

**Southward Ho for BJP!**

Spurred by the Lok Sabha performance in Telangana, the Bharatiya Janata Party (BJP) is looking to conquer the south, beginning with Telangana. Dozens of leaders had crossed over to the BJP from the Congress, the Telugu Desam Party (TDP) and even the Telangana Rashtra Parishad (TRS) at a convention titled 'Namo Bharat-Nava Telangana' held at Nampally Exhibition Grounds in Hyderabad, earlier in August.

At this convention, working president of the BJP JP Nadda declared that the BJP would settle for nothing short of occupying the space of ruling TRS in Telangana.

Nadda, like Shah a few weeks ago, made it clear that the BJP leadership had no secret pact with TRS chief and chief minister K Chandrasekhar Rao (KCR). Nadda was referring to the doubts expressed by some senior leaders about KCR's recent moves of backing the Modi government in Parliament on several crucial bills, including the abrogation of Article 370.

Nadda told his party seniors that KCR's cooperation with the Modi government was part of the floor management by BJP to run its parliamentary needs. It had nothing to do with the party's ambitions to come to power in this southern state.

Launching a frontal attack on KCR, Nadda called upon to remove TRS from power as it was in the grip of a "family rule". "KCR has monopolised all the power like a medieval feudal lord and wants to impose his son and daughter on people of the state. The BJP can alone liberate Telangana from the clutches of KCR and his family," said Nadda, to the cheers from the crowd.

**DID THEY REALLY SAY THAT?**

**"I will tell you one secret. I do yoga, pranayam and bank upon Ayurveda. I make full use of these therefore I am able to manage."**

Prime Minister Narendra Modi in New Delhi via video conference, telling Haryana CM ML Khattar how to handle laryngitis.

**CHECKLIST GROUP OF MINISTERS: A POTTED HISTORY**

■ Five days after Prime Minister Narendra Modi took oath of office on May 26, 2014, he abolished what had come to symbolise the earlier Congress-led government's policy paralysis: innumerable groups of ministers.

■ The National Democratic Alliance (NDA) government, in a notification on May 31, 2014, abolished the then existing nine Empowered Group of Ministers (EGoMs) and 21 Group of Ministers (GoMs).

■ Within a few months, the government set up an alternative mechanism for selling minority stakes in central public sector enterprises (CPSEs), another one for strategic disinvestment and one for privatising Air India.

■ A few months later, a GoM, structured as an alternative mechanism, was set up under the then Finance Minister Arun Jaitley to consider and oversee mergers among the country's 21

public sector banks. Jaitley said an alternative mechanism facilitates quick decision making.

■ A GoM was constituted to oversee the Centre's directive to fertiliser companies to lower non-urea rates in the interest of farmers. It comprised the then fertiliser minister Ananth Kumar, former agriculture minister Radha Mohan Singh and former urban development minister M Venkaiah Naidu.

■ The first GoM, under the second term of Modi as Prime Minister, was set up last week. Designed to speed up decisions on the development of Jammu and Kashmir and Leh-Ladakh after they were bifurcated, the GoM has law minister Ravi Shankar Prasad, social justice and empowerment minister Thawar Chand Gehlot, agriculture minister Narendra Singh Tomar and minister for the PMO Jitendra Singh on it.

**OPINION**

DONALD TRUMP AND NARENDRA MODI

**'I think they can do it themselves'**

**Trump:** Thank you very much. It's great to be with Prime Minister Modi of India. Incredible country and he's an incredible man. Just had a tremendous election victory and he really is a man who's loved and respected in his country.

We're talking about trade and we're talking about military. We're talking about many different things, and we've had some great discussions...

**Modi:** (As interpreted) Today, I'm meeting my friend and the representative of the oldest democracy in the world, President Trump. It's a very important meeting for me. And whenever we've had the opportunity, we've always met.

... India and the United States are countries who have — which have shared democratic values. And we work for the welfare of the world. And whatever contribution we can make, in whichever way, we have these common values and we work for the progress of humanity, for the world, for continuous progress. We have continuous discussions on these issues.

India and the United States, we have been discussing on a continuous basis various economic trade and commercial relation issues. And on many of these issues, we have welcomed US suggestions. Together, we are working in the area of trade. We are making efforts to take this forward...

**Mr President, can you clarify your position on whether you will mediate on Kashmir, please?**

**Trump:** Well, we spoke last night about Kashmir. And the prime minister really feels he has it under control. I know they speak with Pakistan, and I'm sure that they will be able to do something that will be very good. We spoke about it last night at great length.

**Mr Modi, do you want to add?**

**Modi:** Between India and Pakistan, there are many bilateral issues. And after Imran Khan became prime minister of Pakistan, I called him up to congratulate him. And I told him that Pakistan needs to fight poverty; India too. Pakistan needs to fight illiteracy; India too. Pakistan needs to fight disease; India too.

And so, together, let us join our forces to fight poverty and all the ills that are facing our two countries. Let us work together for the welfare of the people of our two countries. And this is the message that I keep giving my counterpart in Pakistan. Along with President Trump, we also keep talking about the different bilateral issues between us.

**Mr. Modi, would you like to have President Trump be involved in negotiating between Pakistan and India?**

**Modi:** India and Pakistan have — all the issues are of bilateral nature. And we do not want to give pains to any country in the world — to, in fact, try to do anything in this, because these issues are bilateral. And I trust that before 1947, when we were one country, that even afterwards we can find solutions through discussions.

**Mr. President, is that offer still on the table?**

**Trump:** I'm here. Look, I have a very good relationship with both gentlemen, and I'm here. If for any reason — but I think they can do it themselves very well. They've been doing it for a long time.

**Mr president, what are your latest thoughts on your threat on pulling out of the WTO? And if you do, can I also ask Mr Modi what's your response to that, in terms of how it will affect India's trade strategy?**

**Trump:** Well, we haven't been happy with the WTO, but now we're winning cases. We won the big Airbus case, as you know. And it's a tremendous case. I mean, it's billions of dollars. That was a very recent victory. And we're winning cases now. We're being treated more fairly now in the WTO, which we appreciate.

**Modi:** (Speaks Hindi; no translation provided.)

**Trump:** He actually speaks very good English. (Inaudible) don't want to talk with us. (Laughter.)

**Modi:** I think — I think you should let us —

**Trump:** That's funny.

**Modi:** (As interrupted) — discuss these things and when we feel the need, we will communicate to you. (Laughter.)

**Mr President, what would be your message to the American people in terms of what is your biggest achievement at this G7?**

**Trump:** Well, we've had a lot of achievements. We have an achievement with Prime Minister Modi because we're doing great trade. We're doing a lot of trade with India; that's an achievement.

I think, obviously, the Japan deal is a tremendous achievement because it's one of the biggest trade deals and it affects directly our farmers. Even the fact that he's taking all of the excess corn that China didn't take — hundreds of millions of dollars' worth of corn — and he's buying that. Japan is buying all of that corn at a fair price. And, you know, that was great. So that was very important.

I also think that unity is very important... You saw me with Chancellor Merkel, you saw me with all of them. We had — the relationship is great. We have seven nations. In addition to that, we have other nations, like India and others that came in. Australia came in — Scott. We have a lot of people came in. And I'll tell you, it's been total unity. And there's been no dissension.

**Mr President, on the Afghanistan peace talks, do you have an updated timeline? Are there any snags?**

**Trump:** No timeline. Whatever it is. And we're in no rush. I mean, we're there. We're really a police-keeping force more than anything else, frankly...

*Edited excerpts from remarks by US President Donald Trump and Prime Minister Narendra Modi before a bilateral meeting in Biarritz, France, on August 26*



ILLUSTRATION BY BINAY SINHA

With a five-judge Constitution Bench of the Supreme Court all set to hear petitions challenging the revoking of the special status of Jammu & Kashmir and its bifurcation into two Union Territories in October, **Faizan Mustafa**, vice chancellor of NALSAR University of Law, tells **Karan Thapar** that there are important legal issues around the central government's decision on Article 370. Edited excerpts:

**'People's views must come to the fore'**

**Professor Mustafa, let us start with Article 370. It has not been abrogated as many people believe, but its provisions have been used to deoperationalise Article 370 itself. Can you start by explaining how exactly this is being done?**

Article 370 permits the president of India to make modifications and exceptions in other Articles while they are made applicable to Jammu & Kashmir. So they used this power to insert a clause in Article 367 and change the meaning of some of the crucial words which have been used in Article 370. One is 'constituent Assembly of Jammu and Kashmir' which, they said, will now mean Legislative Assembly. The other is 'government of state' which will now mean governor acting on the advice of the council of ministers. So basically, the text of (Article) 370 largely remains the same but when we interpret them, we will use 367 to arrive at an entirely different interpretation.

**And because they reinterpreted the word 'Constituent Assembly' to mean 'Legislative Assembly', when they apply that interpretation back to Article 370, it means they can deoperationalise Article 370: Not with the concurrence of the Constituent Assembly but now with the concurrence of**

**the Legislative Assembly. And this reinterpretation has permitted them to deoperationalise Article 370...**

It was a very innovative way. I think we must compliment the government for finding a way to deoperationalise Article 370 without deleting 370 from the Constitution.

**Let's come to this innovative interpretation. As you pointed out, Article 370 permits the central government to enforce other Articles of the Constitution in Jammu and Kashmir with modification or amendments. Did the framers of the Constitution ever intend that this power to modify or amend Article 370 itself?**

No, because words used in Article 370 are 'other provisions.' So there are provisions mentioned in Article 370 which are Article 1 and 238. 238 does not exist anymore, so it is only Article 1. So they cannot use it to change Article 370 itself.

**So the very phraseology of Article 370 makes it clear that the power of Article 370 to amend exists to amend 'other provisions'; not to amend itself.**

Because the expression used is 'other provisions' — which the president of India, with such modifications and exceptions, would like

to apply to Jammu & Kashmir.

**So then, this attempt to use 370 to modify or amend 370 itself, is actually a form of constitutional sleight of hand. Yes, you can say that.**

**In 1973, in the Kesavanand Bharati judgement, the Supreme Court ruled that Parliament cannot amend what was called the 'basic structure' of the Constitution. This was a limit placed on Parliament's capacity and power to amend the Constitution. Does a similar statute of limitation exist about the extent to which Article 370 can be used to amend the Constitution?**

Whatever Parliament can do will be much more than what the president can do. The president is the executive, Parliament is the legislature. If the limitation applies on Parliament, how can the President not be bound by the basic structure?

**So, there is also a statute of limitations which determines the extent to which you can use Article 370 and the government has ignored that as well?**

I would say, at least the implied limitation should apply because 370 is not just an ordinary Article of the Constitution. It is an outcome of an agreement between two sovereign states.

**As one of India's leading exponents of law, do you believe that there is a chance that the Supreme Court could strike this down as unconstitutional?**

No one can predict what the outcome of the legal challenge in the Supreme Court will be. But our experience has been that when you have governments with massive majorities, courts stay away from political questions. When there are coalition governments, they assert their power a little more and I have a feeling that when it comes to their own powers, they jealously guard them. But when it comes to the Constitution, citizen's liberties, the same kind of anxiety is not demonstrated by the courts. So at best... the matter will be decided after two or three years. By that time, it will become redundant.

**Let us come to a second critical aspect of what happened — the manner in which the central government has split Jammu & Kashmir into two and then demoted both parts into UTs. Ordinarily, the Constitution requires that this can only happen after first seeking the opinion of the state Assembly. As you know the Assembly doesn't exist, the government has said that under President's rule, the powers of the state Assembly stand transferred to Parliament and as a result, the government can consult Parliament rather than have to consult the Assembly. Do you agree with that line of logic?**

Not entirely, because you have to look at the timeline. The timeline is that the Presidential order comes on August 5. On 5 August, in the Rajya Sabha, this Bill is introduced and passed. Now, before August 5, you had Article 3(1): One exception created for Jammu and Kashmir which said 'concurrence' is needed of the Legislative Assembly. Not 'ascertainment of views'. So when before August 5 was this Bill referred to the Legislative Assembly?

Two, the expression used says after August 5, it becomes an ordinary state and like any other state, views of the Assembly are to be ascertained. Now, 'views' are not 'powers'. There is a distinction between views and powers. Parliament can exercise the 'power' on behalf of the Assembly. But here the expression of 'views' of people's representatives of that state must come to public fore.

**And that hasn't happened. That hasn't happened.**

**You are making a very important distinction: Under President's rule Parliament can exercise the powers of an Assembly but Parliament cannot express the views of the Assembly. And since the Constitution requires that before you change the borders or the status of a state, you ascertain the views of the Assembly, those views have not been ascertained and what the government claims as a process for doing so, is, therefore, a second sleight of hand?**

Definitely. Just recall Telangana. The Bill was referred in 2013 (December) to the Andhra Pradesh Assembly. 84 members in Assembly, 54 members in Council participated. 9,000 amendment Bills were moved. They rejected it. Still, Parliament enacted the law. But there was an expression of views. There is a difference between an individual's freedom of speech, which is subject to reasonable restrictions, and Parliament or the Assembly's privilege to speak, which is absolute.

**Under President's rule, Parliament can assume the powers of an Assembly but it cannot express the views of the Assembly and if the Constitution requires the views of the Assembly be expressed, that has not been fulfilled.**

"Power" means your capacity to change the legal relation. Say you have the power to arrest or not arrest, the power to pass a law or not pass a law. Assembly's expression of views is not power because those views cannot change anything. Parliament can ignore its opinion. It is an opinion.

**Can, in the first instance, Parliament, assuming the powers of an Assembly, act in such a way as to actually abolish the state? And if it can, then it follows the all the other states of the Indian Union are in potential danger of being arbitrarily reduced to Union Territories if Parliament so wants to do...**

Yes. They will first impose the President's rule, then Parliament will act as a state Assembly but I don't think that this is as per the spirit of the constitution.

**What are the chances that the Supreme Court will strike this down?**

If the court makes a distinction between the expression of views and power, it must be struck down. And already there was a talk in *Deccan Chronicle* — there was big news that Hyderabad is going to become the next Union Territory.

**Do you believe the Supreme Court will make this distinction between powers and expression of views?**

It will depend on how lawyers who are challenging this re-organisation of Jammu & Kashmir argue their case.

**Conquering loneliness through 'Maitri'**

A group of schoolgirls has developed an app that will put the very old in contact with the very young and provide companionship that both crave. **Aditi Phadnis** looks at a solution that is also a business model

A five-member team of school girls has developed an app—*Maitri*—that won the bronze medal at the Technovation Challenge, the world's largest technology and entrepreneurship programme for girls, held in San Francisco, last month.

*Maitri*—a mobile App that connects children at orphanages with senior citizens in old-age homes, aims at bringing together individuals suffering from loneliness and depression and those lacking the nurturing love of elderly role models, said the all-girl team "Tech Witches". The app was developed by team leader Ananya Grover, who lost two grandparents in quick succession, and the resultant sense of loss and loneliness she felt.

The app, available for free on Google playstore, also allows users to volunteer and donate to old-age homes and orphanages, they said. The developers include Ananya Grover, Vanshika Yadav, Vasudha Sudhinder, Anushka Sharma and Arefa, all Class 12 students of Amity International School in Noida.

"We want to break the stereotype that girls don't belong in the fields of Artificial

Intelligence [AI] and technology. They can pursue careers in technology which is not gender-specific," Ananya Grover said.

"*Maitri* allows old-age homes and orphanages to sign up and organise meetings, thus facilitating children and senior citizens to spend time together. The app has seen over 1,000 downloads till date and has 13 old-age homes and 7 orphanages connected through it," said Ananya.

"During our initial phase we are focussing on Delhi-NCR area only but plan to take this App pan-India by getting more and more orphanages and old-age homes registered on it. *Maitri* allows only validated facilities to register and provides contact details and map locations for assistance," she added.

Citing statistics on elderly people and children being increasingly abandoned, the students said the idea for their App originated from their shared passion for social welfare.

Technovation Challenge is the world's largest technology and entrepreneurship programme for girls, which runs across 100+ countries, supported by Salesforce.org, Google.org, the Adobe Foundation, Uber, Samsung, BNY Mellon as well as UNESCO,

the Peace Corps and UN Women, according to its website.

The *Maitri* developers are now looking to crowdfund \$40,000, the investment needed for the first year of their operations.

"Donations received through Corporate Social Responsibility (CSR) funding will also help the team recover their operation costs," said one of the team members.

**The team**

**Ananya Grover:** I am the CEO of Tech Witches, involved in every aspect of our project from developing the app to making our business plan and pitch, but perhaps most importantly—holding the team together! I'm the Founding Editor of a global online magazine for High School students called Reflections Magazine (<http://reflectionsmag.in>), an Indian classical dancer, and a Menstrual Health activist and researcher. My academic passions lie in CS and Economics, especially at their intersection.

**Anushka Sharma:** I am a commerce student of grade 12 and I am the Chief Financial Officer in the team. I was involved in the making of the business model, stating the financial projections and budget, and developing the marketing strategies for the promotion of our app.

**Arefa:** I am the Chief Technical Officer of Tech Witches. I was mainly involved in the coding of our app. I also carried out the paper prototyping and created the pseudocode, which included deciding upon the functionality of our app. I am currently learning Java. With a passion for coding and designing I strongly believe that an amalgamation of the two can and must be used to change the world for the better and solve various social issues. I also love participating in MUNs and art competitions at my school.

**Vanshika Yadav:** I am the Chief Marketing and Analytical officer in the team. I was mainly involved in the making of the business plan. I also carried out pilot surveys for our platform and analysed them. I participate in activities in my school. Moreover, I also volunteer at an NGO to help the underprivileged.

**Vasudha Sudhinder:** I am the Chief Design and Communications Officer in the team. I interviewed caretakers at orphanages and old-age homes to gather their perspectives and came up with a brand identity for the *Maitri* app based on colour theory and aesthetics. I study science in school, and enjoy doing Yoga and Zumba.

*With inputs from PTI*

## After NRC, what next?

Children born in India should be citizens

The final version of the National Register of Citizens (NRC) in the state of Assam has now been released by the authorities. In the new NRC list, 1.9 million people have been left out, including the about 380,000 who were in the previous draft but did not submit claims for inclusion; 190,000 objections were also received against names in the first version. This means that the claims of about 2.2 million people who had been excluded from the earlier draft have been accepted, but over six per cent of Assam's population is now subject to disenfranchisement and loss of citizenship.

Altogether, however, the number of the excluded is considerably smaller than would have been expected by either the leaders of the erstwhile "Assam movement" or by many in the ruling Bharatiya Janata Party, which is also in power in Guwahati.

Indeed, the latter is not pleased with the results, with senior leader Himanta Biswa Sarma telling the media that it will not solve the "foreigner" problem that has plagued the state for decades. The NRC process has eventually pleased nobody — neither the Assamese nationalists, disappointed at the low numbers, nor the BJP, angry that many Hindus

have reportedly also been excluded, or people elsewhere in the country such as Bengal who fear that the NRC is being used to justify religious and ethnic divisiveness.

The almost 2 million people not on the NRC are not immediately rendered stateless. They will be able to appeal against the NRC's judgments to special tribunals. However, these tribunals have been severely criticised in the past for violating the principles of natural justice. In the end, the regular court system may have to decide in many cases. The Supreme Court, which has overseen the NRC process for some years, will no doubt take an interest in ensuring that no citizen or resident of India has his or her rights violated. That said, it is far from certain that the appeals process will result in a substantial diminution in the number of people excluded from the NRC. Even if the proportion who did not submit claims for

inclusion — individuals who may well have migrated out of Assam to other parts of India — are ignored, there is still a vast number of people who might be rendered stateless.

The question then is what the next step will be. What rights that Indian citizens have will be denied them? Presumably, they will be disenfranchised. Will they also be excluded from government welfare schemes? Will their children also be so excluded, and how will that exclusion be carried out on the ground? Will their physical freedom be curtailed? There are indeed reports about detention camps being built but surely it is impossible to put between one and two million people into permanent camps. That would be both administratively infeasible and morally repugnant. "Repatriation" to Bangladesh or Nepal is also impossible. Dhaka has consistently refused to take such individuals in — and, in any case, the Indian external affairs

minister has officially stated during a visit to Dhaka that the NRC is India's "internal matter".

The task therefore is to find a way out of this impossible situation. Individuals who cannot be deported or interned will have to be given some appropriate legal status within India. Work permits are a possible option, with rights to access certain government programmes (especially if exclusion would be expensive and inefficient). Nor can a permanently excluded class be created. Clearly, there needs to be a path to citizenship at least for the children of those excluded from the NRC. Given the cut-off date of 1971 for the NRC process, there are children excluded whose parents and grandparents might both have been born in India. Eventually, the children born in India will have to be accepted as full citizens, and both process and law must be amended to reflect this necessary conclusion.

## Scaling up municipal bond issuances

A well-developed municipal bond market is a marker of an efficient, transparent and accountable civic services ecosystem, something that India's citizens truly deserve



ANAND MADHAVAN

Despite being one of India's longest-running development finance pilots, India's municipal bond (muni-bond) market has remained shallow. Since the early muni-bond issuances in the mid-1990s, there were over 20 such issuances (including a few pooled bond issuances) that collectively raised nearly ₹1,500 crore, modest relative to India's burgeoning urban investment needs. Even cities that did tap capital markets mostly did so in the form of one-off "testing-the-water" issuances rather than as a resource mobilisation stream to address financing gaps sustainably.

Given this backdrop, the spurt in muni-bond issuance in recent years — over ₹1,400 crore by seven cities since 2015 — is a green shoot that needs to be nurtured a bit differently, to secure dramatically better outcomes in future, compared to what we have to show from the past. Two factors have specifically helped.

First, there has been a concerted policy push by the government of India. Support to credit ratings of cities and interest subsidy incentives to cities issuing muni-bonds have helped. In December 2016, no less than the prime minister emphasised that at least ten cities should access the capital markets within a year's time, reinforcing the strong policy commitment.

Second, there have been positive moves from regulators. In 2015, the Securities Exchange Board of India (Sebi) released its "Issue and Listing of Debt Securities by Municipalities" regulations to provide specific guidance for municipal bodies seeking to tap the capital markets. Earlier this year, foreign portfolio investors (FPIs) have been allowed to invest in muni-bonds. Recent press reports suggest further measures in the offing, including removing the distinction between revenue and general obligation bonds for public issuances, changes to limits on private placements, allowing entities other than city governments (including SPVs and para-statal agencies) to issue muni-bonds, and so on.

Notwithstanding these positives, very few Indian cities still consistently meet creditworthiness thresholds that

hard-nosed capital market investors look for. Of the 94 cities assigned a credit rating until December 2017, only 16 cities secured ratings above A. Three constraints underpin the credit weakness of city governments.

First, barring exceptions, revenue reforms in Urban Local Bodies (ULBs) and civic agencies have been frustratingly slow to come by. Own source revenues are rarely buoyant. Few states have set up effective State Finance Commissions and even where these have been present, their recommendations rarely get implemented in letter and spirit.

Second, the relatively higher flow of government grants in recent years to ULBs has not been backed by commensurate institutional capacity to build infrastructure in a timely manner and to effectively deliver services. Even as cities face financial constraints to borrow to plug larger infrastructure gaps, they paradoxically end up not even utilising funds made available to them as grants.

Third, despite initiatives on accrual accounting for over two decades, many cities have relapsed into cash-based accounting and information disclosures remains poor. Delays in audits of accounts, and poor harmonisation of accounting practices further compound information gaps, effective analysis and targeted problem-solving.

Given that the universe of "near-to-capital market access" cities is a small consideration set, it may be worthwhile for the government of India to direct a transformation effort directed at a few relatively capable cities:

1. Akin to countries identifying better sporting talent and taking it through a rigorous multi-year training effort for Olympic success, the central government should direct its efforts on a select shortlist of about 30 relatively more capable cities that meet minimum fiscal fitness thresholds. City-level credit ratings undertaken recently could be a useful criterion for short-listing cities. With AA being a threshold

level of ratings to successfully tap capital markets in India, cities selected should ideally have a rating of A-and-above and definitely not below BBB.

2. Short-listed cities, with the support of the central government and the respective state governments, should be extended a programmatic multi-year support for structural reforms to better their credit standing, including: (i) Fostering stable and buoyant revenues through tax reforms, rationalisation of user charges and a predictable devolution regime; (ii) shifting from static annual budgets to rolling multi-year investment plans; (iii) strengthening institutional capacity, including dedicated teams/cells for project preparation and debt management; and (iv) implementing robust financial management, accounting and information disclosure standards.

3. Enlisting the support of state governments will be crucial. Apart from states having the decision-making power to operationalise these reforms, they will be critical to replicating this transformation effort in other cities as early benefits from this programme creates peer pressure for other cities to join the bandwagon.

When 20 ULBs are transformed into bankable entities equipped to raise and service a modest ₹500 crore of debt annually, the result is a ₹10,000-crore muni-bond market. Even if five state governments raise an additional ₹2000 crore each through pooled financing entities, a ₹20,000 crore annual muni-bond market can possibly open up in a five-to-eight-year timeframe. The multiplier effect at this scale can be immensely transformational and will drive faster and wider replication.

Many urban infrastructure projects have sizeable viability gaps and require complementary grant financing and financing from other sources, such as private investment, bank loans, non-profits, and development financing institutions. Muni-bonds are thus just one element of financing. However, what sets it apart is that a scaled-up muni-bond market is a sure shot marker of a relatively more efficient, transparent and accountable civic services ecosystem, something that India's citizens truly deserve.

The writer is Director, CRISIL Infrastructure Advisory

## Why the aluminium industry is having a hard time

SUSHIL KUMAR ROONGTA

Aluminium is a strategic metal for the Indian economy. The aluminium industry, in keeping with the anticipation of rapidly growing demand, has invested more than ₹1.2 trillion to build its production capacity. Currently, the sector is struggling to stay afloat due to an unprecedented spike in power costs.

The aluminium sector is one of the more power-intensive industries, where power accounts for 40 per cent of the production cost. The power cost itself has increased by about \$280 per tonne, triggering a 16 per cent increase in production cost in the last three to four years.

Even the NITI Aayog, the policy think tank of the government, has taken cognisance of the surging power cost. It has conceded in a report that the domestic aluminium sector is struggling due to increasing production cost, which is the highest among all the large aluminium making countries in the world. The cost of power, it agrees, is a key responsible component.

It is worth noting that the burden of renewable purchase obligation (RPO) alone has driven the production cost up by about \$50-60 per tonne, and the continuing shortage of renewable energy certificates (REC) in the market is expected to further aggravate conditions by another \$40-50 per tonne. Along with other tariffs like coal cess and electricity duty, the cumulative cost of production has crossed \$100 per tonne.

Some of the manufacturing and energy-intensive industries are owners of captive power capacities. These captive capacities have been set up keeping in mind the exact requirement of power in these industries. With the mandate of purchasing a portion of the power from renewable sources, these industries are left with idle capacities that currently amount to 30,000 Mw. Moreover, procuring renewable power from other generators entails high cross-subsidy charges. For the aluminium sector, which cannot pass on the additional cost, these factors put them at the risk of becoming unviable.

In addition to these, the ministry of power's recent decision to increase the RPO target to 21 per cent by 2022 and market dynamics triggering a spike in REC prices, is

putting added pressure on the aluminium sector. Surprisingly, while the cost of renewable generation has come down in recent years, the industry is paying a high price to purchase RECs in the skewed market, fraught with faulty regulatory mechanisms.

This condition is not unique to the aluminium sector. It has afflicted almost all industries that are energy-intensive in nature. As a consequence, various industry associations have raised the issue of exorbitant power costs with the government, and have emphasised that the survival of these sectors is at stake.

However, the biggest possible dilemma in this matter is the acute shortage of installed renewable capacity in the system. As per the government mandate, the 225,000 Mw of thermal capacity that exists in the economy requires 120,000 Mw of renewable energy for offset. Yet there is only 80,000 Mw of total installed renewable capacity, which leaves about a deficit of 40,000 Mw. Similarly, the 30,000 Mw of industrial power consumption is obligated to purchase 15,000 Mw of renewable power, which too is not available in the market.

If one takes note of the gravity of the situation, it will become clear that there is an urgent need for the government to intervene and provide specific relief to the power-intensive industries, especially those where renewable energy is not a feasible option.

The industry acknowledges that the recent relief provided by the government to captive power plant-based industries (by pegging renewable obligations to the date of commissioning) is a step in the right direction. They now expect the government to see this through with a slew of policies that will create a facilitative environment for the sector. Specifically, for the aluminium industry, the government needs to take immediate steps to provide a reprieve from multiple carbon taxation to help them remain globally competitive. It needs to be borne in mind that in future, Indian aluminium's role in nation-building will be paramount, and a self-sufficient aluminium industry will propel India to a global leadership position.

The writer is former Chairman of Steel Authority of India Ltd

### ▶ OTHER VIEWS

#### Govt does well to relax rules for foreign investment

But reforms that address structural issues hurting the economy are needed

On Wednesday, the NDA government announced a slew of measures aimed at facilitating greater foreign investment in the country. Under the new rules, it has provided for a relaxation of the contentious sourcing norms which have been a major deterrent for foreign investment in single-brand retail. Further, the government has allowed 100 per cent FDI in contract manufacturing and in coal mining and related activities such as washeries, handling and separation. With the trade war between the US and China showing no signs of resolving, foreign companies are increasingly reassessing their operations. So far, India has not been able to take advantage of this ongoing relocation of production facilities out of China. But, these changes in the rules should gradually facilitate foreign firms setting up manufacturing bases in India, providing a boost to both employment and exports.

Allowing 100 per cent FDI in contract manufacturing through the automatic route will also attract global players looking to set up alternate manufacturing hubs — diversifying away from China. Adding exports to the local sourcing norms is also likely to encourage the building of larger production facilities, providing a much-needed fillip to the country's sub-



dued exports. These initiatives are an attempt to create a manufacturing ecosystem, establishing value chains with both upstream and downstream linkages. But they need to be accompanied by reforms, especially factor market reforms, that address the structural issues plaguing the economy. The continuing overvaluation of the rupee also needs to be attended to.

The Indian Express, August 30

#### J&K case challenging for SC

It must not be swayed by popular mood

The Supreme Court's decision to form a five-member Constitution Bench to examine the validity of the abrogation of the special status given to Jammu and Kashmir puts an end to apprehensions that its response to the Centre's legal measures since August 5 will only be one of quiet acquiescence. The petitions before the court cite many grounds for challenging the President's August 5 Order, by which the Order of 1954, which set out the constitutional provisions applicable to J&K, was superseded. A substantial question is on the validity of the substitution of the concurrence of the Governor for that of the government while under President's Rule; in effect,

the Centre is taking its own consent to alter the status of the State.

It does appear that there is widespread popular support for the government's decision to declare Article 370 inoperative and to divide the State into two Union Territories. Yet, the court is duty-bound to examine the legality of the measures taken by the President and Parliament on August 5 and 6. The challenge before the court is to give a reasoned verdict on these questions of constitutional importance, with far-reaching implications for democracy and federalism, without being swayed by the popular mood in J&K or the rest of India.

The Hindu, August 30

#### Possessing literature no crime

Scanner now on readers, not writers

On Wednesday, during the bail hearing of Vernon Gonsalves and other activists, the Bombay High Court asked Mr Gonsalves to explain why he had "objectionable material" in his house. Initial reports indicated that Justice Sarang Kotwal was referring to Mr Gonsalves' copy of Leo Tolstoy's literary masterpiece *War and Peace* — a classic which captures Russia during Napoleonic wars, and a CD titled *Rajya Daman Virodhi* (in protest against State oppression). On Thursday, subsequent reports suggested that the judge was referring to *War and Peace in Junglemahal*. Mr Gonsalves was arrested along with other activists by Pune Police last year, on the grounds that speeches by them at Elgar

Parishad, a commemorative Dalit conclave, on December 31, 2017, led to subsequent violence in and around Bhima-Koregaon. The "damning" evidence that the police have used to make the case against Mr Gonsalves, are books, CDs and other reading material found in his house.

From writers who fear book bans, the scanner is now on readers, with the goal of ascertaining the degree of their patriotism. Citizens in a democracy rely on the judiciary to uphold and protect their basic rights. The State cannot, and must not, decide what citizens read, and possessing literature is in no way a crime.

Hindustan Times, August 30