PRS LEGISLATIVE RESEARCH

Monthly Policy Review
June 2012

Highlights in this Issue

RBI holds policy rate as inflation increases (p. 4)
The RBI left the policy rate unchanged at 8% as inflation increased to 7.6% in May. It felt that a rate cut could exacerbate inflationary pressures.

States agree to bring petroleum products under GST (p. 5)
Reports suggest that states have agreed to a dual levy system for petroleum products under GST. States also want the GST Council, not a dispute resolution authority, to adjudicate on compensation issues that would arise under GST.

Cement manufacturers fined by the Competition Commission of India (p. 5)
The Commission found 11 cement manufacturers to be in violation of the Competition Act, 2002. It has imposed a penalty of over Rs 6,000 crore on the companies. The Cement Manufacturers Association was also fined for facilitating cartelisation.

Calcutta High Court strikes down Singur Land Act 2011 (p. 9)
The Calcutta High Court struck down the Singur Land Rehabilitation and Development Act, 2011, terming it unconstitutional and void.

Cabinet adopted New Telecom Policy 2012 (p. 7)
The Policy de-links spectrum from licenses for telecommunication services. Under the Policy, only unified licenses may be granted for telecom services.

Increase in MSP prices (p. 10)
Minimum support prices for 14 kharif crops for the 2012-13 have increased sharply from last year due to high costs of production.

Declaration on Sustainable Development adopted by Rio Summit (p. 6)
At the UN Conference on Sustainable Development, countries adopted the Future We Want Declaration, reaffirming principles of equity under the Rio Declaration, 1992.

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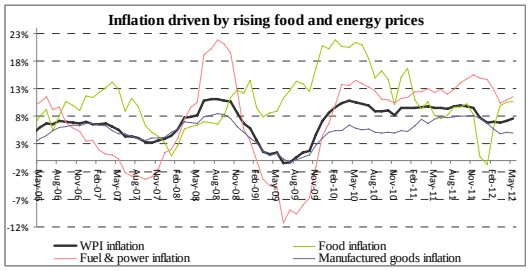
State of the Economy

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Inflation increases, industry stagnant

Inflation accelerates to 7.6 per cent in May

Wholesale Price Index (WPI) inflation increased to 7.6 per cent in May from 7.2 per cent in April. The increase has been driven by surging food and energy prices. Food inflation, which accounts for 14 per cent of the WPI, was 10.7 per cent in May (10.5 per cent in April). Fuel and power inflation was 11.5 per cent in May (11.0 per cent in April) and contributes 15 per cent to the WPI.

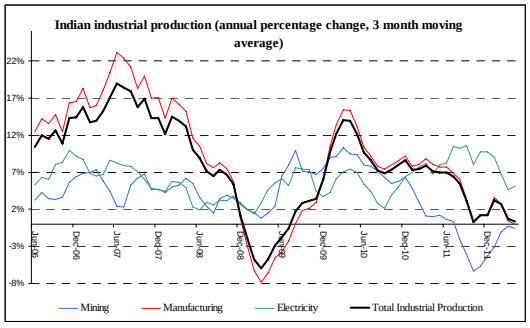


Source: MOSPI; PRS

Retail inflation also remains a concern. The combined CPI, covering both rural and urban India, increased by 10.4 per cent in May (10.3 per cent in April).

Industrial production remains weak

Index of Industrial Production increased by a marginal 0.1 per cent in April, an improvement from the 3.1 per cent contraction in March. Manufacturing output only expanded by 0.1 per cent in April (-4.0 per cent in March), while mining output contracted by 3.1 per cent (-1.3 per cent in March). Industrial production growth in 2011-12 was 2.8 per cent, well below the double digit growth rates seen before the global economic crisis of 2008.

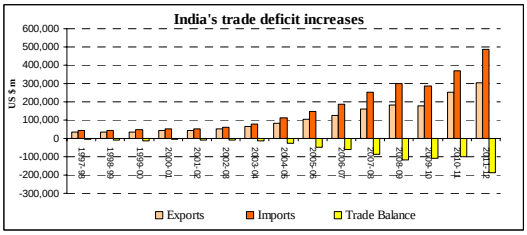


Source: MOSPI; PRS

Current account deficit rises

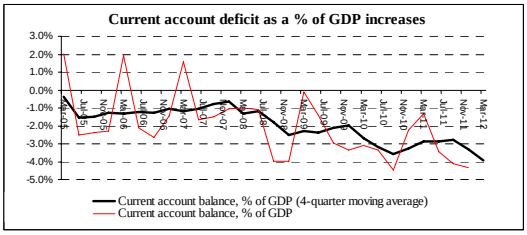
Increased imports widen trade deficit

Slower export growth combined with faster import growth has increased India's trade deficit. Exports increased by 21 per cent in 2011-12 but were outpaced by import growth of 32 per cent. In 2011-12, India's trade deficit was an estimated US$185 billion compared to US$118 billion in the previous year. The latest estimates from the Ministry of Commerce reveal a trade deficit of US$16.3 billion for May as both exports (-4.2 per cent) and imports (-7.4 per cent) contracted.



Source: RBI; PRS

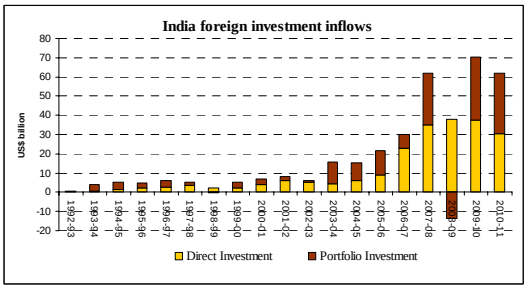
With GDP growth slowing and trade deficit increasing, the current account deficit as a percent of GDP increased to xx in the quarter of Jan - Mar 2012. The current account deficit for 2011-12 was xx of GDP (2.6 per cent in 2010-11, 2.8 per cent in 2009-10).



Source: RBI; PRS

Investment decreases, overall balance of payments weakens

Foreign investment in India has decreased during the last fiscal year. Total foreign investment was US$xx billion in 2011-12, a reduction from the US$37 billion in 2010-11.

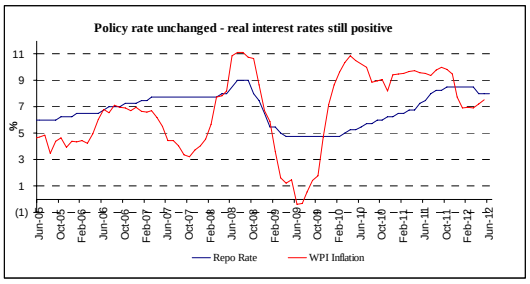


Source: RBI; PRS

RBI leaves policy rate unchanged

RBI holds rate at 8.0 per cent and CRR at 4.75 per cent

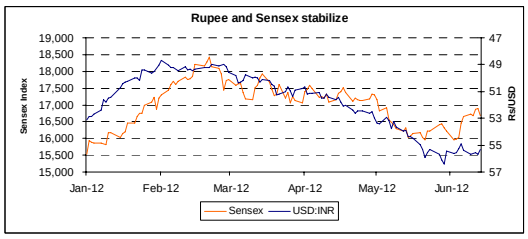
The RBI left the policy repo rate unchanged at 8.0 per cent, surprising markets that had been expecting a 25 basis points cut. The cash reserve ratio (CRR) was also left unchanged at 4.75 per cent. The RBI stated that it had frontloaded the policy rate reduction in April with a cut of 50 basis points, on the premise that the process of fiscal consolidation would get under way, along with other supply side initiatives. It believes that the role of interest rates in the slowdown has been relatively small and a rate cut at this time would exacerbate inflationary pressures.



In addition, the RBI introduced measures to improve the liquidity situation. The Export Credit Refinance (ECR) is a facility that allows banks to refinance loans to exporters. The RBI has lifted the ECR facility limit to 50 per cent (from 15 per cent). According to the RBI, this effectively injects Rs 30,000 crore into the system.

Exchange rate and Sensex fall

The Rupee continues to depreciate after a 7.4 per cent slide last month. In June, the Rupee appreciated by xx per cent to Rs . However this is still significantly weaker than the rate this time last year (Rs 44.5). The Sensex has also picked up by xx per cent to after falling by 7 per cent in May.



Source: Federal Reserve, BSE, PRS

In response to the falling exchange rate, the RBI has increased the investment limit in government securities for foreign institutional investors by US$ 5 billion to US$20 billion. The RBI also launched a new scheme which allows firms from manufacturing and infrastructure sectors to use external commercial borrowings (ECBs) to repay rupee loans.

Energy

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Competition Commission questions coordinated petrol pricing strategy

According to reports, the Competition Commission of India (CCI) has questioned the strategy of Oil Marketing Companies (OMCs) to revise prices simultaneously.[1] The three OMCs – Indian Oil Corporation, Bharat Petroleum and Hindustan Petroleum – raised the price of petrol by Rs 6.28 per litre on 23rd May 2012. The OMCs subsequently decreased the price of petrol by Rs 2.02 per litre together on 2nd June 2012. The companies also released a joint press statement defending their price increase.[2]

Price revisions earlier occurred with a marginal lag. CCI has questioned the simultaneous revisions of petrol prices. Petrol prices were officially deregulated in June 2010, when the government announced that the prices of petrol and diesel would be market-determined.[3] CCI believes that while deregulation was supposed to encourage competition in the petroleum sector, the joint actions by the OMCs amounts to anti-competitive actions and could violate the Competition Act, 2002.

The press release in June 2010 that announced the deregulation of petrol prices stated, "in case of a high rise and volatility in international oil prices, Government will suitably intervene in the pricing of petrol and diesel."[4] In their joint press release on 3rd June 2012, the OMCs stated that while petrol prices have been decontrolled since June 2010, their inability to increase prices in line with rising international crude prices has led to heavy losses for them.[5] Many experts have suggested that the government did not allow OMCs to increase petrol prices earlier when international crude prices were rising.[6]

States agree to bring petroleum products under GST

Reports suggest that state governments have agreed to bring petroleum products under the ambit of the goods and services tax (GST).[7] The Constitution (One Hundred and Fifteenth Amendment) Bill, 2011 seeks to amend the Constitution to introduce GST. The introduction of GST would help integrate the country into a common market by removing fiscal barriers between states. The Bill exempts certain commodities from GST, including petroleum products and alcohol for human consumption.

Taxes on petroleum products are an important source of revenue for states, contributing around Rs 89,000 crore towards state revenues in 2010-11.[8] Andhra Pradesh currently has the highest rate of VAT on petroleum at 33 per cent, while Goa imposes no sales tax or VAT on petrol. If petroleum products were brought under GST, then a uniform tax rate would be imposed on them across all states. States have so far opposed this move, fearing the loss of revenues.

Petroleum products are inputs for many goods and services, and exempting them from the GST regime would lead to cascading of taxes. The Thirteenth Finance Commission and the Department of Revenue have both recommended that petroleum products be included under GST, in order to avoid tax cascading and prevent tax distortions (more here). The Finance Commission has also recommended that a dual levy system be implemented for petroleum products, tobacco and alcoholic liquor.[9] This would allow states to impose an additional excise while subsuming these products under GST. Reports suggest that states have agreed to this dual levy system.[10]

The same reports suggest that states do not want a dispute resolution authority that is included in the Bill. Instead, they want the GST Council that will be set up under the Bill to adjudicate on compensation issues. The Council would comprise of the Finance Minister, the Minister of State in charge of Revenue, and the Minister in charge of finance or taxation from each state. The Standing Committee on Finance is currently examining the Bill.

GoM for Coal Regulatory Authority Bill

The Prime Minister approved the formation of a Group of Ministers (GoM) to look into the draft Bill for setting up a regulatory authority for the coal sector. Reports stated that the nine member ministerial panel includes Coal Minister Sriprakash Jaiswal, Home Minister P. Chidambaram, Power Minister Sushilkumar Shinde and Mines Minister Dinsha Patel.[11] The regulator's powers could include determining coal prices, authorising mining, production and supply of coal and ensuring adherence to the mining plan.[12]

Cement

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Cement manufacturers fined by the CCI

The Competition Commission of India (Commission) has found 11 cement manufacturers to be in violation of the Competition Act, 2002.[13] The Commission has imposed a penalty equal to half the profits for the manufacturers for 2009-10 and 2010-11. The total penalty amounts to Rs 6,304 crore.

The Competition Act, 2002 established the Commission in order to sustain competitive markets, protect the interests of consumers and prevent practices that have an adverse effect on competition.[14] The Commission found the 11 manufacturers in contravention of Section 3(3)(a) and 3(3)(b) of the Act, when read in conjunction with Section 3(1).

Section 3(1) of the Act states that no enterprise, person or association thereof shall enter into any agreement regarding production, supply, distribution, storage, acquisition, or control of goods or services that causes an adverse effect on competition. Sections 3(3)(a) and 3(3)(b) provide that such an agreement that directly or indirectly determines prices or limits production, supply, markets, technical development, investment or provision of services shall be presumed to have an adverse effect on competition.

The Commission stated that the cement companies underutilised their available capacity in order to reduce supplies and raise prices. It imposed a penalty under Section 27 of the Act. Section 27 enables the Commission to impose a penalty on the person or enterprises found guilty of contravening Section 3. The concerned manufacturers have to deposit the penalty within 90 days, as well as cease and desist from activities relating to agreements or understanding on prices, production and supply of cement.

The Commission also imposed a penalty on the Cement Manufacturers Association (CMA) for facilitating cartelisation. The penalty imposed is 10 per cent of its average turnover for the last three years, amounting to Rs 73 lakh. The Commission also asked CMA to disengage from collecting wholesale and retail prices through member companies and from circulating details of production and dispatches to its members.

Environment

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Declaration on sustainable development

The United Nations Conference on Sustainable Development was held at Rio de Janeiro, Brazil on June 22, 2012. The Conference was held to discuss means to reduce poverty, advance social equity and ensure environmental protection globally. The summit adopted the Future We Want Declaration, reaffirming the principles of equity and commonality with differential responsibilities instituted under the Rio Declaration 1992.[15] It acknowledged that developing countries needed additional resources for sustainable development and no extra conditions could be imposed on them for financial aid from rich nations. It also acknowledged that eradication of poverty was an indispensable aspect of sustainable development. This is consistent with India's stand on further commitments on reduction in emissions.

The Declaration seeks to establish an inter-governmental committee under the UN General Assembly. The Committee would prepare a report on financing needs of developing countries, consider the effectiveness of existing frameworks, and evaluate additional initiatives to mobilise resources to achieve the sustainable development objectives. The Committee would be comprised of 30 experts nominated by regional groups, with equitable geographical representation. The Committee is expected to conclude its work by 2014.

Pharmaceuticals

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FDI in pharmaceuticals

As per news reports the inter-ministerial group on FDI in pharmaceuticals has recommended changes in the restriction on FDI in the industry.[16]

Previously, in a high level meeting chaired by the Prime Minister in October 2011 it was decided that FDI in new entities would be allowed up to 100% under the automatic route. Furthermore, FDI for existing entities would also be allowed up to 100% but would be subject to Foreign Investment Promotion Board clearance.[17] The Ministry of Health had recommended mandatory technology transfers in case of investments by foreign companies in existing pharmaceutical companies. The inter-ministerial group has now decided to do away with this requirement.

Media

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Delay in implementation of digital cable network

The Ministry of Information and Broadcasting has modified the date for mandatory digitisation of cable networks.[18] According to the Ministry's notification dated November 11, 2011 under the Cable Television Networks Act, 1995, cable networks in Delhi, Mumbai, Kolkata and Chennai were to be digitised by June 30, 2012. The new date for complete digitisation of cable networks in the four metros is October 31, 2012.

TRAI had released two sets of regulations in April and May 2012. The first set of regulations required broadcasters, Multi System Operators (MSOs) and cable operators to enter into agreements detailing the rates for carrying channels.[19] The second set of regulations required MSOs and cable operators to establish consumer complaint redressal system.[20]

As per the Ministry's press release, TRAI's regulations were expected in January. The Release states that this has led to delay in implementation of the June 30, 2012 dead line.

To ensure no delays in digitization, the Ministry has suggested strict benchmarks up to October 31, 2012.

Telecom

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New Telecom Policy 2012

The cabinet cleared the Telecom Policy 2012 on May 31, 2012.[21] The main objectives of the Policy are listed below.

- **Broadband**: The Policy aims to revise the existing broadband download speed from 256 kbps to 2 Mbps by 2015. It recognizes the right to broadband.
- **Promote research and development**: The Policy aims to assist entrepreneurs by providing financial and management support. It also aims to establish a Council consisting of experts from the telecom industry, government and academics, to ensure implementation of recommendations to promote indigenous research and development.
- **Licensing**: The Policy provides for a unified licence for all telecom service. It also aims to develop a regulatory framework to deliver value added services at cheap prices to encourage entrepreneurship and provide region specific content in regional languages. As per the Policy, charges would be regulated based on the bandwidth utilisation and not on the type of content transmitted. For example, in the case of multimedia messaging service (MMS), charges would have to be based on the size of the MMS and not on whether it is a text or an image. Roaming charges would also be removed.
- **Spectrum**: The Policy aims to de-link spectrum and licenses. Additional spectrum would be made available every five years. Spectrum would be liberalised so that any technology (GSM or CMDA) may be used to provide services. The Policy allows for the sharing and trading of spectrum.
- **Telecom Infrastructure**: The Policy aims to simplify the sectoral policy on installing towers and cable networks. It seeks to encourage use of renewable energy in powering telecom networks.
- **TRAI**: The Policy aims to review the Telecom Regulatory Authority of India Act, 1997 to ensure effective discharge of TRAI's functions. It also aims to review the Indian Telegraph Act, 1885.

Civil Aviation

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Recommendations of the Dharmadhikari Committee

In 2011, the ministry of civil aviation had appointed a committee headed by Justice Dharmadhikari to look into the issues of human resource integration and parity in salary between the employees of Indian Airlines and Air India. The Committee submitted its report to the Ministry on January 31, 2012. The report was made publicly available on June 23, 2012 (more here).

Some of the recommendations made by the Committee are as follows:

- April 1, 2007 should be fixed as the cut-off date for undertaking the exercise of level mapping, seniority and career progression.
- The pay scales should be fixed with effect from April 1, 2007 as per the guidelines laid down by the Department of Public Enterprises. The Committee recommended that the revised pay scales should be applied prospectively as a retrospective application would result in a huge financial burden.
- The Committee recommended that the inter-se seniority of the employees should depend upon the length of the employee's service in either airline. Within the same grade an employee having a longer period of service should be placed above an employee having a shorter duration of service.
- The Committee recommended that the seniority of pilots and engineers should depend upon the type of aircraft they have been trained upon.
- A Departmental Promotion Committee (DPC) should be constituted to look into the issue of promotion of the pilots. Each DPC should have fair representation from Air India and

Indian Airlines. It should also have an outside expert. Promotions should be based on a combination of seniority and merit.

- Productivity Linked Incentive (PLI) in its present form should be abolished. The PLI should be on the basis of the guidelines issued by the Department of Public Enterprises (DPE). It should be linked to profit and achievements of the company. The Committee recommended that at most 10 per cent employees in each grade shall be eligible for this incentive.
- The Committee recognised that certain categories of employees such as pilots, cabin-crews are given certain allowances which are outside the scope of the DPE guidelines. Therefore, they shall require the prior approval of the Union Cabinet.
- The Committee recommended that Air India should formulate a voluntary retirement scheme for all levels of employees. It also recommended that stock options be given to employees in lieu of the arrears payable to them.

The Civil Aviation Ministry has constituted an Implementation cum Anomaly Committee to look into the implementation of the above recommendations.

Committee established for determining the seniority of employees of AAI

A committee has been established for determining the inter-se seniority of the employees of the erstwhile National Airports Authority and the International Airports Authority. These two authorities were merged into the Airport Authority of India in 1994.

In 1995, a committee under the chairmanship of Justice Jain was constituted to determine the inter-se seniority of the employees. Subsequently, in 2005 another committee under the chairmanship of Justice Krishnamoorthy was constituted to examine the issue. The recommendations of both these committees have still not been implemented.

According to the press release, the new committee will examine the recommendations of the previous committees and determine the inter-se seniority of the personnel within 45 days.

Draft Approach papers

The Civil Aviation Ministry had invited comments on the 'Draft Approach Paper on Economic Regulations of Airports in India' (see here). According to the Approach Paper, the policy would be looking at specific aeronautical charges such as landing, housing or parking charges and User Development Fee[22].

In 2008, the government had established the Airport Economic Regulatory Authority of India (AERA) to determine the tariff on aeronautical services at major airports and the fee to be levied on passengers.

According to the Approach Paper, there are two reasons for a policy on economic regulation of airports. First, the mandate of the AERA does not permit it to regulate the tariff in a manner so as to enable investment in airport infrastructure. Secondly, the AERA does not regulate non-major airports as a result of which such airports do not have any policy for economic regulation.

The Ministry had also invited comments on the draft policy paper on 'Developing Aviation Hubs' in India. (more here). The aim of the policy paper is to develop India into a major aviation hub[23]. A hub is an airport that airlines use to transfer passengers between destinations that are not directly connected. The paper highlights certain policy and structural impediments. These are (i) under utilisation of bilateral air service agreements; (ii) inability to enter into code sharing agreements; (iii) non-promotion of the brand 'India'; (iv) strict visa norms; and (v) high ATF and other taxes.

Proposal to remove service tax on air tickets

The Civil Aviation Ministry has asked the Finance Ministry to remove the service tax on air tickets.[24] The Ministry stated that India is one of the few countries that imposes a service tax on air tickets. This has had a negative impact on air traffic and the profits of the airlines. Service tax on air tickets has increased four times during the financial year 2012-13.

The Ministry has also recommended including ATF as a 'declared good' under the Central Sales Tax Act, 1956. The Act provides that if any item is included as 'declared good' then the state government can impose a maximum tax of four percent. Presently, the tax imposed by the state government on ATF is in the range of 24 per cent to 35 per cent.

Rural Development

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Calcutta High Court strikes down Singur Act

On June 22, 2012, a Division bench of the Calcutta High Court struck down the Singur Land Rehabilitation and Development Act, 2011, terming it unconstitutional and void.[25] The Bench of Justices Pinaki Chandra Ghose and Mrinal Kanti Chaudhuri set aside the September 2011 High Court order of Judge I. P. Mukerji who had ruled that the Act was constitutional.

The Singur Land Rehabilitation and Development Act, 2011 was enacted by the Trinamool Congress (TMC) led government in its first year of coming to power in West Bengal. In 2008, the Left Front government acquired land in Singur from "unwilling owners" under the Land Acquisition Act, 1894, for Tata Motors to build a Nano car factory. The TMC government sought to reclaim this land to return a portion of it to farmers under the Singur Act.

According to the judgment, sections of the Singur Act were in conflict with the central Land Acquisition Act, 1894. The division bench of the Calcutta High Court found the Act to be unconstitutional because it failed to obtain Presidential assent. Under Article 254 of the Indian Constitution, any state law that is repugnant with the central law is considered void unless it receives Presidential assent. The Singur Act related to land acquisition, an item under the Concurrent List, and required assent from the President given that some of its provisions were repugnant with those in the central Act. The Court was also of the opinion that transfer of land to the farmers does not constitute 'public purpose' as defined in the central Act. Moreover, certain clauses pertaining to compensation to Tata Motors for their investment in the Nano project were also found to be vague.

Enhanced allocation for Total Sanitation Campaign

The Planning Commission has approved an allocation of Rs 36,000 crore for the Total Sanitation Campaign in the 12th Five Year Plan, up from Rs 7,800 crore for the 11th Plan.[26] On June 7, 2012, the Cabinet Committee on Economic Affairs approved doubling the allocation for construction of individual household latrines from the existing Rs 4,600 to nearly Rs 10,000. The Cabinet also scrapped the distinction of BPL/APL families. The Minister for Drinking Water and Sanitation, Jairam Ramesh, stated that the enhanced allocation for sanitation is a move to achieve the total sanitation target (100% open defecation free) in 10 years. The Campaign has been renamed the Nirmal Bharat Abhiyan.

With the change in allocation for individual toilets, the share of allocation borne by the centre, states and beneficiaries will also change. The following table demonstrates the change in share of allocation.

Table 1: Change in share of allocation *(Rs per toilet)*

Borne by	Current allocation (Rs)	Revised allocation (Rs)	Change
Centre	2,100	3,200	52.3%
States	1,000	1,400	40%
Beneficiaries	300	900	200%
MNREGA	1,200	4,500	275%
Total allocation	4,600	10,000	117%

Source: http://pib.nic.in/newsite/erelease.aspx

Among states' efforts to achieve total sanitation, Sikkim was heralded by the Minister as the first Nirmal Rajya (open defecation free) while others such as Kerala and Himachal Pradesh are expected to follow suit this year.

New funding pattern approved for IWMP

The Minister for Rural Development, Jairam Ramesh, called for a change in the system of fund release for the implementation of the Integrated Watershed Management Programme (IWMP). The objectives of the IWMP are to improve productivity of land in the desert, in drought prone areas and in the degraded landmass. Currently, funds are released to states through a three-tranche system spread over seven years, leading to an accumulation of unspent balance.[27] The Minister mentioned that Rs 3,900 crore had been unspent by the states, reflecting poor implementation of water conservation schemes. To check this wastage of funds, the government will now release funds twice a year based on annual action plans of states and also relax guidelines for its use.

Agriculture

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Increase in MSP prices

The Cabinet Committee on Economic Affairs approved the Minimum Support Prices (MSPs) for Kharif crops for the 2012-13 season. MSPs for cereals, pulses and oilseeds have sharply increased from last year.[28] The Commission for Agricultural Costs and Prices (CACP) attributed the rise in MSPs to an increase in the cost of production for many crops since 2008-09.[29] The cost of production has been influenced by significant changes in input costs: labour costs have increased by 74 per cent between 2008 and 2011, fertilizer costs have gone up by 30 per cent since 2008 while prices of diesel oil, fodder and cattle feed have also increased over the same period.[30] The CACP has recommended MSPs for 14 crops. The following table displays MSPs for some key crops.

Table 2: Recommended MSPs for some key crops

Crops	MSP 2011-12 (Rs/qtl)	Recommended MSP for 2012-13 (Rs/qtl)	% increase over last year's MSP
Paddy	1080	1250	15.7
Jowar	980	1500	53
Bajra	980	1175	20
Maize	980	1175	20
Ragi	1050	1500	43
Urad	3300	4300	30
Cotton	2800	3600	28.5

Source: Table S-1, "Price Policy for Kharif Crops- The Marketing Season 2012-13." Commission for Agricultural Costs and Prices.

Consumer Affairs, Food and Public Distribution

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Lack of storage space for buffer stocks

The government has procured record amount of wheat this year.[31] This has led to a shortage of storage space.

The government procures foodgrain from farmers at a Minimum Support Price. Some of this foodgrain is maintained as a buffer stock to be used for various centrally sponsored schemes such as the Public Distribution System and Antyodaya Anna Yojana, among others.

The bumper procurement this year has led to 82.4 million tonnes of buffer stocks that exceed the 63 million tonnes of storage space. It has been reported in the media that government authorities have been forced to store grain in the open and that 6 million tonnes of foodgrain could rot due to lack of storage space.[32] According to the Minister of Consumer Affairs, Food and Public Distribution, K V Thomas, the Empowered Group of Ministers (EGoM) agreed to an additional allocation of 5 million tonnes of foodgrains to poor families and a sale of 3 million tonnes of wheat to bulk users at low rates.[33] However, according to media reports, it is unlikely that local buyers such as flour millers or food companies would buy stocks from the government because of procedural delays and pricing issues.[34] According to experts, it would be more economical for bulk consumers to buy grain from the open market rather than buy at these rates; state governments too would be unlikely to lift grain due to a strain in resources.[35]

Panchayati Raj

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Status of road map for Panchayati Raj

The Ministry of Panchayati Raj released an update on the development of the national level plan to improve functioning of the Panchayati Raj Institutions (PRIs). The Roadmap for Panchayati Raj (2011-2017) contains recommendations for the specific action plans that need to be adopted within the larger governance framework to create an effective Panchayati Raj structure. It highlights key aspects for empowerment, enablement and accountability of the PRIs for better governance including devolution of functions, funds and functionaries to PRIs. Some of the Roadmap's key recommendations are:[36]

- Fiscal decentralization of state governments and assigning expenditure and revenue responsibility to PRIs
- Providing incentives for PRIs to create their own revenue by raising taxes and exploiting sources such as property tax, profession tax,

and levy of service charges on government properties, among others

- Requiring state governments to earmark funds from their budgets and allocate schemes to Panchayats

The government provides funds under several schemes such as the Backward Regions Grant Fund and Rashtriya Gram Swaraj Yojana to enable devolution of power to PRIs. States have been incentivized to devolve power to Panchayats. According to the Ministry, Karnataka, Kerala and Maharashtra are some of the states that are leading this effort while Assam and Arunachal Pradesh are still lagging in devolving power to PRIs. For details about the status of devolution of funds, functionaries and functions to PRIs in major states, see here.

Education

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Admission process for IITs revised

The Ministry of Human Resource Development and the Joint Councils of IITs, NITs, IIITs and other Central Educational Institutions approved a proposal to conduct a common admission examination with weightage on performance in Class XII Board examination. The Joint Entrance Examination (JEE) for admission to undergraduate programmes in engineering would be conducted in two parts: JEE-Main and JEE-Advanced[37] (details of the process available here).

However, the senates* of various IITs and certain faculty federations opposed the proposal.[38] According to news reports, on June 27, the IIT Council met again and agreed on a new formula, which sought to addresses some of the issues raised by the IIT Senates. The top 1.5 lakh students in JEE Main would be eligible for JEE Advanced. Students shortlisted on the basis of performance in JEE Advanced must be among the top 20 percentile in their respective Board examinations.[39]

Only top 500 foreign institutes can offer joint programmes in India

On June 2, the University Grants Commission (UGC) approved a new set of regulations related to collaboration between Indian and foreign institutes. Currently, India does not allow foreign universities to operate independently. They have to partner with an Indian university in order to offer academic programmes.[40]

According to media reports, the UGC (Promotion and Maintenance of Standards of Academic Collaboration between Indian and Foreign Educational Institutions) Regulations, 2012 mandate that only institutes graded 'A' by the National Board of Accreditation or the National Assessment and Accreditation Council shall be allowed to collaborate with a foreign institute. The foreign institute must figure in the list of top 500 global institutes as ranked by the Times Higher Education Rankings or the Shanghai Jiaotong University Rankings.[41]

Incidentally, a Bill that would permit and regulate the entry and operations of foreign universities in India was introduced in Parliament in May 2010. The Standing Committee on HRD presented its report in August 2011. That Bill requires foreign universities desiring to offer courses in India to meet certain minimum conditions. It also provides the government with the power to make exemptions in case of reputed universities. The Bill is currently pending in Lok Sabha.

(See here for PRS analysis of the Bill).

Health

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Insurance regulator issues draft guidelines on health insurance

The Insurance Regulatory and Development Authority (IRDA) published a set of draft regulations on health insurance.

Key points

- All health insurance policies should provide for an entry age of at least 65 years. The policies should not have any exit age for renewal of policies, provided the policy is continuously renewed without a break.
- Life insurers have to offer products for individuals with policy terms of at least four years. Non-life insurers can offer products for not more than three years.
- Insurers can provide coverage to non-allopathic treatment as long as the treatment

* Body within the IIT responsible for maintenance of standards and includes the Director and all faculty members.

is done at a government hospital or in any institute recognised by the government.

- The premium charged on any health insurance product should be fair, justified, transparent and duly disclosed upfront.
- The regulations provide guidelines for portability of health insurance policies. If a policyholder wants to shift to another insurance company, he has to apply at least 45 days before the premium renewal date of his existing policy.

(See here for the draft regulations).

IRDA has invited feedback from the public and stakeholders on the draft guidelines.

(See here for details).

Criteria for allocation of funds to the states under NRHM revised

According to media reports, the criterion for allocating funds to states under National Rural Health Mission (NRHM) has been changed. A portion of the funds under NRHM would be allocated based on the performance of the state. Also, the mission directorate has set state-specific targets in terms of health indicators such as Infant Mortality Rate, Maternal Mortality Rate and Fertility Rate.[42]

This change was recommended by the Mission Steering Group and the Empowered Programme Committee (highest policy making and steering institutions under NRHM).

(See recommendations here and here).

Launched in 2005, NRHM is the flagship government scheme that seeks to provide effective healthcare to the rural population in the country. Its goals include reducing Infant and Maternal Mortality Rates, providing universal access to public health services and revitalising local health traditions.[43]

Labour

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Domestic workers eligible under RSBY

The Ministry of Labour and Employment extended the Rashtriya Swasthya Bima Yojana (RSBY) to domestic workers.[44] Earlier the scheme was extended to such MNREGA beneficiaries who have worked more than 15 days during the year.[45]

RSBY was launched by the Ministry of Labour to provide health insurance coverage for Below Poverty Line (BPL) families. Beneficiaries are entitled to hospitalization coverage up to Rs 30,000. Coverage extends to five members of the family, who need to pay Rs 30 as registration fee while the central and state governments pay the premium to the insurer.[46]

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