Monthly Policy Review
July 2021

Highlights of this Issue

Monsoon Session 2021 begins: 26 Bills listed for passing (p. 2)

Three Bills passed by Parliament; four Bills passed by one House (p. 2)

Eight Bills introduced in Parliament (p. 2)
Six Bills were introduced in Lok Sabha, including the General Insurance Business (Nationalisation) Amendment Bill, 2021, and Deposit Insurance and Credit Guarantee Corporation (Amendment) Bill, 2021.

Retail inflation at 5.6% in the April-June quarter of 2021-22 (p. 3)
Consumer Price Index inflation increased from 4.2% in April 2021 to 6.3% in June 2021. Wholesale Price Index inflation increased from 10.7% in April 2021 to 12.1% in June 2021.

First Supplementary Budget for 2021-22 passed by Lok Sabha (p. 4)
Rs 23,675 crore of incremental cash outgo has been approved (0.7% of the 2021-22 budget estimate). Of this, Rs 15,750 crore will be spent on the COVID-19 emergency response and health system preparedness package.

Supreme Court strikes down some provisions of 2021 Tribunals Reforms Ordinance (p. 15)
The provisions specifying a four-year term for members and minimum age requirement of 50 years for their appointment were struck down.

Standing Committees on Labour, Commerce and Industry examine various subjects (p. 16)
The Committees submitted reports on the impact of COVID-19 on small businesses, intellectual property rights regime, and the functioning of National Institutes of Fashion Technology.

Standing Committee on Transport and Tourism submit reports on various subjects (p. 9)
The Committee submitted reports on subjects including status of aviation connectivity, role of National Highways, development of tourist spots, and development and conservation of museums and archaeological sites.

Reservation for OBCs and EWS approved in Quota Scheme on students of medicine (p. 19)
The Ministry of Health and Family Welfare approved 27% reservation for Other Backward Classes, and 10% reservation for Economically Weaker Section in the All-India Quota Scheme for students of medicine and dentistry.

National Mission to achieve universal literacy and numeracy by 2026-27 launched (p. 19)
The Mission seeks to equip every child with ability to read, write, perform basic mathematical operations, and learn basic life skills, for children latest by fifth grade.

Retail and wholesale trade activities eligible for MSME classification (p. 17)
Retail and wholesale trade activities have been included back in the list of activities eligible for MSME after being excluded in 2017. Benefit to these sectors will be restricted to priority sector lending only.

Comments invited on draft Drone Rules (p. 11)
The draft Rules cap the weight of drones at 500 kilogram, remove license requirements for student remote pilots, and enable the central government to publish a machine-readable airspace map for India.
Parliament

Shruti Gupta (shruti@prsindia.org)

Parliament’s Monsoon Session 2021 commences

The Monsoon Session 2021 of Parliament commenced on July 19, 2021.1 It is scheduled to have 19 sittings and conclude on August 13, 2021. 26 Bills are listed for consideration and passing during this session. These include the DNA Technology (Use and Application) Regulation Bill, 2019, the Maintenance and Welfare of Parents and Senior Citizens (Amendment) Bill, 2019, and the Assisted Reproductive Technology (Regulation) Bill, 2020. So far, four Bills have been passed by Parliament. These are: (i) the Juvenile Justice (Care and Protection of Children) Amendment Bill, 2021, (ii) the Factoring Regulation (Amendment) Bill, 2020, (iii) the Marine Aids to Navigation Bill, 2021, and (iv) the National Institutes of Food Technology, Entrepreneurship and Management Bill, 2021.

Of the 26 Bills listed for passing, 17 Bills are proposed to be introduced during the session. These include three Bills to replace Ordinances: (i) the Insolvency and Bankruptcy Code (Amendment) Bill, 2021, (ii) the Essential Defence Services Bill, 2021, and (iii) the Commission for Air Quality Management in National Capital Region and Adjoining Areas Bill, 2021. Eight Bills have been introduced in Parliament so far, including the Inland Vessels Bill, 2021, the General Insurance Business (Nationalisation) Amendment Bill, 2021, and Deposit Insurance and Credit Guarantee Corporation (Amendment) Bill, 2021.

So far, Lok Sabha has passed three Bills that are now pending in Rajya Sabha: (i) the Airports Economic Regulatory Authority of India (Amendment) Bill, 2021, (ii) the Insolvency and Bankruptcy Code (Amendment) Bill, 2021, and (iii) the Inland Vessels Bill, 2021. In addition, the Lok Sabha approved the supplementary budget for 2021-22 (a cash outgo of Rs 23,675 crore). Rajya Sabha has passed the Coconut Development Board (Amendment) Bill, 2021, which is now pending in Lok Sabha. Rajya Sabha also had a short-duration discussion on the management of the COVID-19 pandemic.

For more details on the legislative agenda for the Monsoon Session 2021, please see here.

COVID-19

As of July 31, 2021, there were 3,16,55,824 confirmed cases of COVID-19 in India.2 Of these, 3,08,20,521 (97%) had been cured/discharged and 4,24,351 (1%) persons had died. As of July 31, 2021, 36,68,06,160 people have received the first dose of a vaccine, and 10,34,92,436 people have been fully vaccinated.3 For details on the number of daily cases in the country and across states, please see here.

With the spread of COVID-19, the central government has announced several policy decisions to contain the spread, and financial measures to support citizens and businesses who would get affected. For details on the major notifications released by centre and the states, please see here. Key announcements made in this regard in July 2021 are as follows.

Guidelines issued to state governments for management of COVID-19 pandemic

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In June 2021, the Ministry of Home Affairs had issued guidelines to state and union territory governments regarding the management of COVID-19 pandemic.4 These guidelines were originally applicable till July 2021.5 The applicability of these guidelines has been extended till August 31, 2021.6

The Ministry has been revising these guidelines periodically since the onset of the COVID-19 pandemic. Key requirements for states and union territories under the guidelines include: (i) adequate testing and tracking of COVID cases, (ii) establishing evidence-based framework to identify containment zones, and (iii) adherence to COVID appropriate behaviour (social distancing, use of face covers, and work from home measures).6 Key features of the guidelines include the following:

- **Principles for relaxing restrictions**: The guidelines recommend implementing any relaxation in movement restrictions based on: (i) the case positivity rate (number of positive cases out of samples tested), and (ii) occupancy/ availability of health infrastructure (such as hospital and ICU beds and oxygen supply).

- **Monitoring**: The guidelines recommend monitoring the status of classification of each district on a weekly basis. States and union territories may monitor districts with higher numbers of active cases per million population. The monitoring may be used as

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1. Monsoon Session
2. As of July 31, 2021
3. As of July 31, 2021
4. Ministry of Home Affairs
5. Ministry of Home Affairs
6. Ministry of Home Affairs
an indicator to predict areas where health infrastructure must be upgraded.

Second Phase of COVID-19 Emergency Response and Health Systems Preparedness Package approved

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The Union Cabinet approved the second phase of the COVID-19 Emergency Response and Health System Preparedness Package. The first phase of the scheme was announced in March 2020. The second phase of the scheme aims to accelerate health system preparedness for early detection, prevention, and management of COVID-19 with focus on paediatric care.

Financial outlay for the second phase is Rs 23,123 crore for the year 2021-22. This includes: (i) Rs 15,000 crore under central share, and (ii) Rs 8,123 crore under state share.

Eligibility of passengers under India-USA air bubble revised

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The Ministry of Civil Aviation revised the eligibility of passengers travelling in flights under India - United States America (USA) air bubble arrangement. This air bubble arrangement was created in September 2020. An air bubble refers to temporary arrangements between the two countries for restarting commercial passenger services while regular international flights remain suspended due to the COVID-19 pandemic.

Earlier, stranded Indian nationals, Overseas Indian Citizen (OCI) cardholders (those with a USA passport), and foreign nationals (if eligible as per the Ministry of Home Affairs) were eligible to travel to India through the air bubble.

The revised eligibility criteria (i) remove the condition of having a USA passport for OCI cardholders, and (ii) allow a Person of Indian Origin (PIO) and any foreign national to travel to India for any purpose.

Aarogya Setu Data Access and Knowledge Sharing Protocol, 2020 extended up to May 2022

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In May 2020, the Ministry of Electronics and Information Technology had released the Aarogya Setu Data Access and Knowledge Sharing Protocol, 2020 in reference to the Aarogya Setu mobile application (app). The Protocol was originally applicable up to November 10, 2020, and was later extended for another six months, up to May 10, 2021. It has now been further extended for another 12 months, i.e., up to May 10, 2022.

The Aarogya Setu app was launched by the central government in April 2020 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. The Protocol aims to ensure secure and efficient collection and sharing of data by the application to protect the personal data of individuals.

Macroeconomic Development

Tushar Chakrabarty (tushar@prsindia.org)

Retail inflation at 5.6% in April-June quarter of 2021-22

Consumer Price Index (CPI) inflation increased from 4.2% in April 2021 to 6.3% in June 2021 (year-on-year). CPI measures the change in prices of items at the retail level. The CPI basket includes items commonly consumed by households, such as food items, fuel, clothing, housing, and health services. Food and beverages have a share of 46% in the CPI basket. Food inflation increased from 1.9% in April 2021 to 5.2% in June 2021.

Wholesale Price Index (WPI) inflation increased from 10.7% in April 2021 to 12.1% in June 2021 (year-on-year). WPI measures the average change in the prices of commodities for bulk sale at the early stage of transactions.

Figure 1: Inflation trends in Q1 2021-22 (% change, year-on-year)

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

First Supplementary Budget for 2021-22 passed by Lok Sabha

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The first Supplementary Demands for Grants (DFG) for 2021-22 was passed by Lok Sabha. The Supplementary DFG proposes an incremental cash outgo of Rs 23,675 crore, an increase of 0.7% in expenditure over the budget estimate of 2021-22 (Rs 34,83,236 crore). This additional amount will be spent on various areas, including:

- **COVID-19**: Rs 15,750 crore is estimated to be spent on the COVID-19 Emergency Response and Health System Preparedness Package. The Package aims to strengthen the emergency preparedness of the public health system. These funds will be used for expenditure on salaries, grants to hospitals and medical institutions, and procurement of medical supplies, equipment, and other facilities. Of the total amount, Rs 12,207 crore will be given as grants to states and union territories under the National Rural Health Mission. In addition to the Package, Rs 526 crore will be provided to the Indian Council of Medical Research (ICMR) to meet the expenditure incurred in emergency epidemic preparedness and response.

- **Insurance**: Rs 714 crore is estimated to be incurred in providing insurance cover (of up to Rs 50 lakh per person) to health workers fighting COVID-19, under the Pradhan Mantri Garib Kalyan Package.

- **Loans to Air India**: Rs 1,872 crore will be provided as loans to Air India (through repayment of the loans and advances issued to Air India from the Contingency Fund).

- **Interest waiver**: Rs 1,750 crore is estimated to be spent towards waiver of the compound interest (i.e., interest charged on interest) dues of borrowers during the loan moratorium period in 2020-21.

In addition to the incremental cash outgo of Rs 23,675 crore, gross expenditure of Rs 1,63,527 crore was also approved in the Supplementary DFG. This gross expenditure does not require any additional cash outgo from the Consolidated Fund and will be met by the government through its savings, or increased revenue and recoveries. 97% of the gross expenditure (i.e., Rs 1,59,000 crore) will be used for providing back-to-back loans to states in lieu of the GST compensation grants for 2021-22. The loans are being provided to states as the GST compensation cess collection would be insufficient for meeting the compensation requirement of states.

Factoring Regulation (Amendment) Bill, 2021 passed by Parliament

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The Factoring Regulation (Amendment) Bill, 2021 was passed by Parliament. It was introduced in Lok Sabha in September 2020. The Bill amends the Factoring Regulation Act, 2011 to widen the scope of entities which can engage in the factoring business. Factoring is a business where an entity (referred as factor) acquires the receivables of another entity (referred as assignor) for an amount. Key features of the Bill include:

- **Change in the definition of receivables**: The Act defines receivables as the monetary sum which is the right of a person under a contract (all or part of the sum or the undivided interest in the sum). This right may be existing, arise in the future, or contingent arising from use of any service, facility, or otherwise. The Bill amends the definition of receivables to mean any money owed by a debtor to the assignor for toll or for the use of any facility or services.

- **Change in the definition of factoring business**: The Act defines a factoring business to mean the business of: (i) acquisition of receivables of an assignor by accepting assignment of such receivables, or (ii) financing against the security interests of any receivables through loans or advances. The Bill amends this definition to define factoring business as acquisition of receivables of an assignor.

- **Registration of factors**: Under the Act, no company can engage in factoring business without registering with the Reserve Bank of India (RBI). For a Non-Banking Financial Company (NBFC) to engage in 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/ net income (or more than a threshold notified by RBI). The Bill removes this threshold for NBFCs to engage in the factoring business.

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

The Standing Committee on Finance (Chair: Mr. Jayant Sinha) submitted its report on the Bill in February 2021. It recommended that the Bill be amended to mandate the listing of receivables from central and state governments on the Trade Receivables Discounting System (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 Standing Committee report, please see here.

Insolvency and Bankruptcy Code (Amendment) Bill passed by Lok Sabha
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The Insolvency and Bankruptcy Code (Amendment) Bill, 2021 was passed by Lok Sabha.20 The Bill amends the Insolvency and Bankruptcy Code, 2016, which provides for a time-bound process for resolving the insolvency of corporate debtors (within 330 days) called the Corporate Insolvency Resolution Process (CIRP). The Bill introduces an alternate insolvency resolution process for Micro, Small, And Medium Enterprises (MSMEs), called the pre-Packaged Insolvency Resolution Process (PIRP). It replaces the Ordinance promulgated in April 2021.21 Key features of the Bill include:

- **PIRP initiated by debtor**: Unlike CIRP, PIRP may be initiated only by debtors. The debtor should have a base resolution plan in place before seeking approval from its financial creditors for filing an application to initiate PIRP. The debtor needs to obtain the approval of financial creditors who represent at least 66% of the financial debt. During PIRP, the management of the company will remain with the debtor.

- **Minimum default amount**: Application for initiating PIRP may be filed in the event of a default of at least one lakh rupees. The central government may increase the threshold of minimum default to up to one crore rupees through a notification.

- **Proceedings under PIRP**: The debtor will submit the base resolution plan to the resolution professional within two days of the commencement of PIRP. A committee of creditors will be constituted within seven days of the PIRP commencement date to consider the base resolution plan. The committee may provide the debtor with an opportunity to revise the plan. The RP may also invite resolution plans from other persons. Alternative resolution plans may be invited if the base plan: (i) is not approved by the committee, or (ii) is unable to pay the debt of operational creditors (claims for provision of goods or services).

- A resolution plan must be approved by the committee (with at least 66% of the voting shares) within 90 days from the PIRP commencement date. The resolution plan approved by the committee will be examined by the NCLT. If no resolution plan is approved by the committee, the RP may apply for the termination of PIRP. The authority must either approve the plan or order termination of PIRP within 30 days of receipt. Termination of PIRP will result in the liquidation of the debtor.

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

Deposit Insurance and Credit Guarantee Corporation (Amendment) Bill, 2021 introduced in Rajya Sabha
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The Deposit Insurance and Credit Guarantee Corporation (Amendment) Bill, 2021 was introduced in Rajya Sabha.22 The Bill amends the Deposit Insurance and Credit Guarantee Corporation Act, 1961. The Act established the Corporation to provide insurance for bank deposits and guarantee credit given by banks and financial institutions. The Bill seeks to provide depositors time-bound access to their insured deposit amount, in case they are restricted from accessing their bank deposits.

- Under the Act, the Corporation is liable to pay the insured deposit amount to depositors of an insured bank. Such liability arises when an insured bank undergoes: (i) liquidation, (ii) reconstruction or any other arrangement under a scheme, or (iii) merger or acquisition by another bank (transferee bank). Once the Corporation makes the payment to the depositors, the liquidator or the insured or transferee bank (as the case may be) becomes liable to repay the same amount to the Corporation.

- **Interim payment to depositors**: The Bill adds that the Corporation will be liable to pay the insured deposit amount to depositors on an interim basis. The liability will arise on the date the depositors are restricted from accessing their bank deposits. This liability will arise if such restrictions get imposed under any order or scheme under the Banking Regulation Act, 1949. This will also apply if such order or scheme is made before the enactment of the Bill, but the
business of the insured bank remains suspended at the time of enactment.

- **Timeline for interim payment:** The Bill mandates the Corporation to pay the insured amount to the depositors within 90 days of the date such liability arises. Within the first 45 days, the insured bank must furnish the details of all outstanding deposits to the Corporation. Within 30 days of the receipt of details, the Corporation will verify the authenticity of claims and check with each depositor if they are willing to receive the insured deposit amount. Within 15 days of the verification, the Corporation must make the payment to such depositors.

- The date on which the Corporation becomes liable to pay the depositors may be extended by an additional 90 days. The extension may be given if RBI finds it expedient for finalising a scheme for the reconstruction, arrangement, merger, or acquisition of the insured bank.

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

### The General Insurance Business (Nationalisation) Amendment Bill, 2021 introduced in Lok Sabha

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The General Insurance Business (Nationalisation) Amendment Bill, 2021 was introduced in Lok Sabha.23 The Bill seeks to amend the General Insurance Business (Nationalisation) Act, 1972.24 The Act was enacted to nationalise all private companies undertaking general insurance business in India. The Bill seeks to provide for a greater private sector participation in the public sector insurance companies regulated under the Act. The 1972 Act set up the General Insurance Corporation of India (GIC). The businesses of the companies nationalised under the Act were restructured in four subsidiary companies of GIC: (i) National Insurance, (ii) New India Assurance, (iii) Oriental Insurance, and (iv) United India Insurance. The Act was subsequently amended in 2002 to transfer the control of these four subsidiary companies from GIC to the central government, thereby making them independent companies. Since 2000, GIC exclusively undertakes reinsurance business. Key features of the Bill include:

- **Government shareholding threshold:** The Act requires that shareholding of the central government in the specified insurers (the above five companies) must be at least 51%. The Bill removes this provision.

- **Transfer of control from the government:** The Bill provides that the Act will not apply to the specified insurers from the date on which the central government relinquishes control of the insurer. Control means: (i) the power to appoint a majority of directors of a specified insurer, or (ii) to have power over its management or policy decisions.

- The Act empowers the central government to notify the terms and conditions of service of employees of the specified insurers. The Bill provides that schemes formulated by the central government in this regard will be deemed to have been adopted by the insurer. The board of directors of the insurer may change these schemes or frame new policies. Further, powers of the central government under such schemes (framed under the Act) will be transferred to the board of directors of the insurer.

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

### The Limited Liability Partnership (Amendment) Bill, 2021 introduced

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The Limited Liability Partnership (Amendment) Bill, 2021 was introduced in Rajya Sabha.25 The Bill seeks to amend the Limited Liability Partnership Act, 2008.26 The Act provides for regulation of limited liability partnerships (LLP). LLP is an alternative corporate body form to traditional partnership firms. Under LLP, a partner’s liabilities are limited to their investment in the business. The Bill converts certain offences into civil defaults and change the nature of punishment for these offences. It also defines small LLP, provides for appointment of certain adjudicating officers, and establishment of special courts. Key features of the Bill include:

- **Certain offences decriminalised:** The Act specifies the manner of operations of LLPs, and provides that violating these requirements will be punishable with a fine (ranging between two thousand rupees and five lakh rupees). These requirements include: (i) changes in partners of the LLP, (ii) change of registered office, (iii) filing of statement of account and solvency, and annual return, and (iv) arrangement between an LLP and its creditors or partners, and reconstruction or amalgamation of an LLP. The Bill decriminalises these provisions and imposes a monetary penalty.
- Change of name of LLP: The Act states that the central government may direct an LLP to change its name on certain grounds (such as the name being undesirable or identical to a trademark pending registration). Failing to comply with such direction is punishable with a fine ranging from Rs 10,000 to five lakh rupees. The Bill increases the maximum term of imprisonment from two years to five years.

- Punishment for fraud: Under the Act, if an LLP or its partners carry out an activity to defraud their creditors, or for any other fraudulent purpose, every person party to it knowingly is punishable with imprisonment of up to two years and a fine between Rs 50,000 and five lakh rupees.

Framework for setting up international trade financing services released

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The International Financial Services Centres Authority has released a framework for setting up International Trade Financing Services Platform (ITFS) at the international financial services centres. These platforms will provide an electronic channel for facilitating the trade finance requirements of exporters and importers, through multiple financiers.

- Permissible Activities: The Exporters, importers, financiers, and insurance/credit guarantee institutions can undertake activities related to trade finance such as export invoice trade financing, reverse trade financing, bill discounting under letter of credit, export credit, and insurance and credit guarantee.

- Eligibility criteria: The parent entity or promoter of the company applying to set up an international trade financing services platform should have a minimum net worth of ten lakh dollars. The company to be set up as the trade financing services platform shall have a minimum paid up equity capital of two lakh dollars.

- On-boarding of participants: On-boarding of exporters, importers, financiers and insurance/credit guarantee institutions and other eligible entities on the ITFS will be mandatory. They will be required to submit know your customer-related documents to the ITFS along with documents specific to authorised personnel. Such personnel would be provided with user credentials for authorisations for the platform.

- A one-time agreement will be drawn up between ITFS and participants including financiers and importers. This will govern the various terms and conditions of dealings between these entities.

Details of the Retail Direct Scheme released by RBI

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The Reserve Bank of India (RBI) released details of the Retail Direct Scheme which has been designed as a one-stop solution to facilitate investment by individual investors in government securities. The facility was announced by RBI in February 2021 to improve ease of access for retail investors to government securities market. The investors will be required to open and maintain a Retail Direct Gilt account (an account for government securities) with the RBI. The scheme will provide investors access to primary as well secondary market of government securities. Key details of the scheme include:

- Types of securities: For the purposes of this scheme, government securities include treasury bills, dated securities, sovereign gold bonds, and state development loans.

- Eligibility: In order to register under the scheme and maintain a Retail Direct Gilt account, investors must complete requirements related to know-your-customer. The scheme will also be open to non-resident retail investors who are eligible to invest in government securities under the Foreign Exchange Management Act, 1999. No fee will be charged for opening and maintaining Retail Direct Gilt account with RBI. Fee will also not be charged by the Clearing Corporation of India Limited for submitting bids in primary auction.

Amendments to the regulations on registration of Indian insurance companies notified

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The Insurance Regulatory and Development Authority of India notified amendments to the Insurance Regulatory and Development Authority (Registration of Indian Insurance Companies) Regulations, 2000. The amendments require certain key management
persons of an Indian insurance company with foreign investment to be Indian citizens. It also adds some requirements for such companies with foreign investment in excess of 49%.

These amendments are aimed at harmonising the provisions with the Insurance (Amendment) Act, 2021. The 2021 Act increased the limit on foreign investment in an Indian insurance company from 49% to 74%, and removed certain restrictions on ownership and control. Key amendments to the 2000 regulations include:

▪ **Independent directors:** The amendments specify that an Indian insurance company with more than 49% foreign investment, should have at least 50% independent directors on its board. If the chairperson of the board is an independent director, then, at least one-third of the board positions must comprise independent directors

▪ **General reserve:** An Indian insurance company with any foreign investment, a majority of its directors, key management persons, and at least one person among the chairperson of the board, managing director or chief executive officer shall be an Indian citizen and resident.

▪ **Swing pricing:** The introduction of swing pricing is particularly significant during market dislocation, as it seeks to address the issue of transaction costs passed on to existing investors. The consultation paper on the swing pricing mechanism, particularly during market dislocation, it will be implemented in a phased manner.

Redemptions up to two lakh rupees for all investors, and up to five lakh rupees for senior citizens are proposed to be exempt from the swing pricing framework.

Comments on the consultation paper are invited by August 20, 2021.

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**Transport**

**The Marine Aids to Navigation Bill, 2021 passed by Parliament**

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The Marine Aids to Navigation Bill, 2021 was passed by Rajya Sabha. Note that the Bill was passed by Lok Sabha in March 2021. The Bill seeks to provide a framework for the development, maintenance, and management of aids to navigation in India. It repeals the Lighthouse Act, 1927, which provides 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, 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. The central government will accredit training organisations for imparting training to, or conduct assessments of persons in the operation of aids to navigation.

• **Penalties:** The Bill provides certain offences and penalties. For instance: (i) intentionally causing obstruction of, reduction in, or limitation of, the effectiveness of any aid to navigation will be punishable with imprisonment of up to six months, or a fine up to one lakh rupees, or both.

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

**The Airports Economic Regulatory Authority of India (Amendment) Bill, 2021 passed by Lok Sabha**

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The Airports Economic Regulatory Authority of India (Amendment) Bill, 2021 was passed by Lok Sabha. It amends the Airports Economic Regulatory Authority of India Act, 2008. The Act provides for the regulation of aeronautical services at major airports in India. The 2008 Act designates an airport as a major airport if it has an annual passenger traffic of at least thirty-five lakh. The central government may also designate any airport as a major airport by a notification. The Bill adds that the central government may group airports and notify the group as a major airport.

Note that the Bill was examined by the Standing Committee on Transport, Tourism, and Culture, which did not recommend any changes to it. For a PRS summary of the Bill, please see [here](#).

**The Inland Vessels Bill, 2021 introduced in Lok Sabha**

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The Inland Vessels Bill, 2021 was introduced in Lok Sabha. It replaces the Inland Vessels Act, 1917. The Act provides for the regulation of inland vessel navigation by states including the registration of vessels, and safe carriage of goods and passengers. The Bill seeks to introduce a uniform regulatory framework for inland vessel navigation across the country. Key features of the Bill include:

- **Mechanically propelled inland vessels:** The Bill defines such vessels to include ships, boats, sailing vessels, container vessels, and ferries. For such vessels, the central government will prescribe the: (i) classification, (ii) standards of design, construction, and crew accommodation, and (iii) type and periodicity of surveys. Construction or modification of the vessels will require prior approval of a designated authority, which will be prescribed by the central government.

- **Operation:** To operate in inland waters, all such vessels must have a certificate of survey, and a certificate of registration. Vessels with Indian ownership must be registered with the Registrar of Inland Vessels (appointed by the state government). The registration certificate will be valid across the country. The certificate of survey will be granted by state governments, in a form as prescribed by the central government. This certificate will indicate the inland water zones (areas of operation to be demarcated by states) for such vessels. The vessels must also have an insurance policy to cover liability for death, injury, or damage caused due to the usage of the vessel (including accidental pollution).

- **Database on inland vessels:** The central government will maintain an electronic centralised record of data on inland vessels. These records will include information on: (i) registration of vessels, (ii) crew and Manning, and (iii) certificates issued.

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

**Standing Committee submits report on status of aviation connectivity**

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The Standing Committee on Transport, Tourism and Culture (Chair: Mr. T.G. Venkatash) submitted its report on the Status of Aviation Connectivity in the country. Key observations and recommendations of the Committee include:

- **Post-COVID scenario:** The Committee took note of the severe impact of the COVID-19 pandemic on India’s aviation sector, which was growing at a rate of 14% annually prior to the pandemic. It recommended the Ministry of Civil Aviation (MoCA) to: (i) suspend all aviation dues and charges in the short term, (ii) make the aviation sector eligible for priority sector lending, and (iii)
establish a professionally managed sectoral fund for providing structured debt to the airlines industry.

- **Air fares and cancellation fee:** The Committee took note of the exorbitant air fares and the high cancellation charges levied by airlines. It recommended that MoCA should fix the upper limit for economy class fares in every sector, and mandate airlines to: (i) limit the cancellation charge collected from passengers to a maximum of 50% of the base fare, and (ii) refund the collected tax and fuel surcharge upon cancellation.

- **Regional Connectivity Scheme (RCS):** RCS-UDAN is a scheme launched by the central government in 2016 to enhance regional air connectivity. The Committee noted that though RCS has led to an increase in passenger traffic, air connectivity remains largely restricted to routes connecting major cities. Currently, benefits under RCS such as financial support provided to airlines operating flights on RCS routes are available for a period of three years. The Committee recommended extending the benefit period by two years to allow airlines to transform less profitable routes into revenue-generating ones. It also recommended operationalising the existing inactive airstrips and airports owned by the Airport Authority of India and state governments to promote connectivity under RCS.

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

**Standing Committee submitted report on role of highways in nation building**

Rajat Asthana (rajat@prsindia.org)

The Standing Committee on Transport, Tourism and Culture (Chair: Mr. T.G. Venkatesh) submitted its report on the ‘Role of Highways in Nation Building’. The Committee suggested ways to reduce bottlenecks in completing highway projects. Key observations and recommendations of the Committee include:

- **Funding:** The Committee observed that the National Highway Authority of India (NHAI) has a large amount of liabilities (approximately 33% of its budget estimates for 2021–22). To reduce debt servicing costs of NHAI, the Committee recommended: (i) exploring funding from insurance companies and pensions funds, both Indian and foreign, and (ii) requesting the RBI to make the road infrastructure sector eligible for priority sector lending. Taking note of the stressed assets of banks in the road sector, the Committee also recommended mandating the National Infrastructure Investment Fund and the upcoming Development Finance Institution (announced in 2021-22 Budget session) to facilitate offloading long term infrastructure loans from banks.

- **Awarding contracts:** The Committee noted that the current practice of awarding road projects to the lowest bidder may lead to unrealistic bidding. To ensure quality of road construction in contracts, it recommended: (i) defining a lower limit below which bids may not be accepted, (ii) maintaining a central database to analyse the quality of work of the contractors, (iii) breaking down big projects into smaller chunks to attract smaller contractors, and (iv) modifying the procedure for awarding tenders after consulting the Central Vigilance Commission.

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

**Standing Committee submits report on potential of tourist spots in the country**

Shubham Dutt (shubham@prsindia.org)

The Standing Committee on Transport, Tourism and Culture (Chair: Mr. T.G. Venkatesh) submitted its report on the ‘Potential of Tourist Spots in the country - Connectivity and Outreach’. Key observations and recommendations of the Committee include:

- **Swadesh Darshan Scheme:** The Swadesh Darshan Scheme (SDS) was launched by the central government in 2015 for the integrated development of theme-based tourist circuits in the country. The Committee noted that only one out of the 15 thematic circuits under the SDS has been completed so far. It recommended: (i) developing tourist sites under the Himalayan, Buddhist, and North-East circuits on a priority basis, and (ii) including more rural areas in tourism circuits to benefit the poor.

- **Air connectivity:** The Committee observed that due to poor air connectivity, share of India in international tourist arrivals is only 1.2%. It recommended ensuring proper air connectivity to iconic tourist sites identified by the Ministry of Tourism. This can be achieved by: (i) converting domestic airports to international airports on priority basis for sites with domestic airports only, and (ii) developing new airports for sites without direct air connectivity.
- Cruise tourism: To promote cruise tourism in India, the Committee recommended: (i) revamping India’s port infrastructure, (ii) making cruise tourism facilities affordable, (iii) providing a complete cruise logistics service, (iv) inviting foreign cruise operators to function in India, and (v) setting up a special government unit for the industry.

- Outreach and publicity: To promote domestic tourism, the Committee recommended adopting digital marketing strategies to increase tourist footfall, with a specific media strategy for the North-East. To promote overseas tourism, the Committee recommended: (i) targeting foreign tourists through online and offline marketing, and (ii) setting country-wise targets of foreign tourist arrivals to cover countries with high growth potential.

For a PRS summary of the Standing Committee report, please see [here](https://www.prsindia.org).

**Three advisory groups constituted under the Ministry of Civil Aviation**

Shruti Gupta (shruti@prsindia.org)

The Ministry of Civil Aviation constituted three advisory groups to address specific issues in the sector. The groups have been formed to address issues within: (i) operation and viability of airlines, (ii) modernisation and capacity of airports, (iii) cargo transportation and maintenance of operations, and (iv) skilling of human resources. All three groups will be chaired by the Minister of Civil Aviation, and include the Minister of State for Civil Aviation, the Secretary to the Ministry, and the Director General of Civil Aviation as members. The composition and functions of the groups include:

- **Group of airlines:** Other members of the advisory group of airlines include representatives from seven airlines including Air India, Indigo, and Spice Jet. The group will advise the government on matters including: (i) enhancing airport capacity, (ii) modernising and expanding airport infrastructure, (iii) improving customer experience in airports, (iv) tariff related issues, and (v) advising capital expenditure performance of export.

- **Group of cargo, training and maintenance:** The group will advise the government on matters including: (i) strategy for growth in these sectors, (ii) increase participation in air cargo transportation, (iii) create a level playing field for airlines, and (iv) improve aviation services.

- **Group of airports:** Other members of the advisory group of airports include the Joint Secretary for the Ministry of Civil Aviation, and representatives from the Airport Economic Regulatory Authority of India, Bureau of Civil Aviation Security, Airports Authority of India, and private operators such as the GMR Group and Adani Group.

The group will advise the government on matters including: (i) enhancing airport capacity, (ii) modernising and expanding airport infrastructure, (iii) improving customer experience in airports, (iv) tariff related issues, and (v) advising capital expenditure performance of export.

**Comments invited on draft Drone rules**

Rajat Asthana (rajat@prsindia.org)

The Ministry of Civil Aviation invited public comments on the draft Drone Rules, 2021. The draft Rules have been published under the Aircraft Act, 1934 and seek to replace the Unmanned Aircraft System (UAS) Rules, 2021. The Act regulates the production, possession, operation, and sale of civilian aircraft in India. The UAS Rules regulated the ownership and operation of remotely operable and autonomous aircraft. The draft Rules seek to reduce the approvals and restrictions involved in operating drones. Key features include:

- **Increased weight threshold:** Currently, the UAS Rules are applicable to drones weighing less than 300 kilogram. The draft Rules increase this threshold to 500 kilogram.

- **Removal of student remote pilot license:** The UAS Rules mandate possession of a student remote pilot license before commencing any training. The draft Rules do away with the need for a license for student remote pilot, and only mandate a remote pilot license for operating drones.

- **Regulation of airspace:** Under the UAS Rules, areas where drone operations are prohibited include: (i) a five km radius around six major international airports, (ii) different areas around border, civilian and military installation of strategic significance, and (iii) notified ecologically sensitive areas. The draft Rules remove this list and enable the central government to publish a machine-
readable airspace map for drone operations in India. The map would segregate the Indian airspace into red, yellow, and green zones. Prior permission will be required for drone operations in red and yellow zones.

Comments on the draft Rules are invited by August 5, 2021.

Comments invited on draft central motor vehicles rules; draft standard for accreditation of testing agencies notified

Rajat Asthana (rajat@prsindia.org)

The Ministry of Road Transport and Highways released the draft Central Motor Vehicles (Amendment) Rules, 2021. The draft Rules have been published under the Motor Vehicles Act, 1988 and seek to amend the Central Motor Vehicles Rules, 1989. The Act regulates the grant of driving licenses, and standards for motor vehicles. The Rules mandate prototypes of all motor vehicles to be tested to gain approval for manufacturing. The Rules further specify that these vehicles may be tested at recognised testing agencies. The draft Rules seek to notify a new standard for accreditation of testing agencies. Key features include:

- **General Requirements:** The draft standard mandate the testing agency to demonstrate availability of appropriate testing infrastructure, technically skilled workforce, and proven testing record for compliance purposes. The accreditation certificate shall be valid for five years.

- **Obtaining accreditation certificate:** The draft standards propose to empower the Secretary of the Ministry of Road Transport and Highways to appoint an assessment team, with relevant domain expertise for assessing applications. This team will submit a report after assessing the premises of the testing agency. After the on-site assessment is completed, the assessment team shall provide a written report on the outcome of the assessment. In case the report mentions non-conformity of the applicant testing agency to testing requirements, the testing agency will be invited to respond to the outcome report. Based on the outcome report and the reviewed responses of the testing agency, the Secretary will grant accreditation certificate.

Comments on the draft Rules are invited by August 26, 2021.

Scheme providing subsidy to Indian shipping companies approved

Shruti Gupta (shruti@prsindia.org)

The Union Cabinet approved a scheme providing subsidy to Indian shipping companies applying for global tenders floated by central Ministries and Public Sector Establishments for import of cargo. Rs 1,624 crore has been allocated for its implementation between 2021-26. Key features include the following:

- **Eligibility and registration:** The following conditions for eligibility have been established: (i) the ships must be manufactured less than 20 years before February, 2021, and (iii) the companies must have been awarded the contract after the implementation of the scheme.

- **Subsidy:** Companies will be given subsidy based on the date of flagging (registration of vessels to a flag state) and manufacturing. The subsidy amount will be based on the difference between price quoted by a foreign company and by an Indian vessel. The subsidy can either be a percentage of the difference in price quoted, or the actual difference, whichever amount is lower. In case subsidy is offered based on a percentage difference in the price quoted, the rate of subsidy offered will decrease by 1% annually for five years. The Department concerned will be provided with direct subsidy.

Women and Child Development

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The Juvenile Justice (Care and Protection) Amendment Bill, 2021 passed

The Juvenile Justice (Care and Protection of Children) Amendment Bill, 2021 was passed by Rajya Sabha. The Bill was passed by Lok Sabha in March 2021. The Bill amends the Juvenile Justice (Care and Protection of Children) Act, 2015. The Act contains provisions related to children in conflict with law and children in need of care and protection. The Bill seeks to introduce measures for strengthening the child protection setup. Key amendments include:

- **Adoption:** The Act prescribes the procedure for the 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. The adoption order issued by the court establishes that the child belongs to the adoptive parents. The Bill amends this 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 from the date of passage of such order, which must be disposed within four weeks from the date of filing of the appeal.

- **Serious offences:** The Act provides that the Juvenile Justice Board will inquire about a child who is 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.

- **Designated Court:** The Act provides that an offence against children under the Act, punishable with imprisonment for more than seven years, will be tried in the children’s court. Other offences (punishable with imprisonment less than seven years) will be tried by any Judicial Magistrate. The Bill proposes that all offences under the Act be tried in children’s court.

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

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**Agriculture**

**Parliament passes a Bill to accord the national importance tag to NITFEMs**

*Suyash Tiwari (suyash@prsindia.org)*

The National Institutes of Food Technology, Entrepreneurship and Management Bill, 2019 (NIFTEM Bill) was passed by Parliament. 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](#).

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**Rajya Sabha passes Coconut Development Board (Amendment) Bill, 2021**

*Shashank Srivastava (shashank@prsindia.org)*

The Coconut Development Board (Amendment) Bill, 2021 was passed by Rajya Sabha. The Bill amends the Coconut Development Board Act, 1979. The Act established the Coconut Development Board for the development of the coconut industry. The Bill seeks to amend the composition of the Coconut Development Board to improve its management and administration. Key features of the Bill include:

- **Functions of the board:** Under the Act, the Board may recommend measures to improve the marketing of coconut and its products in India. The Bill adds that the Board may also recommend measures for improving the marketing of coconut and its products outside of India.
- **Changes to the management:** Under the Act, the Chairman of the Board, who also functions as the Chief Executive Officer (CEO), is appointed by the central government. The Bill bifurcates this position by providing for a non-executive Chairman and a CEO.

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

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**Cabinet approves continuation of various schemes under livestock sector package**

*Suyash Tiwari (suyash@prsindia.org)*

The Union Cabinet approved the continuation of various schemes related to animal husbandry and dairying till 2025-26, under a special livestock sector package. Under the package, all schemes of the Department of Animal Husbandry and Dairying will be merged into three categories:

- **Development Programmes**, which includes the Rashtriya Gokul Mission, National Programme for Dairy Development, and National Livestock Mission,
- **Disease Control Programmes**, which includes the Livestock Health and Disease Control scheme and National Animal Disease Control Programme, and
- Infrastructure Development Funds, which includes the animal husbandry and dairy infrastructure development funds.

Rs 9,800 crore has been approved for the livestock sector package for the period 2021-26.

**Stock limits imposed on all pulses (except moong) till October 31, 2021**

*Shashank Srivastava (shashank@prsindia.org)*

The Ministry of Consumer Affairs, Food and Public Distribution issued an order under Essential Commodities Act, 1955 to impose stock limits on certain pulses till October 31, 2020. These pulses are tur, masoor, urad, and chana. The Act empowers the central government to control production, supply, distribution, storage, and trade of essential commodities. Stock limits are generally imposed in order control the price of essential commodities when there is a sharp increase in the prices.

The stock limits are applicable in the following manner: (i) 500 Metric Tonne (MT) for wholesalers (provided there should not be more than 200 MT of one variety), (ii) 5 MT for retailers, and (iii) production during the last six months or 50% of annual installed capacity, whichever is higher, for millers.

In case the stocks held by an entity exceed the prescribed limits, they must declare them on the online portal of the Department of Consumer Affairs. The stocks have to be brought within the prescribed stock limit by August 19, 2021.

**Defence**

*Suyash Tiwari (suyash@prsindia.org)*

**Essential Defence Services Bill, 2021 introduced in Lok Sabha**

The Essential Defence Services Bill, 2021 was introduced in Lok Sabha. The Bill replaces an Ordinance promulgated in June 2021. The Bill allows the central government to prohibit strikes, lock-outs, and lay-offs in units engaged in essential defence services. Key features of the Bill include:

- **Essential defence services**: Essential defence services include any service in: (i) any establishment or undertaking dealing with production of goods or equipment required for defence related purposes, or (ii) any establishment of the armed forces or connected with them or defence. These also include services that would, if ceased, affect the safety of the establishment engaged in such services or its employees. In addition, the government may declare any service as an essential defence service if its cessation would affect the: (i) production of defence equipment or goods, (ii) operation or maintenance of industrial establishments or units engaged in such production, or (iii) repair or maintenance of defence products.

- **Strikes**: Under the Bill, a strike is defined as cessation of work by a body of persons acting together. This includes: (i) mass casual leave, (ii) coordinated refusal of any number of persons to continue to work or accept employment, (iii) refusal to work overtime, where such work is necessary for maintenance of essential defence services, and (iv) any other conduct which results in, or is likely to result in, disruption of work in essential defence services.

- **Prohibition on strikes, lock-outs, and lay-offs**: Under the Bill, the central government may prohibit strikes, lock-outs, and lay-offs in units engaged in essential defence services. The government may issue such an order if it deems this to be necessary in the interest of: (i) sovereignty and integrity of India, (ii) security of any state, (iii) public order, (iv) public, (v) decency, or (vi) morality. The prohibition order will remain in force for six months, and may be extended by six months. The prohibition will not apply to lay-offs made due to power shortage or natural calamity, or lay-offs of temporary or casual workmen.

- **Strikes and lock-outs that are declared or commence before or after the prohibition order will be illegal.** Laying-off after the prohibition order will be illegal.

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

**Environment**

*Aditya Kumar (aditya@prsindia.org)*

**Bill to set up a Commission for air quality management in NCR and adjoining areas introduced in Lok Sabha**

The Commission for Air Quality Management in National Capital Region and Adjoining Areas Bill, 2021 was introduced in Lok Sabha. The Bill provides for the constitution of a Commission for better co-ordination, research, identification, and resolution of problems related to air quality in the National Capital Region.
valid only up to its original validity period. Earlier, the new lessee is required to: (i) register on the PARIVESH portal, and (ii) submit an undertaking for compliance with all conditions of the transferred environmental clearance.

PARIVESH portal is a web-based platform to obtain environmental, forest, wildlife, and coastal regulation zone clearances.

**Law and Justice**

**Supreme Court passes judgement on the Tribunals Reforms Ordinance, 2021**

*Aditya Kumar (aditya@prsindia.org)*

The Supreme Court passed a judgement on several aspects of the Tribunals Reforms (Rationalisation and Conditions of Service) Ordinance, 2021. The Ordinance was promulgated in April 2021 to abolish nine tribunals and transfer their functions to existing judicial bodies (mainly High Courts). It also amended the Finance Act, 2017 to prescribe the terms and conditions of service for members and the composition of the search-cum-selection committee. Earlier, these provisions were notified in rules under the 2017 Act. Key observations of the Court include:

- **Term of office:** The Ordinance provides for a four-year term of office for tribunal members. The Supreme Court declared the provision to be unconstitutional for violating past judgement of the Court, which specified a five-year term of office.

- **Minimum age requirement:** The Ordinance provides for a minimum age requirement of 50 years for appointment of Chairperson and members of tribunals. The provision was struck down for violating the principles of the doctrine of separation of powers. The Court emphasised on its earlier judgement which recommended recruitment at young age by allowing appointment of advocates with 10 years of experience. The Court stated that a minimum age requirement of 50 years will prevent such appointments.

- **Manner of appointment:** The Ordinance requires the selection committee to recommend two names for appointment to a post in the tribunals. The Court stated that this provision violates the past judgement and intrudes judicial domain. Earlier, the Court had specified that the committee must recommend one name for a post along with one name in the waiting list. This was meant to eliminate the discretion of the Executive in

...
appointment of members, thus ensuring the independence of judiciary.

Supreme Court strikes down provisions of the Constitution (97th Amendment) Act
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The Supreme Court read down the Constitution (97th Amendment) Act, 2011 in relation to state cooperative societies. The Act added Part IX-B to the Constitution to ensure autonomous and democratic functioning of cooperatives. The Act empowers the state legislatures to enact laws for incorporation, regulation, winding up of cooperatives. In 2013, the Gujarat High Court had struck down the Act on the grounds that it was not ratified by half of the state legislatures under Article 368 (2). It noted that since cooperative societies is a State Subject, the Act violates the Constitution in absence of ratification by state legislatures.

The Supreme Court, while hearing an appeal upheld the Gujarat High Court judgement in relation to state cooperative societies. However, the court upheld the provisions of the Act in relation to multi-state cooperative societies. The Court held that as multi-state cooperative societies exist across states or union territories, these fall under the Union List, laid down in the Seventh Schedule of the Constitution.

Cabinet approves continuation of scheme for development of judicial infrastructure
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The Union Cabinet approved the continuation of the centrally sponsored scheme for Development of Infrastructure Facilities for Judiciary for the period 2021-26. The scheme has been operational since 1993-94. Under the scheme, the central government provides resources to the state governments for construction of court buildings and residential quarters for Judicial Officers. The cost of the scheme is estimated to be Rs 9,000 crore for 2021-26, of which Rs 5,357 crore will be provided by the central government. During 2021-26, the funds will be used to develop infrastructure facilities in district and subordinate courts. The funds will be used to construct: (i) 3,800 court halls, (ii) 4,000 residential units for judicial officers, (iii) 1,450 lawyers’ halls, (iv) 1,450 toilet complexes, and (v) 3,800 digital computer rooms.

In addition, the government has allocated Rs 50 crore for operationalisation of Gram Nyayalayas. Gram Nyayalayas ensure speedy and easy access to justice system in the rural areas of India.

Commerce
Shruti Gupta (shruti@prsindia.org)

Standing Committee submits report on Intellectual Property Rights regime
Standing Committee on Commerce (Chair: Mr. Vijayasai Reddy) submitted its report on the subject ‘Review of the Intellectual Property Rights (IPR) Regime in India’. IPR are rights given to creators of goods gained from scientific development, artistic work, or original research, which give the creators exclusive right over its use for a certain period. Key observations and recommendations include:

- **Investment in research and development:** The Committee noted that India grants a low number of patents (which can be attributed to low spending on research and development (0.7% of the GDP). It recommended: (i) allocating funds to each government department for research, (ii) providing incentives to private companies for undertaking research, and (iii) directing large industries to grant Corporate Social Responsibility funds for research.

- **National IPR Policy, 2016:** The Policy was adopted to provide the legal and administrative framework to manage IPR. The Committee recommended reassessing its policies and giving state governments greater power in framing IPR policies, supervised by the Department for Promotion of Industry and Internal Trade.

- **Counterfeiting and piracy:** To curb piracy and counterfeiting, the Committee recommended: (i) implementation of stringent legislation through strong inter-departmental coordination, (ii) increasing the capacity of enforcement agencies (such as IPR cells in the state police), and (iii) establishing a method to estimate revenue loss from it. It recommended labelling products as ‘patent pending’ (patent applied, but not yet granted) to deter misuse and yield marketing benefits.

- **IP Appellate Board:** The Committee recommended reconsidering the abolition of the IP Appellate Board under the Tribunals Reforms (Rationalisation and Conditions of Service) Ordinance, 2021, as this may further increase judicial pendency. It recommended undertaking a Judicial Impact Assessment and consultations before abolishing it.

- **COVID-19:** The Committee recommended waiving off patent rights for COVID-19 related drugs and vaccines temporarily, to
address inadequate availability. It recommended avoiding any delays in invoking compulsory licenses on crucial drugs and vaccines in emergency like situations in the future.

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

### MSMEs

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**Standing Committee submits report on the impact of COVID-19 on MSMEs**

The Standing Committee on Industry (Chair: Dr. K Keshava Rao) submitted its report on the subject ‘Impact of COVID-19 Pandemic on MSME Sector and mitigation strategy adopted to counter it’. Key observations and recommendations of the Committee include:

- **Impact of Lockdown:** The Committee observed that a large number of jobs were lost and regular income of households declined significantly during the lockdown period. It also noted that no intensive study has been conducted by the Ministry of MSME to ascertain the actual losses incurred by the sector. It recommended the government to: (i) conduct a detailed study to assess the actual losses suffered, (ii) consider a new National Employment Policy, and explore the feasibility for a National Electronic Employment Exchange, and (iii) build a skill-based database of job seekers for job-matching. To boost employment generation in the MSME sector, the Committee recommended: (i) investing in back-end services such as research and development, and (ii) promoting digital marketing and e-commerce by MSMEs.

- **Stimulus Package:** The Committee observed that the stimulus package announced by the government for MSMEs was inadequate. It was more of a loan offering and long-term solution rather than providing immediate relief by improving cash flows. It recommended the government to introduce a larger economic package. It also observed that the stimulus package has not percolated down properly to the micro and small enterprises. The Committee observed that extra efforts need to be taken on this front.

- **Emergency Credit Line Guarantee Scheme (ECLGS):** ECLGS was launched under the Atmanirbhar Bharat Abhiyaan in 2020 to support MSMEs in meeting their operational liabilities and restart their businesses. The Committee noted that only around 50% of the total guarantee amount of three lakh crore rupees has been issued to MSMEs. It recommended that: (i) banks should be more liberal in extending credit facilities and separate counters should be opened to exclusively deal with MSMEs, (ii) benefits of the scheme should be extended to small traders/dealers, and (iii) credit guarantee amount should be enhanced.

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

### Retail and wholesale trade activities to be eligible for classification as MSMEs

Retail and wholesale trade activities have been included back in the list of activities eligible for classification as Micro, Small, and Medium Enterprises (MSMEs) under the MSME Development Act, 2006. In June 2017, these activities had been excluded from this list. Enterprises are classified as MSMEs based on composite criteria of annual turnover, and investment in plants, machinery, or equipment.

The Ministry of MSMEs notified that the benefits to retail and wholesale trade MSMEs will be restricted to priority sector lending only. Under priority sector lending, banks (and foreign banks with at least 20 branches) are required to devote 40% of net bank credit for certain priority sector areas such as agriculture and MSMEs. In general, MSMEs receive benefits such as interest subsidy on loans, credit guarantee, capital subsidy for technology upgradation, market development assistance, and protection against delayed payment.

### Culture

Shruti Gupta (shruti@prsindia.org)

**Standing Committee submits report on development and conservation of museums and archaeological sites**

The Standing Committee on Transport, Tourism, and Culture (Chair: Mr. T.G. Venkatesh) submitted its report on the subject ‘Development and Conservation of Museums and Archaeological sites - Challenges and Opportunities’. Key observations and recommendations include:

- **Conservation and preservation:** The Committee recommended museums to adopt global best practices for conservation where
possible. It recommended the Ministry of Culture to establish a model process for preservation of artefacts and maintenance of archival records, which may help in ensuring consistency, and benchmarking the work of contractors employed.

- **Use of technology:** The Committee recommended the use of specific technology to improve maintenance of museums and sites. These include: (i) use of virtual reality in galleries, (ii) central database of digitised artefacts and sites, and (iii) blockchain technology to catalogue artefacts and sites.

- **Staff and training:** The Committee observed that museums are often understaffed, with vacancies in ASI reaching 29%. While noting that the upcoming Indian Institute of Heritage and Conservation may train more museum staff, it recommended the Ministry of Culture to increase budgetary allocation towards training of museum staff.

- **Funding:** The Committee encouraged funding of museums and sites through donations, corporate social responsibility, and sponsorships. To increase revenue, it recommended: (i) instituting pay-as-you-wish tickets, where visitors can pay money in addition to a minimum ticket price, (ii) enabling contributions to maintain a specific artefact or ‘adopt a heritage’ scheme for sites, and (iii) tours beyond public hours at higher prices. Public-private models for to manage museums and sites may be piloted.

- **Security:** To ensure safety and security across museums and archaeological sites, the Committee recommended: (i) installing security systems and surveillance cameras, (ii) patrolling by armed personnel, and (iv) undertaking a physical security audit for sites maintained by the ASI. It also recommended implementing a disaster management plan in every museum and ASI site.

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

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**Labor**

*Omir Kumar (omir@prsindia.org)*

**Standing Committee submits report on functioning of National Institute of Fashion Technology**

The Standing Committee on Labour (Chair: Mr. Bhartruhari Mahatab) submitted its report on the functioning of National Institute of Fashion Technology (NIFT). The Committee assessed the performance of NIFT in promoting education and research in fashion technology and examined the need of government support required by it. NIFT is an institute of fashion education with seventeen campuses setup across the country. It was made a statutory institute in 2006 by the NIFT Act, 2006. NIFT provides professional human resources to the textile and apparel industry. Key observations and recommendations of the Committee include:

- **Recognition by University Grants Commission (UGC):** NIFT offers various degrees in undergraduate, post graduate and doctoral studies. The Committee noted that these degrees offered by NIFT are not recognised by the UGC. It recommended that this issue should be looked into and considered for recognition by UGC.

- **Status of an Institute of National Importance:** The Committee observed that NIFT has had a long-standing demand to be recognised as an Institute of National Importance. The Committee noted that granting status of an Institute of National Importance would allow NIFT to take advantage of the growing opportunities in the fashion industry. It recommended that NIFT should be recognised as an Institute of National Importance.

- **Budgetary support:** NIFT has received various grants from the central government from 1986-87 to 2006-07. Since 2007-08, it received Rs 10 crore per year for a period of five years which was gradually discontinued in the year 2013-14. The Committee noted that since 2013-14 NIFT has not been funded or given any grants to meet its revenue and administrative expenses. It recommended that the Ministry of Textiles should ensure adequate funding is provided to NIFT.

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

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**Education**

**Reservation for OBCs and EWS approved in All India Quota Scheme in medical education**

*Omir Kumar (omir@prsindia.org)*

The Ministry of Health and Family Welfare approved 27% reservation for Other Backward Classes (OBCs), and 10% reservation for
Economically Weaker Section in the All-India Quota Scheme from 2021-22 onwards.79 The central list of OBCs will be used for this reservation. The reservation will be provided at the undergraduate (UG) and postgraduate (PG) level, for students of medicine and dentistry.

The All-India Quota scheme provides domicile-free merit-based opportunities to students for studying in medical colleges located in another State. All-India Quota consists of 15% of total UG seats and 50% of total PG seats in government medical colleges. Note that the Central Educational Institutions (Reservation in Admission) Act, 2006 provided uniform 27% reservation to OBCs in all central educational institutions.80 However, this had not extended to the All-India Quota seats of state medical and dental colleges.

National Mission to achieve universal foundational literacy and numeracy by 2026-27 launched

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The National Education Policy 2020 aims to achieve universal foundational literacy and numeracy in primary school by 2025.81 This implies that every child, by grade 3, must be able to read with comprehension, write, perform basic mathematical operations, and learn basic life skills. To achieve this by 2026-27, a national mission named National Initiative for Proficiency in Reading with Understanding and Numeracy (NIPUN Bharat) has been launched.82

The Mission specifies yearly targets for achieving learning outcome at various grade levels. To track the progress of students, School-based Assessment and large-scale standardised assessment will be conducted. Training for teachers will focus on bridging the language barrier, and encouraging peer learning.83 A five-tier structure will be in place for implementing the scheme (at the national, state, district, block, and school levels). The responsibilities at the National level include: (i) preparing a list of measurable learning outcomes, by subject for each grade, (ii) preparing tool kits for measuring proficiency levels, and (iii) creating robust information technology systems to monitor and track progress of the mission. States would be responsible for (i) creating yearly action plans to achieve foundational literacy and numeracy targets, (ii) ensuring availability of adequate number of teachers in each school at each grade, and (iii) identifying and working with partners.

Regulations for Academic Bank of Credits notified

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The University Grants Commission (UGC) notified the University Grants Commission (Establishment and Operation of Academic Bank of Credits in Higher Education) Regulations, 2021.84 The regulations establish an Academic Bank of Credits, which will be an online entity to store student's academic credits from all registered Higher Educational Institutions (HEIs). It will enable a credit transfer mechanism, which will allow students to structure their higher educational degree as per their choice of time, place and level of learning. Note that the establishment of an ABC was proposed in the National Education Policy 2020.85 Key features of the Academic Bank of Credits include:

- **Validity:** Credits obtained by undertaking courses in registered HEIs will be eligible for availing Academic Bank of Credits services from academic year 2021-22 onwards. The credits earned by students shall be valid for up to a maximum of seven years after crediting. Once the credits are utilized, they will be debited from the student account.

- **Availability of ABC:** The Academic Bank of Credits will be available for: (i) courses completed on online platforms like SWAYAM and NPTEL, or of any specified university (ii) theory, practical and skill-based credit courses, if offered separately, (iii) all learning modes including contact, non-contact and futuristic learning modes.

- **Recognition:** The Regulations mandate Academic Bank of Credits to facilitate credit recognition and credit redemption for all courses, chosen by the student. The opted for courses need not fall under any particular subject domain. The Regulations mandate that the credits earned and deposited with the ABC can be used for redemption to the respective education level (certificate, diploma, degree, or Post Graduate diploma).

Health

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Comments invited on unified health interface

The National Health Authority invited comments on the Unified Health Interface (UHI).86 UHI is
one of the building blocks of the National Digital Health Ecosystem (NDHE). NDHE refers to the eco-system of data and infrastructure aimed at achieving universal health coverage using data systems, and health infrastructure. It also aims to ensure security, confidentiality, and privacy of health-related personal information. UHI is aimed at enabling digital health services in this eco-system. Key aspects of the UHI include:

- **UHI architecture**: UHI will be an open protocol for digital health services. Open protocols refer to a system where a platform offering services is not owned by a single entity. This ensures diverse service options from multiple service providers on the platform. UHI will allow health service providers to achieve interoperability in delivery of digital health services.

- **UHI development, governance, and management**: National Digital Health Mission (NDHM) will be responsible for development, governance, and management of UHI. NDHM is the mission-based initiative for implementing the digital ecosystem for health care services in India. A technical expert committee will be created to formulate, design, and publish initial UHI open protocols. These protocols will be adopted after a consultation with experts (from government, academia, and industry), and public.

Comments on the UHI are invited until August 23, 2021.

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**New and Renewable Energy**

Aditya Kumar (aditya@prsindia.org)

**NITI Aayog report on renewables integration in India released**

The NITI Aayog released a report on “Renewables Integration in India”

Renewable integration refers to incorporating generation, transmission, and distribution of renewable energy in the mainstream power system. The report recommends ways to integrate the increasing share of renewable energy capacity. The report observed that the solar and wind energy will contribute significantly to achieving renewables targets of 2030 (450 gigawatt) in India. Key observations and recommendations include the following:

- **Challenges with renewable integration**: The report highlighted following as key challenges in achieving renewables integration across states in India: (i) limited inter-state transmission lines due to concentration of solar wind energy sites in certain regions of states or certain states, (ii) increasing peak demand from new demand sources (such as air conditioners and electric vehicles), and (iii) increasing fluctuations in frequency and voltage levels at regional levels.

- **Power system flexibility**: The report recommended that states should leverage all possible sources to build flexibility in the power system. This includes ability of the system to respond to any variation in power demand and supply by modifying production or consumption. Key options recommended in the report to ensure flexibility include: (i) battery storage, (ii) smart-meters, (iii) demand forecasting equipment, and (iv) inter-regional transfers and cross-border transmission lines. Further, the report provides for a regional level model and a state level model to evaluate impact of increasing renewable energy and role of flexibility solutions in the country.

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

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**Communication**

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**Standard Operating Procedure released for personalisation of SIM cards**

The Department of Communications released the Standard Operating Procedure (SOP) for personalisation of SIM cards. Personalisation refers to the loading of operating system including details from licensed telecom operator and keys into the chipset. The SOP will be applicable to the telecom service providers and SIM manufacturers. Key features of the SOP include the following:

- **Personalisation Process**: The operating system should be developed in a protected environment preferably within the country. Where operating system development is done for global customers outside India, its integration, security testing, and loading into chipset should be done within the country. The installation of an operating system on the SIM hardware should be done by the SIM manufacturer within the country.

- **Security Controls**: The mobile network operator and SIM personalisation agency should prepare an organisation security
policy for the SIM personalisation lifecycle. The security policy should include: (i) physical security of SIM personalisation areas, (ii) maintaining operating system and data, (iii) disposal of operator specific data after SIM personalisation is completed, (iv) procedures for secure key management, and (v) incident management policies.

17 ₹75,000 crore released to States and UTs with Legislature as GST Compensation shortfall”, Press Information Bureau, Ministry of Finance, July 15, 2021.
28 Retail Direct Scheme: Allowing Retail Investors to Open Gilt Accounts with RBI, Reserve Bank of India, July 12, 2021, https://rbdocs.rbi.org.in/docs/PressRelease/PDFs/P1518EFB79D5C944E4ED9D744A57DE5160.PDF.
64 About PARIVESH, PARIVESH website as accessed on July 23, 2021, https://parivesh.nic.in/.
69 “Cabinet approves continuation of the Centrally Sponsored Scheme (CSS) for Development of Infrastructure Facilities for Judiciary for further five years”, Press Information Bureau, Cabinet, July 14, 2021.

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