Twitter and elections

With the Lok Sabha polls round the corner, this might be a good time to look at the top Twitter influencers among our politicians

NOT FOR PROFIT

NIVEDITA MOOKERJI

Founded some 13 years ago, the San Francisco-based social media platform Twitter will play more than an important role in the upcoming Lok Sabha elections in India, if the current political narrative is to be believed. That the Parliamentary Standing Committee summoned the Twitter global chief to explain his stand on safeguarding citizens' rights on social media platforms shows the seriousness being attached to Twitter in these fraught times.

Let's check out 10 possible influencers in the Twitter gallery as the countdown to 2019 elections has begun.

The three ladies—Bahujan Samaj Party Chief Mayawati, newly-inducted Congress General Secretary Priyanka Gandhi Vadra and West Bengal Chief Minister Mamata Banerjee — are at the bottom of this list with 99,400, 215,000 and 315,000 Twitter followers, respectively. Going by the numbers, they have to go aggressive to improve their social media standing.

Mayawati joined Twitter only in October 2018 and has sent out only 44 messages. While she has already got 99,400 followers, she's not following anybody other than Twitter Support. Priyanka is the latest kid on the block. She joined Twitter earlier this month, coinciding with her entry into politics, and she hasn't sent out any tweets so far. She's managed a follower base of 7,215 but is following only seven — brother Rahul Gandhi and some others from the party. As for Mamata, she's been around for almost five years on the platform and has tweeted 5,134 times. While her followers are at 3.15 million, she's not much of a follower herself. She's kept it short at 31, choosing to have actors and singers besides the Prime Minister's Office (PMO) and politicians including Rahul Gandhi, Piyush Goyal, Arun Jaitley and Arvind Kejriwal on the list. She's also following the Kolkata Police.

Nitin Gadkari is in the seventh place as per the number of followers. The road transport and highways minister has been a slow adopter of social media. Not too long ago, he was following only three; now the number has risen to 132. But he's yet to embrace anything global on Twitter. He's following most things BJP apart from the PMO and ministers. Having joined in December 2009, he's sent out 3,070 tweets — most of them in the last few months. He's being followed by 4.41 million.

Piyush Goyal is at number six with 5.1 million followers. Mostly tweeting achievements of the government, the minister for railways and coal has sent out 20,000 tweets since he joined in April 2013. He himself is following 497 including Amitabh Bachchan, Preity Zinta and Ajay Devgn; business chambers and a couple of industrialists, apart from Prime Minister Narendra Modi, Finance Minister Arun Jaitley and other party leaders.

Rahul Gandhi is on number five with 8.6 million followers. A regular voice on social media, he joined in April 2015 and has sent out 4,140 tweets. The Congress president follows only 206 including Priyanka, Akhilesh Yadav, Kanimozhi, Mamata Banerjee and Sharad Yadav. The list also has a mix of business people (Ratan Tata, Anand Mahindra, Bhavish Aggarwal), celebrities (Sachin Tendulkar, Lata Mangeshkar) and top tech names (Satya Nadella, Sundar Pichai, Tim Cook)... There's no prominent BJP name here.

Samajwadi Party leader Akhilesh Yadav is a notch higher with 9.07 million followers at number four. The number of people he follows, at just 16, doesn't compare with his popularity. And they are mostly actors/celebrities (like Vidya Balan, Amitabh Bachchan, A R Rahman). There's no political party or politician he's following right now. On Twitter since July 2009, he has sent out just 2,051 tweets in close to 10 years.

Amit Shah is third with 12.6 million followers. The BJP president, who joined Twitter in May 2013, is following just 282, most of them leaders from his party and related organisations apart from an actor or two.

Delhi Chief Minister and Aam Aadmi Party leader Arvind Kejriwal has an impressive 14.5 million follower base. Since November 2011, when he got into Twitter, he has sent out 27,300 messages. He's following 209, including leaders cutting across parties. PM Modi, Nitin Gadkari, Chandrababu Naidu, Omar Abdullah, Nitish Kumar, Sitaram Yechuri, Mamata Banerjee are among the names. The list does not ignore the lieutenant governor of Delhi despite the faceoffs.

Topping the list is, of course, the PM, with 45.7 million followers. A Twitterati since January 2009, he's sent 22,400 messages, less than Kejriwal's count. Of this list, Modi is following the maximum number of people and organisations at 2,124, including celebrities, industrialists, startups and both Indian and international media.

Will this effort translate into votes? There's time still to work on the numbers.

CHINESE WHISPERS

Picture imperfect

ILLUSTRATION BY BINAY SINHA

Not surprisingly, Madhya Pradesh Chief Minister Kamal Nath is a critic of the predecessor government, led by Shivraj Singh Chouhan of the Bharatiya Janata Party (BJP). On Tuesday when he met prospective investors and businessmen in Bhopal, he criticised the previous government's single-window clearance system, calling it a failure. But in what is seen as a major embarrassment for his government, just before the meeting started, booklets relating to different industries and policies were distributed among the guests. Pictures of Chouhan and Deen Dayal Upadhyaya, a Jana Sangh leader of yesteryear, adorned the booklets, which were printed during the previous regime.

No time to waste

Congress President Rahul Gandhi (*pictured*) has been meeting people with gusto these days. On Tuesday, he met a small group of businessmen in New Delhi under the *apni baat Rahul ke saath* umbrella. During the meeting, a small-time trader from Indore suggested his party consider paying special attention to the handloom industry in Madhya Pradesh. Being the second-largest industrial sector in the state, it has the potential to generate employment in large numbers. After listening to him patiently, Gandhi whisked out his mobile phone and called Chief Minister Kamal Nath. He organised their meeting without delay.

Gadkari, the film

It isn't just the poster of a movie on the life and times of Prime Minister Narendra Modi that has caught the imagination of social media. For the last week or so, the trailer of a biopic on Union minister Nitin Gadkari is one of the more watched clips on YouTube. The trailer of *Gadkari* (the film) has garnered 144,000 views after it was posted on social media on February 12. "Unfolding the real life story of union minister Nitin Jairam Gadkari's courage, wisdom and untold truth. A journey of a man from RSS swayamsevak to a politician," the preface to the movie trailer states. It also claims that the film is Nagpur's first crowd-funded feature-length film. Nagpur is not just the headquarters of the RSS, it is also Gadkari's hometown.

Sebi gives mutual funds a reality check

Guidelines on returns, classification and labelling will scale back 'outperformance' claims and improve transparency

JASH KRIPLANI

The mutual fund industry has had a good run for quite some time. Fund collections, especially through systematic investment plans, have been to the tune of ₹8,064 crore a month — an all-time high.

Amid this euphoria, however, the industry has also had to ride through the crisis that hit mid-and small-cap funds, defaults by Infrastructure Leasing & Financial Services and other companies, and of course, implement several guidelines of the Securities and Exchange Board of India (Sebi).

Sebi's changes, which were proposed in October 2017 and notified last year, will have a long-term impact on equity funds' performance. The new norms have introduced more transparency and will also scale back claims of outperformance by many schemes. This is on account of the introduction of the total return index (TRI) last February. TRI captures both the dividend gains and capital appreciation delivered by the benchmark index. The price return index used earlier only captured the capital appreciation, thereby making fund managers look exceptionally good even when companies paid hefty dividends.

TAKE TWO

"The TRI methodology is more in-line with global norms. In the earlier method, scheme outperformance could get overstated as dividend gains were not included in the benchmarks. Now, investors can take a more informed investment decision," said Vetri Subramaniam, group president and head (equity), at UTI MF.

Another big move by the regulator has been the re-classification of schemes. Under these guidelines, large-cap funds can allocate 80 per cent of their stocks in large-cap companies or the top 100 companies. Mid-cap funds can have 65 per cent in mid-cap stocks, and small-cap funds can have 65 per cent in small-cap stocks. The result of this classification could be that fund managers could find it harder to outperform benchmarks because they won't be able to dabble too much in riskier stocks.

The new regulations require large-cap schemes to invest at least 80 per cent of their funds in the top-100 companies. We have recently seen only a few stocks within this universe outperforming," Anand Vardarajan, head of business and product strategy at Tata MF said. Last year, 67 of the Nifty-100 stocks underperformed the index returns.

Most agree, however, that this is a good move from a hygiene perspective. "Though re-classification puts constraints for most categories, it is positive from the investors' standpoint because, earlier, there were some instances of multiple market-cap oriented strategies being run in the same scheme," Subramaniam added.

"Scheme re-classification has been quite an important step because it helps investors make fair comparisons between the various schemes," said Radhika Gupta, chief executive officer of Edelweiss MF.

Added Vardarajan: "Earlier product comparison was difficult as there was a possibility of schemes with different characteristics getting bracketed in the same category. Now, they can easily segregate various schemes when weighing their options."

The regulatory move to make schemes "true-to-label" is meant to make it easier for an investor to narrow his preferences. Consequently, this exercise has been carried out across all kinds of funds. That is, balanced schemes have been classified into three categories – the conservative hybrid (10-25 per cent in equities), balanced hybrid (40-60 per cent in equities and aggressive hybrid (65-80 per cent in equities). Earlier, schemes with 70 per cent equity as well as 50 per cent equity were all bunched together, making it almost impossible for investors to differentiate between them.

Such changes were extended across categories on the debt side as well. To ensure investors are not misled, schemes are required to make a certain minimum allocation to stocks that align with the scheme's mandate.

Some players within the MF industry see this as an opportunity for low-cost products such as exchange-traded funds (ETFs) and index funds. These funds reflect the returns of an underlying index of companies and are available at lower fees for investors.

The fees charged by ETFs can be as low as 0.1 per cent against fees of 1.5-2.25 per cent charged by large-cap schemes, say analysts tracking the MF industry. "While alpha [outperformance] will persist for mid- and small-cap categories, index funds and ETFs will have a larger role to play in the large-cap space," Edelweiss MF's Gupta says.

Retail investors haven't started boarding the ETF bandwagon aggressively, as only seven per cent of ETF assets are owned by individual investors. But some MFs are already exploring opportunities around ETFs and the index funds. In December, Tata MF launched its Nifty ETF. Edelweiss is in the process of launching a debt ETF, which would comprise of government-owned companies. Even though debt markets have faced several challenges recently, an ETF comprising of government-backed debt papers might give some comfort to retail investors.

Anticipating this churn from large-cap to ETFs, Sebi recently laid down norms prescribing a minimum number of constituents in the underlying index and weight limits on the constituent stocks. Whether ETF penetration remains at these levels or deepens, such changes by the market watchdog are likely to make MFs safer in the long run.

THE ROAD TO TRANSPARENCY

EARLIER	NOW
▪ Scheme returns were compared against just price gains of a benchmark	▪ Scheme returns need to be compared against price and dividend gains under Total Return Index method
▪ Schemes, whether a large- mid- or small-cap mandate, had leeway to follow multiple investment strategies	▪ Reclassification requires schemes to be in line with their mandate, precluding riskier investments
▪ Balanced schemes with, say, 70 or 50% equity were bunched together	▪ Balanced schemes have three categories to make them 'true-to-label'

INSIGHT

Risk management in capital markets

Risks involve market manipulation, money laundering and fraudulent reporting

VIKRAM LIMAYE

In the Indian financial services landscape, risk management has always been seen as a focus area for banking and capital markets players. Our regulators have set appropriate guidelines and policies that achieve the dual objectives of market development together with prudent risk management and consumer protection. While risk management and its importance in lending is well understood and discussed in public circles (this may be attributed to the current high levels of NPAs), risk management in capital markets is a less discussed topic.

Capital markets, globally and in India, are at risk of many violations including market manipulation, money laundering and fraudulent reporting among others. Recent changes in global capital markets have forced participants across the ecosystem — buy-side and sell-side participants, custodians, market infrastructure and financial technology providers — to reassess their strategies, business models and risk frameworks. This results in movement in revenue pools where risk resides and players are best positioned to succeed. All participants are being forced to adapt their business models as a result.

The changes in the capital markets ecosystem also affect the risk across the value chain for market participants and consequently the development of appropriate processes to mitigate these new risks will become critical. As a result, increased scrutiny will be placed on risk management frameworks as well as recovery and resolution plans.

Best practice elements of a capital markets risk management architecture can be broken broadly into two buckets: a) risk governance, policies and procedures; and b) risk modelling, measurement, and reporting.

Translating risk policies and procedures into action requires capital market firms to effectively model all risk types, monitor and report them to ensure efficient decision making

Risk governance refers to mechanisms that firms use to assess and implement decisions related to market, liquidity, credit and operational risks inherent in capital markets. Capital market firms typically organise and govern their risk management practices using a three-lines-of-defence model. This usually includes risk taking, risk oversight and risk assurance activities.

Broadly, the first line is composed of risk takers — business line heads who must own and track the risks they generate. The second line is typically an independent body, usually the capital markets risk function, that sets limits for taking risks and ensures that all risks are being appropriately managed across the organisation. The third line, usually the internal audit function, verifies the efforts of the first two to ensure that nothing is out of line from the defined policies, controls and processes.

The effectiveness of the three-lines-of-defence model depends on the clarity of roles, responsibilities and accountability of all stakeholders, a clear segregation of duties to ensure independence in risk management, and review and challenge built into the governance framework across all levels.

The capital markets risk function must outline its approach to risk management and set limits to quantify the amount of risk the firm is willing to take, through a risk appetite statement. Capital markets risk management procedures and processes translate policies into specific and tangible steps, according to which day to day activities can be performed. The procedures also need to ensure that the firm has an effective system of controls, reasonably designed to identify and mitigate risks.

Translating risk policies and procedures into action requires capital market firms to effectively model all risk types (credit, market, liquidity, operational etc.), regular monitoring of risks and reporting to ensure efficient decision making across the organisation.

The foundational elements of risk modelling comprise key elements including decomposing risk into discrete parts, balancing effectiveness and efficiency of the risk models and aligning methodology with regulatory requirements and firm strategy. A robust market risk modelling function would typically entail execution of the following processes:

▪ Development of modelling methodology for calculating the Value-at-Risk (VaR) and Stressed Value-at-Risk (SVaR)

▪ Development of pricing models and sensitivities for all asset classes within the capital markets risk function's purview

▪ Development of scenarios for stress testing

▪ Model calibration and measurement of model performance

▪ Periodic validation of the model in alignment with firm's model validation policies

The aggregation of risk metrics into reports and KRIs is vital for management's ability to effectively monitor and mitigate all material risk types. The frequency of risk management report generation and distribution is set to enable periodic measurement and to keep pace with the speed at which risks can change. The risk measurement reports play a crucial role in contributing to sound risk management and effective management decision making.

Risk reporting is a key capability within organisations that comprises processes including signing off on results (such as daily VaR results) to maintain accuracy of risk management and confirm that results are accurate for reporting and disclosure purposes; producing results that accurately convey all risk data at an aggregate level (the reports should ideally include a fine balance between risk data, analysis of risk, and qualitative explanations); producing reports for regulatory purposes — usually entails multiple checks and reviews by senior risk managers to ensure that all data is accurate and exhaustive to meet regulatory requirements.

The next generation of risk management will include near real-time calculations, aggregation and reporting of risks across the entire capital markets value chain, and more granular categorisations of risks. For future capital markets risk functions to be successful, they would require sophisticated tools to synthesise complex information and generate insightful alerts and reports in real-time situations.

The author is MD & CEO, NSE

LETTERS

Problem of plenty

In Maharashtra, the Congress and the Nationalist Congress Party (NCP) have decided to contest together for the Lok Sabha polls of 2019. Before they could finalise the exact distribution of the 48 seats in the state, smaller like-minded parties have shown interest in joining the "secular" bandwagon. They are the Samajwadi Party, the Bahujan Samaj Party, the Swabhimani Shetkari Sanghtana, the Shiv Sangram Sena, the Maharashtra Navnirman Sena and the Bharipa Bahujan Mahasangh party. The last one has asked for 12 seats. If the demands of all these parties are to be met, how many seats will be left for the two main contenders to fight from?

Arun Malankar Mumbai

Don't rule out talks

It is unfortunate, yet understandable, that Prime Minister Narendra Modi (*pictured*) has come to the conclusion that "time for talks has passed". The Pulwama attack might have led to this conclusion. However, it is when things get worse, talks need to be held to redeem the situation. The decision of not to resume talks will only prolong the hostilities and tension. Pakistan Prime Minister Imran Khan's readiness for "talks on terror" and guaranteed action on actionable evidence is hard to believe.

There is no escape for India and Pakistan from relying on "talks" as the only way to edge towards an amicable settlement of the Kashmir dispute. It is uncomfortable, but inescapable that what most Kashmiris call "repression for the continued occupation and subjugation" incubates militancy in the Valley. Nobody can legitimise or condone senseless violence in the name of jihad or religious war. At the same time, the struggle for the right to self-determination and more autonomy cannot be put down by military might. Patriotism should not stop us from speaking against the disquieting ways used by the security forces to eliminate militants from the Valley. We should not let our moral compass be constricted by nationalism and religion.

G David Milton Maruthancode

Letters can be mailed, faxed or e-mailed to:
The Editor, Business Standard
Nehru House, 4 Bahadur Shah Zafar Marg
New Delhi 110 002
Fax: (011) 23720201 · E-mail: letters@bsmail.in
All letters must have a postal address and telephone number

HAMBONE

Business Standard
Volume XXIII Number 136
MUMBAI | THURSDAY, 21 FEBRUARY 2019

Interim relief

RBI's payout will help the govt

In its latest board meeting on Monday, the Reserve Bank of India (RBI) decided to transfer an interim dividend of ₹28,000 crore to the government in the current fiscal year. Together with the ₹40,000-crore final surplus share for 2017-18 (India's central bank follows the July-June cycle), which the Centre received in the first half, the dividend transferred by the RBI to the government in 2018-19 has gone up to ₹68,000 crore. This is substantially higher than the ₹50,000 crore it got from the RBI in 2017-18. The higher amount would surely come as a big relief for the government for achieving its fiscal deficit target of 3.4 per cent in the current fiscal year at a time when there are concerns over lower than expected revenue collection especially via the goods and services tax (GST) route as well as the increased demands for public sector bank recapitalisation.

It's clear the government is depending on the RBI's largesse. For instance, in the interim Budget, presented at the start of the month, the finance minister revised the dividend from the RBI, nationalised banks, and financial institutions from ₹54,817 crore to ₹74,140 crore for FY19. For the next fiscal year, the government is seeking ₹69,000 crore as dividend from the central bank, which is about 83 per cent of the combined dividends of ₹82,911 crore the Centre has budgeted from the RBI, state-owned banks and financial institutions. The RBI, too, seems to be playing along, as is evident from the generous payout this year. The practice of interim dividend, in fact, started under former RBI governor Urjit Patel when the central bank paid ₹10,000 crore on this account last year.

The welcome sign is that the interim dividend decision by the new governor is based on a limited audit review and after applying the extant capital framework. It shows the government has stayed away from pushing the RBI to touch its reserves — an issue that had snowballed into a major crisis between the government and the central bank. The RBI's argument that time was that the bulk of the excess reserves it accumulated each year as a result of interest income as well as seigniorage, or the profits earned by issuing the currency, should be left with it as contingency funds to ensure financial stability in the economy. But the government reckoned that the central bank did not need to have about 27 per cent of its assets as capital and reserves. This led to a friction between the two.

That question should hopefully end after the expert committee, headed by former governor Bimal Jalan, gives its report next month. The committee, which will review the extant economic capital framework, will suggest how the central bank should handle its reserves and whether it can transfer its surplus to the government. It is also expected to look into the adequate level of risk provisioning the RBI needs to maintain. That apart, any other related matter, including treatment of surplus reserves created out of realised gains, will also come within the ambit of this committee. The government should take action on the recommendations quickly to signal an end to the long debate.

India on its own

Foreign assistance on climate change isn't forthcoming

Even while claiming major advances on meeting climate commitments with largely domestic endeavour and funding, India's second biennial update report presented to the United Nations Framework Convention on Climate Change (UNFCCC) seeks adequate financial and technological support to meet the new challenges on this front. This plea, no doubt, is bound to fall flat due to the rich nations' growing reluctance to contribute funds for this purpose. The important part of the report, therefore, is the declaration that, unlike most other countries, India is on track to fulfilling two of its three main commitments made as part of the nationally determined contributions (NDCs) to combat climate change. These involve reducing the greenhouse gas (GHG) emissions intensity of its gross domestic product (GDP) by 20-25 per cent by 2020 over 2005 levels, and raising the share of non-fossil fuels-based power in electricity production to 40 per cent. The third commitment — creating 2.5-3 billion tonnes of carbon sink through forestry — is set to be missed. Nevertheless, despite unabated increase in the GHG emissions, the carbon intensity of the Indian economy has dipped to 21 per cent, which is well within the targeted range. Similarly, the proportion of non-fossil electricity in power output has surged to 35.5 per cent, bringing the 40 per cent goal within striking distance.

However, more resources would need to be mobilised to sustain and step up these efforts. Funding worth about $206 billion (at 2014-15 prices) is estimated to be needed till 2030 for climate adaptation in areas such as agriculture, water resources and ecosystems. An additional $834 billion is required for global warming mitigation measures. Against this, all that India has received till 2018 is an indicative allocation of $87.87 million. Of this, the actual approvals amount to merely $59 million. Worse still, the indicative allocation for the 2018-22 period has shrunk to just $40 million — a pittance compared to the massive requirement. How much of it materialises is uncertain as the developed countries often renege on their pledges.

Therefore, the choice before India is clear. It will have to stand on its own in staving off the perils of global warming. The agriculture sector needs greater resilience against erratic weather to safeguard the livelihood of the bulk of the country's population. According to the farm ministry, the output of major crops may not show any significant dip in the shorter run but it might decline sharply by as much as 10-40 per cent over a longer period. The country's capacity to cope with weather-induced natural disasters, too, would need to be shored up. No cost would be too high for this purpose, given the huge and recurring damage the country is suffering due to events attributable to climate change. Official estimates put these losses at around $10 billion a year. Health costs and consequential productivity losses are apart from this. A World Bank report released in June 2018 said the rising temperature and changing monsoon rainfall patterns could shave off 2.8 per cent of India's GDP, affecting the living standards of nearly half of its population by 2050. Under these circumstances, it may be advisable for India to lay greater emphasis on adaptation vis-à-vis other aspects of the battle against climate change.

ILLUSTRATION BY BINAY SINHA

The World Bank and its defunct energy policy

Nomination of David Malpass by the Trump administration to head the World Bank represents a chance for the lender to go back to its original charter

TILAK K DOSHI

The shock resignation of World Bank President Dr Jim Yong Kim, announced in early January, more than three years before his term would have ended, and the nomination of David Malpass, one of the institution's sharpest critics in the current US administration, has been seen as yet another disruptive change to the global order under President Trump's watch.

While disruptive change has become a regular affair under this most impetuous of US presidents, the changing of the guard at the World Bank is potentially of great consequence to the world's poor. That is, assuming the Malpass nomination is not seriously challenged by the EU which jealously guards its say in the appointment of IMF Managing Director as part of the *quid pro quo* over the twin Bretton Woods institutions that served the post-World War order.

Malpass has been a strong advocate for accountability at the World Bank and comes with a "back to the basics" focus on pro-growth projects for countries which include people in extreme poverty. He has also been a known critic of the World Bank's loans to China and India, arguing that these countries have become rich enough to tap global capital markets on reasonable terms.

The post-1945 Bretton Wood's arrangement, of course, is very much associated with Maynard Keynes, a key founding economist-architect of that order. Lord Keynes' much-quoted prognostication, that practical men find themselves under the influence of some "defunct economist", couldn't be better illustrated than in the World Bank's intellectual evolution.

It did not take long for Dr Kim, an appointee of President Obama in 2012, to impose a ban on the financing of coal-fired power stations (in 2013), followed subsequently by a ban on investments in all new upstream oil and gas resource development projects. For this onslaught on fossil fuels, Dr Kim seems to have been under the thrall of Keynes' defunct economists and political philosophers who cast votes for the Bank to favour mitigating long run climate change over economic growth to serve the immediate needs of the world's poor.

There is no shortage of commentary on the World Bank's flight to defunct economics. Prof Deepak Lal, a former Oxford don and Research Administrator of the Bank remarked that Dr Kim incredulously "over-ruled the cost-benefit estimates of coal-based power over solar and wind-based power generation produced by his own economic staff, justifying this by reference to a wish to cut global emissions of greenhouse gases."

Mikko Paunio, a public health expert who has worked at Johns Hopkins Bloomberg School of Public Health, the European Commission and the World Bank, found that the Bank (along with WHO and the Lancet) conveniently forget the "energy ladder" which allowed the now-developed countries to graduate to their current 24/7 access to reliable and cheap fossil-fuelled electricity (mainly coal, and more recently, natural gas) while denying the very same process of development to the now developing countries. Rupert Darwall, a former special adviser to the United Kingdom's Chancellor of the Exchequer, charges that during Dr Kim's tenure, the "World Bank lost its way and sacrificed the interests of the poor to green ideology".

The resignation of Dr Kim, for some, could not have come at a more opportune time. The World Bank and its counterparts such as the Asian Development Bank have taken a lead role in denying poorer countries the development strategy that the now-rich countries had taken so successfully since the Industrial Revolution. By the 1980s, Europe, North America and Japan had already cleaned up their cities of urban smog while ensuring clean, reliable and affordable energy which included high-efficiency, low-emission coal and natural gas-fuelled power plants, and cleaner transport and cooking fuels.

The Bank's enthusiastic adoption of the "sustainable development" meme — that much-enamoured slogan of special interest groups proclaiming "civil society" interests — has had an insidious effect in development economics. There has not been a single instance of a country successfully developing to middle income status without the use of fossil fuels as the workhorse of industrialisation and modern economic growth. Yet elastic concepts of "sustainability" and the like remain the lead talking points among many pundits of economic development.

The previous chief economic advisor to the Indian government Arvind Subramanian recently warned that India, like other developing countries, cannot allow the narrative of "carbon imperialism" to come in the way of realistic planning. This would include adopting the best technology using cheap coal for power generation, increasing the use of cleaner fossil fuels such as natural gas, and recognising the hidden costs of subsidising newer technologies such as wind and solar power.

The Trump administration's Treasury Guidance for the US position on multilateral banks regarding energy projects and policies includes the objectives to "help countries access and use fossil fuels cleanly and efficiently" and "support development of robust, efficient, competitive, and integrated global markets for energy". These are good first steps.

But the nomination of David Malpass could not have come sooner, and the sooner World Bank managers shake off their enslavement to defunct economists, the better. The hopes of the world's one billion poor — yet to achieve access to reliable, affordable and clean energy taken for granted in the developed countries — depend upon it.

The writer is a Singapore-based consultant in the energy sector, and is the author of "Singapore in a Post-Kyoto World: Energy, Environment and the Economy" published by the Institute of South-east Asian Studies (Singapore, 2015). He was a 1984 Robert S McNamara Research Fellow of the World Bank.

The telecom crisis: Noises off

SWOT

KANIKA DATTA

The prospect of possible jail time for Anil Ambani for defaulting on payment to a creditor understandably dominated the business headlines most of Wednesday. Less noticed is another telecom crisis that has thrust itself upon, not the private sector nor the courts but the taxpaying public. Over the past week, MTNL and BSNL have each sent their owner, the Government of India, an SOS seeking a bailout — the second request in six years.

The demands, which festered through most of 2018, are remarkable because they reflect gross mismanagement at taxpayer's expense — and they now require taxpayer money to bail them out. MTNL's management has told the Department of Telecom (DoT) that it has borrowed ₹20,000 crore to clear statutory dues and pay staff salaries, and it wants the government to underwrite this money with a sovereign guarantee and take responsibility for the principal and interest. With losses expanding to ₹832.26 crore in Q3 of FY19, its net worth has been fully eroded. Had any equivalent private sector company faced the same predicament it would have been up for sale.

To be fair, the government has also asked BSNL, with accumulated losses of ₹31,287 crore, to explore the option of closure. As with Reliance Communication, Reliance Industries' Jio has delivered the *coup de grace*, despite the mandated head-start BSNL was given in the 3G business. But closure is a dramatic step by public sector standards. In 2009, plans for a small dilution in shareholding was scuttled by BSNL's unions over fears of post-IPO retrenchment (this fear was not unfounded; over 2007-08 central government-owned companies shed some 44,000 jobs). Yet, pay and pension alone have done these former blue chips in. In both, employee costs account for over 90 per cent of income — at a time when technology is the sole competitive edge in the business. So, just as union power has prevented the closure of Air India, which should have folded half a decade ago, BSNL can be expected to enter the list of large white elephants on the GOI's roster.

Both telecom giants have revival plans that centre on voluntary retirement schemes and sale of assets (3G spectrum for MTNL, land banks for both). These are not novel; they have been considered intermittently since at least 2008 without much success. And a bailout is improbable, too, given the government's fiscal constraints.

Even assuming the government does agree, there will be howls of protest from beleaguered private competitors. In 2013, with reverberations from the 2G spectrum scandal still being felt, the telecom operators' lobby wrote a protesting letter to the United Progressive Alliance government against a ₹20,000-crore bailout proposal that DoT had submitted to Cabinet for the two entities. "Consideration of any such proposal is not permissible as it will be in contravention of all tenets of policy, fair competition and level playing field," the letter pointed out, and the government duly backed out (whether fiscal considerations played a role too is unclear).

At risk are over 200,000 jobs between both these loss-making entities. With unofficial election campaigning already in full swing, and the government battling its own statistics institutions over record high unemployment numbers, the last thing Narendra Modi needs at this time are TV images of telecom employees on *dharna* for losing their jobs. So it's a fair bet that the two sick giants will live to battle at least another few months for a decision from the next government.

A band-aid solution is at hand from Air India, which found no buyers when it was put on the auction block last year. This year, there are reports that the government proposes to issue sovereign guaranteed non-convertible debentures worth ₹29,000 crore to repay working capital loans. This is essentially borrowing more by any other name.

And who will buy this debt? In 2012, a ₹7,200-crore NCD issue was subscribed by the Life Insurance Corporation and the Employees' Provident Fund Organisation. The first institution has been the government's bailout vehicle of choice since the 1980s, and the second has recently mobilised the second to finance the chronically inefficient Food Corporation of India operations. There is nothing to stop both of them stepping up to the plate for two beleaguered telecom giants as well.

From Burma to Myanmar

BOOK REVIEW

SHYAM SARAN

In Abhijit Dutta's book, *Myanmar in the World: Journeys Through A Changing Burma* , I was expecting a travelogue. The author tells his tale through journeys he has undertaken both in the Myanmar heartland and to its ethnic peripheries, but this book is a dense tapestry that draws upon the country's history, its complex geography and its changing present. It offers a nuanced, if somewhat impressionistic, perspective on the country and its people. Having lived in Myanmar, I found familiar echoes in descriptions of major cities, monuments and the unhurried pulse of daily life. The 300-odd pages are packed with empathetic observation and deep insights, which only underscore how little one knows about one of India's closest neighbours that once was part of the British colonial Indian empire.

The book has a Prologue and an Epilogue with five chapters set in between. For those interested in the history of India-Myanmar links Chapter 1, *India's Farthermost Province*, is a good read. It traces the trajectory of how Indian migrants built the city of Rangoon (now Yangon) and ran the nuts and bolts of colonial administration. This kindled growing local resentment and even racial prejudice, which eventually led to their large-scale exodus back into India. That familiar fear of economic domination by an alien people has now been transferred to the Chinese, whose extraction of the country's rich resources and pervasive presence is making them the new target of visceral hostility.

The same racially tinged hostility is apparent in the more recent Rohingya crisis, with Muslim Bengali-speaking communities in the Rakhine state being driven out in their tens of thousands in a barely disguised bout of violent ethnic cleansing. Mr Dutta has analysed this in detail in Chapter 3, *In Rakhine State*, providing a much-needed historical perspective and a revealing survey of popular sentiments among the majority Buddhist population in the state. As he points out, the latest exodus is only the most recent in a series of such involuntary migrations. Racial and religious animosities run very deep, and there are no easy answers to the humanitarian dilemma that they throw up.

Chapter 4, *Burma By Any Other Name*, provides an informative narrative on Myanmar's continuing challenge of accommodating its various ethnic groups into the national mainstream. During the Myanmar Army's direct rule over the country, ceasefire agreements had been concluded with several of the major armed groups. They had been allowed to keep their armed forces and were granted considerable autonomy, particularly in economic matters. Some were and continue to be involved in the drug trade and those ranged along the border with China also enjoy tacit support and protection from Chinese authorities. With the advent of constitutional government, flawed as it may be, there have been efforts to bring these groups and the territories controlled by them into the union. But it has been difficult to take back the considerable local autonomy to which they have become accustomed over the past nearly three decades. There has been a relapse into military confrontation between the Myanmar Army and some of the armed groups. The Chinese continue to use some of these groups to maintain a constant pressure on the Myanmar government. It appears unlikely that there would be an early solution to this problem.

The final chapter on "The Green Borderlands" describes the dominating role that China has come to play in the country through its various infrastructure projects and by promoting large-scale trade through several border trade points. In the Rakhine state, which has also been a focus for Indian economic cooperation projects, the Chinese have already put in place an oil and gas pipeline from the deep-water port of Kyaukpyu to Kunming in the southern Chinese state of Yunnan. This carries not only gas produced along the Rakhine coast but also oil and gas that may be shipped from the Gulf, bypassing the narrow Malacca Straits, which may be easily interdicted. Kyaukpyu is also being developed as a Special Economic Zone, where Chinese companies will be investing. India's own efforts to rebuild the Sittwe Port further south and link it with Mizoram, though river transport and a highway are still not complete, pale in comparison to what the Chinese are putting in place in Kyaukpyu.

The Epilogue offers a critique of Aung San Suu Kyi's (ASSK) leadership of the Myanmar government as State Councillor, constrained as she is by the Myanmar Army continuing to hold the key levers of power. In the author's view, she has done remarkably well in playing a complex political game, making compromises but seeking to uphold principle. She has obviously disappointed those who made her into an iconic and idealistic figure, but she herself has not seen herself in that role. Mr Dutta sees Myanmar's future at this time of transition as being intimately linked with the personal and political fate of ASSK. Political regression remains round the corner. The longer she weilds power, limited as it may be, the better the chances for the country and its people to finally take their rightful place in the world.

The reviewer is a former foreign secretary and is currently Senior Fellow, CPR

MYANMAR IN THE WORLD:
Journeys Through a Changing Burma
Abhijit Dutta
Aleph
372 pages, ₹799