Insights into Editorial: This Year, Don’t Speed Dial the Army

01 January 2016

Article Link

Indian Army’s active involvement in relief and rescue operations during the recent Chennai floods is praiseworthy. The Army’s heroic efforts were appreciated by
many in the country. When it comes to rescue operations, Indian Army has always been at the forefront, no matter what kind of disaster it is.

- This has given rise to a general feeling that it’s a **first-line duty of the armed forces to swim into any disaster and rescue everybody**.

However, this is not true. The reality is rather different:

- The Disaster Management (DM) Act, 2005 **does not indicate any primacy for the role of the armed forces** and it **does not even formalise their role**.
- The Act merely states that **the management of disasters could include** the “deployment of naval, military and air forces, other armed forces of the Union or any other civilian personnel as may be required for the purposes of this Act”.
- But, quite often, it has been these forces that are called in during any disaster. This has reinforced the impression that they are only “doing their duty”.

**Why should we be worried about this?**

- Being called out so frequently has a **negative impact**. Each time it happens, their **cutting edge is reduced**. They pay a heavy price by way of training time, deployment and equipment losses.

**Then, whose responsibility is this?**

For this purpose, the **2005 Act established the NDMA or National Disaster Management Authority**, and the **NDRF or National Disaster Response Force**.

- Two national calamities in quick succession in the form of Orissa Super Cyclone (1999) and Gujarat Earthquake (2001) brought about the realization of the need of having a specialist response mechanism at National Level to effectively respond to disasters. This realization led to the enactment of the DM Act on 26 Dec 2005.
- While the NDMA is the planning and coordinating body, the NDRF has the manpower, equipment and training to handle relief work.
- The NDRF, launched in 2006, today has 12 battalions stationed across the country, with men drawn on five-year deputations from the Border Security Force, the Central Reserve Police Force, the Central Industrial Security Force (CISF), etc.
• The men undergo specialised training in relief work for quakes, landslides, biochemical mishaps, mountain rescue, and more.

But, where are they when we need them?

In reality, NDRF forces too, just like armed forces, are actively engaged in relief and rescue operations. But, there **low strength often makes them invisible.** During the recent Chennai floods, 11 teams (45 men per team) from the NDRF’s Arakkonam unit in Tamil Nadu were mobilised, followed by seven more teams from Andhra Pradesh, Odisha and Karnataka.

Why then the armed forces end up being the most visible force at hand?

• It is due to the **sheer shortfall of personnel in NDRF.** NDRF has got just around 13,000 men compared to 13 lakh in the Army. For India’s size and population, these numbers are too few.

• **Lack of accountability** is another reason. Even with an annual budget of over Rs.350 crore, it has been difficult for NDRF to produce quicker responses, better trained staff and high-end equipment on the ground.

• According to few experts, **bureaucratic failure** is equally responsible for such bad state of NDRF. The organisation is plagued by politics and apathy. For instance, in theory the NDMA must ensure that States have response units across districts and blocks. In practice, it can shout itself hoarse but State governments are not obliged to respond.

How can the Disaster Response be made effective?

• To be truly effective, **one national force is not enough; each State must build and maintain its own State- and district-level response units.** NDMA guidelines say that States must have a contingency plan that ranges from making vulnerability studies to preparing lists of sources that can be tapped for trucks, food or blankets; lists of doctors who can be called for trauma duty or post-mortems; and even firewood suppliers for mass cremations.

• Bureaucracies should have the will and intelligence to use available resources optimally.

• **States should be mandated to train personnel** from the fire, police, and home guards departments and keep them disaster-ready.

• The **size of the NDRF should be expanded.**
The National Disaster Management Authority must be empowered, made functionally independent and accountable.

How can the armed forces be used effectively?

- A clear process under which the armed forces will be deployed should be laid out.
- Threshold levels must be set for when the armed forces will be called in and pulled out.
- And last, we must define what a national calamity is, and reserve the armed forces only for those occasions.

When such a process is laid out, the magnitude of a disaster will determine when the armed forces are called in rather than their being used as a default solution. And this process will also ensure that the NDRF functions the way it was designed to.

Insights into Editorial: Revive NATGRID with Safeguards

02 January 2015

Article Link

The Central government’s recent decision to revive NATGRID (National Intelligence Grid) is a welcome move in the fight against terrorism. The government is also planning to appoint a new head to the NATGRID.

What is NATGRID?

NATGRID was among the ambitious slew of intelligence reforms undertaken in the wake of the Mumbai attacks of November 2008. NATGRID is a centralised agency which stores sensitive personal information on citizens from almost two dozen agencies to be made available for counter-terror investigations. It will be an attached office of the Ministry of Home Affairs.

Its role:

- NATGRID will become a secure centralised database to stream sensitive information from 21 sets of data sources such as banks, credit cards, visa, immigration and train and air travel details, as well as from various intelligence agencies.
The database would be accessible to authorised persons from 11 agencies on a case-to-case basis, and only for professional investigations into suspected cases of terrorism.

**Why do we need NATGRID?**

The danger from not having a sophisticated tool like the NATGRID is that it forces the police to rely on harsh and coercive means to extract information in a crude and degrading fashion. After every terrorist incident, it goes about rounding up suspects—many of who are innocent. If, instead, a pattern search and recognition system were in place, these violations of human rights would be much fewer.

**Opposition:**

- NATGRID is being opposed by some on charges of possible violations of privacy and leakage of confidential personal information.
- NATGRID claims to be protected by several structural and procedural safeguards and oversight mechanisms including that of external audits and technology safeguards. But, its efficacy in preventing terror have been questioned given that no state agency or police force has access to its database, thus reducing chances of immediate, effective action.

**Concerns:**

Appreciation of the power of digital databases to tackle terror must be accompanied by deep concern about their possible misuse.

- Over the last two decades, the very digital tools that terrorists use have also become great weapons to fight the ideologies of violence.
- Social media and other platforms have become recruitment sites and propaganda machines for terrorist groups, and formal banking channels are used as much as informal ones to transact terror funding.
- The Snowden files have already revealed the widespread misuse in recent years of surveillance capabilities to compromise individual privacy and even violate national sovereignty.
- Increasingly, there is also academic evidence to show that states are applying excessive force and surveillance to tackle terrorism. When so much sensitive information about individuals is available on a single source, the potential for its misuse would dramatically go up.
Conclusion:
The NATGRID’s efforts must be placed against the above mentioned realities before the government rushes into reviving it. The poor track record of the Indian security and intelligence agencies on individual privacy and liberty must also be kept in mind. The overdue initiative to revive NATGRID should also be accompanied by action on the need to have effective oversight of intelligence agencies by Parliament or an eminent group.

*Insights into Editorial: Taming bulls, Maiming Rights*

**04 January 2015**

**Article Link**

Jallikattu-Tamil Nadu’s bull taming sport- was banned in 2014 by the Supreme Court of India. But, from the past few days, with harvest festival of pongal approaching, few people in the state are asking the government to legitimize this sport. Added to this is the pressure of the political context, with ‘Tamil tradition and culture’ being invoked to stir up a frenzy ahead of the 2016 Assembly elections.

- The entire political spectrum in the state has come together demanding the restoration of a sport that has its roots in feudalism and has, over the years, maimed and killed humans and bulls in equal measure.
- The state government has also sought the Centre’s immediate intervention, either through a comprehensive legislation or an ordinance. The centre, in return, has promised that the “good news” of legalising jallikattu would be delivered to Tamil Nadu very soon.
- Jallikattu is considered a matter of pride for the Thevar community and other numerically strong communities in southern Tamil Nadu. These groups carry social clout that could tilt the fortunes of parties in many constituencies. Hence, politicians are proactive in this issue.

**What is ‘Jallikattu’?**

Jallikattu is a bull taming sport played in Tamil Nadu as a part of Pongal celebrations on Mattu Pongal day.
Jallikattu is derived from the words ‘calli’ (coins) and ‘kattu’ (tie), which means a bundle of coins is tied to the bull’s horns. In older times, the tamer sought to remove this bundle from the animal’s head to win gold or silver. He would be called ‘brave’ and ‘valourous’ and would also sometimes be rewarded with a bride.

The southern parts of Tamil Nadu witness bull-taming the most, with Alanganallur near Madurai hosting the largest and most famous of these events.

The aura around bull-taming was magnified when it became an essential element of the rural hero in Tamil cinema.

Why some people are against this sport?

- The Animal Welfare Board of India (AWBI)’s report submitted before the Supreme Court in this case lists unimaginable forms of torture inflicted — tails twisted and fractured, chemicals poured into the eyes, ears mutilated, sharp-edged weapons used to poke the animal, and intoxicants forced into its mouth. Hence, this sport is seen as an act of cruelty towards animals.
- The bulls are kept in the waiting area for hours, subjecting it to the scorching sun. The bulls used in the sport are also denied food and water. As the tormented bull takes flight from its enclosure, a typical symptom of stress, it meets an abusive crowd which latches on to it in dozens for prizes as petty as utensils and garments.
- Due to this sport, innumerable human lives, both of the participants and the audience, have also been lost, as the bulls try to flee from the pain.

Supreme Court’s observations:
The Animal Welfare Board of India took the case to the Supreme Court in May 2014. The Court banned the game because of the cruelty to animals and the threat to public safety involved.

- The court spoke of how this uncivilised event violates the Prevention of Cruelty to Animals Act (PCA) and violates the constitutional duty of treating animals with compassion, Article 51 (g).
- It also reiterated the expansive reading it had given in the past, to Article 21 (Right to Life), which prohibits any disturbance to the environment, including animals, considered essential for human life.

- The Supreme Court ruled that not only did jallikattu inflict “unnecessary pain and suffering” on the animal and thereby violate the PCA Act, but the whole sport in the form in which it exists today has nothing to do with the traditional bull-taming of yore. The Court observed that, “Welfare and the well-being of the bull is Tamil culture and tradition; but they do not approve of infliction of any pain. Yeru Thazhuvu, in Tamil tradition, is to embrace bulls and not overpowering the bull to show human bravery.

- The court also exhaustively cited international rights jurisprudence to stress the need to correct anthropocentric views and the fact that animals too have the right to live dignified lives.

Significance of this judgment:

- The court’s observations counter shallow arguments in favour of the sport, such as its purported role in protecting certain indigenous breeds of bulls.

- This judgment also keeps in line with developments across the world.

- Often, the tradition of bullfighting in Spain is cited to legitimise the conduct of jallikattu and present it as a viable tourist attraction. But, it is significant that the Spanish state of Catalonia banned the sport in 2012 after a prolonged ‘culture versus rights’ debate.

- In 2002, Germany also took animal rights to a new level by giving animals constitutional protection.

Conclusion:

Jallikattu might be a popular tradition having evolved from a single man-bull combat in the past to the random spectacle that it is today, but that it is both irrational and against animal rights is beyond question. It is unfortunate, therefore, that the Tamil Nadu government has urged the Centre to pass legislation — even through the route of promulgation of an ordinance — to amend the laws for the conduct of jallikattu. Traditional belief systems and customs have been invoked by proponents of jallikattu to seek revocation of the ban. The festive atmosphere during Pongal and the traditions of community bonding and competition can still
be easily retained without the irrational practice of jallikattu. Trying to allow an event that legitimises cruelty would be a direct insult to the carefully reasoned judgment of the Supreme Court, a complete negation of the PCA Act and its objectives, and would take the country back by a few steps in the crucial area of Right to Life.

**Insights into Editorial: End of the Oil Age**

05 January 2015

[Article Link](#)

With a convergence of action and sentiment against oil products and oil companies, 2015 proved to be the year during which oil era entered the phase of terminal decline.

- The recently concluded Paris summit on climate change heralded a multinational effort to shift the global energy system away from fossil fuels including oil.
- Clean energy products and technology have made their way to the forefront of the policy agenda. And public sentiment has also called for a weakening of the nexus between economic development and carbon-intensive energy demand.

**Background:**

Oil has been in use for over 150 years but the decisive turn towards the “oil age” happened just over a hundred years back.

- In 1911, Winston Churchill as minister of the navy decided to convert the British naval fleet from coal to oil. This was mainly because-oil enabled an acceleration of speed; it was cleaner; it required less storage space; and it allowed for mid-ocean refuelling.
- With this, the British navy outgunned and out-spded the German navy and the now manifest superiority of the internal combustion engine pushed the world into the oil age.

A hundred years on, this age may be coming to an end. The following forces are pushing this along:

1. **Climate change:**
Globally, oil is considered to be a key factor responsible for climate change. All countries reiterated this fact in the recently concluded Paris Climate Summit. The disguised cost of oil is the damage it does to the environment and human health. Unlike power plants, which are few in number and little easier to regulate, cars are ubiquitous and much more difficult to control. The transport sector is a principal source of global emissions of greenhouse gases.

2. **State of the petroleum industry business model:**
The state of the petroleum industry business model is unstable now. On the supply side, there is now no “easy oil” left to discover. On the other side, the demand is ever growing. Oil companies are finding it difficult to fulfill these demands.

   - Further, oil prices look as if they are on a secular downward curve. Most experts expect prices to rise from current levels but they believe this rise will be modest. This is because the market is flush and demand is structurally depressed. The companies are now confronting uncertain economics and the increasing probability of stranded assets.

3. **Clean energy technology:**
Countries across the world are scaling up solar and wind energy and are also looking for alternatives to diesel and gasoline as transportation fuels. Clean energy discussion is now on the agenda at every international meet. Renewable generation is now breaking records, and reaching price parity with fossil fuels in many parts of the world.

4. **Public sentiment:**
The anti-fossil fuel lobby is no longer limited to environmental activists. As people choke on the smog of air pollution, public opinion is looking to hold the fossil fuel industry accountable for environmental damage. A number of lawsuits have been filed against oil and coal companies. None have been upheld so far but the signals are clear. It is but a matter of time before these companies face the legal and reputational pressures that the tobacco companies had to deal with years back.

5. **Risks in new projects:**
The technical risks of new oil projects have risen to never before seen levels. So capital expenditure – the amount companies have to invest to get new sources of
oil flowing – has gone through the roof. In a nutshell, oil is becoming less profitable.

6. **Alternatives:**

With breakthroughs in battery technology, the dream of wholly electrified transport systems is now within reach. China has committed to five million electric cars on the road by 2020 and Norway has undergone such an e-car boom that they are now clogging its bus lanes. These developments would allow us to constrain our oil use to a much more sensible level.

**Conclusion:**

However, the confluence of the above mentioned forces will not mean the end of oil. It will continue to flow within the interstices of the 21st-century economy. But it will diminish in significance and give rise to a new reconfigured energy system.

---

**Insights into Editorial: Li-Fi: A green avatar of Wi-Fi**

**06 January 2016**

**Article Link**

Year 2015 has been all about the introduction of new technologies. Li-Fi has been a buzzword for a few years now and took center stage in 2015.

**What is Li-Fi?**

Li-Fi, or light fidelity, invented by German physicist and professor Harald Haas, is a wireless technology that makes use of visible light in place of radio waves to transmit data at terabits per second speeds—more than 100 times the speed of Wi-Fi.

- Though it was discovered in the last decade, proofs of concept to test commercial utilization started emerging only in 2015.

**How it works?**

Li-Fi is a Visible Light Communications (VLC) system. This means that it accommodates a photo-detector to receive light signals and a signal processing element to convert the data into ‘stream-able’ content. Unlike Wi-Fi, which uses radio waves, **Li-Fi runs on visible light.**
Here, data is fed into an LED light bulb (with signal processing technology), it then sends data (embedded in its beam) at rapid speeds to the photo-detector (photodiode).

The tiny changes in the rapid dimming of LED bulbs is then converted by the ‘receiver’ into electrical signal.

The signal is then converted back into a binary data stream that the user would recognise as web, video and audio applications that run on internet enables devices.

*An LED light bulb is a semi-conductor light source meaning that the constant current of electricity supplied to an LED light bulb can be dipped and dimmed, up and down at extremely high speeds, without being visible to the human eye.*

**Advantages:**

- Li-Fi could make a huge impact on the internet of things too, with data transferred at much higher levels with even more devices able to connect to one another.
- Li-Fi offers great promise to overcome the existing limitations of Wi-Fi by providing for data-heavy communication in short ranges.
- Due to its shorter range, Li-Fi is more secure than Wi-Fi.
- Since it does not pollute, it can be called a green technology for device-to-device communication in the Internet of Things (IoT).
- Li-Fi systems consume less power.

**Limitations of Li-Fi:**

- As visual light can’t pass through opaque objects and needs line of sight for communication, its range will remain very restricted to start with. In order to enjoy full connectivity, more capable LED bulbs will need to be placed at various places.
- Li-Fi requires the light bulb is on at all times to provide connectivity, meaning that the lights will need to be on during the day.
- Li-Fi is likely to face interference from external light sources, such as sunlight and bulbs, and obstructions in the path of transmission, and hence may cause interruptions in communication.
Also, initially, there will be **high installation costs** of visual light communication systems as an add-on to lighting systems.

**Challenges:**

- The main challenge is to create a Li-Fi ecosystem, which will need the conversion of existing smartphones into Li-Fi enabled ones by the use of a converter/adapter.
- Also, an integrated chip that has both light-to-electrical conversion and data-processing capability (Wi-Fi/Bluetooth) combined into one needs to be
developed and manufactured in the millions.
**HISTORY OF LI-FI**

The term Li-Fi was first coined by German physicist Harald Haas. Four years ago, in a TED talk, he demonstrated to the world how visible light could be used to transmit data at high speeds in a way far more efficient and secure than possible with existing technologies.

**HOW DOES LI-FI WORK?**

Li-Fi uses visible light communication between 400 and 800 Terahertz (THz). Data is transmitted by modulating the light’s intensity in an LED (light-emitting diode) bulb. The signal is received by a photo-sensitive detector and converted into electronic form. The modulation in the LED bulb takes place so fast that it is not visible to the human eye.

Because LED bulbs are semiconductor devices, the current, and hence the optical output, can be modulated at extremely high speeds. The method is similar to that applied in low-cost infra-red communication devices such as remote controls. But unlike infra-red communication that is limited by eye safety requirements, LED light bulbs offer high intensity and can achieve large data rates.

**APPLICATIONS OF LI-FI**

When developed fully, Li-Fi offers potentially mind-boggling applications, riding on the rapid growth in the use of LED across the world. Li-Fi founder Haas once said, “In the future we will not only have 14 billion light bulbs, we may have 14 billion Li-Fi deployed worldwide for a cleaner, greener, and even brighter future.”

**SOME OF ITS POTENTIAL BENEFITS ARE**

- Frees up spectrum: Audio, video, live-streaming makes heavy demand on radio spectrum. If that traffic is diverted to Li-Fi (wherever available), already clogged cellular networks will be relieved of their burden.

- Smart lighting: Street lights can be used to provide Li-Fi hotspots.

- Mobile connectivity: Electronic devices such as laptops, smartphones, tablets and others mobile devices can interconnect directly using Li-Fi.

- Transportation: Headlights and tail lights in vehicles are moving to LED and so are street lights. Li-Fi can be used for vehicle-to-vehicle and vehicle-to-infrastructure communications for road safety and traffic management.

**DISADVANTAGES**

- Light cannot pass through walls so mobility is an issue.

- Li-Fi cannot be achieved without a light source.

---

Source: Mint research and Ravi Messrs.

Sheetal: Mohini Shukla/Mint; compiled by Meghna Agarwal/Mint.
Potential applications:

- Li-Fi can be used in street and traffic lights. Traffic lights can communicate to the vehicles and with each other. Through the use of Li-Fi, traffic control can be made intelligent and real-time adaptable. And each traffic and street light post can be converted into access points to convert roadsides into wireless hot spots.
- Vehicles having LED-based headlights and tail lamps can communicate with each other and prevent accidents by exchanging information.
- Visible light being safer, they can also be used in places where radio waves can’t be used such as petrochemical and nuclear plants and hospitals.
- They can also be used in aircraft, where most of the control communication is performed through radio waves.
- Li-Fi can also easily work underwater, where Wi-Fi fails completely, thereby throwing open endless opportunities for military and navigational operations.
- Also, it presents another unique possibility: transmitting power wirelessly, wherein the smartphone will not only receive data through Li-Fi, but will also receive power to charge itself.

Challenges and opportunity in India:
The lack of ubiquitous broadband access, which thereby restricts data access, and chaotic traffic management leading to traffic jams and pollution are just two of the many problems in India. Li-Fi has scope to help with both.

- By converting traffic lights into LED-based access points, traffic management can be made intelligent, adaptive and real-time—and so, more efficient and effective.
- In the same way, street lights can also be converted into Li-Fi access points, making them broadband access transmitters to mobile Li-Fi enabled smartphones, converting areas into seamless hot spots.

Conclusion:
If Li-Fi can be put into practical use, every LED lamp (indoor as well as outdoor) can be converted into something like a hot spot to transmit data to every mobile device to achieve universal broadband communication between devices.
Insights into Editorial: A Bold Disinvestment Strategy Needed

07 January 2015

Article Link

One of the biggest disappointments of 2015 has been the inability of the government to move forward on even the modest targets of disinvestment of Rs 69,000 crore ($11 billion)—especially strategic disinvestment of Rs 28,000 crore ($4 billion).

- It should be noted here that if the government wants, it could move on disinvestment aggressively without needing any legislative approval and brinkmanship. Instead, it’s floundering around, trying to restructure and improve these companies without a clear game-plan.

What should the government do now?
The government should have a medium-term plan which is based on performance, size and sector:

1. **Maharatnas:**
   Maharatnas, whose total assets are around Rs 1 lakh crore, are performing well. Their return on capital and return on assets have been higher than those of comparable corporate firms by 4% and 2%, respectively. Hence, for now, the plan could leave the Maharatnas in state hands. Maharatnas include BHEL, Coal India, GAIL, Indian Oil, NTPC, ONGC and SAIL.
   - However, even in this category the situation has seen a reversal of trends in the last three years. Few Maharatnas are showing a continuous decline in performance. Therefore, among the Maharatnas, SAIL, BHEL and Indian Oil need serious restructuring and better leadership.

2. **Navratna:**
   The performance of the 17 Navratnas is consistently worse than that of comparable private corporates, with return on capital roughly 2% lower compared to equivalent private firms.
   - This is the group that should be privatised—especially Bharat Electronics, MTNL, NMDC and Oil India.

3. **Miniratna:**
The category of Miniratna is formed by 73 companies, and these are the ones that are most ripe for strategic disinvestment. A plan to sell most of these companies should be developed, with those in manufacturing and the services sector high on the list for immediate sale as these are the worst performers.

**Importance of Strategic Disinvestment (Privatization):**

- Strategic disinvestment improves the efficiency of capital use. The PSUs which were strategically disinvested under the previous NDA government have done exceedingly well, thereby enhancing efficiency and improving the return on assets.
- The proceeds of the disinvestment could be parked into the strategic investment fund established recently. If these proceeds are used to leverage private funding of the same magnitude, India could be able to invest an additional $50 billion per year—roughly 2.5% of GDP—in public infrastructure for the next 10 years.
- It will unlock funds for building badly-needed social infrastructure—roads, power transmission lines, sewage systems, irrigation systems, railways and urban infrastructure.
- This will also help draw in private investment, including FDI.

**Conclusion:**

Such a bold approach to transferring state-owned assets with generally low return towards public social infrastructure is a win-win idea. However, for strategic investment to succeed, the government should make sure that disinvestment processes are transparent and take place by competitive bidding. The government must also make sure that some of the funds are set aside for worker compensation.

**Insights into Editorial: A Case for Expanding DBT**

**08 January 2016**

**Article Link**

So far, Direct Benefit Transfer (DBT) has been able to tackle two major issues associated with subsidies in India—**targeting** and **leakages**. This makes the time ripe to have DBT for all subsidy programmes.

**What is DBT?**
The government’s DBT plan involves **transferring the subsidy amount directly to the beneficiaries’ bank accounts.**

- Here, the government does not have to fiddle around with differential pricing for the underprivileged.
- This method can effectively address the issue of leakages and go a long way in solving the mis-targeting problem.

The government has also linked DBT to Aadhaar. Efficient targeting, using Aadhaar-linked data, ensures that the intended beneficiary receives the money in his account, thus helping him as well as reducing the government’s subsidy burden. This has resulted in effectively solving the leakage and mis-targeting problems in some schemes.

**DBT in MGNREGA:**

The case of MGNREGA wages is an example where DBT effectively addressed both issues-targeting and leakages- at once. Initially, when MGNREGA wages were given in cash, there were reports across the country of MGNREGA wages being misappropriated by middlemen.

- In 2013, the government initiated the DBT scheme in MGNREGA after several successful pilot projects and eliminated these middlemen to a large extent.
- So far, in this financial year, under this scheme, Rs.20,500 crore has been credited to the accounts of almost 5 crore people. All the beneficiaries stood to reap benefits from MGNREGA wages.

**DBT in PAHAL:**

The modified DBT scheme, named PAHAL [Pratyaksh Hanstantrit Labh], for liquefied petroleum gas (LPG) subsidies was launched by the government in January 2015.

- The idea was that consumers link their Aadhaar number to a bank account and receive the subsidy amount for 12 cylinders in a year. Those without an Aadhaar number could furnish any other bank account to receive the subsidy.
- While, on one hand, this ensured that all LPG consumers could avail of the subsidy, on the other it also meant that a large proportion of the subsidies were going to **people who could afford LPG cylinders at the un-subsidised rate.**
Thus, the government recently decided that **people earning more than Rs.10 lakh a year would not be eligible for the LPG subsidy**. So, DBT addresses the leakages issue while the income cap addresses the mis-targeting problem.

Hence, it is clear that few schemes, like the one above, though successful, need more fine-tuning.

**DBT in Kerosene:**
There are also subsidy schemes where DBT, in its efficient implementation, could actually result in adverse outcomes. Take the example of DBT in the Kerosene. The centre recently proposed to introduce DBT in kerosene. Under the scheme, the consumer will pay the un-subsidised price of kerosene and then receive the subsidy amount in his bank account. The benefits are immense.

However, the problem with such a transfer system stems from the fact that if the quantum of subsidy each household is eligible to is determined on the basis of current kerosene usage, then this means that the subsidy amount transferred to each household would be about double its actual usage, since currently around half is being pilfered.

This creates a situation where kerosene is so highly subsidised that there will never be an incentive for users to shift to cleaner forms of lighting such as solar.

Experts estimate that around half the kerosene sold in the country is being misused. Instead of being used as lighting fuel — its most common use — kerosene is being used to adulterate diesel among other things. This means that the benefit of kerosene being sold at subsidised rates is also unintentionally going to those involved in such activities.

Here, too, mis-targeting and leakages are addressed. But, this could lead to unintended outcomes unless the scheme is managed carefully.

**Conclusion:**
Currently, the government has introduced DBT in food subsidies in only a few Union Territories and is looking to introduce it in fertilizer subsidies as well. The sweet spot created by universalising banking via the Jan-Dhan Yojana, efficient targeting via Aadhaar, and the increasing ubiquity of smartphones is so attractive
that the government should make full use of it to extend DBT to all subsidy schemes along with careful management.

**Insights into Editorial: Save Security from the Establishment**

09 January 2016

Article Link

Even with prior intelligence information India was not able to prevent terror attacks on Pathankot airbase recently. Same was the case with 26/11 Mumbai attacks. Those who were supposed to act on the terror alerts, those who were supposed to guard the seas and those who were supposed to protect Mumbai, all carried on with their professional lives. No one was held accountable. In all of its contemporary history, India has only been going around in a loop in its inability to tackle armed non-state actors. However, all these attacks are characterized by three critical missteps:

1. Ignored intelligence inputs.
2. Inconsistent security response.
3. Heavy casualties.

**Background:**

Terrorism has been the biggest threat faced by India on almost all major counts — the number of soldiers killed, duration of engagement with armed movements or the spread of the menace. However, terrorism hasn’t had a commensurate impact on reshaping India’s security posture and tactics, as well as political strategies and this is why India has one of the poorest track records in tackling insurgencies.

- The country’s armed forces have been unsuccessful in ending many of the decades old armed conflicts in the country, be it Naga insurgency or other northern movements or Kashmir militancy.
- Neighbouring countries such as Pakistan and China too have role in fomenting these movements. But it is a futile blame game considering the limited diplomatic options available to rein in those countries. Besides, practical statecraft will acknowledge that the use of non-state actors for tactical and strategic aims across the border is commonplace.

What is needed to tackle such activities then?
1. **Even-handed approach:**
At the core of the state response should be a well-delineated national security doctrine and security strategy, which has to be placed firmly on constitutional values, especially equality before law.

- Addressing grievances of various groups and dealing with all wrongdoers with the same force of law is critical in this fight against terrorism. However, successive governments have failed that test.

2. **End misuse of state organs:**
The Central Bureau of Investigation and the National Investigation Agency are often used as tools of the government of the day. Successive governments have not considered it necessary to write out any fresh instructive manuals for Indian democracy.

- Political misuse of state organs and the complete lack of transparency in their operations have resulted in Indian intelligence agencies emerging as obscure centres obfuscating facts or exaggerating things, mostly to impress political masters or for other vested interests. This must end, if the Indian state is serious about fighting terrorism.

3. **Accountability:**
The lack of accountability has meant that field operations of intelligence agencies are mostly cottage industries run on fake sources or exaggerated claims. Underlying all of it is the significant financial benefits.

- The final result is that even when genuine intelligence alerts are available, they are not acted upon with seriousness. Most intelligence alerts of Indian agencies actually read like fantasy stories from unbridled minds.

- There have been several discussions about improving the accountability of intelligence agencies and other federal organisations responsible for the security of the country. Many experts are apprehensive of an adverse effect of parliamentarians being given oversight of intelligence agencies.

- However, the fact is that there is no better accountability system possible. The diversity of Indian politics will ensure there is robust oversight, and that the mechanism is not held hostage by a few vested interests in Parliament.

4. **A documented security doctrine:**

As many experts recommend, it is time for India to have a documented national security doctrine, like the Constitution, so that successive governments do not forget the fact that they are mere custodians of an idea called India, and not revolutionaries mandated with recreating the nation-state.

5. **Standard response protocols:**
The doctrine should be accompanied by a security strategy that should spell out the state response to various kinds of security challenges. If it is a terrorist strike, then the decision-makers must know the responses expected of them, and not try to improvise based on their limited awareness. Command and control for such operations should also be spelt out in the document.

6. **Federal commission:**
India must also constitute a very credible, and permanent, federal commission of accountability on security matters. This is important not just to bring in accountability to the security establishment, but also to ensure that the many insurgencies and terrorist challenges do not result in the intelligence and security apparatus getting a free hand to misuse their powers.

- Such a commission can also be a watchdog in places like Kashmir and the Northeast, where repeated allegations of human rights violations are haunting political efforts to find peace, and feeding terrorism.

**Conclusion:**
India, and its security forces, can’t any more trust the wisdom of a few wise men to tackle terror threats, secure our assets and safeguard national interests. It is time to finally accept the reality and move forward on a broad sweep of reforms in the security establishment. The first step is to write down what the rulers of the day should do when a terror threat occurs.

**Insights into Editorial: Widening the net Beyond the Income Norm**

11 January 2016

**Article Link**

In an effort to reduce unnecessary subsidy burden on the exchequer, the Union Government has undertaken a series of LPG Subsidy reforms over the last one year.
Various developments so far:

1. **Launch of PAHAL:**
The centre welcomed 2015 with the nationwide launch of the modified Direct Benefit Transfer for LPG (DBTL) scheme (also known as PAHAL), which allowed domestic LPG cylinders to be sold at market price. The scheme aims to reduce diversion and eliminate duplicate or bogus LPG connections.

   - The scheme was launched with the objective to prevent diversion of subsidised LPG, by transferring the subsidy amount directly in the bank accounts of the consumers.
   - It is also important to note here that, with more than 14.74 crore LPG consumers enrolled under the scheme, this scheme has been **recognised by Guinness Book of World Records as the largest cash transfer programme in the world.**
   - The scheme has significantly reduced subsidy leakage towards non-domestic uses.

2. **‘Give It Up’ scheme:**
Following the launch of DBTL, the government launched the ‘Give It Up’ scheme in March 2015. The scheme was aimed at urging well-to-do households, who can easily afford LPG at market price, to give up LPG subsidy, in order to extend the subsidy benefits to poorer households, without increasing the fiscal burden.

   - As a result of an intensive awareness campaign, nearly 57 lakh beneficiaries have voluntarily given up their LPG subsidy. This translates to an annual subsidy saving of Rs. 940 crore for the government, at prevailing prices and consumption trends.
   - Even though this is a significant achievement, it represents a mere 3.6% of the active consumer base.

3. **Exclusion of high-income households:**
Very recently, the Ministry of Petroleum and Natural Gas announced the exclusion of high-income households from the LPG subsidy cover. As per this decision, henceforth, subsidy would not be available for domestic LPG consumers, if the consumer or his/her spouse had taxable income of more than Rs. 10 lakh for the previous financial year.
Why this is a good decision?

According to a study conducted by the Council on Energy, Environment and Water (CEEW) in 2014, the richest 15% of Indian households can easily be weaned of the subsidy, as the full market price (then Rs. 950 per cylinder) is well within their affordability limits. At present, these households account for 25% of the active consumer base.

- The study also highlights that the richest 10% households in India corner 22% of LPG subsidy, while the bottom 50% households together receive only 30% of LPG subsidy. Thus, the government’s move to target beneficiaries by excluding well-to-do households from the subsidy net is well-founded and timely.

Issues associated with this decision:

1. **Self-declaration:**

   The government has planned to use **taxable income** (greater than Rs. 10 lakh per annum) as the basis for exclusion and **self-declaration** of income as the means for identification. While this is a step in the right direction, the modalities of such an exclusion approach need further consideration.

   - Even though the LPG subsidy is given on a household basis, the announcement suggests that the **income threshold is applicable to individual incomes and not that of the entire household**.

   - Additionally, though self-declaration is a useful form of policy ‘nudge’, the success relies entirely on the integrity of the respondent.

   - How can this issue be addressed? To overcome this challenge, the government should consider enforcing the scheme by linking LPG consumer data with the PAN number.

2. **Tax evasion and under-reporting:**

   It is equally important to note here that **less than 3% of India’s population** pays income tax and a significant proportion **under-reports taxable income**. Thus, exclusion based on reported income alone would not be as expansive a criterion as is needed indirectly benefiting the tax evaders.

Then how can we fix this?
Experts suggest that it would be more practical and efficient to exclude households based on multiple criteria, simultaneously. The following criteria can be considered for exclusion-

1. **Asset-ownership:** One such criterion could be asset-ownership of high-end consumer durables. This could be an important way to capture the material status (wealth) of households than only relying on reported income, particularly in a country where the informal economy is as big as or larger than the formal economy.

2. **Four-wheeler ownership:** Less than 5% of Indian households own passenger four-wheelers, and ownership of this high-end asset is heavily concentrated amongst the richest households. This makes ‘car ownership’ an effective criterion for identifying well-to-do households. Moreover, identification based on car ownership could be achieved by using the national vehicle registration database maintained by Ministry of Road Transport and Highways. However, this database would need streamlining to enable a direct mapping with the LPG consumer database.

3. **Other ownerships:** Simultaneous ownership of a refrigerator and an air conditioner, or ownership of multiple air conditioners, could serve as another criterion to identify well-to-do households. Information about the ownership of such assets could be obtained either through self-declaration or by using the Socio Economic and Caste Census (SECC) database. Concerns about the authenticity of this database persist, as this is also self-declared.

However, each criterion has its limitation when applied standalone. But, a combination of criteria such as taxable income and ownership of high-end assets, along with a robust database and stringent enforcement mechanism, would help identify and exclude well-to-do households from LPG subsidy effectively.

**Conclusion:**
The decision to limit the LPG subsidy by income groups is an attempt to address the mis-targeting problem. By doing this, the government is trying to ensure that the subsidy is only going to go to those who need it. The more the government saves, the more it can spend on expanding the reach of LPG connections among those who currently do not have one. The hope is that rather than using the
resultant saving simply to shore up the budget deficit, the Centre will use it to ensure that LPG connections are provided for those who still depend on firewood and kerosene stoves.

**Insights into Editorial: Trying and testing the car formula**

12 January 2016

Article Link

It’s been two weeks since the Delhi government implemented the Odd-even formula in the National Capital Region on a trial basis. Yet, there has not been any credible data to support the Delhi government’s claim that the odd-even trial has reduced pollution or improved air quality.

- Contrary to the claim, the quality of air in the first week of January was worse compared to previous weeks.

**What the data suggest?**

Data obtained from the National Air Quality Index (NAQI) portal shows that air has been toxic all through this winter. From the available AQI values across eight pollution-monitoring stations in Delhi, the following observations were made-

- It was found that **November** had 7 days in the ‘severe’ category, **19** in the ‘very poor’ category, and **4** in the ‘poor’ category.

- **December** saw **20 days** fall under the ‘very poor’ category and **11 days** under the ‘poor’ category.

- However, in the **first week of January**, all seven days fell under the ‘very poor’ category. Even the peak value of PM2.5, which the government claims has been lowest during the odd-even trial compared to earlier peaks this winter, is either comparable or just slightly lower to peaks observed from the beginning of December.

- On average, AQI values for Delhi for the first week of January were 20 to 25% worse than during the preceding week.

- Various other studies, too, showed that the quality of air in the Capital continuously deteriorated from December 25, with pollution levels being “severe” on four out of the first eight days of January, worse than the previous week.
What can we conclude from the findings mentioned above?

It should be clear that the scheme did not worsen air quality; meteorological conditions did (Wind, which disperses pollutants, has fallen consistently in speed since December). But the scheme was not able to mitigate this impact.

- Thus, it is disingenuous for the government to claim either that the odd-even trail has improved air quality or that, but for its scheme, the air quality would have been worse given the weather conditions, since it has simply no way of establishing this without better modelling.

What else the data suggest?

What is clear from data about sources of air pollution in Delhi is that **cars are not the major polluters**.

- A report by the Indian Institute of Technology, Kanpur, on the sources of particulate matter finds that vehicles contribute to 20% of PM2.5 concentration.
- Among them, trucks and two-wheelers together contribute to 80% of pollution; cars, 10%. This means that the contribution of four-wheelers to air pollution in Delhi is just 2%.
- On a given day, when half the cars are taken off the road during the odd-even trail, with additional exemptions, only a 0.5-1% reduction in pollution can be expected. This could be marginally higher depending on the impact of the wind.
- Thus, it can be concluded that cars are not the main cause of Delhi’s pollution.

How the air quality can be improved?

The government, in the spirit of experimentation in which it initially announced the scheme along with a series of other measures, must continue to try to see what improves Delhi’s air quality. The odd-even scheme expected to show a positive impact in the coming weeks. Other measures-

- An odd-even trial in the summer months might be more useful to isolate its impact.
- The government’s proposal to vacuum-clean roads in April is promising, given that the IIT Kanpur study attributed 38% of pollution to road dust.
• The government could also resort on other measures including temporary controls on industry and construction, and banning the use of fireworks.
• In the long run, an essential step would be to draft a new transportation policy, without emphasising only economic aspects as was done earlier. Consulting urban planners, logistics, sociologists, environmentalists, civil society groups including doctors, teachers and lawyers, the police and the military, apart from economists would be essential.
• CSIR’s proposal- mid-week work-from-home – can be a game changer too. According to this formula, instead of commuting to work and school, employees and students could work and study from home for a day.

Conclusion:
Consensus has it that the solutions like the odd-even ones are short-term. However, it is wrong to say that the experiment should not have been conducted. India’s federalism allows for a vast array of public policy experiments, and the Delhi experiment is one of the few related to environmental pollution in India. The Aam Aadmi Party’s ability to take bold steps, convince people to take ownership of these steps, and force both a conversation and behavioural change is truly remarkable. But an experiment must be built around an open-ended question, which has not been the case so far. The greatest success of the scheme has undoubtedly been the fact that emergency levels of pollution are now being hotly discussed by citizens. The AAP government has before it a unique opportunity, which it should not squander away by asking the wrong questions or refusing to hear the answers to its questions.

Insights into Editorial: Balancing Fairness and Efficiency
13 January 2016
Article Link

One common criticism of economics is that it focuses too much on efficiency, and not enough on things like equality, fairness and the welfare of future generations. Many economic issues involve conflict between efficiency and fairness.
• For example, free trade is widely believed by economists to be good for efficiency based on the principle of comparative advantage. Efficiency in this
case means greater total output. But free trade also means that the less cost efficient domestic industries will be eliminated by cheaper imports.

- Although the gain for the economy exceeds the loss of the less competitive industries, these benefits accrue mostly to those employed in the more efficient domestic industries.
- However, of late, people are questioning the traditional assumption that fairness is irrelevant to economic analysis.

**What is ‘Efficiency’?**

There are two versions of efficiency in economics- Pareto efficiency and Perfect efficiency.

1. **Pareto efficiency:** It is named after the Italian economist Vilfredo Pareto. Basically, it’s just the same thing as gross domestic product. According to this definition, the more things we produce—including goods like TVs and cars—the fewer resources we are wasting.

2. **Perfect efficiency:** It is also called Pareto optimality. It is a situation in which the economy is so efficient that it’s impossible to give one person more without taking something away from someone else. Simply put, perfect efficiency is a world where there really is no free lunch.

**Why economists mostly focus on efficiency?**

Economists focus on efficiency for several reasons. Some of them are-

- It is probably historical. According to historian Adam Tooze, government attention to economic statistics increased dramatically after World War I. The US, with its massive economic output, had tipped the scales decisively in favour of the Allies, so total output was believed to be an indication of warfighting strength. That logic seemed to repeat itself in World War II, and again in the Cold War, in which the US is widely believed to have outspent the Soviet Union. **Greater economic efficiency probably means a more powerful nation.**

- The second reason economists focus on efficiency is that it’s **clear and unambiguous.** Human welfare, on the other hand, is tricky to define. Economists usually shy away from taking a stand on difficult philosophical
questions involving human welfare, and stick to thinking about what will boost GDP.

Arguments against this concept:
The critics cite many flaws in this concept-

- The most obvious flaw in the efficiency concept is the question of time—by producing more today, we leave fewer resources for our descendants. A policy that is Pareto optimal today may be robbing from our unborn grandchildren. Thus, static efficiency, or efficiency in the present, isn’t always the same as dynamic efficiency.

- According to this concept, it makes sense to divert some of the gain from the gainers to compensate the losers. But politically and administratively, trade adjustment assistance has been difficult to implement. The issues involve the scope, the length, and the amount of compensation.

- And also, needless to say, those who gain are less than eager to share their fortune with those who lose.

Arguments in favour of this concept:
Supporters of this concept defend by citing the following reasons-

- Economic growth usually does enrich the poor as well as the rich. Even the past few decades of global growth, which have seen inequality increase in rich nations, have produced huge gains for the world’s poor, and reduced global inequality in the bargain.

- Efficiency really does capture how many economic arrangements are simply suboptimal. New policies and institutions really can make things better for everybody.

- The cultivation of fairness with efficiency maximization, yields greater enhancements of social welfare than efficiency alone, by simultaneously satisfying the criteria of both.

Conclusion:
The most significant conclusion is that efficiency and fairness concerns do not conflict but rather mutually support each other in the goal of maximizing social welfare. This is contrary to the more widely-held view by many that a trade-off between fairness and efficiency is inevitable. The real strength of the efficiency
concept is that it focuses on gradual improvement. Instead of trying to radically reorganize society from the ground up, efficiency focuses on finding institutional or policy tweaks that make everyone just a little better off. So far, the history has also shown that gradual reform is the best way to improve the world.

**Insights into Editorial: What works for Women at Work**

14 January 2016

Article Link

In an attempt to arrest the declining rates of female work participation, the Union Government recently came out with a slew of measures including the increase maternity leave.

- Under the new rules, *maternity leave has been increased from the current 12 weeks to 26 weeks*. This has also been *extended to all women workers* in both public and private employment.
- Also, it is now *mandatory for all establishments with 30 women workers or 50 total workers to provide crèche facilities* for their employees, either at the premises or within half a kilometre.

**Significance of these announcements:**

With the announcement of these measures, it appears that the Central government has begun to recognise that women workers need adequate maternity protection. These are definitely welcome measures and are good responses to low and declining rates of female work participation.

- This move is predicated on the fact that six months of breastfeeding is important to combat malnutrition, diarrhoea, and other diseases in infants and to lower the infant mortality rate. The *International Labour Organisation recommends a minimum standard maternity leave of 14 weeks but encourages states to go beyond that.*
- This decision also aims to implement *WHO and the Union ministry of health and family welfare guidelines*, which emphasise that a baby needs to be nursed by its mother for a minimum of six months.
- These announcements have put India in a better position than many other countries like the US, though still far behind more enlightened countries in
northern and eastern Europe as well as Central Asia. Some countries like Canada and Australia even provide a year of parental leave, which can be shared between parents.

- This is also step towards somewhat easing the double burden that working mothers face.

**Worldwide practices:**

Worldwide there is no set standard and many countries, especially the developed world, have gone just beyond maternity leaves.

- From April 2015, parents in **Britain** have been made eligible to share 12 months of leave after the birth of a child.
- In **Sweden**, they have enjoyed that right since 1974.
- In Asia, **Japan** offers a year’s unpaid leave to each parent and **South Korea** allows both parents partially paid parental leave for up to one year.
- In **Europe**, new mothers mostly get between 14 and 22 weeks, and new fathers between two days (Greece) and three months (Italy) of paid leave.

**Why we need such measures?**

India stands out in the world because of shockingly low rates of recognised work participation by women (**around 24%**) that have even declined over the past decade. This obviously represents a **huge economic loss for the country** — but it is also a sign of the continuing **low status of women and their lack of agency in Indian society**.

- Also, at the moment, only around 10% of the 60 million or so women in India who are recognised as workers have jobs in the organised sector. And even many of those have informal contracts, **with little or no social protection**.
- Most of the millions of women working in the unorganised sector, as regular workers in small establishments or in domestic work or as casual workers earning daily wages or as self-employed workers, currently **do not get any kind of paid maternal leave**.
- According to a 2015 McKinsey report, if by 2025, India can increase women’s participation in the labour force by just 10% points, thereby bringing in about 68 million more women, the country’s GDP can increase substantially.

**Current position of women in India:**
Most women in India are involved not in paid employment but in **unpaid work in their homes or communities**. Such work is socially necessary but unsung and unrewarded — everything from cooking and cleaning to looking after the young, the old and the sick, to collecting fuel wood and water for households, to tending gardens and livestock, and so on.

- Surprisingly, during the recent economic boom in India, official data suggests that more **women have moved from paid or recognised employment to doing unpaid work** in their households. There are many factors behind this peculiar tendency. One among them is – When family incomes improve even slightly, women may be less inclined to try and do both.

**Difficulties faced by working women in India:**

- First of all, the sheer **inadequacy of job creation** in the economy makes it hard for women to find suitable jobs. **Gender gaps in education** also work against them. For less skilled women, available paid jobs tend to be physically arduous and pay much lower wages than for men.

- There are also **difficulties of managing domestic responsibilities along with the paid jobs**, given the unequal division of household work between men and women within families. The **double burden** of paid work and unpaid work creates extreme time poverty for working women.

- **Patriarchal attitudes within families** and **social restriction on mobility** also act against them.

- Concerns are also there about **commuting time and about security at work and during the commute**.

**Other measures required:**

Unfortunately, most labour laws in India are honoured only in the breach, and there is little or no serious attempt to enforce them, especially among private employers. Indian working women would be in a better position only if these **laws are actually implemented**.

- To make a real difference, **public intervention has to be wider and more ambitious**. It has to address the huge issue of unpaid work, by taking measures to recognise it through systematic and regular time-use surveys that capture people’s activities.
• The government must also try to address concerns about **women’s security in public places and workplaces**. It has to focus on education that **reduces the number of female dropouts and improves quality**.

• It has to work towards reducing the huge gender gaps in wages in most activities. Without serious attempts on all these fronts and on enforcement, these newly declared measures will seem like tokenism.

• **Article 42 of the Constitution which guarantees maternity benefits to all working women** will be executed in full only when the benefit is extended to the numerous young poor women who work as housemaids or contract labour, and are denied even 12 weeks leave.

**Negative implications of these announcements:**

While the government’s move is a positive one, private companies could accuse it of too much interference. Many also argue that it would make companies think twice before hiring women employees, especially because Maternity Leaves would be paid leaves. However, this problem can be tackled by following the Singapore model. In Singapore, Women in the city-state get 16 weeks of maternity leave with the employer paying for eight weeks and the next eight reimbursed to the employer by the government.

**Other concerns:**

This has brought cheer to working women in the private sector, but concerns have been raised on its implications for both, employers and women employees, and all is not expected to be smooth sailing.

• The major concern is that of **affordability for smaller companies** that may struggle to meet the increased financial burden of providing longer paid maternity leave.

• It is also anticipated that **women will lose touch with work-related developments**, become distracted by baby and family, and lag behind on resuming work.

• Further, being limited to the organised sector, the **proposal may benefit less than a quarter of working women**. The proposal may also affect the employability of women in general and that of young married women in
particular, as they may be dismissed, not hired or otherwise discriminated against.

- The liberalised leave may also make the beneficiary spend more time on domestic work than nurturing the child. Besides, it may even tempt her to take up a part-time job elsewhere to meet the financial needs of the family.

**Conclusion:**

Leaving a job to raise a family is a compromise that women are often required to make in our society. It is not a willing choice for a majority. Therefore, better maternity benefits will help women follow their career goals while raising a family. Public and private employers in the country should gradually adopt women-friendly policies. Some of the ways this could be done is by offering a light workload, flexible or reduced working hours, and work from home facility for the first few weeks after the woman resumes work. Such support is known to result in sustained work-life balance, peace of mind and enhanced productivity.

**Insights into Editorial: Wanted: An Out of the Box Idea for Bank Recapitalization**

**15 January 2016**

**Article Link**

It is now widely acknowledged that the health of country’s state-owned banks has become worse in the last two years.

**Current state of these Banks:**

- **Stressed assets** (including gross non-performing assets (NPAs) and restructured loans) on the books of state-owned banks were at 14% as of September 2015, dramatically higher than the 4.6% at private sector banks.
- It is possible that over the next few quarters, the reported gross **NPAs will rise**, given the pressure from the regulator to recognize bad assets as such.
- If gross NPAs rise, so will provisioning needs, which in turn will further **weaken capital adequacy levels** at these banks.
- In response, stocks of state-owned banks will fall further and their ability to raise equity will slide.
- Added to it is the possibility that another Rs.1 trillion in **loans to state-owned power distribution companies** may have to be classified as bad loans.
- Even, the **government**, the majority shareholder in these banks, **doesn’t have the money to spare**. It is already struggling to keep to its fiscal deficit targets.
- An offer for sale (OFS) to reduce shareholding to 51% in banks where the government holds more than the minimum requirement is a bad idea at this stage. Demand for shares of state-owned banks is low and these issues could easily bomb. Tier 1 bonds are an option but not for the large quantum of funds needed.

Thus, it is time for country’s smart bankers and policymakers to come together to find an out-of-the-box solution.

**Reasons behind the failure of these banks:**

- **Lack of fresh capital injection**: The state-owned public sector banks have been struggling to raise capital for a long time.
- **Increasing Non-Performing Assets (NPAs)**: The increasing NPA listings are a wake-up call for PSBs and the government.
- **Timeline for bank Board bureau**: The selection of top management for PSBs has been a sore point in the banking history. Whenever a PSB has witnessed a change of guard at the top, their immediate quarterly performance has nosedived. Top management of various PSU banks have often been passing the buck to the preceding management for the poor numbers.

**What can be done to improve their state?**

- **Sovereign bond**: The relatively high yield offered by Indian issuers and nervousness around China has pushed investors towards dollar bonds of domestic firms. This opportunity should be utilized. However, it should be noted that the entire amount needed for bank recapitalization cannot be raised through such instruments.
- **Rechanneling savings from oil**: Since lower oil prices look like they are here to stay for a little longer, can subsequent savings from oil be pooled and set aside for bank recapitalisation. However, the government at present is utilizing these savings to meet its fiscal targets.
- **Divestment**: This hardly qualifies as an out-of-the-box option but there is always the choice of divestment to raise resources.
• **Merger:** The government could start the process of amalgamation of State Bank with the remaining subsidiaries to increase the size of the balance sheet by holding a constructive dialogue with the unions and officers’ associations.

**Areas where public sector banks need a makeover:**

• **Technology:** Private banks are grabbing every opportunity to innovate by leveraging technology. Right from the introduction of computers in banking, ATM machines and kiosks, to the launch of mobile applications, e-wallets and net-banking more recently, PSBs have never been leaders in these game-changing developments. This has been one reason why many tech-savvy “on-the-go” Indians have gradually shifted their preference towards private banks.

• **Non-proactive assessment:** A proactive assessment by specialists to analyze credit seekers could go a long way in bringing down the NPA levels of public sector banks.

• **Ageing workforce:** The lethargic working style and aging workforce of the PSBs need a drastic makeover to take the dynamism and market aggression of private banks head on.

**What can the government do?**

• The government can bring out a sea change in PSBs by doing just three things: **appointing the right CEOs, backing them with the requisite capital and bringing independent directors of competence and stature on board.** These can be done expeditiously with the existing mechanisms and the existing talent in PSBs.

• An overall change in the governance structure is the need of the hour for PSBs, to make them more competitive and to push up their market value.

**Recent moves:**

The government, in August 2015, announced a **seven-point action plan, Indradhanush** to infuse professionalism and fresh capital in to public sector banks. As part of the plan, the government announced the setting up of Bank Board Bureau (BBB) that will give way to holding company to which the Centre will transfer the ownership of all these banks.

• But this strategy runs the risk of proving as ephemeral for want of some key reforms. Sensibly, the blueprint seeks to improve the functional autonomy of
banks, restricted by government ownership and direct and indirect influence hawking by politicians and bureaucrats.

- The proposed Bank Boards Bureau, meant to curtail such interference, is a decided improvement over the status quo. But real reform is for the government to vest the ownership of all the banks in a single holding company, whose board comprises professionals of integrity. It can select PSB boards and oversee their working.
- Performance-linked bonus and Esops to management of PSBs is a good idea, but perks should not be restricted only for the top jobs. Many middle-level bankers slog hard at PSBs in the hope of making it to the top. They should be given a fair chance to rise, and their continuity should be encouraged at banks.
- The recent decision of the government to capitalise public sector banks based on their efficiency could go a long way in ending the muscle power that the state-run banks enjoy, if the government sticks to the strategy of selective infusion of capital. However, weaker banks’ survival would be in question as their ability to raise capital from the market would be limited because of mounting non-performing loans.

Conclusion:
History is no precedent for the future as far as public sector banks are concerned. What has worked for them in the past may not do so now owing to the sheer pace of technology, innovation and customer-orientation that has swamped the banking sector. PSBs are in very real danger of losing not only their market share but also their identity unless the government intervenes with surgical precision and alacrity. Hence, policymakers and bankers need to put their heads together and come up with a smart option to resolve an issue that can no longer be put on the backburner.

**Insights into Editorial: After Pathankot, what?**

16 January 2016

**Article Link**

The extended time taken by the security forces to neutralize the recent attack on the airbase in Pathankot has led to a clamour for the need to have the ability to respond more swiftly. The whole incident has also raised several questions about how to
respond to such attacks. Most people are of the view that the local police should have reacted faster. However, given the present state of policing in India, one can easily conclude that our police forces are not in a position to handle such attacks.

The three greatest problems confronting the country today are:

1. The challenge of international terrorism.
2. The spread of Maoist influence over vast areas of Central India.
3. The cancer of corruption.

If we are to tackle these problems effectively, there is no getting away from having a professional police force, well trained and equipped, highly motivated, and committed to upholding the law of the land and the constitution of the country. However, this would require a total revamp of police forces in the states.

Present state of police forces in the country:
The bulk of the recruits in the police come from the rural areas and from the economically weaker sections of society. Physical tests at the entry levels are deliberately designed in a manner that does not weed out too many hopeful candidates. And also for the same reason, the training curricula, as well, cannot be too stringent.

- Even on the job, a daily grind with 14-hour duty schedules, irregular food timings, consumption of unhealthy street food, has made them less active.
- And the police forces at the state level are primarily required to maintain law and order, manage traffic, and prevent and investigate crime.
- Hence, for the police, who are used to wielding a lathi and investigating crime, it becomes difficult to take up sophisticated arms and combat well-trained terrorists. It is also difficult to arm this civilian force with automatic weapons to respond to a terrorist attack without any prior training.

Reforms needed:
Such a change in the work profile would require a paradigm change in the way police officials are recruited and trained.

- So the first thing that policymakers have to decide is the kind of police they want, depending on the kind of tasks they expect the police to perform. This should be followed up by necessary improvements in the training facilities available for the police and they should be provided with suitable ammunition.
Another important requirement for a force to be battleworthy is regular firing practice.

The police would also have to modernise their work culture and daily processes. Policemen, particularly in metropolitan cities, could be equipped with short batons and communication devices so that they can respond quicker. Specialised units are essential to deal with terror attacks.

Several strategic assets are spread across the country. Hence, we have to look at the way physical protection measures are taken at strategic installations. For instance, we often find incomplete or poorly built boundary walls and inadequate lighting, with hardly any back-up. This would have financial implications for policymakers as these units would have to be suitably housed, trained, equipped and kept motivated.

The recommendations of committees, set up to review the security of various assets, and the reports of the Intelligence Bureau should be seriously taken up. While manpower is essential to provide security, investments must also be made in technology to secure assets.

The political class too is not anywhere near to loosening its control on the police. Steps have to be taken to prepare our policing and investigative agencies for any kind of crimes and attacks.

There is a need to recruit more officers with specialisation in forensic sciences and also in different fields like cyber crime, financial accounting and auditing and psychology.

Once officers are recruited they need to go through police regimen, with stress on their field of expertise. In this regard, physical exercise must be made mandatory for overall physical and mental wellbeing.

Intelligence gathering is an art. Intelligence records need to be digitised and made available to authorised personnel when required. Also, Intelligence analysts need to be trained and engaged.

There is a need to utilise the services of every officer in the organisation with clear division of work and responsibility. There is also an urgent need to separate law and order from the investigation and detection of crime.
Finally, concerns about the integrity are some of the most important issues facing the profession of policing. Cases of police misconduct can seriously harm years of work to establish trust and confidence between the police and members of the community they endeavour to serve. We need to have some oversight over the police working, as is in vogue in South Africa, Northern Ireland and much of the UK.

**Supreme Court on Police reforms:**

The Supreme Court, in a landmark judgement in September, 2006, ordered the setting up of three institutions at the state level:

1. **State security commission** with a view to insulating the police from extraneous influences.
2. **Police establishment board** to give it functional autonomy.
3. **Police complaints authority** to ensure its accountability.

**Other recommendations by the apex court:**

- The apex court also ordered that the Director General of Police shall be selected by the state government from amongst the three senior-most officers of the department empanelled for promotion to that rank by the Union Public Service Commission, and that he shall have a prescribed minimum tenure of two years. Police officers on operational duties in the field would also have a minimum tenure of two years.

- The court also ordered the **separation of investigating police from the law and order police** to ensure speedier investigation, better expertise and improved rapport with the people.

- The Union government was also asked to set up a **National Security Commission** for the selection and placement of heads of Central Police Organisations, upgrading the effectiveness of these forces and improving the service conditions of its personnel.

The aforesaid orders were to be implemented by March 31, 2007 and the court also appointed the Thomas Committee to monitor the implementation of its directions in various states. Several States have passed executive orders purportedly in compliance of the Court’s directions, but actually they have diluted or even subverted the directions with a view to continuing the supremacy of the political
executive in the enforcement of law and order. Seventeen states have passed Acts, but not in keeping with the letter and spirit of judicial directions.

Conclusion:
The police are the first responders in the event of any terrorist attack or Maoist violence, and they are also the backbone of our intelligence, investigation and anti-corruption agencies. Thus, looked at from any angle – the security of the common man, the survival of democracy, maintaining the trajectory of economic progress or dealing with the major threats confronting the country – we have to have a reformed, restructured and revitalised police force. Recent incidents call for a cutting-edge approach to policing. This also necessitates an overhaul of managerial thinking in the police as well as training methods.

Insights into Editorial: A Harvest-time Gift
18 January 2016
Article Link

With back-to-back droughts, and unseasonal rain and hail in certain pockets of the country, it is clear that the risks in Indian farming are on the rise, and the existing system of crop insurance is nowhere near meeting the needs of the peasantry. To address the increasing distress in Indian farming and revamp the crop insurance system in the country, the Union government recently came out with a new crop insurance scheme- Pradhan Mantri Fasal Bima Yojana. This scheme is being hailed as a pioneering crop insurance scheme.

- The scheme aims to reduce the premium rates to be paid by the farmers so as to enable more farmers avail insurance cover against crop loss on account of natural calamities.
Key facts:

- Under the Scheme, there will **no upper limit on government subsidy** and even if balance premium is 90%, it will be borne by the government. Earlier, there was a provision of capping the premium rate which resulted in low claims being paid to farmers. This capping was done to limit government outgo on the premium subsidy. This capping has now been removed and farmers will get claim against full sum insured without any reduction.

- This is the **biggest ever government contribution to the crop insurance**. As a result, farmers will have to pay the **lowest-ever premium rate**.

- There will be **one premium rate for each season** for all foodgrains, oilseeds and pulses- Kharif: 2% and Rabi: 1.5%. This removes variations across crops and districts within a season.

- Under the scheme, for the first time, **inundation has been included under the localized risk cover** and **post-harvest losses** arising out of cyclones and unseasonal rainfall have been **covered nationally**.

- Also, it is for the first that the **emphasis is given on the use of technology** for accurate assessment and quick settlement of claims.

Brief background:
There have been crop insurance schemes in the country for long. In 1985, the then Congress government had launched a **comprehensive Crop Insurance scheme (CCIS) 1985**. In 1997-98, the government re-launched the scheme, which lasted only for a year. The government ran this until 1999. In 1999, the government launched **National Agricultural Insurance Scheme (NAIS)**.
How is the new scheme different from previous schemes?

- According to the government, under PMFBY farmers will get a **higher claim for the full sum insured** unlike the existing schemes such as National Agricultural Insurance Scheme (NAIS) and Modified National Agricultural Insurance Scheme (MNAIS).
- The new scheme will **cover yield loss of standing crops, prevented sowing/planting risk, post harvest losses and localised risks, including inundation**.
- At present, loanee farmers are mandated to take crop insurance cover. The new scheme is **open to all farmers irrespective of whether they are loanees or not**.
- There will be **one insurance company for the entire state**, farm-level assessment of loss for localised risks and post-harvest loss. And private insurance companies, along with the Agriculture Insurance Company of India Ltd, will implement the scheme.

Why previous crop insurance schemes were not so much successful?

- The **sums insured were low**.
- The **premiums were high** (generally ranging between 8-12% in the case of the modified scheme).
- The **assessment of crop damage lacked transparency** and didn’t use the latest technologies.
- **Compensation took unduly long**, even going beyond a year in many cases, and was reported to be ridden with corrupt practices.

Significance of the new scheme:

The rate of subsidy proposed under the new scheme is in line with international practices.

- The United States insures its farmers (about 123 million hectares) and gives subsidy to the tune of around 70%.
- China insures its farmers for a sown area of around 75 million hectares with a subsidy on premiums of about 80%.
- With this scheme, India plans to cover around 50% of its cropped area, which hovers around 195 million hectares, over the next five years if the scheme really takes off.
This scheme can be a game-changer if the following conditions are satisfied:

**Crop assessment:** It should be done in a transparent manner and within a specified period of time, and using high technology such as automatic weather stations (AWSs), drones, low earth orbits (Leos) and satellites. For this, suitable infrastructure should be put in place. Also, the time period within which crop-damage assessment must be done should be clearly spelt out.

**Direct payment:** Compensation must be paid to farmers’ accounts directly, say, within a week of assessment of crop damage. In order to do this, the financial infrastructure has to be in place. Information has to be digitised plot wise — the plot of the tiller who has paid the premium has to be synchronised/seeded with his/her bank account number, Aadhaar number and mobile number. This is critical, as the crop-damage assessment exercise has to be matched with data on plots and bank account numbers of the tillers.

**Challenges before the new scheme:**

- So far, the coverage of crop insurance schemes has been too low due to lack of awareness among the farmers. According to reports, the coverage as of now stands at just 23%. The government is aiming at 50% coverage with the new scheme. This, prima facie, is going to be the biggest challenge for the government.

- Crop insurance sector is bogged down by frauds. Bank officials, insurance officials and farmers are hand in gloves to siphon off insurance money. The new scheme should seriously take care of this.

- It is not yet clear what will be the yardsticks the revamped crop insurance scheme will use to assess crop losses. Although the low premium will drive penetration and enrolment and make the insurance scheme viable for insurers, it remains to be seen if the unit for assessing crop loss has been reduced to the village level.

- With the new scheme, the Centre’s financial liability is estimated to go up to Rs 5,700 crore. As the Centre’s financial liability goes up, the bill of the states where the scheme gets implemented will also go up correspondingly.

**Conclusion:**
The new scheme is significant as the country is facing drought for the second straight year due to poor monsoon rains and the government wants to enhance insurance coverage to more crop area to protect farmers from vagaries of monsoon. However, given the alarming level of agrarian distress and a large number of farmer suicides, agriculture-dependent rural India requires multi-level support from Central and state budgets for a genuine economic lift-off.

**Insights into Editorial: Building the International Solar Alliance**

19 January 2016

[Article Link](#)

India launched an International Solar Alliance (ISA) at the recently concluded CoP21 Climate Conference in Paris. The alliance brings together developed and developing countries, governments and industries, laboratories and institutions in a common enterprise.

- While launching the alliance, PM Modi announced that the revolution in the field would bring power to all citizens, and create unlimited economic opportunity.

**Aims of ISA:** The main aims of ISA include reducing financial risk across a larger global market, encouraging cooperation on technology, building capacity, and increasing energy access.

**Details:**

- All the countries, located fully or partly between the tropics of Cancer and Capricorn, have been invited to join the Alliance.
- **HQ:** The new body will function from the National Institute of Solar Energy in India, Gurgaon.
- The Union Government of India has announced that it will provide land and $30 million to form a secretariat for the Alliance, and also support it for five years.
- Among the tasks that the Alliance would pursue are, cooperation in training, building institutions, regulatory issues, common standards, and investment including joint ventures.
To achieve its fixed objective, the Alliance needs between $1,000 and $1,200 billion over the next 15 years, of which 70% could be provided by the private sector. Public bodies are prepared to put up the balance. Both France and the Netherlands have also agreed to contribute, and other rich countries are set to follow suit.

**Role of India:**

- India has a capacity of four gigawatts and has set a target of adding 100 GW of solar power by 2022. By the end of next year, India is also planning to add another 12 GW.
- India has set the ambitious target of deploying non-fossil fuel electricity generating systems that supply 40% of the country’s cumulative installed capacity by 2030.
- This new alliance is a sign of India’s leadership on the global stage. Under India’s leadership, the ISA could inspire and support several developed and developing countries to advance on a clean energy pathway by lowering financing costs, developing common standards, encouraging knowledge sharing and facilitating R&D collaborations and co-development of technologies to meet the Sustainable Development Goals (SDGs) announced earlier this year.
- This initiative has also demonstrated that India is not shy of playing to its strengths. Although other countries have more solar power deployed currently, India will be one of the largest markets and its domestic policy (to build 100 gigawatts) has sent signals to developers and financiers.

**Road ahead for ISA:**

However, International Solar Alliance is one among many multilateral and plurilateral initiatives, which have been launched in recent years. Other initiatives include the International Renewable Energy Agency, Renewable Energy Policy Network, Renewable Energy and Energy Efficiency Partnership, Global Green Growth Institute, and so on. As the newest inter-governmental institution in the world, it is imperative that ISA carves a niche for itself and demonstrates genuine value to its members.
For the alliance to be successful, it is necessary to consider implementing the following steps:

Select a director general (DG) with a secretariat: A dynamic DG can draw attention to the alliance, build relationships with member states and other international institutions, interact with the media regularly, and develop a strategic plan. The appointment of a DG will take time and will require consensus among member states. But a good choice would make the difference between leadership that can articulate and execute a vision and one that fails to grasp ISA’s potential.

Create a core ISA coordination group: Since its launch, the ministries of new and renewable energy, external affairs and other agencies have been discussing informally and working together to keep the ISA wheels moving. However, since the world is looking at how this evolves, a dedicated inter-ministerial group will be needed to distribute the workload, allocate funds, maintain contact with member states, and prepare related documents.

Issue a white paper on ISA governance: ISA is an inclusive multilateral institution but there is as yet lack of clarity on its governance structure. A paper outlining alternative governance models would draw in ideas from member states and other stakeholders and inform deliberations in subsequent meetings.

Launch an ISA website: It should feature the ISA declaration, list of members and observers, minutes of meetings, proposed activities, a meeting calendar, governance structure, and, eventually, outcomes of ISA activities.

Issue monthly ISA briefings: Until a dedicated DG and secretariat are in place, regular press briefings and monthly updates to all ISA member countries would build support. The more ISA is in the news, the more its activities and potential will get attention.

Assess all proposals through a “value-add” lens: A number of ideas are beginning to come forward on what other institutions (private, public and inter-governmental) could do to shape ISA’s agenda, such as mobilising investments or deploying projects in member countries. It is important that ISA activities do not overlap unnecessarily with those of other organisations. A “value-add” perspective – and measuring each initiative against stated aims – would help ISA specify its unique proposition for the benefit of members and investors.
Kick-start bold initiatives: It would be useful to launch one or two bold initiatives, which could capture the imagination of ISA members. This could trigger interest from innovators, project developers, bankers and other investors.

Establish formal links with private sector platforms: many other renewable energy-focused organisations do not have strong links to the private sector. ISA can distinguish itself by giving private sector consortia observer or associate member status, encouraging them to design and implement ISA programmes, and build relationships for targeted investments.

Announce an ISA summit and expo: An annual or biennial summit and expo would draw further interest.

Build an ISA headquarters in New Delhi: ISA will need its recognisable location, branding and identity. The headquarters’ design should convey ISA’s vision, its open and inclusive governance, its emphasis on practical solutions and scale, and its purpose of delivering clean energy access to millions.

Conclusion: Today, when the energy sources and the excesses of our industrial age have put our planet in peril, the world must turn to Sun to power our future. Solar technology is evolving, costs are coming down and grid connectivity is improving. The dream of universal access to clean energy is becoming more real. And the launch of Solar Alliance will be the foundation of the new economy of the new century. And hence this initiative can be seen as a step in the right direction.

**Insights into Editorial: Decoding Emission Norms**

20 January 2016

[Article Link](https://www.insightsonindia.com/insights-into-editorial-decoding-emission-norms-20-january-2016/)

The Centre’s decision to adopt Bharat Stage VI automotive fuels nationwide by April 1, 2020 is a key measure that can, if implemented properly, vastly improve air quality. It also fits in with commitments made at the Paris climate change conference.

- In November, the government had put in public domain a draft notification for implementation of BS-V and BS-VI emission norms for the automobile sector, covering the four wheeler category.
• Implementation of the BS V standard was earlier scheduled for 2019. This has now been skipped. BS VI, originally proposed to come in by 2024 has been now advanced to 2020, instead.

What are Bharat norms?

Introduced in the year 2000, the Bharat norms are emission control standards put in place by the government to keep a check on air pollution. Based on the European regulations (Euro norms), these standards set specifications/limits for the release of air pollutants from equipment using internal combustion engines, including vehicles. Typically, the higher the stage, the more stringent the norms.

• The BS IV norms were introduced in 13 cities apart from the National Capital Region from April 2010. Currently, BS IV fuel is being made available across the country in stages, with the entire nation expected to be covered by April 2017.

Why is it important to upgrade these norms?

Upgrading to stricter fuel standards helps tackle air pollution. Global automakers are betting big on India as vehicle penetration is still low here, when compared to developed countries. At the same time, cities such as Delhi are already being listed among those with the poorest air quality in the world. The national capital’s recent odd-even car experiment and judicial activism against the registration of big diesel cars shows that governments can no longer afford to relax on this front.

• With other developing countries such as China having already upgraded to the equivalent of Euro V emission norms a while ago, India has been lagging behind.

• The experience of countries such as China and Malaysia shows that poor air quality can be bad for business. Therefore, leapfrogging to BS VI can put India ahead in the race for investments too.

BS-VI Norms:

• The particulate matter emission in BS-V and BS-VI is same for diesel cars though it is 80% less than BS IV.

• The nitrogen oxide (NOx) level is, however, 55% less in BS-VI over BS-V which in itself is 28% lower than BS IV.
The sulphur content in fuel norms for diesel and petrol under both BS-V and -VI standards does not change at 10 ppm, though it is substantially less than 50 mandated for both the fuels under BS-IV.
Why do we need these norms?
Major pollutants such as fine particulate matter, sulphur dioxide, nitrogen oxides and carbon monoxide emitted by millions of vehicles on India’s roads are severely affecting the health of people, particularly children whose lungs are immature and hence more vulnerable.

- Thousands of premature deaths and rising rates of asthma episodes highlight the urgent need to make a radical and complete shift to modern fuels and vehicle technologies.
- Past national policy of implementation of the BS IV fuel standard also failed primarily because this was not done all over the country and the technical standard also permitted a higher level of sulphur in the fuel.
- Higher sulphur results in high volumes of fine respirable particulates measuring 2.5 micrometres (PM2.5) being generated in emissions.
- Since even this obsolete standard was not followed uniformly, many vehicles, especially commercial passenger and freight carriers, have been using lower standard fuel supplied outside big cities. This has rendered their catalytic converters incapable of absorbing pollutants.

Other factors affecting the air quality in the country:

Improved air quality, especially in big urban centres, depends on several factors in an era of fast motorisation.

- A bloated population of vehicles using fossil fuels has affected travel speeds, worsening pollution levels.
- Poor civic governance has left roads unpaved and public spaces filled with debris and construction dust, constantly re-circulating particulate matter in the air.
- Moreover, the monitoring of diesel passenger and commercial vehicles – the biggest contributors to total emissions – for compliance with emissions regulations remains poor.
- Even, the distortions in urban development policy that facilitate the use of personal motorised vehicles rather than expanding good public transport, walking and cycling, are glaring.

Challenges before the government:

The government could face two key challenges in implementing the decision.
First, there are questions about the ability of oil marketing companies to quickly upgrade fuel quality from BS-III and BS-IV standards to BS-VI, which is likely to cost upwards of Rs 40,000 crore.

Second, and more challenging, is the task of getting auto firms to make the leap. Automakers have clearly said that going to BS-VI directly would leave them with not enough time to design changes in their vehicles, considering that two critical components — diesel particulate filter and selective catalytic reduction module — would have to be adapted to India’s peculiar conditions, where running speeds are much lower than in Europe or the US.

Also, the rollout model of introducing higher grade fuel and vehicles first in the cities has fundamental drawbacks, as was evident in the BS-IV implementation. In the periphery of designated BS-IV cities, BS-III vehicles could be registered; BS-IV vehicles (especially heavy vehicles) were more expensive, and BS-III fuel was cheaper than the BS-IV equivalent. And interstate trucks and buses, the biggest polluters, were forced to stay on with BS-III engines simply because the fuel outside cities did not conform to BS-IV norms.

Implications:

- The three parties that are impacted by this decision are automobile, auto-components and petroleum refining companies. According to the government, oil PSUs would need to invest Rs 28,750 crore for the upgrade.

- The problem for the automobile companies is a bit more complicated. Cars made by European and Japanese companies in India already comply with tougher fuel norms since these are exported to European nations. The problem lies with cheaper cars that cater largely to the domestic market.

- Also, it will take at least three years of on-road testing with BS-VI fuel before cars can be cleared. That has more to do with Indian weather, traffic and road conditions.

What will change after the new norms kick in?

BS-IV norms are currently followed across 63 Indian cities for petrol and diesel. The BS-IV compliant fuels have sulphur concentration of 50 parts per million (ppm). This will come down to as low as 10 ppm in BS-VI compliant fuels and
auto engines. This means a lower level of harmful emissions and reduced incidence of lung diseases.

- The switch to BS-VI norms will also reduce concentration of carbon monoxide, unburnt hydrocarbons, nitrous oxide and particulate matter from emissions.
- Finally, the quality upgrade will also result in diesel’s cost of production going up by 63 paise per litre and petrol by Rs 1.40 per litre. The switch will also make petrol vehicles costly by Rs 50,000 and diesel vehicles by Rs 1 lakh.
- For consumers, this translates into higher retail prices of petrol and diesel.

**Conclusion:**
Rolling out the BS VI standard nationally, skipping BS V, has significant cost implications for fuel producers and the auto-mobile industry, but its positive impact on public health would more than compensate for the investment.

**Insights into Editorial: The Hidden Wealth of Nations**
21 January 2016

The 2015 final report of the Organisation for Economic Co-operation and Development (OECD)-led project on Base Erosion and Profit Shifting (BEPS) lays out 15 action points to curb abusive tax avoidance by MNEs. The BEPS project takes note of the erosion of a nation’s tax base due to the accounting tricks of Multinational Enterprises (MNEs) and the legal but abusive shifting out of profits to low-tax jurisdictions respectively.

- The BEPS project is no doubt a positive development for tax justice. As a participant of this project, India is expected to implement at least some of the measures proposed under this project. However, if the current political atmosphere continues, 2016 could be a bumper year for the ever-lucrative tax avoidance industry in the country.
- The postponement of the enforcement of General Anti-Avoidance Rules (GAAR) to 2017 and the issue of participatory notes, or P-notes all indicate the unwillingness of political leadership to proceed further in this direction. On the
other side, MNEs are busy unearthing loopholes in the tax regime to avoid payment of taxes.

**Why we need to curb tax evasion?**

India’s recent economic history tells us that economic growth without public investment in social infrastructure such as health care and education can do very little to better the life conditions of the majority. Public investment improves only when tax collections improve. Thus, it is necessary to curb tax evasion to boost public finance. Notably, this is also part of the United Nations’ Sustainable Development Goals (SDGs).

**P-notes issue:**

Various reports, last year, indicated that the bulk of P-note investments in the Indian stock market were from tax havens such as Cayman Islands. Taking note of this, in 2015, the Special Investigation Team (SIT) on black money had recommended mandatory disclosure to the regulator, as per Know Your Customer (KYC) norms, of the identity of the final owner of P-notes.

- It was a sensible suggestion. But, looking at the prevailing market conditions, the National Democratic Alliance (NDA) government, which had come to power promising to fight black money, promptly issued a statement assuring investors that it was in no hurry to implement the SIT recommendations.
- Such patchy records water down the realistic chances of India actually clamping down on tax dodging.

**India’s DTAA with Mauritius:**

Mauritius accounted for 34% of India’s FDI equity inflows from 2000 to 2015. It’s been India’s single-largest source of FDI for nearly 15 years.

**These facts raise the following questions?**

- Is it possible that there are so many rich businessmen in this tiny island nation with a population of just 1.2 million, all with a touching faith in India as an investment destination?
- How can an island economy with a GDP less than one-hundredth of India’s GDP supply more than one-third of India’s FDI?

What do these figures indicate?
These figures indicate that Mauritius is a tax haven and is seen as a rising star for foreign investments. It is a popular hub for what is known as “round-tripping”. A wealthy Indian, say, will send his money to Mauritius, where it is dressed up in a secrecy structure, then disguised as foreign investment, before being returned to India. In this way, the sender of the money can avoid Indian tax on local earnings.

* Also as per the DTAA, capital gains are taxable only in Mauritius, not in India. But here’s the thing: Mauritius does not tax capital gains. India, like any sensible country, does. Hence, sensible businessmen set up a company in Mauritius, and route all Indian investments through it.

**What can we conclude from this?**

From the above example, it appears that India’s biggest source of FDI is India itself. Indian money departs on a short holiday to Mauritius, before returning home as FDI. Perhaps not all the FDI streaming in from Mauritius is round-tripped capital — maybe a part of it is ‘genuine’ FDI originating in Europe or the U.S. But it still denotes a massive loss of tax revenue, part of the $1.2 trillion stolen from developing countries every year.

* **What makes this theft of tax revenue not just possible but also legal** is India’s DTAA with Mauritius. Hence, DTAA is seen as a government-sponsored loophole for MNEs to avoid tax by channelling investments and profits through an offshore jurisdiction.

**Changing profile of tax havens:**

Tax havens such as Mauritius thrive parasitically, feeding on substantive economies like India. Back in 2000, the OECD had identified 41 jurisdictions as tax havens. Today, the whole world has understood the importance of their cooperation to combat tax avoidance.

* Tax haven countries are now called as ‘**Jurisdictions Committed to Improving Transparency and Establishing Effective Exchange of Information in Tax Matters**’.

* Distinguished members of this club include Cayman Islands, Bermuda, Bahamas, Cyprus, and of course, Mauritius.

**What makes these tax havens attractive?**

1. **Relaxed tax rules:**
Tax havens are a place where a country’s normal tax rules don’t apply. So, for instance, country A can serve as a tax haven for residents of country B, and vice versa.

- The U.S. is a classic example. It has stringent tax laws, and is energetic in prosecuting tax evasion by its citizens around the world.
- But it is equally keen to attract tax-evading capital from other countries, and does so through generous sops and helpful pieces of legislation which have effectively turned the U.S. into a tax haven for non-residents.

2. **Secrecy:**
The bigger attraction of tax havens is secrecy. Secrecy is important for two reasons: to be able to avoid tax, you need to hide your real income; and to hide your real income, you need to hide your identity, so that the money stashed away in a tax haven cannot be traced back to you by the taxmen at home.

- So, even a country whose taxes are not too low can function as a tax haven by offering a combination of exemptions and iron-clad secrecy.

3. **Tax havens as OFCs:**
The extreme combination of low taxes and high secrecy brought about a new mutation of tax havens in the 1960s: they turned themselves into offshore financial centres (OFCs).

- The economist Ronen Palan defines OFCs as “markets in which financial operators are permitted to raise funds from non-residents and invest or lend the money to other non-residents free from most regulations and taxes”.
- It is estimated that OFCs are recipients of 30% of the world’s FDI, and are, in turn, the source of a similar quantum of FDI.

Way ahead:
India signed this DTAA with Mauritius in 1983, but apparently ‘woke up’ only in 2000. India has spent much of 2015 ‘trying’ to renegotiate this treaty. But with our Indian-made foreign investors lobbying furiously, the talks have so far yielded nothing. Meanwhile, China, which too had the same problem with Mauritius, has already renegotiated its DTAA, and it can force investors to pay 10% capital gains tax in China.
Such being the case, all India needs to do to attract FDI is to become an OFC, or create an OFC on its territory. OFCs are less tax havens than regulatory havens, which means that financial capital can do here what it cannot do ‘onshore’.

That’s precisely what the U.S. did — it set up International Banking Facilities (IBFs), “to offer deposit and loan services to foreign residents and institutions free of reserve requirements”. Japan set up the Japanese Offshore Market (JOM). Singapore has the Asian Currency Market (ACU), Thailand has the Bangkok International Banking Facility (BIBF), Malaysia has an OFC in Labuan island, and other countries have similar facilities.

Conclusion:
While it may be true that greater international cooperation to deter tax evasion will pay dividends over the medium term through higher tax revenues, it is equally important for the government to tackle tax dodgers in India. That should not be done through rough methods but rather by better mining and usage of data generated by the Tax Information Network, simplification of tax laws, as well as clarity and stability of policies.

**Insights into Editorial: Fine Print of India’s Start-up Policy**

22 January 2016

[Article Link](#)

As part of a bunch of measures that constitute the action plan for government’s **start-up initiative**, the centre will shortly be setting up a **Fund of Funds** that would invest in private venture capital funds.

- The fund will be set up with the initial corpus of **10,000 crore** (about $1.5 billion). However, it will be deployed in tranches of Rs.2,500 crore over a period of four years. India’s venture capitalists are very happy with this announcement.

- Please note that the idea of a fund of funds isn’t new. Finance minister Arun Jaitley had earmarked Rs.10,000 crore for a fund of funds nearly 18 months ago in the Union Budget 2014-2015. The fund of funds announced as part of
start-up action plan is a reiteration, rather a repackaging of the July 2014 budget proposal with some clarity on how it will be structured and managed.

Who can use this fund?
The fund of funds will invest in venture capital funds registered with markets regulator Securities and Exchange Board of India (Sebi).

Why we need this fund?
Presently, the domestic venture capital industry is practically non-existent in the country. The country’s venture capital industry, consisting mostly of foreign firms, currently raise more than 90% of their capital from foreign institutional investors, commonly known as limited partners. Thus, it is necessary to stimulate the growth of the domestic venture capital industry.

Why is it important to encourage the growth of a domestic venture capital industry that is not overwhelmingly dependent on foreign capital?
It is because of the following reasons-

- Firms backed by foreign capital tend to jump towards start-ups that replicate business models that have been successful in the US, or in other developing markets. Their limited partners are understandably more comfortable with that strategy.

- The dependence on foreign capital makes firms in India vulnerable to the ups and downs of those markets. While the Indian venture capital market is not currently strapped for capital and India remains an attractive investment destination for global limited partners, even a tremor in the US economy or venture capital market could trigger a major upset here.

The fund of funds aims to address the above mentioned concerns by specifically investing in funds that will, in turn, invest in sectors such as health, education, manufacturing and agriculture.

Challenges before the venture capital industry:

- According to data compiled by Chennai-based Venture Intelligence, in 2015, venture capital investments in India stood at about $1.8 billion. Therefore, Rs.10,000 crore is not sufficient to spur the growth of this industry.
- The government has announced that it intends to contribute up to 50% of the stated corpus of a Sebi-registered venture capital fund. However, the
problem here is that it is quite difficult for these funds to raise the rest 50%. Added to it, the government contributes 50% only after the Sebi-registered fund has already raised commitments from other investors for the balance 50%.

- These venture capital funds do not have access to a large pool of domestic institutional capital. Even the banks and insurance companies cannot help them as their investment limits are capped at 10% of the overall corpus of a Sebi-registered venture capital fund.

- Hence, the only sources of domestic capital currently available to venture capital funds are HNIs (high net-worth individuals) and family offices. However, neither is incentivised enough, through tax concessions, to put meaningful money into play in venture capital funds.

- This leaves domestic venture capital funds with no option but to raise but to raise capital from overseas investors. Even that is not easy because of a complex regulatory framework.

- As a result, most domestic venture capital funds have to adopt a dual fund structure (in which capital raised from foreign investors is parked in a separate offshore fund).

Why some people are not happy with the formation of this fund?

Critics argue that it is not prudent, even proper, on the part of the government to invest taxpayers’ money in venture capital funds, which will in turn invest in enterprises that carry a high risk of failure.

Way ahead:

An advisory panel set up by Sebi and led by Infosys founder N.R. Narayana Murthy has just submitted a report suggesting reforms to make the fund-raising environment for venture capital funds more conducive. The government has assured that it will soon address their concerns.

Conclusion:

While it remains unclear whether tech start-ups have anywhere near the potential to create the kind of employment that India needs, the government on its part has done well to give these start-ups the necessary ammunition to get on with value creation with the minimum of government interface. Overall, while the intent is
praiseworthy and there are many laudable ideas in the policy, much in the fine print needs attention if its goal is to be realised. However, on the other hand it appears that the launch of the fund of funds at this juncture is more a case of putting the cart before the horse. And, it certainly isn’t the most efficient use of taxpayers’ money.

**Insights into Editorial: Fourth Industrial Revolution: What it Means, Why it’s being Discussed**

23 January 2016

Article Link

CEOs, political leaders, social entrepreneurs, technologists and other global leaders are all at Davos to further the World Economic Forum’s mission of improving the state of the world. But, the big buzz at the World Economic Forum (WEF) in Davos this year is about the ‘Fourth Industrial Revolution’.

What is Fourth Industrial Revolution?

As described by the founder and executive chairman of WEF, Klaus Schwab, “the fourth industrial revolution is a technological revolution that will fundamentally alter the way we live, work and relate to one another”.

Background:

1st industrial revolution: The first Industrial Revolution began in Britain in the last quarter of the 18th century with the mechanisation of the textile industry, harnessing of steam power, and birth of the modern factory.

2nd industrial revolution: The Second Industrial Revolution, from the last third of the nineteenth century to the outbreak of World War I, was powered by developments in electricity, transportation, chemicals, steel, and mass production and consumption. Industrialization spread even further – to Japan after the Meiji Restoration and deep into Russia, which was booming at the outset of World War I. During this era, factories could produce countless numbers of identical products quickly and cheaply.

3rd industrial revolution: The third industrial revolution, beginning c. 1970, was digital — and applied electronics and information technology to processes of production. Mass customisation and additive manufacturing — the so-called ‘3D
printing’ — are its key concepts, and its applications, yet to be imagined fully, are quite mind-boggling.

How different will be the 4th industrial revolution?
There are three reasons why today’s transformations represent not merely a prolongation of the Third Industrial Revolution but rather the arrival of a Fourth and distinct one: **velocity, scope, and systems impact**.

- The speed of current breakthroughs has no historical precedent. When compared with previous industrial revolutions, the Fourth is evolving at an exponential rather than a linear pace.
- Moreover, it is disrupting almost every industry in every country. And the breadth and depth of these changes herald the transformation of entire systems of production, management, and governance.
- The 4th revolution will be characterized by the advent of cyber-physical systems which, while being reliant on the technologies and infrastructure of the third industrial revolution, represent entirely new ways in which technology becomes embedded within societies and even our human bodies. Examples include genome editing, new forms of machine intelligence, and breakthrough approaches to governance that rely on cryptographic methods such as blockchain.
- Hence, it can be said that the 4th industrial revolution is conceptualised as an upgrade on the third revolution and is marked by a fusion of technologies straddling the physical, digital and biological worlds.

How does mankind benefit from this?
Like the revolutions that preceded it, the Fourth Industrial Revolution has the potential to raise global income levels and improve the quality of life for populations around the world.

- By gaining access to the digital world, consumers will be benefited in several ways. With the advent of new technology, we get to use more and more efficient products.
- In the future, technological innovation will also lead to a supply-side miracle, with long-term gains in efficiency and productivity.
Transportation and communication costs will drop, logistics and global supply chains will become more effective, and the cost of trade will diminish, all of which will open new markets and drive economic growth.

Challenges posed by this revolution:

Economists have pointed out that the 4th revolution could yield greater inequality, particularly in its potential to disrupt labor markets.

- As automation substitutes for labor across the entire economy, the net displacement of workers by machines might exacerbate the gap between returns to capital and returns to labor.

- With this revolution, it is also possible that in the future, talent, more than capital, will represent the critical factor of production. This will give rise to a job market increasingly segregated into “low-skill/low-pay” and “high-skill/high-pay” segments, which in turn will lead to an increase in social tensions.

- In addition to being a key economic concern, inequality represents the greatest societal concern associated with the Fourth Industrial Revolution. The largest beneficiaries of innovation tend to be the providers of intellectual and physical capital—the innovators, shareholders, and investors—which explains the rising gap in wealth between those dependent on capital versus labor.

What will be the impact on the government?

As the physical, digital, and biological worlds continue to converge, new technologies and platforms will increasingly enable citizens to engage with governments, voice their opinions, coordinate their efforts, and even circumvent the supervision of public authorities.

- Simultaneously, governments will gain new technological powers to increase their control over populations, based on pervasive surveillance systems and the ability to control digital infrastructure.

- On the whole, however, governments will increasingly face pressure to change their current approach to public engagement and policymaking, as their central role of conducting policy diminishes owing to new sources of competition and the redistribution and decentralization of power that new technologies make possible.
Ultimately, the ability of government systems and public authorities to adapt will determine their survival. If they prove capable of embracing a world of disruptive change, subjecting their structures to the levels of transparency and efficiency that will enable them to maintain their competitive edge, they will endure. If they cannot evolve, they will face increasing trouble.

**Impacts on national and international security:**
The Fourth Industrial Revolution will also profoundly impact the nature of national and international security, affecting both the probability and the nature of conflict.

- The history of warfare and international security is the history of technological innovation, and today is no exception.
- Modern conflicts involving states are increasingly hybrid in nature, combining traditional battlefield techniques with elements previously associated with nonstate actors.
- As new technologies such as autonomous or biological weapons become easier to use, individuals and small groups will increasingly join states in being capable of causing mass harm.
- This new vulnerability will lead to new fears. But at the same time, advances in technology will create the potential to reduce the scale or impact of violence, through the development of new modes of protection or greater precision in targeting.

**The impact on people:**
The Fourth Industrial Revolution will change not only what we do but also who we are. It will affect our identity and all the issues associated with it: our sense of privacy, our notions of ownership, our consumption patterns, the time we devote to work and leisure, and how we develop our careers, cultivate our skills, meet people, and nurture relationships.

- Also, the revolutions occurring in biotechnology, which are redefining what it means to be human by pushing back the current thresholds of life span, health, cognition, and capabilities, will compel us to redefine our moral and ethical boundaries too.

**How can we be prepared for the Fourth Industrial Revolution?**
- By providing universal access to affordable education and job training.
• By continuing to ensure basic protection for workers as the changes take place. Governments have, along with the private sector, an obligation to strengthen these core protections.
• By modernizing infrastructure. Governments have fundamental responsibilities to build roads, bridges, railways, ports, broadband. And all of this can have profound impact on economic growth, generating well-paying jobs and bringing opportunity to areas where it does not exist.
• By having a more progressive tax code.
• By expanding access to capital. Existing capital and the tools that support entrepreneurship should be made widely available to people who haven’t had access to it before.

Conclusion:
In its most pessimistic, dehumanized form, the Fourth Industrial Revolution may indeed have the potential to “robotize” humanity and thus to deprive us of our heart and soul. But as a complement to the best parts of human nature—creativity, empathy, stewardship—it can also lift humanity into a new collective and moral consciousness based on a shared sense of destiny. It is incumbent on us all to make sure the latter prevails. We should thus grasp the opportunity and power we have to shape the Fourth Industrial Revolution and direct it toward a future that reflects our common objectives and values.

Insights into Editorial: Superbug and Quantum Dot
25 January 2016

Article Link
Does nanotechnology hold the key to stopping antibiotic-resistant bacteria and the deadly infections they cause? Scientists in Colorado think it just might.

How?
Scientists have developed light-activated nanoparticles — each roughly 20,000 times smaller than the thickness of a single human hair and have shown in lab tests that these “quantum dots” are more than 90% effective at wiping out antibiotic-resistant germs like Salmonella, E. coli and Staphylococcus.

What are Quantum dots?
A quantum dot is a **nanoparticle made of any semiconductor material such as silicon, cadmium selenide, cadmium sulfide, or indium arsenide.** They are essentially small crystals of nanometer-size dimensions – they’re about 20,000 times smaller than the width of a human hair. They are each one million times smaller than a millimeter. They have distinctive electrical conduction properties that are determined by the incredibly small size and structure.

- When these QDs are hit with a specific frequency of radiation, their changeable structure, tailored by scientists, means that they can be finely tuned to emit a specific frequency of radiation; changing the wavelength of the light source can achieve the same effect.
- **In the dark, the QDs remain inactive.** When bombarded by visible light, they become energetically “excited.”

**Why we need them?**

**Super-bacteria** resistant to the latest antibiotics, the last line of medical defence against various infections, cancer and HIV, is on the rise. These superbugs use evolutionary abilities to overwhelm medical advances. And to contain these bugs has been a challenging task for the scientists across the world.

**What led to their rise?**
The rampant, indiscriminate administration of **common antibiotics** has allowed these bacteria the ability to shuffle their genes and defeat these drugs. Such bacteria include Salmonella, Staphylococcus and E. coli.

**Why is this cause for concern?**
Antibiotic-resistant bacteria, also known as superbugs, infect about two million people and kill at least 23,000 people in the US each year.

- There is no comparative data for India, but the country is the world’s largest consumer of antibiotics and has emerged as a leading hotbed of untreatable bacterial infections, their threat doubling over five years.
- These bugs have also the ability to evolve, adapt and fight back.

**What the latest discovery is all about?**
Scientists have developed a light-activated superbug-killing nanoparticle. This nanoparticle is 20,000 times smaller than the width of a human hair.
These particles killed nine of 10 drug-resistant bacterial cells grown in a laboratory culture and resistant to all known antibiotics.

The quantum dots were used in tiny concentrations, about a thousand times smaller than current drugs in a pill.

Scientists have told that the development of these quantum-dot nanoparticles required much interdisciplinary research, stretching into biology, chemistry and electronics.

**How Quantum dots fight Superbugs?**

When placed among bacteria in a solution, something interesting happens. Bacteria rely on “redox” reactions, those involving the addition or removal of oxygen (reduction and oxidation, respectively). And when several Quantum dots are “excited” nearby, they produce chemicals that are able to be reduced or oxidized by reactive compounds within the bacteria. This effectively interferes with their intercellular processes, disrupts their cell growth, and kills them. In a lab-grown culture, this method has been shown to kill 92% of a variety of drug-resistant bacterial cells, while leaving other cells alone.

**Significance of the quantum dots:**

- As the superbugs evolve, adapt and fight back, the quantum dots can be tuned, or customised, with an atom added or subtracted to create a new material, property or therapy, while using data from related clinical trials or drugs.

- Gold and silver nanoparticles—among other materials—have previously been used to attack superbug infections, with varying degrees of success. Their main drawback is the damage to surrounding cells. However, the newly discovered particles show different effects on bacteria. For instance, cadmium telluride nanoparticles have a therapeutic effect against drug-resistant bacteria; similarly-sized copper indium sulfide particles help good bacteria grow.

- Varying the wavelength of light, or size, composition and surface of the dots, allows selective killing of drug-resistant bacteria, without harming host human cells.

**Way ahead:**
If successful in further clinical trials, particles can be administered to patients with infections and it can cure the infection without potential effects (or side-effects) for healthy host cells.

Scientists have envisaged three modes of quantum-dot therapy and drug administration—

- First, for **topical infections caused by wounds or cuts**, where a sticky adhesive patch coated with nanoparticles will need to be illuminated with light to begin treatment.
- Second, for **systemic infections**, which will need the drug to be injected or administered intravenously.
- Third, as a **disinfectant**—for instance, on hospital surfaces or instruments—in a well-lit or specially lighted room.

**Conclusion:**
But more research, including clinical trials, will be needed to develop quantum dot therapy and prove its safety and effectiveness in humans. The stage is now set for the government to intervene and provide some fund for clinical trials. However, the final and most challenging proving grounds that take any therapy from laboratory to market—and determine if the quantum dot could be the next big thing.

**Insights into Editorial: Sell to Spend**
26 January 2016

**Article Link**

Economic slowdown in China and strong job growth but weak wage growth in the US, all suggest that 2016 may not be a great year for the global economy.

**Indian scenario:**
Amid this storm, the good news is that India remains the emerging market (EM) deemed most resilient to global shocks, underpinned both by good policy (fiscal and monetary) and a lot of good luck (collapse in oil).

- The depreciation of the rupee over the last week may have jangled some nerves but the fact is that it continues to be among the best performing EM currencies.
The current account deficit is also less at 1% of the GDP.

Why India is better placed?
- The collapse in oil prices has been the biggest driver of growth, boosting it by more than 1% point in 2015-16.
- It has increased the household purchasing power, corporate margins, and created budgetary space to increase expenditures.

Concern:
It should be noted that fall in oil prices is a one-time boost because it’s the change in oil prices — not their level — that creates the growth dividend.
- If the oil price stabilises, India will lose this growth dividend next year.
- Further, with balance-sheet stress still not alleviating, and the export outlook not improving, India’s economy could get worse.
- The real policy challenge, therefore, is not guarding against a rupee collapse (like in 2013), but ensuring that it doesn’t appear too strong on a trade-weighted basis as other currencies depreciate even faster.
- India’s worry is not external preparedness but growth risks that have increased in recent months.

How should India prepare itself to face the slowdown?
The continued correction of oil has increased the possibility of some more monetary easing this year. But, it would be more prudent for the country to concentrate on inflation targeting. Core inflation in the country has stubbornly remained above 5.5% in 2015. Inflation targeting has provided a much-needed anchor to monetary policy, creating credibility, enabling consistency, and anchoring medium-term inflation and rupee expectations.
- Amid concerns of a slowdown, few experts have advised the government to follow a fiscal-consolidation path. They have also asked the government to reduce the fiscal deficit further from 3.9 to 3.5% of the GDP. However, doing so would make fiscal policy procyclical (tightening when growth is slowing) and potentially suboptimal.
- Another way to protect against adverse dynamics is to reduce the primary deficit as soon as possible. Experts also suggest that the government should also be ready with a counter-cyclical policy and implement it if required.
How can the government avoid procyclicality?
Now, asset sales are the only way for the government to protect credibility while avoiding procyclicality. There are no easy policy choices in India. Hence, it is time for the government to prioritize asset sales (disinvestment).

What happens if we deviate from the fiscal path?
It could impinge upon India’s hard-earned credibility. This would also increase the overall borrowings. A larger-than-expected borrowing programme could further pressure benchmark G-sec yields, pushing up private-sector borrowing costs and risking some crowding-out of private investment.

**Insights into Editorial: A Ringside View of the Proposed GST**

*27 January 2016*

**Article Link**

If implemented, GST will be the single most important tax reform in the country since independence. However, it has been in the offing for a decade now and continues to figure as a top priority on the economic agenda of the government.

What’s the issue now?
Although the model GST has been the subject of wide scrutiny and debate, most of the discussions have been centred on its road to passage or on its larger form and structure. Many issues of significance, which will be crucial to the making of a robust and successful GST, have largely been underplayed.

**Issues associated with the GST:**

1. **Dilution of uniform GST rate:**
A lot has been discussed on the benefits of uniformity that the GST would usher in. It was expected that the GST would obviate potential rate wars between the states by putting in place a uniform tax rate by combining Central GST (CGST) and State GST (SGST).

* However, a Report of the Rajya Sabha Select Committee has indicated that a uniform GST rate would be diluted by giving States the freedom to impose the SGST within a band of rates in order to meet revenue expediencies or as a policy tool. Experts argue that this move undermine the true spirit of the GST Bill.
2. **GST Dispute Settlement Authority:**
The failure to incorporate a GST Disputes Settlement Authority, as was provided for in the 2011 Bill, is a serious lacuna that must also be filled. The Authority would have reined in any deviations affecting the harmonised structure of the GST.

- Now, instead, all issues concerning rates, exemptions, and so on are to be decided by the GST Council (of which the Centre and States are members) by consensus, which may prove elusive given the political, social and revenue dynamics at play.
- Hence, the GST Council must be supplemented and reinforced with a GST Disputes Settlement Authority in toto as provided for in the 2011 Bill.

3. **Voting pattern within the GST Council:**
It is also argued that the new GST Bill is unduly weighted in favour of the Centre. According to the new pattern, within the GST Council, the centre will get one-third share in voting rights. On the other hand, states’ collective share will be limited to two-third. In effect, each State, irrespective of size, representation and GDP contribution, will command an equal vote, a structure which militates against the basic spirit of representative democracy enshrined in the Constitution.

- This provision also opens up the Council to greater manoeuvring by the Centre on issues that it seeks to pass or veto.
- Hence, in the interests of true “cooperative federalism”, the share of the States in voting in the GST Council must be enhanced to 75% and the share of the Centre brought down to 25%.

4. **Rewarding destination states:**
The existing tax system has typically followed a model of rewarding States where production activity is based (origin States), as opposed to States where consumption is high (destination States). Accordingly, most States have incentivised the setting up of local industries in order to drive growth and augment tax collections.

- But, GST is trying to disturb this delicate balance. GST, by nature, is a destination-based consumption tax. While origin States may chalk out measures to redress the imbalance, consumption and production patterns will
not alter overnight, and industrialised States could be left in the lurch, at least in the immediate aftermath of the GST.

- In such a scenario, it will be difficult to predict the reaction of industrialised States. There is also the troubling prospect that such an aggrieved State may seek to substantially deviate from the uniform model.
- Hence, before proceeding further, it is the responsibility of the centre to make some alternative arrangements for these origin states.

5. **Disparity in IT connectivity:**

Unlike the existing system, which has greater scope for manual intervention, the GST aims to achieve a tectonic shift to a singular digitised compliance set-up. While this would be a great leap forward if implemented well, what has perhaps been underestimated is the huge geographical disparity across the length and breadth of India in terms of IT connectivity and functionality.

- With Digital India campaign the government has planned to address this issue. But, it has a long way to go to achieve reasonable Internet penetration. As a result, in some sections of the country today, manual tax compliance remains the only option.

6. **Dependence of GST on IT:**

The proposed GST is also highly dependent on IT. For instance, the Integrated Goods and Services Tax (IGST) mechanism, which enables the crucial fungibility of taxes across States, will be unworkable outside an automated set-up, especially given the sheer volume of transactions that the GST will subsume. The proposed IT infrastructure will have to be suitably equipped, as any snags would effectively render the levy dysfunctional.

7. **Conflict between the Centre and the States:**

Under the GST, States will have the **constitutional power to tax on a par with the Centre**, bringing a host of service sectors within their scope for the first time.

- However, past precedent has shown that such dual taxing power has resulted in complete chaos at the cost of assesses.

8. **Issues of place of supply:**

With GST in place, it is expected that issues of place of supply will also arise, with the Centre and States each asserting that the respective supply has occurred within
their jurisdiction, so as to be able to garner the tax revenue. Poorly drafted rules will only aid and abet the confusion.

9. **Approach of revenue authorities:**

With the implementation of the GST in India, many taxpayers will, for the first time, be exposed to the State authorities. It is possible that these tax payers may be abused by the state authorities. Hence, clear and objective guidelines should be put in place to whittle down the potential for any abuse of discretion.

Conclusion:

Along the road to GST, it is also critical that these issues are subjected to the same level of governmental and public scrutiny so that the implementation of GST is a success in letter as well as in spirit.

**Insights into Editorial: Ensuring Privacy in a Digital Age**

28 January 2016

Article Link

28th January, 2106 was celebrated as the International Data Privacy Day around the world. The idea behind Data Protection day is to celebrate our right to data protection and raise awareness of the law in this area.

**Why this day (28th Jan)?**

It is because it was on this day (28th Jan), in 1981, the European Council signed the **Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data.**

**About the convention:**

Popularly known as **Convention 108,** the Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data is the first **legally binding international treaty dealing with privacy and data protection.**

* All members of the Council of Europe have ratified the treaty, except Turkey.

**Significance of 28th Jan 2016:**

2016 marks the **10th anniversary of Data Protection Day.**

**Significance of data protection:**
Data protection is a bigger part of our lives. But, often we ignore its importance. We come across data protection issues at work, when browsing the internet, when dealing with public authorities, when we shop, when we book tickets online and in many other circumstances.

- As digitalisation increases, more and more of our data is being captured. How this data is used and held is becoming increasingly important.
- However, it is well known that most citizens all over the world are unaware their rights in relation to data protection. And some people are breaching data protection laws unknowingly on a daily basis.

Indian scenario:
According to an Internet and Mobile Association of India report, India has around 400 million Internet users. This number took a decade to reach 100 million from 10 million, three years to reach 200 million and just another year to reach 300 million.

Concerns:
The Internet is essentially a data ecosystem where every node is engaged in generation, transmission, consumption and storage of data. Massive amounts of information and data are being generated every day.

- Various government schemes like Adhaar, digi locker and DBT are increasing the availability of large-scale sensitive data online.
- But the situation is such that while we are generating such high volumes of data, we do not have in place measures that safeguard the privacy of this data, nor regulate data retention by platforms collecting it.
- As a result, ordinary citizens are unaware of how their personally identifiable information is collected, stored, used and shared.
- The Information Technology Act, with its limited scope to penalize government agencies for breach of data privacy, is the only legal instrument available to citizens against contravention of their privacy in the data ecosystem.
- This leaves citizens exposed—as in 2013, when the Maharashtra government simply lost the personal data of 300,000 Aadhaar card applicants.

What should be done now?
The need of the hour is a comprehensive legislation that provides for a **right to privacy as a fundamental entitlement to citizens**. The groundwork for such legislation has already been laid in 2012 by a **Justice A.P. Shah-headed group of experts constituted by the Planning Commission**.

The commission had proposed a set of national privacy principles that would place an obligation on data controllers to put in place safeguards and procedures that would enable and ensure protection of privacy rights. These include:

- **Notice** to be given to users while collecting data.
- **Choice and consent** of users while collecting data from them,
- **Collection limitation** to keep user data collected at the minimum necessary.
- **Purpose limitation** to keep the purpose as adequately defined and narrow as possible.
- **Access and correction** for end users to correct or delete their personal data as may be necessary.
- **Disclosure of information**: private data should not be disclosed without explicit consent of end user.
- **Security**: defining responsibility to ensure technical, administrative and physical safeguards for data collected.
- **Openness**: informing end users of possible collection and utilization of personal data.
- **Accountability**: institutionalize accountability for adherence to these principles.

**Significance of the proposed framework:**

- The proposed framework aims at being technology neutral and compliant with international standards already in place to protect user privacy.
- It also recognizes the multiple dimensions of privacy and aims at establishing a national ethos for privacy protection, while remaining flexible to address emerging concerns.
- It seeks horizontal applicability with both the public and private sectors bought under the purview of privacy legislation.

**Way ahead:**
An attempt to introduce such legislation in Parliament failed in 2011 as there could not be a consensus on which government agencies could seek exclusion from such provisions and collect citizen data without any oversight.

Until such provisions are established by law, it will be necessary to adopt mechanisms that ensure compliance towards use of privacy enhancing technologies (PET).

What are PETs?

PETs are essentially processes and tools that allow end users to safeguard the privacy of their personally identifiable information that they willingly provide to government agencies and other service providers.

- PETs put the end user in control over what information to share, with whom to share and a clear knowledge of the recipients of this information. For example, using PETs the end user can make use of data encryption and can mandate multi-factor authentication for access to data.

What else can the government do?

- The government needs to start with aligning its technology laws with the evolving Internet landscape.
- User privacy concerns and secure designing should be integrated in the charters of respective standard-setting organizations.
- There needs to be active user education that makes them aware of their choices.
- Lengthy and complex privacy policies that practically hand over control of user data to the platforms collecting it need to be replaced with ones that are user friendly in draft and execution.
- Policy documents that address these concerns need to be widely discussed and debated in the public domain.

Conclusion:

There’s no doubt that this year’s Data Protection Day serves as a timely reminder for organisations about the importance of correctly handling and safeguarding individuals’ personal data. It also highlights the uncertainty around how these regulations may change and develop in the coming months, as decisions are reached to align future legislation with our modern data footprint. However,
sensing the urgency, the Supreme Court in 2015 referred to a constitutional bench
the petition seeking inclusion of the **Right to Privacy under Article 21** (Right to Life). While the verdict of the honourable court is still awaited, we can take the
first steps towards safeguarding ourselves by voluntarily inculcating digital privacy
principles.

**Insights into Editorial: Negotiating with the Taliban**

29 January 2016

Article Link

Summary:
The recently concluded Doha **Dialogue on ‘Peace and Security in Afghanistan’** presents a number of opportunities for the international community, as well as India, in dealing with the resurgent Taliban phenomenon.

- This conference was significant because key leaders from the Taliban’s Qatar office, the only one of its kind set up by the dominant Taliban faction of Mullah Akhtar Mohammad Mansour, were in full attendance at the meeting. The Taliban leaders have put forward a number of conditions for initiating a peace process in Afghanistan. However, the meeting was boycotted by the Afghan government.

Why the Doha process is significant at this juncture?

It comes at a time when the official **Quadrilateral Coordination Group on Afghan Peace and Reconciliation**, with participation from the governments of Afghanistan, China, Pakistan, and the U.S., has become a non-starter due to the non-participation of the Taliban.

- The Taliban has also shown its willingness to negotiate a power-sharing agreement with the Afghan government.

- It is also for the first time since the Taliban’s fall in 2001, they have started clarifying the contours of their vision for Afghanistan.

But, why should we make peace with a violent outfit holding highly objectionable religious and political views and what’s in it for Afghanistan?

- With no less than 60,000 heavily armed men in their ranks, the Taliban are reportedly in control of around 30% of Afghanistan’s districts, with their reach
and control steadily on the rise. Hence, not going ahead with the peace process is indeed a worse option, and could prove to be suicidal for Afghanistan and its people.

- Even, the powerful NATO troops in 2011 could not stop the Taliban’s territorial gains. Now, the NATO has been withdrawn from Afghanistan. However, U.S. has decided to keep close to 10,000 troops in Afghanistan this year, and around 5,000 in 2017. But, this can hardly bring any changes.

- The involvement of USA and widespread fraud during the 2014 presidential election in Afghanistan has dented the legitimacy of the Afghan government. Now, with decreasing American military support, very little political legitimacy, and sheer lack of military strength to run its writ over the country, the Afghan administration will find itself in more trouble in the years ahead. The more it delays direct talks with the Taliban, the weaker its negotiating position would become prompting the Taliban to seek even more concessions.

- The Taliban leadership has repeatedly hinted at possible power-sharing arrangements with Afghan President Ashraf Ghani during the recent Doha deliberations. Given its many weaknesses, Afghanistan would do well by engaging the Taliban in a dialogue process.

- During the conference, the Taliban assured the dialogue participants, including Afghan women, parliamentarians and civil society activists, that they would respect women’s rights (to work, choose their spouse, etc.) and ensure modern education for all, including girls. In order to assess this as well as to nudge them to change even more, it is important to engage them.

- The Taliban representatives have also pledged open support for the proposed Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline project and guaranteed that they would ensure the security of the pipeline along with the Afghan government.

Issues that need to be addressed:
The most important issue is that the Taliban, who refer to themselves as the “Islamic Emirate of Afghanistan”, are unwilling to submit themselves to the Afghan Constitution and accept the term “Islamic Republic of Afghanistan” written in its preamble. Intent on creating an “Islamic Emirate of Afghanistan”,
they propose to establish a state based on the Sharia law. They are non-committal on the question of democracy, partly due to their interpretation of Islam, and partly due to their fear whether the Afghan people would accept them if they fought an open and transparent election without the might of the gun.

- Since it is difficult for the Afghan government and for the international community to accept this proposal, a power-sharing agreement may be proposed by the Taliban. This could be difficult for both the Afghan government and the international community to concede and could well be a deal-breaker.
- But, the Afghan government should seize this opportunity and accept some of the Taliban’s preconditions for talks, such as allowing them to open a formal office on Afghan soil.

India’s fears and options:
It is a well known fact that India has had a frosty relationship with the Taliban due to a number of reasons. Hence, India’s cautious approach towards the Taliban is reasonable. However, it is right time for India to play a more proactive role in the Afghan reconciliation process. It is important to take note of the laudable attempts made by the Taliban representatives in Doha at allaying India’s fears by stating that they would not allow their territory to be used for terror activities, and that their foreign policy would not be dictated by anyone (an indirect reference to Pakistan).

- India’s Afghan policy, ever since the fall of the Taliban in 2001, has been impressive and imaginative. However, it does fall short in meeting the country’s future objectives in Afghanistan in the context of the emerging political realities there.
- India should therefore make use of the reconciliation process in Afghanistan to subtly engage all stakeholders there. The Doha process and the message from the Taliban leadership based in the Qatari capital should be taken seriously by India.

**Insights into Editorial: The Basics for Free Speech**
30 January 2016
Summary:
It is generally understood that the contempt of court jurisdiction in India is exercised not to protect the dignity of an individual judge but to protect the administration of justice from being maligned. However, the recent notice issued by the Bombay High Court to the Booker Prize-winning writer Arundhati Roy for committing what the court believed constituted a clear case of criminal contempt of court has raised a few eyebrows in the country. The court pulled up Ms. Roy up for writing an article criticizing the Indian state, including the country’s judiciary.

What is ‘Contempt of Court’?
According to the Contempt of Courts Act, 1971 there are two common forms of contempt:

1. **Civil contempt** will include, among other things, a wilful disobedience of a court’s judgment, order or direction.
2. **Criminal contempt** will include publications that do one or more of the following: (a) scandalise or lower the authority of any court; (b) prejudice or interfere with the due course of any judicial proceeding; or (c) interfere with or obstruct the administration of justice in any other manner.

The promise of the Constitution:

**Article 19** of the Constitution of India guaranteed the right to freedom of speech and expression, but also allowed restrictions on this right to be imposed by law, including any Law of Contempt, provided only that the restrictions were reasonable.

**Articles 129 and 215** of the Constitution explicitly spelt out the power of the Supreme Court and High Courts to punish someone for contempt.

Criticisms:
The 1971 law clearly divides different types of contempt. Some of these categories- 1 and 2 (b) – are more obviously justifiable as offences. But the idea that the judiciary can also punish acts that have very little to do with the actual administration of justice and all to do with the impact of speech on the institution’s supposed reputation in the eyes of the public is substantially more problematic.
Also, the power to punish acts which ostensibly scandalise or lower the authority of the court indicate the sense of insecurity that court might be having.

Discussions on this in the Constituent Assembly:
During the course of drafting the Constitution, there was a marked uncertainty among the framers about the understanding of contempt they were inserting into the Constitution.

- When T.T. Krishnamachari suggested the inclusion of contempt of court as one of the permissible limitations to free speech, many members of the constituent assembly opposed his suggestion right away.
- One of these challengers, Pandit Thakur Das Bhargava, believed that contempt of court was simply not germane to a discussion on freedom of speech and expression. He argued that powers to reprimand contempt concerned only actions such as the disobedience of an order or direction of a court, which were already punishable infractions.
- Speech in criticism of the courts, he argued, ought not to be considered as contumacious, for it would simply open up the possibility of gross judicial abuse of such powers.

Supreme Court’s interpretations:
India’s courts have routinely invoked the long arm of its contempt powers to often punish expressions of dissent on purported grounds of such speech undermining or scandalising the judiciary’s authority. But, while doing so, the court has rarely conducted a strict analysis on whether those acts posed any actual threat to — or interfered in any direct manner with — the administration of justice.

- In its 1996 judgment the Supreme Court ruled that “all acts which bring the court into disrepute or disrespect or which offend its dignity or its majesty or challenge its authority” amount to punishable contempt.
- This judgment changed the meaning of free speech in the Indian context. Some experts argue that this judgment henceforth allowed courts oppose some forms of speech purely by virtue of their content as opposed to any actual anti-democratic harm stemming through their expression.

Amended Contempt of Courts Act:
In 2006, with a view to reducing the breadth of the judiciary’s powers, Parliament amended the Contempt of Courts Act of 1971. The law now provides two additional safeguards in favour of a dissenter-

- One, it establishes that a sentence for contempt of court can be imposed only when the court is satisfied that the contempt is of such a nature that it substantially interferes, or tends to substantially interfere with the due course of justice.
- Two, the truth in speech now constitutes a valid defence against proceedings of contempt, if the court is satisfied that the larger public interest is served through the publication of such content.

In spite of these amendments, courts have continued to routinely equate the supposed scandalising of the judiciary’s authority to an act of contempt.

**Conclusion:**

In spite of the fact that contempt of court is one of the explicitly spelled out restrictions to the guaranteed right to freedom of speech under the Constitution, in a democracy, properly understood, it’s difficult to locate any justification for opposing speech at the face of the judiciary. Punishing speech for supposedly scandalising or lowering the authority of the court falls afoul of whichever rationale we might wish to adopt in our theorising of the abstract right to free expression in India. Hence, the power of contempt should be used sparingly and that too, only against those wilfully subverting justice, and not against critics of the state.