

# PolicyWatch



Covering developments on policy responses, policy implementation and policy distortions on a quarterly basis. Comments are welcome.

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## INSIDE THIS ISSUE

Facebook Admits Sharing User Data .....	2
Uber Elevate to Launch Aerial Taxi Service in India .....	3
India Aims for 100GW Solar Power .....	5
Launching India Post Payments Bank .....	6
NITI MOVEs on Air Pollution ..	10
Kerala Tops in Governance ...	16

## HIGHLIGHTS

The Brave New World of Transportation – <i>Paran Balakrishnan</i> .....	8
Economy Grew in Double Digits Twice in UPA Rule – <i>Asit Ranjan Mishra</i> .....	11
A New Model of Distributed, Accessible, Affordable Cancer Care in India .....	20
What will Happen after the 2019 Elections? – <i>Arun Maira</i> .....	23

*"The reformer has enemies in all those who profit by the old order and only lukewarm defenders in all those who would profit by the new".*

**Machiavelli in The Prince**

## Deregulation under the Modi Government

Modi Government is nearing its term-completion – keen to list its achievements, it has deployed the entire machinery to spread its message.

One success story propagated by the Government is regulatory reform or deregulation. It involves eliminating archaic laws and rationalizing existing laws. The objective is to optimize regulatory stock and flow to reduce regulatory burden on different stakeholders.

The government has scrapped 1,178 laws. Of these, 335 were Acts amending existing laws, 16 were Acts repealing existing laws, and 758 were Acts authorizing appropriation of funds. All these Acts had outlived their utility. Only 69 Acts were operational when repealed. By Government's own admission, most of the Acts repealed were irrelevant. The last repeal was in 2015. In 2017, two repeal and amending Bills were introduced to scrap around 239 Acts. The Bills are yet to be passed.

The Government's resources are limited and should be used judiciously. Repeal of inoperative legislations might not be the best tool for regulatory reform when the objective is to highlight it as a major achievement.

In addition to the repeals, the Government has amended 65 existing legislations and introduced 33 new legislations. Around 39 ordinances have been issued. While the new Acts intend to address stakeholders' problems – this is unlikely to happen soon. Interpretation, administration, compliance, and transition-related challenges are keeping affected parties busy, resulting in high compliance costs.

Such ex-ante assessments of objectives, costs and benefits form the core of regulatory impact assessment (RIA) framework, a globally recognized good practice in law-making adopted by different countries. RIA is applied for designing new legislations, reviewing the existing laws' effectiveness and designing amendments.

For instance, the Government of Maharashtra issued the Maharashtra City Taxi Rules to regulate taxis linked with app-based aggregators. Utilizing the RIA framework, we estimated that if the rules are adopted, the per day cost to consumers and drivers may increase by 40 percent and 93 percent respectively.

Similarly, the Government of Rajasthan is considering amending the Rajasthan Shops and Commercial Establishments Act. Based on a rapid cost-benefit analysis, we found that the total net monetary cost to stakeholders is likely to increase marginally.

Several expert committees have recommended RIA for India. At present, the Better Regulatory Advisory Group (BRAG) is considering adoption of RIA. As member of BRAG, we too have suggested a model for adopting RIA. The Government should consider these suggestions to attain its deregulation agenda and ensure ease of living for all.

*This cover story has been abridged from an article by Pradeep S Mehta published in Mint on July 17, 2018.*



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## Blanket Ban not a Reality

The telecom department does not intend to impose blanket ban on messaging apps and platforms, but is seeking technical solutions to curb specific instances of misuse, Telecom Secretary Aruna Sundararajan said today.

The government has taken a stern view of false news doing the rounds on social media platforms, and asked WhatsApp to take urgent measures to curb the circulation of such messages and, more importantly, identify its originators.

Taking note of the misuse of social media platforms, the government is “seriously considering” changes in rules that would require social media platforms to locate their grievance officer in India.

Such grievance officer would not only track grievances on real-time basis but also to inform law enforcement agencies, Prasad had said.

(ET, 23.08.18)

## Challenging Data Localisation

US trade groups, representing companies such as Amazon, American Express and Microsoft, have opposed India’s push to store data locally. That push comes amid rising global efforts to protect user data but is one that could hit planned investments by the firms in the Indian market, where the companies currently have limited data storage.

Though a final decision hasn’t been made, the deliberations come while the United States and India are locked in a dispute over US tariff increases and on the Indian policy of capping prices of medical devices, which hurts American pharmaceutical companies.

The issue could further undermine already strained economic relations between India and the United States. (Reuters, 20.08.18)

## Vodafone-Idea Merger

The Department of Telecommunications has given conditional approval to the merger of Vodafone India with Idea Cellular, where it has sought over ₹7,200 crore from both companies on account of one-time spectrum charges and spectrum liberalisation fees.

DoT has sought a bank guarantee of more than ₹3,300 crore from Idea Cellular for its OTSC and ₹3,900 crore from Vodafone India, the market price of administrative spectrum less than 4.4 MHz that was given to the number 2 carrier when it began operations.

(ET, 09.07.18)

## Price Wars Hurt Telcos

The telecom industry’s annual revenue could shrink 6-8 percent this year as the price war continues between Reliance Jio Infocomm and older telcos Bharti Airtel, Vodafone India and Idea Cellular, which will be the most affected, with realisations from data set to hit rock bottom, say analysts.

They expect “the corrosive effect of competition” to cut the combined gross revenue of the older telcos by 14-16 percent in FY19 as they may focus on “retaining subscriber market share.”

A fall in AGR means lower government revenue because telecom companies pay their licence fee and spectrum usage charges based on AGR. The telecom regulator cut the interconnect usage charge (IUC) for voice calls by 57 percent to 6 paise a minute, starting October 2017, from 14 paise a minute earlier. (ET, 09.08.18)

## Content Providers Benefit

Content companies have been the biggest beneficiaries of the telecom tariff war as the increased data consumption has been led by online movies, serials, and sports. Content providers like Eros, Shemaroo and SonyLIV have increased their user base by almost five times since Reliance Jio brought down data tariffs from ₹225 to ₹10 per GB after its launch in September 2016.

“A combination of two factors has helped drive usage – one is the decrease in data tariff and the other is the increase in data speeds, enabling seamless video streaming,” said Hiren Gada, CEO and CFO, Shemaroo Entertainment.

The result is that over-the-top players are raking in the moolah. OTT content is giving users the flexibility of anytime, anywhere viewership.

(BL, 08.07.18)

## Facebook Admits Sharing User Data

Facebook admitted to sharing user data with 52 companies, including Chinese firms, weeks after it was reported that the social media giant formed data-sharing partnerships with cell phone makers, giving them access to details of users and their friends.

The social media giant’s acknowledgement came as a part of a more than 700-page document to the US House Energy and Commerce Committee. Facebook yesterday revealed the partnerships shedding light on its behaviour related to customer data in the wake of a scandal involving the British political consulting firm Cambridge Analytica, where data of 87 million people was improperly shared, it said.

The list featured major tech companies such as Apple, Amazon, BlackBerry and Samsung. Other firms that featured on the list include Alibaba, Qualcomm and Pantech. But the list also includes four Chinese firms that US intelligence has flagged as national security threats — Huawei, Lenovo, Oppo and TCL.





### Scraping not before 2019

The 2019 General Elections seem to have cast a shadow over the much-talked-about new scrapping policy for commercial vehicles. The proposal, which was to be sent to the Union Cabinet, is seeing fresh round of discussions.

The Road Ministry is engaging with states to make the policy more effective, sources in the know said adding that the Ministry is also considering offering interest rate subvention for buying new vehicles.

Based on the parameters such as usage and emission, over 7 lakh vehicles will have to be scrapped, which is 25 percent of all vehicles produced during the period and still on road.

(BL, 12.10.18)

### Helicopters Boosting Tourism

Travelling in the Himalayan states is set to undergo a sea change with most tourist hotspots in the region getting helicopter services in the months to come, starting with Uttarakhand in October. The trend is also set to boost the helicopter market in India, something companies like Airbus have set their sights on.

The government is now in the process of offering fresh routes under UDAN next month that will seek to connect iconic cities like Varanasi and Gaya to different towns. Besides improving regional connectivity, the government is also working on plans to step up the overall airport and heliport capacity to meet the rising demand for air travel. (Mint, 19.10.18)

### Linking Rivers

Work on five major river linking projects, including the one that would transfer surplus water from Godavari to Cauvery, is expected to commence from December, Minister for Transportation, Water Resources and Ganga Rejuvenation, Nitin Gadkari said.

Among the projects, two are linked to bringing surplus water from Indravati River, a tributary of Godavari to Cauvery, to solve the water woes of Tamil Nadu, Gadkari

## Uber Elevate to Launch Aerial Taxi Service in India

In five years you may be able to take a ride from Gurgaon to Connaught Place in Delhi, or from Mumbai airport to Churchgate in the heart of the city, in a matter of minutes through aerial e-taxis run by Uber.

The taxi aggregator is looking to start its ridesharing service Uber Air in Delhi, Mumbai and Bengaluru by 2023, company officials said. The fares in the short term are likely to be around ₹200 for a km, and Uber believes it could fall to ₹50 per km.

(ET, 31.08.18)



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said while addressing a national conference on new water policy regime for India, organised jointly by the Shiv Nadar University and Shiv Nadar Foundation. (BL, 27.10.18)

### Powering EV Revolution

In the emerging electric vehicle (EV) revolution, two-and-three-wheelers and buses will drive the growth over the next 6-7 years. Electric cars may have a minimum role during this period, according to a white paper on EV revolution by Energy Alternatives India (EAI). As far as electric cars are concerned, several things such as range, battery systems, charging infrastructure, upfront cost are all still major challenges.

But in the case of two-wheelers, particularly scooters, the average daily distance is well within the available range, and the possibility of charging overnight at home, makes it easier for adoption.

In the case of three-wheelers, the added benefit is the lower running cost, which could be a big draw for commercial three-wheelers (especially passenger). (BL, 14.10.18)

### Drone Do's and Don'ts

Want to fly a drone? Now you can do it, albeit under a slew of regulations issued by the government. The new drone policy allows recreational, personal or commercial use of drones from December this year but with several

riders. The chief one being the drone can be flown only within the line of sight of the person using it. This effectively rules out drones being used for delivery of goods, a prospect that had been exciting many.

The government has, however, assured that it would prepare guidelines in future for allowing use of drones even beyond the line of sight. Drones can be used for a slew of commercial purposes such as aerial survey of real estate projects, especially in hills; for personal purposes such as photography; and for educational purposes such as within colleges for training.

(ET, 28.08.18)

### Helmets Save Lives

Two-wheeler accident deaths are quite rampant in Tamil Nadu, but 2017 was an exceptional year when wearing helmets was made mandatory.

In 2016, 72 percent of fatality in two-wheeler accidents was due to non-wearing of helmets but this number came down to 52 percent in 2017, because wearing helmets was made mandatory and policemen penalised offenders, according to an analysis of road accidents and road safety measures in Tamil Nadu.

Government officials are worried about the increasing fatalities in accidents involving two-wheeler. The report said that licences of drivers involved in fatal accidents should be suspended for six months.

(BL, 27.06.18)

**National Policy on Biofuels**

Less than three months of the Union Cabinet approving the National Policy on Biofuels – 2018, questions are being raised on the lack of transparency in adopting the policy both in terms of technology and funding.

“The government needs to revisit its policy. India needs to adopt a holistic approach to meet the consistent targets of ethanol blending, which is at abysmal levels at present,” said an industry observer, terming the policy as short-sighted and non-sustainable in the current form.

Any gap between supply and demand can be met through imports and parallelly work on adopting newer technology can continue. And as the domestic industry is able to meet the local demand, dependence on import can be reduced. *(BL, 20.08.18)*

**Twist in the Petrol-diesel Saga**

The government is not against petrol and diesel but the emphasis is to increase the share of alternate fuels such as ethanol and methanol, which cost lower and are environment friendly, Union Road Transport and Highways Minister Nitin Gadkari said.

The tone of the comment is in stark contrast to his warning to automakers last year to switch to

alternative fuel or else get “bulldozed”. The government has saved ₹16,000 crore for the Delhi-Mumbai highway by acquiring land in backward and tribal areas in Rajasthan, Madhya Pradesh and Gujarat. *(ET, 06.08.18)*

**Adani Bags Maximum Licences**

Adani won rights to retail CNG to automobiles and piped cooking gas to households in six cities on its own and another five in joint venture with state-owned Indian Oil Corp. Billionaire Gautam Adani’s group on Friday emerged as the biggest winner of gas retailing licences, winning rights to sell CNG in 11 cities, including Allahabad.

“Based upon the bids evaluations PNGRB in its 79<sup>th</sup> Board meeting held on 3<sup>rd</sup> August, approved issue of Letters of Intent (LoI) to the 18 successful bidders for 48 geographical areas (GAs),” it said. The regulator said bids for remaining GAs are being evaluated and outcome of the same will be announced shortly.

*(Mint, 03.08.18)*

**Oil Realities Show the Road**

There’s been a flare-up in the politics of automotive oil pricing of late. The *Bharat Bandh* called by opposition parties was to protest record retail prices of diesel and petrol. But policymakers in charge need to stay the course, for now.

We also need to reform and modernise oil taxes, so as to put paid to the high-cost and cascading tax-on-tax regime at each stage of output for the main petro-goods, and bring all petro-products under the goods and services tax regime, albeit with limited tax set-offs for oil items, as is the norm globally.

The bottom line is that we must widen the indirect tax base and not rely so much on oil revenues.

*(ET, 14.09.18)*

**Appealing PCPIR Policy**

Vizag-Kakinada region has huge potential due to good connectivity. The Centre plans to revise the petroleum, chemicals and petrochemicals industrial region (PCPIR) policy with the involvement of all stakeholders to make it more attractive, according to Union Secretary of the Department of Chemicals and Petrochemicals, P Raghavendra Rao.

Giving a presentation on the potential and investment opportunities in the VK PCPIR, Vice-Chairman of Visakhapatnam Urban Development Authority (VUDA) P Basanth Kumar said VUDA was handholding the PCPIR project and sufficient land was available for the potential investors in the anchor units in this region.

Six SEZs are operating in the PCPIR region and the State government is providing all infrastructural facilities with external linkages supported by the Centre, he added.

*(BL, 13.08.18)*

**Tweak in “Arm’s Length Sale”**

The oil ministry is considering redefining ‘arm’s length sale’ for oil and gas contracts to include sale to an affiliate, which would allow a producer to sell its output to a related party, people familiar with the matter said.

All contracts related to oil, natural gas and coal bed methane (CBM) have the provision of arm’s length sale, which prevents producers from doing related-party sale. In cases where blocks were awarded without an auction to state firms, the government, not companies, allocates oil and gas to customers.

*(ET, 10.09.18)*

**Government to Roll out Alternative Fuel Policy**

The new policy will be aimed to supporting the automakers to raise

production of battery powered and alternate fuel vehicles, as part of efforts to trim down the rising oil import bill. Taking note of the industry wide demand, Prime Minister Narendra Modi hinted that the government

will soon come out with a new policy on electric vehicles and alternate fuel units to strengthen the e-mobility drive in India.

Stating that common public transport must be the cornerstone of mobility, Modi said that congestion free mobility is critical to check economic and environmental

costs. The summit deliberated on topics such as electrification, reinventing

public transport, alternative fuels, role of data analytics in goods transport

and logistics.

*(ET, 08.09.18)*



*(ET, 08.09.18)*

### Policies Hurting Solar Boom

India's solar power goals are currently groping in the dark. In the second quarter of 2018, the number of new solar installations in the country fell 52 percent compared to the first.

Mercom India said the decline was expected due to "uncertainties around trade cases, module price fluctuations, and power purchase agreement renegotiations after record low bids that contributed to the tender and auction slowdown in 2017."

Large-scale solar power projects that account for most of the installations fell almost 60 percent from the first quarter. However, rooftop installations grew 6 percent. Mercom said that the drop in 2018 solar power installations is mostly in large-scale projects due to the lack of a strong project pipeline.

(ET, 03.09.18)

### Private Power Now in TN

Breaking new ground in power distribution, Tamil Nadu will soon have a private licensee for the distribution of electricity. The State Electricity Regulatory Commission (TNERC) has permitted the India Power Corporation (Tuticorin) Private Limited (IPCTPL), a Kolkata-based company, to provide electricity to units in the multi-product special economic zone (SEZ) at Nanguneri in Tirunelveli district.

The term of the licence would be 25 years with retrospective effect from 19 January 2017, the date on which the IPCTPL was recognised by the Central government's Commerce department as co-developer. This means that the licence will be in force till 18 January 2042. (Quint, 04.09.18)

### Power Sector Bad Loans Woes

The Allahabad High Court has refused to stay the application of the central bank's February circular on the power sector. Power firms were hoping to escape the NPA (non-performing asset) tag by seeking exemption from this circular, which forced banks to label restructured accounts as bad loans.

## India Aims for 100GW Solar Power

India is confident of achieving its ambitious target of 100 gigawatts (GW) solar power by 2022 despite the imposition of a safeguard duty on imported solar components, said the top bureaucrat in the ministry of new and renewable energy.

"The problem is that while safeguard duty has been announced, complete clarity is still not available on the exact mechanics and applicability," said Vinay Rustagi, Managing Director at consulting firm Bridge to India. "Some of the on-going tenders are stuck as a result because bids were submitted before duty decision but auctions will happen after the decision date. This uncertainty may last for a few more weeks, unfortunately."



(Mint, 07.08.18)

Media reports say the High Court has asked the government to file an assessment report in two weeks. If power companies are not exempt, the impact on banks will be severe.

The Reserve Bank of India's financial stability report had also pointed to the risk of a substantial rise in bank bad loans from the power sector.

(Mint, 19.07.18)

### Easing Mining Norms

The Centre is favourably evaluating proposals seeking a legislative solution to resume mining in Goa and Odisha. The apex court had quashed the renewal of 88 mining leases.

The Goa State Assembly also passed a resolution asking the Centre to seek measures to restart mining. One of the proposals on the table is an Ordinance to the Goa, Daman and Diu Mining Concessions (Abolition and Declaration as Mining Leases) Act, 1987.

Mining lobbies said an immediate resumption of mining in the State can happen if the Centre tweaks the applicable date of the Act, effectively extending the mining leases.

(BL, 14.08.18)

### New Solar Scheme Ready

A new 12 gigawatts solar energy scheme, which has been deftly crafted to mandate local manufacturing without violating WTO's trade rules, is in the final stages of approval, and will help local industry withstand the

onslaught of cheap imports, senior government officials said.

In the latest development of the safeguards case, the directorate general of trade restrictions last week recommended up to 25 percent safeguard duty on imports from China and Malaysia for a period of two years. "Even if the safeguard duty is imposed, increased costs can be easily absorbed by developers as prices of Chinese solar cells are going to crash," the official said, referring to the recent Chinese government decision to scale down solar capacity addition.

(ET, 23.07.18)

### Revised PPA Tariff Structure

The end appears to be in sight for the issues plaguing the imported coal-based power plants in Gujarat owned by the Adanis, the Tatas and the Essar Group. The high-powered committee (HPC) appointed by the State government in July has suggested that the tariff structure of the power purchase agreements (PPAs) be revised. The companies had sought a revision since the projects depend on coal imported from Indonesia.

"If power plants are unable to recover the actual fuel costs, given the thin margins, they cannot sustain operations beyond a few months. Also, they run out of this ability quicker as coal prices go up, as they are now, with global coal prices at a five-year high," said Kameswara Rao, Leader, Power and Mining, PwC India.

(BL, 03.09.18)

### Disinvestment Collection

Stating that the Modi government had identified about 25 Central Public Sector Enterprises (CPSEs) for strategic disinvestment, Atanu Chakraborty, Secretary, Department of Investment and Public Asset Management (DIPAM) said that the current regime has doubled its collection from disinvestment in the last four years compared with the UPA regime.

The official said that the Modi government used different instruments for disinvestments including IPO, buy-backs, offer-for-sale and strategic disinvestment.

When asked if ONGC will be privatised in the coming days, the official said that currently, 68 percent of the stake in the company was owned by the government and the rest by the public. (IE, 20.07.18)

### Counter Feiting Unchecked

The introduction of the new currency notes has failed to check counterfeiting. There was a sharp rise in the counterfeit notes of the new denominated currency notes of ₹500 and ₹2000, according to the latest figures put out by Reserve Bank of India (RBI) in its annual report for 2017-18.

Counterfeits in the newly denominated ₹500 notes rose sharply to 9,892 pieces in 2017-18 from just 199 pieces in the year-ago period. In the ₹2,000 denominated notes, the counterfeit notes rose to 17,929 pieces

in 2017-18 from just 638 pieces a year ago. Counterfeiting was also high in both ₹100 and ₹50 notes.

(DNA, 30.08.18)

### RBI against Erring Bank Auditors

The Reserve Bank of India has decided to put in place a framework to take appropriate action against banks' Statutory Auditors (SAs) for any lapses observed in conducting the audit. The move comes in the backdrop of bad loans and frauds coming to light in the banking system in a big way in recent years.

Any enforcement action, including issuance of Cautionary Advice, on an audit firm will be communicated to the Institute of Chartered Accountants of India (ICAI), the professional body of the audit community, as and when such action is taken. The fact of such communication to the ICAI will also be placed in the public domain by the RBI. (BL, 29.06.18)

### Regulators Frown on LIC

IRDAI, RBI may not be keen on the insurance giant turning to banking. The Finance Ministry said the boards of state-owned Life Insurance Corporation and IDBI Bank will take a decision on the proposed stake sale. LIC is understood to be considering a proposal to buy a 40 percent stake in the beleaguered IDBI Bank.

Observers have pointed out the added burden that this deal would

place on LIC, and the public money that it has a responsibility to invest. The Centre is looking at options to recapitalise IDBI Bank, which saw bad loans rise to ₹55,588 crore in March 2018. The lender had received ₹10,610 crore as capital infusion from the Centre in 2017-18. (BL, 25.06.18)

### States' Finance under Pressure

Pay revisions, interest payments and farm loan waivers are stressing state government finances yet again, the Reserve Bank of India (RBI) said in a report.

States have budgeted a gross fiscal deficit (GFD) of 2.6 percent of gross domestic product (GDP) during FY19, with 11 states budgeting above 3 percent, RBI said in its annual report titled State Finances: A Study of Budgets. The revised estimate for GFD-GDP for FY18 stood at 3.1 percent.

Fiscal 2018 is the third consecutive year, wherein states have failed to meet their gross fiscal deficit (GFD) target, the central bank said, adding that this comes despite expectations of an improvement on higher devolution from the centre.

(Mint, 12.07.18)

### RBI Favours ARC Formation

The Reserve Bank of India has seconded the Rural Electrification Corporation's proposal to form an Asset Reconstruction Company (ARC) to take over stressed assets in the power sector.

On the power sector's request for a relaxation from the circular that mandates initiation of liquidation proceedings for a debt servicing default beyond 180 days, the RBI stood firm.

But, the Department of Financial Services has decided not to endorse the RBI's suggestions. It has cited the key recommendations of the 37th Report of the Parliamentary Standing Committee on Energy. The DFS has recommended that a high-level empowered committee look into the problems of Independent Power Producers with a view to bring them out of the non-performing asset or stressed asset quagmire.

(BL, 27.07.18)

## Launching India Post Payments Bank

Prime Minister Narendra Modi launched on August 21, 2018 the long-awaited India Post Payments Bank (IPPB) that will have at least one branch in every district and focus on financial services in rural areas, a senior official said. "Two branches of the bank are already operational. Rest of the 648 branches will be launched across country in every district", a senior official said.

"Government is trying to link all the 1.55 lakh post office branches with IPPB services by the end of this year," the official said. This will create the country's largest banking network with direct presence at village level.

(Mint, 06.08.18)



# Law on privacy, data protection should apply to everyone: Nandan Nilekani



*Nandan Nilekani emphasised the need to address key issues, including data collection, consent and the need for accountability in cases of misuse of data.*

A government-appointed committee led by Justice BN Srikrishna prepared a **'data protection framework for India'**. Nandan Nilekani, former Unique Identification Authority of India (UIDAI) Chairman and Architect of the biometric-based Aadhaar identification number, in an interview emphasized the need for the committee to address key issues: including data collection, consent and the need for accountability in cases of misuse of data.

#### **On application of new data privacy law on government and private agencies:**

There should be a broader law on data protection and privacy, which applies to everyone and Aadhaar will definitely be a part of this. The fact is that we have to thank Aadhaar for bringing in a modern data privacy regime in India.

Eight years ago, in May 2010, I wrote to the Prime Minister, saying that we should have a data privacy law and I'm glad eight years later, it looks like it's going to come. There is a fundamental right to privacy, but the state in the pursuit of certain social and national objectives, can circumscribe Aadhaar.

#### **Although Aadhaar has facilitated a data privacy regime, there are debates on misuse of Aadhaar:**

Starting with my letter in May 2010, and then Department of Personnel and Training took up the matter of drafting a privacy law and then the AP Shah Committee of which Ashok Pal Singh of UIDAI was a member. Then, the Aadhaar case led to the government saying that there was no fundamental right to privacy, which went to the Supreme Court (SC) nine-judge bench.

The arguments on Aadhaar led to the impetus to first of all define privacy as a fundamental right, and under what conditions privacy can be circumscribed. The Aadhaar Bill was passed by the government, and then the SC upheld the decision of mandatory linkage of PAN cards with Aadhaar. Now, there are two important things—the draft law from the Srikrishna committee and the SC judgment. All this wouldn't have happened but for Aadhaar.

#### **On how can Aadhaar be regulated to stop the misuse:**

Aadhaar has a very strong privacy protection. It is designed for privacy. It's not a data collection mechanism. It's an ID verification mechanism. The database is federated and in different databases. Now, with additional safeguards that have come with virtual ID, tokenization and face authentication, Aadhaar is definitely designed for privacy.

#### **Expectations from the Srikrishna committee report:**

There are two things: fundamental right to privacy and data protection law. The Srikrishna committee report will lay out the framework for data collection, the responsibilities of the people who collect data, how do they take consent, what is the accountability of these organisations if they misuse the data, and so on and so forth. The real story is about the data empowerment that is happening in India.

— Edited excerpts from an exclusive interview with Nandan Nilekani, former Unique Identification Authority of India (UIDAI) Chairman. Published in Mint on July 25, 2018.

# The Brave New World of Transportation

Paran Balakrishnan\*

When it comes to bicycling, there's never been any doubt the Dutch are world champions. Many pedal upwards of 1,000 miles a year in the famously flat, low-lying country. In fact, biking is so popular the Dutch now face a new menace on their roads. Too many cycles — some of them, using electric pedal-power — are causing traffic jams in bike lanes. Worse, cycle deaths have overtaken car deaths in the Netherlands. E-bikes are being blamed for the spike in fatalities.

Cross now to Paris which pioneered bike-sharing over a decade ago. There, two US electric-scooter companies, Lime and Bird, are launching e-scooters and seeking to woo ultra-short-distance commuters who aren't afraid of jumping onto a vehicle that's only just graduated from being a child's toy. The arch-rivals, part of a growing band of e-scooter start-ups that assert they're solving the "last-mile" transportation problem, are hoping to replicate in Europe the electric-scooter rental mania sweeping the US.

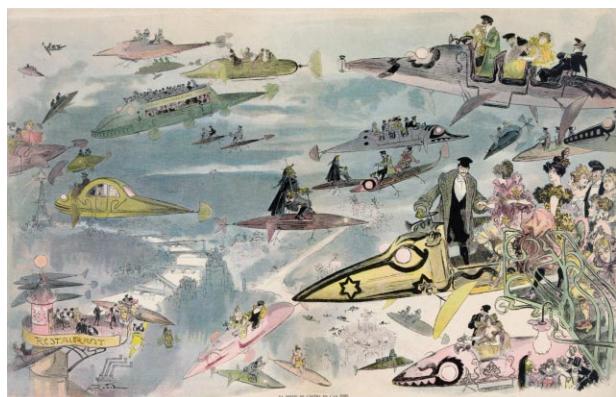
Even Indian companies are looking to cash in on the two-wheeler boom. Hero Cycles, has just launched its e-bike, Lectro EZephyr, which is equipped with a throttle to give it scooty-like convenience. Hero is looking at producing 10-12 e-bike models. It's clear we're on the verge of an urban transportation revolution that could reshape the bursting-at-the-seams cities.

## Disruptive modes

Huge money is being poured into the transportation systems that are competing for space on the road and even building their own tubes or tunnels that will allow super-fast transit at hitherto undreamt of land speeds. These disruptive transportation modes range at the lower end from electric scooters to electrically-powered cycles.

At the other end of the transportation spectrum, there's Elon Musk's Boring Company which promises to transport vehicles on pods at speeds of up to 150mph, and which has just won a contract to build a tunnel from Chicago's O'Hare Airport to the city's Downtown Loop area.

The transportation system that has caught the eye of India's planners is the Hyperloop, which is now being built by companies like Hyperloop Transportation Technologies and Richard Branson's Virgin Hyperloop One. Branson's company has already signed a deal with Maharashtra to build a tunnel that will take passengers between the two cities in 25 minutes flat in magnetically propelled ground shuttles inside a vacuum tube. The line is also looking at connecting Mumbai's Chhatrapati Shivaji Airport and the yet-to-be-built Navi Mumbai airport. Maharashtra Government officials say they could have Mumbai-Pune up and running by around 2025.



*It's clear we're on the verge of an urban transportation revolution that could reshape the bursting-at-the-seams cities that we live in and definitively change how people get around.*

Dubai is looking at a Hyperloop system that will make the trip to nearby Abu Dhabi a 12-minute affair. And the South Koreans want Hyperloop TT to have a 200-km hyperloop system in place in four years between Seoul and Busan. Even more ambitiously, by 2020 Hyperloop TT is looking at running a service all the way from Vienna to Bratislava in Slovakia and on to Budapest. Hyperloop TT has also signed an agreement with Ukraine.

The amazing part of all this is that while the Hyperloop companies have carried out tests on short stretches, they haven't actually put any people into high-speed pods yet. They're confidently predicting it won't be difficult because the technology's very similar to the one used by maglev trains using magnetic levitation that have long been in existence in Japan, South Korea and China.

Still, safety issues remain immense and engineering challenges are major. The Hyperloop will be working in a vacuum inside a tunnel and will be able to hit speeds of around 1,200kmph - twice the speed of maglev transport systems. Costs are also a factor that might stall these projects because hyperloop transportation systems have to move in straight lines. In India that might pose problems of land acquisition. And underground tunnels would push up costs hugely. Be that as it may, a brave new transportation world is dawning globally.

— Writes for The Hindu.

Abridged version of an article published in The Hindu Business Line, June 27, 2018

# Implications of Data Mirroring

Pradeep S Mehta\*

*The data processed by the companies is not only used offshore to track and profile users, but is also fed as fuel into modern technologies like AI and the Internet of Things (IoT)*

**D**ata is the new oil and a driver of growth and change. India is supposed to become data rich before becoming economically rich. This digital growth is being pushed by large foreign digital companies. They are largely fuelled by the data of their users. And they are being welcomed by the establishment as is evident by the visits of the prime minister and Union information technology minister to Silicon Valley over the past few years as part of the Digital India campaign.

Indian users today are accessing digital technology-driven services not only within India's national boundaries, but also outside its jurisdiction. Consequently, these foreign service providers are free to process the personal data of millions of Indians within their own shores. The advancement of digital tools and technology in areas such as artificial intelligence (AI) has enabled them to monitor and profile user behaviour, granting them the potential power to influence their decisions through targeted communications.

Many experts have been ringing the alarm bells for the past few years, warning the government of digital colonialism by such companies. Data is considered a strategic asset, and data driven network effects coupled with user feedback loops have given first mover advantage to the more developed western world. The data processed by these companies is not only used offshore to track and profile users, but is also fed as fuel into modern technologies like AI and the Internet of Things (IoT), which are touted to be the drivers of modern manufacturing, service delivery and governance. Perhaps that's why Silicon Valley is expected to lead the way in researching, implementing and controlling digital technologies - earning it the reputation of being the new Rome.

**T**he Srikrishna committee in its draft data protection bill has rightly observed that the freedom to share personal data in the digital economy works selectively in the interests of certain countries that have been early movers. These countries can support a completely open digital economy without any detriment to their national interests by virtue of their technological advancement. It goes on to state that popular websites owned by foreign entities refuse to provide data to Indian law enforcement agencies in many instances. It has also flagged other related critical issues in the realm of personal data protection and data sovereignty.

However, it remains to be seen whether the bill will backfire with respect to the potential threat of data colonialism.



The path recommended by the committee to accomplish the feat is mandating local storage of a copy of user's data, or data mirroring, something which has not gone down well with its critics. It has also been argued by industry players, academia and consumer groups that mandating data mirroring will raise entry barriers in the Indian market and adversely impact a variety of smaller domestic stakeholders.

**V**alid concerns in this regard are based on the premise that large foreign companies will be able to mobilise the requisite resources to invest in setting up their data centres (DCs) within India, though the same may not be possible for smaller domestic companies. The possible enhanced costs of setting up or renting such infrastructure along with the non-availability of cheaper foreign cloud services may affect their business interests. It may also impact their access to the use of the latest technology.

Such entry barriers, coupled with fears of potential long-term adverse impact on innovation and economic growth, may deepen the existing issues of monopolisation of data and the digital economy.

**T**hough with the right intention, it seems that the committee has taken the most obvious path to achieve data sovereignty without exploring other and possibly better alternatives. The observation of the committee must be treated as a recommendation.

There is a need for regulatory impact assessment or cost-benefit analysis (CBA) of the proposed data mirroring mandate before its enactment and implementation. This effectively means that though a draft law has been formulated, it is yet to be determined whether data mirroring will do more harm than good.

\* Abridged version of an op-ed published in Mint on September 20, 2018.

**India-US must Boost Trade**

India seeks US partnership to boost various sectors and grow the bilateral trade to USD 500-600 billion from USD 125 billion currently, with a good strategy under a stipulated time, said the Commerce and Industry Minister Suresh Prabhu.

"The US-India bilateral trade is declining for various reasons and we should not be happy with bilateral trade of USD 125 billion. We must set a clear cut target of USD 500-600 billion in a stipulated time period", mentioned Prabhu.

Further, he called US to join hands with India to explore export opportunities in 54 African nations, where both US and India can jointly pitch for exports of American and Indian products. *(ET, 06.09.18)*

**IBC is a Deep Reform**

Kumar Mangalam Birla, the 51-year-old chairman of Aditya Birla Group, expects the Indian economy to grow between 7 percent and 8 percent over the next few years, because of a slew of reforms such as implementation of goods and services tax, demonetization and the Insolvency and Bankruptcy Code.

"I think we're seeing improved levels of governance in corporate India and the government. We're truly integrating with the world economy. I think there's a definite deep cut that's happened and IBC is a deep reform," Birla said. *(Mint, 27.07.18)*

**Minimum Wage may Backfire**

The recent clash between the Delhi high court and the state government over the quashing of the government's notification on minimum wages has reignited the debate on minimum wages in India. Neoclassical economists have long warned against setting a wage floor, arguing that a government regulated price for labour can distort labour markets and have the unintended effect of reducing employment.

This consensus has now begun to crack, with a number of empirical studies suggesting that an increase in minimum wages may not actually reduce jobs. *(Mint, 07.08.18)*

**Raising Business Efficiency**

The GST implementation led to increased efficiency for businesses by reducing their transportation time, on account of absence of state barriers. One-third of the respondents saw a downward movement in the wholesale prices of their supplies.

Nearly 30 percent of the respondents witnessed a fall in the retail prices of their supplies, amid concerns that the tax regime may lead to a spike in inflation. A majority of respondents witnessed no change in their supply prices. On production coverage under the GST, 87 percent of the respondents indicated that the products manufactured by them have been listed or classified under GST. *(IE, 02.07.18)*

**Beware of Free E-gift Cards**

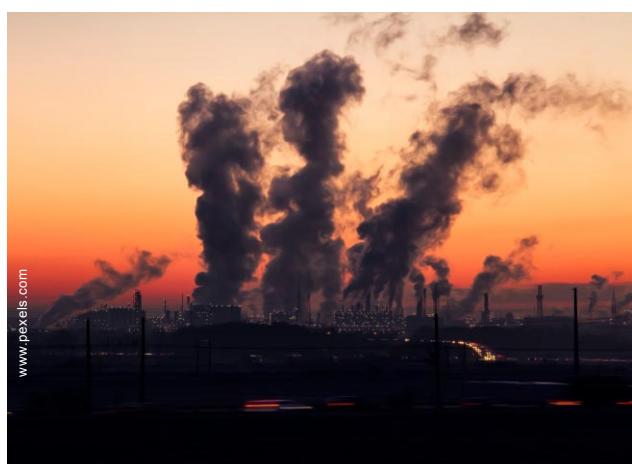
Think twice before accepting e-gift cards offered online. Fake websites entice people with lucrative offers and ask them to initiate a process to receive the code. Security experts say cyber criminals are able to sell users' data to third-party partner sites by redirecting them to fake websites for some bogus tasks.

The success of these new fraud schemes is based on criminals exploiting the desire among users to get something for free. Cyber security experts warn netizens to be careful while sharing their personal details online. *(BL, 30.07.18)*

**Apple with TRAI's DND App**

Apple may comply with the Telecom Regulatory Authority of India's (TRAI) Do not Disturb (DND) app in its upcoming version of iOS (iOS 12). Apple had earlier said it had no intention to do so. However, TRAI stood firm that if Apple has to sell iPhones in India, it would have to comply with the existing norms.

TRAI Chairman RS Sharma said, "We are essentially saying that the smartphone users should be enabled to complain about Unsolicited Commercial Communications (UCC). It is not necessary that TRAI's DND app is allowed. Any operating system can develop their own application to enable the complaint." *(BL, 07.08.18)*

**NITI MOVES on Air Pollution**

www.pexels.com

The government will frame a comprehensive air pollution policy for cities which is likely to leverage shared mobility, electric vehicle mobility and zero-emission mobility. "We will come out with a comprehensive policy that will address all issues related to mobility," said Amitabh Kant, CEO of Niti Aayog.

MOVE is a global mobility summit being organised by the Niti Aayog and other stakeholder ministries, including the ministry of road transport and highways.

Through this summit, the government aims to encourage synergies between indigenous industries such as automobile manufacturing, IT, electronics and telecommunications and integration with global supply chains. *(ET, 30.08.18)*

# Economy Grew in Double Digits Twice in UPA Rule

Asit Ranjan Mishra\*

India's economy grew in double digits twice during the previous United Progressive Alliance Government (UPA) under Prime Minister Manmohan Singh, 10.23 percent in 2007-08 and 10.78 percent in 2010-11, according to back series calculations by a committee appointed by the National Statistical Commission.

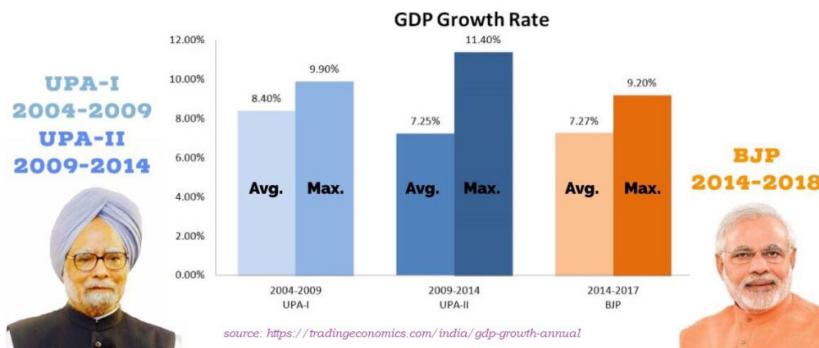
However, the average gross domestic product (GDP) growth during late Prime Minister Atal Bihari Vajpayee's time (1998-99 to 2003-04) has been brought down marginally to 5.73 percent from 5.9 percent.

The calculations have been made by a sub-committee headed by NR Bhanumurthy, professor at the National Institute of Public Finance and Policy (NIPFP), within the committee on Real Sector Statistics headed by Sudipto Mundle, emeritus professor at the institute. Bhanumurthy was tasked to link the old and new GDP series through the back series data, which has been missing since the government shifted the base year to 2011-12 from 2004-05. The missing data had made it difficult for economists to make long-term GDP growth forecasts.

The estimates of GDP and other related aggregates for the period 1993-94 to 2013-14 have been calculated by the committee using a so-called production shift method. An advisory committee on National Accounts Statistics will now go through the calculations before it is finally vetted by the National Statistical Commission.

From 1994-95 to 2002-03, GDP growth under the new series has been

## ECONOMIC DEVELOPMENT



calculated to be lower than estimates under the old series, while between 2003-04 to 2011-12, the economy seems to have grown faster than earlier estimated.

The sub-committee observed that in the case of GDP at market price, the revised series appears to be smooth and comparable to the new series. "However, when we look at the growth rates, there are some differences, although not significant, and this is largely because of the 'discrepancy' variable, which is found to be highly volatile," the committee added.

The real sector committee under Mundle, which also looked into sectoral statistics of agriculture, industry and services as well as micro-macro data linkages, recommended that artificial intelligence-based data cleaning and new big data sources such as internet, and point of sale data, should be used by all statistical authorities across the country for improving the data base of the Indian economy.

The Indian economy grew at the slowest pace in four years at 6.7 percent in 2017-18 under the twin blow of demonetization of high value currencies and implementation of the goods and services tax.

*The Indian economy grew at the slowest pace in four years at 6.7 percent in 2017-18 under the twin blow of demonetization of high value currencies and implementation of the goods and services tax*

The International Monetary Fund has projected that the economy will accelerate to 7.3 percent in 2018-19 with investment reviving and consumption demand remaining strong.

However, growing external risks such as an intensifying trade war and volatile oil prices may hamper India's growth story, IMF said.

\* Business Journalist at Mint. This is an abridged version of a news item published in Mint on August 17, 2018.

### Male-Female Leader Ratio

Worldwide, there are less than four women for every 10 men in leadership positions. In the Asia-Pacific region including India, the ratio dropped to 1:10, according to a recent report by McKinsey Global Institute. In East Asia, there are only 12-20 women leaders for every 100 men.

In India, women's representation is 43 percent among tertiary educated graduates, 25 percent among entry-level professionals, 4 percent in senior management and 11 percent among board members.

In Australia, New Zealand, and Singapore, the gender imbalance is notable. The Philippines, a traditionally matriarchal society only 15 percent of the board members are women.

(IE, 27.06.18)

### Urban-rural Mobile Ownership

India may well be the fastest-growing mobile phone market, but there is a 22 percent gap between its urban and rural populations in mobile ownership and it even trails behind Pakistan, Bangladesh and Kenya, a new study says.

Kenya has 9 percent urban-rural handset ownership divide, Bangladesh 7 percent, and Pakistan has mere 5 percent disparity, according to a study by Sri Lanka-based pro-poor think tank LIRNEasia. India's urban-rural mobile ownership divide is the largest among Asian countries. About 55 percent mobile users in the country use basic phones that have no Internet access.

Around 16 percent handsets are feature phones and 28 percent smart phones. The findings are based on a survey of 38,005 households and individuals across 18 developing countries through a 90-minute long engagement.

The NDA government has placed considerable emphasis on growth of internet and broadband in the country as part of its Digital India campaign and indicated India's internet connections stood at 431.21 million as of June, 2017. While India has lowest Internet penetration, it has highest data usage.

(Mint, 07.08.18)

### 993 Deaths in Monsoon

Apart from Kerala, the other flood-hit states are Uttar Pradesh, West Bengal, Karnataka and Assam. While Kerala reported the highest loss of lives due to floods nearly 400 deaths, UP saw 204 deaths, West Bengal 195, Karnataka 161 and Assam 46. The damage caused to crops, houses and public utilities was in excess of ₹4,745 crore annually with 12 percent of the country's geographical area being flood-prone.

The Home Ministry carried out risk assessment of 640 districts in the country and created a national resilience index based on performance of states and Union Territories on DRR measures like risk assessment, risk prevention and mitigation. The study showed that the level of resilience to disaster was very low and needed "considerable improvement".

(ToI, 27.08.18)

### India's Economic is an Elephant

India has achieved rapid progress in the four years of the National Democratic Alliance (NDA) government, becoming the sixth largest economy in the world and is now going to power global growth, Prime Minister Narendra Modi said on India's 72<sup>nd</sup> Independence Day. IMF mission chief for India Ranil Salgado recently described India as an elephant that has started running, with its economy projected to grow at 7.3 percent in 2018-19.

IMF trimmed India's growth projection for 2018-19 by 10 basis points in July, citing negative effects of higher crude oil prices on domestic demand and faster-than-anticipated monetary policy tightening because of higher-than-expected inflation.

(Mint, 15.08.18)

### Delhi most Investor Friendly

Delhi replaced Gujarat as the most investor-friendly state in the latest National Council of Applied Economic Research (NCAER) State Investment Potential Index (N-SIPI). N-SIPI 2018 has been constructed on the basis of six pillars under four broad categories - factor-driven (land and labour), efficiency-driven (infrastructure), growth-driven (economic climate, and political stability and governance), and perceptions driven (responses to the surveys).

This is based on extensive survey conducted covering 1,049 industrial units across 20 major states and Delhi.

(Mint, 03.08.18)

## India Lost One-third of Coastline to Soil Erosion in 1990-2016

West Bengal and Puducherry coastlines are most vulnerable to erosion, according to the report

Almost one-third of India's 6,632km coastline was lost about 234.25 sq km of land to the sea due to soil erosion between 1990 and 2016, said a National Centre for Coastal Research (NCCR) report. The report, *National Assessment of Shoreline Changes along Indian coast*, which mapped the shoreline changes along the Indian coast for the last 26 years, found West Bengal (63 percent) and Puducherry (57 percent) are most-vulnerable to erosion, followed by Kerala and Tamil Nadu at 45 percent and 41 percent, respectively.



Bengal (63 percent) and Puducherry (57 percent) are most-vulnerable to erosion, followed by Kerala and Tamil Nadu at 45 percent and 41 percent, respectively.

Odisha on the eastern coast is the only state witnessed expansion of more than 50 percent. Coastal population will bear the maximum brunt of coastal erosion, especially villages and recent habitations, including buildings, hotels and resorts which are at risk, according to NCCR. Dams on river basins have reduced the flow of sediments to the coasts. Such analysis would help in improving preparedness to face coastal hazards such as storm surges and Tsunamis.

(Mint, 15.08.18)

# India has 1.3 Billion People, but Fewer than 1000 Diplomats

Iain Marlow\*

US Secretary of State Mike Pompeo and Pentagon chief Jim Mattis visited New Delhi in September first week for an inaugural set of high-level meetings. It is another sign the West wants to deepen cooperation with India as a hedge against China.

But former Indian officials say an understaffed foreign ministry is holding back Prime Minister Narendra Modi's plan to seek greater global influence in line with his country's fast-growing \$2.6 trillion economy. The nation of 1.3 billion people only deploys around as many diplomats as New Zealand, which has a population of around 5 million.

The need for a well-staffed foreign ministry in New Delhi is only growing more urgent, particularly as US President Donald Trump's administration emphasizes outreach to the "Indo-Pacific" region in a bid to elevate India as a counterweight to China. New Delhi has started taking a leading role in pushing back against China's Belt and Road infrastructure initiative, which is encroaching on India's South Asian backyard.

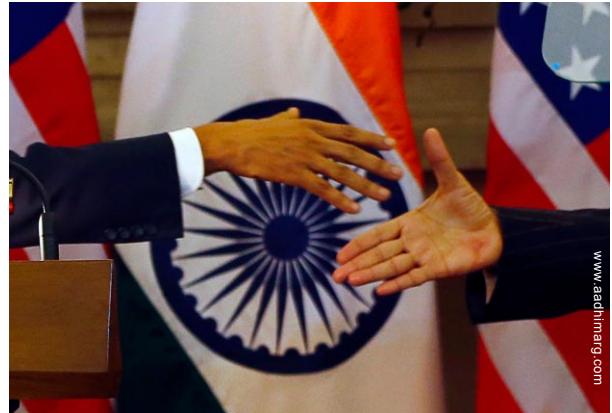
India also has lots of unfinished goals. It is angling for a permanent seat on the United Nations Security Council and membership in the Nuclear Suppliers Group, while trying to defend the global mobility of its IT workers overseas as protectionism rises.

With roughly 940 foreign service officers, India has one of the most understaffed diplomatic corps of any major country. It is just slightly higher than New Zealand's 885 officers, or Singapore's 850. It's vastly outnumbered by the Japanese and Australian services of around 6,000 people, the estimated 7,500 diplomats of rival China and the US State Department's service of nearly 14,000.

## We need the manpower

India's foreign ministry is aware of the shortage has increased recruitment to around 35 new officers annually and borrowed defense and economic experts from other ministries on deputation. In 2016, it was still 140 officers short of its sanctioned strength of 912 diplomats. It has also failed to conduct mandated reviews of its foreign service every two years. The last review had taken place 12 years earlier, in 2004.

India has been unable to reciprocate the opening of embassies in many Latin American countries because of a shortage of Spanish-speaking officers. Many Indian embassies abroad also have only one ambassador and one other international diplomatic-rank officer, leading to



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functions being performed by lower-level or local staff that is mostly under-qualified for the assigned task.

The quality of candidates choosing the Foreign Service has declined. As foreign travel has become more commonplace and the glamour of diplomatic service has faded, talented candidates have started choosing to join India's more powerful administrative, tax or police services.

The shortage is particularly pronounced at a time when Modi has increased his foreign travel, visiting nearly 60 countries in just four years. Modi has made five visits each to the US and China and four visits each to Russia and Germany. But thin staffing makes it difficult for India to follow up on his headline-generating outreach.

## Stable ally

However, western allies view India as a reliable democracy in a tricky neighborhood. Though New Delhi lacks Beijing's cash, the country still makes loans to countries in South Asia and Africa as it hopes to expand its influence. In March 2018, Modi approved plans to open 18 new missions in Africa between 2018 and 2021, including one in Djibouti, where China has a military base.

## Colonial-era exam

The shortage of diplomats persists, however, due to a bureaucratic hiring process in which the ministry can take only those who pass India's colonial-era civil services exam. Many think the time has come for a broader expansion and reform process that opens up the ministry to more short-term consultants and experts, even if career foreign service officers have generally pushed back against these moves.

\* The Writer is a correspondent for Bloomberg News, New Delhi.

This article is an abridged version of a feature published in Bloomberg Quint on August 31, 2018.

# Inverse Cadre of Independent, Non-executive Directors: The Directors' Collective

*Corporate Governance  
Developments in India are Fueling  
Demand for a Diverse Cadre of  
Independent, Nonexecutive  
Directors, concludes new report by  
The Directors' Collective™*



Over the last few years, Indian companies have increasingly embraced the notion of independent board leadership promoted by many corporate governance codes around the world. Still, CEO duality (the practice where the CEO also holds the post of board chair) continues to be observed in nearly a third of the NIFTY 500 companies and, even when the two roles are separate, the chair is rarely an independent director. Across industries, 31.4 percent of CEOs also lead the board of directors, with the highest numbers in sectors such as real estate, where the promoter-ownership structure is prevalent. Of non-CEO chairs, only 17 percent meet independence standards. Under newly issued recommendations by the Securities and Exchange Board of India (SEBI), however, it will soon be mandatory for top-500 listed entities to ensure that the chairperson be a non-executive director.

The demand for a cadre of professional board members, which the country is still developing, is likely to increase, prompting companies to consider candidates with a wide array of backgrounds and skills. These are some of the findings from *Corporate Board Practices – 2018 India Edition*, which was published by *The Directors' Collective™*, a partnership among The Conference Board, KPMG in India, and Russell Reynolds Associates.

The report is a comprehensive review of board composition, governance policies and executive remuneration disclosure made by Indian companies that are publicly traded in the NIFTY 500 index. It was designed as a practical resource for directors, general counsel, and company secretaries interested in remaining apprised of corporate governance trends and in benchmarking their company's practices against its peers.

This study, in particular, signals the importance for organisations to institute a rigorous process for board refreshment and director recruitment so as to meet new regulatory expectations for independence and diversity.

Other key findings include:

- Progress on director engagement has been tangible, but companies should consider making better use of newly allowed technologies to improve board meeting attendance.
- To increase the effectiveness of management oversight, companies should pursue a new generation of business talent for their board membership. Data shows that the average age of directors exceeds international standards, with several directors in their nineties who continue to serve on the basis of a special resolution exempting them from statutory rules. In

traditional, old-economy business sectors such as industrials and materials, the average age of the oldest board member is 96 years.

The collaboration is designed to guide corporate directors in carrying governance and compliance responsibilities as India Inc. prepares for the complex demands placed upon board members and senior executives by the Companies Act, 2013, the listing regulations of the Securities and Exchange Board of India, and other upcoming industry-specific regulations.

*The Directors' Collective* is assembling a holistic suite of knowledge assets – encompassing educational publications and benchmarking research; immersive workshops, webcasts and other training programs; and peer networking groups. The acceptance of several Kotak Committee recommendations is expected to help move the needle towards more balanced, independent and effective boards in organizations across the country. Over a period of time, this will be a key enabler to deliver unlocked value for shareholders.

\* This article has been taken from Prnewswire.com published on September 13, 2018.

# BJP has Party, not Government, at the Heart of Governance Propaganda

Pranab Dhal Somanta\*

**B**randing change is a lot easier than showcasing performance, especially in politics. And this is the big challenge BJP has taken upon itself for 2019 – to politically brand *sarkari* initiatives, key reforms, schemes and doles.

So, what's new? After all, previous governments have also sought re-election on similar grounds. The change is in the execution. For the first time, we have the party edifice taking the lead in the exercise to brand the performance of its government.

The logic, of course, is to ensure effective political branding, which is usually a casualty when dealt out by the government's own publicity machinery. Yet, the earlier general consensus was that the GoI set-up had better penetration and reach to carry the message than ad hoc party structures, often hampered by ground-level internal bickering and patronage.

The reincarnated BJP, however, boasts of a more committed, better oiled system with deeper reach, down to every polling booth, of the kind which is currently unparalleled by any other party. Perhaps, the only comparison could be with the CPI (M) in its prime in West Bengal.

Congress, ever since Indira Gandhi, has largely depended on the government system. In fact, the Nehru-Gandhi family has traditionally trusted the GoI set-up, including intelligence agencies, more than its party loop largely due to the conspiring nature of Congress's internal politics.

**B**JP, on the other hand, appears far more self-contained – which is why when the first phase of the Gram Swaraj Abhiyan, a GoI initiative to ensure 100 percent achievement of seven schemes in targeted villages was completed, the claim was made from the BJP headquarters. Party President Amit Shah gave out the figures himself from the first phase, and announced the launch of the second phase.

At the core of this enterprise is the unison in leadership between government and party. This has led to seamless coordination at all levels. Cabinet ministers are now required to be present in the party office on designated days. A sort of working roster has been created with junior ministers also taking turns.

Chief Ministers of BJP-ruled states come to Delhi for a periodic review with not just the PM, but also the party president. The objective: there should be no gaps in policy-planning, mirroring and execution between Centre, party and state government.



**T**his is in sharp contrast to, say, NDA 1, when even though the late Pramod Mahajan ran an electrifying 'India Shining' campaign, there were just too many power centres, starting with RSS, LK Advani and other factions, to achieve the kind of unity of purpose needed for BJP to break new ground in states where it wasn't strong.

Modi and Shah bring a completely new equation to the table, where clearly the PM is the principal power centre, but the party president is clearly established as Number 2.

Having said that, the political branding of government initiatives as the mainstay of a campaign will require considerable innovation, given that party structures usually work on polarising caste and religious groups. But this time, BJP has realised that there's more to gain by branding the government. First, it's the clearest association with Brand Modi, which is what the unquantified 'Modi voter' will seek to identify.

**N**ext, by having the first-mover advantage, BJP is able to own schemes like Pradhan Mantri Ujjwala Yojana and Ujala (Unnat Jyoti by Affordable LEDs for All) in the states. Regional parties have, in the past, successfully rebranded central schemes to show it as their own for political benefit. On that score, not only has BJP pushed these parties on the back foot, it has also, through Ayushman Bharat, eclipsed other, more elaborate health schemes in other states.

Finally, the pro-poor push through GoI schemes also attempts to ring-fence disparate caste groups that voted for BJP and belong to economically underprivileged segments. This will give BJP a new dedicated class of voters – or so it hopes, even for the future.

Either way, it's a new strategy, one where the party, not the government, is at the heart of governance propaganda. The outcome, undoubtedly, will also deliver its own set of unknown power variables.

\* Deputy Executive Editor, The Economic Times.

Abridged version of an article published in The Economic Times on September 10, 2018.

## Government to Launch Enterprise-level Survey

The government is looking at various data sources and has started releasing enrolment data for Employees Provident Fund Organisation (EPFO) as an indicator. As per latest data, 41.26 lakh enrolments were recorded in the EPFO database for Sept 2017-April 2018.

The government has already launched a new employment survey called Periodic Labour Force Survey, which will replace the Annual Employment and Unemployment Survey undertaken by the Labour Bureau. This survey is being conducted by NSSO and it will provide estimates of various labour force indicators on quarterly basis for urban areas and annual basis for both rural and urban areas, at State/UT and all-India level.

(IE, 04.07.18)

## Law Ministry Concerned over Simultaneous Polls

The Union Law Ministry has sought answers from the Law Commission to three main issues regarding the holding of simultaneous elections across India about the rationale of reducing cost, whether the move might “undermine the depth and the democratic fabric of Indian polity” and whether the model code of conduct affected developmental work.

On the issue of model code of conduct, the ministry has said that it is argued in favour of simultaneous elections that once MCC is imposed “all developmental activities come to a standstill in the state” and added that “consequently, frequent elections have a deleterious effect on the social-economic development of the states.”

(ET, 27.06.18)

## Robust Policy and Good Governance Crucial

Former World Bank Chief Economist Nicholas Stern said the next 20 years will be decisive in the world history and there is need to have “robust policy” and “good governance” to provide clear and convincing signals. Elaborating on the theme of sustainable infrastructure, Stern said sustainable infrastructure is crucial and lies at the core of inclusive growth, the sustainable development goals and climate change.

Stern Review Report on the Economics of Climate Change, produced by a team led by Stern — released in October 2006 — says that climate change is described as an economic externality which is the largest ever market failure.

(IE, 26.06.18)

## Kerala Tops in Governance

Kerala stands as the best governed state in the country and Karnataka is in the fourth position, said the Public Affairs Index 2018 released by the think tank Public Affairs Centre (PAC) here. Tamil Nadu, Telangana, Karnataka and Gujarat followed Kerala among the top five states delivering good governance, according to the report. Released annually since 2016, the index examines governance performance in the states through a data-based framework, ranking them on social and economic development they are able to provide.

Founded in 1994 by renowned Indian economist and scholar late Samuel Paul, the think tank works to mobilise a demand for better governance in the country

(NIE, 22.08.18)



## CAG Pulls up Water Ministry

Sixteen major multi-purpose water projects, taken up on an expeditious basis about a decade ago, are nowhere near completion, with no work being undertaken in as many as 11 projects, said Comptroller and Auditor General's (CAG's) report. This is despite the incumbent government's much-wanted focus on improving irrigation facilities in the country.

All 16 major water resource development and irrigation projects undertaken under the Accelerated Irrigation Benefits Programme (AIBP) in February 2008 “were languishing due to land acquisition, inter-State coordination, financial constraints and issues relating to rehabilitation and re-settlement of affected population”, the government auditor stated.

(BL, 20.07.18)

## Delay in Trains Probed

In 2017-18, Indian Railways had the worst punctuality performance in three years. About 30 percent of the trains ran late in 2017-18, according to official data. From April 2017-March 2018, the punctuality of mail and express trains was 71.39 percent, down from 76.69 percent in 2016-17, which is a deterioration of 5.30 percent.

When CAG looked into the reasons for this delay, it found some serious flaws in government's ₹1 lakh crore station redevelopment plans. There is not enough space for trains on stations which is the main cause of delays.

(DNA, 10.08.18)

## Budget Estimate Woes

The CAG has pulled up the Chhattisgarh government for ‘over-budgeted’ estimates in 2016-17, saying the government should prepare the budget as per the actual need.

The finance department should rationalise the budget preparation exercise so that the persisting gap between budget estimates and actuals is bridged, Principal Accountant General (Audit), Chhattisgarh, Bijay Kumar Mohanty said. The government should prepare the budget as per the actual need and ensure its optimum utilisation, he added.

(moneycontrol.com, 13.09.18)

## RS Passes Amendments to Anti-corruption Law

Remya Nair, Gopika Gopa Kumar & Pretika Khanna\*



In a move aimed at providing relief to bankers and helping them take business decisions without fear, the Rajya Sabha passed the Prevention of Corruption (Amendment) Act, 2013. The Bill was finally passed with 43 amendments to the original Bill including an extension on the period for citizens to report the bribe given (from 7 to 14 days) and replacement of the *Lokpal/Lokayukta* with a ‘competent authority’ for who would sanction a probe against a public servant, among other provisions.

This move comes at a time when bankers are facing intense scrutiny for their lending decisions with many former and current bankers arrested by investigative agencies over loans that have now turned non-performing. Bankers have been awaiting the amendments for a long time and have argued that they should not be prosecuted for lending decisions made honestly.

The amended Bill proposes a ‘shield’ for government employees, including those retired, from prosecution by making it mandatory for investigating agencies like the CBI to take prior approval from competent authority before conducting any enquiry against them.

These amendments were first brought by the UPA government in 2013. According to the amendments, a

police officer will now have to take prior permission from appropriate authorities while pursuing cases. Further, bankers cannot be pulled under the corruption law unless they have accumulated assets disproportionate to their income or have misappropriated assets entrusted to them.

“The amendment to Prevention of Corruption Act is a welcome development and brings comfort to bankers who have discharged their duties in a bona fide manner,” said Rajnish Kumar, Chairman, State Bank of India.

The Prevention of Corruption (Amendment) Bill, 2013 amends the archaic Prevention of Corruption Act, 1988. The bill will now go to the Lok Sabha for the Lower House’s nod.

According to the provisions of the Bill, criminal misconduct will now include only two offences — misappropriating of property entrusted to you as well as amassing assets disproportionate to known sources of income.

“The need for prior permission from an appropriate authority before pursuing investigations works in favour of the bankers”, said a person familiar with the development.

*This move comes at a time when bankers are facing intense scrutiny for their lending decisions with many former and current bankers arrested by investigative agencies over loans that have now turned non-performing*

“Under the older law, even providing a pecuniary advantage is a criminal misconduct. By that definition, even a loan given by a banker can be defined as providing pecuniary advantage”, the person mentioned above said.

Last month, the Pune Police arrested Bank of Maharashtra managing director and CEO Ravindra Marathe, besides other officials, in an alleged ₹2,000 crore scam, involving real estate developer DS Kulkarni.

It said the provisions of the law under which the arrests were made do not apply to banks. There have been many other instances of probes against bankers — both serving and former — including one against former IDBI Bank executives Kishor Kharat and Melwyn Rego over a ₹600 crore loan to C Sivasankaran’s firms and another against former Canara Bank chairman and managing director S Raman in a case relating to Winsome Diamonds.

A nand Sharma, Deputy Leader of the Opposition in the Rajya Sabha pointed out that no Lokpal has been appointed by the Narendra Modi government and that the provision of taking prior permission from *Lokayuktas* or *Lokpals* for proceeding against public servants has become a non-starter. Instead, it would be preferable if the power to grant permission lies with the government, he said.

\* Authors are associated with Live Mint.

Abridged version of an article published in Mint on July 19, 2018.

### India's Focus on Nutrition Security

India's focus needs to shift from food security to nutrition security so that attention is paid not only to calories and proteins but also to micronutrients, renowned geneticist MS Swaminathan said.

He said that if one wants healthy mothers and children, there needs to be eradication of three kinds of hunger – protein hunger, caused by deficiency of protein, calorie hunger, caused by deficiency of calories, and hidden hunger caused by deficiency of micronutrients such as iodine and iron.

"I strongly believe we need to move from food security to nutrition security, where not only calories and proteins but also micronutrients are taken care of", he said. *(BL, 20.08.18)*

### Income Support Help to Farmers

Policymakers are using the wrong instrument to support farmers and the right one would be to use an income policy to keep them afloat, said noted agricultural economist Ashok Gulati.

"When prices collapse, if you want to help farmers who have been affected, don't tweak the price policy; instead give them direct income support. That way you don't mess up with the market," said Gulati, who is Infosys Chair professor at ICRIER, said.

Today, it is not demand and supply determining the prices of agri-commodities but the pricing policy adopted by the government. This is not sustainable, he said. *(BL, 06.09.18)*

### Weak but Potential Innovator

India is weak in innovation but has the potential to improve its position with increase in investments in research, Minister Counsellor in Delegation of EU to India Tania Friederichs.

"We have looked at a couple of third world countries and according to all rankings... India is a very weak innovator but of course the potential is there. We do see a very quick evolution," he said.

At the event, ICRIER and European Business and Technology Centre released a joint white paper on India as an innovation economy, which showed that India's rank on the networked readiness index has plummeted to 91<sup>st</sup> position in 2016. *(ToI, 27.06.18)*

### UGC to be Replaced

The Central Government uploaded a draft law on replacing the higher education regulatory authority, University Grants Commission, with a new regulator and sought feedback from various stakeholders. The proposed regulatory authority will be freed of funding activities and will focus solely on academic matters.

Funding and grants will be dealt with directly by the ministry of human resource development. The new bill is likely to be tabled during the monsoon session of Parliament. The draft law, called the Higher Education Commission of India Act, 2018 (Repeal of University Grants Commission Act), was uploaded on the HRD ministry website. *(ToI, 28.06.18)*

### Blockchain Solution for Education Sector

One of the biggest challenges recruiters and higher educational institutions face is ascertaining the authenticity of the school and college certificates of the candidates.

With the incidence of doctored certificates growing, recruiters and companies have been seeking the help of verification companies, which are found to be not too well-equipped to identify the fake certificates.

Zebi Data, a start-up building blockchain technologies, for various sectors such as revenue and hospitality, has built an exclusive blockchain platform for the education sector.

The EduChain platform has already bagged the IIIT (International Institute of Information Technology – Basar) as a client for deploying the platform. *(BL, 06.08.18)*

### Vocational Training Regulator

India may soon have a separate regulatory agency on 'vocational training', providing much-needed fillip to the country's skilling efforts.

This new regulator, which is likely to soon get the approval of highest level of government, will look to bring "quality enforcement" of various skilling initiatives through the mechanism of regulating the awarding body, official sources said.

However, the new regulator will not look to regulate the training provider, they said. Indications are that two existing semi-regulatory bodies are likely to be merged to create the new regulatory body. Currently, nearly 95 percent of all skilling-related spends of India are from public funds. *(BL, 19.07.18)*

## Free, Non-discriminatory Education

Education for all and to universalise it was our national goal after independence. The architects of our Constitution made education for all till elementary level between the age group of 6 to 14, a Directive Principle of State Policy enshrined in part-IV of the Constitution.

Thus it has become our constitutional obligation to put the ideals into practice which was later on translated into action by the Constitution (Eighty Sixth Amendment) Act, 2002.

Under Article-21 (A) right to education has now become a part of fundamental rights which speaks in unequivocal terms that "the State shall provide free and compulsory education to all children of the age of 6-14 years in such manner as the State may by law determine." *(Pioneer, 14.09.18)*



### Ayush in Health Services

Integration of ayurveda, yoga and other Ayush systems in the delivery of health services is one of the thrust areas of the Indian government, Union Minister Sripad Yesso Naik said as the International Ayurveda Congress (IAvC). Insurance coverage has been extended to Ayush treatments and 27 companies are offering 140 health policies to beneficiaries in India, Naik said after inaugurating the fourth IAvC at Leiden in the Netherlands.

Ayush refers to traditional and non-allopathic medical systems in India. It includes ayurveda, yoga, unani and siddha, and also homeopathy. "Today, more than 27 insurance companies are offering 140 health insurance policies for Ayush beneficiaries", Naik said. (ET, 01.09.18)

### Ministry Mum on J&J

Union Health Minister J P Nadda maintained silence on the controversy surrounding the US pharma major Johnson and Johnson's faulty hip implants that have allegedly crippled nearly a hundred Indian patients. When asked about the findings of the expert committee, and if J&J will be brought to book, Nadda said, "We are deliberating upon the committee findings."

For close to six months now the Health Ministry is sitting over the expert committee report. When asked why the crucial and critical report of the committee was not made available in the public domain, Nadda said: "We share your concerns, however we are still deliberating upon the matter."

(BL, 27.08.18)

### Implants/Stents to Face Caps

The government is planning to control prices of medical devices by restricting their trade margins, a departure from the existing mechanism of capping prices. Once the new mechanism is decided, it will apply to devices such as cardiac stents and knee implants. The drug pricing watchdog slashed the prices of total knee replacement systems and their individual components by as much as 69 percent.

The move had drawn severe criticism from the medical devices

industry, which claimed that the government move would curb innovation. This decision is expected to lead to a saving of ₹1,500 crore per year for the people of India.

(Mint, 13.08.18)

### Trade Margins Capped

India is set to cap trade margins on medical devices, abandoning the current price control mechanism, as it seeks to curb profiteering as well as allay concerns of device makers, particularly importers of stents and knee implants, who have complained that price caps hurt innovation, two people aware of the matter said.

Prime Minister Narendra Modi is likely to accept government think tank NITI Aayog's recommendation to cap trade margin at 65 percent for medical devices. According to NITI's formula, the maximum retail price of a device will be decided by adding the trade margin to the price at the first point of sale.

(Mint, 23.09.18)

### India's Health Care Crisis

India spends just a little over one percent of its GDP on healthcare and this is leading the country into "a comprehensive healthcare crisis", according to Amartya Sen, who has called for greater allocation on healthcare in India and highlighted what he calls "three general failures" in the country's healthcare segment.

"If India's bad record in healthcare is not much discussed in the Indian press, this neglect does not indicate the presence of a tolerable level of healthcare in India, but reflects instead the narrow reach of the Indian news media, with its traditional neglect of elementary education and healthcare," writes the 84-year-old economist.

Also, Sen blames MCI for not only failing to perform its duties but also for its designated role of looking after medical colleges.

(ndtv.com, 10.07.18)

### Swachh Bharat Saving Kids

The number of child mortality under the age of five in India declined to 802,000 in 2017 from around 1 million two years ago. Close to 200,000 lives have been saved.

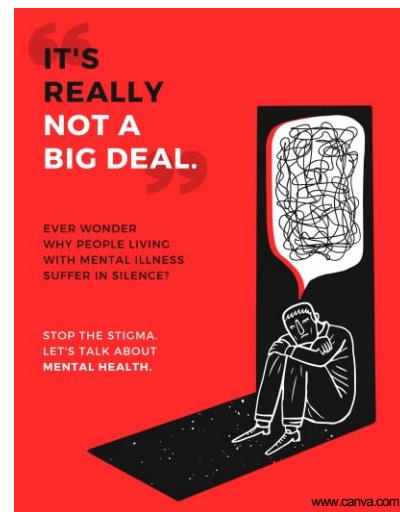
Safe drinking water, an insistence on hand-wash, food safety, and the use of toilets to stop open defecation are all factors that lower diarrhoeal deaths, which account for roughly 8 percent of the more than 802,000 under-five deaths in India in 2017, said a UN report.

More than 85.2 million toilets have been built in rural India since the launch of Swachh Bharat Mission (Gramin) in 2014, and 459 of the country's 718 districts have been declared open-defecation free.

(HT, 21.09.18)

## Health Policies to Cover Mental Illness

The Mental Healthcare Act, 2017, which came into force in May of 2018, says that every insurer shall make provisions for medical insurance for the treatment of mental illness on the same basis as is available for treatment of physical illnesses.



Reference is drawn to the Mental Healthcare Act, 2017 which has come into force wef 29.5.2018. As per Sec 21(4) of the said Act, every insurer shall make provision for medical insurance for treatment of mental illness on the same basis as is available for treatment of physical illness.

Mental health benefits cannot have more restrictive requirements than those which apply to physical health benefits.

(ET, 22.09.18)

## A New Model of Distributed, Accessible, Affordable Cancer Care in India



India has a huge burden of cancer with 1.45 million new cases reported in 2016, a number expected to grow at a rate of 4-5 percent annually. Approximately 70 percent of cases are reported at a late stage of disease. There is suboptimal access to quality cancer care in India, with the majority of cancer patients travelling long distances to be treated in centres of excellence.

In Tata Memorial Centre, Mumbai, Maharashtra, the majority of cancer patients were from other states of India. This leads to high out-of-pocket expenses for patients and their caregivers due to travel costs, which in turn translates to high drop-out rates before completion of treatment. A study in 2015 found that 42.6 percent of all patients that dropped out did so due to financial or logistical reasons.

Low levels of public health care expenditure, approximately 1.4 percent of gross domestic product, and lack of insurance coverage are major factors that result in high health care costs for individuals and their families. Health insurance penetration levels in India stand at an abysmally low rate of 27 percent as against 100 percent coverage insured under publicly financed health care systems in developed economies such as the United Kingdom.

In order to change the current cancer care landscape in India, the Tata Trusts – one of India's oldest, non-sectarian philanthropic organisations, which deploys funds towards a whole range of community development programs across – is working in partnership with multiple state governments and central government to roll out a step-down, distributed cancer-care model.

The infrastructure development is being underpinned by major programs in health promotion, cancer awareness, prevention, screening, and early detection, thereby shifting the stage of first presentation of the disease from late stage to early-stage cancer. This will result in reduction of mortality, and cost savings for the health care system that can then be passed on to the patients in terms of lower insurance premium or lower cost of procedures for the uninsured.

*Given the high incidence of cancer, the inadequate number of cancer treatment centres and the high treatment cost, it is imperative that development organisations integrate their efforts in cancer control with the public health care system.*

As a result of poor penetration of the public insurance schemes, in 2013-14, household health expenditure in India was estimated at 2.72 percent of GDP and accounted for 67.74 percent of total health expenditure.

A significant part of cancer patient's expenditure is medicines. A study of cancer drug prices in seven countries found the lowest drug prices were in India and South Africa. But after calculating price as a percentage of wealth adjusted for the cost of living, cancer drugs appeared to be least affordable in India and China. Although the government has regulated pricing policy of drugs in India, loopholes are yet to be addressed.

As a percentage of cost of goods sold, the average supply chain cost of the pharma industry in India is 25 percent and the “best-in-class” pharma in India has a cost of 18 percent as compared to 10 percent for both best-in-class pharma and best-in-class fast-moving consumer goods, globally. Hence, pharma companies in India need to establish centralised distribution systems to cut out the inefficiencies, ensure on-time delivery, and improve access as a whole for their drugs to penetrate the Indian market.

Given the high incidence of cancer, the inadequate number of cancer treatment centres and the high treatment cost, it is imperative that development organisations integrate their efforts in cancer control with the public health care system.

Cancer care needs to be embedded in the community through a distributed care delivery system, thereby rendering long periods of hospitalisation unnecessary. In order to achieve these goals, innovation in a model of distributed cancer care, intensive efforts towards cancer prevention and early detection, and radical new policies on procurement and pricing of medical consumables and drugs are just a few measures that are necessary to make cancer care accessible and affordable in India.

\* Abridged version of an article published in Devex.com on September 13, 2018.

**Walmart Explains Model**

India's National Company Law Appellate Tribunal (NCLAT) has asked a Walmart Inc. unit to explain its business model in India, following an objection raised by a traders' body against its \$16 billion acquisition of e-commerce firm Flipkart.

"Before going into the merit of the appeal, we intend to know the manner in which Walmart International Holdings Inc. and Flipkart Private Ltd do their business in the relevant market in India," NCLAT said in a notice, asking Wal-Mart to file its reply. The order relates to an appeal petition filed by the Confederation of All India Traders against CCI's approval of the Walmart-Flipkart deal last month. *(Reuters, 07.09.18)*

**NCLAT Upholds Fine**

The National Company Law Appellate Tribunal upheld the ₹6,300-crore fine imposed on a group of cement companies by the Competition Commission of India for cartelisation.

The tribunal said it finds no merit in the plea filed by the cement companies challenging the antitrust regulator's decision to penalise the manufacturers for cartelisation.

In August 2016, the CCI ruled that 10 cement companies used the platform provided by the Cement Manufacturers Association and shared details relating to prices, capacity utilisation, production and dispatch and thereby restricted production and supplies in the market. It also imposed the penalty. *(BQ, 25.07.18)*

**UltraTech gets CCI Nod**

Aditya Birla Group firm UltraTech has received an approval from the fair trade regulator Competition Commission for the acquisition of the cement business of Century Textiles and Industries.

UltraTech said it would acquire the cement business of BK Birla Group company Century Textiles and Industries through a share swap deal, a move which would further consolidate its position as market leader in the segment. Century Textiles has three integrated cement

units situated in Madhya Pradesh, Chhattisgarh and Maharashtra.

The transaction would provide UltraTech an opportunity to further strengthen its presence in the east and central markets, extending its footprint in the West and South. *(ET, 21.08.18)*

**CCI Nod to Linde-Praxair Deal**

Fair trade regulator CCI has approved the merger of industrial gas firms Linde and Praxair, subject to certain conditions. The deal, announced in June 2017, is worth over USD 70 billion, according to reports.

The approval comes following a public scrutiny launched into the deal in earlier in May by the CCI. After completion of the proposed transaction, Linde PLC will be owned by the two companies' current shareholders.

Munich headquartered, Linde is primarily active in industrial gases and medical gases, specialty gases, helium and the related engineering and services sectors. Headquartered in Connecticut, US, Praxair is an international industrial gases company. *(ET, 07.09.18)*

**Esaote Penalised**

The CCI has found that the two entities abused their dominant position in supplying dedicated standing/tilting MRI (Magnetic Resonance Imaging) machines.

The CCI penalised Italy's Esaote SpA and its group entity Esaote Asia Pacific Diagnostic for unfair business practices in supply of certain MRI machines, according to an order.

Besides imposing a fine of ₹9.33 lakh on the two entities (translates to 10 per cent of the average relevant turnover of the preceding three financial years from the sale of G-Scan MRI machines in India only), the watchdog has directed them to "cease and desist" from indulging in anti-competitive practices. *(PTI, 27.09.18)*

**DLF Complaints Dismissed**

Fair trade regulator CCI has dismissed two complaints alleging abuse of dominance against realty major DLF with regard to conditions in the sale agreement of residential apartments in Gurgaon.

Apart from DLF, the complaints were also against DLF New Gurgaon Home Developers.

The complainants had booked an apartment each in separate projects of DLF Home Developers in Gurgaon. In both the matters, it was alleged that DLF and DLF New Gurgaon Home Developers being dominant player in the market, had imposed unfair and arbitrary terms and conditions in the apartment buyer's agreement and that such conduct violated the provision of Section 4 of the Competition Act. *(ToI, 02.09.18)*

## CCI Approves ArcelorMittal's Acquisition of Essar Steel

The Competition Commission of India (CCI) approved the acquisition of debt-ridden Essar Steel by a consortium of ArcelorMittal and Japan's Nippon Steel & Sumitomo Metal Corporation. ArcelorMittal and Numetal are competing to acquire Essar Steel, currently undergoing insolvency proceedings as it owes more than ₹45,000 crore to over 30 banks. Deals beyond a certain threshold are required to get clearance from the CCI.



According to the notice submitted to the CCI, the proposed combination is pursuant to a resolution plan filed by ArcelorMittal India before the resolution professional for the acquisition of Essar Steel in accordance with the provisions of the Insolvency and Bankruptcy Code. *(FP, 20.09.18)*

# CCI Approves Walmart-Flipkart Deal; CAIT to Move Court

The Competition Commission of India (CCI) approved Walmart's proposed \$16-billion acquisition of a majority stake in online marketplace Flipkart, paving the way for the biggest deal in the country's corporate history.

A grouping of brick-and-mortar retailers threatened to go to court against the decision. In its 12-page order, the three-member CCI bench took note of concerns relating to deep discounting and preferential treatment to select sellers on the marketplace, adding that these "may merit examination from competition perspective" but are not relevant to approval of the deal.

Wal-Mart International Holdings, Inc. (Walmart), a subsidiary of Walmart Inc., had sought CCI approval for acquisition of 51-77 percent of Flipkart.

"Considering the facts on record and the foregoing assessment, the commission is of the opinion that the proposed combination is not likely to have an appreciable adverse effect on competition in India and therefore, the same is hereby approved in terms of Section 31(1) of the Act," CCI said in its ruling.

While noting representations by trade bodies against the deal, CCI said that "a small number of sellers in Flipkart's online marketplaces contributed to substantial sales".

"Further, the revenue earned from these common customers in the online marketplaces was relatively less vis-à-vis the non-common sellers whose sales on the platform were considerably low. It was also seen that the top common customers in the Flipkart online marketplaces were incorporated on or after 2016."



*According to the details submitted to CCI, Walmart will subscribe to ordinary shares issued by Flipkart for an aggregate purchase price of \$2 billion in cash. Walmart will also purchase the preference and ordinary shares of Tiger Global Management and SoftBank besides cofounder Sachin Bansal for about \$14 in cash.*

Flipkart's online retail business in India operates primarily through two main entities – business to business (B2B) unit Flipkart India Pvt Ltd and Flipkart Internet Pvt Ltd, which runs the online platform Flipkart.com. The B2B unit is used to source products, for instance, exclusive launches by smartphone brands such as Xiaomi or Samsung. This B2B unit then sells the product to various vendors, which then sell these products on Flipkart.

These entities emerged after the government of India said in 2016 that a single seller cannot account for more than 25 percent of gross sales on an online marketplace. WS Retail used to be the biggest seller on Flipkart before the regulation was issued in 2016.

"We welcome the CCI's decision," Walmart said in a statement. "We believe that the combination of Walmart's global expertise and Flipkart will position us for long-term success and enable us to contribute to the

economic growth." The deal has faced opposition from trader groups as well as the Swadeshi Jagran Manch in recent months. The Confederation of All India Traders (CAIT) said it will go to court.

"It is most unfortunate that leaving aside the objections raised by CAIT with CCI, the commission has approved the deal," CAIT secretary general Praveen Khandelwal said. "We will move the Delhi High Court and even Supreme Court if needed against the decision of CCI."

Seller body All India Online Vendors Association said the "current anti-competitive practices and violation of FDI policy as detailed in the judgement can be a problem for Indian companies held by Flipkart Singapore." CCI deemed such matters to be outside the scope of its process, a lawyer said.

"The CCI on examining the third-party representations in relation to 'predatory practices' and 'preferential treatment' to selected sellers, finds that such issues are beyond the scope of Competition Act and can be independently considered and decided by the relevant regulator in terms of the foreign direct investment policy," said Atul Pandey, partner at Khaitan & Co. Another lawyer said it may possibly re-examine the matter.

"CCI, however, has found some cause for concern the relationship between Flipkart and the seller entities controlled by it and may revisit the issue if more concerns are raised down the line," said a partner at a leading law firm.

All preference shares will be converted into ordinary shares. As a result, Walmart will hold approximately 51-77 percent of the outstanding shares of Flipkart.

\* Abridged version of an article published in The Economic Times on August 09, 2018.

# What will Happen after the 2019 Elections?

Arun Maira\*

There was great uncertainty in 1999 about the outcome of India's national election and concern that India's development would be disabled by India's competitive politics. The dominance of a single party, the Congress, in national and State politics was fading then. Regional parties had gathered strength. The decade following the landmark reforms of 1991 had seen many coalition governments cobble together at the Centre and collapse, some within months. There was fear that without a strong Centre, India's development story would fall apart.

Scenarios were prepared in 2000, using systems thinking, to project what the shape of India's economy and democracy would be under different forms of government—strong single party, or potentially unstable coalitions. These scenarios were summarised in a report, 'Scenarios for India 2010: An Invitation to Make a Difference'.

They also analysed which institutions must be strengthened to de-risk the Indian economy from political instability. Scenarios are not predictions. They are projections of plausible outcomes. Scenarios help to develop strategies that will make the enterprise successful in all plausible scenarios. Four alternative outcomes of future elections were envisaged in 2000. The same four can be envisaged even now. They were described in broad brush terms:

The alternative scenarios:

**A. Kaleidoscope.** In this configuration power in the Centre and in the States is shared by several parties. The quality of the political configuration could be either:

**A1.** Federal harmony (The parties respect each other and learn to work together), or

**A2.** You stab my back, I stab yours ("Politicians provide front page entertainment")

**B. Monochrome.** In this configuration one party dominates throughout the country. The quality of the governance could be either:

**B1.** Ramrajya (Magnanimous enlightened leadership, with losers cooperating in the nation-building agenda), or

**B2.** Volcano (Seething trouble, with losers waiting to strike)

The outcome of the national elections in 2019 is unpredictable. It could be any of the four configurations described. We may confidently predict, however, that for some more decades Indian politics will be in churn while its social and economic structures are reformed.

Indeed, as Samuel Huntington suggests, in 'Political Order in Changing Societies', the proceeds of corruption can bind together otherwise unstable social groups. This has been observed in India, in the politics of UP, Bihar,



and Tamil Nadu, where the acquisition of power by historically suppressed communities as well as corruption grew at the same time.

The four 'Ls':

The institutional architecture is founded on four 'Ls'—Localisation, Lateralisation, Learning, and Listening.

Power must be devolved down to local levels. People should be able to govern their own lives more directly for the democratic ideal of 'government of the people, for the people, by the people', to become a reality. The need for 'lateralisation' of governance with more effective collaboration amongst various stakeholders is required too.

*Strengthening governance by people in villages and cities is the next 'big ticket' reform leaders must undertake*

The third 'L' is an emphasis on the system's ability to learn, rather than on the design of systems for top down monitoring and control. In 2014 the NDA government abolished the Planning Commission, with the intention of promoting a competitive-cum-collaborative federalism, and learning across the States, facilitated by a new institution, the NITI Aayog.

The fourth 'L', better listening, is critical for dialogues that build lateral collaborations and for faster learning. Above all, it is essential for social harmony. Alas, with the spread of social media, and with even political leaders tweeting about each other, rather than talking to each other, no one seems to be listening to others' points of view.

An enduring image that emerged from the scenario analysis is an image of 'Fireflies Arising'.

It is time to write a new story of India in which communities of diverse people, respecting each other, and supporting each other, are the principal agents for making the world better for everyone. The most effective 'big ticket' reform that India's leaders can make is to strengthen governance by the people in its cities and villages. Our Constitution requires it. It will strengthen India's democracy, its economy, and its society.

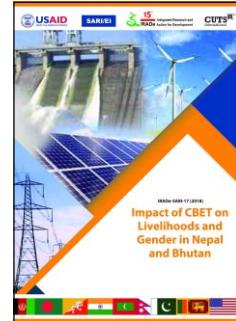
\* Former member of the Planning Commission.

The article has been taken from The Hindu Business Line, published on August 24, 2018.



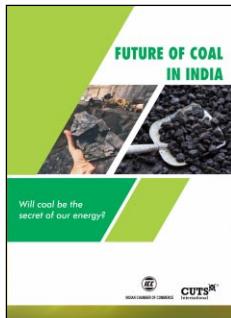
## Impact of CBET on Livelihoods and Gender in Nepal and Bhutan

This study assesses the impact of Cross Border Energy Trade (CBET) on gender and livelihoods in the South Asian region. The objective of the study to assess the socio-economic benefits or costs accrued to the local community in general and impact on local livelihood and the role of gender in the community in particular. "Impact of CBET on Livelihoods and Gender in Nepal and Bhutan" comprises an in-depth analysis of available literature and impact assessment studies of other regions in the world and an intensive field survey in and around the project site, with support of the local partners. This pioneering paper lays the foundations for the South Asian countries to foster CBET in the region.



Read the report at:

[http://cuts-ccier.org/CBET/pdf/Report-Impact\\_of\\_CBET\\_on\\_livelihoods\\_and\\_Gender\\_in\\_Nepal\\_and\\_Bhutan.pdf](http://cuts-ccier.org/CBET/pdf/Report-Impact_of_CBET_on_livelihoods_and_Gender_in_Nepal_and_Bhutan.pdf)



## Future of Coal in India: Will Coal be the Secret of our Energy?

This report is an attempt to unearth and understand the eminent threats and potential opportunities for the coal sector in India. In doing do, it delves deep to understand the structural issues, regulatory challenges, and technology disruptions in the sector. This paper is the second of the two reports on coal sector with the Indian Chamber of Commerce.

This paper can be accessed at:

[http://www.cuts-ccier.org/pdf/Discussion\\_paper-Future\\_of\\_Coal\\_in\\_India.pdf](http://www.cuts-ccier.org/pdf/Discussion_paper-Future_of_Coal_in_India.pdf)

## Status of Implementation of Real Estate (Regulation and Development) Act, 2016 in Select States of India

Real Estate (Development and Regulation) Act, 2016 (RERA), a proconsumer legislation aims to protect the interest of consumers by ensuring accountability, transparency and establishing an adjudicating mechanism for 'speedy' redress of disputes. Despite a year of establishment, the progress made by states pertaining to implementation of the Act remains patchy. The paper highlights the progress made by select four states and a Union Territory with respect to adoption of the Act. Further, the paper also analyses rules framed by the states. It attempts to highlight uniqueness of provisions of state rules and observe potential deviations from the Central Act.

This paper can be accessed at:

[http://www.cuts-ccier.org/pdf/Status\\_of\\_Implementation\\_of\\_Real\\_Estate\\_Act\\_2016\\_in\\_Select\\_States\\_of\\_India.pdf](http://www.cuts-ccier.org/pdf/Status_of_Implementation_of_Real_Estate_Act_2016_in_Select_States_of_India.pdf)



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and suggestions to  
[c-ccier@cuts.org](mailto:c-ccier@cuts.org)

We put a lot of time and effort in taking out this newsletter and it would mean a lot to us if we could know how far this effort is paying off in terms of utility to the readers. Please take a few seconds and suggest ways for improvement on:

- Content
- Number of pages devoted to news stories
- Usefulness as an information base
- Readability (colour, illustrations & layout)

### SOURCES

**BL:** The Hindu Business Line, **BS:** Business Standard, **DC:** Deccan Chronicle, **DNA:** Daily News and Analysis, **ET:** The Economic Times, **FE:** The Financial Express, **FP:** FirstPost  
**IE:** The Indian Express, **Mint:** LiveMint, **PTI:** Press Trust of India, **Tol:** Times of India, **TH:** The Hindu

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