REGISTERING SHAME

Chief Minister of West Bengal, Mamata Banerjee

NRC exercise will not be carried out in Bengal or anywhere else in the country. It was conducted in Assam due to the Assam accord ... Shame on the BJP for creating panic over NRC

Don't rush to trash traditional knowledge

Research shows *haldi* component's amazing anti-TB properties, there could be more in the vault of home remedies

SCEPTICS DISMISS HOME remedies all too readily, but scientific evidence now shows that at least one of these may have more than a germ of medical rationale. Turmeric, or *haldi*, has long been celebrated in India as an immuno-booster. A study published in the journal *Infection and Immunity*—by researchers at the Jawaharlal Nehru University, in collaboration with KIIT University, Bhubaneswar, and Vanderbilt University School of Medicine, the US—finds that curcumin, a compound abundant in turmeric, enhances the body's response to the BCG vaccine, which protects against tuberculosis. Mice studies showed that curcumin, in its nanoparticle form, prolongs the vaccine's effect by inducing the immune system to guard against adult pulmonary TB. BCG is normally effective only against disseminated and meningeal TB in children—the immune response triggered by the vaccine doesn't last into adulthood. Given TB kills 2 million annually, with most deaths happening in India, the discovery has considerable import.

The vaccine triggers the immune system to produce two types of immune cells against the TB pathogen—effector memory T-cells, and central memory T-cells. The first are part of the immediate immune response while the central memory T-cells help in longer-term protection. However, the concentration of the latter falls with time. Hence, BCG confers no protection to adults. Immunomodulators that increase the number of central memory T-cells in the body, therefore, are key to offering extended protection. This is where nanocurcumin becomes the prosaic white knight. Central memory T-cells' differentiation into into effector memory T-cells is facilitated by the potassium-ion channel. Nanocurcumin blocks this channel, and thus changes the ratio naturally maintained between the two memory T-cells. Curcumin also enhances the various functions (autophagy, and regulation of inflammatory cytokines) of the antigen-presenting cells of the immune system, such as macrophages and dendritic cells. It also causes an enhancement in the number of TB-specific acquired central memory T-cells of the Th1 and Th17 lineages. Nanocurcumin also impedes Th2 and Tregs cells that inhibit the activity of Th1 and Th17. Mice treated with nanocurcumin, the study found, had significantly lower bacterial load in their lungs and spleen than the controls.

This is not the first study to discuss the effects of curcumin (read *haldi*) in battling TB. Earlier this year, a paper by Iranian medical researchers also discussed curcumin's immunomodulatory role. There are other signs of the West, where faith in modern medicine is unshakeable, waking up to some of the wisdom of traditional medicine. There is ongoing and published research on the anti-microbial properties of *tulsi*, and of *neem*. The 2015 Nobel in Medicine for Tu Youyou is a proxy nod to traditional Chinese medicine (TCM), having been given for research on the role of artemisinin in treating malaria—artemisinin is a derivative of sweet wormwood, widely described in texts on TCM. While all the "wisdom of the ancients" may not ring true the way it has for *haldi* or artemisinin, policymakers and science advocates would do well to take the loud scepticism of traditional medicine a bit sceptically, lest they miss a big reveal like *haldi's* while the West rushes to appropriate intellectual property rights. Indeed, many may have mocked, rightly or wrongly, prime minister Narendra Modi for calling Ganesha's head transplant the first example of "plastic surgery", but that Columbia University's Irving Medical Centre talks of the ancient Indian text *Sushruta Samhita* containing detailed instructions for performing complex surgical procedures—including three types of skin grafts and reconstruction of the nose—should make one think.

Need Cornell & Clarkson

Get it right on allowing foreign universities

FOREIGN UNIVERSITIES SHOULD have been allowed to set up campuses long ago; while the latest iteration of the draft legislation for this is a highlight of the Higher Education Commission of India (HECI) Bill, it has been around since 2010. The government has never officially explained why it has dithered on opening India up to foreign universities, but statements from policymakers would suggest that the high cost of availing education at these campuses was an overriding factor. That should have meant top-billed private universities that charge hefty fees also didn't come up, but they have, and are thriving. While the BJP had vehemently opposed the Foreign Educational Institutions Bill in 2013, the government has now introduced a provision in the HECI Bill to permit entry and operation for foreign universities. Given that there are over 7.5 lakh Indian students abroad, and annual forex outgo, in terms of tuition, lodging, and other expenses, amounts to \$2.8 billion, the move may ensure that at least some of that dollar expenditure by India doesn't happen. More importantly, it opens up the possibility of India maturing into a regional education hub over the years, quite in the manner that a Singapore has. However, the government needs to understand that this will happen in an organic fashion, and not by insisting on allowing only "highly-reputed institutions" right from the start, as the draft HECI Bill does, according to a report in *The Indian Express*.

The government must realise that the Indian higher education ecosystem, spanning regulation, infrastructure, talent, etc, may not immediately have an appeal for a Harvard or an Oxford to set up even an extension campus. India must first go through the usual route, of proving that it means business; this would involve allowing bona fide universities that may not enjoy the stellar repute that top-billed ones do, and tweaking the ecosystem to ensure that these thrive while delivering high-quality education to those enrolling in them. Bear in mind, the IITs and IIMs classify as top institutes in India, but none of them figure even in the top-250 ranks in the world. That said, their alumni remain highly sought-after globally, and this has helped in gradually consolidating their international repute. So, even if, say, a second-rung university from the US or Australia was to set up campus in India, it would still lead to an overall improvement in the higher education ecosystem, given not every Indian university is an IIT or an IIM, and the bulk of the Indian higher education institutes are of questionable quality. The positives for the country thus could be significant, even if a non-Ivy League or non-Oxbridge university sees potential in India.

HarvestingR&D

A new World Bank book makes it clear that agri-R&D could yield better gains than rationalising land allocation

THERE IS NO doubt that for India, where the largest chunk of labour is still in agriculture, raising agricultural productivity is the surest ticket out of poverty for millions. This is especially true given how difficult it has been to sustain the creation of non-farm jobs for people to move to. While rising productivity in India has lifted many out of poverty, significant poverty still remains. What is also worrisome is that even though agricultural productivity has gone up across the world, undernourishment is on the rise. Besides, climate change promises to be the most daunting challenge going forward. The FAO estimates a 3–10% decline in average global cereal yields for every 1°C increase.

With agricultural productivity growing more slowly in poor nations, time is running out for tackling extreme poverty. A new book, *Harvesting Prosperity: Technology and Productivity Growth in Agriculture*, by World Bank researchers, argues that while many view the small (marginal)-holder pattern of land ownership as an impediment to improving productivity, the gains of reallocating land, and labour in favour of larger holdings are smaller than often thought. The real upside will come from investment in generating, and disseminating sharper agricultural knowledge. The rates of return for R&D in agriculture are nearly 30-40% higher than many alternative investments. But, R&D investment, as a share of agri-GDP, is six times higher in developed nations compared to developing nations while the number of R&D worker is 50 times higher. Unless India focuses on agri R&D, apart from correcting its many agri-policy flaws, lifting the next many millions of its poor out of poverty will be much harder than before.

GROWTH IMPETUS

MEDIUM-TERM GROWTH PROSPECTS WOULD HINGE ON SHARPER FISCAL CONSOLIDATION

Corporate tax rate cut is no *Brahmastra*

RENU KOHLI

New Delhi based macroeconomist

Views are personal

LAST FRIDAY'S CORPORATE tax rate cut elicited a euphoric response from the stock market, compelling several analysts to revise their short-to-medium term growth projections upwards. This unanticipated, major fiscal boost is expected to stir the 'animal spirits', rekindle private investments, and stroke consumer sentiment through positive wealth effect. Is the growth optimism justified? History would tell us to be cautious! Recollect Mr Chidambaram's dream budget of 1997, when he engineered a rather welcome rationalisation of personal income tax rates. What happened thereafter—the economy could not sustain the demand boost, and went into a recession couple of years down the line!

That does not mean the 1997 rationalisation of income tax rate was wrong. Rather, it was successful in meeting its objectives of expanding the tax base and raising tax revenue in the medium-to-long run. In a similar vein, Friday's corporate rate tax cut is most welcome; though its timing could be questionable. While fiscal experts would like to debate if an economy with a per capita income below \$2,000 can afford such a cut in corporate taxes, especially when rising income disparity is being projected as a long-term constraint to growth, India had very little choice in a world of "race to the bottom". Matching competing counties in terms of tax incentives was imperative. Indeed, one could argue that it came a couple of years too late! It should have been done in 2016, when the domestic private sector was in great distress, and the government had windfall oil tax revenues to bridge the financing gap.

Fiscal imperatives binding constraint

But, the immediate question everyone wants to focus on is if this fiscal boost, estimated at 0.7% of GDP by the government, will revive growth? Before this announcement, there was near-consensus that there was little fiscal space for counter-cyclical fiscal measures. RBI Governor Das, too, had communicated this, in no uncertain terms, to the market a week before. How does this measure relate to the larger fiscal concern? In the macro perspective, this would increase corporate savings by 0.7% of GDP, with immediate effect. If the general government (Centre plus states) dissaving, i.e., fiscal expansion, also goes up by equal measure, the net impact on savings, and, therefore, investment, should be zero, assuming current account projections are retained. If household savings, and its financial component remain stagnant or decelerate further, then the growth outcome could turn more intriguing!

Since the government has not clarified its stand on the financing side, bond yields moved in the other direction, confusing even the rating agencies—Moody's thought the changes are credit positive, contrary to Standard & Poor, which assessed them as credit negative! One thing, though, is clear—these tax cuts are structural, i.e., long-term commitments to firms, and, therefore, the tax shortfall will extend to multiple years. Corporate tax recovery would take time as it would depend on investment recovery, subject to evolving demand conditions. One should not forget the live lessons from faltering GST revenue collections in the face of a 14% tax revenue growth commitment given to the states, leaving very little space for counter-cyclical responses when growth falters! Which is why, now, many experts would urge more aggressive disinvestments to close as much of the financing gap as possible, subject to market conditions.

Divestment is not all panacea

How much could disinvestment help? Currently, we have many profit-making PSUs that can fetch good value in the market, which the government could tap. It needs to be flagged here that selling family silver would trigger a secular decline in non-tax revenues (dividend from PSUs). That is why, international agencies such as the IMF treat disinvestment proceeds as below-the-line (financing) item, unlike the government, which treats it as an above-the-line item. Asset monetisation of land and building that currently yield zero return are ideal, but can materialise on a grand scale only when the private sector is ready to invest in greenfield projects!

> A great deal will depend on how the MPC chooses to communicate its views on growth, and the role of monetary policy to undertake the 'heavy-lifting', post-fiscal shock

Therefore, long-term debt sustainability issues cannot be wished away. The world over, investors now worry a lot about the global debt pile-up as inflation fails to respond. If growth fails to revive, the debt market could react adversely, forcing the government to raise effective tax rates, nullifying all that it is today hoping to achieve. There is very little choice left, except to cut current expenditure, especially, food, fertiliser, and petroleum subsidies, more aggressively than ever before!

Monetary policy communication could be critical

There is one significant difference between 2009-10, when the UPA-II government played with fiscal fire, and the current situation—lack of inflationary pressure. In hindsight, one could make a case for more aggressive easing than the 110 bps policy rate cut. Governor Das has consistently been communicating to the market that there could be more room for policy rate cut, in spite of geopolitical risks to oil prices. He has stuck to his stance even after the large fiscal shock, indicating the growth slowdown is cyclical, and output gap is large. While most analysts have retained their call for a 25-40 bps rate cut on October 4, a few are still making a case for a larger cut of 100 bps, or more.

The MPC has, so far, avoided committing publicly its stance on the real rate. It is difficult to visualise if it would opt for a monetary policy shock of 100 bps reduction, or more, in the policy rate given continued financial sector fragility. Government-pushed 'loan *melas*' could be another irritant. The MPC could possibly effect another rate cut, and then turn data-dependent. It would also prefer to wait and see if the latest RBI diktat on linking lending rates to an external benchmark is helping quicker transmission. The bond market is nervous as term-premiums are rising. The MPC needs to cool it down. A great deal will depend on how the MPC chooses to communicate its views on growth, and the role of monetary policy to undertake the 'heavy-lifting', post-fiscal shock.

Support with more structural reforms

Sunil Jain, in a *Financial Express* edit, made an apt comparison with the 1991 exchange rate devaluation—that it was required to be done, whatsoever might be the consequences. If the government's objective is to restore a competitive edge for investment in India, for both domestic and foreign firms, this was a necessary structural reform, but not a sufficient one. It would need all-round support from other structural reforms in the factor and product markets. One hopes the government will not stop at this one, and carry on with narratives of other reform agendas into the following elections in Maharashtra and Haryana—two of our industrially advanced states!

Corp tax cuts will drive private capex

Corporate tax cuts in medium term: drive acceleration of capex & spur demand. In near term: more corporate savings. Only 58% of total revenue loss will be apportioned to the Centre

SANJAY MOOKIM, NAFEESA GUPTA & SHIKHA GUPTA

Authors are research analysts, DSP Merrill Lynch (India)

Views are personal

MSCI INDIA HAS underperformed EM by 7.4% YTD (in USD terms), but we think this can reverse with the decisive action taken by the government. The reduction in corporate taxes is a good structural measure because: a) cut in GST (a consumption stimulus) would need consensus from states, b) reduction of personal income taxes would benefit only the small proportion of consumers who pay taxes, and c) only 58% of the total revenue loss (₹1.45 trn/yr) will be apportioned to the Centre (a fiscal impact of 0.4% of GDP).

Lower taxes will improve returns on investment which can drive an acceleration of capex in the medium term. In the near term, however, this additional cash flow will likely lead to an increase in corporate savings (see graphic). Our calculations suggest that PSU companies (in BSE 500, ex-financials) will save around ₹193 bn in taxes, based on FY19 actual profits. Much of this (around ₹100 bn) will likely flow to back to the government, in the form of dividend, and dividend distribution tax. PSU stocks, though, could see risk due to greater disinvestment for FY20. We prefer financials, industrials/cement, and IT.

The reduction in corporate tax rates is an investment stimulus, and not a consumption one. Consumption, and higher demand will likely be a derived impact of corporates eventually spending this incremental profit. A small immediate impact, through an improvement in sentiment, is likely though. We think Indian consumer stocks are still reasonably expensive—it might be difficult to chase the sector despite the EPS lift.

Our calculations suggest FY19 PAT savings of around ₹580 bn for BSE 500 companies. The sector wise savings (for BSE 500 Index, taking FY19 PAT) is the largest for banks, energy and materials (see graphic). Given the nature of these businesses, they are unlikely to step up capex in the near quarters. The higher cash flow will therefore most likely lead to increased corporate savings in the near term.

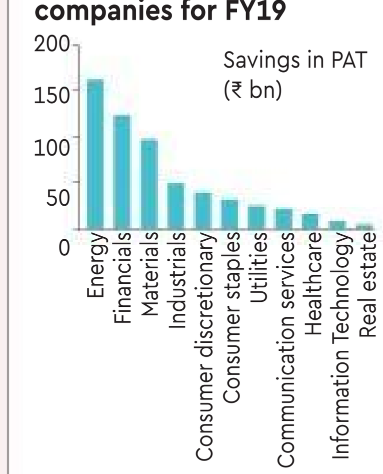
The reduction in the corporate taxes (₹1.45 trn/year) will be split between the Centre and the states in a 58:42 ratio (share of federal taxes). Therefore, the Indian states, on aggregate, will see a drop of ₹610 bn/\$8.6 bn/0.3% of GDP in transfers from the Centre. Taking FY19 state accounts, this loss for states would mean 1.73% of total revenues, and 1.71% of total expenditure. Given their hard deficit caps, states will have to cut expenditure. States largely spend on social issues (see graphic). The Centre can choose to partly cut spending, and partly raise the fiscal deficit.

The government is well behind its revenue target for FY20. According to the Department of Investment & Public Asset Management (DIPAM), only ₹123 bn of divestment revenue has come in FY20, so far (vs. target of ₹1.05 trn). We, therefore, see further pressure on PSU stocks due to rushed government stake sales. The government is also short of the targeted GST collections.

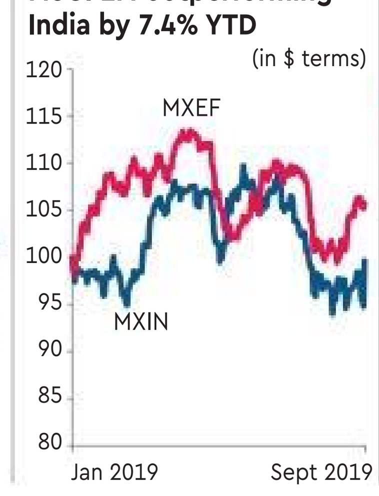
The government could look for expenditure reductions to fund this stimulus. Beyond the pop that happened on Friday, we continue with our preference for banks, industrials, and cement, which should gain from any revival of capex in the country.

Edited excerpts from BofAML's Corporate tax cuts: drive private capex, curtail govt expenditure (Sept 23, 2019)

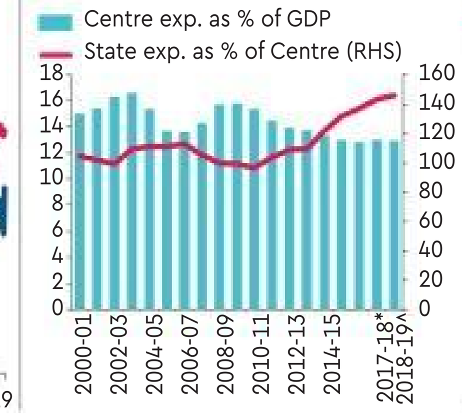
Savings in PAT for BSE 500 companies for FY19



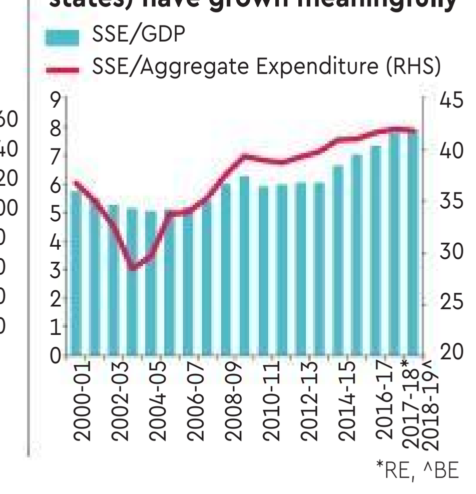
MSCI EM outperforming India by 7.4% YTD



State expenditure has risen while Central govt. expenditure has fallen over the last few years



Social sector expenditures (by states) have grown meaningfully



Source: BofA Merrill Lynch Global Research, RBI: Study of State Finances

*RE, ^BE

LETTERS TO THE EDITOR

Prime Minister Modi in Houston

Howdy Modi event at the NRG stadium in Houston, Texas was riveting and historic. Addressing a 50,000 crowd in Houston, the champion of rhetoric, Prime Minister Narendra Modi said that after 70 years, "one thing has been bid farewell". "*Aap samajh gaye, na?* It was received with thumping supportive cheer. Not only this, describing the event as "history in the making", Modi said: "You had introduced me to your family when I came to the White House. Today, I have the honour of introducing you to my family (50,000 Indo-Americans)." Whereas Trump praising Modi for "lifting 300 million people out of poverty", there was similarity between Trump and Modi, as he said that India and the US were jointly fighting against "radical Islamic terrorism", prompting the crowd, to give him a standing ovation. No doubt, Modi did vigorously defend reorganising Kashmir from an autonomous state in India to a territory of India. He assured the audience that Kashmir will be free of terrorists, and Kashmiris will enjoy the same freedoms as the rest of India. Everyone wants it; even I strongly believe that Kashmiris also approve of it. But, if the Modi government is not to completely shun 8 million people and impose the transformation without their consent, why does India not have a referendum, like the UK had it for Ireland or what other democracies did, to know the will of the people. India is denying the will of the people. Majority of Indians believe that Modi is driving the nation towards nationalism and extremism. If not, then why did Modi not say when normalcy will return, and when the apples will stop rotting?

— Bidyut K Chatterjee, Faridabad

●Write to us at feletters@expressindia.com

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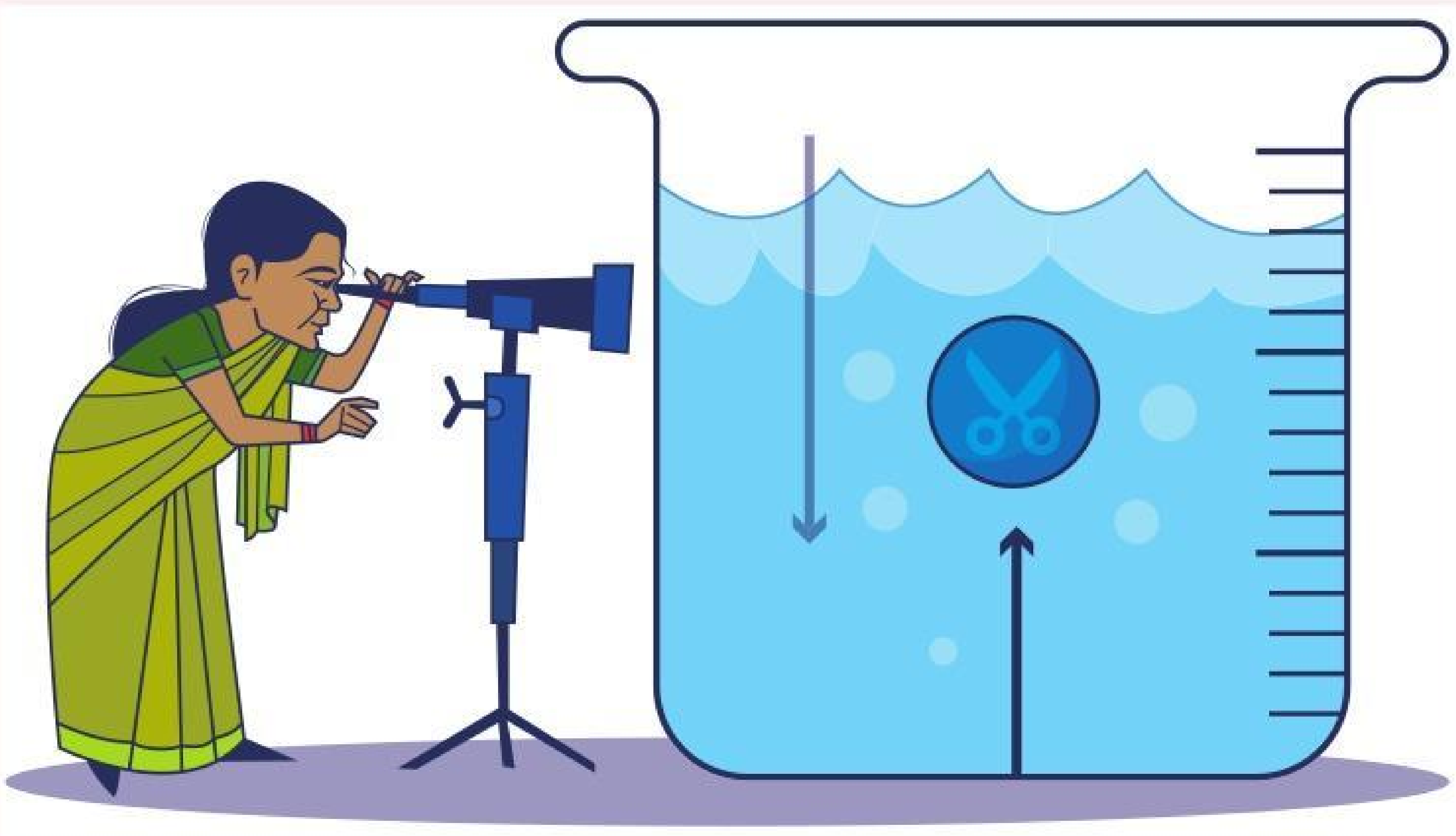

ILLUSTRATION: SHYAM KUMAR PRASAD

EMMANUEL THOMAS & LEKHA CHAKRABORTY

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Paying attention to tax buoyancy

The packages announced by the finance minister so far mostly target the supply side. It will take a while to yield results by way of turning around growth

Buoyancy of total own-tax revenue by states and the gross tax revenue of the Union

State	Long-run buoyancy <1	Long-run buoyancy 1	Long-run buoyancy >1	Short-run buoyancy <1	Short-run buoyancy 1	Short-run buoyancy >1	Speed of adjustment
Andhra Pradesh			1.17***		1.12***		-0.88**
Bihar			1.28***	0.29			-
Chhattisgarh			1.09***		0.94***		-0.92***
Goa		0.95***		0.08			-0.26*
Gujarat		1.09***			2.4***		-0.09
Haryana		0.85***		0.04			-0.34*
Himachal Pradesh			1.17***		1.3**		-0.98***
Jammu & Kashmir			1.28***		1.1*		-0.51*
Jharkhand			1.24***	0.54***			-0.93***
Karnataka		1.04***			1.28***		-0.5*
Kerala			1.06***		1.59***		-
Madhya Pradesh		1.15***			0.5		-0.58*
Maharashtra		0.99***			0.97***		-0.52*
Odisha		1.08***		0.29			-0.43**
Punjab		1.03***			-0.63		-0.59*
Rajasthan		0.99***			0.52***		-0.33**
Tamil Nadu		0.94***			1.19***		-0.46**
Uttar Pradesh			1.17***		1.75***		-0.88***
West Bengal		1.12***			0.66		-0.52**
Arunachal Pradesh			1.39***		0.77*		-0.51**
Assam		1.07***			1.24**		-0.42***
Manipur			1.58***		2.04**		-0.68**
Meghalaya			1.36***		0.83**		-0.41*
Mizoram			1.42***		-		-0.19**
Nagaland		1.24***			0.81		-0.25
Sikkim		0.85***		0.17			-0.35*
Tripura			1.33***		0.24		-0.41*
Union		**1.05*****			**2.05*****		**-0.47****

***p<0.01, **p<0.05 and *p<0.1;
GDP and GSDP data are from RBI database; Tax revenue data are from NIPFP database of Finance Accounts

OFTEN, FISCAL STIMULUS is launched through the tax side than expenditure side, assuming that the buoyancy of the former will ensure minimum fiscal slippage, while shoving the economy out of a glut. The general idea is that a reduction in rates will increase the tax base and compliance. This, along with its positive impact on growth, would lead to higher tax buoyancy. The fiscal stimulus programme announced by finance minister Nirmala Sitharaman is also premised on a similar idea. An IMF working paper titled '*How Buoyant is the Tax System? New Evidence from a Large Heterogeneous Panel*' by Paolo Dudine and Joao Tovar Jalles, published in 2017, finds that tax buoyancies are generally equal to unity or greater for developed as well as for less developed economies.

In our economy, the tax-to-GDP ratio has hovered around 14-17% for the last few decades, which is the combined figure for the Union and states. Direct and indirect taxes contribute almost equally to the total tax revenue, although the share of direct taxes is slightly higher at 52% during 2017-18. The Union collects about 10% of GDP as tax revenue and the rest is by all the states together. The finance minister's stimulus package is premised on the buoyancy of these taxes. Hence, it is imperative to look at the tax buoyancy factor both at the Union and the state level during the recent past.

> **Until growth revives, the high buoyancies signify a fall in revenue unless a rise in tax base and compliance compensates for it**

Tax buoyancy measures the response of tax revenue to a change in national income and the tax policy. Economists generally define it as the ratio of percentage change in tax revenue to a percentage change in income. Buoyancy can be estimated for the long-term as well as for the short-term. Short-term buoyancy above unity signifies that the tax system acts as an automatic stabiliser. Here, the tax system itself would automatically leave a greater proportion of income with the taxpayers during a slowdown dampening the fall in demand. Similarly, during a boom, the system would automatically take away more income through taxes, consequently slowing down the growth of demand. Such a tax system has a built-in stabiliser. In other words, the short-run buoyancy measures the instantaneous effect of a change in GDP on the tax revenue.

Long-run buoyancy is important in gauging the impact of long-run growth of the economy on fiscal sustainability. Long-run buoyancy above unity would mean that faster growth would lead to better fiscal balance through the revenue side. This would be an important guiding principle while considering counter-cyclical fiscal measures, meaning an increased fiscal deficit would trigger growth, which can, in turn, generate more tax revenue, leading to the easing of fiscal pressure.

The Auto Regressive Distributed Lag (ARDL) model allows us to estimate the long-run and short-run buoyancy, along with the speed of adjustment—which tells us how fast the buoyancy converges to the long-run equilibrium value.

The estimates for the period 2001-17 show that the long-run and short-run buoyancy are 1.05 and 1.74, respectively, for total tax (the Union and states combined). The high short-run buoyancy will mean that the current slowdown would have an amplified negative impact on tax revenue in the short-run. The slowdown will have a heavy impact on the Union tax revenue, which has an overall short-run buoyancy coefficient that is very high. The very high short-run buoyancy of direct taxes will escalate the fiscal pressure emanating from the recent cut in corporation taxes. This will also have a deleterious effect on the fiscal health of states as the shareable kitty will shrink substantially. Now, with the 15th Finance Commission (FC) asked to consider the impact of the award of 14th FC on Union finances, any fall in the share of states would adversely affect state finances.

Relatively low buoyancy for states' taxes (1.04 for the long-run and 1.19 for the short-run) will mean a reduced adverse impact of the slowdown on states as a whole. But the effect on individual states will depend on their buoyancies and the extent of deceleration of the gross state domestic product of respective states. Short-run buoyancy is found to be either equal to or less than unity for all states. Bihar, Goa, Haryana, Jharkhand, Odisha and Sikkim will be the ones that would be least affected in the short-run, with a buoyancy factor less than unity. For the long-term, all states have buoyancies either equal to unity or greater than unity. Goa, Gujarat, Haryana, Karnataka, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, West Bengal, Assam, Nagaland and Sikkim have long-run buoyancy equal to one, making them less vulnerable in the long-run. Interestingly, most of the richer states fall in this category.

The packages announced by the finance minister so far mostly target the supply side. It will take a while to yield results by way of turning around growth. Till growth revives, the high buoyancies signify a fall in revenue unless a rise in tax base and compliance compensates for it. However, that is doubtful.

Having seen these premises and the estimates of tax buoyancy, what policy options do we have now to arrest the slowdown, revive the economy and moderate the fiscal slippage? With the general consensus that a fall in aggregate demand is the main culprit, steps can be initiated to shore up aggregate demand. These interventions can be on both revenue and expenditure sides. On the revenue side, a reduction in taxes that will benefit the relatively poorer sections and rationalisation of GST will definitely have a high multiplier effect. Expenditure on infrastructure and upscaling programmes like MGNREGA will also have a higher multiplier effect, leading to revival of growth.

More detailed analysis of buoyancies of individual taxes including GST (where we have only a short-time series) is essential. Although we have incorporated the optimal parameterisation in the models by choosing the apt lag lengths, the estimates can be refined further by incorporating variables like inflation, structural variables, political factors and business cycles in the tax buoyancy estimation models. At a disaggregate level analysis, it is also important to see whether the buoyancy of divisible pool taxes is greater than states' own taxes. Along with these, an understanding of how tax buoyancies behave in different phases of business cycle (output gap) will throw more light on the effectiveness of such polices.

POSHAN ABHIYAAN

Leading with the front-liners

RAGHWESH RANJAN

The author is director, Social & Economic Empowerment, IPE Global

Poshan Abhiyaan leading the war against malnutrition. But are we doing enough?

THE 'POSHAN ABHIYAAN' was launched by the government with great fanfare on March 8, 2018, in Jhunjhunu, a small city in Rajasthan, where the Prime Minister made a call for waging a battle to end the evil of malnutrition in India. Poshan Abhiyaan focuses on reducing stunting, undernutrition and anaemia in women and adolescents. In two years, we have seen it being implemented in every state with much zeal. But the changes seen on the ground are minimal.

Educating families on the need for nutrition and motivating them on adopting these into their behaviour is crucial. In 2019, the campaign is focusing to address Poshan Vyavahar (Nutrition Behaviour) and communicating the five key components critical for a healthy life: 'Poshan ke Paanch Sutra'. These start from the journey of first 1,000 days of a child, diarrhoea management, locally-available nutritious food, sanitation and hygiene, and anaemia. Every house needs to be reached to bring about behavioural changes. For this, the campaign's first post, i.e. Anganwadi centres (AWC), and its soldiers, i.e. Anganwadi workers (AWW), accredited social health activist (ASHA) workers and auxiliary nurse midwives (ANM), play the most critical roles.

There are front-line workers (FLW) providing basic education, nutrition and ensuring health in rural India; they are taking forward the Jan Andolan agenda of Poshan Abhiyaan at community level and influencing people to change behaviour. But are our FLW themselves sufficiently empowered and aware to deliver what is expected of them?

> **Jan Andolan for behaviour change can be successful if front-line workers are energised with adequate counselling skills, knowledge, tools and also right motivation**

Two independent studies supported by CIFF (Children's Investment Fund Foundation) were conducted in Rajasthan during the past two years, to identify the enablers, motivators and barriers influencing maternal nutrition and feeding behaviours amongst infant and young child feeding (IYCF) practices. Each highlights a common thread—gender inequalities, social norms around food and beliefs and customs passed on through generations all dominate household decisions when it comes to nutrition. It was also found that the husband's interaction with FLW is negligible, while mothers-in-law perceive them as someone who challenge her advice to the mother. Also, the AWW, ASHA workers and ANM are neither skilled in counselling nor they are taking it on a priority basis. Areas like timely initiation of complementary feeding do not even get prioritised in AWW counselling as they are understood as low priority in the worker's own understanding. Based on the results of various nutrition-related projects, it has been observed that AWW are aware of key IYCF practices, but their perception and knowledge about the rationale applicable to recommended nutrition practices is poor.

It is not a question of capability or knowledge; it is more about what enables FLW to be change agents. Are they equipped enough with the right tools to approach the communities? Poshan Abhiyaan identifies key messages that need to be reinforced for improving status of nutrition. But what will enable mothers to adopt the best practices recommended in these messages and not fall back on the social proof from the community to seek resolution?

An ongoing pilot by IPE Global in four blocks of Udaipur in Rajasthan is using Participatory Learning and Action (PLA) approach to strengthen community mobilisation for Jan Andolan. Facilitated by ASHA, it is bringing communities together and helping them identify and understand issues, find feasible solutions, and devise strategies. It is empowering women in the process, which is arguably the most important determinant of health and nutrition outcome of any intervention. Once an ownership is built amongst the community, there are better chances of sustainable adaptation of changes in behaviour. It presents an example where the cadre of ASHA, with proper training and supervision, is able to facilitate a large-scale change in the community.

Jan Andolan for behavioural change can be successful if all FLW are energised with adequate counselling skills, knowledge, tools and right motivation.

Convergence in food safety standards

India's upcoming foreign trade policy 2020-25 can consider the integration of Codex practices on mass scale

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THE LATEST WTO'S Monitoring Report on G20 trade measures shows that the coverage of new import-restrictive measures introduced during October 2018 to May 2019 is more than 3.5 times the average since May 2012. These measures considerably affected trade coverage worth $335.9 billion during October 2018 to May 2019. It is observed that in case of trade in food and beverages, countries, mostly the developed, are becoming oversensitive, perhaps due to stringent quality and safety standards.

The WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS) sets out the basic framework and standards for food safety, animal and plant health standards. While giving a platform to countries for framing own standards, it notes that regulations must be justified through science, i.e. regulations should be implemented only to the extent necessary to protect the animal, human or plant life or health, and also not unjustifiably discriminate between countries where identical or similar conditions prevail. Although member countries are encouraged to use international standards, guidelines and recommendations, they may use measures that result in higher standards if there is a requisite scientific justification. Besides, they can set higher standards based on an appropriate assessment of risks so long as the approach is consistent, not arbitrary.

The question, however, is which standards are practised globally in terms of implementing food safety? Is it the Codex standards or individual country's standards? One must recall the acrimonious saga of 1989-90 when the EU banned beef import from the US due to the quality of hormones of beef. This incident signalled that harmonisation of food safety standards is indispensable for spurring food trade globally in an eloquent atmosphere. When the WTO was set up in 1995, the SPS agreement was framed to assure harmonisation, provide risk-assessment and bring transparency under articles 3, 5 and 7, respectively. Codex Alimentarius food safety standards are referred under the SPS agreement for practising and designing trade polices as these are scientifically justified. The Codex process involves broad international input and sound scientific support from expert panels. Codex food safety standards thus guide countries in adoption of national food safety standards and regulations that protect public health within their respective territories and promote fair practices in food trade. Ironically, even today, economies digress from the Codex standards.

Till date, 188 countries are Codex members (187 countries, and the EU as a group) that participate annually to discuss food safety issues and methods to adapt them unanimously. To illustrate, the maximum residual limits (MRL) of carbendazim in orange juice is different for each country. In Canada, it is 500-600 (parts per billion, ppb), in the EU 100-700 ppb, and in the US barely 10 ppb. Apparently, the US gives justification for this to ensure a continued safety of orange juice that is fit for human consumption. This, in a way, is an articulation of divergence from Codex standards and proliferates barriers for developing and less developed countries aspiring to export. Maintaining and satisfying each country's food safety standards have become a costly affair and also ambiguous for member countries. During early 2000s, the African economies lost sizeable exports worth $670 million to the EU due to strict aflatoxin MRL acceptability. The risk on human health due to this strict food safety measure was estimated at 1.4 deaths per billion in a year.

This is something each member country has to work out, otherwise agricultural trade will continue to experience a protectionist wave. Harmonisation of food standards is commonly viewed as a prerequisite to the safety of consumer health and to allow the fullest possible facilitation of international trade. Harmonisation can only be attained when all countries adopt same standards. The General Principles of the Codex Alimentarius specify the ways in which member countries may "accept" Codex standards.

The emerging interests in all Codex activities do indicate a global acceptance of the Codex philosophy, embracing harmonisation, consumer protection and facilitation of international trade. However, in practice, it is difficult for many countries to accept such standards in the statutory sense. Differing legal formats and administrative procedures, varying political systems and sometimes a growing influence of national attitudes and concepts of sovereign rights impede the progress of harmonisation and hence deter acceptance of Codex standards. Notwithstanding these, the process of harmonisation is gaining stimulus by virtue of strong international desire to facilitate international trade. Countries are increasingly aligning their national food standards, or parts of them (especially those relating to safety), with those of the Codex Alimentarius. This is particularly so in case of additives, contaminants and residues.

Policymakers need to address and solve the challenge of implementing holistic approaches and constructing bridges between different disciplines as well as different sectors, including agriculture, environment, public health, tourism and commerce/trade. This is of special importance with changing consumer behaviour and international travel in addition to trade taking place at all levels in the food chain. Often, non-transparent international supply networks make it difficult to track the origin of all commodities and ingredients used in food products. Respective governments have a crucial role to play in adopting the vision for developing and facilitating implementation of national good agricultural practice (GAP) standards that are consistent, germane with international requirements, and adapt to local policies and environment. The public sector in tandem with support from the private sector can be instrumental in delivering the skills and infrastructure required for maintaining the safety and level of quality in the agri-food chain. India's upcoming five-year foreign trade policy 2020-25 can consider the integration of Codex practices on a mass scale.