PRS Capsule July 2020

Key Highlights of PRS

Governance

Code on Social Security

- The Standing Committee on Labour submitted its report on the Code on Social Security, 2019. The Code replaces nine laws related to social security.
    - The **Social Security Code Bill** seeks to amend and consolidate nine laws related to social security, including the Employees' Provident Fund Act, 1952, the Maternity Benefit Act, 1961, and the Unorganised Workers' Social Security Act, 2008.
    - **Social security** refers to measures to ensure access to health care and provision of income security to workers.
- It mandates social security for certain enterprises based on their size or wage ceilings of workers. The government may also frame schemes for:
    - unorganised workers, such as self-employed or home-based workers,
    - gig workers, defined as those outside the traditional employer-employee relationship, and
    - platform workers, i.e., those who access an online platform to provide services.

- Key recommendations include:
    - **Coverage:** The Committee stated that the Code should provide a framework to achieve universal social security for all workers with a secure financial commitment and within a definite time frame.
    - It also recommended that the government:
        - re-consider enterprise-size based thresholds,
        - provide a model scheme prescribing "mandatory minimum entitlements" for unorganised workers across all states,
        - provide unemployment insurance to all unorganised, building and plantation workers,
        - re-introduce welfare funds for workers in specific industries such iron ore mines and beedi establishments, and
        - reduce required period of service to avail gratuity from five years to one year.
    - **Definitions:** The Committee recommended amendments to various definitions. These include:
        - expanding **"social security"** to cover the nine components recommended by the International Labour Organisation (including unemployment, maternity, old-age, and medical care benefits.
        - expanding "employees" to include anganwadi and asha workers.
        - expanding "unorganised workers" to include gig and platform workers.
    - **Administration:** The Committee noted that the Code has a fragmented delivery structure with multiple organisations administering different benefits.

      It recommended that the government consider inserting a compact system of governance of social security.
    - **Registration:** All eligible establishments are required to register with their respective social security organisations under the Code.
    - The Committee recommended:
        - expanding the definition of establishments to include all enterprise categories such as own account enterprises.
        - providing for a unified registration and compliance platform
        - providing for a single registration authority, to administer social security for all workers.
    - **Inter-state migrant workers (ISMW):** The Committee recommended:
        - creating a separate fund for ISMW.
        - expanding their definition to include self-employed workers from another state.
        - maintaining a national migrant worker database and linking it with the unorganised workers database.

- **Aadhaar:** Unorganised workers may register under the Code by providing their Aadhaar number.
    - The Committee noted that Aadhaar may only be made mandatory if expenditure is incurred from the Consolidated Fund of India.
    - It noted the Ministry's assurance that this provision would be re-examined.

Code on Wages

- The **Ministry of Labour and Employment** notified the draft Rules under the **Code on Wages** for public comments.
- These Draft Rules will apply to all central sector establishments.

- Key features include:
    - **Calculation of minimum wage:** The Draft Rules lay down the criteria for fixing the minimum rate of wages per day for employees.
    - These criteria include:
        - three adult consumption units per household,
        - daily intake of 2,700 calories per consumption unit,
        - 10% of food and clothing expenditure on rent,
        - 20% expenditure of fuel, electricity, and miscellaneous items, and
        - 25% expenditure on education, medical requirements, and contingencies.
    - **Norms for fixing minimum wage:** Minimum wages will be calculated on the basis of the geographical area of employment and the skill category of an employee.
        - For this purpose, the central government will divide the geographical area into three categories: metropolitan (population of 40 lakh or more), nonmetropolitan (between 10 lakh and 40 lakh), and rural areas (all other areas).
        - The Draft Rules categorise occupations into four skill categories: unskilled, semi-skilled, skilled, and highly skilled.
    - The government will constitute a committee to advise on modifications in skill categorisation of these categories of occupations.
        - **Revision of dearness allowance:** The Draft Rules state that an effort will be made to revise the dearness allowance linked to the minimum wage twice a year; before April 1 and October 1 each year.
        - **Method of fixing floor wage:** According to the Code, the central government will fix a floor wage. The minimum wage must be higher than the floor wage.
    - The Draft Rules provide that the floor wage will be decided on the basis of minimum living standards taking into account factors such as food, clothing, and housing.
    - The floor wage will be decided in consultation with the **Central Advisory Board** and certain state governments as the central government deems necessary.
        - The Board will include: (i) employers, (ii) employees (equal number as employers), (iii) independent persons, and (iv) five representatives of state governments.
        - The floor wage may be revised every five years, and periodic adjustments may be made to accommodate changes in the cost of living.
    - **Work hours:** The Draft Rules state that a normal working day will constitute a maximum of eight hours of work per day, with a maximum spread of 12 hours including rest intervals.

Note:

- The minimum wages decided by the central or state governments must be higher than the floor wage.
- Under the Constitution of India, **labour** is a subject in the **Concurrent List** of the Seventh Schedule where both the Central and State Governments are competent to enact legislation.

Non-Personal Data Governance

- The Expert Committee constituted by the **Ministry of Electronics and Information Technology** to study various issues relating to **non-personal data** submitted its report.
- The Committee observed that non-personal data should be regulated to:
    - Enable a data sharing framework to tap the economic, social, and public value of such data.
    - Address concerns of harm arising from the use of such data.
- Key recommendations include:
    - **Non-personal data:** Any data which is not personal data (data pertaining to characteristics, traits or attributes of identity, which can be used to identify an individual) is categorised as non-personal data.
    - In terms of origin, non-personal data can be data which never related to natural persons (such as data on weather or supply chains), or data which was initially personal data, but has been anonymised (through certain techniques to ensure that individuals to whom the data relates to cannot be identified).
- Non-personal data can further be classified as:
    - **Public non-personal data:** data collected or generated by the government in the course of publicly funded works. For example, anonymised data of land records or vehicle registration can be considered as public non-personal data.
    - **Community non-personal data:** raw or factual data (without any processing) which is sourced from a community of natural persons. For example, datasets collected by municipal corporations or public electric utilities.
    - **Private non-personal data:** data which is collected or generated by private entities through privately owned processes (derived insights or proprietary knowledge).
    - **Non-Personal Data Authority:** This regulatory authority will be established for putting in place the framework for governance of non-personal data. It will consist of experts in fields such as data governance and technology. The Authority will be responsible for framing guidelines with respect to data sharing and risks associated with non-personal data.

- **Sharing of non-personal data:**
  - Public data, community data or private data (limited to raw/factual data collected by a private entity) can be requested at no remuneration.
  - Private data where the processing value add is significant may be shared based on remuneration which is fair, reasonable and non-discriminatory. Algorithms or proprietary knowledge may not be considered for data sharing.
  - The regulator will also be responsible for adjudication in case of any data sharing disputes.

Social Justice

National Education Policy 2020

- The **Ministry of Human Resource Development (MHRD)** had constituted a Committee for drafting the **National Education Policy (NEP)** in June 2017. The Committee had submitted a draft NEP for public consultation in May 2019. The NEP will replace the **National Policy on Education, 1986.**

- Key aspects of the NEP include:
    - **School Education:** The current structure of school education (10+2 design) will be replaced by a 5-3-3-4 curriculum structure corresponding to:
        - five years of foundational stage (age 3 to 8)
        - three years of preparatory stage (age 8 to 11)
        - three years of middle stage (age 11 to 14)
        - four years of secondary stage (age 14 to 18)
    - This will bring early childhood care and education (ECCE) within the scope of school curriculum. The National Council of Educational Research and Training (NCERT) will develop the curriculum and pedagogy framework for ECCE.
        - Schools will be grouped together to form a school complex. A school complex will consist of a secondary school and other schools, anganwadis in a 5-10 km radius.
        - This will ensure:
            - adequate number of teachers for all subjects in a school complex
            - adequate physical resources (such as library books, sports equipment)
            - effective governance of schools.
    - **Higher Education:** The **Gross Enrolment Ratio** in higher education (students enrolled as a percent of population of corresponding age group) to be increased to 50% by 2035 (from 26.3% in 2018).
        - The undergraduate degree will be made more flexible with multiple exit options with appropriate certification.
        - **For example:** students will receive a certificate after one year, diploma after two years, bachelor's degree after three years, and bachelor's with research degree after four years.
        - Further, an academic bank of credit will be established for digitally storing academic credits earned from different higher education institutes.
        - A **national research foundation** will be established for fostering research in higher education.
        - **Higher Education Commission of India** will be set up as a single regulating body for higher education (excluding medical and legal education).
        - It will have four independent verticals for: (i) regulation, (ii) standard setting, (iii) funding, and (iv) accreditation.
        - High performing Indian universities will be encouraged to set up campuses in other countries. Similarly, selected top foreign universities will be permitted to operate in India. The NEP also recommended that public investment in education should be 6% of GDP.

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Economy

Consumer Protection Act, 2019

- The Department of Consumer Affairs notified certain Rules under the Consumer Protection Act, 2019. These Rules are related to the following aspects:
    - Trade practices of e-commerce entities
    - The Consumer Disputes Redressal Commissions and the Central Consumer Protection Council
    - Members of the District and State Consumer Disputes Redressal Commissions
    - Mediation of disputes.
- **Key features are:** Duties and liabilities of e-commerce entities: An e-commerce entity is required to:
    - Provide an adequate grievance redressal mechanism.
    - State upfront the policies regarding shipping, exchange, return, refund, and warranty. It is prohibited from:
        - manipulating or imposing unjustified prices so as to gain unreasonable profit, and
        - discriminating between consumers of the same class or making any arbitrary classification of consumers which affects their rights under the Act.
    - Marketplace e-commerce entities (entities providing a platform to facilitate ecommerce transactions) are required to:
        - include any differentiated treatment given to goods, services, or sellers of the same category in its terms and conditions, and
        - explain main parameters determining the rank of goods, services, or sellers on its ecommerce platform. Sellers on the marketplace are required to also specify expiry date of goods and country of origin of goods or services.
            - For imported products, sellers are required to provide the name and details of the importer.
            - Sellers on marketplace, and inventory e-commerce entities (entities also owning the inventory) cannot refuse a refund in specified cases including the delivery of damaged goods and late delivery.
            - They are prohibited from falsely representing themselves as consumers and posting reviews or misrepresenting the quality or features of goods and services.
    - **Fee for filing complaints:** The Rules specify the fee required to be paid for filing a complaint with the Consumer Disputes Redressal Commissions.
        - The fee depends on the value of goods or services under the complaint. No fee is required to be paid if such value is up to five lakh rupees.
        - The fee ranges between Rs 200 and Rs 7,500 for complaints filed for higher values.

Private participation for the Operation of Passenger Train Services

- The **Ministry of Railways** invited **private sector participation** for the operation of passenger train services over 109 Origin-Destination pairs of routes through the introduction of 151 trains.
- These 151 trains will be in addition to the existing trains.
- Each of these trains will have a minimum of 16 coaches and will be designed for a maximum speed of 160 kilometres per hour.
- Private entities will be selected through a competitive bidding process. The concession period for the project will be 35 years. This is expected to attract an investment of about Rs 30,000 crore from the private sector.
- Key features of the project are:
    - **Role of private entity:** The private entity will be responsible for financing, procuring, operating, and maintaining these trains. The operation and maintenance will be governed by standards specified by Indian Railways.
    - **Role of Indian Railways:** The driver and guard operating these trains will be from Indian Railways.
    - **Charges to be paid by private entity:** The private entity will pay following fees and charges to Indian Railways: (i) fixed haulage charges, (ii) energy charges as per actual consumption, and (iii) a share in gross revenue determined through the bidding process.
    - **Performance standards:** The private entity will be required to conform to the key performance standards including punctuality, reliability, and upkeep of trains.
    - **Timeline for the project:** The tenders are to be finalised by March 2021 and trains will start operating from March 2023.

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Investment Clearance Cell (ICC)

- The **Ministry of Civil Aviation** established an **Investment Clearance Cell.** It will be chaired by the Joint Secretary of the Ministry.
- The Cell will act as the single-window mechanism to expedite investment in the civil aviation sector.
- Terms of Reference of the Cell include:
    - accelerating investments
    - identifying projects which require policy interventions and faster clearances and reporting them to the Empowered Group of Secretaries
    - identifying policy and regulatory obstacles to investments in the sector
    - adopting ways to bring states on board the institutional set-up.

Agriculture Infrastructure Fund

- The Union Cabinet approved the central scheme **Agriculture Infrastructure Fund.** The Fund was announced in May 2020 under the **Aatma Nirbhar Bharat Economic Package.**
- It aims to provide debt of one lakh crore rupees for financing post-harvest infrastructure projects at farm-gate and aggregation points (where farmers can directly or collectively sell their produce).
    - Under the scheme, banks and financial institutions will provide debt of Rs 10,000 crore in 2020-21 and Rs 30,000 crore per year during the period 2021-22 to 2023-24 for this purpose.
- **Beneficiaries eligible** for loans under the scheme include farmers, farmer producer organisations, agricultural credit and cooperative societies, self help groups, start-ups, and government agencies.
- Under the scheme, the government will provide a **3% interest subsidy** on all such loans, up to a limit of two crore rupees. The subsidy will be provided for a maximum period of seven years. The government is estimated to incur an expenditure of Rs 10,736 crore under the scheme over a period of 10 years (2020-21 to 2029-30).

Report on Agricultural Exports

- The Expert Group constituted by the 15th Finance Commission on Agricultural Exports submitted its report.
- The Expert Group was constituted in February 2020 to suggest performance-based incentives for states for the period 2021-22 to 2025-26, with the aim of increasing agricultural exports and promoting crops that can enable high import substitution.
- The Group estimates India's agricultural exports to grow from USD 40 billion to USD 70 billion in a few years, with an investment of USD 8-10 billion expected across the value chain.
- Key recommendations of the Group include:
    - Focusing on the value chain of certain crops based on their demand.
    - Creating cluster based supply chains with focus on value addition.
    - Creating state-led export plans (i.e. business plans for these clusters), which will be funded through a combination of existing schemes, Finance Commission allocations, and private investment.
    - Creating a robust institutional mechanism to fund and support implementation.

    The report of the Expert Group is not available in public domain yet.

Rate of Royalty for Coal Produced from Commercial Mining

- The **Ministry of Coal** specified the rate of royalty for coal mined for the purpose of sale (commercial mining) through an amendment in the Second Schedule of the **Mines and Minerals (Development and Regulation) Act, 1957.**
    - Royalty is a payment that the lessee is required to make in proportion to the quantity of mineral extracted.
    - The Second Schedule of the Act enlists the rate of royalty for various minerals.
- The rate of royalty for the coal produced from commercial mining will be **14% over the notional price** or the actual price, whichever is higher.

    Notional price: It means the price arrived at after adjusting for representative price from the **National Coal Index.**
    - The Index reflects the prevailing market prices of coal.
    - The actual price means the sale invoice value of coal after excluding the statutory dues such as taxes, levies, royalty, and contribution to the National Mineral Exploration Trust, and the District Mineral Foundation.

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Contributions from Persons or Institutions in the NDRF

- Under the **Disaster Management Act, 2005,** the central government can constitute the National Disaster Response Fund (NDRF) to meet expenses for emergency response, relief and rehabilitation in situations of disasters.

    The NDRF may be credited with funds from the central government, or from any persons or institutions.
- The central government laid out modalities through which the NDRF can receive contributions or grants from any person or institution.
- The contributions can be made through physical instruments, RTGS/NEFT/UPI, or through the Bharatkosh portal of the Government of India.

Security

Permanent commission for women officers in Army

- The Ministry of Defence has sanctioned the grant of **Permanent Commission to women officers** in the Indian Army.
- The services in the Army are broadly classified into: (i) combat arms, (ii) combat support arms, and (iii) services.
- Earlier, women officers were eligible to work in all non-combat services through a Short Services Commission (SSC, i.e. for a tenure of 14 years) and Permanent Commission for women officers was available only in two non-combat streams: (i) judge and advocate general, (ii) army educational corps.

- The Ministry has sanctioned grant of permanent commission to SSC women officers in all ten non-combat streams of the Indian Army: (i) army air defence, (ii) signals, (iii) engineers, (iv) army aviation, (v) electronics and mechanical engineers, (vi) army service corps, (vii) army ordnance corps, and (viii) intelligence corps (besides the two existing streams above).
- SSC women officers who are granted permanent commission will be entitled to all consequential benefits including promotion and financial benefits.

Note: The Supreme Court had ruled in favour of granting permanent commission to all women officers in the Army in its non-combat services in February 2020.

Draft Defence Acquisition Procedure 2020

- The Ministry of Defence has released the draft **Defence Acquisition Procedure, 2020 (DAP).**
- The DAP governs the acquisition of weapons and equipment for India's defence forces. An earlier version of the draft was released for public comments in March, 2020.
- The draft has been revised based on the inputs received and defence reforms announced under the Aatmanirbhar Bharat Abhiyaan.
- The draft DAP revises the Defence Procurement Procedure, 2016 with the aim of increasing indigenous manufacturing and reducing timelines for procurement of defence equipment.

- Key features of the draft DAP include:
    - **Leasing:** The DPP-2016 specified two modes of capital acquisition: (i) buy, and (ii) buy and make.
        - The draft DAP has introduced 'leasing' as a new mode of acquisition. Leasing substitutes initial capital outlays with periodical rental payments.
    - **Leasing is preferred in some situations such as where:** (i) procurement is not feasible due to time constraint, or (ii) the asset is required only for a specific time.
    - **Enhancement of Indigenous Content (IC):** The DPP-2016 specified five categories of capital acquisition for the above two modes.
        - The five categories are: (i)Buy (Indian-IDDM), (ii) Buy (Indian), (iii) Buy and Make (Indian), (iv) Buy and Make, and (v) Buy (Global).
        - The draft DAP adds a **sixth category as Buy (Global-Manufacture in India).** Further, it has enhanced the IC requirement in various categories of procurement.
        - These IC requirements for the above categories are listed in Table 1.
    - **Weapons/platforms banned for import:** To promote domestic industry and to give effect to the defence reforms announced under the Aatmanirbhar Bharat Abhiyaan, the Ministry will notify a list of weapons/platforms banned for import. This list will be updated from time to time.
    - These equipment can be procured under the Buy (Indian - IDDM), Buy (Indian), Buy and Make (Indian) (if buy quantity is zero) and Buy and Make (if buy quantity is zero) modes of procurement.

Science and Tech

Procurement of Power from a Mix of Renewable and Thermal Sources

- The **Ministry of Power** released guidelines for the **tariff-based competitive bidding process** for procurement of round-the-clock power from renewable energy sources, complemented with power from coal-based thermal power sources.
- Bundling of renewable and thermal sources for power procurement is aimed towards addressing the intermittent nature of renewable energy.
- During the hours of non-availability of renewable energy, power will be sourced from thermal power plants. The renewable energy component of the power so supplied will be accounted for the renewable purchase obligation of a distribution company (discom).
    - The discom can procure power from such bundled sources through a tariff-based competitive bidding process.

- Key features of the guidelines are:
    - **Applicability:** The guidelines are applicable for long term power procurement on the round-the-clock basis from inter-state transmission system (ISTS) connected renewable power projects, complemented with power from ISTS connected coal-based thermal power projects.
        - Renewable power projects can be based on solar, wind or a combination of solar and wind. They may have an electricity storage system.
        - The power purchase agreement (PPA) will be signed between a discom and the renewable power generator. The duration of PPA will be a minimum of 25 years.
        - The renewable power generator can tie up with one or more thermal power plants for this mechanism. The thermal power plant can offer that part of its capacity which is not under any PPA or any other power supply commitments for this purpose.
    - **Energy Mix and availability of supply:** On an annual basis, at least 51% of power must come from renewable sources.

      The renewable power generator is required to ensure at least 85% availability of power annually and also during the peak hours. Peak hours will last four hours and will be specified by the procurer beforehand.
    - **Bidding process:** The procurer will specify the total quantum to be contracted in power capacity terms. A bidder can bid for a part of the total quantum to be procured (subject to a minimum of 250 MW).
        - The bidder is required to quote a composite tariff (accounting for both renewable and thermal power) for per unit of supply.
        - The bidder will be selected based on the least quoted composite tariff. To accommodate for variation in coal prices, 25% of the composite tariff will be indexed and adjusted with the cost of domestic coal or imported coal as and when notified by the **Central Electricity Regulatory Commission.**

Renewable Energy Research and Technology Development Programme

- The **Ministry of New and Renewable Energy** approved the continuation of the Renewable Energy Research and Technology Development.
- Guidelines and model PPA released for implementation of off-grid solar power packs/plants under **RESCO model Programme** for the year 2020-21.
- It will continue till March 31, 2021 or the date on which recommendations of the 15th Finance Commission come into effect, whichever is earlier.
- The programme is aimed at supporting research and development projects in different areas of new and renewable energy.
- Some of the areas supported under the programme are solar thermal systems, solar photovoltaic systems, biogas systems and waste to energy systems.
- The programme was originally approved in February 2019 for the year 2019-20 at a cost of Rs 176 crore.

Implementation of Component - C of PM-KUSUM Scheme

- The Ministry of New and Renewable Energy amended the guidelines for implementation of Component-C of the PM-KUSUM scheme.
- The guidelines were released in November 2019. This component of the scheme seeks to solarise 10 lakh agriculture pumps of individual pump capacity up to 7.5 HP by 2022.
- The selection of vendors for supplying solarised pumps is done through a bidding process. As per the original guidelines, manufacturers of solar panels and manufacturers of solar water pumps are allowed to participate in the bidding process.
    The amendment allows joint ventures of manufacturers of solar pumps or manufacturers for solar water pumps with system integrators to also participate in the bidding process.
- The Ministry of New and Renewable Energy released guidelines and model power purchase agreement (PPA) for implementation of off-grid solar power packs/plants under the Renewable Energy Service Company (RESCO) model.
- Key features of the guidelines are:
    - **Applicability:** The guidelines apply to offgrid solar power plants with capacity up to 25kWp in areas beyond the reach of grid power and those with unreliable grid connections. The beneficiaries of these plants will be public service institutions including hostels, schools, panchayats, and police stations.
    - **Implementation Model:** The plants will be made operational through a framework based on the **RESCO model.**
        - In this model, an external company or a government agency owns all the equipment and performs complete maintenance as well as repair work.
        - The beneficiary only pays the service charge which covers the cost of providing electricity including cost of maintenance and repairs.
        - This will help in avoiding financial challenges and effectively utilise the costly assets of solar PV systems.
    - **Duration:** The vendor will install and operate the power plant with capacity up to 10 kWp for at least 10 years and those with capacity above 10 kWp for at least 15 years.
    - **Features of solar PV plants:** The plants will be designed to supply a daily minimum guaranteed energy to the beneficiary. The guidelines specify features of solar power plants in areas isolated from the grid system and areas with unreliable grid connections.
    - **Some of the common features include:**
        - use of energy efficient equipment such as LED lights
        - battery back-up to support daily guaranteed energy
        - deployment of remote monitoring systems
        - metering of supplied solar power at the point of delivery.
    - The grid-connected plants can feed surplus power to the grid.

- **Central Financial Assistance:** 90% of the benchmark cost will be paid upfront as central financial assistance on successful commissioning of the plant.

    The benchmark cost will include cost of complete system, transportation of material, installation, commissioning, insurance, and annual maintenance contract period for five years.