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KEY PARLIAMENTARY COMMITTEE REPORT RECOMMENDATIONS

PART - 1



Key Parliamentary Committee Report

Recommendations

Part - I

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Police Training and Reforms:

- The Committee noted that there is a need to develop soft skills and bring a behavioral change in the police personnel, and train them on understanding and using new technology to solve crimes. It recommended transforming several aspects of current training programmes, such as:
 1. Adding programmes on artificial intelligence, robotics, drone technology, forensic and ballistic sciences.
 2. Emphasizing on procedures during arrests and rights of the detainee.
 3. Including updates in laws.
 4. Creating training manuals on the local customs of tribals and other vulnerable groups.
- The Committee recommended that the Ministry of Home Affairs (MHA) may advise states to link a cluster of police stations to a particular university. It also recommended that the MHA may collaborate with state governments to open more police universities in their respective states. These universities can then take up research on regional issues related to crime, criminal justice, public safety, and security.
- The Committee noted that a common minimum standard of police training must be maintained. It recommended that BPR&D may prepare a common training module and share it among states/union territories (UTs). Online libraries of central and state police training academies may be created to make them available across the country.
- The Committee recommended that the MHA should collaborate with states and UTs to deploy unmanned aerial vehicles for:
 1. VVIP security
 2. Surveillance of crime hotspots
 3. Crowd control and riot management
 4. Disaster Management
- The Committee noted that there is a nearly 21% shortfall against the sanctioned strength of 26.2 lakh in state police forces. This leads to overtime work for personnel in stressful situations and affects the efficiency of the force. It recommended that the MHA may advise states/UTs to conduct police recruitment drives as a concentrated mission and remove the administrative bottlenecks for the recruitment of police personnel at different ranks. Further, MHA may task BPR&D to conduct a study to determine functions of the police that can be outsourced with requisite training.
- The Committee noted that the Model Police Act had been forwarded to all the states in 2006. Since then, 17 states have either enacted the Model Act or amended their existing Police Acts. The Committee recommended that the MHA may take feedback from the remaining states and pursue them on the adoption of the Act. Further, MHA may collaborate with the 12 states and UTs that have not implemented the recommendations of the Mooshahary Committee on police reforms to furnish their current status on those recommendations.
- The Committee noted that 31 states/UTs have constituted Police Complaints Authorities (PCA) at the state and district levels for looking into complaints against police officers. The Committee stated that the PCA should be established outside the police force. Therefore, it recommended that the MHA, with the Ministry of Law and Justice, may collaborate with states to ensure an independent composition of the PCA. The PCA should comprise retired High Court Judges, retired senior civil servants, and eminent jurists with the representation of women. The Committee also recommended that the MHA may advise states that the internal grievance redressal cell of police should work in

a time-bound manner to ensure that the grievances of aggrieved police personnel are addressed in time.

Provisions under Model Police Act, 2006

One of the recommendations of the **Mooshahary Committee** was the enactment of a New Police Act to replace the Police Act of 1861. The Ministry of Home Affairs set up a Police Act Drafting Committee under the Chairmanship of **Dr. Soli Sorabjee** to draft a new Model Police Act in September, 2005. 1.3.2 The Committee submitted a model Police Act on 30th October, 2006 containing 16 chapters. The decision of the Hon'ble Supreme Court in the **Prakash Singh case** is also reflected in this Act. The Model Act emphasized the need to have a professional police service in a democratic society, which is efficient, effective, responsive to the needs of the people and accountable to the Rule of Law.

1. The Police Service, organized into a single entity under the State Government, shall function under a Director General of Police who shall be in the senior-most position in the hierarchy with a fixed tenure of two years.
2. The Police shall function under the overall supervision of the District Magistrate who shall for efficiency, coordinate the functioning of the police with other agencies of the district administration.
3. The Act further provides for the hierarchy of the civil police including the qualifications for recruitment at the primary ranks.
4. It has a separate chapter on armed police forces and the organizational structure of the State Armed Police Battalions, their recruitment, training and deployment.
5. It mandates the formulation of a Strategic Policing Plan for 5 years and an action plan for its implementation.
6. The Act provides for the constitution of a State Police Board with the Home Minister as its Chairperson and other members to frame broad policy guidelines, prepare a panel of officers for the rank of Director General of Police and identify performance indicators to evaluate the functioning of the police service.
7. It also provides for the constitution of a Police Establishment Committee to recommend names of suitable officers to the State Government for posting to all positions in the rank of Assistant SP/ Deputy SP and above.
8. The Act enumerates roles, functions, duties and responsibilities of the Police. It has separate chapters on policing in rural areas, the village police system and policing in metropolitan areas.
9. The Act emphasizes effective criminal investigation including the use of science and technology in investigation and training research and development.
10. The Act emphasizes police accountability and lays down a grievance redressal mechanism for police personnel.

Financial Constraints in Renewable Energy Sector:

- The Committee noted that there is a huge gap between the required and actual investment for RE capacity addition. Against the required annual investment of Rs 1.5-2 lakh crore, the actual annual investment in the last few years was Rs 75,000 crore. The Committee recommended the Ministry of New and Renewable Energy to:
 1. Find alternative financing mechanisms such as green bonds and infrastructure investment trusts
 2. Explore the possibility of prescribing banks and financial institutions to invest a certain percentage of their investments in RE through a Renewable Finance Obligation (similar to a Renewable Purchase Obligation).
- The Committee observed that the banking sector has a reluctant attitude towards financing RE projects. The central government charges a guarantee fee up to 1.2% per annum to provide guarantee on loans outstanding from the international market, leading to increased cost of loans. The Committee recommended the Ministry to encourage financing RE projects by public sector lenders like PFC (Power Finance Corporation) and IRDEA through policies that reduce cost of funds. The Ministry should explore the possibility of:
 1. Exempting PFC, Rural Electrification Corporation (REC), and IRDEA from payment of guarantee fee for raising funds from international markets
 2. Charging guarantee fee at a concessional rate.
- Indian Renewable Energy Development Agency (IRDEA) is a public sector institution financing RE projects. The Committee noted that IRDEA's lending capacity for large scale projects is constrained due to its low capital base. RBI requires IRDEA to maintain a Capital Adequacy Ratio (CRAR) (ratio of a bank's capital to its risk) of a minimum 15%. IRDEA's CRAR has declined from 23% in 2014-15 to 17% in 2020-21 thereby reducing its borrowing capacity. The Committee recommended that IRDEA should be given a special window for borrowing from RBI at the repo rate in line with other institutions such as NABARD, ensuring the availability of low-cost financial resources.
- Due to the seasonal nature of RE, projects are not able to pay their dues during periods of low power generation. As a result, projects are treated as non-performing assets (NPAs) due to RBI guidelines on NPA and asset categorisation. As of March 31, 2021, PFC had NPAs worth Rs 333 crore. The Committee observed that the seasonal nature of RE is not considered while framing policies for RE financing. It recommended the Ministry to:
 1. Take up the matter with RBI and Ministry of Finance for relaxations in the guidelines and regulations.
 2. Pursue banks providing funds to the RE sector to have higher EMI during peak season and lower during off season.
- The Committee noted that the attempt to renegotiate tariffs has affected the funding of RE projects. Some states have resorted to canceling/renegotiating tariffs which were discovered during the early stages of market development when tariffs were high. The Committee recommended the Ministry to engage with state governments to prevent any unilateral cancellation/renegotiation of tariffs.
- The Committee noted that RE developers face challenges in realizing revenue due to delay in payments by distribution companies (discoms). For instance, developers in Telangana have faced delays of more than 10 months. The Committee recommended the proper implementation of Electricity (Late Payment Surcharge) Rules, 2021 ensuring developers get compensation for delays caused by discoms.

- Under the Electricity Act, 2003, SERCs regulate electricity purchases and prices of electricity. Tariffs decided by competitive bidding are adopted by CERCs/SERCs. The Committee noted that developers face problems in fund disbursement from lenders due to delays in disposal of tariff adoption applications by SERCs. One of the reasons for delays is the delay in appointment of members to SERCs by state governments. The Committee recommended:
 1. A maximum period should be prescribed under the Electricity Act for SERCs to decide tariffs.
 2. Prescribing a maximum time for the appointment of members of SERCs after a vacancy arises.

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Critical Evaluation of MGNREGA:

- Under the scheme, state governments can ask for 50 days of work, in addition to the guaranteed 100 days, in case of emergencies arising from natural calamities. The Committee noted that the scheme should be revamped to meet the challenges in the wake of COVID-19. It recommended increasing the guaranteed days of work under the scheme from 100 days to 150 days.
- The Committee observed that the ambit of permissible works under the scheme requires frequent revision. It recommended the Ministry of Rural Development to consult stakeholders and include area-specific works under MGNREGA as per local needs. These may include, for instance, construction of bunds to stop land erosion during floods, and boundary works for agricultural fields to protect them from grazing animals.
- Wage rates notified under MGNREGA range from Rs 193 to Rs 318 in different states/UTs. The Committee noted that this fluctuation in wage rates across states/UTs is not justified. It recommended devising a mechanism for a unified wage rate across the country.
- The Committee noted that beneficiaries of MGNREGA generally belong to poor and marginalized sections of society. It observed that the nominal wages under MGNREGA discourage beneficiaries and propel them to either seek more remunerative work or migrate to urban areas. This is reflected by the fact that while 755 lakh households were provided employment in 2020-21, only 72 lakh households completed 100 days of employment. The Committee noted that indexing MGNREGA wages to Consumer Price Index (CPI) - Rural as opposed to CPI-Agricultural Labor, as recommended by Dr. Nagesh Singh Committee, has not been implemented. The Standing Committee recommended the Ministry to review its position and increase wages.
- Wages under MGNREGA are paid by the central government. Beneficiaries become eligible for receiving wages within 15 days from the date of closure of muster rolls on completion of work. The Committee noted that there is inordinate delay in payment of wages to beneficiaries. This is mainly due to failed payment transfer arising from:
 1. Inactive Aadhaar
 2. Closed, blocked, or frozen bank account.
- In case of delay in payment of wages under MGNREGA, beneficiaries are entitled to compensation at the rate of 0.05% of unpaid wages per day for the duration of delay. The Committee noted that payment of delay compensation is not adhered to in most places in the country. It recommended the Ministry to ensure strict compliance in payment of compensation.
- Under MGNREGA, persons who apply for but are not provided with work within 15 days are entitled to a daily unemployment allowance. State governments determine the rate of this allowance. The Committee observed that in 2019- 20 and 2020-21, only Rs 12,000 and Rs 3,000 respectively was paid as unemployment allowance. It urged the Ministry to ensure implementation of the provision regarding unemployment allowance.
- Under MGNREGA, the Gram Sabha must conduct regular social audits of all projects taken up within the Gram Panchayat. The Committee observed that implementation of this provision is poor. In 2020-21, only 29,611 Gram Panchayats were audited at least once. The Committee urged the Ministry to ensure that Gram Panchayats do not go unaudited during the financial year. The Committee also found that social audit reports are not publicly available. It recommended placing these reports in the public domain promptly after the audit exercise is over.

- Under the Act, there should be an ombudsperson for each district who will receive grievances, conduct enquiries, and pass awards. The Committee noted that out of 715 possible appointments, so far only 263 ombudsmen have been appointed which shows poor coordination between central and state nodal agencies. It observed punitive measures can be imposed or funds can be stopped for states for failing to appoint ombudsman. The Committee recommended the Department of Rural Development to bring on board all state governments to comply with the appointment of ombudsman.

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Promotion and Regulation of E-Commerce in India:

- The Parliamentary Standing Committee identified anti-competitive practices in the e-commerce marketplace include:
 1. lack of platform neutrality, i.e., providing preferential treatment to selected sellers,
 2. deep discounting, i.e., discounts of preferred sellers are selectively funded by the platform
 3. non-transparent search rankings
 4. misuse of data. The Committee recommended formulating a policy which clearly defines marketplace and inventory-based models of e-commerce.
- It recommended that marketplace-commerce entities should: (i) not sell goods that it owns or controls, (ii) not have any direct or indirect relationship with sellers who sell on the platform, and (iii) be prohibited from licensing their brand to third party sellers on the platform.
- The Committee also recommended prohibition of selective discounts and arbitrary classification of buyers and sellers on e-commerce platforms. To improve transparency in data handling and search rankings, it recommended that the government should formulate a clear policy regulating the collection of data on the platform, its use and sharing of such data with third parties. In addition, e-commerce platforms should publish their criteria for determining rankings, and disclose terms and conditions required to become a seller on the platform such as platform fee, commissions, and levies. Unilateral revision of these terms and conditions which can be detrimental to any stakeholder must be prohibited.
- The FDI Policy on E-Commerce allows FDI-backed e-commerce entities to operate only as a marketplace. The Committee observed that the policy is limited in addressing anti-competitive practices in marketplace. The Committee noted that there should be a framework to address these issues for both foreign and domestic funded marketplaces. It recommended the inclusion of such a framework in the National E-Commerce Policy.
- The draft amendments to the Consumer Protection (E-Commerce) Rules, 2020 place certain obligations on e-commerce entities such as appointment of chief compliance officer and nodal contact person along with setting up a grievance redressal mechanism on the entity's website.
- The Committee observed that the blanket imposition of these obligations, irrespective of the size of the entity, can be counter-productive and decelerate the growth of the sector. It recommended that the proposed amendments should be applicable for only those entities that qualify a certain threshold.
- The Competition Act, 2002 seeks to prevent practices that have an adverse impact on market competition. The Committee observed that, under the Act, factors determining whether an agreement will adversely impact competition are outdated. Similarly, the Committee also recommended making necessary amendments to the Act for determining the abuse of dominant position. It highlighted that delay in undertaking necessary amendments to the regulatory framework may lead to irreversible effects on competition in the digital market.
- The Committee noted that international practices recognise that digital companies of a certain size need targeted regulation. They are designated as gatekeeper entities. The Committee recommended that India should set a threshold for qualifying entities as gatekeepers. It recommended amending the Act to add quantitative criteria such as active consumers and sellers on a platform, and volume of revenue generated to identify

gatekeeper identities. Platforms must be obligated to notify the regulator on their own after reaching the prescribed gatekeeper threshold.

- Under the Goods and Services tax (GST), offline sellers with turnover less than Rs 40 lakh for goods and Rs 20 lakh for services are exempt from GST registration. However, online sellers, irrespective of their size, have to mandatorily register and pay tax. The Committee recommended:
 1. Exempting online sellers from GST registration in line with offline sellers
 2. Allowing online sellers with annual turnover less than 1.5 crore to pay 1% of the turnover as flat tax
 3. Permitting online sellers to register a virtual place of business.
- The Committee noted that ONDC, an initiative of the Department of Industry and Internal Trade (DPIIT), aims to promote an open network for all aspects of digital trade. However, the Committee recommended that DPIIT should address issues such as maintaining a level playing field between small businesses and ecommerce giants and provide technical support to small and local businesses.

Strengthening Credit Flows to MSME Sector:

- The Committee noted the progress made by the Finance Ministry, the Reserve Bank of India, Goods and Services Tax (GST) Network, MSME Ministry, National Securities Depository Limited, Ministry of Electronics and Information Technology, and Unique Identification Authority of India in introducing important digital building blocks that can reduce transaction costs of lending. It also took note of the launch of the Udyam registration portal by the MSME Ministry and the success of public digital infrastructure projects such as BHIM UPI and Aadhaar.
- The Committee noted that the Udyam portal can act as a central data repository by lenders to extend timely credit. It recommended creating a digital ecosystem for lending to MSMEs. This is expected to solve problems such as physical collateral requirements, lengthy verification processes, and paper-based loan applications. The benefits of such a digital ecosystem will include:
 1. Reduction in transaction costs in making small loans.
 2. Increase in the trust and claims made through digital signatures and authentication.
 3. Increase in competition and affordability by creating visibility of loan offers and lower interest rates.
 4. Reduction in the need for multiple partnerships in data sharing.
- The Committee noted that an account aggregator framework can benefit the sector by improving access to credit, preventing fraud, and reducing non-performing assets. The framework allows secure sharing of digital financial data. The Committee noted the pilot success of SAHAY GST. SAHAY is a platform which enables instant digital lending to MSMEs and replaces physical collateral with secure access to GST invoices.
- The Committee recommended that lending to the MSME sector should move to cash-flow based lending. Cash-flow lending replaces lending based on physical assets as collateral, with an information-based system. Under a cash-flow lending system, loan requirements are assessed based on information on actual revenue generation and repayment capacities. The Committee recommended various measures to accelerate cash-flow based lending. These include:
 1. Formally bringing the GST Identification Number into the account aggregator framework to allow regulated entities to access GST data.
 2. Encouraging the adoption of account aggregator standards across all regulated entities.
 3. Enabling KYC reforms to shift away from a per-transaction KYC framework to a system-wide KYC.
- The Committee noted that less than 40% of MSMEs avail credit from formal financial systems and therefore depend on costly and unreliable credit. It recommended accelerating the formalization of the sector to promote their growth. It also noted that if working capital to MSMEs is provided on the basis of GST invoices, it would spur formalization, including the GST registration of businesses.

- The Committee noted that weaker borrowers require higher support during situations of emergency. It recommended targeting:
 1. Specific industries such as salons and tour agencies.
 2. Specific geographical areas to provide government guarantee programs.The Committee noted that this would provide credit to those who require it the most. It noted the role of a digital ecosystem in providing effective credit guarantee programs.
- The Committee recommended strengthening SIDBI's equity base by injecting equity between Rs 5,000 crore and Rs 10,000 crore, and building up its organizational capabilities. This would allow it to provide financing to the NBFC sector and lower borrowing rates. The Committee noted the development of Udyam Assist Platform (UAP) proposed by SIDBI to accelerate MSME registration and SIDBI's connections with pertinent financial institutions. It recommended making SIDBI the nodal agency for Udyam value-added financial applications. It also noted that in 2021-22, the National Bank for Agriculture and Rural Development supported the agricultural sector with a loan portfolio of Rs 6 lakh crore, with the sector contributing about 18-20% to the GDP. SIDBI had a loan portfolio of nearly Rs 1.6 lakh crore in 2021-22 with the MSME sector contributing 30% to the GDP.
- The Committee recommended launching a Vyapar credit card scheme along the lines of the Kisan Credit Card scheme. These cards can provide its holders short term loans at low interest rates for meeting working capital requirements.



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