



Continental ties

India begins the heavy-lifting needed to transform economic partnerships in Africa

The African Development Bank's decision to hold its annual general meeting in India this month is a signal of the importance African countries attach to New Delhi's growing role in its development. It was nearly a decade ago, in 2008, that India made a serious attempt for a strategic partnership with all of Africa, instead of just the nations it traded with, at the first India-Africa Forum Summit. At that time, India's efforts seemed minimal, a token attempt at keeping a foothold in a continent that was fast falling into China's sphere of influence. New Delhi had its work cut out, building a place for India as a partner in low-cost technology transfers, a supplier of much-needed, affordable generic pharmaceuticals, and a dependable donor of aid that did not come with strings attached. Over the past few years the outreach to Africa has also been driven by visits of President Pranab Mukherjee, Vice-President Hamid Ansari and Prime Minister Narendra Modi. As Mr. Modi pointed out in his speech to the AfDB in Gandhinagar on Tuesday, every country in Africa has by now been visited by an Indian Minister, highlighting the personal bonds India shares. During the India-Africa summit held in Delhi in 2015, the Centre announced a further \$10 billion export credit and a \$600 million grant which, despite being a fraction of the aid Africa received from China and blocs such as the European Union, was a significant sum for India.

Having established its credentials and commitment over time, the Centre is now taking its partnership beyond dollars and cents to a new strategic level. To begin with, India is working on a maritime outreach to extend its Sagarmala programme to the southern coastal African countries with 'blue economies'; it is also building its International Solar Alliance, which Djibouti, Comoros, Cote d'Ivoire, Somalia and Ghana signed on to on the sidelines of the AfDB project. In its efforts, India has tapped other development partners of Africa, including Japan, which sent a major delegation to the AfDB meeting. It has also turned to the United States, with which it has developed dialogues in fields such as peacekeeping training and agricultural support, to work with African countries. It is significant that during the recent inter-governmental consultations between India and Germany, both countries brought in their Africa experts to discuss possible cooperation in developmental programmes in that continent. It will take more heavy-lifting to elevate India's historical anti-colonial ties with Africa to productive economic partnerships. But it is clear that at a time when China is showcasing its Belt and Road Initiative as the "project of the century" and also bolstering its position as Africa's largest donor, a coalition of like-minded countries such as the one India is putting together could provide an effective way to ensure more equitable and transparent development aid to Africa.

Maharajah of debt

It is not worth spending more government funds on Air India's revival

The reputation of India's national air carrier for making consecutive losses is closely matched, and also linked, to its operational inefficiencies. The issue of whether the airline has a future has been frequently posed, but the question has a certain edge after the introduction and growth of private airlines. Minister of State for Civil Aviation Jayant Sinha, however, believes the government can still revive the carrier, and grow it into India's own "great global airline" to compete with the likes of Emirates and Lufthansa. In an interview to this newspaper, Mr. Sinha added that the government is working on a plan to improve the airline's financial position, corporate governance, and management. But the main problems that beset Air India are structural, which is why efforts to revive the entity are unlikely to bear fruit. The airline has failed time and again to prove that it can generate sustainable profits. It recorded an operating profit after almost a decade in fiscal 2015-16, thanks mainly to a fall in oil prices, but still ended the year with a net loss. These losses have been mainly owing to a slew of operational inefficiencies, including a bloated workforce. It is doubtful whether these issues can be adequately addressed unless there is a change in ownership. Traditionally, public ownership has left the carrier's management subservient to the interests of the political class, while taxpayers funding the airline's operations have been left holding the short end of the stick.

Years of consecutive losses have also ruined Air India's overall financial position, pushing the airline into a debt trap. In 2011, a consortium of public sector banks that gave working capital loans to Air India was forced to reduce the airline's debt load. A bailout package of over ₹30,000 crore was also extended by the Centre in 2012 to deal with losses. Yet, by the end of 2015-16 Air India still carried a debt load of about ₹46,000 crore; the cost of paying interest on the debt alone was putting huge pressure on earnings. This has of late led many people, including Air India Chairman and Managing Director Ashwani Lohani, to project the airline's problems as having simply to do with its capital structure. Such a conclusion ignores the reality that Air India's debt burden is the product of bureaucratic mismanagement over several years. Any financial bailout that does not address this fundamental problem would mean throwing good money after bad. This would be sinful in an age where profitable private airlines can easily fill any vacuum left in the market by Air India's exit. Private buyers are unlikely to come forward to buy Air India, as its debt load easily eats up any operating profit. In that case the government can either force public sector lenders to incur more losses, or use public funds to pay them out. Either way, the taxpayers will be the losers.

The GST train chugs along

The ideal of a low, single rate and comprehensive coverage is still far away, but the journey has begun



AJIT RANADE

In about a month, India's new indirect tax system will be rolled out. It has been described as the biggest reform in indirect taxes. India now joins some 160 other countries that already have a Goods and Services Tax (GST). The only large economy exception without a GST is the United States. Most other countries have this consumption tax as a key component of their indirect taxes.

In a nutshell

Here are the key features of the GST. First, it moves the tax system from production to consumption. It covers the gross domestic product (GDP) more comprehensively. Because the tax base is now a much wider set of transactions, hopefully the per capita tax incidence will be lower. Second, it eliminates a major bane of cascading, i.e. having to pay tax on tax. It will thus increase efficiency of taxation. Third, the GST has interlocking incentives for compliance, because your tax incidence, and refund, depends on production of proof of tax paid by your supplier. The paperwork, or rather the computer records, is interlinked in a chain. No one person in the chain can evade tax because it hurts either his vendor or customer. In that respect, the GST's interlocked incentives look similar to Gramen Bank's joint liability lending in microfinance. Micro loans are given without any collateral, but if one person defaults, the entire group is blacklisted. This ensures an almost 100% repayment rate. Similarly, the GST too has interlinked incentives for the whole value chain. For these three reasons and many

more, the GST is expected to bring many benefits to the economy. These are higher GDP growth, lower inflation, buoyant tax collections, wider coverage and less tax evasion, and, most importantly, a truly common economic market across the country. Indeed the slogan for promoting the GST was "One Country One Tax".

The roll-out of this historic reform required amending the Constitution, legislative action in Parliament as well as State legislatures, setting up of the GST Council and deciding on the applicable tax rates on more than 1,200 items. Much of this work is already done. Indeed this achievement is itself a heroic example of consensus-building across States and political parties. The implementation will quite likely involve many hiccups, delays, and computer glitches, but the GST train has left the station and is chugging along.

Some fault lines

Let's examine what the status of the GST is as it takes birth, and how successful it will be able to fulfil the

expectations thrust on it. The origins of the GST go back almost two decades and are also found in the reports of the Kelkar Committee on Tax Reforms, written at the turn of this century. The basic premise of tax reforms then and now is to aim for lower rates, simpler code and eliminate exemptions. On all these three goals we have much distance to travel.

First, with five slabs of 0%, 5%, 12%, 18%, 28% plus cess, we have increased the chance of classification disputes, discretion and litigation. The high rates encourage tax evasion, distort decisions, and promote wasteful resources into tax avoidance. As the GST Task Force of the Thirteenth Finance Commission has said, multiple rate slabs exacerbate the problem of bracket creep and classification disputes. A rational tax system should have very few rates and low rates. Indeed, before the introduction of this GST, the service tax had just one rate, that was 15%, applicable to all services. We now have multiple rates and the chances of disputes and legal battles have increased. Multiple rates are

attractive politically. Items consumed by the poor are taxed at low rates and luxury goods are taxed at higher rates. But this classification itself is problematic especially in a diverse, fast-evolving economy. For instance, perfumed hair oil may be a luxury item in Bihar but not in Tamil Nadu. Rubber slippers are worn by the poor, but also the rich at beach resorts. There is also a quality continuum, and from unbranded to branded. Furthermore, today's poor may be tomorrow's rich, so there is an aspirational class too. It is far too complex to classify goods rigidly as those consumed by the poor and the rich distinctly.

But multiple rates increase cost and complexity. As the task force also pointed out, the cost of auditing the classification of exempt, low rate and high rate slabs across every stage of production, distribution and consumption is very high. Single or few rates are easy to comply with and involve much lower disputes. Multiple rates have been introduced so as to soften the blow of inflation. By keeping most of the goods consumed by the poor (as identified by their consumption basket), the hope is that inflation will be in check.

Which leads us to the second question. Will inflation remain in control? Since almost 60% of India's GDP is from services, and the rate is moving from 15 to higher, it is quite likely that inflation will inch up. This is especially evident in the financial, telecom, hospitality and trade services. Of course, to the extent that service providers will now get input tax credit, which they might pass on to their customers, inflation may not rise by much. Since the IT systems are not fully in place and refunds are not instantaneous, the benefit of tax credit will be delayed. This cost of delay and consequent cost of working capital too introduces an inflationary element.

It was hoped that not many

items would be in the 28% bracket, failing which inflation will be higher. The tax burden on industry is coming down in the GST. This is because currently, excise plus State VAT adds up to more than 25%, which will definitely go down. Since inflation in India is currently moderate – indeed this has been a major achievement of the NDA government – the impact of the GST, even though inflationary, will still be modest. In the longer term, further price moderation is possible due to the supply side-effect of the GST.

Still untouched

Finally, a large part of the economy is still not covered by the GST. Potable alcohol, crude oil, natural gas, aviation fuel, diesel, petrol, electricity and real estate are currently out, and States will levy their own taxes on these. Taxes paid on these will not be able to be offset against the GST. To that extent it is an inflationary distortion. Hopefully, this lacuna in the GST will be fixed soon.

The high rates and multiple slabs reflect an outcome of a very complicated political compromise achieved in the GST Council. This required assuaging the fear of revenue loss to States which have just surrendered their tax autonomy. It required assuaging the fear of politicians about unleashing inflation.

The ideal of a low, single rate and comprehensive total GDP coverage, with a fully IT-enabled compliance system, is a destination still far away. But as Mr. Kelkar himself has said, the journey of a hundred miles must begin with the first step. To that extent this historic tax reform has come alive. Along the way it will be tweaked and modified a thousand times to eventually hit the right stride, for that is the genius of India's democracy.

Ajit Ranade is an economist

Forgotten cogs in the wheels of justice

The exploitation of judicial support staff continues to be widespread



PRASHANT BHUSHAN & CHERYL D'SOUZA

The lower cadre of employees working in subordinate courts across the country have aired grievances from time to time which are related to the terms of their employment and deplorable conditions of work.

These employees form the backbone of the justice delivery system, yet the problems they face – primarily related to administration – have led them to raise their voices, often to no avail. While a litigant can approach a court to access justice, these court employees lack an efficient grievance redress mechanism, with none or a rare personal hearing given to them by their senior judicial officers. Written complaints are put aside and the injustices meted out to them often go unreported. If they raise a voice against this victimisation, it

has resulted in notices being issued to them, adverse annual confidential reports, fines, transfers out of the district, departmental inquiries or even suspension.

Reports about the harassment of court employees have been appearing in the media for instance, on the representations sent to the chief justices of High Courts about judges allegedly misusing their powers and harassing lower court staff or of court employees protesting against judges for allegedly making them work in their houses.

The Campaign for Judicial Accountability and Reforms (CJAR) made a representation to the Chief Justice of the Punjab and Haryana High Court, detailing cases where employees had alleged harassment by the misuse of rules that regulate their service and the various issues that needed to be addressed. The main issues raised in this representation concerned the condition of subordinate court staff who are allegedly being made to work as personal servants in the houses of judges and the provision of home peons which has not been implemented. The complaint drew attention to a letter in 1973, from the



Chief Secretary, Government of Punjab to all judges in the State, issuing instructions against the use of government employees for private work: "In cases where private work is taken from a government employee as a regular whole time domestic servant, without his consent and payment, it should be considered to be a case of serious nature involving wilful dishonesty and dealt with accordingly." This and other orders on the appointment of home peons have not been acted upon till recently.

Repressive conditions

The important function played by judicial support staff in keeping the judicial machinery afloat cannot be undermined. Yet these employees have been driven to all forms of

protest on how unjustly they are positioned in a system, which far from catering to their welfare needs, unjustly subjugates them with the burden of court work. They work in repressive conditions with long hours, have no leave, face penalties and fines and often unfair arrest warrants, and are overburdened by the sheer volume of file handling and working out of crowded courtrooms. Mounting pendency of court cases results in an increased volume of court files without an increase in judicial staff strength, leading to them being overburdened. Proper care has not been taken to ensure the appointment of qualified staff. Those who are recruited have little or no on-the-job training.

Successive Law Commissions have made suggestions for employee reforms, but little has been done to implement them. The judiciary is uniquely positioned to implement these recommendations through administrative orders. With suggestions on how to enhance 'quality, responsiveness and timeliness of courts', we cannot allow this burden to be borne by the lowest employee. Along with

clearly defined recruitment rules, transfer policies and training guidelines need to be put in place and adhered to. The importance of an effective grievance redress mechanism for this cadre cannot be stressed enough.

Acting on the CJAR representation, the Chief Justice of the Punjab and Haryana High Court has made the first move in directing that all judicial officers in the State appoint home peons by June 30. Further, the order directs that an employee's post be changed every three years and file handling by *ahlmads* be limited to 800 files. This will go a long way in ensuring a more fulfilling and just working environment. This needs to be emulated by other High Courts as well if this widespread and systematic exploitation has to be halted and to boost the morale of this workforce, in the larger interests of justice and equity.

Prashant Bhushan is a Public Interest Advocate and Convenor, Campaign for Judicial Accountability and Reforms, Cheryl D'Souza is an advocate and Secretary, Campaign for Judicial Accountability and Reforms

LETTERS TO THE EDITOR

Letters emailed to letters@thehindu.co.in must carry the full postal address and the full name or the name with initials.

Countering talaq

The All India Muslim Personal Law Board's resolution that those men who pronounce triple talaq at one go will be socially boycotted will spell relief for women in the Muslim community ("Social boycott for triple talaq", May 23). "Social quarantine" of such men will make them resort to course correction and I am sure that over a period, occurrences of triple talaq will slowly disappear. The AIMPLB also needs to explain how the Muslim community intends reforming itself when the fact is that many women affected by triple talaq continue to approach the judiciary for justice.

K. JAYANTHI,
Chennai

Hasty act

The haste shown by the Army in commending Major Gogoi, whose controversial act of tying a civilian to the front of a military vehicle as a human shield in Budgam district in J&K is still under probe, is inappropriate ("Major Gogoi gets Army chief commendation", May 23). The incident created a rift –

public uproar on both legal and ethical grounds, with some veterans too expressing their unqualified disapproval while the Army justified it on tactical grounds aimed at containing further violence. The Court of Inquiry, by its own admission, is yet to complete its work. Yet the Army chief appears to have taken note of "overall emerging indicators of the Court of Inquiry" among other factors. This by itself is quite puzzling. By his peremptory action, the Army chief has in effect rendered the Col redundant; his findings will lack credibility. It also betrays a lack of sensitivity to people's sentiments when they find an Army officer still under probe being rewarded for his highly questionable professional conduct. Given the volatile situation in the Valley, General Rawat could have been a little more circumspect in the matter.

S.K. CHOUDHURY,
Bengaluru

I hope the Army chief realises the damaging influence such a decision would have on the moral

fabric of not just the Army but of the country as a whole. The country gets a message that the Army is not only authorised but also allowed to celebrate the violation of the rights of unarmed people if it helps its cause. We should hang our heads in shame as the Army has used a human shield, did not condemn the act, and then, most shockingly, awarded the soldier who carried out such a barbaric act in public. The President and the Prime Minister need to restrain Army hawks and educate them on what civilised behaviour is all about. It also applies to the armed forces and the way in which they deal with unarmed citizens.

KIRAN GANDHI,
Pune

Animal deaths

The report on the factors responsible for the deaths of endangered animal species on the Indian Institute of Technology campus in Chennai reveals the callousness of the authorities in protecting them (Tamil Nadu, "220 deer, 8 blackbucks die on

campus in 2 years: IIT-M", May 23). Causes such as consumption of plastic materials, noise pollution during the "fests" on campus and attacks by dogs are eminently preventable. As this is a campus occupied by those pursuing a very high academic standard, why is there such dereliction?

V. SUBRAMANIAN,
Chennai

Reusing wastewater

The most palpable reason for the mismanagement of water is indiscriminate usage ("An opportunity being drained away", May 22). With proactive steps, a large amount of wastewater being discharged untreated to the rivers can be used for agriculture. Delhi has even started a "Toilet to Tap" initiative to treat sewage water and make it fit for consumption. NGOs need to begin campaigns on the need to shun water-intensive crops and use sprinkle and drip irrigation. Finally, water needs to be brought under the concurrent list.

GAGAN PRATAP SINGH,
Noida, Uttar Pradesh

The emphasis in the well-intentioned Swachh Bharat scheme has been more on the collection of waste rather than in its profitable utilisation and appropriate disposal. I describe a project for the profitable utilisation of waste material. A project has been set up successfully in Canada for the production of methanol – 50,000 tonne per annum – from municipal sewage waste. The construction of a waste-to-methanol plant (90,000 tonne per annum capacity) using synthesis gas generated from residual sewage waste is under development in the Netherlands. India is now a net importer of methanol to the extent of

1.7 million tonne per annum. Methanol is an important and versatile chemical with rapidly increasing application areas. Being largely produced from natural gas, it is susceptible to price fluctuation. Utilisation of sewage water for the production of methanol will solve several problems in one stroke in India. Considering the demand potential for methanol, it would be appropriate to implement at least 20 such methanol projects, each with capacity of 100,000 metric tonne per annum across India.

N.S. VENKATARAMAN,
Chennai

MORE LETTERS ONLINE:
www.hindu.com/opinion/letters/

CORRECTIONS & CLARIFICATIONS:

"Big boost for Bheem Army" – said the headline of a story (May 23, 2017) of a protest last week at Jantar Mantar, Delhi. It is actually called the Bhim Army. The misspelling – Bheem – was there at a few places in the text too.

Factual error: "In Mr Ganguli's company" – a Weekend Metro Plus supplement story (May 20, 2017), erroneously described Tomas Aukšas as Pablo Ganguli's Brazilian partner. It should have said Lithuanian creative partner.

It is the policy of The Hindu to correct significant errors as soon as possible. Please specify the edition (place of publication), date and page. The Readers' Editor's office can be contacted by Telephone: +91-44-28418297/28576300 (11 a.m. to 5 p.m., Monday to Friday); Fax: +91-44-28552963; E-mail: readerseditor@thehindu.co.in; Mail: Readers' Editor, The Hindu, Kasturi Buildings, 859 & 860 Anna Salai, Chennai 600 002, India. All communication must carry the full postal address and telephone number. No personal visits. The Terms of Reference for the Readers' Editor are on www.thehindu.com