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#### MISREADING INFLATION

Chief economic adviser Arvind Subramanian

This low, heartening (CPI) number is consistent with our analysis for sometime now ... of a paradigm shift in inflationary process to low levels of inflation... a shift that I think has been missed by all reflected in large, one- sided and systematic inflation forecast error that have been made

#### Vigilantes, lynching and animal trade rules

While SC gives govt fresh chance to amend problematic rules, even it must introspect on earlier judgments

IVEN THE SHARP rise in the incidents of vigilantism, even lynching of people suspected to be aiding cow slaughter, it was always clear the central government would need to condemn such acts and, more important, that states would strengthen their policing. Unless accompanied by quick police action, after all, condemnation by the political establishment means little. While the prime minister had said, last August, that many of the selfstyled gau rakshaks were nothing but criminals, this didn't stop the crimes—he had said "some people indulge in anti-social activities at night, and in the day masquerade as cow protectors". But since this was not accompanied by tough action in the states, he had to repeat his warning last month.

Despite the PM's views, however, the central government came out with rules, in May, which prohibited the sales of bulls/cows/bullocks/buffaloes, among other animals, in animal markets if they were going to be slaughtered by the buyer. In one stroke, this gave second wind to vigilantes since, now, even transporting buffaloes or bullocks could be construed to be illegal. Though the central government kept repeating it had not put any ban on eating buffalo meat, since transporting these animals for slaughter was illegal, it amounted to an effective ban. Apart from encouraging vigilantism, it also dealt a big blow to the meat industry and to dairy farmers since bulls are of little use to them in this era of farm mechanisation and culling of old cows is critical once they stop giving milk or their yields fall below a certain level. Around 15 million cattle and buffaloes are killed every year—apart from the money that dairy farmers lose if they can no longer sell them for slaughter, just feeding the animals adds around ₹30,000 crore to their costs every year.

The new rules raised a furore, more so since Muslims form the bulk of those in the meat/leather trade. But, after saying that the rules would be amended in view of the representations received, the government did little. With the Supreme Court now staying the operation of these rules, the government has one more chance to fix them. The SC, however, cannot let the matter rest here. In a 1958 judgment (Hanif Qureshi vs state of Bihar), it ruled in favour of a ban on the slaughter of cows and their calves until they stopped producing milk; and in the case of a bull or a bullock, it ruled against killing till they were useful for draught purposes. In 2005, it got worse—in *Gujarat vs Kassab*, a seven judge bench ruled 6:1 in favour of a more complete ban. It cited Article 48 that talked of the government endeavouring to prohibit 'the slaughter, of cows and calves and other such milch and draught cattle' and said that while it was true Article 48 was a directive principle, these were put in the Constitution so that the government would strive to achieve them. It then cited studies to show the useful life of cattle/buffalowas almost indefinite. It concluded that "cow and her progeny constitute the backbone of Indian agriculture and economy...increasing adoption of non-conventional energy sources like bio-gas plants justify the need for bulls and bullocks to live their full life". While the judgment is quite out of sync with reality, unless it is overruled by a larger bench, the *gau rakshaks* can cite SC in their favour.

#### Hike wages, kill jobs

Without productivity hike, raising wages a bad idea

**VEN AS INDIA** is looking to overhaul its labour laws, the Brazil Senate on Tuesday approved some major changes to that country's labour code. Amidst some serious opposition, the Brazilian government tweaked the law to allow agreements negotiated between employers and workers, on a range of issues, to override current labour law. The changes will also make it easier to hire temporary workers, even for extended periods of time. While India's Parliament is also expected to debate amendments to labour laws next week, one of the laws expected to be discussed is making minimum wages mandatory. The Labour Code on Wages, 2015, says no employer shall be allowed to pay to any employee wages less than the minimum wages notified by the state government. Given India's labour laws are already very restrictive, imposing one more condition will only make it more difficult for companies—especially smaller ones—to function efficiently.

At a time when job creation is very slow, and increasing automation in the manufacturing sector is threatening to shrink the number of jobs, enforcing a minimum wage will be counter-productive. Already India is losing out in the export market to countries such as Vietnam, Bangladesh and China. While wage costs are not the only reason for the loss of market share—poor infrastructure is also a culprit—an increase in the wage bill will make Indian exporters even more uncompetitive. So, while India's labour costs are around half China's, poor labour productivity means China's cost of production is half India's. With poor labour laws resulting in India having a lot more small firms than China, this ensures India can never get the same economies of scale.

The Economic Survey makes this point when it notes that India still has the potential comparative advantage in terms of cheaper and more abundant labour. However, these are nullified by other factors that make Indian companies less competitive. The minimum wages in India vary widely across states; in Andhra Pradesh semi-skilled workers earn \$81 per month whereas in Maharashtra they make \$118 per month. This is similar to the wages of \$80-120 per month in Bangladesh but lower than the \$120-\$150 per month in Indonesia. State governments will be expected to review or revise the minimum rates of wages every five years if the wages include a component of variable dearness allowance—linked to the CPI Index. Else, these need to be re-looked every two years. Unfortunately, there is no room for freezing wages or trimming them in the event the company goes through a bad phase or any recognition of the fact that businesses typically go through cycles. While the government is looking to protect the interests of workers, enforcing minimum wages will end up hurting the job market.

#### AwkwardENGINEERING

AICTE trying to force extra-curricular pursuits upon tech/MBA students makes for quixotic action

**HAT ARE THE** requirements to complete an engineering degree? If you thought it was passing all papers in the discipline, you thought wrongly. The All India Council for Technical Education (AICTE) has changed the rules of the game. The Times of India reports that the body, which is in charge of governing more than 10,000 institutions in the country, has passed an order making yoga, sports or socially-relevant activities mandatory for students to earn a degree from engineering colleges or technical institutes. Given how little attention we pay to the extra-curricular, the move would seem laudable, but unfortunately, this focus on inculcating extra-curricular pursuits comes a bit too late in a student's life. The admirable goal notwithstanding, forcing students at the higher education level—where the curriculum likely takes up most of their time—to mandatorily attend and develop competence in, say, yoga is asking too much. AICTE, however, is not the only regulator issuing such quixotic orders. Earlier this year, UGC had asked all universities to observe the International Yoga Day and submit proof of activities undertaken for review.

If the plan is to promote extra-curricular activities and sports, a better model to follow would be to engage students in these activities in school, rather than force these upon them in college. Khele India, launched by the PM, can prove to be a game-changer. As Gujarat CM, he had launched Khele Gujarat in 2010, and it may have helped the state in going from being ranked 28th in the 2011 National Game to being ranked 9th in the 2015 Games. But what schools actually need is infrastructure. India's spending on sports is nowhere near that of the developed countries. For instance, as per a BBC analysis, UK spent £264 million in the 2012 London Games, to win 65 medals, while the US Olympics Committee shelled out more than \$232 million to help American athletes win 110 medals at the Beijing Games. In contrast, though India has improved its Olympic budget to ₹125 crore (roughly \$18.75 million) at Rio from ₹15 crore or so earlier, it remains niggardly support.

#### AUTONOMY & ACCOUNTABILITY

PART OF THE RESENTMENT ABOUT THE RATAN WATAL COMMITTEE THAT IS REVIEWING AUTONOMOUS BODIES IS BECAUSE OF THE QUESTIONS ON TRANSPARENCY

## The ABC of autonomous bodies

**HERE IS A** Committee for Review of Autonomous Bodies (AB-s), chaired by Ratan Watal. The Committee's Interim Report is not in public domain, not yet. Media reports and comments on what the Committee has recommended, even in the interim, are therefore premature. They are uninformed and misinformed. This choice of words should remind you of a quote ascribed to Mark Twain. "If you don't read the newspaper, you're uninformed. If you read the newspaper, you're misinformed." The choice of quote is deliberate, since there is no evidence Mark Twain ever said, or wrote, anything of the kind. The quote itself is uninformed and misinformed. Instinctively, everyone understands the word "autonomy" and hence, "autonomous body". However, private enterprise is also self-governing and independent of direct government influence or control. Therefore, if review is contemplated, there must be something beyond notions of self-governance and self-rule. Right to Information Act's definition of "public authority" provides some inkling of what one is after. "Public authority means any authority or body or institution of self-government established or constituted— (a) by or under the Constitution; (b) by any other law made by Parliament; (c) by any other law made by State Legislature; (d) by notification issued or order made by the appropriate Government, and includes any— (i) body owned, controlled or substantially financed; (ii) non-Government organisation substantially financed, directly or indirectly by funds provided by the appropriate Government".

If we leave out NGOs, we have ingredients of a definition. (1) An AB is set up by government for a specific purpose. (2) It is independent in dayto-day functioning, but government

**DEBROY** Member, NITI Aayog Views are personal has some control over the AB. (3) Gov-

**BIBEK** 

ernment funds the AB in some form, revenue expenditure, capital expenditure, or both. In 2012, there was a CAG Compliance Report for AB-s, Report No. 33 of 2011-12. "During 2010-11, the Ministries of the Union Government released grants/loans aggregating ₹46,449.48 crore to 496 autonomous bodies." Note that these are 2010-11 figures. Incidentally, we are talking about Union government level AB-s, and Ratan Watal Committee is also about these. There are other AB-s at state government level. In 1955, there were 35 AB-s. Today, there are at least 679 AB-s. I used the expression "at least" deliberately-679 is the number for which information exists. The actual number may be marginally more. The oldest is clearly Asiatic Society, established in 1784. In the days of William Jones, even if objectives were laudable, one didn't look towards government for money. At best, one asked for land and even as late as 1960s, financial assistance for constructing buildings. For Asiatic Society, constant recourse to government funds probably started in 1984, when it became an Institution of National Importance. Out of 679 AB-s, half were set up between 1984 and 1989.

Joseph Nye coined the expression "soft power" a bit later, in 1990. Several AB-s are supposed to provide content that can feed into India's soft power aspirations. Perhaps that's the reason why, until recently, they constantly

faced soft budget constraints. The ₹46,500 crore the CAG report talked about was in 2010-11. In 2017-18, 679 AB-s obtained ₹72,200 crore. Other than the 2016 Report of Expenditure Management Commission (chaired by

Bimal Jalan), consider Rule 229 in Gen-

eral Financial Rules, 2016. This is on

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general principles for setting up AB-s and I will quote only one clause. "Peer review of autonomous organizations—ministry shall put in place a system of external or peer review of autonomous organisations every three or five years depending on the size and nature of activity. Such a review should be the responsibility of the concerned administrative division of the ministry/department and should focus, inter alia, on; (a) the objective for which the autonomous organisation was set up and whether these objectives have been or are being achieved; (b) whether

the activities should be continued at all, either because they are no longer relevant or have been completed or if there has been a substantial failure in achievement of objectives; (c) whether the nature of the activities is such that these need to be performed only by an

autonomous organisation; (d) whether similar functions are also being undertaken by other organisations, be it in the central government or state governments or the private sector, and if so, whether there is scope for merging or winding up the organisations under review; (e) whether the total staff complement, particularly at the support level, is kept at a minimum, whether the enormous strides in information technology and communication facilities as also facilities for outsourcing of work on a contract basis, have been taken into account in determining staff strength; and whether scientific or technical personnel are being deployed on functions which could well be car-

ried out by non-scientific or non-technical personnel etc. (f) whether user charges including overhead/institutional charges/management fee in respect of sponsored projects, wherever the output or benefit of services are utilised by others, are levied at appropriate rates; and (g) the scope for maximising internal overlap with other resources generation in the organisation so that the dependence upon government budgetary support is minimised." rates and scope for Since public resources

> are involved, and all resources have trade-offs, l think these questions are entirely justified and, no, they wouldn't have been asked between 1984 and 1989. Part of

> the resentment about the Ratan Watal Committee seems to be because questions are being raised about transparency and accountability. Culpability (C) has been added to AB. That's the ABC

### Partnership for a public purpose

Defining the public purpose that calls for a PPP will remove ambiguity about its architecture and accountability

ABOUT ELEVEN YEARS ago, I was challenged about the Public Health Foundation of India (PHFI) being set up as a public private partnership (PPP) through contributions from the government, charitable foundations and private philanthropy. While it was common then for policymakers to advocate PPPs in industry and infrastructure, it was considered unusual in the social sector. Apart from the lack of clarity about how PPPs were crafted and governed, there was scepticism about their contribution to the larger public good. Some saw it as an abdication by the state of its role in delivering public services, be it water and power or health and education. Many doubted the state's ability to steer the private part-

Private Profit'. I felt that PPP was an inappropriate term to describe an initiative that brought together different types of organisations for the common good of society. To me, it appeared that PPP should stand for Partnership for a Public Purpose. Especially so in the social sector. I started describing PHFI that way, not as a defensive response but from a genuine conviction that this was the right way to look at it. When I started using that definition in various national and global health meetings, the wording appealed to many when I explained my reasoning.

ner on the committed path. Indeed,

cynics defined PPP as a 'Partnership for

Much of the ambiguity about the taxonomy, architecture, operational guidelines, governance and accountability of PPPs can be removed if we first clearly define the public purpose that calls for a PPP and then proceed to define the overall deliverables, roles and responsibilities of the partners, consultative and collaborative channels, monPresident, Public Health Foundation of India Views are personal

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itoring mechanisms and measures of accountability. Further, such a definition helps us move beyond the conventional construct of a PPP as a marriage of convenience between a public sector entity and a private sector entity which are philosophically misaligned and often mutually suspicious. It also takes into account the heterogenous nature of the non-governmental actors loosely bunched together as the private sector. They encompass both for-profit and non-profit private sector entities, apart from the academia, media and community based organisations (CBOs). Social sector challenges frequently call for multisectoral actions involv-

Such a definition ing a variety of partnerhelps us move ships. These can connect beyond the a public sector entity to a for-profit or a non-profit conventional entity, forge a link beconstruct of a PPP tween two or more foras a marriage of profits, between several non-profits or between a convenience for-profit (like an indusbetween a public try) and a non-profit ensector entity and a tity (like a grass roots private sector CBO). These partnerships entity which are can be formed on the basis of what they can best philosophically deliver together, whether misaligned and in sanitation, health edoften mutually ucation, health service provision or non-formal suspicious

By expanding the universe of PPPs in the social sector to engage a diversity of actors in differing combinations, we can create fit-for-purpose partnerships suitable to each social objective and each specific task linked to it. There is

no reason why two for-profits cannot

education.

work together to develop innovative technologies for improving access to primary health care and partner with a non-profit for training frontline health workers and an academic institution for impact evaluation. All, of course, for a clearly defined public purpose that the partners agree on and not motivated by a pecuniary pursuit. The partners will agree on defined deliverables, operational design and delineated measures of mutual accountability. Where it involves participation in a public service or government-led programme, even without public funding, oversight by a public sector agency should be provided

> to partnerships between private entities. This is not to tie them down with red tape but to ensure a needed level of social accountabil-

> ity. Societal welfare requires active engagement of multiple actors, often working together. The conventional public-private partnership model is too limited a pathway and too outmoded a concept for advancing the agenda of social development. Redefining PPP as a partnership for a public purpose makes it possible to draw upon the energy of several innovative models of socially-committed partnerships. It also enshrines public good as the guiding

principle and essential deliverable of such partnerships, moving us from an era of scepticism about social sector PPPs to an era of enterprise in seeking new opportunities for team work in social development.

#### **LETTERS TO** THE EDITOR

#### G-20 protests should be taken seriously Protesters, comprising local residents

and international activists with a ragbag of diverse causes, made their presence felt at Hamburg. Those in the guise of zombies not only stole our eyes, but also made a symbolic statement. Heavily outnumbered by cops in full riot gear, the demonstrators succeeded only partially in disrupting the G20 meeting. But the legitimate concerns raised by them over capitalism, climate change and conflicts resonated with the world. Their voices to make 'raising living standards of the world's impoverished masses', 'respecting basic human rights' and 'protecting the environment' the priorities cannot be said to have impacted greatly on the summit talks, though. Driven by the base motive of profit-making, unbridled capitalism with "an inbuilt propensity to monopoly and exploitation" has widened the inequality between rich and poor and created a world in which power lies in the hands of corporations rather than governments and corporate interests take precedence over people's interests. Another issue of existential importance is climate change. All nations except the US have agreed that the Paris climate accord is irreversible and pledged to implement it swiftly. Realising the full gravity of climate change, the global community should indeed act before it is too late.

#### Family affair

Donald Trump would have you belief that affairs of the state are a family affair, what with his daughter Ivanka Trump sitting in his stead at G-20 meetings and his son, Donald Trump Jr, seeking Kremlin's help to rout his Democratic opponent, Hilary Clinton, during the American elections last year. Shame, he can't think of the planet as one family and support action against climate change. — Sumona Pal, Kolkata

— G David Milton, Maruthancode

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#### THE ELECTION COMMISSION

## A'model' public institution?

The success of the Election Commission of India (ECI) in conducting free and fair polls has varied over five phases. Unsurprisingly, since 1996, surveys have shown that, of all public institutions, people trust the ECI the most

**O THE RECENT** initiatives of the Election Commission of India (ECI), disqualifying a minister for filing election expenses incorrectly, objecting to a state government's disciplinary proceedings against an officer, and introducing paper trails in Electronic Voting Machines (EVMs), indicate a 'model' Indian public institution, playing its role impartially and fearlessly to conduct free and fair elections? Certainly, these actions show the ECI as autonomous and accountable, qualities that are uncommon, but much needed, in our public institutions. Unsurprisingly, since 1996, surveys have shown that of all

public institutions, people trust the ECI the most. But this was not always the case, and the ECI's rather rocky journey to its current level of success provides insights into how Indian public institutions can be made

more effective. The ECI's success in conducting free and fair elections has varied over five phases. Post-independence, the ECI began triumphantly as it conducted the first elections in the world's largest, but largely illiterate, democracy, with inadequate roads, buildings, and personnel. Innovating by using symbols to identify political parties and candidates, the ECI enabled illiterate constituents to vote, exhibited an astonishing efficiency, gained the trust of ordinary people (in the second general election, some voters wanted to vote for the Chief Election Commissioner—CEC!) and was admired across the world. It kept up this performance through the first phase (1950-1967).

Partly, the ECI succeeded because the leaders of the dominant political party, the Indian National Congress, wanted free and fair elections, and because of the capable leadership of its first CEC, Sukumar Sen. But, equally important were some features of ECI's institutional design. First, the ECI is a very autonomous organisation. It is independent of the government, has full powers when the law is silent, and even the courts cannot intervene in the election process once it has begun. This autonomy allows innovative and decisive action, such as the allotment of symbols. Second, the ECI's subject domain is narrow, i.e. conducting elections, but it can act across a range of processes, be it policy-setting, implementation, and quasi-judicial actions. This varies from the powers of, say, the legislature and the judiciary, each of which addresses one process, i.e. law-making and adjudication, respectively, (and neither implements), across subjects.

Third, the ECI's positioning in our federal structure is unusual. Most other public institutions have parallel national and state-level structures, with varying autonomy of the latter. But, while both Lok Sabha and state legislature elections are centralised in the ECI, it is totally dependent on the state administrative machinery to conduct elections. This centralisation meant that the ECI could use its expertise fully to give detailed administrative directions to state governments regarding election processes, such as the design of ballot boxes and ballot papers, location of polling stations, counting procedures, etc. At the same time, through constant interaction with the states, the ECI created transparent, accountable and realistic processes, such as for preparation of voters' lists, the nomination of candidates, discipline at the polling station, etc. Most of these, with the support of the po-

litical establishment, were enacted as law. The ECI's success was diluted in the second phase (1967-1975), and eroded further in the third phase (1977-1990), as political support for free and fair elections declined progressively. From 1967 onwards, the Congress began to lose its dominance, and multi-party democracy grew, resulting in intense political competition. Now, political actors stepped up violence and electoral malpractices, such as personating and intimidating voters and booth-capturing. This was matched by a general decline in ethics within the government. Several state governments made large-scale transfers on the eve of the elections, posting pliable officials in key positions. These officials sometimes flouted the ECI's orders, with the state government's support. So much so, that by the end of the third phase, in parts of UP and Bihar, elections became a mockery, with organised booth-capturing and intimidation of voters.

But, though violence and electoral malpractice rose steadily, elections remained free and fair in large parts of the country. This was because of the transparent and accountable processes incorporated in law in the first phase. These could not be flouted casually. As a rule, though with exceptions, officials were not willing to participate in illegal activities. Additional protection was provided by the possibility of partisan elections being challenged and set aside in courts. In other words, the strong legal basis of the election process, and accountability to the courts were defences against the deteriorating political climate.

As has been the case with many of our public institutions, this deterioration could have continued in the fourth phase (1991-2002). Instead, after another rise in violence in the 1991 elections, the ECI re-established the rule of law. The new CEC, TN Seshan, counterbalanced the ECI's institutional shortcomings, i.e. inadequate control on electoral malpractice by political actors and the administrative machinery, through combative and forceful leadership. He publicly reprimanded politicians for violating the Model Code of Conduct, created shock waves by postponing and cancelling elections, increased the number of central observers four-fold, and insisted on action against errant officials. The CEC exploited the ECI's autonomy to the hilt, used the burgeoning electronic media to get public support, and at times, approached the courts against the government, which often backed him.

Consequently, the credibility of the election process was re-established in the 1996 elections, while violence, booth-capturing and voter-intimidation declined dramatically. Subsequently, independent stands by the ECI became an accepted and common feature, and new safeguards were incorporated in the law. Moreover, the ECI became a three-member body, which added to its internal accountability. The current independent actions of the ECI are a continua-

tion of this process. In the ECI's institutional evolution, the first phase illustrated the importance of institutional autonomy, buttressed by the mandate to make and implement policy, to enable innovation and sound management. The narrow subject area and the responsibility for implementation sharpened institutional expertise. The second and third phases demonstrated the significance of grounding processes in law, and accountability to the judiciary, which were bulwarks in a deteriorating context. That the ECI is autonomous and accountable, is critical to its success. Usually, our public institutions tend to be only one of the two, and flounder as conditions become adverse. The implied policy initiative here is to strengthen autonomy and accountability

simultaneously in public institutions. These institutional features remained important in the ECI's success in the fourth phase, but a new element was added: the right leadership. The irony here is that the ECI got the right leadership accidentally, rather than as per institutional design. The appointment of the CEC and the Election Commissioners remains a non-transparent process, and the decision rests with the government of the day. The risk of partisan appointments persists and could undo ECI's achievements. And, this is a problem that

plagues almost all our public institutions. Recently, the appointment process of the CEC and Election Commissioners has been challenged through a PIL in the Supreme Court, and an independent and neutral process has been sought. As the court hears the case, a key question for the future of public institutions in India hangs in the balance.

## Making Bastar bloom



Trains from Bhilai steel plant can change the destiny of Bastar, which has been a preserve of Maoist and Naxal cadres

**ORDERED IN THE** by Nagpur-Railway line, in the east by Raipur-Rayagada line, in the south by Rayagada-Koraput-Jagdalpur-Kirandul line and on the west by Nagpur-Kazipet line is a huge swathe of Indian peninsula devoid of any railway network. Consequently, this area stretching for about 300km from north to south, and 500km east to west has not witnessed any appreciable economic growth. A preserve of Adivasis, and now increasingly the Maoists and Naxal cadres, this sparsely populated area that boasts of the Dandakaranya forest of the Ramayana fame, is served mostly by roads winding their way through the thick growth, and vast patches of shrubland with occasionally cultivated fields. The region, which covers the Bastar district, will soon be humming with activity when 4,000 tonnes payload freight trains of high-grade iron ore from the Rowghat mines start carrying it to Bhilai Steel Plant (BSP), and a year later passengers services get introduced.

Faced with its fast depleting mines in Dalli Rajhara, BSP will get a much-needed new source of iron ore with a proven reserve of more than 700 million tonnes of high-grade deposits with iron (Fe) content nearing 60%. Discovered in 1899, these deposits would help BSP to ramp up its output from the current 4-7 million tonnes annually.

It will also open up a new route for passengers to travel between Raipur and Jagdalpur, which is 235km south, serving over a dozen towns, and hopefully, spur economic growth in this backward and sorely neglected area.

At present, two of Indian Railways' subsidiaries—RVNL (Rail Vikas Nigam Ltd) and IRCON (Indian Railway Construction Organisation)—are engaged in carrying out this Herculean task. The work on Phase-1 of 95km from Dalli-Rajhara to Rowghat is being

by frequent

the Sashastra

track record.

unfortunately, has

not been very

inspiring

executed by RVNL, while IRCON will complete Phase-2 of 135km from Rowghat to Jagdalpur.

**Ensuring security** The Phase-1, costing ₹1,141 crore would be entirely financed by SAIL, while ₹2,512 crore price patrolling is to be tag of Phase-2 will be shared bedone entirely by tween Railways, SAIL, NMDC and Chhattisgarh government. Seema Bal, whose The project involves combined

efforts of many government agencies, such as SAIL which will provide funds and set up security camps for paramilitary forces, Chhattisgarh Electricity Board will shift the overhead power lines, state forest department will cut trees and transport felled logs, and the Sashastra Seema Bal (SSB), under the aegis of the home min-

istry, will handle the threat of Naxal attacks. Ensuring security and safety of personnel by frequent patrolling, area domination and regular de-mining of the work area, all crucial for successful completion of the project is to be done entirely by SSB, whose track record, unfortunately, so far has not been very inspiring. Two months ago, 25 jawans of SSB were massacred at Sukma,

and recently on May 8, an RCIED (Remote Control Improvised Explosive Device) exploded near KM 70, just 50metres ahead of an RVNL survey party. These incidents have put a question-mark on the capability, commitment and quality of its leadership.

Understandably, given the sense of fear and constant shadow of death under which the staff has to work, RVNL could complete only 17km between 2009-15. Apart from the reduction in working hours due to night curfew, frequent Naxalite calls for *bandh* and Shaheedi Saptah, etc, have also taken their toll.

Despite the multifarious handicaps under which it has to perform, RVNL expects to complete the alignment up to KM 80 by May 2019. Reaching beyond, up to Rowghat, involves the construction of a major 6x100 span bridge to cross river Mendaki which may involve another year's wait, as a major security camp for SSB is yet to be set up by SAIL at Kosoranda.

The 95km section from Dalli-Rajhara to Rowghat would have stations at Gudum, Bhanupratappur, Kewati, Antagarh, and Taroki, changing the lives of their inhabitants forever when the line is opened for freight up to Rowghat by December 2020.

However, the residents of towns on the 135km stretch beyond Rowghat towards Jagdalpur, viz Baranda, Narayanpur, Chandgany, Jugani, Kondagaon, Baniagany, Dhikonga, Bhanpuri, Sonarpal, Bastar and Kudkanar would have to wait a little longer since it now involves entering deep in the forest, and Naxal stronghold.

#### **GOODS AND SERVICES TAX**

TH THE ADVENT of the goods and services tax from July 1, 2017, the nation's long wait for a simplified tax regime to create one of the world's largest unified mar-

kets became a reality. The first thing that probably came into every registered dealer's mind on the morning of July 1, was whether they would be able to raise their 'first GST invoice'.

While the large companies were generally successful in modifying their IT systems in advance and raising GST invoices, the small merchants/traders were the most worried lot.

With the GST law mandating the issuance of different documents under varied circumstances, in prescribed formats, their worry was not baseless.

To name a few, a 'Tax Invoice' needs to be raised on supply of taxable goods and services, a 'Bill of supply' is to be raised on supply of exempted goods and services, and a 'Receipt voucher' to be issued in case of receipt of advances and the list goes on.

Thus, the first week of GST has been all about ensuring that the right documents are issued under the correct circumstances. Though, the government had prescribed the particulars to be mentioned on a tax invoice about a month back, the general misconcep-

### The first invoice

Implementation of a reform of such magnitude is bound to come with teething issues. A prudent way to deal with the challenges is to be a little pro-active



tion among the traders was that a 'definite format' of invoice would be issued (which never came), resulting in confusion amongst dealers and consequent 'black out' of issuance of invoices for the first few days.

The confusion was aggravated by the fact that the criteria to determine the document to be issued by a dealer have been changed under the GST. Till date, the document to be issued by a registered trader was dependent upon the customer's profile, i.e. whether the customer is a registered dealer or an end consumer. Where the customer is registered, a tax invoice was is-

sued and for the end consumer, a 'retail invoice' was issued. Under GST, the customer's profile is not the determining factor, what matters are the goods being supplied. Thus, a tax invoice is to be issued where the goods being supplied are tax-

able, otherwise, a bill of supply is issued Some other challenges on the issuance of the first invoice were the 16 particulars prescribed under the GST law.

To illustrate, under the erstwhile regime, mentioning the product classification code (called Harmonised System of Nomenclature or HSN codes) was mandatory only for man-



ufacturers. Under the GST it is mandatory for all dealers including service providers having a turnover of more than ₹1.5 crore to mention the government prescribed prod-

uct/service classification code. Another area of discussion amongst dealers is the adoption of different series for each of the prescribed documents. The document series is required to be consecutive and multiple series may be maintained for each type of document. Also, the series needs to be unique and must contain alphabets, numerals, special characters or any combination of these with a cap

of 16 digits.

The requirement of mentioning the place of supply with the state code, which is relatively a new concept, address of delivery and address of recipient also adds to

the complication. Questions such as whether issuing a hard copy of the invoice is mandatory or electronic invoice can also suffice, whether a scanned signature is permissible, whether hard copies of all prescribed documents need to be maintained is also creating a cloud of doubt

amongst the GST community. Implementation of a reform of such

magnitude is bound to come with teething issues. A prudent way to deal with the challenges is to be a little pro-active, say, for example, where the particulars to be men tioned on the invoice are configured appropriately in the enterprise resource planning (ERP) system or the laptop being used, dealers can find the issuance of an in-

voice to be a hassle-free exercise. It was heartening to see social media flooded with selfies of individuals highlighting 'My first GST invoice', but the irony was while their status or post said 'my first GST invoice', in some cases the invoice actually had VGST (Value Added GST) or VAT men tioned on the same.

Last week has been super exciting from doubts on implementation till the last minute, anxiety on who would attend the grand function in the Parliament, cake cutting ceremonies in offices on completion of the GST project, flashing GST compliant bills (some with incorrect particulars) on so-

cial media with a sigh of relief. All said and done, the government has already played its cards, now it is up to the big businessman, small traders, service providers and consumers, to decide what they want to do with theirs—play along or fold!

> With inputs from Rishabh Tandon, assistant manager, KPMG India