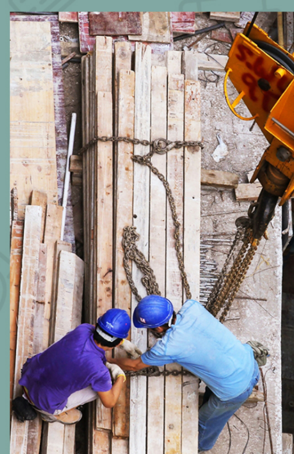
BUDGET
'LIKE NEVER BEFORE'

2021 Budget Analysis



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Centre for Financial Accountability

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'Like Never Before'

Published by:

Centre for Financial Accountability
R21, South Extension Part 2, New Delhi-110049
info@cenfa.org www.cenfa.org

February 2021

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Introduction

The 2021 budget was lauded as the one 'like never before'. There was a lot of hype created around it, hailing it as the 'a budget to boost economic recovery', one to 'drive economic revival post Covid-19', a 'reformist budget' and so on. The Finance Minister said a few weeks back that this budget will be made in a manner 'never seen in 100 years in India'[1].

There are economists who were cynical about the hype.
Prof. C.P Chandrashekar said,

> *"Financial Year 2020-21 was one "like never before". It warranted a change in the stance of the government, with a shift away from fiscal conservatism to a more proactive fiscal policy. There was widespread agreement that this was the way to go, even among those who in "normal times" advocated a conservative fiscal stance. But the NDA government has persisted with its neoliberal fiscal stance, resulting in collapsing revenues and stagnant expenditures. Given that evidence, few would buy the idea that the Finance Minister of that government would present a Budget "like never before"*[2].

Yet, one of the expectations was to see an increase in the government spending on public welfare. Most countries ramped up government spending in the wake of the pandemic, while the immediate relief packages offered by the Indian state was a credit based one, the expectation in the budget was that there would be increased spreading at least in the health sector and social sector, increased opportunities for employment given the unprecedented increase in unemployment and loss of livelihood and address issues raised by the ongoing farmers protests across the country.

The delayed response to the pandemic, sudden and severe lockdown measures, and inadequate food and job security plunged the economy into a recession. As mentioned earlier, unemployment was on the rise

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[1] https://economictimes.indiatimes.com/news/economy/policy/fy22-budget-will-be-made-in-a-manner-never-seen-in-a-100-years-in-india-nirmala-sitharaman/articleshow/79800820.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

[2] https://frontline.thehindu.com/columns/few-reasons-to-hope-union-budget-2021-will-be-one-like-never-before-as-claimed-by-finance-minister/article33619400.ece?homepage=true

even before the pandemic, but during the lockdown the job losses led to unemployment rate skyrocketing. It was particularly worse for working women, according to a study by IndiaSpend. For every 100 working men, 36 lost their employment and 74 women out of every 100 working women had lost their jobs.[3] Another study by the Centre for Monitoring Indian Economy estimates over 122 million people in India lost their jobs in April 2020 out of which 75% were small traders and wage labourers.[4] While the common people lost jobs, livelihood and lives, India's 100 billionaires saw an increase in their fortunes by Rs. 12,97,822 crores.

The inequality report by Oxfam India (2021) "The Inequality Virus - India Supplement 2021"[5] highlights that billionaires such as Mukesh Ambani, Gautam Adani, Shiv Nadar, Cyrus Poonawalla, Uday Kotak, Azim Premji, Sunil Mittal, Radhakrishan Damani, Kumar Manglam Birla and Laxmi Mittal working in sectors like coal, oil, telecom, medicines, pharmaceuticals, education, information technology, and retails increased their wealth exponentially since March 2020 when India announced world's biggest COVID-19 lockdown and the economy came to a standstill. On the other hand, data has shown that 1,70,000 people lost their jobs every hour in the month of April 2020.

But the 'never before' budget has set itself out to increase this inequality! It has not only ignored the demands on increased spending but in reality has even reduced those measures that have been lifelines during the lockdown and pandemic. The MGNREGA (which had been severely critiqued by BJP earlier) proved to be the one of the few measures that helped the migrant labourers who returned, with highest ever spending in the pandemic year. But now that has been reduced even lower to pre-pandemic figures from Rs 1,11,500 crore in 2020-21 to Rs 73,000 crore in this budget. Similarly, amidst strong farmers' protests across the country against corporatisation of agriculture, the budget does nothing to address the serious agrarian crisis that has gripped the country for the

[3] https://www.indiaspend.com/economy/pandemic-effect-9-months-on-more-younger-workers-remain-jobless-716310

[4] https://www.cmie.com/kommon/bin/sr.php?kall=warticle&dt=2020-05-05%2008:22:21&msec=776&ver=pf

[5] https://www.oxfamindia.org/knowledgehub/workingpaper/inequality-virus-india-supplement-2021

last decade and expects the farmers to believe that the government will double farmers' income.

Health sector allocation was purportedly pegged at Rs. 2.24 lakh crore, an increase in 137 percent from previous year. As in the case of other economic data, it was once again misleading. The break up[6] shows that figure is arrived by calculating the allocations to the Ministry of AYUSH, Department of Health and Family Welfare, Departments of Health Research, nutrition, vaccination, finance commission grants to states for Water and Sanitation and Health as well!

While, amplified or made up numbers, non-disclosure of data have become the norm with this government, and hence, going by the numbers alone will result in a faulty analysis. As senior economist Jayati Ghosh writes "these are not the true numbers of either current reality or future intent".[7] Hence, it is important to look into the direction and the true intent of the government with this supposedly 'recovery budget'.

'PSUs are born to die'

"In our country, the PSU's are born to die. We should not forget that. Some die as infants, others when they are young. Some sink one family; others sink 50 families while dying. But their death is certain. So this is the situation" (Narendra Modi, India Today Conclave, 2013) and three years after becoming the Prime Minister, he reiterated *"In our country, the PSUs are formed to fall in a pit, to fail, to get locked out or to be sold out. That has been the history,"* (Narendra Modi, Independence Day speech, 2016)

And these two quotes sum up the intent and direction of the budget and the regime. Privatise public sector companies, built over the past 7 decades, many of them profit making and contributing substantially to the exchequer; sell public resources, reduce regulations and governance to minimum and easing accumulation of private wealth. For the first time a government takes pride in its role as an agent for private corporations

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[6] https://www.downtoearth.org.in/news/health/union-budget-2021-22-how-good-is-the-hike-in-allocation-for-health--75310

[7] https://www.telegraphindia.com/opinion/union-budget-2021-22-is-an-extended-piece-of-fiction/cid/1805383

and considers it its most important priority to disinvest, even as the economy is crumbling.

Divestment and Asset Monetisation have become the key sources of government revenues. Divestment and Asset monetisation are just fancy and sugar-coated expressions to mean selling off government owned industries and assets or leasing out the government land and assets. Despite resistance from the progressive sections, employees and officers unions of the PSUs, in 2020-21 the government divested PSUs to the tune of Rs. 17,958 crore (against a target of Rs. 2,10,000 crore in the current financial year). This year once again, it has taken a similar route and when this fails, it will be social sectors like health, education, minority welfare etc that would be made to pay the price.

This document aims to analyse the budget announcements in a few areas such as external borrowings/debt, allocations (and misses) for strengthening the public banking, steps taken to address the key issues like non-performing assets, privatisation, and policy directions and allocations in infrastructure and energy sectors. While the document limits its scope to these areas/sectors, we do believe that this is truly a 'budget like never before' that alienates itself from the portentous reality faced by the country and its citizens and their demands.

The Influence of International Financial Institutions - Structural Adjustments and a non-existent trickle down

Budget 2021- 22, is completely in tandem with the policy and investment prescriptions International financial institutions have been pushing for in developing countries specially with a more urgent stance post the Covid 19 pandemic economic recovery. From power sector reforms, financial reforms, disinvestments, push for agricultural reforms, tax reforms find place in the new budget.

Kristalina Georgieva, the Managing Director of the IMF had stated for India that policy makers ought to be leaning forward in a post Covid environment to support structural transformation and lauded appetite for structural reforms that India is retaining. It is no news that the IMF has also been the biggest supporter of the much tainted farm bills and believes they have the potential to represent a significant step forward for agricultural reforms in India[8]. The budget takes forward from IMF financial surveillance known as Article IV report on the country. The move towards allocation of more FDI in the insurance sector and privatisation of public sector banks have been a consistent push from the International Financial Institutions.

Just a day prior IMF's Chief Economist Gita Gopinath had stated reforms to accelerate economic recovery should score high on the government's agenda for budget 2021. She emphasised that the government has to scale up infrastructure spending and alongside, creating credible paths for divestments[9]. Budget 2021-22 definitely sees massive investments in infrastructure. Government has also announced a policy of strategic disinvestment of public sector enterprises which has already been approved, has a roadmap for disinvestment in all nonstrategic and strategic sectors.

2020 saw India go through significant structural reforms that impacted India's social security, health infrastructure, MSME sector etc. From redefinition of MSMEs, commercialisation of the mineral sector, agriculture and labour reforms, privatisation of public sector undertakings, one nation one ration card, and production linked incentive schemes, most of these were linked to the World Bank's post Covid support projects for India.

While it is commendable that India has decided to breach the IMF /WB pushed FRBM act, the question remains whether the increased spending will actually result in putting money in people's hands or not. The massive reduction in MNREGA and lack of imaginative attempt to address the question of unemployment will not result in a V shaped recovery as projected by the Economic Survey of India. The budget does not give an alternative reimagination of the economy towards a sustainable future but regressively relies on discredited policies of trickle

[8] https://www.imf.org/en/News/Articles/2021/01/14/tr011421-transcript-of-imf-press-briefing
[9] https://theprint.in/economy/india-must-get-rid-of-wasteful-spending-have-credible-divestment-plan-says-gita-gopinath/594153/

down for the poor and vulnerable. This is an opportunity lost for building a decentralised economy, sustainable society and future.

External Debt

This year witnessed a massive increase in external debt. The external debt of India increased from Rs. 2,92,866.85 crore as of March 2020 to estimated Rs. 3,82,829.24 crore as of March 2021. This amounts to an increase of 31% in external debt.[10] The debt receipts have increased from Rs. 8682 Crore of 2019 - 20 to Rs. 54,522 Crores as per the revised estimates of 2020- 21 which is a 528% increase in debt. The debt repayments have also increased by 21% as the repayment of debt statistics.

Table 1: Receipts External debt [11] *in Rs. crores*

	2019 -20 (Actuals)	2020-21 (RE)	% of increase	2021 -2022 BE
Multilateral	14,675.46	62,968.46	329%	24,911.30
Bilateral	14,613.93	20,610.54	41%	20,184.70
Net external debt	8,682.32	54,522.23	528%	1,514.23

Last year saw a massive 329% increase in multilateral debt. This involves debt from major multilateral development banks like the World Bank, ADB, AIIB etc while the Bilateral debt increased by 41%. The increase in the funding has also resulted in an increase in the policy influences which comes along with the funding in the projects and in the policy sphere.

The debt which every person has on their head keeps increasing with massive write offs to corporates and reduction in taxes to corporates. According to the available data, each person has a debt of Rs. 65,161 on their head[12]. Repayment of debt is the highest single component of our budget. Our borrowing and other liabilities forms 36% of budget

[10] Debt position of Govt of India - Budget 2021
[11] https://www.indiabudget.gov.in/doc/rec/allrec.pdf
[12] https://commodity.com/data/india/debt-clock/

revenue and interest repayments alone forms 20% of budget expenditure.[13]

NPAs and Bad Bank

In order to strengthen the PSBs, there have been demands for the resolution of the NPA crisis, with regulations in lending, stringent recovery mechanisms, criminalising wilful defaulters etc to strengthen the banking system that has been burdened with the bad loans of corporate lending. But both the government and RBI had not heeded to any of these demands. Instead, implemented mergers which reduced bank branches and resulted in loss of employment for many, Insolvency and Bankruptcy Code (IBC) which even after four years is yet to even have a 50 percent success rate, Financial Resolution and Deposit Insurance (FRDI) Bill which aimed to loot the deposits of the people through bail-in clause, increased provisions that have created capital inadequacy, Prompt Corrective Action (PCA) that had put restrictions on lending to banks etc and none of these have been successful in resolving the NPA crisis.

The Financial Stability Report (FSR)[14] published in January 2021 projected that the GNPA ratio may increase from 7.5 per cent in September 2020 to 13.5 per cent by September 2021 and the Economic Survey 2020-21 focused deeply on analysing the causes of NPA crisis, the expectation was for the government to take serious measures to tackle the crisis. Hence, it is important to look at these announcements in the light of the looming NPA crisis.

The focus of the government in the budget is more to clear the NPAs from the bank books rather than to resolve them. The idea of the controversial 'bad bank' is proposed in the budget for this purpose. According to the Finance minister,

"An Asset Reconstruction Company (ARC) Limited and Asset Management Company (AMC) would be set up to consolidate and take over the existing stressed debt and then manage and dispose of the

[13] https://www.indiabudget.gov.in/doc/Budget_at_Glance/budget_at_a_glance.pdf
[14] https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=1162

assets to Alternate Investment Funds and other potential investors for eventual value realization."

Asset Reconstruction Company (India) Ltd (ARCIL), the first ARC company was started in 2002 and now India has 28 ARC's but they have had little to no impact on the NPAs. Forming another institution that would act as a bad bank and ARC does not assure resolution of the problem. There is further no additional information on the sources of finance for this proposed entity. The entity is supposed to take over and dispose of assets to alternative investment funds, encouraging vulture capital funds[15], which is not going to help the PSBs.

Similarly the proposal of an e-court system for expediting the resolution process does not instil hope for the banks, given in the three years of its existence only in 14% of cases have been resolved[16]. Further, the increased provisioning and 'haircuts' ranging up to 60-80 per cent in some cases have resulted in weakening of the banks. But yes, the corporates and big businesses have been able to clear off their bad loans, at the cost of PSBs. With no mention of the state of NCLT or its success, just digitising the process is not going to help the banks.

Privatisation

"In spite of COVID-19, we have kept working towards strategic disinvestment. A number of transactions namely BPCL, Air India, Shipping Corporation of India, Container Corporation of India, IDBI Bank, BEML, Pawan Hans, Neelachal Ispat Nigam limited among others would be completed in 2021-22. Other than IDBI Bank, we propose to take up the privatization of two Public Sector Banks and one General Insurance company in the year 2021-22. This would require legislative amendments and I propose to introduce the amendments in this Session itself."

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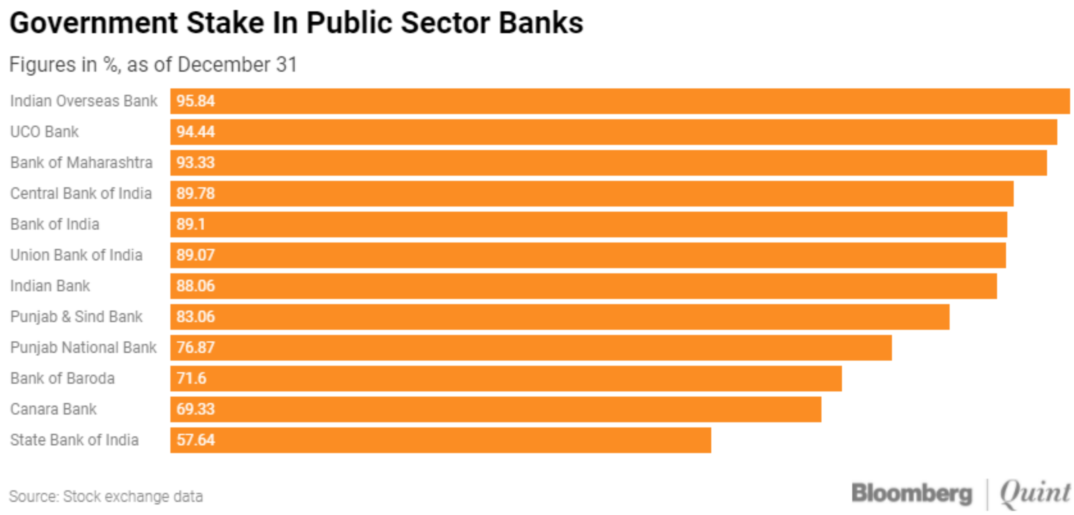
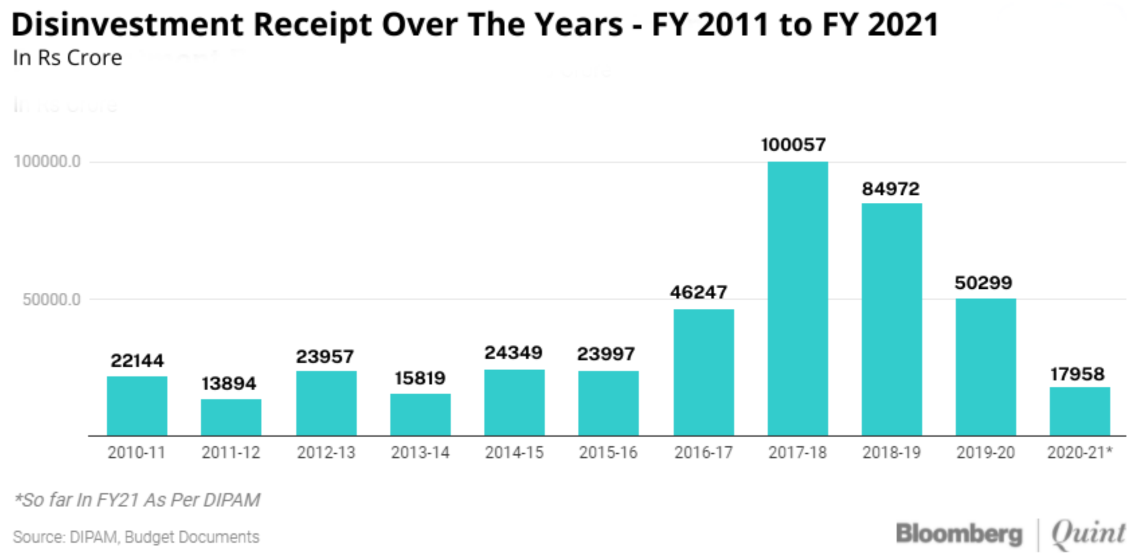
15 https://thewire.in/banking/union-budget-2021-bad-bank-rbi

16 https://www.thehindubusinessline.com/money-and-banking/lenders-have-recovered-money-in-just-14-of-cases-resolved-by-nclt-report/article31650630.ece



(Source: Bloomberg Quint)

The above quote from the budget speech clearly indicates the dedication and drive of this government to privatise PSUs and PSBs are no exception. As predicted by progressive economists, unions and many civil society organisations, cleaning up the balance sheets of banks as well as mergers have only been steps towards privatisation. It is clear in this budget that along with the ongoing privatisation drive of PSEs, the government will take up two PSBs and one Insurance firm for privatisation in the year 2021 - 22. For this the government plans to amend The Banking Regulation Act (1949). This move will open the flood gate to privatisation of PSBs, which are already reduced to 12 (from 27) and might reach the 4 or 5 (which was earlier proposed by Ex Finance Minister Arun Jaitley) unless resisted.



(Source: Bloomberg Quint)

Recapitalisation of public sector banks:

As a routine, this year too the government announced recapitalisation of the banks. This year Rs. 20,000 crore has been allocated for recapitalization and why the government has been prioritizing recapitalization. It is not for saving Public Sector Banks. In this budget the government came out in open, announcing privatization of two PSB; such a move happening for the first time since bank nationalisation. Since BJP Govt. came into power in 2014, recapitalizing failing Public Sector Banks (PSBs) was constantly on their agenda and the amount of capital infusion kept on increasing budget after budget with FY 2018-19 reaching capital infusion of a record Rs 1,06,000 crores through budgetary allocations and recapitalization bonds, along with encouraging PSBs to raise capital from the equity markets. In this budget too, the government announced recapitalisation of PSBs with Rs 20,000 crore. While on paper, this might look like the BJP government is committed towards rescuing ailing PSBs as the promoter of these banks, but this also raises the question as to why the government has not taken concrete steps towards addressing the underlying problems that pushed banks to rely on the mercy of the government.

Details of capital infusion by Government into PSBs

Financial Year	Amount (Rs crore)
FY 2014-15	6,990
FY 2015-16	25,000
FY 2016-17	24,997
FY 2017-18	90,000
FY 2018-19	106,000
FY 2019-20	65,443
Total	3,18,430

(Source: Lok Sabha Questions and Budget Documents)

Recapitalization of banks comes from budgetary allocation, which is taxpayers' money and from one budget to the next, the government fails to recognise why there is a need for recapitalisation. Banks have been pushed to a state of undercapitalisation due to the faulty lending policies lacking due diligence and also funding long-term infrastructure projects from short-term deposits. There is a much deeper need for fixing the need of recapitalization of PSBs and without changing the lending policies and putting due diligence for the investments of the banks, these recapitalisation exercises will prove to be futile.

Development Financial Institution

The budget proposes to introduce a Development Finance Institution to lend to the massive National Infrastructure Pipeline (NIP), with a capital of Rs. 20,000 crore that would in three years' time, expected to have a lending portfolio of at least Rs. 5 lakh crore.

Development Financial Institutions, such as ICICI, IDBI and IFCI, have been the foundations on which India built its economy. But in 2002, the government considered DFIs as 'not viable' and the burden of lending large scale projects was imposed on the commercial banks. Instrumental to this shift was the Narasimham Committee Recommendation:[17]

> *"The Committee is of the view that with such convergence of activities between banks and DFIs, the DFIs should, over a period of time, convert themselves to banks. There would then be only two forms of intermediaries, viz. banking companies and non-banking finance companies. If a DFI does not acquire a banking licence within a stipulated time it would be categorised as a non-banking finance company."*

Though DFIs were converted into banks and NBFCs as part of the structural reforms, one of the stated reasons was the mounting problem of NPAs in many of these institutions.

Given this history, the current crisis of NPA and no inclination on part of the government to implement environmental and social safeguard policies for lending and due diligence. The announcement of a DFI was expected and hyped even before the budget, but what is missing is an intent and concrete steps to analyse the fundamental problems related to NPAs and addressing it. Without doing that, just creating another entity to lend to infra projects will only shift the NPAs from one set of banks to another.

There are no clear directions on the financing for the DFI - Will the financing of DFIs come from the government through budgetary allocations like the previous model? Or will it be funded by selling assets of other PSU/Es? DFIs forced to raise capital from the market will meet an early death.

NPAs relating to infrastructure lending[18] has remained one of the highest, due to which the banks are reluctant to fund infrastructure projects. Despite five years since the Asset Quality Review (AQR) the government has not even analysed the causes of NPA correctly, let alone fixing it! Even if one does not focus on the pertinent question of "do people need these mega infrastructure plans?" and assume for the sake

[17] https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?ID=251

[18] https://theprint.in/economy/mega-projects-can-reignite-economy-but-infra-npas-for-banks-remains-high-says-rbi-governor/469003/

of argument that they are - there is no guarantee that this DFI is going to work, without finding effective mechanisms to control NPAs.

The lack of social and environmental safeguard policies and due diligence have contributed to the bad loan problems faced by the PSBs. Further, people's protests to protect their land, resources and livelihood, against displacement of communities, decisions taken without genuine consultations with people and making public hearings a farce, and because of that the mounting protests for such projects and legal actions also contributed to the bad loans. There is no mention or even attempt to have safeguard policies. Unless the government addresses these issues the proposed DFI will follow the similar path of its predecessors - will be made into a commercial bank or worse privatise it!

FinTech

The announcement of supporting the development of a world class FinTech hub at the Gujarat International Finance Tec-city and Rs 1500 crore for a proposed scheme to provide financial incentives for promoting digital transactions comes at a time when there is large scale curb on internet in different parts of the country. Most of these have been politically motivated to gag any voice questioning the government and its anti-people policies. After stripping Jammu and Kashmir of its statehood, the government imposed a total internet shutdown lasting over a year! Similarly regions from north east and many other areas that are resisting undemocratic policies have also faced similar internet shutdowns.

According to the UK based privacy and security research firm Top10VPN, of the 21 countries that curbed web access last year, India lost $2.8 billion due to internet shutdowns[19] and this was more than double the combined cost for the next 20 countries in the list.

Additionally, there is no genuine attempt to address the problems of inadequate infrastructure, ever-increasing digital frauds and the exclusionary nature of internet based services. This will lead to exclusion

[19] https://indianexpress.com/article/business/economic-impact-india-lost-2-8-bn-in-2020-to-internet-shutdowns-over-double-of-20-others-7134340/

of the poor and vulnerable sections of women, trans communities, adivasi populations and people from remote parts of the country and leave them at the mercy of the market. It further disadvantages sections of elderly and technically illiterate populations.

Infrastructure Sector: One-Stop Solution for Economic Recovery?

As part of this year's budget proposals FY 2021 – 22 infrastructure sector continues to be a primary focus to boost the economic growth in the post pandemic period. Continuing with previous years attempts to push infrastructure development and financing, this budget provides specific policy directions to increase the speed of implementation, the financing avenues and the number of projects in various sub-sectors.

To recap, in the FY 2018 – 19 the Government of India announcements looked to provide a massive boost to the sector by allocating Rs 5.97 lakh crore for the sector. This included allocations to railways, household level electrification scheme, green energy corridor, telecom infrastructure, metro rail systems, highways projects, among others. In FY 2019 – 20 too similar announcements have been made – the Government of India has given a massive push to the infrastructure sector by allocating Rs 4.56 lakh crore for the sector.

This year the government has also announced the implementation of infrastructure projects under the National Infrastructure Pipeline (NIP) across the country in the next five years. Major sectors include – transport, water and sanitation, social infrastructure, commercial infrastructure, energy, logistics, real estate, tourism and information technology. Total projects number of projects in infrastructure sector are more than 13 thousand in which the NIP projects are more than 7 thousand[20]. Under NIP, the Central Government (39 per cent) and State Government (39 per cent) are expected to have equal share in funding of the projects followed by the Private Sector (22 per cent).

[20] www.indiainvestmentgrid.gov.in

Some of the major announcements for infrastructure sector are as following:[21]

The National Infrastructure Pipeline (NIP) announced in December 2019 continues to be the primary central program for implementing infrastructure projects in the country. NIP was launched with 6835 projects; the project pipeline has now expanded to more than 7 thousand projects with a total outlay of Rs 111 lakh crore. NIP is a specific target, committed to achieving over the coming five years. It will require a major increase in funding both from the government and the financial sector. It is expected that private sector share may increase to 30 per cent by 2025. This is proposed in three ways:

Firstly, by creating the institutional structures; secondly, by a big thrust on monetising assets (sale of public assets to private corporations), and thirdly, by enhancing the share of capital expenditure in central and state budgets.

Infrastructure financing through Development Financial Institution (DFI)

As has been reported and discussed widely the central government has gone ahead with the plans to form a DFI for financing infrastructure projects[22]. Considering the long term needs of debt financing for the infrastructure, a Bill will be introduced to set it up. A sum of Rs 20,000 crores will be provided to capitalise this institution with a lending portfolio of at least Rs 5 lakh crores for this DFI in next three years' time.

Debt Financing of InVITs (Infrastructure Investment Trusts) and REITs (Real Estate Investment Trusts) by Foreign Portfolio Investors (FPIs) will be enabled by making suitable amendments in the relevant legislations. This will further ease access of finance to InVITS and REITs thus augmenting funds for infrastructure and real estate sectors.

[21] https://www.indiabudget.gov.in/doc/Budget_Speech.pdf
[22] https://www.mondaq.com/india/financial-services/994294/india-needs-a-new-infrastructure-financing-framework

Asset Monetisation

Asset monetisation has also been in discussion with views reiterating that this forms a major way to push the infrastructure spending in the country. Asset monetisation measures would mean raising finances for new projects through sale of public assets to private corporations. The Budget proposes that monetising operating public infrastructure assets is a very important financing option for new infrastructure construction. A "National Monetization Pipeline" of potential brownfield infrastructure assets will be launched. An Asset Monetization dashboard will also be created for tracking the progress and to provide visibility to investors. Some important measures in the direction of monetisation are:

1. National Highways Authority of India and PGCIL each have sponsored one InvIT that will attract international and domestic institutional investors. Five operational roads with an estimated enterprise value of Rs 5,000 crores are being transferred to the NHAI InvIT. Similarly, transmission assets of a value of Rs 7,000 crores will be transferred to the PGCIL InvIT.

2. Railways will monetise Dedicated Freight Corridor assets for operations and maintenance, after commissioning.

3. Airports will be monetised for operations and management concession.

4. Other core infrastructure assets that will be rolled out under the Asset Monetisation Programme are: (i) NHAI Operational Toll Roads (ii) Transmission Assets of PGCIL (iii) Oil and Gas Pipelines of GAIL, IOCL and HPCL (iv) AAI Airports in Tier II and III cities, (v) Other Railway Infrastructure Assets (vi) Warehousing Assets of CPSEs such as Central Warehousing Corporation and NAFED among others and (vii) Sports Stadiums.

Increase in Capital Budget

This year's Budget proposes that in the Budget Estimates (BE) 2020-21, the provisions for capital expenditure was Rs. 4.12 lakh crores. However continuing with the policy directions to spend more on capital Revised

Estimates (RE) are likely to end the year at around Rs. 4.39 lakh crores. For 2021-22, a sharp increase in capital expenditure has been proposed with a provision of Rs 5.54 lakh crores which is 34.5% more than the BE of 2020-21. Of this, Rs. 44,000 crores has been kept in the budget head of the Department of Economic Affairs to be provided for projects/programmes/departments that show good progress on capital expenditure and are in need of further funds. Over and above this expenditure, the budget has also provided more than Rs. 2 lakh crores to States and Autonomous Bodies for their capital expenditure.

In addition to the above, in the last budget to attract foreign investment in the infrastructure sector, 100% tax exemption was granted, subject to certain conditions, to foreign Sovereign Wealth Funds (SWFs) and Pension Funds (PFs), on their income from investment in Indian infrastructure. As part of this year's proposals in order to ensure that a large number of such Funds invest in India, it is proposed to relax some of these conditions relating to prohibition on private funding, restriction on commercial activities, and direct investment in infrastructure.

In order to allow funding of infrastructure by issuing Zero Coupon Bonds, it is proposed to make notified Infrastructure Debt Funds eligible to raise funds by issuing tax efficient Zero Coupon Bonds.

In some of the major infrastructure sub-sectors, the Budget proposes the following:

Roads and Highways Infrastructure

As part of the Bharatmala project more than 13,000 km length of roads, at a cost of Rs. 3.3 lakh crores, has already been awarded amounting to Rs. 5.35 lakh crores of which 3,800 kms have been constructed. By March 2022, another 8,500 kms and complete an additional 11,000 kms of national highway corridors.

More economic corridors are also being planned in states such as Tamil Nadu, Kerala, West Bengal, Assam of around 6,000 kms with an investment of Rs 2.5 lakh crores (approx.) The other major road projects proposed in the Budget are Delhi – Mumbai Expressway, Bengaluru – Chennai Expressway, Delhi – Dehradun economic corridor, Kanpur –

Lucknow Expressway, Chennai –Salem corridor, Raipur – Vishakhapatnam and Amritsar – Jamnagar road.

The Ministry of Road, Transport and Highways has been provided an outlay of Rs. 1,18,101 lakh crores, of which Rs. 1,08,230 crores is for capital.

Railway Infrastructure

This year's Union Budget also proposed that Indian Railways have prepared a National Rail Plan for India – 2030 to create a 'future ready' Railway system.

This forms an important part of the strategy to enable 'Make in India' by bringing down logistics costs for industry. It is expected that Western Dedicated Freight Corridor (DFC) and Eastern DFC will be commissioned by June 2022. Dedicated Freight Corridor projects namely East Coast corridor from Kharagpur to Vijayawada, East-West Corridor from Bhusaval to Kharagpur to Dankuni and North-South corridor from Itarsi to Vijayawada will be taken up in the future. Detailed Project Reports will be undertaken in the first phase.

In this budget a sum of Rs. 1,10,055 crores, for Railways has been provided of which Rs. 1,07,100 crores is for capital expenditure.

Urban Infrastructure

Under Urban Infrastructure projects the focus is on public transport through expansion of metro rail network and augmentation of city bus service. A new scheme will be launched at a cost of Rs. 18,000 crores to support augmentation of public bus transport services. The scheme will facilitate deployment of innovative Public-Private Partnership (PPP) models to enable private sector players to finance, acquire, operate and maintain over 20,000 buses.

A total of 702 km of conventional metro is operational and another 1,016 km of metro and RRTS is under construction in 27 cities. Two new technologies i.e., 'MetroLite' and 'MetroNeo' will be deployed to provide metro rail systems at much lesser cost with the same experience, convenience and safety in Tier-2 cities and peripheral areas of Tier-1 cities. Central counterpart funding will be provided to Kochi Metro, Chennai Metro, Bengaluru Metro, Nagpur Metro and Nashik Metro with a total cost of Rs 88,000 crores (approx).

The Budget also announced that Jal Jeevan Mission (Urban), will be launched. It aims at universal water supply in all 4,378 Urban Local Bodies with 2.86 crores household tap connections, as well as liquid waste management in 500 AMRUT cities. It will be implemented over 5 years, with an outlay of Rs. 2,87,000 crores. In addition to that Urban Swachh Bharat Mission 2.0 will be implemented with a total financial allocation of Rs. 1,41,678 crores over a period of 5 years from 2021-2026.

Ports, Shipping, Waterways

As part of Budget proposals major ports will be moving from managing their operational services on their own to a model where a private partner will manage it for them. For the purpose, 7 projects worth more than Rs 2,000 crores will be offered by the major ports on PPP mode in FY 2021 – 22.

One needs to look more critically into these announcements and not go by the numbers or the claims. In the post pandemic economic scenario the Union Budget continues with the broader policy directions as in previous years for the infrastructure sector with specific measures like the formation of a DFI and financing infrastructure projects through asset monetisation or sale of public assets. It again strengthens the point that the onus remains on the government to not only finance these mega projects but also provide support for execution of these on the ground by the private sector. It looks likely that the major chunk of the funds would come from the government/ public sources with expectations that the private sector would also invest. Though there is not enough clarity about the financing sources for the proposed DFI beyond the initial investment from the government itself. On the other hand the asset monetisation policy has also been in play for some time in the country in the post economic liberalisation privatisation globalisation period.

The Budget proposals further emphasise on private sector participation through PPPs. Experiences of PPPs in different sectors have shown that the model does not provide encouraging results and requires public resources to leverage private investments[23] by the private sector to operate projects and earn profits. Several examples demonstrate that PPPs do not lead to boost in private investments or improve delivery or efficiency or equitable access to the larger population, the governments continue to implement this model as part of the larger international influence and policy prescriptions from the international financial institutions like the World Bank and IMF.[24]

On the other hand these projects have faced huge cost overruns and delays due to various reasons including delay in land acquisition, delay in obtaining forest/environment clearances and lack of infrastructure support and linkages. In addition to delay in tie-up of project financing, delay in finalisation of detailed engineering, change in scope, delay in tendering, ordering and equipment supply, law and order problems, geological surprises, pre-commissioning teething troubles and contractual issues, among others.[25]

The lockdown period during the pandemic saw several policies and regulations amended or introduced in the Parliament to reform labour, environmental and agriculture sector regulations to promote entry of private corporations in these sectors. In the current environment these are being heavily contested by the various groups who will be affected by these changes. During the pandemic there has been a clear lack of a larger public discussion or debate regarding the implications of these changes in policies and regulations as well as the implementation of massive projects on the coastal, rural and urban communities, agriculture, land and water commons as well as the ecology, considering India being a signatory to Paris Climate Accord.[26]

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[23] https://timesofindia.indiatimes.com/blogs/irrational-economics/infrastructure-financing-gaps-in-india-need-for-focused-resource-mobilization/

[24] https://www.financialexpress.com/opinion/public-private-partnership-ppp-project-failures-dont-put-zombies-on-life-support/2146855/

[25] https://www.newindianexpress.com/business/2020/oct/25/441-infrastructure-projects-show-cost-overruns-of-rs-435-lakh-crore-government-data-2214889.html

[26] https://india.mongabay.com/2019/11/paris-agreement-goals-india-needs-to-double-forest-cover-expansion-rate/

The budget proposals look to further ease the measures for foreign investments in infrastructure projects. The specific focus has been to attract Sovereign Wealth Funds and Pension Funds looking to invest in infrastructure projects. However, the measures lack appropriate environment and social safeguard policies as well as transparency and accountability mechanisms for such entities and their investments. In this day and world, such mechanisms are increasingly being advocated and adopted by countries, financial institutions to hold these myriad entities accountable for the investments they make and the impacts on the local communities in terms of loss of livelihood, displacement, environment damage and claiming appropriate resettlement and rehabilitation.

As an increasing number of private investors, new and 'innovative' market based instruments are used to bring in finance for these projects for creating revenue streams and extracting profits. Big infrastructure projects might look good in plans but experiences from ground realities demonstrate that they have serious implications on the local people, democratic governance processes, natural resources, wildlife habitats and the delicate ecological systems.

Push for Complete Privatisation in Energy Sector

The budget 2021-22 has pushed further reforms and privatization in the power sector. The budget has introduced the reforms-based result-linked power distribution sector scheme[27] with an estimated investment of Rs. 3.05 lakh crores in the distribution sector over the 5 years. Besides that, this investment will lead to creating infrastructure like smart metering and upgrading the system in favour of large private companies instead of strengthening the state-owned DISCOMs.

Even now, when 13 percent[28] households are still off-grid for power or they are forced to live in the dark, smart meters are further going to kill parity in accessibility of power. People would be left at the mercy of the suppliers, who will have the complete impunity to fix tariff rates as per their whims. Thus, prepaid smart meters are practically going to do away with power subsidies and affordable power access for the poor

[27] https://www.indiabudget.gov.in/doc/Budget_Speech.pdf
[28] https://mercomindia.com/indian-households-dont-have-access/

population and are going to put a huge burden on the poor when it comes to power accessibility.

In addition, last year as part of COVID -19 economic package, the government had announced to infuse liquidity[29] of Rs. 1.2 lakh crore in these same Discoms. The amount had to be disbursed in two equal tranches[30], but the scheme had been implemented only partially. The budget did not indicate any progress regarding this, nor has it specified whether this scheme will be merged or will be dealt separately from the current announcement. Even, this budget did not say anything about how and from where this investment will come. But on the same scheme, Mint news reported[31] on 16th December 2020 that the government will contribute around Rs. 60,000 crore and the remaining amount will be borrowed from multilateral financial institutions like Asian Development Bank and the World Bank. And given the history of these institutions, their investments always come with conditions that are reform-based and encouraging privatization of the sector. This is not new because of World Bank's history of reforms in the power sector, which started from Odisha in 1996.[32]

The power sector has already witnessed many bitter experiences of reforms from the unbundling of State Electricity Boards (SEB) to de-licensing of the generation sector. The government is well aware of the consequences of it in the form of non-performing assets in both, power generation and DISCOM sector. Yet, the government is pushing reforms further in the sector. Therefore, the government needs to rethink the package and privatization of the state-owned discoms.

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29 https://energy.economictimes.indiatimes.com/news/power/discoms-liquidity-package-set-for-hike-at-rs-1-2-lakh-crore-this-month/78085143#:~:text=x-,Discoms'%20liquidity%20package%20set%20for%20hike%20at,1.2%20lakh%20crore%20this%20month&text=NEW%20DELHI%3A%20The%20Rs%2090%2C000,June%2C%20said%20a%20senior%20official.

30 https://www.businesstoday.in/union-budget-2021/expectations/budget-2021-how-to-boost-power-clean-energy-sectors/story/429747.html

31 https://www.livemint.com/budget/news/budget-2021-india-gets-3-05-trillion-electricity-distribution-reform-scheme-11612160538721.html

32 http://indianpowersector.com/home/2011/04/world-bank-orissa-model/

Missing A Road Map for Energy Transition

The budget has announced launching the hydrogen energy mission[33] in 2021-22 for generating hydrogen from green power sources. It has also budgeted[34] a total of Rs. 2500 crore for Solar Energy Corporation of India (SECI) and India Renewable Energy Development Agency (IREDA). The budget has promised more mega renewable energy projects. These mega RE projects will only benefit the same private companies, some of whom are still involved in the coal business, signalling no drastic retiring of coal projects. Utility scale renewable energy projects have not only environmental and ecological impacts, but they are creating a livelihood crisis for many pastoral communities residing around the areas and are no creative response to the climate crisis. The budget failed to address key issues in the sector such as, standards and benchmarking, raw materials, technology and research and development to promote and support domestic manufacturing of renewable energy technology, as well as issues related to storage. It failed to prioritise decentralised, community-based RE models to make it accessible to all, raising serious doubts about the government's commitment to RE. While the government speaks volumes on the measures it is taking to promote RE, a robust road map of India's energy transition is still missing from the budget plan.

The import duty on solar inverters and lanterns has been raised to 20 and 15 percent from 5 (for both) respectively. Import customs duty for all material required for Lithium ion battery manufacture has been increased from 0 to 2.5 percent. The budget has also announced that the government aims to spend ₹1.97 lakh crore on various PLI schemes over the next 5 years[35]. This will increase the number of manufacturers of the lithium ion batteries resulting in extensive extraction of rare earths from across the world and increase the carbon footprint.

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[33] https://www.indiabudget.gov.in/doc/Budget_Speech.pdf
[34] https://www.indiabudget.gov.in/doc/Budget_Speech.pdf
[35] https://www.forbesindia.com/article/budget-2021/budget-2021-mobile-manufacturing-gets-a-make-in-india-push/66205/1

Invisible Coal

The budget has completely failed to address the increasing stressed assets and non-performing assets in the coal power plants, and it has not provided any guidelines on how the government is going to tackle the issue of growing NPAs in the sector. Though the gross NPAs declined slightly in 2019 from the previous year, it is important to note that more than 18 percent of NPAs comes from the power sector. Moreover, 90 percent of NPAs in the energy sector belong to private coal power plants[36]. Despite this, the government wants to push further privatization in the sector. Further, the budget fails to address coal power plants under construction, auctioning of coal mines and increasing domestic coal production.

While the budget is promoting hydrogen energy and taking credit for setting up the International Solar Alliance, the union home minister Amit Shah promotes coal as the biggest contributor towards the target of India becoming a USD 5 trillion economy[37] by 2025. Last year, the government also allowed 100% FDI in coal mining, processing and sale.

RE looks like a facade to promote a fossil fuel based economy, despite the impending climate crisis (something which the Finance Minister did not mention in her speech even once), which India is already facing the brunt of through uncertain weather patterns, floods, cloudbursts and droughts.

While this government and the budget continue to fire away from the shoulders of RE, it is evident that India is definitely making huge lapses in its international climate commitments and will continue to haunt the mineral rich communities, to plunder coal and other natural resources.

[36] https://www.cenfa.org/media-coverage/power-sector-npas-new-report-slams-parliamentary-panel-on-energy/

[37] https://economictimes.indiatimes.com/industry/indl-goods/svs/metals-mining/next-tranche-of-commercial-mining-auction-to-be-launched-this-month-coal-minister/articleshow/80212466.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

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