The virtue of consistency

India's focus must be on vaccinating a large number every day and not record highs

On August 27, Friday, India set a new record for a single day's vaccination – 10.7 million doses, up from 8.3 million vaccinations on the previous two days and over 6.3 million doses on August 23-24. However, on Saturday, the numbers dropped sharply to 7.9 million; 3.4 million doses were administered on August 29, but Sundays have always registered low numbers. A similar pattern was seen on June 21 – 8.7 million doses on a single day, which dropped to 5.8 million the next day and remained nearly stable at over six million for a week; the number of doses administered fell to three million-four million doses in the first half of July. The June 21 record appeared more to coincide with the day when the revised COVID-19 vaccination strategy came into effect, i.e., the Government procured 75% of the vaccines produced and supplied them to States for free. Though the record on August 27 does not coincide with any occasion, it does suggest that the intent was more to achieve a "momentous feat" of crossing the 10-million mark; the steep fall in vaccinations the very next day gives rise to scepticism. During the pandemic, the focus should not be on setting records but on consistently vaccinating a large number of people daily and ensuring that vaccines are available at all centres every day; uncertainty in vaccine availability does not help in increasing uptake especially among the poor.

With vaccination being a safe and sure way to drastically cut the risk of hospitalisation due to severe COVID-19 disease and death, efforts should be to quickly and consistently vaccinate large numbers each day. For this, equitable and a regular supply of a large number of doses to all States is needed. One sure way to increase the number of daily doses is when the Government procures 100% of vaccines produced with no separate allocation to private hospitals. Precious time and doses were wasted between May and July 15 when private hospitals utilised only 7%-9% of vaccines produced against an allotment of 25%. The Government has belatedly revised the June 7 policy such that manufacturers will not set aside 25% of vaccines produced for private hospitals but instead supply as per demand and allot the remaining to the Government. If the rationale for allowing the manufacturers to sell vaccines to private hospitals at a higher price was to fund vaccine research, the small uptake by the private hospitals does not meet that objective. Hence, the Government should procure all the vaccines produced as this will help in better vaccine allotment to States, reduce vaccine inequity and increase uptake, and States can plan daily vaccination strategies in a more organised manner.

America's Asia policy

The U.S. must push for a rules-based international order despite Afghan debacle

President Joe Biden has found himself in the uncomfortable position of facing not only the expected criticism from Republicans for his country's hasty, botched exit from Afghanistan but also brickbats from within the Democratic Party and among the broader American public. The killing of at least 13 U.S. troops and dozens of Afghan civilians in the bomb blasts last week underscored the apparent lack of planning behind the withdrawal despite prior knowledge of its approaching deadline. The chaotic, violent scenes at Kabul airport, undergirded by the deep irony of the Taliban's unchallenged takeover of Kabul and other Afghan territories, have also no doubt stung U.S. policymakers, especially over comparisons to Saigon in 1975. How can Mr. Biden now hope to sell the big picture of Washington's engagement in the South Asia region to his domestic political constituents in a way that limits the reputational damage to the White House? The first step will be, at long last, to shift the American policy paradigm on Afghanistan from a boilerplate approach toward institution-building to recognising the political complexities of governing a society where tribal and ethnic loyalties supersede western norms of rational decision-making by government. In part, this means not demonising or cutting ties with the Taliban before they have had an opportunity to settle into power and announce intentions for governing Afghanistan. There must also be a recognition of the role that third parties are going to play, for better or worse. That must include everything from the Pakistani ISI's shadowy dealings through proxies such as the Haqqani Network, China's relentless push for access to economic projects, and India's civilisational and 'soft power' links.

In the big picture, there is an unsettling question for Washington to answer, on whether in persisting with the Trump-era promise to pull U.S. troops out of Afghanistan, Mr. Biden will be able to reassure Asian allies and partners that the U.S. will not also play a diminished strategic role in the broader Asia region. To an extent, U.S. Vice President Kamala Harris's Singapore and Vietnam trip was aimed at assuaging such concerns and shoring up enthusiasm for the rules-based international order that has taken a beating. Yet, unless Washington follows up such summit meetings with ground-level engagement, for example through the Quad or deeper bilateral initiatives with friendly democracies including India, Asian powers will be hard pressed to assume anything other than Washington's indifference toward their interests. The danger for the West of considerable blowback that could emerge thus are at least two-fold: first, Afghanistan's cyclical transitions from western-occupied territory to abandoned nation and ultimately a breeding ground for global terror outfits is well-documented; and second, China will be only too glad to step into the breach should any new spaces be ceded in the pecking order of regional hegemony in Asia.

A monetisation move that doesn't tick most boxes

The National Monetisation Pipeline may not help realise the best value for public assets to kick-start investment demand

R. NAGARAJ

The Government has launched a National Monetisation Pipeline, or NMP (https://bit.ly/3mLkw9M) to sell public assets or, more precisely, their revenue streams over the next four years. The pipeline mostly includes railway stations, freight corridors, airports, and renovated national highway segments (yielding toll revenue) amounting to ₹6-lakh crore, or 3% of GDP in 2020-21.

As outlined in the Union Budget, the NMP aims to mobilise resources for financing infrastructure. The other two methods of raising resources are: setting up of a development finance institution (DFI) and raising the share of infrastructure investment in the central and State Budgets.

Hard questions

The proposed asset sale (monetisation) raises many questions. Conceptually, how is it different from disinvestment and privatisation (D-P) practised for the last three decades? Since D-P proceeds (revenues) have seriously missed the targets almost every year, how believable are the NMP targets? And how are they likely to perform differently? Is the NMP a desperate attempt to shore up public finances, after nearly two years of dismal output growth, stagnant tax-GDP ratio despite the steep rise in taxes on petroleum products? If so, is such a distress (fire) sale desirable to obtain a "fair value" for public assets? Would the market not factor in the dire state of the economy in beating down the prices, as in any distress sale?

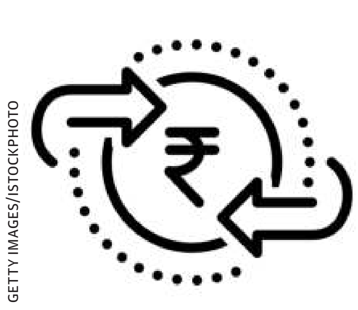
The NMP differentiates "asset monetisation" from "asset sale" by saying: "Asset Monetisation, as envisaged here, entails a limited period license/lease of an asset, owned by the government or a public authority, to a private sector entity for an upfront or periodic consideration" (NMP, volume 1, page 5).

Asset monetisation as defined above is the same as the net present value (NPV) of the future stream of revenue with an implicit interest rate (whether it is a sale or lease of the asset). In a footnote, the NMP document further clarifies: "Sale, i.e. transfer of legal ownership of assets is only envisaged in cases such as disinvestment of stake, etc.". Again there seems to be conceptual confusion. Sale of minority equity does not lead to a change in managerial control. Hence, the official attempt to differentiate its initiative from the earlier efforts seems feeble and incorrect.

Historic missteps

The NMP outlines mainly two modes of implementing the monetisation: public-private partnership (PPP) and "structured financing" to tap the stock market. PPP in infrastructure has been a financial disaster in India, as evident from what happened after the economic boom of 2003-08. Surely, India did create world-class airports in Mumbai and Delhi and speeded up highway road reconstruction.

However, after the 2008 financial crisis, as the world economy and trade plummeted, and as India's GDP growth rate slowed down sharply, hurting demand (and revenues for the indebted companies), many PPP projects failed to repay bank loans. Banks were left holding the non-performing assets (NPAs). Further, as the bulk of the lending was to politically connected corporate houses and firms (Bollygarchs as picturesquely described by James Crabtree in his book, *The Billionaire Raj*), debt resolution came in the cross-hairs of the political and banking system. India is still reeling from the legacy of that period without any easy and credible solutions in sight.



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An Infrastructure Investment Trust (InvIT) is being mooted as an alternative means of raising finance from the stock market. In principle, InvIT is much like a mutual fund, whose performance is largely linked to stock prices. It may be worthwhile to jog one's memory to recall how the disinvestment process began in 1991 after the initiation of economic reforms. It was by "off-loading" bundles of shares of public sector enterprises (PSEs) to the financial institution UTI, which in turn sold the bundles in the booming secondary stock market to realise the best price. The euphoria was short-lived, however, as the market crashed in the wake of the Harshad Mehta scam, stalling and discrediting the disinvestment process for almost the entire decade.

Hence, it may be worth learning the lessons from the historical missteps before getting enamoured with the idea all over again by the current stock market boom. As many have apprehended, the currently high stock prices seem like a bubble with heightened uncertainties in the global financial market.

With the U.S. Fed committed to reducing its assets purchase programme (known as quantitative easing), the "hot money" inflow that has fuelled Indian stock prices may dry up throwing up nasty surprises.

In 2020-21, the economy contracted by 8% due to the pandemic and lockdown, as in the annual report of the Reserve Bank of India (RBI). The current year is at best likely to regain the pre-pandemic GDP level. Aggregate saving and investment rates (that is, as ratios of GDP) have (expectedly) contracted. The stock market is however booming, dancing to short-term foreign capital inflows, with little connection with the real economy. Given its distressed state, the asset monetisation effort appears nothing short of a fire sale.

Other solutions

Thus, it seems unwise to anchor the acutely needed investment revival strategy on a discredited PPP model or on fickle Foreign Institutional Investors (FII) investment in a frothy stock market. Instead of assets monetisation, why not monetise debt, with committed borrowing from the market and the central bank? With the financial system flush with liquidity with no takers for bank credit, why not finance the proposed investment – as envisaged in the Budget – by government borrowing. The usual objections against such an idea are three: cost of borrowing, "crowding-out" of private investment, and the inflationary threat.

The RBI's annual report shows the weighted average cost of central government borrowings in 2020-21 was 5.8%. And the inflation rate as measured by the consumer price index (CPI-combined) was 6.2%. Thus, with a negative 0.4% real interest rate (real interest rate is nominal interest rate minus inflation rate), domestic borrowing in home currency is a steal. Chances of crowding-out private investments are remote with a liquidity overhang in the market. Inflation risk is also limited with little aggregate demand pressures (barring temporary bottlenecks due to localised lockdowns).

The rising public debt to GDP ratio is often red-flagged as a potential risk to rating downgrade by bond rating agencies. If the debt is productively used to expand GDP (the denominator), such risks seem minimal. Moreover, rising external debt by fickle portfolio investors perhaps carries a greater risk to external instability. Foreign portfolio investment has skyrocketed by 6,800% in 2020-21, over the previous year, to $38 billion (as per RBI data released in May). This, perhaps, poses a greater financial hazard than the potential rise in debt monetisation in domestic currency used for productive purposes.

In perspective

To sum up, the NMP is an ambitious "retail" sale or lease of revenue yielding public capital projects – with the potential threats of allegations of corruption and cronyism derailing the process – to revive investment demand and to halt the economic decline. The main instruments proposed for implementing the NMP are public-private partnerships and a stock market-based investment trust (InvIT). Both have serious shortcomings, as experience demonstrates. The NMP document seems silent on how to overcome past mistakes. Hence, the NMP appears like a fire sale which may not help realise the best social value for public assets to kick-start investment demand.

If reviving investment demand quickly is the real goal, debt monetisation seems a better option than asset monetisation. It is a "wholesale" business with lower operating and transaction costs, and at a currently negative interest rate. With excess liquidity in the financial markets, and low aggregate demand, the inflationary threat seems minimal. Such targeted borrowing, if quickly funnelled into infrastructure investment projects, could crowd-in (or bring in) private investment igniting a virtuous cycle of investment-led economic revival.

R. Nagaraj is with the Centre for Development Studies, Thiruvananthapuram, Kerala

India is indeed walking the green talk

Even with all its challenges, the country is setting a global example in meeting its Nationally Determined Contributions

SUMANT NARAIN

Did you know that even at the fifth anniversary of the Paris Agreement on Climate Change (December 2020), India was the only G20 nation compliant with the agreement? Or that the country has been ranked within the top 10 for two years consecutively in the Climate Change Performance Index, released by an independent international organisation that evaluates the performance of countries emitting 90%+ of global greenhouse gases (GHGs)? Or that the Unnat Jyoti by Affordable LEDs for All (UJALA) scheme is the world's largest zero-subsidy LED bulb programme for domestic consumers?

A world comparison needed

Despite these accomplishments, global pressures are intensifying on India to commit more towards the Conference of the Parties (COP26), scheduled for November 2021 in Glasgow. Early this year, the COP26 President, Alok Sharma, and the United States Special Presidential Envoy for Climate, John Kerry, visited India. In July, the U.S. called out to every significant economy for committing to a meaningful reduction by 2030.

That brings us to the question. Is it fair to apply pressure on India to raise its Nationally Determined Contributions (NDC) committed in the Paris Agreement? We can attempt to answer the question by comparing the achievements of other countries *vis-à-vis* India's performance, given that climate change is a global public good and there is a free-rider problem – not much incentive for countries to contribute their fair share since they can enjoy benefits even otherwise.

Let us first gather the historical perspective. Examining World Bank data for CO_2 emissions (metric tons per capita) over two decades since the Kyoto protocol informs that at the current rate, both China and the U.S. could emit five times more than India in 2030. The U.K.'s emission levels could be more than 1.5 times that of India. Brazil, with its dense forests, may end up at similar levels.

On China and the U.S.

Among recent efforts, last year, China, the world's largest GHG emitter, joined the 'race to zero' and targets carbon neutrality by 2060. Interestingly, it hopes to peak CO_2 emissions by 2030 for bending the emissions curve. The Climate Action Tracker, an independent scientific analysis tracking governments' actions, also expressed its concern stating, "Most worryingly, China remains committed to supporting the coal industry while the rest of the world experiences a decline, and is now home to half of the world's coal capacity." Recently, the U.S. rejoined the Paris Agreement and committed to reducing emissions by 50%-52% in 2030 and reaching net-zero emissions economy-wide by 2050. While they re-energise their fight on climate change, legislation may not be straightforward, given the Democrats' strength in Congress. Such ambitions will also require much more near-term investment than even the U.S. President Joe Biden's \$2.3 trillion infrastructure package.

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France and Australia

The French government, during the novel coronavirus pandemic, set green conditions for bailing out its aviation industry. However, the analysts say that no baseline for reducing emissions from domestic flights was fixed, and it is unclear what measures were adopted to promote rail for domestic travel.

An Australian Prime Minister, in 2018, lost his chair on a proposal to address climate change through an emissions-reduction target. The complicated domestic politics prevented them from addressing the problem, despite the country being vulnerable, and stretches of the famous Great Barrier Reef having died in recent years. It was, at least, the third instance in Australia when climate issues brought down its Prime Minister. It illustrates how difficult it is for governments to develop policies to mitigate climate change.

Walking it like talking it

In comparison, with all its challenges, India is on track (as reports/documents show) to meet and exceed the NDC commitment to achieve 40% electric power installed capacity from non-fossil fuel-based sources by 2030; this share is 38.18% (November 2020). Similarly, against the voluntary declaration for reducing the emission intensity of GDP by 20%-25% by 2020, India has reduced it by 24% between 2005-2016. More importantly, we achieved these targets with around 2% out of the U.S.\$100 billion committed to developing nations in Copenhagen (2009), realised by 2015.

As part of its mitigation efforts, India is implementing one of the most extensive renewable energy expansion programmes to achieve 175 GW of renewable energy capacity by 2022 and 450 GW by 2030. India has also coupled its post-pandemic revival with environmental protection. As part of the fiscal stimulus, the Government announced several green measures, including a \$26.5-billion investment in biogas and cleaner fuels, \$3.5 billion in incentives for producing efficient solar photovoltaic (PV) and advanced chemistry cell battery, and \$780 million towards an afforestation programme.

Some activists feel that India needs to demonstrate action at the global level. However, we need to appreciate that among many steps, India provided leadership for setting up the International Solar Alliance, a coalition of solar-resource-rich countries, and the Coalition for Disaster Resilient Infrastructure, a partnership of governments, United Nations agencies, multilateral development banks, the private sector, and knowledge institutions.

The developed nations could also intensify their pressure especially on jurisdictions not meeting the Paris Agreement goals. At this stage, India can always share independent international assessments, acknowledging that our climate action is among the few compatible with the well-below 2°C warming target. India's contribution to global emissions is well below its equitable share of the worldwide carbon budget by any equity criterion.

To sum up, India has indeed walked the talk. Other countries must deliver on their promises early and demonstrate tangible results ahead of COP26. In any case, we can always *suo motu* revise the NDC for the first stocktake (2023) while simultaneously protecting our interests. The responsibility of sustaining the entire planet does not rest on a few countries; everyone has to act.

Sumant Narain is a civil servant. The views expressed are personal

LETTERS TO THE EDITOR

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Crime, rights, justice

The Mysuru case, where a university girl student was assaulted, calls for condign punishment to the perpetrators. It is common knowledge that in seeking justice, cases of this nature are dragged on for days. As often pointed out by law-abiding citizens, fast-track courts are the one and only answer, in such cases.

Mani Nataraajan,
Chennai

■ The report, "Student held in rape case freed after negative DNA test result" (Inside pages, August 30), presents the other side of reality in India. The role of the police is in question as they need to keep in mind the phrase, "innocent until proven guilty". The future of the boy, a higher secondary student, is in focus given the tremendous mental trauma he is bound to have undergone. The issue of false cases needs to be looked into as well.

Shreyasi Debnath,
Kolkata

■ The report is an example of the need for police reforms. In spite of much training and instructions, many police personnel across India have still to come to terms with the idea of respecting human rights. Verbal abuse is most common. The details the boy has highlighted are not an isolated case of abuse by the guardians of the law. Perhaps more scientific tools are essential for investigation and interrogation. It is essential that all police stations have information about free legal aid services, the numbers of higher authorities as well those of judges to highlight third degree methods. Police stations must be monitored by local magistrates. In addition, there should be regular training on the need to protect rights, and use scientific tools to get to the truth. Decades have passed since Independence, yet the general perception of the police is still poor.

J.P. Reddy,
Nalgonda, Telangana

On oil palm

When I was working in the Department of Agriculture, Tamil Nadu, the technology mission on edible oils in the 1980s and the coverage of area under oil palm was very poor. Farmers were reluctant to adopt this crop due to its invasive nature just like the *Lantana camara* weed in the Western Ghats. The Indian Institute of Oil Palm Research Palode, Kerala does not seem to have come up with favourable results for the suitability of oil palm in India.

A. Kaja Nazimudeen,
Eruvadi, Tirunelveli, Tamil Nadu

Mental health

Mental health is one of the most trending topics right now. Teenagers and students in particular may not always express how they feel. Their concerns must be addressed and given consideration. The pandemic has resulted in people of all age groups feeling isolated and has also left many struggling to cope with daily routines and finding some sense of normalcy. Although many have participated in surveys related to mental health and vocalised their experiences, some are still scared to come forward. It is essential to identify the symptoms early, provide intervention in terms of counselling, therapy or medication. All those confronting negative repetitive thoughts must not hesitate to reach out to hotlines, peers and trusted adults.

Nitya Ravikant,
Bengaluru