

Course correction – **Interim bailout: RBI surplus to govt.**

A system for sharing the RBI's surpluses with the Centre must be quickly institutionalised

The decision of the central board of the Reserve Bank of India to transfer an interim surplus of Rs. 28,000 crore to the Centre should come as a big relief to the Modi government. Together with the Rs. 40,000-crore final surplus share for 2017-18, which the Centre received in the first half, the total receipts from the RBI this fiscal will be a tidy Rs. 68,000 crore. For a government strapped for finances and struggling to meet the revised fiscal deficit target of 3.4% of GDP, the RBI's largesse will be handy. The total surplus received by the Centre for 2018-19 is substantially higher than the Rs. 50,000 crore it got from the RBI in 2017-18, and this is the second successive year the central bank is making an interim transfer: last year it transferred Rs. 10,000 crore. Though there is nothing wrong in a shareholder demanding an interim dividend payout, the fact is that the Centre is advancing a receipt from the next fiscal to bail itself out in the current one. Should the RBI decide not to repeat this practice, the government's revenues will suffer because as much as Rs. 82,911 crore has been budgeted on this count for the next fiscal. Again, the central bank is not like a corporate enterprise, nor can the government compare itself with a company shareholder. The RBI's income and surplus growth cannot be measured in commercial terms since a large part of it comes from statutory functions it has to perform as a regulator.

The large payout this fiscal is bound to raise eyebrows, especially because of the recent history of conflict between the RBI and the Centre over the sharing of the former's accumulated reserves as dividend with the Centre. Pressure on this count was said to be a major reason for the resignation of Urjit Patel as RBI Governor. Though the practice of an interim payout started under Mr. Patel, there are inevitable questions over whether there was pressure from the Centre now for the transfer of a higher sum than last year. This is because the Centre had in the Interim Budget bumped up receipts under this head from the central bank, nationalised banks and other financial institutions to Rs. 74,140 crore from the original estimate of Rs. 54,817 crore made in the 2018-19 Budget. Clearly, the Finance Ministry knew what it wanted. There will, hopefully, be a system and a structure in place once the committee under former RBI Governor Bimal Jalan, that is now reviewing the economic capital framework for the RBI, submits its report. It was constituted to de-personalise and institutionalise a system for the sharing of the RBI's surpluses with the **government**, and is expected to come out with its recommendations by the end of the next month.

Meanings of Difficult Words :

- **Interim** - temporary and intended to be used or accepted until something permanent exists
- **Bailout** - the act of helping a person or organization that is in difficulty, usually by giving or giving or lending money
- **Surplus** - an amount of money or goods that is left because a country or business has more than it needs
- **Institutionalise** - to give something a formal or official structure

- **Tidy** - (of amounts of money) large
- **Fiscal deficit** - a fiscal deficit occurs when a government's total expenditures exceed the revenue that it generates, excluding money from borrowings
- **Handy** - useful or convenient
- **Surplus** - (an amount that is) more than is needed
- **Substantially** - to a large degree
- **Successive** - happening one after the other without any break
- **Shareholder** - a person who owns shares in a company and therefore gets part of the company's profits and the right to vote on how the company is controlled
- **Dividend** - part of the profit of a company that is paid to shareholders
- **Payout** - a large amount of money that is paid to someone
- **Statutory** - controlled by a law or statute
- **Regulator** - an official who makes certain that the companies who operate a system, such as the national electricity supply, work effectively and fairly
- **Raise eyebrows** - to show surprise by moving your eyebrows upwards
- **Conflict** - an active disagreement between people with opposing opinions or principles
- **Former** - the first of two people, things, or groups previously mentioned
- **Accumulate** - to collect a large number of things over a long period of time
- **Inevitable** - certain to happen and unable to be avoided or prevented
- **Bumped up** - to increase the amount or size of something
- **Framework** - a system of rules, ideas, or beliefs that is used to plan or decide something

Course correction – **Clean power**

A viable financial mechanism must be evolved to remove pollutants in power plants

The effort to clean up India's thermal power plants running on coal has never really taken off, despite the Ministry of Environment notifying emission limits for major pollutants such as suspended particulate matter, sulphur oxide, nitrogen oxide and mercury in December 2015. Considering that the cumulative impact of these pollutants on the health and well-being of people is severe, the Centre should have followed up the notification with a viable financial plan to help power plants acquire pollution control technologies. The economics favours such an approach for the larger plants, while for the smaller, older units, scaling down generation during the winter months when pollutants accumulate may prove beneficial. Originally, the compliance deadline was set for 2017, but that was missed and the plan now is to achieve the norms by 2022. Unofficial estimates prepared by one NGO, Greenpeace India, suggest the estimated cost of non-compliance by the original deadline has been about 76,000 premature deaths. Benefit-cost projections from another non-profit, the Center for Study of Science, Technology and Policy, put the positive

outcomes from achieving pollution control at coal-fired plants by 2025 at potentially 3.2 lakh lives saved from premature death, and 5.2 crore respiratory hospital admissions avoided in the next decade. These are outcomes that need to be pursued seriously. It is in this context that the latest proposal from the Power Ministry to provide the equivalent of over \$12 billion (about Rs. 88,000 crore), mainly to remove sulphur from coal plant emissions, becomes important.

A viable financial mechanism must be evolved to remove pollutants in existing and upcoming power plants, without losing sight of the need to stop further long-term investments in a dirty fuel such as coal that contributes to carbon emissions. Optimally, the burden of incorporating pollution control should fall on the beneficiary-user, which in simple terms would translate into a tariff hike. On the other hand, achieving speedy implementation of the new processes covering both public and private power producers may require some form of immediate governmental support, such as grants. This is particularly relevant, given that power producers that have borrowed from several institutions, including state-funded ones, are reported to be under severe financial stress. India's coal use represents just over 54% of the present energy mix, and the fuel will continue to retain a high share of the overall generation. The challenge, therefore, is to identify the right instruments to fund the entire exercise, in the interests of pollution control and the wider social objective of extending electricity access to the unreached. There could be a positive spin-off from sulphur-removal, since it can yield commercially significant quantities of synthetic gypsum. But even if little else accrues from the effort, the benefits of clean air to public health would make the investment well worth the effort.

Meanings of Difficult Words :

- **Viable** - able to work as intended or able to succeed
- **Evolve** - to develop gradually, or to cause something or someone to develop gradually
- **Pollutant** - a substance that pollutes
- **Thermal power plant** - a power station in which heat energy is converted to electric power
- **Despite** - without being influenced or prevented by
- **Notify** - to tell someone officially about something
- **Emission** - the act of sending out gas, heat, light, etc
- **Particulate** - an extremely small piece of dirt, especially one produced by road vehicles, that causes pollution
- **Cumulative** - increasing by one addition after another
- **Impact** - an effect, or an influence
- **Well-being** - the satisfactory state that someone or something should be in, that involves such things as being happy, healthy, and safe, and having enough money
- **Severe** - a severe problem is very serious and worrying
- **Viable** - able to be done, or worth doing
- **Acquire** - to get something
- **Scale down** - to make something smaller in size, amount etc than it used to be
- **Compliance** - the practice of obeying a law, rule, or request

- **Non-compliance** - failure to follow an official rule or obey a law
- **Premature** - happening too soon or before the usual time
- **Benefit-cost projection** - a comparison of the likely costs of a plan or project with the benefit it will bring, done in order to help make a decision
- **Non-profit** - a non-profit organization works to help people in some way rather than to make a profit
- **Outcome** - the final result of a process, meeting, activity etc
- **Respiratory** - relating to the process of breathing air in and out
- **Optimally** - in the way that is most likely to bring success or advantage
- **Incorporate** - to add or include something as a part of something else, for example as a part of an arrangement or a document
- **Beneficiary** - someone who gets an advantage from a situation
- **Tariff** - a tax that a government charges on goods that enter or leave their country
- **On the other hand** - used for giving two different opinions about something
- **Spin-off** - something good that happens unexpectedly as a result of something else
- **Significant** - very large or noticeable
- **Accrue** - if benefits and advantages accrue to you, you receive them

Course correction – **Before eviction: on SC verdict on forest-dwellers States must quickly determine if procedural lapses deprived forest-dwellers of their rights**

The Supreme Court's order to evict, over the next five months, occupants of forest lands who failed to make a successful claim for tenure under the Forest Rights Act, 2006, has once again highlighted the dilemma of reconciling inalienable tribal rights with biodiversity conservation. When the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act was passed, it was with the wholly welfarist goal of making these communities partners in conservation. They would be stewards of forests that have shrunk and become fragmented over the decades. It was another landmark, therefore, when the Forest Rights Act protected possession and conferred heritability of land to over 23 lakh out of 44 lakh claimants who are either specified Scheduled Tribes, or people who have lived in forests traditionally, relying on forest produce for at least 75 years prior to the cut-off year of 2005. But over 20 lakh other applicants who could not establish their claim through gram sabhas and appellate authorities have now been ordered to be evicted by July 12. The 17 State governments which have been asked to carry out the evictions must respond by quickly determining whether there were procedural lapses that deprived applicants of due process, notably in making appeals. This process may take time, more so in an election year, and the sheer scale of action required would necessitate an extension of the eviction date.

In the ideal scheme, as the Forest Rights Act envisages, forested areas and their biodiversity will be protected by communities, with individuals taking forest produce only for sustenance and livelihood. Such an approach is at odds with the colonial paradigm of forests being treated as a resource run by an opaque bureaucracy that replaced precious old-growth trees with monocultures such as teak. Today, forests have shrunk to about 5% of the land in terms of protected areas, while human pressures are growing: landscapes are alienated for resource exploitation, road and dam building, and a lot of wildlife is lost to poaching. Man-animal conflict is growing. Claims for tenure under the Forest Rights Act must therefore satisfy the primary test of whether they are legally unimpeachable, and even if they are, whether they would impose additional pressures on forests and wildlife. The answer in many areas may lie in resettlement. In some well-documented cases, such as in the Western Ghats, alternative land and cash compensation convinced tribals to move out of core areas. One example is that of the Nagarhole National Park, where the outcome has been good for both people and wildlife, as evidenced by the recovery of tiger density over three decades. State governments need to pursue such programmes in a humane and vigorous fashion. They must also come forward to declare critical wildlife habitats under the Act. This will aid in formulating resettlement schemes for tribal residents.

Meanings of Difficult Words :

- **Eviction** - the action of forcing someone to move out of a property
- **Verdict** - a decision by a jury as to whether someone is guilty after having heard the facts given at a trial
- **Dweller** - someone who lives in a particular type of place
- **Determine** - to control what something will be
- **Lapse** - a short or temporary period when you fail or forget to do something in the right way
- **Deprive** - if you deprive someone of something, you take it away from them or prevent them from having it
- **Evict** - to legally force someone to leave the house they are living in
- **Occupant** - someone who uses a room, building, area of land, seat, bed, or other place during a period of time
- **Tenure** - someone's right to live on land and own it
- **Dilemma** - a situation in which you have to make a difficult decision
- **Reconcile** - to find a way to make ideas, beliefs, needs etc that are opposed to each other capable of existing together
- **Inalienable** - an inalienable right cannot be taken away from you or given to someone else
- **Biodiversity** - the variety of different types of plant and animal life in a particular region
- **Conservation** - the management of land and water in ways that prevent it from being damaged or destroyed
- **Welfarist** - the complex of policies, attitudes, and beliefs associated with the welfare state
- **Steward** - someone who looks after something and protects it
- **Fragment** - if something fragments or is fragmented, it breaks into a lot of separate pieces or parts

- **Landmark** - a major event or achievement that marks an important stage in a process and makes progress possible
- **Appellate** - relating to a legal appeal
- **Necessitate** - to make something necessary
- **Envisage** - to have something as a plan or an intention
- **Sustenance** - a way of supporting yourself, for example by earning money
- **Livelihood** - something such as your work that provides the money that you need to live
- **Colonial** - relating to a system or period in which one country rules another
- **Paradigm** - a typical example or model of something
- **Opaque** - difficult to understand
- **Bureaucracy** - a complicated and annoying system of rules and processes
- **Monoculture** - the practice of growing only one crop in an area
- **Landscape** - the main features of a situation or activity
- **Alienate** - feeling that you do not belong in a particular society, place, or group
- **Exploitation** - the process of making use of something so that you gain as much as possible from it
- **Poaching** - to illegally catch or kill an animal, bird, or fish on someone else's property
- **Unimpeachable** - impossible to doubt or criticize
- **Well-documented** - based on or supported with a lot of written evidence
- **Density** - the amount of something in a place
- **Pursue** - to follow a course of activity
- **Humane** - caring about the quality of people's or animal's lives and trying to be kind to them
- **Vigorous** - full of energy, enthusiasm, or determination
- **Come forward** - to offer help or information
- **Habitat** - the type of place that a particular animal usually lives in or a particular plant usually grows in, for example a desert, forest, or lake

Course correction – **Pre-poll gambit: on reduction of GST on under-construction properties**

Reduction in rates brings cheer to real estate sector, but unsettles the GST regime

On Sunday, the Goods and Services Tax Council recommended a dramatic reduction in the headline indirect tax rates payable on under-construction properties. The GST rate payable on affordable homes, with effect from April 2019, will come down from 8% to 1%, and all other residential properties outside the affordable segment will attract 5% GST instead of the 12% levied at present. The new rate on affordable homes, defined as units that cost less than Rs. 45 lakh and have a carpet area of 60 square metres in metro cities and 90 square metres in non-metros, is far lower than the 3% rate mooted by a ministerial panel. The Council needs to meet again in March to clear the

transition rules for the proposed rate cuts, and the conditions to be stipulated for housing projects to be eligible for the new rates. Days ahead of the expected announcement of the Lok Sabha poll dates by the Election Commission, the government is clearly keen on reaching out to different sections of voters. It has argued that the move will help meet the aspirations of millions of home-buyers, and revive the fortunes of real estate developers. Among the country's largest employers in recent years, the realty sector has been marred by the debt overdose that has plagued much of corporate India; this has been compounded by high unsold inventory that hit cash flows. Properties that were already complete at the time of the GST's adoption were spared the tax. But the introduction of 12% and 8% GST for under-construction premier housing units and affordable homes, respectively, had come as a dampener for fresh bookings.

Finance Minister Arun Jaitley reckons that revenues will not be hit by the rate cut. The implicit assumption is that higher sales volumes will compensate the exchequer. Experts expect a 4-5% reduction in home prices, but the decision to deny input tax credits to builders could bring a twist in the tale. Developers may be forced to raise base prices as critical inputs, particularly cement (taxed at 28%), entail high levies that can no longer be offset. Buyers may still prefer to opt for unsold completed properties that don't attract GST, instead of incomplete projects. Compliance as well as material costs could go up too, as the Council is likely to mandate that around 80% of a project's inputs must come from formal sector vendors in the GST net. It is difficult to determine to what extent a proposed tax exemption on development rights will offset these costs for developers. Whatever the outcome of this pre-election ploy, the frequent structural tinkering ahead of electoral battles has emerged as the biggest challenge to the stabilisation of India's fledgling GST regime.

Meanings of Difficult Words :

- **Gambit** - something that you say or do in an attempt to gain an advantage
- **Real estate** - land and the buildings on it
- **Unsettle** - to make someone feel nervous, confused, or upset
- **Regime** - a system of rules that control something
- **Dramatic** - sudden and surprising or easy to notice
- **Affordable** - cheap enough for ordinary people to afford
- **Moot** - to suggest something as a subject for discussion
- **Transition** - the process of changing from one situation, form, or state to another
- **Stipulate** - to say what is allowed or what is necessary
- **Reaching out** - to try to communicate with a person or a group of people, usually in order to help or involve them
- **Aspiration** - something that you want to achieve, or the wish to achieve something
- **Mar** - to spoil something
- **Plague** - to cause a lot of problems for someone or something for a long period of time
- **Compound** - to make a problem or difficult situation worse
- **Inventory** - a list giving details of all the things in a place

- **Respectively** - used for saying that something happens separately to each of the people or things mentioned in the order in which they were mentioned
- **Dampen** - to make something such as a feeling or hope less strong
- **Reckon** - to have a particular opinion about someone or something
- **Implicit** - not stated directly, but expressed in the way that someone behaves, or understood from what they are saying
- **Compensate** - to change or remove the bad result of something
- **Exchequer** - the government department responsible for a country's financial matters
- **Compliance** - the practice of obeying a law, rule, or request
- **Vendor** - someone who sells something
- **Offset** - to balance the effect of something, with the result that there is no advantage or disadvantage
- **Ploy** - a way of tricking or confusing someone in order to get an advantage or to make them do what you want
- **Tinkering** - to make small changes to something in order to improve or repair it
- **Emerge** - to become known
- **Stabilisation** - to reach a state where there are no longer any major changes or problems
- **Fledgling** - new and without experience

☞ "" **THINK POSITIVE YOU WILL GET POSITIVE** "" ☞