

Politics, Not Funds, Curbs Infrastructure

Institutional and policy maturity matter

On Tuesday, this newspaper reported that Morgan Stanley, a merchant banker, was close to mopping up \$1 billion for a fund to build infrastructure in India. Two other funds, led by IDFC and ICICI, have also raised funds for similar purposes. We wish them the best as they negotiate a vast and varied area of development that is essential to boost growth. But the overriding constraint on infrastructure investment has never been finance. The National Investment and Infrastructure Fund is yet to invest any funds. Infrastructure development in India has moved in fits and starts. Infrastructure accounts for the bulk of bad loans that stymie India's banking. Timorous politics that shrinks from asking people to pay for the power they consume has crippled the power sector. More money cannot fix it.

Things like roads, power plants, airports, towns and so on require land, a scarce resource in densely populated India. Much infrastructure is held up by disputes over land acquisition, environmental damage, displacement of indigenous people, private contractors looking to cut corners and, of course, graft and sloth in ministries, departments and state undertakings. Periodically, these tensions boil over as political turmoil, paralysing administration and decision-making. The way out is not to pump more good money after bad, but to redress institutional shortcomings that dog these projects. Central and state governments can assist private developers by speeding up approval processes, cutting red tape and setting up dispute-resolution mechanisms between different stakeholders in projects.

The new fund will receive \$150 million from Beijing-based Asian Infrastructure Investment Bank (AIIB). Of around 30 projects approved for investment by AIIB, 11 go to Egypt, mostly to solar power in public-private partnerships; India's share is three projects, the same as Indonesia's. Clearly, investors like shovel-ready projects, not those whose prospects are shrouded in uncertainty. What infrastructure in India needs is political boldness and institutional deepening, finance is secondary.



Education and infrastructure have enabled hill tribals, many of whom have been hunter-gatherers and jhum cultivators, to jump into modernity with minimal trauma

Restructure, Not Cap, CEO Remuneration

CEOs of some well-known blue-chip Indian companies are reportedly yet to receive their revised compensation packages. This is baffling. The government must ensure speedy passage of the amendments to the Companies Act in the Rajya Sabha to end their three-year wait. It should also remove the caps on managerial remuneration. Instead of caps, corporate regulation should ensure sound functioning of the board, and transparent accounting to prevent managerial remuneration being disguised as company expenditure. The most important part is making senior management remuneration reflect their contribution to corporate performance.

The bulk of the remuneration of a CEO, whose performance has a material impact on the company's performance, should be a variable component. This automatically means low, fixed compensation. The variable component should be deferred for at least three to four years and the payout mostly linked to the company stocks. Senior management of companies would give up underhand ways of enriching themselves if open measures are introduced to reward them for sound decisions and hard work. The extant law caps managerial remuneration to a CEO and directors of a company at 11% of its net profit for any financial year. The management of the company requires to seek government approval whenever this limit is breached. The amendment, passed by the Lok Sabha, seeks to do away with government approval. Any breach in the limit on remuneration would have to be approved by shareholders through a special resolution.

Caps on pay are ineffective and counterproductive. Apart from structuring pay to reflect performance, complete with clawback provisions, measures to strengthen shareholder democracy would be in order. A new breed of activist funds would help, too.



It seems so, as the police say a man was beaten up for speaking "fluent English"

Are Drunks and Cops Best Judges of English?

Professor Henry Higgins' remark to Col Pickering that My Fair Lady Eliza Doolittle should be "taken out and hung, for the coldblooded murder of the English tongue", would not find many takers in India, including among our esteemed law enforcement personnel. Indeed, whether the Indian police force is competent to judge fluency in English is far from certain. By definition, of course, fluency also means "effortlessness" and, hence, can just as easily denote confident enunciation without necessarily adhering to the tenets of grammar and syntax normally associated with another meaning of the same word, ease and elegance of expression. A torrent of words nominally in English but not necessarily intelligible is a hallmark of many a public discourse these days in India anyway. And, the standard of English fluency here is, well, rather fluid.

So, the Delhi Police's revelation that a man was allegedly beaten up by five inebriated louts for speaking to his friend in "fluent English" is hard to believe. Are intoxicated men generally able to discern the quality of any language and take umbrage at fluency? And were the policemen called in to help the aggrieved party any better qualified to ascertain that to be the cause of the fisticuffs? However, fluency in English may well be under threat in India, but not from drunken rowdies.

SWAMISPEAK Most of the ousted tribals are flourishing and loving it, thank you, activists

Members of the Same Tribe



Swaminathan S Anklesaria Aiyar

Are tribals fundamentally different? Do they need protection from modernisation? Some activists say economic development and modernisation are disastrous for tribals. Many tribals, simple and heart-warming, look more civilised than city folk. Trying to modernise tribals can look like "Savaging the Civilised", to use Ram Guha's phrase. Yet, tribals need to be brought, with care and sensitivity, into the mainstream, and not treated as separate species. Independent India has treated them dreadfully. Many projects have been disasters for them. But other examples show mainstreaming is possible with limited trauma.

Dam If You Do, Dam If Not

Neeraj Kaushal of Columbia University and I have researched tribals ousted by the Sardar Sarovar Dam. Comparing oustee households with those still in the forest, we found that, far from being decimated by modernisation, tribals can adjust quickly and flourish.

The research data showed in a recent Swaminomics column ('Why many tribals don't mind being ousted by dams', goo.gl/4bq4pw) that the oustees were far better off in material terms (TVs, mobikes, pukka houses, school access, electricity) than a comparable forest group—their former neighbours in semi-evacuated villages above the reservoir waters.

But forget material goods, what about the impact on traditions and culture? The World Bank's Morse Commission echoed the claim of activists that tribals would fail to handle commercial life, would be duped into losing their land and compensation, and end up penniless. Our survey shows this is a myth. Comparing resettled with semi-evacuated villages, land ownership for self-cultivation is 83% versus 65%; for tenant cultivation is 3% versus 2%; and landless or marginal farmers working as agricultural labourers is 4% against 23%.

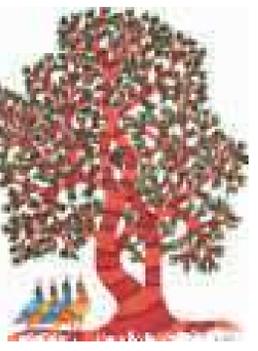
Several oustees have leased land from Patels for cultivation, 25 acres in one case. Some oustees lease out poor-quality land and work as labourers. Some have found new vocations. Interviews revealed one oustee owning several dhabs and two operating commercial threshers, charging fees from Patel clients. Earlier researchers reported damaging impacts of resettlement on religious practices, traditional customs and social status. But today, 60% of oustees say resettlement did not affect their religious practices; 56% say their traditional customs and rituals remain unaffected; and 58% say their social status is unchanged. Tribal culture and traditions are resilient, changing but not erased.

Forest tribals grow mostly rain-fed coarse grain and dal for self-consumption. Activists feared the oustees would fail to adapt to new crops and techniques. In interviews, oustees said it took just one or two years to learn to grow irrigated paddy and cotton. No wonder their living standards shot up.

Cellphone ownership, the epitome of modernisation, was 88% for oustees versus 59% in the semi-evacuated forest villages. Tractor ownership was 7% versus 2%. Cellphones and tractors are penetrating even forest villages. Despite better material conditions, 54% of oustees said they would rather return to the same land they once occupied in the forest, proving that attachment to ancestral land and can be more important than TVs and mobikes. But 56% of those under 40 years opposed return.

Never Over the Hill

We asked two groups of tribals in the forest whether they would like to be ousted and get the resettlement package: 52% and 31% respectively wanted to quit the forest and be resettled. This may surprise those who have read only Medha Patkar, Vandana Shiva or Arundhati Roy. Instead, please read "Caste in a Different Mould: Understanding the Discrimination" by R K Shukla, Sunil Jain and Preeti



Once upon a tree

Kakkar. Using national survey data, they found that while over one-third of tribals were in the bottom income quintile, no less than 11% were in the top quintile. Tribals in hill states earn well above the national average. Education and infrastructure have enabled hill tribals, many of whom in colonial times were hunter-gatherers and jhum cultivators, to leapfrog into modernity with minimal trauma. The same is possible in central India. Unfortunately, it is thwarted currently by state-Maoist civil war.

Indian tribals span a wide spectrum, from affluent foreign-educated ones to hunter-gatherers in loin-cloths. Too often, activists focus only on the least developed tribals, which is misleading. Many of those near the Sardar Sarovar Dam have cellphones and motorcycles, and can download their land titles from internet cafes. The Supreme Court recently declared bamboo to be a grass, not timber, and, hence, by law, belonging to tribals and not the government. Some tribals in Gujarat have banded together to become bamboo suppliers to paper mills. Aided by NGOs, the first year's bamboo supply yielded ₹12 crore in wages and net profits of ₹6.5 crore, which the panchayat will recycle into forestry. These are capable, modernising people.

All humans were tribals for 99.9% of their history. Some of us came out of the forest a few hundred or thousand years ago, a tiny period on the evolutionary scale. Those left behind are not museum pieces to be preserved. They can catch up, given empowerment and access to modern facilities.

For too long, our laws expropriated tribals and facilitated their exploitation by contractors and petty officials. Recent laws have given tribals land rights, bamboo rights, a share in mine profits and the right to approve mining projects. Implementation remains weak. But our research proves that, given the will, much can be done quickly.

MUMBAI-AHMEDABAD HIGH-SPEED RAIL

Time for India to Bite the Bullet



Ravneet Gill

A highlight of Japanese Prime Minister Shinzo Abe's forthcoming India visit shall be the laying of the foundation stone of the Mumbai-Ahmedabad High Speed Rail (MAHSR) project by him and Prime Minister Narendra Modi. This 'bullet train' project shall not only ensure speed, safety and efficiency for passengers, but also help Indian Railways build international standards of engineering and service.

However, there is a debate around whether high-speed trains should be the Railways' current priority. The key to arriving at an objective assessment of the situation is to look at it in the context of the overall economy, rather than view it in isolation.

India's key priority has to be to create jobs for our youth, which can be created out of investment. Considering the private sector's ability to invest has been constrained for the last few years, this mantle has to be picked up by GoI. Government spending

shall spur demand, fill up spare capacities, revive the capital expenditure cycle and eventually ensure that the public and private sectors can both contribute meaningfully to job creation and employment generation.

But large investments can only be made in sectors with commensurate absorptive capacity. And railways is one of the handful of such options available now.

So, even if the Railways should be the recipient of GoI spending, should it be directed at an aspirational project like MAHSR? There was a time when the GoI was proposing to introduce mobile services and many questioned the wisdom behind that move when fixed-line telephony penetration itself was minuscule. In hindsight, those concerns were unfounded.

There is another lens through which this could be viewed. Often when we walk into a new airport terminal, railway station or public utility in India, we find it already running short of capacity or basics in terms of convenience and functionality. The reason for it may be that we are always trying to 'catch up' rather than set the benchmark. The MAHSR project could well be the metaphor for changing that mindset.

There are four other elements that are vital: ● 'Make in India' is not about setting



The wait is over

up factories. Its success is predicated also on building infrastructure, logistics, transportation, etc. 'Smart cities' are not just an economic concept. They also hold the key to the decongestion of our existing large cities.

How will this ever get accomplished without fast and safe transportation? If India has to become globally competitive, its sense of 'eternity' will give way to the recognition of 'time value of money'. The 'bullet train' could become the metaphor that galvanises this transformation.

● On a daily basis, we experience struggling physical infrastructure and recognise the need for building it expeditiously. But how deep and strong is our existing domestic capacity and capability to build complex infrastructure projects? Invariably, they have been built by one or two companies. There are many other compe-

tent companies, for sure, but they probably lack scale.

Is it not imperative, then, that we strengthen and technically upgrade our construction/contracting capabilities and appropriately skill our workers? Under the provisions of the MAHSR project, not only will Japan transfer the Shinkansen rail technology to India, but it shall also train the Indian workforce in highly sophisticated construction techniques that could then be used for other projects as well.

● India is a very under-served economy with a credit-to-GDP ratio of about 60%. That number for China is about 193%, while it is in the 130-140% range for other major manufacturing economies of Asia. So, we should never underestimate the challenge around achieving the monetary expansion needed to convert India from a services economy to a manufacturing one.

● Finally, there is the pressing matter of the environment. With CO₂ emissions that are a quarter of aeroplanes and less than a third of cars, this is a much cleaner means of transport.

This could be India's bhaagta hai moment. So, let's finally say sayonara to chalta hai.

The writer is CEO, Deutsche Bank AG India

LETTER FROM WASHINGTON

Now, Who's Afraid of Pakistan?



Seema Sirohi

It's remarkable how US President Donald Trump's new South Asia policy has energised the Afghans and disoriented the Pakistanis. The balance has shifted and it shows. Exaggerated notions of US dependence on Pakistan to win either war or peace in Afghanistan are being tested.

The Afghans are filled with a newfound enthusiasm, even hope that their country may now have a fighting chance to recover and rebuild. That they are no longer the "secondary" concern in American calculations but the primary one has raised the happiness index. Telephone lines between Kabul and Washington have been busy since Trump's speech.

Ahmad Daud Noorzai, head of the office of the Afghan president, says the new US policy had a huge "psychological impact" on everyone from Afghan security forces to ordinary citizens on the street. Trump's decision to abolish deadlines for US troops to return has removed uncertainty from the equation, he told a small gathering at the Afghanistan Embassy last week.

"We didn't feel as good with a 100,000 US troops as we do now because of the new US commitment. We used to look at the war in six-month periods, but no longer," said the irrepressible Noorzai, rapid-fire and bullish about the future. Now he talks of a "culture of peace". Of course, he wants Indian companies to invest in a big way in Afghanistan.

The enthusiasm, while infectious, can and will bang against a wall called Pakistan, a wall the Americans paid for. But Pakistan also knows it has lost ground in Washington over time and Trump's new policy poses a huge challenge. Pakistan's reputation is in mud and it hurts the establishment more than a cut in military aid.

Even its all-weather friend China and new-ish friend Russia are sending signals. Their signature on the

Brics declaration "expressing concern" at Pakistan's infrastructure of terrorists was significant, notwithstanding the handholding afterwards.

Chinese finger-pointing is driven by multiple compulsions, not just by its (sudden) discovery of terrorist groups in Pakistan. Beijing is under pressure from Trump to deliver on North Korea, its other best friend and a certified global menace. With the tiny friend's circle squeezed, Beijing's delicious dilemma boils down to this: who should be saved and by how much while maintaining its own centrality.

Rawalpindi may threaten to shut down US supply lines into Afghanistan to assert its relevance, but here's the thing: the US is no longer as dependent on Pakistan as it once was. The Pentagon hasn't been using the Pakistan land routes as much because it only has to supply 8,000-12,000 troops, which is not the same as feeding a 100,000 men and women. Heavy-lift aircraft can do what's needed.

Besides, the Americans are sourcing more and more locally. Afghans are making uniforms and shoes, and local bottling plants are ensuring cheaper water supplies. Some analysts ask if the newly established India-Afghanistan air corridor can serve as a backup if New Delhi wanted to raise its stakes and make Pakistan more redundant. It would certainly challenge the Pakistanis to see US goods flying from

India. Supplies could land at an Indian port, take the train to the airport and fly out.

But even as Pakistan's instruments of blackmail decrease, the White House must continue raising the costs. The ouster last week of Habib Bank—Pakistan's largest—along with a \$225-million fine for "financing of terrorist activities" was significant. It is the first time US regulators have ordered a bank to shut down.

Even though the investigation of Habib and Al Rajhi, a Saudi bank, began more than a decade ago, it stalled without anyone in the US administration or the Congress pushing it to conclusion. If every bank in Pakistan that opens accounts for terrorists to move their money is targeted, it's going to hurt.

Then there is the question of the IMF and the US leverage therein. Pakistan is reportedly headed for an IMF bailout, its 12th since 1988 and the highest number for any South Asian country. Nepal by comparison has had only two IMF rescues. The US and its allies have enough votes at the IMF to force a rethink in Pakistan.

In fact, there are a host of ideas in a report by the Hudson Institute and Heritage Foundation that came out earlier this year. Both think tanks are connected to the current administration and the report, "A New US Approach to Pakistan: Enforcing Aid Conditions Without Cutting Ties" (goo.gl/u7f5my) is a ready reference.



Make Home Theft-Proof

SANT RAJINDER SINGH

Ethical living is an indispensable foundation for spiritual progress. Mystics and saints throughout ages have stressed the importance of leading an ethical life. We want to protect our homes from intruders. But how many of us worry about intruders that enter our real home, our body and mind?

We have inadvertently allowed some thieves to enter; and they are causing havoc. These are the thieves of anger, greed, attachment and ego. They have snuck into our very being and are causing chaos within us. We are so careful about making our homes theft-proof. Do we take similar care to keep thieves of negative qualities from entering our inner home?

They have silently crept into our being. They cause us to be angry; they make us lie and be deceitful. They incite impure thoughts within us; they make us greedy and selfish. They cause us to be intolerant and fill us with hatred. They make us egotistical. The result is that they are robbing us of our true gift: our spirituality.

The soul is filled with goodness and noble virtues such as non-violence, truthfulness, purity, humility, love for all and selfless service. In the presence of the police, the thieves would run away on their own. Who is the police officer who can help rid us of the thieves who have taken possession of our being? The practice of meditation can be likened to our personal police that deters these thieves from robbing us. Meditation can enable us to stay free of negativities, and progress on the spiritual goal of union with the Supreme.

Chat Room

Give Rohingyas a Shelter Here

The exodus of thousands of Rohingyas represents a humanitarian catastrophe of enormous proportions. Aid groups are now struggling to cope with the massive influx of refugees into Bangladesh. It is some comfort that New Delhi has softened its stand on the Rohingya crisis following Dhaka's plea. The Modi government must allow the 40,000 or so Rohingya refugees to stay in India. The Myanmar government must respond positively to the ceasefire declared by the Arakan Rohingya Salvation Army and allow humanitarian aid.

DAVID MILTON Maruthancode

Students' Safety in Our Schools

Appropos 'Needed, Politics To Back Real Policing' (Sep 12), the onus is on the police to deal with the criminal aspect of the horrific death of a student in Gurugram. But the school administration should immediately attend to the emotional side of the traumatic incident. Parents send their young children to school



with the trust that their wards are safe in school. In this case, if the fault lies with the staff, disciplinary action should be taken quickly in a fair and proper manner and the culprit should be penalised. In fact, parent-teacher associations should have more say in such sensitive matters.

YG CHOUKSEY Pune

Need for Better Infrastructure

This refers to 'Teething Troubles Shouldn't Overwhelm' (Sep 11). While it is welcome that the GST Council is frequently meeting to take stock of rate adjustments, much more needs to be done to simplify the cumbersome documentation to avail of input tax credits. Extending the date for return-filing is fine, but the need is also to improve telecom infrastructure to remove such glitches.

CL SURI New Delhi

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