Opinion

WEDNESDAY, APRIL 10, 2019

IRAN-US HOSTILITY

Hassan Rouhani, Iranian president

Who are you [US] to label revolutionary institutions as terrorists? You want to use terrorist groups as tools against the nations of the region... you are the leader of world terrorism

Social media has to answer some tough questions

India isn't alone, the UK is the latest country to take aim at social media, to hold it accountable for what's posted on it

IN THE PAST, when Indian politicians have tried to hold a Twitter or a WhatsApp accountable for what is posted or circulated through them, the normal reply has been that they are just platforms and that, in the case of WhatsApp, they cannot even read the messages that are posted; giving in to the government's demand of helping trace messages, WhatsApp has said, violates privacy concerns. That view has, however, taken a beating recently with both Australia and now the UK deciding to hold social media bosses responsible if offensive content on these platforms is not removed at the earliest. While this is not an outright assault on social media—social media will get a certain time to remove posts which will be identified by the government/authorities—this is likely to be the first step. Indeed, newspaper reports suggest the UK regulations were drawn up after consultations with social media entrepreneurs like Facebook's Mark Zuckerberg. Interestingly, some weeks ago, Zuckerberg surprised many when he explicitly called for government regulation on content; while this could be a tactic to ensure the government uses light regulation on social media, it is nonetheless a change in Facebook's stance so far.

Indeed, with Facebook pulling down pages associated with the Congress before the Indian elections, and with Twitter blocking accounts, this is a clear acknowledgement that they are not just platforms or the public square, so to speak, where anyone is free to say what they want. Indeed, while WhatsApp continues to resist the suggestion that it help the government trace certain posts—after there are court-issued orders—it has already made some moves to take care of these concerns. In the first step, it limited the number of persons to whom a message could be forwarded and, now, it is working on a solution that will allow group administrators to simply block messages that are 'frequently forwarded'; this will probably prevent a lot of jokes from being circulated, but it will also stop fake news from being circulated. To be sure, a user can download the message and, once that is done, it is no longer 'frequently forwarded', and so can be circulated. What such moves do, though, is slow the pace/frequency of forwarding messages.

It can be argued that the government is treading into areas like privacy, but such is the speed at which social media circulates news/views, the government needs to take some action—within a day of the New Zealand white supremacist attack on a mosque that left over 50 dead, users had uploaded the video 1.5 million times and Facebook's automatic detection blocked 1.2 million. Interestingly, in the context of governments trying to hold social media accountable for what is carried on them, and the attack on them for promoting fake news, Zuckerberg is now talking of partnering with traditional media for giving users high quality news. In an interview posted on his Facebook page, Zuckerberg said he was exploring paying publishers for their content; while it is not clear how the payment would be made, it is a big change for Facebook whose model was essentially supplanting traditional media as a source of news. A few days ago, interestingly, some of India's leading newspapers published an advertisement slamming social media for its sensationalisation—"if we don't have the facts", it said, "we don't print the news". Where this is all headed is unclear, but when social media has the kind of power that it has, it has to demonstrate that it has the power to control it; in the euphoria over what social media promised, few dared to ask questions, but that power shift has taken place. And if social media doesn't fix the problems associated with it, as politicians across the world have made clear, they will have no option but to step in and do the needful.

Using Coal India to fix SEBs

Lower coal prices could help SEBs whose losses keep soaring

VIRTUALLY EVERY VILLAGE in the country today is electrified but the irony of the situation is there isn't enough affordable power to go round. The amount of power consumed in 2018-19 is estimated at just roughly 4% more than that in 2017-18. Plagued by losses, the distribution companies (discoms) are unable to procure enough power even as a clutch of private sector generating companies (gencos), that are unregulated, struggle to stay afloat in the absence of adequate coal or gas. A good many have become stressed assets for their lenders; the Samadhan scheme has had very limited success in finding buyers for these. The supply of coal to power plants by Coal India, in the eleven months to February, was about 9.4% higher than in the corresponding period of 2017-18 but that was still lower than the allotted quantity. The quantity of gas made available was barely 29-31% of the allocation promised.

The root of the problem remains the discoms that, over the years, have run up large losses. While their operational and financial data is not available beyond 2015-16, their dues to gencos are believed to have increased sharply over the last few months. On average, according to Kotak Institutional Equities, their payables to generators are overdue by about four months. State Electricity Boards are tipped to make losses of over ₹1 lakh crore in 2018-19 and also in 2019-20.

While the UDAY scheme could have made things better, it hasn't helped as much as hoped. The key to a more robust performance was lower AT&C losses but these are now at close to 20% as compared to the targeted 15%; in some states, the level is closer to 25%. Also, the progress of smart metering of lines—aimed at improving efficiencies—has been tardy and at 5.34 lakh, it is still less than 2.2% of the targeted 24.1 million metres.

Discoms are unlikely to fall in line unless their borrowing limits are curbed. Also, as Kotak suggests, the government might want to re-look the economics of the power sector by reining in the profits of Coal India, and limiting its dividend payouts, for a temporary period. Cheaper coal could improve the finances of gencos and, in turn, those of the discoms. To be sure, the Centre has little incentive to do this because it uses the dividends from Coal India to boost non-tax revenues. However, there is a case for foregoing these receipts to make the power sector a little more solvent; some relief to power producers would help the state-owned banks. Already, state-owned gencos such as NTPC have been pampered by the government which has partisan pricing policies; NTPC, too, should participate in the competitive bidding process.

CloseAI

China's use of AI to bar "unruly visitors" could have a more sinister purpose

CHINA WILL SOON be using artificial intelligence (AI) to bar unruly or "uncivilised visitors" from entering public spaces, such as parks, in Beijing. Using AI and facial recognition technology, the country plans to identify those who have previously engaged in misdemeanours. According to news reports, a list of such individuals will allow the Beijing Municipal Administration Center of Parks to curb bad tourist behaviour during events such as the three-day holidays around Tomb Sweeping Day, locally known as the Qingming Festival. During the recent celebrations, tourists were seen climbing trees, picking flowers and damaging plants, while some people reportedly went fishing in Beijing's lakes where the activity is regulated and others were seen hawking illegally in the parks. On the surface, Beijing's goal seems to be in the spirit of preventing unruly behaviour by citizens. But, given the country's record on curbing the many freedoms available to citizens in other countries, it is likely that "unruly" behaviour could just be the front. If defacing public property, climbing to a better vantage point, hawking/distributing, etc, gets "unruly visitors" barred from public areas, these can just as easily be extended to bar protests and protestors. Barring the offenders from public areas means ensuring that the options to congregate dwindle.

China is known to have strict surveillance and censorship. Its extensive surveillance of Xinjiang, a remote region in the west of the country, home to an ethnic minority population that is largely Muslim, is proof of how much control the government can have over the lives of its citizens. The February Xinjiang surveillance data reveal shone light on what data points are recorded by the Chinese government—alongside people's names, dates of birth, places of employment, sex, home address, official identification card number, etc, there were notes on the places that they had most recently visited. AI-enabled policing may just mean further curbs on the civil freedoms the Chinese enjoy.

THE REAL MAINSTREAM

ENVIRONMENTAL ISSUES ARE A NON-ISSUE IN THIS ELECTION LARGELY BECAUSE CIVIL SOCIETY HAS FAILED TO INFORM AND ENGAGE CITIZENS ON THIS EXISTENTIAL CRISIS

Why environmental issues are non-existent in this election

CHANDRA BHUSHAN

Deputy director general of Centre of Science and Environment. *Twitter: Bh_Chandra*

IN THE LAST few days, I have been bombarded with queries from journalists about the importance of environmental issues in the 2019 elections and whether political parties are giving them due importance in their manifestos. Frankly, I have struggled to answer their questions simply because there is very little to comment on. The gap between the environmental challenges facing the country and promises being made by political parties is too great to warrant any serious comment. Let me explain.

India is today facing an environmental crisis of unprecedented proportions. Never have our air and water been as foul as they are today. Air quality has worsened to such an extent that it now kills people on a large scale. Of all the countries, India has the highest child mortality rate due to toxic air. In 2017, at least one in eight deaths in the country were attributed to air pollution. Similarly, polluted water is still the largest killer of babies in the country. And our water pollution is increasing by the day.

In 2018, the Central Pollution Control Board (CPCB) identified a total of 351 polluted river stretches—an increase from 302 stretches identified just three years ago. Not just the Ganga is polluted—all the major and minor rivers are falling prey to pollution because of unsustainable withdrawal of water and untreated disposal of waste.

The crisis is even more acute in case of groundwater. Groundwater accounts for over 80% of our drinking-water supply and we have a groundwater pollution crisis of unprecedented scale. Of 640 districts of the country, the groundwater in 276 districts is polluted due to fluoride, in 387 districts due to nitrate, in 113 districts due to various heavy metals, and in 61 districts due to uranium.

Our forests, wildlife and biodiversity have regressed. Over the last three decades, we have increasingly replaced natural forests with plantations. Man–animal conflict has increased and desertification is now affecting our productive agricultural land.

Additionally, we now have climate change that is threatening the lives and livelihoods of people. Extreme weather events like extreme rainfall, cyclones, floods and drought now regularly devastate one part or another of the country—in 2013 it was the Uttarakhand floods; in 2014 the Jammu and Kashmir floods; in 2015 the Chennai floods and in 2018 the Kerala floods. These extreme events killed hundreds of people and the economic losses were in thousands of crores of rupees. The effects of climate change are going to get even worse as global warming pushes from the current 1.0°C towards 1.5°C in the near future. The most damning figure is this: more Indians die due to pollution than to cancer, TB, AIDS and diabetes put together.

In such a dire situation, one would have expected political parties to come forth with serious ideas to balance the imperatives of growth and development with environmental protection and climate change. But, alas, the two big political parties—the Congress and BJP—have repackaged old ideas and relegated the environment in their manifestos to a peripheral subject rather than a core issue that is impinging on the lives and livelihoods of people.

> Both the Congress's and BJP's manifestoes are utterly insufficient to tackle the environmental challenge facing the country

Take the case of air pollution. Both parties have promised to reduce air pollution by strengthening the National Clean Air Programme (NCAP). While the Congress has called air pollution a 'national public health emergency' and promised to target all major sources of emission, the BJP has promised to convert the NCAP into a Mission and reduce the level of pollution by at least 35% over the next five years. But both of them have failed to link air pollution to the growth paradigm that they have promised a few pages earlier in their respective manifestos. They want business-as-usual growth and, yet, hope to solve the air pollution problem.

To address the water crisis, both the BJP and the Congress have promised to create a new Ministry of Water. While the BJP has vowed to achieve the goal of a clean Ganga by 2022, the Congress has promised to double the budget allocation for cleaning rivers, including the Ganga. Both have completely failed to address the issue of groundwater contamination, apart from promising programmes for groundwater recharge. If new ministries and more money would have worked, then we would have solved all our problems long ago.

On climate change, the Congress has used all the right words and promised an action agenda to combat global warming. The BJP, on the other hand, is largely silent on the issue of climate change apart from the promise of achieving the goal of 175 GW renewable energy by 2022.

The one major difference between the Congress and the BJP is in the area of forest management. While the Congress has laid down a comprehensive framework to involve local communities in the forest management, the BJP is completely silent on issues of tribals and forests including the implementation of the Forest Rights Act.

The bottom line is that the Congress manifesto is all about the right words and the BJP's is all about numbers and targets. And, both are utterly insufficient to tackle the environmental challenge facing the country. The fact is if there is a time to make environment a political issue, it is today. Yet, the discourse on environment or the lack of it in this election is truly shocking. Apart from a tweet here and there, the environment is not in the utterances of our political bigwigs. Why is this so? Why is environment not as important an issue in the elections?

I do not blame political parties for this. Political parties reflect the priorities of their constituents. And, the environment is not a priority of the majority of voters. It is not that the people are not suffering because of environmental pollution and destruction. They are. But they have not been sufficiently informed and engaged to make this an important election issue. And this is the failure of civil society. We, in the civil society, have failed to take our message to the grassroots to make environment a political issue. It is time we recognised this failure.

Understanding Indian voters and elections

Socio-political factors like population size, age, educational attainment, political interest and economic backwardness play a major role and, over the years, have been the major driving factors behind voter turnout rates

SOUMYA KANTI GHOSH

Group chief economic advisor, State Bank of India. *Views are personal*

THE WORLD'S LARGEST democracy with a 90 crore electorate (more than the combined population of Europe) is set to elect its 543 members for the 17th Lok Sabha in 7 phases from April 11 to May 19. The Indian elections have always posed great challenges for anyone decoding the factors impacting voting patterns. Against such a background, it will be interesting to link India's elections with social and economic aspects.

Firstly, how does India stack up in comparison to voting patterns around the world? Voter turnout data published by the International Institute for Democracy and Electoral Assistance (IDEA) indicates that, as per the most recent national parliamentary elections for major countries, France recorded the lowest turnout percentage (43%) while Germany has the highest (76%). On this parameter, India is also doing well as voter turnout rate has improved significantly to 66.4% in 2014, as compared to 58.2% in 2009. The 2014 voting percentage was the highest since 1984.

As per male and female voter turnout rates, the gap has declined significantly in 2014 and has been declining from 1991, when the gap was more than 10%. Extrapolating Assembly election voting patterns in states post 2014, we believe such high female turnout in elections might continue in 2019.

For example, one proxy for increasing women empowerment is the number of accounts that have been opened through the Jan Dhan and Mudra schemes. There is now increasing evidence that Jan Dhan accounts are acting as a vehicle for remittances, resulting in more and more women taking independent decisions. We estimated the state-wise women PMJDY & Mudra accounts by taking the national percentage share, which is 73.6% for MUDRA and 53% for PMJDY. The results show that in all the ten states, the turnout rate for women in the subsequent Assembly elections post 2014 has improved significantly (by an average of 10%) as compared to the 2014 Lok Sabha general elections. States like Madhya Pradesh, where both Mudra & Jan Dhan accounts have been opened in very large numbers, have seen an increase in the women turnout rate by 18%.

However, there is a point of concern. Comparing Census and Election Commission data, we estimated that there might have been 1.24 crore missing women at the time of 2014 elections in 10 states only. We define missing women as the ones who are eligible to vote but have not yet registered themselves as voters. This is alarming since it means that approximately 1.24 crore women may not have exercised their constitutional right to vote in their state of domicile. So, to improve the women turnout rate in India, all stakeholders, starting from the Central government to the media as well as the civic society, should encourage, facilitate and promote women to get themselves registered as voters.

Of equal importance and hitherto unexplored in Indian elections are the socio-political factors like population size, age, educational attainment, political interest and economic backwardness. We believe that these factors play a major role and, over the years, have been the major driving factors behind voter turnout rates. The Multi-Dimensional Poverty Index (MPI) by Oxford Poverty & Human Development Initiative assigns values to Indian states based on the deprivations that each person faces with respect to education, health and living standards. The states were ranked based on MPI and were compared with the rank assigned to states based on voter turnout rates. Interesting patterns emerged. Certain northern states like Bihar, Uttar Pradesh, Madhya Pradesh and Jharkhand, with higher MPI, have lower voter turnout. Interestingly, these states have low literacy (women) and per capita incomes. Further, most of the North-East and Eastern states have higher turnout rates and varied levels of poverty. However, states including Kerala, Andhra Pradesh, Goa, Tamil Nadu, Haryana and Punjab have a high voter turnout rate and lower level of deprivation. These states have higher per capita incomes than the national average and a higher literacy (though Andhra Pradesh and Haryana have lower women literacy). Thus, voting patterns might be literacy agnostic.

In addition to this, another important aspect that leads to a low turnout is inter-state and intra-state migration of both males and females. Over the years, mostly males have been migrating from one state to another due to various reasons. Estimates of net migration, once mapped with the percentage of voter turnout amongst major states, show states like UP, Bihar, Odisha, Rajasthan and J&K have net "out migration" and, consequently, low voter turnout rates. Steps might be initiated to bring this growing chunk of electorate back into the voting process by making suitable changes in the existing electoral regulations. We believe this can be made effective by rigorously linking the Aadhaar Card with the Voter Identity Card and introducing a system of absentee voting procedure, like in the US.

Finally, a food for thought. Since only 543 Lok Sabha constituencies represent 130 crore people in the country, is it worthwhile to look at the legal provisions on delimitation of parliamentary constituencies? This is crucial to rationalise population on a per-seat basis (to properly cater to the needs of people and constituency), which is currently at 15.6 lakh per Lok Sabha constituency. Even in the smaller countries like UK, Germany, Italy, France, etc, the number of elected representatives is higher than the strength of the Lok Sabha in India! But can India afford such in terms of fiscal implications in an era of cooperative federalism where states also have large elected representatives? Let this debate begin!

LETTERS TO THE EDITOR

An efficient option?

Recent proposals in the F&O segment to prevent the build-up of unaffordable positions, restrict speculative trading, check excessive intraday price movements, curtail volatility by applying circuit thresholds and cap the maximum daily upside/downside deviation from average prices can safeguard retail-investor interests. Limited and relevant participation in derivatives can promote the idea of product suitability and curb malpractices of price manipulation. Further, phased physical settlement in derivatives can largely discourage arbitrage. That said, there is an inherent risk of increased retail exposure on account of the new holdings generated in the underlying and diminished application of the instrument for risk-hedging of existing positions. Further, the MTM settlement norms imposed on debt funds, mandating a daily settlement, can affect the overall liquidity and promote investments in arbitrage funds, leading to high-volume trading in F&Os and redundant buying and selling over bourses. Increased overlap with the world markets call for a robust and intelligent surveillance/security framework to boost ethical market activity and efficient pricing

— Girish Lalwani, Delhi

Promising the moon

The contesting political parties are falling head over heels to entice voters with sops galore if they are voted to power. Close on the heels of Rahul Gandhi's ₹72,000 per annum promise to the poor, the BJP, in its manifesto, committed itself to revising tax slabs, extending the contentious exercise of the National Register of Citizens (NRC) across India, pensions for small farmers and investments of ₹126 lakh crore in sectors like infrastructure. In the past, both the Congress and the BJP have gone back on their promises and don't be surprised if they repeat the feat again

— Ravi Chander, Bengaluru

●Write to us at feletters@expressindia.com

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EJAZ GHANI

The author is lead economist at the World Bank

Reshaping social protection in a changing India

India's social protection needs to be reshaped to address increased poverty vulnerability and increased uneven playing field. The declining share of labour in total income and accumulation of capital wealth in the hands of a few have raised concern

INDIA, ONE OF THE fastest growing economies in the world, has a social protection system that may be outdated. Its social protection was founded in the 1970s, when half of the population was chronically poor, and most of them lived in rural areas. India's economy has undergone a sea change during the last three decades. Increased investments in physical and human infrastructure, rapid urbanisation, young demographics and productivity-enhancing reforms have increased the pace of economic growth. India is urbanising at 100 times the pace at which the UK had urbanised, and the country's urban population will soon reach 600 million people, twice the size of America's.

Although economic growth has reduced poverty rate, the pace of poverty reduction has slowed down, and poverty vulnerability also has increased. India still has the largest number of people on earth living in near poverty, and even though they may not be currently poor, they are highly vulnerable to falling back into extreme poverty. Nearly 80% of jobs in India are created in the small informal enterprises, and these come without a social protection. Social protection systems in rich countries were developed at a time of "jobs for life," and such traditional social protection systems were seldom adopted in India.

The coverage of formal social insurance in India remains in single digits, with virtually no increase detected over the past decade. Disruptions brought about by the introduction of the goods & services tax (GST) and demonetisation may have come with heightened risks to the poorest households, due to the increased burden of compliance on small and informal firms. India's current social protection system is not well developed to deal with contingency risks.

Future growth may also become less inclusive and less distribution neutral. The Fourth Industrial Revolution and technological innovation have increased productivity growth, but also slowed down the pace of job creation globally, especially in the manufacturing sector. Capital is increasingly substituting for labour, and the share of labour in value-added is declining. A rising tide is no longer lifting all the boats. Improving social protection against increased contingency risks and poverty vulnerability requires second generation challenges of expanding social protection instruments to deal with new risks.

The traditional approach to social protection was based on the view that there is a clear trade-off between growth versus equity, and increased social protection will create moral hazard problems, and compromise growth. However, empirical evidence has shown that social protection also provides dynamic efficiency gains to the economy through positive impacts on productivity. Increased social protection contributes to a faster pace of economic growth by allowing individuals to better manage risk/return choices.

Over-reliance on the traditional mode of providing social protection, through government and publicly-financed programmes, restricts the potential for scaling up social protection, due to fiscal constraints. There is a huge potential for maximising finance for social protection through increased public and private partnerships (PPPs), as it broadens the pool of potential financing to maximise social protection. The PPP model, which is well developed in building physical infrastructure in India, is still in its infancy in the development of social infrastructure. Given the growing demand for social services, operator-led PPPs provide an opportunity for innovative and collaborative service delivery in scaling up social infrastructure in India.

> **There is a huge potential for maximising finance for social protection through increased PPPs, as it broadens the pool of potential financing to maximise social protection**

Targeted credit, livelihood interventions, crop insurance, new healthcare facilities, education, and low-income targeted public housing are examples where social protection can be scaled up through increased PPP. The PPP model transfers operational risks from the state body to the private partner and forces the private sector to take a long-term social view of the project. Social protection could be scaled up to help informal sector workers. Once basic protections are in place, people could keep upgrading their security with various progressively-subsidised schemes. Social protection can also help take pressure out of minimum wages when these are set too high.

In addition, there is a huge potential for scaling up the participation of communities as a vehicle for delivering social protection. For example, lagging educational enrolments. These can be traced to low community participation in education service delivery, especially for girls. This requires placing investment funds at the local community level and giving the local communities a stronger voice in the allocation of these funds. Given a history of inefficient central planning, and the shift towards competitive federalism, it open new doors for increased local community participation as a tool for a more effective social protection system.

Women shoulder a disproportionate share of unpaid work, and gender imbalances in the distribution of family care work constitute a root cause of women's economic and social disempowerment. While the role of gender in social protection is complex, increased focus on the types of risks tackled by women need attention. Far more can be done in terms of integrating gender into the design and implementation of social protection, including policies that enable women to better balance family and job agenda.

India's declining return on public spending on poverty programmes is an emerging challenge. The current social protection programme has not responded well to the growing spatial diversity in living standard and poverty rate within India. A key reason for this is that while poverty is getting increasingly concentrated in the lagging regions, the absorptive capacity for social protection in lagging regions is also much weaker, due to institutional weaknesses, and often handicapped by misidentification of beneficiaries. This reduces the poverty reduction impact of social programmes. A combination of government, private sector and local community participation could address institutional deficiencies, and increase return on investments in social protection and poverty reduction. Outdated information on poverty and employment indicators needs to be updated.

India's social protection needs to be reshaped to address increased poverty vulnerability and increased uneven playing field. The declining share of labour in total income and accumulation of capital wealth in the hands of a few have raised concern. We need new ways of scaling up social protection for 80% of working people in India who have no or little access to social protection. There are many options available for maximising financing for social protection, including scaling up partnerships between public, private sector and local communities, and increasing progressivity in tax base that complements labour income taxation with the taxation of capital, in a country where the richest 1% hold more than 50% of the country's wealth.

DIRECT TAX COLLECTIONS

Can we have a fair assessment?

DINESH KANABAR

The author is CEO, Dhruva Advisors

THE FISCAL YEAR HAS just ended, and like every other year, there is a review of tax collections at the Centre, both direct and indirect taxes. It has become a norm to measure the efficiency of the tax office by taking into account the taxes collected vis-à-vis the target. Early reports seem to suggest that the direct tax collection will be about 15% short of the ₹12 lakh crore target. The target this year had been considerably enhanced to account new taxpayers and the increased income in the formal sector as a result of demonetisation. What does this shortfall indicate?

As a start, we need to appreciate that the government measures its revenues on a cash basis, i.e. the ₹12 lakh crore target represents the direct taxes actually collected by the government net of the refunds issued. It is common knowledge that, virtually from the month of October, the tap of large refunds is closed, and refunds determined thereafter are paid over only in the beginning of the next fiscal year.

In order to address the concerns of the taxpayer on high-pitched assessments and recoveries made with respect to demands arising as a result thereof, the law was amended to provide that if a taxpayer paid 20% of the tax demanded, the balance demand would be stayed till the disposal of the first appeal. This 20% payment can be contested if demands arise as a consequence of additions made for which there are favourable court orders. In practice, high-pitch assessments are now raised and assesses called upon to make payment of 20% of the tax demanded without even waiting for the mandatory 30-day period provided in the law. What was meant to be an assessee-friendly provision has now become a revenue-raising provision.

It is also quite routine for the tax office to ask taxpayers to make payment of tax deducted at source (TDS) due in April, before March 31 itself, and enhancing collections for the fiscal year. Obviously, this collection gets set-off in the succeeding years!

As such, while we compare the collections vis-à-vis the targets, it is pertinent to note several short-term measures that have been undertaken to bump up tax collections for the year. Towards this, we've had some interesting developments this year. First, there has been a fervent demand by the revenue to collect taxes where stay of demand is granted by the tax tribunal in accordance with the provisions of law. A litigation is already afoot on this subject. Second, the Central Board of Direct Taxes (CBDT) called upon appellate commissioners to pass "good" appellate orders as would result in enhancement of assessments. This has also come up before a judicial challenge. Finally, the CBDT has written to the commissioners asking them to take "all possible actions" to recover taxes. Without doubt, it is the duty of the revenue to collect taxes that are due by an assessee. The unfortunate part is that the use of the words "all possible actions" is prone to be interpreted by many at the ground level to taking coercive steps and forcing assesses to pay taxes that may not necessarily be due.

> **India has a very low tax-to-GDP ratio; if higher tax revenue targets are fixed, they must be achieved by bringing more taxpayers into the tax net**

I may hasten to add that this is a recurring saga and, to that extent, there is a window dressing that happens in all the budgets.

To my mind, increase in collection of revenues is a direct factor of increase in the taxable income of assesses and the increased compliance on account of widening of the tax base. To have a target for collection of revenues using any other barometer would mean passing of assessment orders that are high-pitched and that seek to tax income not earned by the assessee. We have witnessed examples of how high-pitched transfer pricing orders were passed or how infusion of capital was treated as revenue. The only other measurement is the expansion of the taxpayer base. India has one of the lowest tax-to-GDP ratios and it's important that if higher tax revenue targets are fixed, they are achieved by bringing those taxpayers into the tax net who have consistently remained outside of it. Creating high-pitched assessments that cannot be sustained in appeals only clogs up the judicial system. The current approaches to augment tax collections may not resonate well with India Inc, and do not further the objective of the government that wants to see India among the top-50 countries in the Ease of Doing Business index.

Judging a country's development status

Special and differential treatment still holds the key for developing countries

ANIL K KANUNGO

The author is professor, LBSIM, and former senior faculty, IIFT, Delhi

THE ISSUE OF SPECIAL AND differential treatment (S&D) has resurfaced in a contentious manner in the WTO negotiations as the US started redefining the rules of the game again. This was possible to an extent because Jair Bolsonaro, the President of Brazil, agreed to forgo S&D treatment at the WTO during his March 19-20 visit to the US. S&D treatment has been one of the cardinal principles of WTO functioning to keep the developing and developed countries under one roof and to sustain the interest of developing countries in multilateralism.

Since the inception of GATT, the rules of multilateral trade policy regime haven't adequately addressed the needs and concerns of developing countries. The adjustment costs borne by these countries in adapting to a changed environment have been disproportionately high. As a result, developing countries argue that taking on multilateral commitments and obligations would be difficult as they are currently in different stages of economic, financial and technological developments. Leaders of these countries further insist that special advantages and flexibilities may be provided to them so that they are in a position to adopt appropriate national policies to support their trade regime. This, in essence, came to be known as S&D provisions.

However, the concept and interpretation of S&D provisions have changed over the years. From GATT to Uruguay Round (UR) to the establishment of the WTO in 1995, S&D provisions have undergone dramatic changes. Prior to the UR, the focus of S&D treatment was to recognise the special problem of development faced by developing countries and offer necessary flexibilities to pursue policy options appropriate for industrialisation and economic development, whereas in the UR it was geared towards recognising the special problems that developing countries may face in the implementation and signing the agreement as a single undertaking. Such a shift in focus tends to provide limited policy flexibilities for developing and least developed countries (LDCs) to negotiate on crucial issues such as agriculture, NAMA and services.

During the Doha Round of negotiations, the issue of S&D gained prominence as it had a direct bearing on the overall development dimension of developing countries. It was realised that to empower developing countries, it is important to strengthen S&D provisions. Member countries in the Doha Declaration agreed that all S&D treatment provisions should be reviewed with a view to strengthening them and making them more precise, effective and operational.

However, negotiations on S&D provisions for so many decades have led to serious differentiation between developed and developing countries, as it has become difficult to identify and assess countries with 'developing-developed' status as S&D provisions were primarily meant only for developing countries. According to these, it is only the developing countries that need to be benefiting from the system.

Currently, the US, under the leadership of Donald Trump, feels that many developing countries are taking the advantage of the provisions and the system because the way they have declared themselves as developing countries under self-declaration and self-selection is not correct, rather it's mischievous or misleading. Trump is of the view that some developing countries have become major players in global markets in their own right. Their exports have grown to equate almost half of total world exports, with a group of largest developing countries accounting for some three-quarters of that share. Thus, the US believes such developing countries should be declared as 'developed countries' instead of them being called 'developing'.

The US, in an attempt to redefine S&D provisions, has proposed to limit WTO's practice of allowing countries to self-declare their developing status in order to receive special treatment. The US expects all large players—advanced or emerging—to play by the same rules. China, India and others have reiterated that their self-declaration is appropriate in the WTO context, highlighting the importance of S&D treatment for development. They argue that holding a high share in world trade doesn't necessarily make a country 'developed'. China, India and others rebut that per capita indicators have priority when assessing development levels, and it's not the share in global trade beyond certain percentage points that can disqualify them to be termed as 'self-selection or self-declaration developing country'.

Yet, in practice, the issue of heterogeneity across developing member countries and differentiation is seen. Implementation of the WTO Trade Facilitation Agreement (TFA) has witnessed significant differentiation as countries self-determine their need for transition periods and technical assistance. Nine developing members have notified their readiness to immediately implement all of their obligations, and 30 others—including Brazil and China—immediately implemented more than 75% of their commitments. Taiwan has also recently decided to give up S&D provisions.

This possibly convinces the US to take a fresh look at revisiting the terms and conditions of S&D provisions. To bridge the developed-developing country dichotomy among WTO members, a combination of actions may be considered. Countries can follow Taiwan's example—and now Brazil's—and not claim differentiated treatment, without the need to first declare themselves as 'developed'. However, developing member countries argue technical assistance and capacity-building support for development and reform in developing economies is essential for success, and is in the interest of both the recipients and providers of assistance.