

The Hindu & BL Editorials

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Band aid for banks



Instead of ad hoc steps, the Centre needs to push long-term reforms in public sector banks

The Centre's recent announcement of a modified recapitalisation bond to be issued to Punjab and Sind Bank highlights the tight fiscal situation and also points to how it is fast running out of options to rescue beleaguered public sector banks (PSBs). Instead of piecemeal fund infusions, which are only used to make good the losses arising due to bad loans, the Centre needs to get serious about implementing the long-pending reforms in PSBs. The manner in which the fund infusion into Punjab and Sind Bank is designed raises concerns about adherence to fair accounting practices. The Centre will subscribe to the bank's preferential shares worth ₹5,500 crore with the funds raised through the sale of special non-interest-bearing government bonds maturing from 2030-35, to the bank. While the Centre has used the recapitalisation bonds route to infuse funds into banks in the past, this time the bonds will not bear any interest, nor will they be issued at a discount.

The earlier issuances of the recapitalisation bonds were cleverly designed, so that they were liquidity neutral for the government and did not affect its Budget, but for the interest component. But the increase in the interest burden due to these bonds is beginning to hurt the Centre. According to an analysis published in this newspaper recently, the recapitalisation bonds issued to the PSBs, valued at ₹2.60-lakh crore between January 2018 and March 2020, resulted in interest payout of ₹48,000 crore between FY19 and FY21. Further, the Centre is expected to pay interest amounting to ₹1.2-lakh crore from FY21 to FY25. The Centre's overall interest burden is already at unbearable levels, budgeted at around ₹7-lakh crore for FY21, accounting for 27

per cent of the revenue expenditure. The extra borrowing due to the pandemic will further increase this cost.

Yet, non-interest-bearing recapitalisation bonds are not an apt solution. While the RBI is yet to express its view on how these instruments should be accounted for, the banks' purchase of an investment that does not yield any return will be difficult to show in the bank's balance-sheet and will depress its return on assets. Instead of resorting to patchwork steps, long-term solutions are in order to improve governance and attract investors into PSBs. Despite the PSBs trading at a very low valuation, investors are wary of putting money into them, thanks to shabby governance and a large bad loan book. The creation of a holding company that has control of the government's investment in PSBs and empowering the bank boards to be autonomous will go a long way in building confidence among prospective investors. Once a strong governance framework is established, the government should reduce its stake in PSBs to below 50 per cent — further enhancing performance and efficiency through autonomy.

Building by accord: On Central Vista

Beyond judicial clearance, Central Vista should be able to achieve national consensus

With the **Supreme Court's 2-1 judgment clearing the Central Vista project** for New Delhi, the Narendra Modi government can now indelibly reshape the national capital's visual landscape. Justices A.M. Khanwilkar and Dinesh Maheshwari found no infirmity in the approvals granted by the Central Vista Committee, Delhi Urban Art Commission, the Heritage Conservation Committee and other bodies, paving the way for a new Parliament building and other edifices of government to come up. Justice Sanjiv Khanna, while agreeing with the majority opinion on the call for bid, award and the decision of the Urban Commission, **dissented on the key issue of public participation** in the entire exercise, which vitiated the endorsement of land use change. Governments should naturally be free to plan policies and programmes on behalf of the people, with no prior restraint, but subject to judicial review to ensure accountability. Judged against this principle, the **Centre is simply exercising its privilege** to plan a new set of buildings to house its establishment and the federal legislature. While the final cost estimate is unclear, planned expenditures are in excess of ₹13,450 crore for, among other things, a new Central Secretariat, Vice-President's enclave and Prime Minister's residence, besides ₹971 crore for the new Parliament. With a national consensus, such a colossal plan might be a **crowning achievement for the 75th year of Independence in 2022**. What is germane to the question, however, is its appropriateness in a year of unprecedented disruption due to **COVID-19**. This is when an elected government must give its undivided attention to schemes for the common weal and not be tempted into extravagant indulgence. As Justice Khanna has pointed out, public consultation in a democracy requires citizens to be able to assess the project's rationale, armed with information on the

official reasoning, and with sufficient time at their disposal. The essence of their view should inform the final decision. Opportunities for public consultation, already incorporated into modern laws and also in the Delhi Development Act, in no way fetter the executive. It would be appropriate, therefore, for the Centre to attempt consensus-building on Central Vista, without showing undue anxiety and haste in taking up all planned structures together. The pandemic's course points to uncertainty on restoration of economic health, and ameliorating the damage to large sectors of the economy, especially in services. In the run-up to 2022, the government will be tested on its ability to ensure good health for all citizens, revive normative education and provide stronger welfare. Prioritising Central Vista can prove to be a distraction from the task.

The pursuit of Assange: On U.S. efforts to WikiLeaks founder

The U.S. must take a more benign view of WikiLeaks and drop Assange's prosecution

The decision by a British district judge **to block the extradition of Julian Assange to the U.S.** on the grounds of his mental health is a temporary setback to America's efforts to try the **WikiLeaks** founder under its law on spying charges. In her ruling, judge Vanessa Baraitser said "the mental condition of **Mr. Assange** is such that it would be oppressive to extradite him to the U.S." While it is a small victory for his lawyers and supporters, their fight to prevent his extradition and secure his freedom is far from over. Judge Baraitser has blocked his extradition only on medical grounds because she thought his possible detention in isolation in the U.S. would likely result in a suicide attempt. She rejected the defence lawyers' arguments that Mr. Assange's prosecution was politically motivated and violated his rights to free expression. She also observed that his conduct "took him outside the role of investigative journalism", agreeing with the U.S. authorities' assertion on WikiLeaks. Mr. Assange, who is wanted in the U.S. on multiple charges of breaking espionage laws and conspiring to hack a military computer, has repeatedly defended his organisation's operations, terming them public interest journalism. U.S. prosecutors allege that he helped former U.S. Army intelligence analyst Chelsea Manning crack an encrypted password and download classified information, the leaking of which endangered American intelligence sources. The Justice Department also claims that he had conspired with hackers to obtain classified information.

It is ironic that the U.S., which takes pride in its freedoms and commitment to protecting human rights, is relentlessly pursuing a man who exposed some of the worst rights violations by the American military. Until **WikiLeaks released the classified documents** that Ms. Manning downloaded, the world believed that the July 2007 killings of a dozen Iraqis, including two Reuters staffers, happened in a firefight with a U.S. aircrew. But video footage by WikiLeaks showed the aircrew

laughing after they killed 12 innocent people. WikiLeaks files also exposed the killings of hundreds of Afghan civilians by U.S. forces. These were incidents the U.S. had swept under the carpet, and WikiLeaks had undoubtedly done public service, allowing the questioning of the conduct of war by the world's supreme military power. Instead of accepting its military's mistakes, the U.S. went after the messenger. In the U.S., sensitive or leaked information published by the news media is protected under the First Amendment, a reason why the Obama administration decided against prosecuting WikiLeaks. But the Trump administration reversed tack. The new Biden-led government must rethink its predecessor's approach. It is unfortunate that a fresh bail application filed by Mr. Assange's lawyers was rejected by a British judge on Wednesday. The British legal system should take a benign view of his condition and cause.