and other allied activities.

- **Legal and regulatory reforms:** These reforms include: (i) enacting a legislative framework for the development and regulation of the blue economy, (ii) introducing a central legislation for the management and regulation of fisheries and related activities, by revising the scope of the Marine Fishing Regulation Acts, and (iii) introducing a central legislation for the management of aquatic diseases along with quarantine and certification of its services.

Tribal Affairs

Minimum Support Price revised for Minor Forest Produce

In May 2020, the Ministry of Tribal Affairs revised the Minimum Support Price (MSP) for 49 items classified as Minor Forest Produce (MFP). MSP is the minimum price set by the central government for purchase of a produce from farmers. Items for which the MSP was revised include tamarind, wild honey, and neem seeds.
The increase in MSP across the MFP items ranged from 16% to 66%.\textsuperscript{551} The revision usually takes place every three years, but was expedited on account of the COVID-19 pandemic.\textsuperscript{551}

Further, an additional 23 MFP items were classified under the MSP scheme in May 2020.\textsuperscript{553} This increased the number of MFP items eligible for MSP from 50 to 73. Some additional items eligible for MSP include black rice, dry ginger, and cashews.
Foreign Contribution (Regulation) Amendment Bill passed by Parliament

The Foreign Contribution (Regulation) Amendment Bill, 2020 was passed by Parliament in September 2020. The Bill amended the Foreign Contribution (Regulation) Act, 2010 (FCRA Act), which regulates the acceptance and utilisation of foreign contribution by individuals, associations, and companies. Foreign contribution is the donation or transfer of any currency, security, or article (of beyond a specified value) by foreign sources. Key amendments include:

- **Transfer of foreign contribution:** Under the Act, foreign contribution was allowed to be transferred to any other person if such person is also registered to accept foreign contribution (or has obtained prior permission under the Act to obtain foreign contribution). The Bill amended this to prohibit the transfer of foreign contribution to any other person.

- **Aadhaar for registration:** The Act states that a person may accept foreign contribution if they have: (i) a certificate of registration, or (ii) prior permission from the government to accept foreign contribution. Further, they should have undertaken activities in its chosen field for the benefit of society by utilising the foreign contribution. The Rules specify that for obtaining registration, the applicant should have spent a minimum of Rs 15 lakh for the benefit of society during the last three financial years, among other conditions.

- **FCRA account:** Earlier, a registered person was allowed to accept foreign contribution only in a single branch of a scheduled bank specified by them. The Bill amended this to state that foreign contribution must be received only in the FCRA account opened in a specified branch of the State Bank of India in New Delhi.

- **Reduction in use of foreign contribution for administrative purposes:** Earlier, a maximum of 50% of the foreign contribution was allowed to be used for meeting administrative expenses. The Bill reduced this maximum limit to 20%.

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

Amendment to Foreign Contribution Regulation Rules notified

In November 2020, the Ministry of Home Affairs notified amendments to the Foreign Contribution (Regulation) Rules, 2011. These amendments were notified under the Foreign Contribution Regulation Act, 2010. Key changes made include:

- **Conditions for obtaining registration or prior permission:** Under the Act, a person may accept foreign contribution if they have: (i) a certificate of registration, or (ii) prior permission from the government to accept foreign contribution. Further, they should have undertaken activities in its chosen field for the benefit of society by utilising the foreign contribution. The Rules specify that for obtaining registration, the applicant should have spent a minimum of Rs 15 lakh for the benefit of society during the last three financial years, among other conditions.

- **For obtaining prior permission, the applicant should submit a commitment letter from the donor indicating the amount of foreign contribution and the purpose for which it is given. Further, if the donor organisation and the recipient have common members, the permission will be subjected to certain conditions such as the chief functionary of the recipient should not be part of the donor organisation.**

- **Organisations of political nature:** Under the Act, organisations of political nature are prohibited from accepting foreign contributions. The 2011 Rules specify guidelines for the government to declare an organisation to be of political nature. This includes organisations such as: (i) trade unions which aim to promote political goals, and (ii) organisations of farmers, workers, or students with objectives to advance political interests of certain groups.

- **Increase in application fee:** The Rules have increased the application fee: (i) for seeking registration from Rs 3,000 to Rs 5,000, (ii) for seeking prior permission from Rs 5,000 to Rs 10,000, and (iii) for renewal of registration from Rs 1,500 to Rs 5,000.
Government of NCT of Delhi (Amendment) Bill, 2021 passed by Parliament


- **Restriction on laws passed by the Assembly:** The Bill provides that the term “government” referred to in any law made by the Legislative Assembly will imply Lieutenant Governor (LG).

- **Rules of Procedure of the Assembly:** The Act allows the Legislative Assembly to make Rules to regulate the procedure and conduct of business in the Assembly. The Bill provides that such Rules must be consistent with the Rules of Procedure and Conduct of Business in the Lok Sabha.

- **Inquiry by the Assembly into administrative decisions:** The Bill prohibits the Legislative Assembly from making any rule to enable itself or its Committees to: (i) consider the matters of day-to-day administration of the NCT of Delhi and (ii) conduct any inquiry in relation to administrative decisions. Further, the Bill provides that all such rules made before its enactment will be void.

- **Assent to Bills:** The Act requires the LG to reserve certain Bills passed by the Legislative Assembly for the consideration of the President. These Bills are those: (i) which may diminish the powers of the High Court of Delhi, (ii) which the President may direct to be reserved, (iii) dealing with the salaries and allowances of the Speaker, Deputy Speaker, and members of the Assembly and the Ministers, among others, and (iv) which may cover matters outside the purview of the Assembly.

- **LG’s opinion for executive actions:** The Act specifies that all executive action by the government, whether taken on the advice of the Ministers or otherwise, must be taken in the name of the LG. The Bill adds that on certain matters, as specified by the LG, his opinion must be obtained before taking any executive action on the decisions of the Minister/ Council of Ministers.

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

Jammu and Kashmir Reorganisation (Amendment) Bill passed by Parliament


Key features of the Bill include:

- **Application of provisions on elected legislatures:** The Act provides that Article 239A of the Constitution, which is applicable to the union territory of Puducherry, shall also apply to the union territory of J&K. Article 239A provides for the constitution of a union territory of Puducherry with: (i) a legislature, which may be elected, or partly nominated and partly elected, and (ii) a Council of Ministers. The Bill states that in addition to Article 239A, any other provision of the Constitution which refers to elected members of a legislative assembly of a state and is also applicable to the union territory of Puducherry, will also apply to the union territory of J&K.

- **Merging of administrative cadres:** The Act specified that the members of the Indian Administrative Service, the Indian Police Service, and the Indian Forest Service serving in the erstwhile state of J&K would continue to serve in the two union territories, based on the allocation decided by the central government. Further, in future, postings of officers in the two union territories would be from the Arunachal Goa Mizoram Union Territory (AGMUT) cadre. The AGMUT cadre covers the three states of Arunachal Pradesh, Mizoram, and Goa, as well as all the union territories. The Bill amended these clauses to provide for the merger of the officers in the existing cadre of J&K with the AGMUT cadre of officers.

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

The Jammu and Kashmir Official Languages Bill, 2020 was passed by Parliament in September 2020. The Bill declares Kashmiri, Dogri, Urdu, Hindi, and English as the official languages of the union territory of Jammu and Kashmir, from such date as the Administrator of the union territory may notify. The Bill adds that the business in the Legislative Assembly of the union territory will be transacted in these official languages.

For a PRS summary of the Bill, please see here.

National Forensic Sciences University Bill, 2020 passed by Parliament

The National Forensic Sciences University Bill, 2020 was passed by Parliament in September 2020. Key features of the Bill include:

- **Establishment of the University**: The Bill repeals the Gujarat Forensic Sciences University Act, 2008. It establishes the Gujarat Forensic Sciences University, Gandhinagar (set up under the Act) as a part of the proposed National Forensic Sciences University. It also establishes the Lok Nayak Jayaprakash Narayan National Institute of Criminology and Forensic Sciences, New Delhi, as a part of the National Forensic Sciences University. The Bill declares the University to be an institution of national importance. The campuses of the University will include the campuses of the two universities and any other campuses notified.

- **Functions**: The functions of the University include: (i) providing training and research in forensic science, including coastal policing and cyber security, (ii) establishing and maintaining colleges, and (iii) prescribing courses, holding exams, granting degrees and other distinctions.

For a PRS summary of the Bill, please see here.

Rashtriya Raksha University Bill, 2020 passed by Parliament

The Rashtriya Raksha University Bill, 2020 was passed by Parliament in September 2020. Key features include:

- **Establishment of the University**: The Bill repeals the Raksha Shakti University Act, 2009 which set up the Raksha Shakti University, Gujarat. It establishes the Raksha Shakti University as the Rashtriya Raksha University, an institution of national importance.

- **Functions**: The functions of the University include: (i) providing instructions and research in police sciences, including coastal policing and cyber security, (ii) establishing and maintaining colleges, and (iii) prescribing courses, holding exams, granting degrees and other distinctions.

For a PRS summary of the Bill, please see here.

Private Security Agency Rules notified

In December 2020, the Ministry of Home Affairs notified the Private Security Agencies Central Model Rules, 2020 under the Private Security Agencies (Regulation) Act, 2005. The Act provides for the regulation of private security agencies in India. The 2020 Rules replace the Private Security Agencies Central Model Rules, 2006. Key features include:

- **License**: Security agencies will be required to apply to a controlling authority (appointed under the Act) for a license to operate. To obtain the license, the agency will need to undergo a training session of at least six days covering various subjects such as VIP security, knowledge of legal provisions, and management of security agencies. The license will be valid for a period of five years and applicable for renewal.

- **Background check**: Before employing anyone as a security guard or supervisor, the agency must conduct a character and antecedents check on the applicant.

- **Training for guards**: An entry-level security guard must undergo 100 hours of classroom training and 60 hours of field training on various subjects including conduct in public, examining identification papers, and basic knowledge of the Indian Penal Code, 1860. Ex-servicemen and former police personnel will be required to attend a shorter course with 40 hours of classroom instruction and 16 hours of field training and instruction.

- **Medical check**: The Rules prescribe standards of physical fitness for security guards. These include criteria based on height, eye sight, and hearing, among others. All security agencies must also ensure that every guard undergoes a medical examination after every 12 months to ensure his continued maintenance of physical standards as prescribed for the entry level.
Rights of Overseas Citizen of India cardholders revised

In March 2021, the Ministry of Home Affairs revised the rights granted to Overseas Citizens of India (OCI) cardholders under the Citizenship Act, 1955. The Citizenship Act, 1955 regulates acquisition and determination of citizenship and also contains provisions regarding registration of OCIs and their rights. Key features of the revised rights include:

- **Visa:** OCI cardholders are entitled to a multiple entry lifelong visa. The revised rights add that OCIs will be required to obtain special permits from the concerned Foreigners Registration Officer or the Indian Mission for matters such as: (i) undertaking research or journalistic activities, (ii) undertaking employment or an internship with foreign Diplomatic Missions or foreign government organisations in India, and (iii) visiting protected, restricted or prohibited areas.

- **Exemption from registration:** OCIs are exempted from registration with the Foreigners Regional Registration Officer or Foreigners Registration Officer for any length of stay in India. The revised rights add that the OCIs who normally reside in India must intimate the jurisdictional Registration Officers by email in case of a change in their permanent residential address and occupation.

- **Parity with NRIs:** OCIs have parity with NRIs with respect to some rights. For instance, they have the right to pursue: (i) professions such as medicine, law, architecture, and chartered accountancy, and (ii) inter-country adoption of Indian children. The revised rights: (i) prohibit OCIs from the sale or purchase of farm houses (in addition to earlier restrictions on the sale or purchase agricultural land and plantation property), and (ii) allow OCIs to appear for exams such as the Joint Entrance Examination (in addition to participation in tests such as the All-India Pre-Medical Test that were already allowed). However, the revised rights add that OCIs will not be eligible for admission against any seat reserved for Indian citizens.

AFSPA to continue in certain districts and police stations in Arunachal Pradesh

In April 2020, the Ministry of Home Affairs extended the application of the Armed Forces (Special Powers) Act, 1958 (AFSPA) in three districts of Arunachal Pradesh (i.e., Tirap, Changlang, and Longding) for a further period up to September 30, 2020. It also extended the application of the Act to the jurisdiction of four police stations. These are: (i) Namsai and Mahadevpur stations in Namsai district, (ii) Roing station in Lower Dibang Valley district, and (iii) Sunpura station in Lohit district.

Ayushman CAPF scheme launched

The Ministry of Home Affairs launched the Ayushman CAPF scheme in January 2021. The scheme is applicable to personnel and dependants of the Central Armed Police Forces (CAPF). CAPF refers to the seven central police forces including the Assam Rifles, Border Security Forces, Central Reserve Police Force, and the National Security Guard. Under the scheme, serving CAPF personnel and their dependents will receive cashless healthcare services through the Ayushman Bharat PM-JAY IT platform. The Ayushman Bharat scheme provides a cover of five lakh rupees per family per year (no cap on family size and age) belonging to the poor and all vulnerable sections of the population.

In addition to cashless services, the scheme also provides a 24x7 call centre, online grievance management system, real-time monitoring dashboards, and fraud and abuse control systems.

National Disaster Mitigation Fund established

In February 2021, the National Disaster Mitigation Fund was notified under the Disaster Management Act, 2005. The Act allows the central government to constitute a fund for projects exclusively for the purpose of mitigation of disasters. The Fund will be managed by the National Disaster Management Authority which is the apex authority responsible for disaster management and mitigation in India.
**Law and Justice**

**Parliament passed the Arbitration and Conciliation (Amendment) Bill, 2021**

The Arbitration and Conciliation (Amendment) Bill, 2021 was passed by Parliament in March 2021. The Bill amended the Arbitration and Conciliation Act, 1996. The Act contains provisions to deal with domestic and international arbitration and defines the law for conducting conciliation proceedings. Key features of the Bill include:

- **Automatic stay on awards:** The 1996 Act allowed a party to file an application to set aside an arbitral award (i.e., the order given in an arbitration proceeding). Courts had interpreted this provision to mean that an automatic stay on an arbitral award was granted the moment an application for setting aside an arbitral award was made before a court. In 2015, the Act was amended to state that an arbitral award would not be automatically stayed merely because an application is made to a court to set aside the arbitral award.

- The Bill specifies that a stay on the arbitral award can be provided (even during the pendency of the setting aside of the application) if the court is satisfied that: (i) the relevant arbitration agreement or contract, or (ii) the making of the award, was induced, or effected by fraud or corruption. This change came into effect from October 23, 2015.

- **Qualifications of arbitrators:** The Act specified certain qualifications, experience, and accreditation norms for arbitrators in a separate Schedule. The requirements under the Schedule included that the arbitrator must be: (i) an advocate under the Advocates Act, 1961 with 10 years of experience, or (ii) an officer of the Indian Legal Service, among others. Further, the general norms applicable to arbitrators’ state that they must be conversant with the Constitution of India. The Bill removed the Schedule and states that qualifications, experience, and norms for accreditation specified under the regulations.

The Bill replaced an Ordinance promulgated with the same provisions in November 2020.

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

**Tribunals Bill introduced in Lok Sabha following Supreme Court’s judgement**

The Tribunals Reforms (Rationalisation and Conditions of Service) Bill, 2021 was introduced in Lok Sabha in February 2021. It seeks to dissolve certain existing appellate bodies and transfer their functions (such as adjudication of appeals) to other existing judicial bodies (mainly High Courts). These appellate bodies include the: (i) Appellate Tribunal under the Cinematograph Act, 1952, (ii) Appellate Board under the Trade Marks Act, 1999, and (iii) Appellate Board under the Patents Act, 1970.

The Bill also amends the Finance Act, 2017 which empowered the central government to notify rules on: (i) qualifications of members of tribunals, (ii) terms and conditions of their service, and (iii) composition of search-cum-selection committees for 19 tribunals (such as the Customs, Excise, and Service Tax Appellate Tribunals). The Bill amends the 2017 Act to include the provisions related to the composition of search-cum-selection committees and the term of office of tribunal members in the Act itself. It proposes the following amendments based on the judgement passed by the Supreme Court in November 2020:

- **Composition of Search-cum-Selection Committees:** The 2017 Act specifies that the tribunal members will be appointed by the government on the recommendation of a Search-cum-Selection Committee. The Supreme Court noted that the search-cum-selection committees did not give primacy to judicial members in decision making. Based on the recommendation of the Supreme Court, the Bill specifies that the Committee will consist of: (i) the Chief Justice of India, or a Supreme Court Judge nominated by him, as the Chairperson (with casting vote), (ii) two Secretaries nominated by the government, (iii) the sitting or outgoing Chairperson, or a retired Supreme Court Judge, or a retired Chief Justice of a High Court, and (iv) the Secretary of the Ministry under which the Tribunal is constituted (but no voting right).

- **Term of office of tribunal members:** The Supreme Court recommended that tribunal members should have a five-year term, instead of four years as under the 2020 Rules. However, the Bill specifies that the term of office for the Chairperson of the tribunals will be of four years or till the age of seventy years, whichever is earlier. For other members of the
tribunals, the term will be of four years or till the age of sixty-seven years, whichever is earlier.

In addition, in its judgement, the Supreme Court directed the central government to constitute an independent body called the National Tribunals Commission to supervise appointments as well as functioning and administration of the tribunals. A separate wing under the Ministry of Finance may be set up to supervise the needs of the tribunals till the Commission is constituted.

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

### NITI Aayog Expert Committee on online dispute resolution submitted its report

In October 2020, the NITI Aayog Expert Committee constituted to build a framework for Online Dispute Resolution (ODR) in India submitted a draft report for discussion.\(^577\) ODR refers to use of information and communication technology for resolution of disputes (for instance, through use of video-conferencing and digital circulation of files for resolution). The Committee noted the need for an implementation framework for ODR by facilitating adoption and amending existing regulations, especially in light of COVID-19 induced lockdown.

ODR offers several potential benefits, such as: (i) reduction in costs (does not require parties to travel, reduced legal fees), (ii) faster dispute resolution, and (iii) reduction in unconscious bias that may arise from physical presence while resolving disputes. However, there are several challenges in the adoption of ODR. These include: (i) lack of digital infrastructure and digital literacy, (ii) lack of awareness and trust in ODR services, (iii) archaic legal processes which require physical presence, and (iv) concerns on privacy. In this regard, the Committee held:

- **Access to digital infrastructure:** The Committee observed that further development of ODR in the country is contingent on successful implementation of initiatives such as Digital India and National Broadband Mission to create digital infrastructure, PM Gramin Digital Sakasharta Abhiyaan for digital literacy, and the eCourts project by the judiciary.

- **Improving adoption and trust in ODR:** Currently, the SAMADHAAN portal, operated by the Ministry of MSMEs is used for facilitating online disputes related to MSMEs. However, it only covers issues related to delay in payment to MSMEs. The Committee recommended that the portal can be scaled up to cover all MSME related disputes. Noting that the government is the largest party to litigation (46% of litigation in the country), it recommended that ODR can be mandated for categories of government litigation disputes.

- **Phased implementation:** The Committee recommended that ODR should be adopted in a phased manner. In the first phase, the focus should be on using ODR for COVID-19 related disputes. In the second phase, ODR should be made mainstream by deploying digital infrastructure, building trust, and modifying legislations to enable ODR. In the third and final phase, the government and judiciary should focus on making ODR the primary mode of dispute resolution.

### Defence

#### Defence Ministry sanctioned permanent commission for women officers in Army

The Ministry of Defence sanctioned the grant of Permanent Commission to women officers in the Indian Army in July 2020.\(^578\) The services in the Army are broadly classified into: (i) combat arms, (ii) combat support arms, and (iii) services. Earlier, women officers were eligible to work in all non-combat services through a Short Services Commission (SSC, i.e., for a tenure of 14 years) and Permanent Commission for women officers was available only in two non-combat streams: (i) judge and advocate general and (ii) army educational corps.

The Ministry sanctioned grant of permanent commission to SSC women officers in all ten non-combat streams of the Indian Army: (i) army air defence, (ii) signals, (iii) engineers, (iv) army aviation, (v) electronics and mechanical engineers, (vi) army service corps, (vii) army ordnance corps, and (viii) intelligence corps (besides the two existing streams mentioned above).

SSC women officers who are granted permanent commission are entitled to all consequential benefits including promotion and financial benefits. Note that the Supreme Court had ruled in favour of granting permanent commission to all women officers in the Army in its non-combat services in February 2020.\(^579\)
DAC delegates capital procurement of up to Rs 300 crore to armed forces

In July 2020, the Defence Acquisition Council (DAC) delegated procurement powers to armed forces for capital acquisitions of up to Rs 300 crore to meet their emergent operational requirements. The decision was taken in view of the situation then prevailing along the northern borders of the country. The delegation of procurement powers is expected to shrink the procurement timelines, and ensure placement of orders within six months and commencement of deliveries within one year.

Ministry of Defence released the Defence Acquisition Procedure, 2020

The Ministry of Defence released the Defence Acquisition Procedure (DAP), 2020 in September 2020. DAP governs the acquisition of weapons and equipment for India’s defence forces. The Ministry had released the draft DAP for public comments in July 2020. DAP 2020 superseded the Defence Procurement Procedure (DPP) 2016. It came into effect from October 1, 2020 and will be in force till September 30, 2025 or till reviewed. Key features of DAP include:

- **Mode of acquisition**: DPP specified two modes of capital acquisition: (i) buy, and (ii) buy and make. DAP introduced ‘leasing’ as a new mode of acquisition. Leasing substitutes initial capital outlays with periodical rental payments. It is preferred in situations where: (i) procurement is not feasible due to time constraint, or (ii) the asset is required only for a specific time. Further, DAP added a separate mechanism for acquisition of systems designed by DRDO, Public Sector Undertakings working on defence, and Ordnance Factory Boards.

- **Enhancement of Indigenous Content (IC)**: DPP specified five categories of capital acquisition for the ‘buy’ and ‘buy and make’ modes. These are (explained in notes below Table 18): (i) Buy (Indian-IDDMM), (ii) Buy (Indian), (iii) Buy and Make (Indian), (iv) Buy and Make, and (v) Buy (Global). DAP added Buy (Global-Manufacture in India) as another category for acquisition and removed the ‘Buy and Make’ category. Further, DAP enhanced the IC requirement in various categories of procurement. The IC requirements for the above categories are listed in Table 18.

- **Weapons and platforms banned for import**: In August 2020, the Ministry of Defence published a list of 101 weapons and platforms with an embargo (ban) on their import starting December 2020. The service headquarters must ensure that no weapon/platform on the list is procured through import. This equipment may be procured under the Buy (Indian-IDDMM) and Buy (Indian) categories.

Table 18: Indigenous content requirement for different categories of acquisition

<table>
<thead>
<tr>
<th>Category</th>
<th>DPP 2016</th>
<th>DAP 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy (Indian-IDDMM)</td>
<td>40% or more</td>
<td>50% or more</td>
</tr>
<tr>
<td>Buy (Indian)</td>
<td>40% or more</td>
<td>50% or more for indigenous design</td>
</tr>
<tr>
<td>Buy and Make (Indian)</td>
<td>50% or more of Make’ part</td>
<td>50% or more of ‘Make’ part</td>
</tr>
<tr>
<td>Buy and Make</td>
<td>Category not present</td>
<td>Category not present</td>
</tr>
<tr>
<td>Buy (Global-Manufacture in India)</td>
<td>Category not present</td>
<td>50% or more</td>
</tr>
<tr>
<td>Buy (Global)</td>
<td>Not specified</td>
<td>30% or more for Indian vendor</td>
</tr>
</tbody>
</table>

Note: IC is the percent of cost of indigenous content (in design, development or manufacturing) of contract value. ‘Make’ part refers to manufacturing portion of the contract. Categories: (i) Buy (Indian-IDDMM) refers to the procurement of products from an Indian vendor that have been indigenously designed, developed and manufactured; (ii) Buy (Indian) refers to the procurement of products from an Indian vendor; (iii) Buy and Make (Indian) refers to an initial procurement of equipment from an Indian vendor in a tie-up with a foreign vendor, followed by transfer of technology; (iv) Buy and Make refers to an initial procurement of equipment from a foreign vendor, followed by transfer of technology; (v) Buy (Global-Manufacture in India) refers to a purchase from a foreign vendor where the 50% IC value can be achieved in ‘Make’ through a subsidiary of the vendor; and (vi) Buy (Global) refers to outright purchase of equipment from foreign or Indian vendors.

FDI policy amended to permit up to 74% FDI in defence under automatic route

The Ministry of Commerce and Industry notified changes to the Foreign Direct Investment (FDI) policy for the defence sector in September 2020. The policy is applicable to companies in the sector that are subject to licensing under the Industries (Development and Regulation) Act, 1951 and the Arms Act, 1959. The policy permits 100% FDI in defence, however it requires government approval beyond a limit. Key changes were:

- **FDI in companies seeking new licenses**: For companies seeking new industrial licenses, the maximum FDI allowed under the automatic route (which does not require government approval) was increased from 49% to 74%. FDI in such
companies beyond 74% is permitted with government approval.

- **FDI in companies with existing licenses:**
  Earlier, for companies with existing licenses, any fresh FDI, leading to a change in the ownership pattern or transfer of stake to the new foreign investor, required government approval. Under the revised policy, in such a case, government approval is not required if such FDI is within the 49% limit. Instead, such a company is required to inform the Ministry of Defence within 30 days.

**Draft Defence Production and Export Promotion Policy, 2020 released**

The Ministry of Defence released the draft Defence Production and Export Promotion Policy, 2020 in August 2020. The Policy aims to give a thrust to the defence production capacity of the country, reduce dependence on imports, and promote exports for self-reliance in defence. Key features of the Policy include the following:

- **Turnover of defence industry:** The size of the domestic defence industry (including aerospace and naval shipbuilding) is currently estimated to be about Rs 80,000 crore. The Policy aims to achieve a turnover of Rs 1,75,000 crore in aerospace and defence goods and services by 2025 (including exports of Rs 35,000 crore).

- **Domestic procurement:** Currently, the procurement from the domestic industry is nearly Rs 70,000 crore (60% of overall defence procurement). The Policy aims to double this to Rs 1,40,000 crore by 2025. It proposes creating a distinct head for domestic capital procurement in the defence budget, and increasing allocation for domestic capital procurement by a minimum of 15% per year for the next five years.

- **Research and innovation:** DRDO will set up missions in select areas to develop critical futuristic systems such as hypersonic missiles, secure communication devices, and airborne sensors. The innovations for Defence Excellence (iDEX) initiative will be scaled up to engage with 300 more start-ups and develop 60 new technologies over the next five years. The iDEX initiative aims to encourage technology development in defence by engaging research institutes, academia, industry, and start-ups by providing them funding.

- **Reforms in DPSUs:** The Policy notes that ordnance factories and Defence Public Sector Undertakings (DPSUs) need to be reformed for the future so that they work in tandem with the private industry. It proposes that disinvestment of DPSUs will be pursued and ordnance factories will be corporatised to make them competitive. They will be mandated to have at least 25% of their revenue from exports by 2025.

**Ministry of Defence put embargo on import of 101 weapons/ platforms**

In August 2020, the Ministry of Defence put an embargo (ban) on import of 101 items such as weapons and platforms. The 101 items include weapon systems such as artillery guns and anti-submarine rocket launchers, and equipment such as high-power radar and upgrade systems. The ban on an item will kick in as per the deadline specified against the item. For 69 items, the ban came into effect from December 2020. For 11 items, it will come into effect from December 2021. For the remaining 21 items, the ban will be effective from December 2022 or later.

The Ministry expects the ban on imports to give a push to self-reliance in the defence sector by boosting the domestic industry. It estimates that the embargo will result in domestic contracts of nearly Rs 4 lakh crore within the next five to seven years. Note that in May 2020, the Finance Minister had announced that a list of weapons and platforms banned for import will be released based on an annual wise timeline, under the Aatma Nirbhar Bharat Abhiyaan.

**DRDO identified 108 systems for design and development by domestic industry**

In August 2020, the Defence Research and Development Organisation (DRDO) identified 108 systems and subsystems which will be designed and developed by the Indian industry only. These include systems such as mini and micro unmanned aerial vehicles, marine rocket launcher, fire detection system, and transponder system, among others. DRDO will provide support to the domestic industry for design, development, and testing of these systems on requirement basis. It has set a timeline of 2021 for the development of these systems.
Shekatkar committee recommendations on border infrastructure implemented

In May 2020, the government accepted and implemented certain recommendations of the Shekatkar Committee on border infrastructure. The Shekatkar Committee was setup to enhance combat capability and rebalance defence expenditure. The Committee had submitted its report in December 2016. However, the report of the Committee has not been released in public domain in the interest of national security.

The recommendations accepted by the government in May 2020 aim to speed up the construction of border roads. These are:

- Road construction work beyond the optimal capacity of the Border Roads Organisation (BRO) will be outsourced. The government made the Engineering Procurement Contract (EPC) mode mandatory for execution of all works costing more than Rs 100 crore.

- The Committee recommended that modern construction plants, equipment, and machinery should be introduced for road construction. The government increased the delegation of powers to BRO for projects up to Rs 100 crore, with the aim of speedier procurement of new technology.

- The Committee recommended that clearances should be obtained before the commencement of the project. Under the EPC mode, the government mandated award of work only after 90% of the statutory clearances, such as forest and environmental clearances, have been obtained by the government.

Ministry permitted invalid pension to personnel below 10 years of service

In July 2020, the Ministry of Defence allowed the benefit of Invalid Pension to armed forces personnel with less than 10 years of qualifying service. Invalid pension is granted to personnel who have been declared unfit for service on account of a disability which is neither attributable to nor aggravated by their military service. Earlier, the minimum period of qualifying service for receiving invalid pension was 10 years. The benefits of this decision are only available for personnel who have been in service on or after January 4, 2019.

External Affairs

Standing Committee submitted report on the Anti-Maritime Piracy Bill, 2019


- **Applicability of the Bill**: The Bill will apply to all parts of the sea adjacent to and beyond the Exclusive Economic Zone (EEZ) of India, i.e., beyond 200 nautical miles from the coastline. The Committee noted that under the UNCLOS, countries have jurisdiction to conduct anti-piracy operations in their EEZ. It recommended that the Bill should also apply to the EEZ.

- **Punishment for piracy**: The Bill provides that an act of piracy will be punishable with: (i) imprisonment for life, or (ii) death, if the act or attempt of piracy includes attempted murder, or causes death. The Committee noted that the Supreme Court has ruled the mandatory death penalty as arbitrary and unfair and in violation of Articles 14 and 21 of the Constitution. Further, it noted that provisions of other Acts which provided for the mandatory death penalty have been struck down by the Court. However, the Committee recommended the mandatory death penalty for causing death while committing or attempting an act of piracy. It recommended that the death penalty should not be given if an attempted piratical act does not lead to death.

- **Jurisdiction of Courts**: The Bill provides that the Designated Court will not have jurisdiction over offences committed on a foreign ship, unless an intervention is requested by the country of origin of the ship, the ship owner, or any other person on the ship. The Committee recommended deleting this provision of the Bill.

Further, the Bill provides that the Court may try a person even if he is not physically present in the Court. The Committee noted this contradicts the procedural safeguards of Article 21 of the Constitution. It recommended certain safeguards for trials in-absentia, including: (i) the accused is aware of the trial, and (ii) the accused does not request an appeal in due time.
For a PRS summary of the Committee’s report, please see [here](#). For a PRS analysis of the Bill, please see [here](#).

**Key agreements signed with many countries**

In 2020-21, India entered into agreements with countries including USA, Australia, and Bangladesh.

**USA**: India and USA signed five agreements in areas including: (i) defence and geo-spatial intelligence, (ii) nuclear energy, and (iii) research in medicine.597

**Australia**: Australia and India signed nine agreements in fields including: (i) mining and processing of critical and strategic minerals, (ii) water resource management, and (iii) cyber security and technology.598

**Japan**: Japan and India signed three agreements in the following areas: (i) sending and accepting skilled workers, (ii) cyber security, and (iii) provision of defence supplies.599,600,601

**Bangladesh**: Seven agreements were signed between Bangladesh and India for cooperation in various fields, including: (i) agriculture, (ii) hydro-carbons, and (iii) commerce.602

**Maldives**: Credit of USD 50 million was extended to the Maldives for capacity building in maritime defence.603 India will also grant assistance of USD 100 million towards connectivity projects in the Maldives.599 Other agreements signed include agreements for cooperation in: (i) public service media, (ii) sports and youth affairs, and (iii) infrastructure development.599,603

**Italy**: Various entities from Italy and India signed 15 agreements in the following areas: (i) energy, (ii) fisheries, (iii) trade and investment.604 Further a plan of action for 2020-24 was adopted by both nations, with a focus on: (i) economic engagement, (ii) defence and counter-terror cooperation, and (iii) collaboration in research and technology.605

**Vietnam**: Various government departments and commercial entities from India and Vietnam signed seven agreements in areas including: (i) defence production, (ii) atomic energy, and (iii) medical research.606 The two countries also adopted a Joint Vision for Peace, Prosperity, and People, and a plan of action to implement strategic partnership.606

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