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Guns 'N Rovers

Why sarkari Isro delivers but sarkari DRDO doesn't

TOI Editorials



In July 1980, Isro had a breakout moment. SLV-3 was successfully launched, making India only the sixth country to master a satellite launch vehicle. That project's director, APJ Abdul Kalam, soon moved to DRDO to develop the missile programme. It did well. But the contrast today between Isro and DRDO is stark. The former is feted while the latter is criticised for inefficiency. Last year, a CAG audit highlighted the many delays in DRDO's priority projects.

DRDO has often been helmed by people with a credible track record such as Kalam or the physicist Raja Ramanna who oversaw the design of India's first nuclear reactor. Yet, it's not delivered – SIPRI's database showed India was the world's largest arms importer in 2018-22. The reason for it lies in the same CAG report, which said there's inadequate synergy between DRDO and India's armed services. It leads to time and cost overruns. An assessment of DRDO needs to factor the armed services' needs and GOI's budget constraints. The trade-offs in indigenisation of defence procurement can be framed as a trilemma. The need is for high quality arms at a low cost, with quick delivery.

Only two of these three objectives can be met at any time and India's ended up as the largest arms importer as purchases are sometimes triggered by crises. If that's to change, GOI has to take the lead. Global arms industry sees limited technology transfer. For example, despite huge investments China hasn't yet got a grip on jet turbofan engines. Therefore, if DRDO's to deliver GOI must ensure smooth collaboration with the armed services and stick to realistic projects. It then needs to be backed by consistent investments, as globally failure rates are high. A domestic hi-tech defence base is possible with a different structure.

THE ECONOMIC TIMES

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Mind Your Notion of Gender By Language

ET Editorials

The Supreme Court recently released a guide for combating gender stereotypes inside courtrooms. The 30-page 'Handbook on Combating Gender Stereotypes' contains words that judges should avoid while writing orders, and lawyers should steer clear of while filing cases. For example, in place of 'adulteress', 'woman who has engaged in sexual relations outside of marriage' can be used. An 'affair' should be termed a 'relationship outside of marriage'. As Chief Justice D Y Chandrachud said, semiotic stereotypes irrespective of language affect outcomes of cases and promote retrograde ideas about women. This ultimately undermines the transformative project of the law and Constitution, which seek to secure equal rights for all persons, irrespective of gender.

The Constitution gives courts the power to effect changes in society. This has been used in many instances by benches of the apex court to reject stereotypes, particularly related to women. The handbook is a vital guide. But for it to translate into practice, there must be changes in society, police and education system that often constructs and perpetuates these stereotypes. This is a time-consuming task. However, a gender-sensitive judiciary will, hopefully, encourage more women to approach courts without the fear of victimisation, especially for cases involving sexual harassment and violence. As well as normalise gender sensitivity and 'abnormalise' disparity and narrow-mindedness passed on as tradition, across other fields of life.

Even outside legalese, language, the bedrock of behaviour, must imbibe and practice its crucial message: rethink the words you use daily; avoid sexist, patriarchal and misogynistic language. For, language mirrors behaviour, which, in turn, mirrors language.



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Concrete alliance

BRICS found new purpose with its expansion, but also more contradictions

Editorial

If there was any doubt about the relevance of the BRICS grouping (Brazil-Russia-India-China-South Africa), which held its 15th Summit in Johannesburg this week, the massive global interest in its outcomes should have put those to rest. Ever since the grouping, set up as a coalition of emerging economies, said last year that it was open to new members, as many as 40 countries from the global south have evinced interest in joining, with at least 22 formal applications. The decision to more than double its membership overnight, from 5 to 11, by inducting four major middle eastern players, Egypt, Iran, Saudi Arabia and the United Arab Emirates, as well as Ethiopia and Argentina, from Africa and South America, respectively, is significant. The enthusiasm is obvious. BRICS has weathered several storms and is today seen, if not as any alternative, as a counter-narrative creator to the western-led G-7 club on diverse issues: from climate change commitments and UN reform to its rejection of unilateral western sanctions against Iran, Russia and Venezuela. By also creating the New Development Bank, which has

funded nearly 100 projects so far, instituting a Contingent Reserve Arrangement, and other institutional mechanisms, the BRICS countries have also shown their ability to work on practical initiatives. While the grouping may not yet rival the wealth of the G-7, it does now rival its share of the global GDP (approximately 30% each), and represents a more equitable representation across 40% of the world's population to the G-7 countries that make up just 10%. Once the new members join, six of 10 of the biggest global oil suppliers will be BRICS countries, giving BRICS new heft in the field of energy.

While the battle of proving its *raison d'être* may have been substantially won, the BRICS countries still fall short in showing a coherence of purpose, and are still mired by inner contradictions. The rivalry between India and China has no doubt slowed the grouping down and the induction of arch rivals Iran and Saudi Arabia-UAE, despite their recent *détente*, could well create similar issues for the group in the future. In addition, any overtly political, anti-western stance by BRICS will make India, and other countries in the grouping who walk a tightrope between the global powers, including Egypt, the UAE, Saudi Arabia and Brazil, uncomfortable. Russia's invasion of Ukraine too has caused uneasiness, and BRICS members did not vote as a bloc on any of the UN votes; nor did any of the other members support Russia's actions. Above all, any attempts by China to overpower the group with its strategic or economic vision will require a firm pushback if the foundational idea of BRICS, to assert the strategic autonomy of its members, is to be followed. Eventually it is the promise of shared prosperity and a more democratic model of global governance that attracts so many in the global south to the grouping, and will provide the mortar for an expanded line-up of BRICS countries.

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Rethink the emerging dynamics of India's fiscal federalism

Beginning with the shift from a planned economy to a market-mediated economic system, there are a number of issues that have varying consequences on India's fiscal federalism which need review

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A 'holding together federation' with a built-in unitary bias, the Indian Constitution was the contextual product of centrifugal forces and fissiparous tendencies in the run-up to Independence. It has journeyed over 73 years with remarkable resilience. Even so, the emerging dynamics of India's fiscal federalism needs some rethinking. The paradigm shift from a planned economy to a market-mediated economic system, the transformation of a two-tier federation into a multi-tier fiscal system following the 73rd and 74th Constitutional Amendments, the abolition of the Planning Commission and its replacement with NITI Aayog, the passing of the Fiscal Responsibility and Budget Management (FRBM) Act, with all the States forced to fall in line, the Goods and Services (GST) Act with the GST Council holding the controlling lever, the

extensive use of cess and surcharges which affect the size of the divisible pool and so on have altered the fiscal landscape with varying consequences on India's federalism. I raise just four issues.

One, India's intergovernmental transfer system should be decidedly more equity-oriented. Although the natural proclivity of any market-mediated growth process is to work in favour of the propertied class, the actual experience in India has been astounding. Chancel and Piketty (2019) estimate that the top 1% earners in India captured less than 21% of the total income in the 1930s, but this was drastically reduced to 6% in the early 1980s and then rose to 22% during the liberalisation era. To be sure, the tax exemptions, tax concessions and other revenues forgone in recent times disproportionately favoured the rich and have reduced the size of the divisible pool.

Equity as concern for 16th finance body

My study on the convergence trajectory of per capita income (PCI) of 16 major States from 1970-71 through 2020-21, based on Economic and Political Weekly Research Foundation (EPWRF) data, shows an increasingly divergent trend, where the standard deviation value of log PCI has increased to 0.231 in 2020-2021 from 0.186 in 1991-1992, registering a compound annual growth rate (CAGR) of 0.72%. On the other hand, following United Nations Development Programme methodology, Oommen and Parma (in a forthcoming paper in the EPW) argue that the Human Development Index (HDI) across 15 States shows a convergence during the post-reform period. The standard deviation value of HDI is reduced to 0.268 in 2018 from 0.611 in 1991. Instructively the disaggregated picture since 2005 that spans FRBM legislations shows a declining rate of convergence with a high CAGR of minus 2.85%. Indeed, equity should be the overarching concern of the 16th Finance Commission and that HDI could be considered as a strong candidate in the horizontal distribution of tax devolution. Second, there is a case for revisiting Article 246 and the Seventh Schedule for a denovo division of powers, functions and responsibilities for a variety of reasons.

First, India is no longer the one-party governance of post-Independence times. It has become a truly multi-party system. The nature of polity, society, technology, demographic structure and the development paradigm itself have significantly changed.

Second, under the changing dispensation, several pieces of central legislation such as the Mahatma Gandhi National Rural Employment Guarantee Act 2005, the Right of Children to Free and Compulsory Education Act 2009, the National Food Security Act 2013 and many others impose an extra burden on the States. The Tamil Nadu Chief Minister recently raised the issue of shifting education from the Concurrent List to the State List.

Third, at the time of constitution-making, we never asked the pertinent question of who should do what and who should tax what? We borrowed copiously from the Government of India Act 1935 and failed to apply the subsidiarity principle, viz., that whatever could be done best at a particular level should be done at that level and not at a higher level, in the division of functions and finance. Although the 73rd and 74th Constitutional Amendments provided an opportunity to re-examine the issue, nothing was done. In fact, more confusion was added with the introduction of Schedule XI and Schedule XII, which, respectively, list out the subject matter for the panchayat raj institutions and municipalities by simply lifting items from the State list and Concurrent list. They lack operational meaning unless they are broken down into activities and sub-activities, as Kerala and a few others have done. Again, the retention of the irrelevant item No. 5 in the State list is an affront on the third tier. A new local list that will map out the functional and financial responsibilities of the panchayat raj institutions and municipalities is but inevitable.

A respectable place for the third tier

Fourth, the persistent failure to place the third tier properly on the fiscal federal map of India is a serious issue. The absence of a uniform financial reporting system (standard budgeting rules for all tiers, introduction of the accrual-based accounting system long recommended and so on) comprising all levels of government is a major deficit which the coming Union Finance Commission may be required to address. Although the Constitution refers to the third tier as 'institutions of self-government', policymakers, experts and even the UFCs generally refer to them as 'local bodies' and have not given the respect and the handholding they deserve. The failure in building the local democratic base of India, which has over 3.2 million elected representatives, and 2.5 lakh rural and urban local governments, is an enigma. It is well-recognised that the prime objective of our federation with deep heterogeneity is to provide basic services of standard quality to every citizen irrespective of her choice of residence and they have a critical role to play. Will the terms of reference of the next Commission consider this?

Review off-Budget borrowing

Fifth, there is a great need to review the off-Budget borrowing practices of both the Union and the States. Off-Budget borrowings mean all borrowings not provided for in the Budget but whose repayment liabilities fall on the Budget. They are generally unscrutinised and unreported. That all income and expenditure transactions should fall under some Budget head or other is a universal principle. State public sector undertakings and special purpose vehicles raise resources from the markets, but their servicing burden often falls on the State government. In cases where the government is the ultimate guarantor, the burden of repaying the debt also falls on the State.

The central government that should set good examples is probably more guilty of off-Budget borrowing than the States. Although the States are disciplined through Article 293(3) by the Union and through the FRBM Act, the Union often escapes such controls. The liberal utilisation of the National Small Saving Fund (NSSF) for extra-budgetary financing of central public sector undertakings and central ministries by way of loans is not reflected in the Union fiscal deficits. This is because only the Consolidated Fund of India balance is considered for calculating fiscal deficit, and items in public accounts such as the NSSF are kept out. While the borrowing space of States is restricted, the Union escapes such discipline. There is also a huge area of special banking arrangements using public sector banks to facilitate cash and credit flow outside the budgetary appropriations to help various agencies involved in quasi-fiscal operations with the government. Transparency guarantees and public accountability demand that the Union, States and local governments come clean and bring all extra-budgetary transactions to the public domain.

In sum, the dynamics of the emerging fiscal federalism of India entails significant rethinking especially in the context of the 16th Finance Commission.
