

Opinion

THURSDAY, JANUARY 31, 2019



REFORMING THE UNSC

Syed Akbaruddin, India's rep to UN ambassador

Everyone has a right to put forth an option and lend their name to a model of their choice. This enhances transparency, adds specificity and engenders respect for every position. No voices should be muffled

Cloud over CSO data casts shadow on jobs claims

With independent NSC members, including its chief, quitting over jobs survey, this buttresses the view that jobs growth is poor

INDIA'S OFFICIAL DATA such as that on the IIP or GDP has often been dogged with controversy, the most recent of which was the rebasing of the GDP series soon after Narendra Modi assumed office. The rebased GDP didn't seem quite right since, even in the face of obvious economic distress, it bumped up growth significantly from the 5% or so levels it was at that point in time. But, apart from the fact that controversies arise each time a rebasing takes place, those who suspected Modi was behind the rosier numbers needed to keep in mind that the exercise was begun under the UPA and even the methodology was finalized then. Matters got worse a few months ago when, while the Sudipto Mundle-panel's GDP back-series bumped up the UPA-2 average growth to 8% per year, this got lowered to 6.7% in the revised back-series versus the Modi government's average of 7.35%. That this back-series, which lowered UPA-2 growth to below the NDA's, was not released by the central statistics office (CSO) but was made public by NITI Aayog deputy chairman Rajiv Kumar added to the controversy since his was a political appointment.

It didn't help that the NITI Aayog back-series was also inconsistent since the GDP numbers it put out didn't quite square with other facts. The FY06-08 period, for instance, was one of scorching growth in investment, when gross fixed capital formation (GFCF) averaged around 31.5% of GDP, so it jelled with the fact that GDP growth averaged 9.5%. For the UPA period as a whole, GFCF-to-GDP averaged 31.8% and GDP grew at 7.8%. It is a bit difficult to believe, then, that a GFCF of around 28% can produce an 8% GDP today; for this to be true, productivity should have shot up so dramatically. Nor were the inconsistencies related to just the investment data. During UPA-1, when GDP averaged 8%, credit grew at 29.3%; this fell to 16.3% as GDP growth fell to 6.7% in UPA-2. In which case, how is an 8.6% credit growth—the average since Modi came to power—giving an average GDP growth of 7.4%?

Even so, former chief statistician of India TCA Anant put up a stellar defence of the back-series data, the most important of which was that a new series of corporate data—that boosted estimates of GDP—was available for recent years, but not for the years before that. To that extent, his argument was that, while this lowered GDP growth in the back-series, that was unfortunate since, once there was better quality data available, even if for a limited period, it made sense to use it.

Matters have, however, really come to a head with the chairman and another non-government member of the National Statistical Commission (NSC) resigning as a result of which there are now no external members in the Commission to vouch for the integrity of the CSO data and process; the NSC was set up in 2006 to recommend reforms in India's statistical system and for oversight of the work done by the various statistical bodies like the NSSO. This is all the more unfortunate since, apart from the furore over NITI Aayog driving the GDP back-series computations, one of the areas of controversy is over how jobs have fared in the Modi period and, while the NSSO's employment survey for 2017-18 was to shed light over this, the trigger for the resignation appears to be the fact that the data has not been released by the government despite the NSC approving the report over a month ago. Since the chairman of the NSC said one of the reasons for his resignation was that he was not being taken seriously—apart from the government not releasing the NSSO survey—it puts another cloud on the official data and strengthens the view that jobs growth in the Modi period has been poor.

A new Padma protocol

Honouring innovators like Bharti not enough, support them too

AMONG THE PADMA Shri honorees this year is Omesh Bharti, an Indian epidemiologist who came up with a rabies prevention protocol that brought the cost down from ₹35,000 to ₹350. Dr Bharti's improvement of the protocol was endorsed as the global standard in rabies prophylaxis (preventive action) by the WHO in 2018, which made particular note of its comparable efficacy with the previous prophylaxis regimen and its crucial cost- and time-saving advantage over the same. Under the earlier prophylaxis regime, apart from the rabies vaccine, rabies immunoglobulins (RIG) were injected at the site of the bite-wound and at a distant intramuscular site in cases where RIG injection was strongly indicated. Bharti's protocol, involving only localised intradermal RIG injections at the site of the wound in proportion to the patient's body weight, yielded 100% rabies prevention in clinical tests. As against 363 vials of expensive RIG needed under the earlier protocol, in all of the 269 test cases, Bharti was able to prevent rabies with just 42 vials. In remote and rural areas of the country—given India accounts for 36% of all rabies deaths in the world, the disease is an especially serious threat in such areas—Bharti's new protocol means the difference between life and death for the poor.

Low-cost solutions like Bharti's—given India's socio-economic realities—deserve all the recognition they can get, and to that end, the Padma Shri is richly merited, especially against the backdrop of the Padmas suffering from the taint of being a tool of political favour-carrying and expediency. Frugal innovation has, in fact, become India's calling card over the past few years. From the \$50 Mitticool clay refrigerator that uses absolutely no power and yet keeps food fresh for nearly five days to 'PadMan' Arunachalam Muruganathan sanitary napkins whose costs are anywhere between one-tenth and one-fifth of branded alternatives, depending on the latter's price, India's frugal innovation has been making a mark internationally, and more importantly, bettering the lives of many for whom costs are a barrier to even basic necessities for healthy and hygienic living. Many are also pushing the envelope on the thinking on sustainable solutions to modern-day problems. A low-cost solar water purifier, developed by the Indian Institute of Science and Suryagen Renewables, an early-stage solar thermal company, for instance, can be used to make water from nearly any source—river, pond, wells, or even harvested rainwater—potable. Based on the principle of distillation through solar thermal energy, it can be used to provide drinking water in areas where the water has high arsenic or fluoride content.

Examples of frugal (*jugaad*) innovation are dime a dozen in India, and many of these can achieve scale—like the low-cost sanitary napkins story shows—but that can't come without linking innovators with industry and significant government help. A Padma for Bharti will certainly encourage research, but for translating that research into impact on ground, much more will be needed.

ShlokaShock

Sensitivity to diversity of faith and culture a must, but a verse from a religious text not always just religious

APETITION BY a Madhya Pradesh advocate contends that the compulsory recitation of the *Pavamana mantra* (*asato ma sadgamaya...*) from the *Bhavadaryaka Upanishad* in KV schools is a violation of the fundamental rights of the students professing non-Hindu faiths or those who are atheists, agnostics, sceptics or rationalists. A two-member bench of the Supreme Court, in its wisdom, has agreed that the matter needs to be examined and has called for setting up a Constitution Bench to look at the matter. There is no doubt that the text from which the *mantra* comes from is a Hindu religious text, but is that the only value ascribable to it? The *mantra* translates as “Om, Lead me from falsehood to truth, from darkness to light, and from death to immortality. Om, peace, peace, peace”. If we were to drop the Om (even though it is not exclusively Hindu; it is a part of Jain, Buddhist and Sikh incantations also), doesn't the *mantra* have a more universal resonance, save for atheists and agnostics?

Does the Supreme Court's motto, *yato dharm, stato jaya*—“wherever there is *dharm* (in this context, *dharm* is read as justice), there is victory”—which has a more explicitly religious association, make the Court less secular? The SC will also need to examine whether the Indian republic's motto, *satyameva jayate* (truth alone triumphs; *Mundaka Upanishad*) is similarly an Hindu imposition, as also RAW's *dharmo rakeshati rakshitaha* (*dharm* protects those who protect it; the Mahabharata), etc. Rigid stances like the petition's only foster ghetto-isolation, not tolerance. Bear in mind, in Indonesia, a largely Islamic nation, many government institutions and wings (including the armed forces) bear Sanskrit mottos. It is a nod to the country's history, as also the universal value these mottos encapsulate.

TAX TRAVAILS

THE BJP PROMISED TO END UPA-ERA TAX OPPRESSION, BUT TAX DEMANDS REMAIN HIGH-PITCHED AND THE PROPORTION OF CASES STUCK IN APPEALS HAS ONLY INCREASED

Tax terrorism continues

TV MOHANDAS PAI & S KRISHNAN

Pai is chairman of Aarin Capital Partners and Krishnan is a tax consultant



In July 2018, the CBDT enhanced monetary limits for filing of appeals by the I-T (ITD) before the Income Tax Appellate Tribunals (₹20 lakh), high courts (₹50 lakh) and the SC (₹1 crore). These enhanced limits would prevent the tax officers from filing frivolous cases and enable the judiciary to focus on high value litigation. Even while these limits are *per se* very low to make a meaningful impact, the CBDT has recently indicated

rate of the taxman, for both direct and indirect tax litigation at all levels, is under 30%. The taxman unambiguously loses 65% of his cases. Over a period of time, the taxman's success rate has only been declining, while that of the assesseees has been increasing. *Taxsutra.com* states that the success rate of the taxman in tax litigation has not improved during the calendar year 2018. About 70% of the direct tax cases reported for calendar year 2018

There is no penalty on the taxman and its officers for needlessly pursuing appeals at higher levels, regardless of the outcome

that about 24% of cases are still pending withdrawal from the ITATs and HCs as on January 15, 2019. It has urged its officers to withdraw all the pending appeals before the end of January. Even the CBDT writ does not seem to work!

The FM in his 2016 Budget speech stated, “Litigation is a scourge for a tax-friendly regime and creates an environment of distrust in addition to increasing the compliance cost of taxpayers and administrative costs for the government.” Sadly, the FM has made statements on this issue several times but has not taken effective steps to reform the system. There has been more talk than action and he has failed to protect citizens and businesses from a tax system that has run amok with a broken assessment system and delayed appeals. Parliament, too, has failed to protect honest taxpayers as they hardly debate the budget or tax terrorism except to make a political argument. Several committees, from the Kelkar committee to the Shome committee, have suggested solutions, but they have been given scant regard in undertaking reforms.

The ITD has initiated 88% of the litigation pending (as of March 2017) at the ITATs and the Supreme Court and 83% of those at the high courts. The success

were settled in favour of assesseees, and about 24% in favour of the department. These cases were settled by the Supreme Court, High Courts, ITATs and Authority for Advance Rulings. For transfer pricing cases reported by *Taxsutra* for the calendar year 2018, about 69% were settled in favour of assesseees whereas only 9% were settled in favour of the department.

The large quantum of pending disputes shows that high-pitch assessment continues. Of the 1.37 lakh direct tax cases pending at various levels in end-March 2017, just 0.2% constituted nearly 56% of the total demand value; 66% of pending cases, each less than ₹10 lakh in claim amount, added up to a mere 1.8% of the total locked-up value of pending cases. About 3.22 lakh appeals were pending with Commissioners of Income-Tax (Appeals), or CIT-A, at the end of March 2018, amounting to ₹6.38 lakh crore, of which ₹87,000 crore was stayed by ITATs/Courts. The highest number of appeals pending with CIT-A is 1.31 lakh for amounts less than ₹10 lakh, while about 89,000 cases are pending for amounts between ₹10 lakh and ₹1 crore. The total number of pending appeals include 22,256 appeals that are more than five years old. The value of amounts involved have been rising

For less graft, allow more freedom

LEONID BERSHIDSKY

Bloomberg

China has grown less democratic but cleaner in the last six years—showing, perhaps, that the Chinese technology-based method of increasing trust can work for a while even as society becomes less free

TRANSPARENCY INTERNATIONAL, the Berlin-based global authority on graft, accompanied its Corruption Perceptions Index for 2018 with a warning that corruption gains where authoritarian and populist leaders erode democratic institutions. A comparison of Transparency's data with studies by Freedom House, which scores countries on the state of democracy and liberty, reveals a more complex story but leads to the same conclusion.

Putting the two organisations' country scores side by side shows that the two metrics track pretty closely. Both have a 100-point scale; for Transparency, 100 means absolutely clean, and for Freedom House, 100 is a perfect democracy with absolute respect for civil rights. In the five years between 2014 and 2018, the correlation between the two scores was stable, and high, at 0.71-0.72.

The recently published 2019 Edelman Trust Barometer shows that, throughout the world, only a small minority of both the general public and the most informed individuals believes “the system,” their societies' institutions, works for them; a far bigger percentage say the establishment is failing them. The high correlation between the Freedom House and Transparency scores is evidence, however, that people clearly feel “the system” is less corrupt in countries with a stronger democracy.

In some cases, there is also a high correlation between countries' evolution on both scales—democracy and

corruption perceptions—over time. Hungary, for example, has followed a regrettable trajectory of a slow decline in democracy and increase in perceived corruption (correlation 0.88). Brazil has been going down the same path, but more slowly (correlation 0.83).

Turkey (correlation 0.7) and Zimbabwe (correlation 0.87) are two more examples of shrinking freedoms leading to higher corruption perceptions. And, under president Donald Trump, the US is showing a higher correlation, 0.55, than might be expected, as its democracy index falters.

This may not mean the US is actually becoming more corrupt. Trump's promises to do away with elite corruption and “drain the swamp,” and his opponents' belief that Trump himself is corrupt probably have drawn so much attention to the issue that everybody has an opinion about it. In this case, perceptions, at least for now, are getting ahead of reality and signalling a strong desire for change rather than a sorry state of affairs.

Besides the failures, the data point to some success stories, including a few surprising ones. My favourite is Belarus (correlation 0.97), where the dictator Alexander Lukashenko has been gradually softening his regime since Russia invaded Ukraine: For him, being in Russia's orbit is losing its luster and coop-

eration with the West looks increasingly appealing. As the screws of the repressive state are loosened, Belarusians perceive less corruption.

Other, though weaker, examples of progress on both fronts include Pakistan (correlation 0.69) and Kosovo (correlation 0.65).

There is, however, a group of countries where Freedom House and Transparency scores move in opposite directions. China (correlation -0.49), has, for example, grown less democratic but cleaner in the last six years—showing, perhaps, that the Chinese technology-based method of increasing trust can work for a while even as society becomes less free.

With some exceptions, corruption is seen as more likely to thrive in authoritarian countries than in democracies

Russia (correlation -0.58) is a somewhat different story: As it slid steadily toward more authoritarianism, its already dismal corruption level has failed to improve but could hardly worsen much.

Of course, watching the correlations over a relatively short time span and disregarding other possible factors that could affect them isn't a scientific method. Intuitively, however, the math fits the course of events in many countries and shows policymakers the direction they should move if they want people to perceive the state as less corrupt.

This column does not necessarily reflect the opinion of the editorial board or Bloomberg LP and its owners

LETTERS TO THE EDITOR

PTM with PM

The PM's informal meet and talk with the students, right before the exams, conveyed useful tips to the parents, advising them not to impose their unfulfilled aspirations on the students, and refrain from comparison and negativity. The PM mixed humour with seriousness to connect with the varied audience on key issues viz. depression, technology addiction and parental pressure. He also reflected upon the importance of health and the development of a congenial network between parents, teachers and the school administration — Girish Lalwani, Delhi

Ayodhya issue

The Centre's plea in the Apex Court of India that it be allowed to hand over 67.03 acres of land in the vicinity of the Babri Masjid site in Ayodhya to Ram Janmabhoomi Nyas is unfortunate. With the Lok Sabha polls round the corner, overt attempts are being made to build a narrative around the Ram temple issue in Ayodhya despite the apex Court being seized of the matter. The 67.03 acres of land in contention was acquired by the government after the demolition of Babri Masjid. It should be noted here that when the acquisition of land was challenged, the Supreme court ruled the government must part with the land and no religious activity of any kind will be permitted on it until the title suit, then pending in the Allahabad High court, was settled. The Centre must await closure in the case in the Apex court and refrain itself from interfering with an intent to short circuit the legal process — M Jeyaramachandran, Madurai

● Write to us at feletters@expressindia.com

