BUDGET ANALYSIS

2022

A ~~Paper~~ PEOPLE less Budget

CFA
Centre for Financial Accountability

5 years
Together, towards an accountable financial system

BUDGET ANALYSIS

2022

PEOPLE

A ~~Paper~~less Budget

Budget Analysis 2022: A Peopleless Budget

Published by:

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

February 2022

Content

Central flaw in the budget: Irrational reliance on the trickle-down theory

The Prime Minister perfectly summed up his government's approach to the budget and the underlying economic thinking while briefing his party workers a day after the budget. He said: "When the government incurs such a huge expenditure, it will bring more investment, expand modern infrastructure, and create a positive impact among iron and cement producers…It will create many job opportunities as well." He added that this would eventually provide relief to the common man, making his life easier and better.

This high reliance on supply-side solutions like infrastructure spending and industrial production while the problem really is that of low demand, and push for high GDP growth instead of addressing the known challenges staring on the face – chronic job crisis, growing poverty, hunger, inequality and high health and education deprivations – is typical of the neoliberal thinking that growth trickles down to benefit people at the bottom.

This is a deeply flawed thinking; growth doesn't trickle down; the trickle-down theory is not even a cohesive economic theory but a political one popularised in the US by President Reagan and Trump, among others.

Growth doesn't trickle-down to benefit masses.

After President Trump pushed tax cuts for the rich and industries in 2017 using the trickle-down logic, the Wharton School, in a paper, described this concept as "the great hobgoblin of our time", that is "used, often negatively, to characterize the view that reducing taxes on the rich will benefit the non-rich".

Not just liberal (capitalist) economist and Nobel laureate Joseph Stiglitz, many others like him and even the celebrated stock market investor Warren Buffet, who should know a thing or two about how the economic systems work on the ground, have dismissed it. In a 2018 article in Time magazine, Buffett wrote: "Between the first computation in 1982 and today, the wealth of the 400 (wealthiest Americans) increased 29-fold – from USD 93 billion to USD 2.7 trillion – while many millions of hardworking citizens remained stuck on an economic treadmill. During this period, the tsunami of wealth didn't trickle down. It surged upward."

The high priest of neoliberal economics, the International Monetary Fund (IMF), has also found trickle-down grossly misleading after studying more than 150 countries. It published its findings in 2015, which read: "...if the income share of the top 20 per cent (the rich) increases, then GDP growth actually declines over the medium term, suggesting that the benefits do not trickle down. In contrast, an increase in the income share of the bottom 20 per cent (the poor) is associated with higher GDP growth. The poor and the middle class matter the most for growth via a number of interrelated economic, social, and political channels."

There can't be a bigger rebuttal to the Indian government's flawed approach than this IMF's study. The corporate tax cuts of 2019 (an annual loss of at least Rs 1.45 lakh crore) amidst fiscal constraints, ease of doing businesses, liquidity infusion and other enabling architectures like investment in infrastructure and incentives to industries (like PLIs) over the years have not crowded in private investment or bettered the life of people at the lower end of income and wealth to push higher GDP growth. These measures have led to more concentration of income and wealth at the top and more job-loss and poverty, not less.

The latest round of surveys by the Mumbai-based People's Research on India's Consumer Economy (PRICE) shows that the annual income of the poorest 20% households plunged to -52.6% in five years between FY16 and FY21; those of lower middle 20% and middle 20% declined by -32.4% and -8.9%, respectively. That is, the bottom 60% saw their income decline, while that of the top 40% increased, particularly the top 20% which saw their income zooming by 39% during the same period.

Even within industries, there is a K-shaped distortion.

During the pandemic disruptions, corporate profits reached historic highs. Fortune India magazine, which tracks top 500 listed companies, found that in FY21 their revenue growth slid but year-on-year growth in net profits turned out to be the best-ever at 75%. Business Standard newspaper analysed long-term trends in corporate profits to show that such profits have concentrated at the top 20%. In FY05, the top 20% accounted for 55.8% of profits, which went up to 72% in FY20 and was 65% in the first half (H1) of FY22. It said, this rise in concentration of profits at the top was accompanied with small and public sector firms struggling to make profits.

What all these findings reflect is that this concentration of wealth and income at the top has happened at the cost of the rest. The World Inequality Lab report recently produced a study to show how income and wealth inequalities in India grew dramatically after the reform-era started in 1980s, increasingly adopting neoliberal economics, particularly aggravating after 2000.

The budget and the underlying economic thinking of the India government should have been to address these K-shaped distortions so that growth is even and its benefits reach everyone, particularly those at the lower half of the economic pyramid, not just at the top. Employment is a good way of redistributing income and wealth. By not pro-actively seeking to create employment, the Indian government ignores another critical evidence.

Growth is not creating jobs or reducing poverty

The Azim Premji University has been tracking the state of jobs in India for several years. In 2018, it found that the co-relation between GDP growth and employment had significantly weakened. While the GDP grew at 3-4% in 1970s and 1980s, employment grew at 2%. Since 1990s, and particularly in the 2000s, GDP growth accelerated to 7% but employment growth slowed down to 1%.

In 2019, it analysed the periodic labour force survey (PLFS) of 2017-18 to point out that India lost a net of 9 million jobs after 2011-12, stating that this "happened for the first time in India's history". During this period of 2011-12 to 2017-18, the annual average GDP growth (constant prices) was a very robust 6.8%.

That was pre-pandemic. The pandemic saw further job loss, 15 million jobs were permanently lost during the first wave of the pandemic, the Azim Premji's study of 2021 found. The second wave of the pandemic would have led to further loss of jobs.

Similarly, the budget ignores growing poverty which didn't happen just because of the pandemic but also because of the flawed demonetization and GST, among others, that preceded it. One recent study shows that absolute poverty (Tendulkar poverty line) increased by 71 million during the pre-pandemic period between 2011-12 and 2019-20. This in line with the findings of the household consumption expenditure survey of 2017-18, which showed for the first time in 40 years 'real' consumption declined between 2011-12 and 2017-18, indicating that poverty is growing. This report was junked to hide the ugly truth.

When poverty was thus spreading, the average GDP growth (constant prices) during it (2011-12 to 2019-20) was a robust 6.4%.

Here is yet another distortion that needs to be factored in.

The first advance estimates for FY22 says, the GDP would grow at 9.2%, which means the GDP size would be 1.26% higher than that of FY20 but private consumption, the main engine of growth, would be 2.9% less than that of FY20. This means people would be spending less in FY22 than what they did in FY20.

If the income of people doesn't grow, particularly those at the lower end who have a higher propensity to spend (than save), and their consumption expenditure remains below FY20, the demands for goods and services would be subdued and so would be the need for production of goods and services and capacity utilization. Why would then private investment grow?

While talking of growth, the budget miscalculates the level of inflation.
It projects nominal growth of GDP for FY23 at 11.1%, while the Economic Survey puts the 'real' GDP growth (after adjusting inflation) at 8-8.5%. This means the inflation is expected to be about 3%, which is illogical given the sharp rise in crude prices in recent weeks. Besides, the first advance estimates, released last month, shows the nominal growth to be 17.6% against a real growth of 9.2%. This means, for the purpose of budget calculations, inflation is actually 8.4% – far more than the CPI inflation of over 5% and certainly over 3% the budget assumes.

This miscalculation has its consequences: The GDP growth is exaggerated, adversely impacting revenue collections and expenditures for FY23.

Misallocations in the budget

The budget could have raised social sector spending, particularly on food, health and education to address multiple deprivations the pandemic has caused, reducing their consumption expenditure. Food subsidy is down by 27.8% from the FY22 (RE). While catastrophic health expenditure is known to send 60 million people into poverty every year in normal times, health allocation is down by 0.8% from the FY22 (RE) level.

The budget does allocate more for social welfare and education by 15% and 18.5% from FY22 (RE) level, respectively, but these are abysmally low at 0.4% and 0.2% of the GDP, respectively.

There is sector misallocation too. Agriculture is now providing more jobs, not less. The latest Economic Survey says, its share of employment increased from 40.7% in 2018-19 to 43.5% in 2019-20 – that is pre-pandemic period – but the allocation for agriculture is up by 2.5%, from FY22 (RE), which is less than the expanding GDP. In fact, the allocation has fallen to 0.59% of the GDP, from 0.64% of the GDP in FY22 (RE). The pandemic saw reverse migration and demand for rural menial jobs provided by the MGNREGS grow dramatically. The employment share of agriculture would have gone after the pandemic.

What the budget could have done?

In view of the challenges staring on the face, the budget could have taken several immediate measures.

For example, the central government has 8.9 lakh vacancies in its departments and ministry since March 2020. There are more vacancies in central PSUs, schools and colleges. The government could have prepared a consolidated list of vacancies and ordered filling of these vacancies on a priority basis to address chronic job crisis. It could have appealed to state governments to do the same.

Similarly, it could have addressed growing poverty by giving direct income support to the poor, just as it did for farmers in the 2019 budget, ahead of the general elections. The government then announced an income support of Rs 6,000 to all farmers. How about providing such support to the bottom 40-60% of population severely impacted by the pandemic? It is easy to identify them. The Ayushman Bharat uses the Socio Economic and Caste Census (SECC) of 2011 to identify the bottom 40% of its beneficiaries. The rest 20% could also be picked from the same SECC.

To raise income, the government could have also increased the minimum wages, stuck at Rs 176 for years. It could have also raised the MGNREGS wages, which remains below the minimum wages at Rs 209.3 in FY22 and Rs 200.7 in FY21. These measures could have immediately raised the income levels of a large workforce to boost consumption demand in the economy.

To sum up then, the budget should have adopted a bottom-up strategy to produce better results in place of its top-down one, which has led to the growth of the few at the top at the cost of the vast majority.

1. Macroeconomic Indicators

Macroeconomic Indicators

- Obsessive concern around lowering the fiscal deficit continues even at the cost of cutting down on social sector spending while the country is struggling to recover and while consumer demand stays alarmingly low. It relies on higher indirect taxes, particularly on fuel that passes the burden on the struggling masses.
- GST has become a tool for the centre to earn revenue rather than a taxation plan that gives the states their due as is evident in the huge outstanding dues. It has been an affront to fiscal federalism.
- Far from introducing wealth tax or increased corporate tax given the superprofits of the corporates, the budget slashed surcharge on corporates that comes on top of the slashing of the corporate tax earlier.
- The Credit based recovery plan which has been continued has not been successful in reaching to the most in need as is evident in the fact that smaller MSMEs have found it far more difficult to access credit.
- Digital currency and digital push continue in the name of "financial inclusion" even as the reach of public sector branches in rural areas has reduced in a country that has a wide digital divide with internet users hovering around 50%.
- Tax on digital wealth even with no official recognition or regulations for crypto currencies.
- No reversal of the moves to privatize public sector banks despite massive protests.
- No reference to core concerns of the banking sector like NPAs apart from passing reference to bad bank that only amounts to passing debts from one book to another instead of strengthening recovery or regulating lending to corporates who have contributed to 77.9% of NPAs.

Finance Minister Nirmala Sitaraman began her budget speech expressing her "empathy for those who had to bear adverse health and economic effects of the pandemic." But not much that followed was reflective of the task that the budget was supposed to serve given the condition of the economy and the millions whose lives were wrecked. This is no doubt a historical budget, not for the reason that it was the first paperless budget, but because it was a peopleless budget. It is a budget that is so cut off from the reality of the country and its people. The Finance Minister claimed that this budget will lay the foundation and direction for the next twenty five years - "the Amrit Kaal". The budget establishes the government's strategy like before - focus on propaganda, forget the plights of the people, leave no stone unturned to gain revenue for the government, reduce social spending, privatise and corporatise every sector for profit as has been evident in its ongoing moves to monetise and privatise key public sectors and public services at the cost of concerns around affordability, accessibility, decent jobs, reservation, and its constitutional obligations.

She spoke of a “sharp rebound and recovery of the economy” which she said “is reflective of our country’s strong resilience”, but we are aware how the resilience of our working population was debilitated under the triple whammy of demonetisation, GST and the pandemic. Their resilience was steadily eroded with depleting savings, mounting debt and loss of pay. It is rather unfortunate, that not much of these concerns found space in the budget speech 2022 that had the word “Digital” appear 36 times! It continued with its credit based efforts at recovery and did hardly anything to address the alarming conditions of joblessness, falling labour force participation, poverty and the alarmingly dwindling consumer demand that even the Economic Survey published the day before was forced to acknowledge.

Monetary & Fiscal Policy

The government must reckon with the fact that it has hardly much elbow room through monetary policy. After all credit growth, despite the liquidity injection, has averaged 7 per cent during this period. Meaning that there is no demand for bank credit from either households or firms. The monetary policy maneuvers have at best only helped the corporates as others can’t afford to go for more credit.

The neoliberal prescription has meant that the governments have been extremely wary of fiscal deficit. While the pandemic had pushed up the deficit, but once again the direction is towards lowering it. But economists have warned that any attempt to push for further reduction of the fiscal deficit would hurt the interest of the poor who are struggling to recover from the pandemic that has wrecked their livelihoods.

In this year’s budget speech the Finance Minister said that “The revised Fiscal Deficit in the current year is estimated at 6.9 percent of GDP as against 6.8 percent budgeted estimate.” While allocations in several key social sectors are less than required or have been reduced, the need for higher government spending is something that has been highlighted by several economists to push the alarmingly slumping consumer demand. As is evident from the budget speech, the government remains obsessed with reducing the fiscal deficit further with higher indirect taxation and particularly on fuel. The Finance Minister added that “The Fiscal Deficit for FY 2022-23 is estimated at 6.4 per cent of GDP, which is consistent with the broad path of fiscal consolidation announced by me last year to reach a fiscal deficit level below 4.5 per cent by 2025-26.”

Fiscal Federalism

Days before the budget 2022, the Finance Minister praised the “unified indirect tax regime” or GST which she claimed “augurs well for cooperative federalism”. In her budget speech this year she praised GST as a landmark reform of Independent India and said that the challenges to GST “were overcome deftly and painstakingly under the guidance and oversight of the GST Council. We can now take pride in a fully IT driven and progressive GST regime that has fulfilled the cherished dream of India as one market- one tax.” She took pride in the fact that this year's GST collection has been the highest at Rs. 1,40,986 crore.

And yet, the government has failed miserably in giving the states their due with the GST emerging as an affront to fiscal federalism. We are aware that in India the total government expenditure is about 26% of GDP. Of this about 56% is spent by the state governments and local bodies. So the central government spends less than 50% of public expenditure. According to our constitutional arrangement since the larger responsibility of spending is on state governments, they should be given more money. But what we see is to the contrary as even the state's share of the GST compensation is not being released putting state finances in a precarious situation. The Central government owes over ₹37,134 crore to state governments as Goods and Services Tax (GST) compensation for the month of January 2022.

While the union government has set its fiscal deficit at 6.9%, the Finance Minister in her budget speech unilaterally capped the fiscal deficit for states at 3.5%. By no means is this a manifestation of cooperative federalism.

The Finance Minister said that the outlay for 'Scheme for Financial Assistance to States for Capital Investment' is being enhanced from 10,000 crore in the Budget Estimates to ` 15,000 crore in the Revised Estimates for the current year. For 2022-23, the allocation is 1 lakh crore to assist the states in catalysing overall investments in the economy.

Even though these are paltry sums, on paper nonetheless it ticks the box of state allocation. But firstly these are only in the form of interest free loans and secondly, it is linked to the implementation of specific central government schemes, in this case PM Gati Shakti and others. So, the states have no elbow room to allocate according to their needs.

Taxation:

At a time when the corporates are earning massive profits with booming stock market and are shying away from investments, the government, in line with its massive slash on corporate tax in 2019 (from 30% to 22%), has given further relaxations to them in way of

- Cutting down on the graded surcharge applicable on consortiums that went upto 37% and capping it at a maximum of 15%.
- Capping the surcharge on long term capital gains arising on transfer of any type of assets at 15%.

As per the Oxfam report Inequality Kills released in January 2022, while 84% of Indian households saw their income shrinking during the pandemic, the wealth of India's richest families reached record highs in 2021 with the number of billionaire families increasing from 102 to 142 over the course of 2021. The report said that the richest 98 Indians own the same wealth as the bottom 55.2 crore people. The corporate profits have soared wherein the profits of the top 500 companies grew at a record 75%.

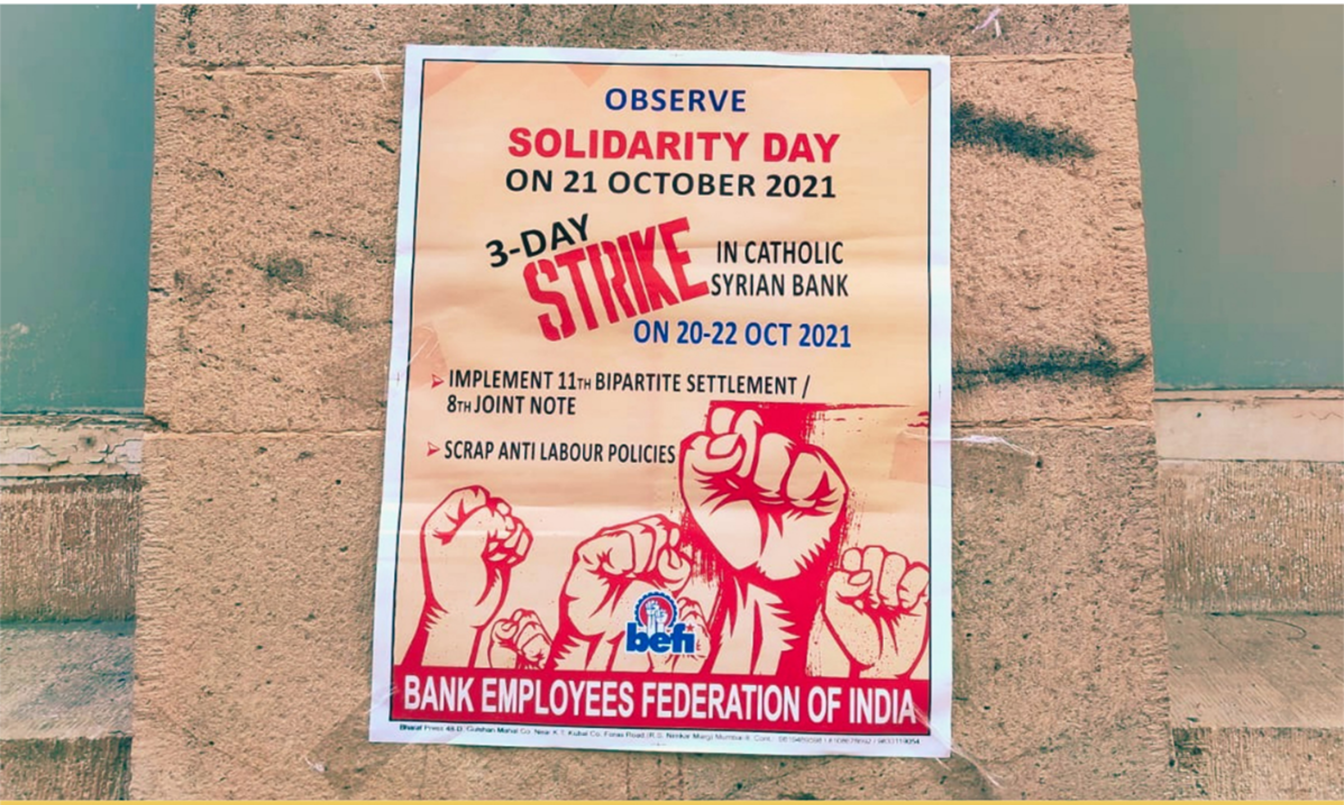
But far from moving towards a progressive taxation and increased corporate tax and wealth tax, the government in this budget has kept the share of indirect tax revenues almost at par with direct tax revenues. Share of indirect tax revenues in the total gross tax revenues at 5.5% and the same for indirect tax at 5.2%. At a time when people are struggling to recover from the pandemic and the corporates are making massive profits, it is a lost opportunity to correct the inequality with measures aimed at progressive direct taxation and reducing the share of indirect taxes that burden the people.

Credit Based Recovery: MSMEs

The Finance Minister in her budget speech said that the Emergency Credit Line Guarantee Scheme "will be extended up to March 2023 and its guarantee cover will be expanded by 50,000 crore to total cover of 5 lakh crore" The additional amount is being earmarked exclusively for the hospitality and related enterprises. The Finance Minister said that this credit scheme provided "much-needed additional credit to more than 130 lakh MSMEs. This has helped them mitigate the adverse impact of the pandemic."

But the survey from TransUnion CIBIL (ECLGS Insights Report - December 2021) shows that 57% of the respondents found it difficult to avail of the facility. The survey also shows that bigger entities found it easier to avail of the facility as compared to very small entities. 61% of the respondents from very small enterprises found it difficult to avail the loans. The respective figures for micro and small enterprises were 52% and 49%.

Also the broadening of the definition of MSMEs in the middle of the pandemic meant that bigger players who were brought under its purview had better wherewithal to avail the credit. Lastly, this is part of the government's credit based recovery attempt which is in line with its supply side emphasis in recovery whereas the problem that the country is currently dealing with is a demand side problem but measures to raise the purchasing power and lower the impact of rising prices, especially fuel prices were completely missing.


OBSERVE
SOLIDARITY DAY
ON 21 OCTOBER 2021
3-DAY
STRIKE
IN CATHOLIC
SYRIAN BANK
ON 20-22 OCT 2021
IMPLEMENT 11TH BIPARTITE SETTLEMENT /
8TH JOINT NOTE
SCRAP ANTI LABOUR POLICIES
befi
BANK EMPLOYEES FEDERATION OF INDIA

2. Banking

Banking

Bank Privatization

In her last budget speech the Finance Minister announced that "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." Despite the strong opposition from banks and the insurance sector or the caution raised by many on the detrimental impact it will have on the people, the government is still pushing ahead with its privatisation plan but FM avoided the whole privatisation drive and National Monetisation Pipeline in her budget speech. The amendments to the Banking Act which will enable the privatisation was expected in previous parliamentary sessions, the government did not place the Bills but it did nothing to retract its plans. Even without the amendment of the Banking Act, the path to privatisation has been well laid in recent years. Be it the move towards merging 10 public sector banks into four big banks or using the Bad Bank to clean up the balance sheets of PSBs - these are all to pave the way towards this privatization. The government has already merged 14 public sector banks in the past four years. This budget did not address any concern of the public sector banks apart from a passing mention of the impending LIC IPO, which will drastically alter the character of India's largest social security provider.

NPA Crisis: Insolvency & Bankruptcy Code and Bad Bank

The Finance Minister mentioned that new amendments to the Insolvency Bankruptcy Code (IBC) are likely to come that would pave the way for faster resolution of companies and also include cross border resolution.

Six years after the implementation of the resolution mechanism, there have been periodical amendments to the Code, the recent one being the inclusion of the MSME sector. Despite these amendments the reality testifies that IBC has become yet another tool for the corporate companies to either liquidate their loss making assets and for some to buy assets at a devalued price. The creditors, especially the banks have been forced to take 'haircuts'. By last year, cumulative haircut taken by lenders was Rs 3.22 lakh crore (61.2 per cent) of their admitted claims. Further, what lenders recovered is not as optimistic as claimed, while it was 51.3 percent in 2017 - 18, it came down to 46.4 per cent the next year and further to 16.8 percent in 2019 - 20. The lenders recovered only 28.5 per cent of their claims in the year 2020-21.

Despite every amendment being done so in the name of efficiency and fast recovery the average recovery is still over 400 days. Last year the MSME sector was brought under the purview of the NCLT and now cross border recoveries too. Adding more sectors without adequately ensuring time bound recovery and a focus on resolution than liquidation will only weaken the process. From the five year experience, IBC has been a game changer for the corporate debtors rather than the lenders. It has further helped the government - India's rank moved up from 136 to 52 in terms of 'resolving insolvency' in the last three years in the World Bank Group's Ease of

Doing Business Reports. In the Global Innovation Index, India's rank improved from 111 in 2017 to 47 in 2020 in 'Ease of Resolving Insolvency'.

The Finance Minister mentioned that the Bad Bank proposal from the last budget has become a reality. Days before the budget, it was announced that 15 accounts worth over Rs 50,335 crore will be transferred to the National Asset Reconstruction Company Limited (NARCL), out of the 38 accounts worth Rs 82,845 crore identified. With the spectre of privatisation looming over the public sector banks, the bad bank is another way to aid banks to clear their NPA. Over the last five years we have seen that NPAs are yet to be resolved, despite multiple attempts by the government. The NPAs of the scheduled commercial banks (SCBs) in the country stood at Rs 8.35 lakh crore in March 2021, of which about 77.9% were the loans that remained unpaid by larger corporate borrowers mostly from the PSBs. The Finance Minister in March 2021 informed the Lok Sabha that the SCBs have written off loans worth Rs 5.85 lakh crore during the last three FYs, while recovery has been paltry, just over Rs 68,000 crore.

The bad bank might help in shifting these bad accounts to the NARCL, but once again the banks will be paid 15% upfront. The government security receipts will be used to cover the difference in case India Debt Resolution Company Limited (IDRCL) is unable to sell or sells at a loss. While the process does not sound to be a promising prospect for the banks in the long term, it will surely aid them in clearing their books periodically for the government to claim victory over the NPA crisis or for better valuation for privatisation.

We heard nothing further from the Finance Minister in this regard and no effective resolutions came forth in strengthening the PSBs with regard to recovery of loans and regulating the advances of big loans to the corporates, changing lending policies and social and environmental safeguard policies for lending to large developmental loans. There seems to be no space for that in a "trust based governance" model in the Amrit Kaal that is to further ease of business.

Digital Push

The Finance Minister in this budget concentrated largely on digital banking. She announced the introduction of the Central Bank Digital Currency (CBDC) which she claimed would give a "big boost to the digital economy". Digital banking being the buzzword, she also announced "75 Digital Banking Units (DBUs) in 75 districts of the country by Scheduled Commercial Banks". Further the Minister announced that 1.5 lakh post offices will come under the core banking system. This move claimed to enable financial inclusion and access to accounts through net banking, mobile banking, ATMs, and also provide online transfer of funds between post office accounts and bank accounts.

While all of these are part and parcel of the government's fetish for a cashless economy, it must take into account the digital divide that is gaping in an unequal country like ours. As per the Global Findex Database, about 20% of Indians adults are still unbanked and 22% do not have mobile connections. Internet users still hover around 50% of the population. Moreover, the country's official literacy rate is 74%, and this includes people who can barely sign their names. With such figures, one wonders if a forced digitization or cashless economy is a good idea given that brick and mortar branches are on decline. Gendered access to digital medium, technological barriers also contribute to the digital divide.

So far moves for financial inclusion have only reduced the reach of banks in the rural areas. So, in the name of measures of 'financial inclusion', what it will do in reality is to bring the 35 crore Post Office deposit accounts with deposits aggregating about Rs 10 lakh crore into the banking system. From demonetisation, so called 'jan dhan' accounts which later had issues of illegal service charges, and now postal accounts being merged with core banking system (which will further raise the service charges for post office depositors), this government has done everything to destroy the savings of the people. In stealing every single paise from the poor to pay its own and its corporate friends, this government's depravity knows no bounds.

Rising digital scams, the dangers of private digital lenders and data security are things that are still unfolding and much is being glossed over in the digital rush. The headrush towards digitization with lack of adequate checks and balances, absence of any accountability framework for payment intermediaries, etc has led to hardships particularly for the rural countryside. And the government that has still not recognized crypto currency has gone ahead and levied taxes on crypto and has made way for Digital rupee with no clarity about the necessary regulatory mechanism.

Finally, the forces behind cashless drive comes with the carefully hidden agenda of the global war on cash that has been pushed by the big capital through the Better than Cash Alliance funded by United States Agency for International Development, Bill and Melinda Gates Foundation, Citi Foundation, Ford Foundation, Mastercard, Omidyar Network and Visa Inc. It aims for the "creative destruction" of the informal sector making it difficult for them to survive risking job loss.

3. Energy Sector

Energy Sector

- This year the Ministry of New and Renewable Energy was allocated Rs. 6900.68 crores as compared to Rs. 5146.63 allocated in 2018.
- India proposes to enhance domestic manufacturing of solar panels with a Production Linked Incentive to the tune of Rs.19,500 Crores with the scheme and claimed that the scheme had the potential of creating 30 lakh jobs, with no detail of how and for whom these jobs would be for.
- As Renewable Energy is being promoted in the budget, it does not specify the need of just energy transition where there are details about how workers in the coal sector will be supported through employment and livelihoods for their sustenance.
- Unless budgets make allocations and detailed expenditures for projects meant for the marginalised and vulnerable sections of society, particularly women and children, all goals of energy transition and achieving SDGs and other international commitments will continue to remain on paper.
- The Deen Dayal Upadhyaya Gram Jyoti Yojana has been subsumed in the Reform linked Distribution Scheme that envisages support to DISCOMs.
- Adoption of various franchisee models at distribution level including multiple supply franchisees.
- The expenditure budget of Rs 393.24 crore in 2022-23, includes Rs 314.54 crore on central sector schemes/projects and Rs 12.96 crore on Coal Mines Pension Scheme.
- As an effort to transition to Carbon Neutral Economy, four pilot projects for coal gasification and conversion of coal into chemicals required for the industry will be set up.

Renewable Energy

The Ministry of New and Renewable Energy allowance gets a big increase from 2018 when it was just ₹ 5,146.63 to the current allocation of ₹6,900.68 crores this year. In the key features of the Budget 2022, there is the mention of the terms energy transition and climate action, particularly under the goals of the Amrit Kaal and under the four priorities. Under the financing of investment, there is the mention of energy storage systems.

The budget proposes to enhance domestic manufacturing of solar panels upto 280 GW of installed capacity by 2030 with a Production Linked Incentive to the tune of Rs.19,500 Crores for the manufacturing of high efficiency modules with a shift from poly silicon to solar PV modules. In the Budget speech Ms.Seetharaman mentioned that the scheme has the potential to create 60 lakh new jobs and additional production of 30 lakh jobs during the next five years. While this may seem promising, there is no clarity on where these jobs will be created. Will those working in the Coal sector be trained to take up these new jobs or will these jobs be offered to those who may lose their land and livelihood and whether there will be ample skill building and training in rural areas to address livelihoods issues remain vague and only time will tell who will benefit and who will lose in this transition.

It also mentions energy saving and management measures through the energy service company business model by awareness campaigns and capacity building programmes. But it falls short of addressing energy saving measures at the household level or at the level of residential complexes, gated communities and townships that are energy guzzlers in many ways.

The Budget mentioned a vibrant village program with distributed renewable energy projects in border villages but failed to address challenges of energy shortages in rural areas or integration of agro photovoltaic facilities to ensure energy, nutrition, water and livelihood security in rural areas. It only made a mention of the use of the 5-7 percent biomass pellets that will be used in the coal fired thermal power plants to reduce stubble burning, thereby making an attempt to address the problem of air pollution and as an additional income to farmers. The budget made a brief mention of ensuring about 2 lakh anganwadis would have access to clean energy but did not guarantee public health centres, primary, secondary and tertiary hospitals in rural areas a continued power supply. This in particular even after the covid pandemic has wreaked havoc in rural areas where power to ICU wards continuously has been a major challenge..

The budget failed to address the needs and interests of all sections of society from the energy context. It also made no mention of energy equity or access to energy and gender. Unless budgets make allocations and detailed expenditures for projects meant for the marginalised and vulnerable sections of society, particularly women and children, all goals of energy transition and achieving SDGs and other international commitments will continue to remain on paper.

What remains scary is the lack of clarity. With the proposal to digitise all land records, change in the existing SEZ law in the Budget 2022 and the PM's promise of ensuring at least 50 % of energy coming from Non Fossil fuels at the COP 26, energy transition to wind, solar and other renewable forms may well be forced down on local communities leaving them vulnerable and further marginalised with little power to negotiate. With the repeated mention of PPP model, it appears that the government is all set to make the environment conducive for multinational corporations to set up shop in the energy transition framework and ensure the pumping of all necessary resources for their profit.

The budget also failed to provide clarity on what exactly does the government mean by energy transition? what will it take for such a transition and how many jobs it will create and whether it will mean that every home and every individual will have access to energy with no one left behind. It failed to provide details of how the energy transition or climate action would be addressed through budgetary allocation.

Power - Thermal & Electrification

Budget allocation for the coal ministry has registered a decline of 38.9 per cent to Rs 393.24 crore for the financial year 2022-23. The expenditure budget of Rs 393.24 crore in 2022-23, includes Rs 314.54 crore on central sector schemes/ projects and Rs 12.96 crore on Coal Mines Pension Scheme.

In 2019, the Saubhagya Scheme which aimed at Rural Electrification was stopped and the rural electrification related work was being fulfilled under the Deen Dayal Upadhyaya Gram Jyoti Yojana. DDUGJY has now been subsumed into the Reform Linked Distribution Scheme. While both Saubhagya Scheme and DDGJY both focused on rural electrification and strengthening the rural electricity infrastructure, Discoms were provided grants under the DDGJY scheme, the Reform Linked Distribution Scheme is for Distribution sub-sector as a mix of Results and Reforms based financial support with an objective of ensuring 24X7 sustainable Power for all and a financially viable Distribution Sector. The scheme envisages support to DISCOMs in case of adoption of Reform Packages including Public Private Ownership of Distribution Companies, adoption of various franchisee models at distribution level including multiple supply franchisees. The Reform Linked Distribution Scheme started during the last financial year where 0.01 crores was budgeted which was revised to Rs. 1000 crores. This year Rs. 7565.59 crores have been budgeted under the scheme.

The Integrated Power Development Scheme that had the objective of the scheme is 24x7 power supply for consumers, reduction of AT&C losses and providing access to all households. The scheme has three major components namely improvement of sub-transmisison and distribution system in urban areas, metering & IT enablement in distribution sector under ongoing Restructured-Accelarated Power Development Reform Programme (R-APDRP) scheme, which has been subsumed under Integrated Power Development Scheme (IPDS). R-APDRP has two major components: Part-A includes projects for establishment of information technology-based energy accounting and audit system leading to finalization of verifiable base-line AT&C loss levels in the project areas; Part-B envisages distribution network strengthening investments leading to reduction in loss level. The scheme has both Grant and loan components. From the year 2022-23 the scheme subsumes in the 'Reform Linked Distribution Scheme'

This year no loans for power projects have been budgeted whereas during the financial year 2021-22 Rs. 1430 was budgeted which was later revised to Rs. 1057.46 crores for power project loans.

When the Finance Minister presented the section on transition to Carbon Neutral Economy, she mentioned that "four pilot projects for coal gasification and conversion of coal into chemicals required for the industry will be set-up to evolve technical and financial viability." This year's budget has set aside a budgetary allocation of 18 crores to promote research in clean coal technology. This means that coal mining is here to stay for longer and instead of a zero-carbon emissions economy, we are focusing on a carbon-neutral economy. Moreover, while carbon emissions may be in the discussion, green house gases are equally dangerous. Promoting such projects need to be motivated by the urgent need to protect our environment and also to reduce greenhouse gas emissions at the earliest.

Biofuels

In order to promote biofuels in the country, the first National Policy on Biofuels was made by the Ministry of New and Renewable Energy during the year 2009. As per the National Policy on Biofuels-2018 (notified on 04 June 2018), the government has emphasised on achieving energy security of the country with a target of reducing import dependence i.e. usage of fossil fuels by 10% from 2014- 15 levels by the year 2022. This target is to be achieved by adopting a five pronged strategy which includes, Increasing Domestic Production, Adopting Biofuels & Renewable, Energy Efficiency Norms, Improvement in Refinery Processes and Demand Substitution. This envisages a strategic role for biofuels in the Indian energy basket. The growing concern about the import dependence for fuel requirement in tandem with environmental pollution issues have driven the need for biofuels.

The theme for last year's World Environment Day event held on 5 June 2021 was 'promotion of biofuels for better environment'. This event was jointly organised by the Ministry of Petroleum & Natural Gas and the Ministry of Environment, Forest and Climate Change. During the event, the Prime Minister released the "Report of the Expert Committee on Road Map for ethanol blending in India 2020-2025". The E-20 Notification that was released, directed Oil Companies to sell ethanol blended petrol with up to 20% ethanol from 1 April 2023; and BIS Specifications for higher ethanol blends E12 & E15. The government believes that these efforts will facilitate setting up of additional ethanol distillation capacities and will provide timelines for making blended fuel available across the country. This will also help increase consumption of ethanol in the ethanol producing states and the adjoining regions, before the year 2025.

As per the report, immense benefits can accrue to the country by 20% ethanol blending by 2025, such as saving Rs 30,000 crore of foreign exchange per year, energy security, lower carbon emissions, better air quality, self-reliance, use of damaged foodgrains, increasing farmers' incomes, employment generation, and greater investment opportunities.

In her budget speech on 1 Feb 2022, the Finance Minister announced that an additional excise duty of Rs 2/litre shall be imposed on unblended fuels from 1 Oct 2022 to further promote blending biofuels in petrol and diesel.

Circular Economy

Measures undertaken towards establishing a circular economy could well become ways of green washing a situation which is already under crises. While the Finance Minister referred to it in her speech and mentioned that action plans for 10 sectors are ready, these have not been placed in the public domain for scrutiny and engagement by those who will be most affected by them. For a circular economy to work, it would need spending public money, which is contrary to existing measures. For e.g. sale certain forms of waste attract GST of upto 12%! How would this help establish a successful circular economy? What is therefore absolutely necessary is for the government to engage with those impacted by waste and take them into confidence while preparing and implementing the action plans.

4. Infrastructure Sector

Infrastructure Sector

- Infrastructure remains the focus with Capital Expenditure allocation raised to Rs 7.5 lakh crore; a claimed 35.4% rise from last year and 2.2 times the expenditure for 2019-20.
- Out of Rs 7.50 lakh crore, a total of Rs 4.77 lakh crore (around two third) of the total capital outlay going to just three ministries - railways, defence and roads.
- In certain ministries the net capital expenditure is higher due to Internal and Extra Budgetary Resources (IEBR) as compared to the actual capital outlay provisions.
- PM Gati Shakti Plan focusing on seamless multimodal connectivity and logistics efficiency is one of the key budget announcements
- Gati Shakti Plan includes contracts for four multimodal logistics parks, 100 cargo terminals and allocation of Rs 1 lakh crore to states
- However, there is lack of clarity on how the scheme would be financed and how much is the budget outlay for the GatiShakti plan for the year 2022-23.
- The budget spells out a push for garnering private investments through ramping up public sector investments, along with using approaches like Blended Finance and relying on private fund managers.
- The budget carried no mention of National Monetization Pipeline or Disinvestments and only a passing reference to National Infrastructure Pipeline, even though they were the key focus areas in the last budget.

As part of this year's budget proposals FY 2022 – 23 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. On the similar lines, in FY 2020-21, according to the Revised Estimates, the capital expenditure was pegged at around Rs 4.39 lakh crore, while the Budget Estimate (BE) was Rs 4.12 lakh crore. In the year FY 2021-22, the Government had committed Rs. 5.54 lakh crore which translated to an increase of 26% compared to 2020-21 (RE) figures with allocations made to railways, roads and highways, ports, shipping, waterways and urban infrastructure.

Economic Survey 2022 (Infrastructure Highlights)

The Economic Survey 2021-22 notes that during FYs 2008-17, India invested about US$1.1 trillion on infrastructure projects in the country. National Infrastructure Pipeline (NIP) was launched with projected infrastructure investment of around Rs. 111 lakh crore (US$ 1.5 trillions) during FY 2020-2025 to provide world-class infrastructure across the country. NIP was launched with 6,835 projects, which has expanded to over 9,000 projects covering 34 infrastructure sub-sectors. During the fiscals 2020 to 2025, sectors such as energy (24 percent), roads (19 percent), urban (16 percent), and railways (13 percent) amount to around 70 percent of the projected capital expenditure in infrastructure in India.

The government also launched the National Monetisation Pipeline (NMP) in September 2021 to generate revenue by monetisation / leasing of public assets to create more infrastructure. A robust asset pipeline has been prepared to provide a comprehensive view to investors and developers of the investment avenues in infrastructure. The pipeline includes selection of de-risked and brownfield assets with stable revenue generation profile (or long rights) which will make for an attractive investment option. Total indicative value of NMP for core assets of the Central Government has been estimated at Rs 6.0 lakh crore over 4-year period (5.4 percent of total infrastructure investment envisaged under NIP). The government had also announced setting up of a Special Purpose Vehicle (SPV), to carry out the monetization of the land and other non-core assets - 'National Land Monetisation Corporation' (NLMC).

On privatisation of airports, the Economic Survey stated that Airports Authority of India (AAI) has privatised six airports namely, Ahmedabad, Jaipur, Lucknow, Guwahati, Thiruvananthapuram and Mangaluru for Operations, Management and Development to the highest bidder i.e., M/s Adani Enterprises Limited (AEL) under Public Private Partnership (PPP) mode for a lease period of 50 years. In addition to Delhi and Mumbai Airports for Operations, Management and Development under PPP mode for a period of 30 years, as per NMP, 25 AAI airports have been earmarked for asset monetization over the years 2022 to 2025 such as Bhubaneshwar, Varanasi, Amritsar, etc.

As per the Economic Survey 2021-22, under the Sagarmala Programme, there are 802 projects worth investment of Rs. 5.54 lakh crore for implementation by 2035. Out of these projects, 181 projects worth Rs. 94,712 crore have been completed and 223 projects worth Rs. 2.11 lakh crore are under implementation. Further, 398 projects worth Rs. 2.48 Lakh crore are under various stages of development.

Under the port sector, the Economic Survey highlights a few policy and legal changes that have also been brought in during this period - the Major Port Authorities Act 2021 was notified.This act provides for inter alia regulation, operation and planning of major ports in India and vests the administration, control and management of such ports upon the Boards of Major Port Authorities. A new Captive Policy for Port Dependent Industries has been prepared to address the challenges of renewal of concession period, scope of expansion, and dynamic business environment. Maritime India Vision 2030 (MIV 2030), a blueprint to ensure coordinated and accelerated growth of India's maritime sector in the next decade was released in March 2021. The objective is to develop world-class mega ports, transshipment hubs and ensure infrastructure modernization. MIV 2030 estimates the investment requirement for capacity augmentation and development of world class infrastructure at Indian Ports to be to the tune of Rs. 1,00,000 – 1,25,000 crore.

Budget Announcements FY 2022 - 23: Key Numbers Missing

The budget announcement for FY 2022 - 23 states that the virtuous cycle of investment requires public investment to crowd-in private investment. At this stage, private investments seem to require that support to rise to their potential and to the needs of the economy. Public investment must continue to take the lead and pump-prime the private investment and demand in 2022-23. Considering the above imperative, the outlay for capital expenditure in the Union Budget is once again being stepped up sharply by 35.4 percent from Rs 5.54 lakh crore in the current year to Rs 7.50 lakh crore in 2022-23; meanwhile the Revised Estimate of capital expenditure for year 2021-22 is Rs 6.03 lakh crore. This has increased to more than 2.2 times the expenditure of 2019-20. This outlay in 2022-23 will be 2.9 percent of GDP. With this investment taken together with the provision made for creation of capital assets through Grants-in-Aid to States, the 'Effective Capital Expenditure' of the Central Government is estimated at Rs 10.68 lakh crore in 2022-23, which will be about 4.1 percent of GDP.

Given below is an insight into some of the key areas where the Capital Expenditure would be utilized

Sectors	BE 2021-22 (A)	RE 2021-22 (B)	BE 2022-23 (C)	Variation in % between C & A	Variation in % between C & B
Capital Outlay on Defence Services	1,35,061	1,38,851	1,52,367	12.81%	9.73%
Capital Outlay on Indian Railways	1,07,100	1,17,100	1,37,100	28.01%	17.08%
Capital Outlay on Roads and Bridges and Road Transport	1,00,890.11	1,13,881	1,80,329	78.74%	58.35%

Capital Outlay on Other Communication Services	25333.56	4870.17	53032.62	109.34%	988.93%
Loans for Urban Development	19,837.09	18,942	20,060	1.12%	5.90%
Capital Outlay on Inland Water Transport	NIL	399	445	NA	11.53%
Capital Outlay on Civil Aviation	36	62114*	75	108.33%	-99.88%

* - This figure is taking into account the debts related to the sale of Air India.

The above table covers a break-up of Rs 5.43 lakh crore out of the total proposed capital expenditure of 7.5 lakh crore in the budget.

In this year's budget proposals the infrastructure sector continues to garner major attention through a transformative approach towards economic development and sustainability is driven by seven engines – roads, railways, airports, ports, waterways, mass transport, and logistics. These are supported by roles of energy transmission, Information Technology, and social infrastructure.

The major budget announcements for FY 2022 - 23 related to Infrastructure Sector

PM GatiShakti Plan

While the announcement for the PM GatiShakti Plan was made last year on Independence Day, the scheme was unveiled in October 2021. With much fanfare, GatiShakti was touted as a Rs 100 lakh crore national infrastructure master plan focusing on terms like 'holistic infrastructure' and 'integrated pathway to economy'. Under Gati Shakti, a digital platform has been created which brings 16 ministries including rail and roadways together for integrated planning and coordinated implementation of infrastructure connectivity projects.

The GatiShakti Plan was one of the key focuses of this year's budget announcement aimed towards giving a boost to the economy. The Finance Minister emphasized on the seven engines driving the GatiShakti Plan as mentioned earlier. It has been envisaged that the GatiShakti Plan would spur huge job and entrepreneurship opportunities for all, and especially the youth. The thrust of this Plan is on seamless multimodal connectivity and logistics efficiency. The GatiShakti Plan would also include the infrastructure developed by state governments. Focusing on the year 2022-23, PM GatiShakti Master Plan for Expressways will be formulated to facilitate faster movement of people and goods. Contracts for implementation of

Multimodal Logistics Parks at four locations through PPP mode will be awarded in 2022-23. Additionally, one hundred PM GatiShakti Cargo Terminals for multimodal logistics facilities will be developed during the next three years. However, it was not mentioned in the budget speech how many Cargo Terminals were aimed to develop in the year 2022-23.

In order to give a further fillip to the PM GatiShakti Master Plan, for the year 2022-23 it has been announced that an allocation of Rs 1 lakh crore has been made in the form of fifty-year interest-free loans, over and above the normal borrowings allowed to the states which will be used for PM GatiShakti related and other productive capital investment of the states. However, it should be noted that this allocation will also include some additional components such as Supplemental funding for priority segments of PM Gram Sadak Yojana.

Private Equity, Venture Capital, Blended Finance

The budget proposal noted that Venture Capital and Private Equity invested more than Rs 5.5 lakh crore last year facilitating one of the largest start-up and growth ecosystems. With an eye on scaling up this investment, the government has spelled out the requirement of a holistic examination of regulatory and other frictions. It has been announced that an expert committee will be set up to examine and suggest appropriate measures indicating bringing favourable policies that could help investors pouring foreign capital into Indian companies. Foreign investors' concerns over the years have included paying a higher rate of tax than domestic investors and their portfolio companies not being allowed to directly list abroad. So far Indian companies can list abroad only via depository receipts, a less liquid proxy for shares which are less attractive for investors.

Venture capital investors and startup founders are likely to benefit from a tax rebate announced in Budget 2022-23. The surcharge on long-term capital gains (LTCG) tax has been capped at 15% for all listed and unlisted companies. It should be noted that only the surcharge levied on unlisted share sales has been reduced – from 37.5% to 15%. The tax rate remains unchanged at 20%.

The government backed funds NIIF and SIDBI Fund of Funds have provided scale capital creating a multiplier effect. For encouraging important sectors such as Climate Action, Deep-Tech, Digital Economy, Pharma and Agri-Tech, and will promote thematic funds for blended finance with the government share being limited to 20 per cent and the funds being managed by private fund managers.

The budget also emphasized that measures will be taken to enhance financial viability of projects including PPP, which shall be obtained by innovative ways of financing, and balanced risk allocation, along with technical and knowledge assistance from multi-lateral agencies.

Some of the other developments included

- The National Highways network will be expanded by 25,000 km in 2022-23. Rs 20,000 crore will be mobilized through innovative ways of financing to complement the public resources.

- The budget proposed that as a preferred ecologically sustainable alternative to conventional roads in difficult hilly areas, National Ropeways Development Programme will be taken up on PPP mode. Contracts for 8 ropeway projects for a length of 60 km will be awarded in 2022-23.
- Four hundred new-generation Vande Bharat Trains with better energy efficiency and passenger riding experience will be developed and manufactured during the next three years.

Reflections from the Budget for Infra Sector

This year's budget proposals emphasise on the increased capital outlay from the previous year. The capital expenditure outlay as per the BE for 2022 - 23 is Rs 7.50 lakh crore. However, a deeper look into this shows that this also includes Rs 1.88 lakh crore for the Ministry of Roads and Highways, 1.37 lakh crores for the Ministry of Railways and Rs 1.52 lakh crore as capital outlay for the Ministry of Defence. A total of Rs 4.77 lakh crore (around two third) of the total capital outlay going to just three ministries. It should also be noted that roughly 20% of the proposed capital expenditure would be going into defence services which is usually not meant for the general public. Apart from this, for the current financial year, upto November 2021, less than 50% of the capital expenditure has been spent which makes it unlikely to achieve the target.

Although the budget makes an important point to note that the public investments would be used to leverage private investments into these sectors especially roads, highways and railways. The attempts to attract private investments have been ongoing for a long time, since the post liberalisation and privatisation era began in India. However, even after 3 decades into this era the government seems unsure if private capital would come in, noting that private capital seems to require support from public investments to contribute to economic development. On the other hand, it appears that schemes like MGNREGS, education and health and family welfare have not received importance in these pandemic times.

The other side of the story of the capital expenditure projected in the budgetary proposals is the amount of resources raised through the Internal and Extra Budgetary Resources (IEBR), which is raised by utilizing PSU resources and is not reflected in government expenditure. This signifies that it might appear that in certain ministries the net capital expenditure might be much higher due to IEBR as compared to the actual capital outlay provisions made in the budget.

For instance under the Ministry of Railways, the total outlay provided for Capital Expenditure (Net) in Budget Estimate 2022-23 stands at Rs 2,45,800 crore which includes Rs 1,37,100 crore from General Revenues, Rs 200 crore from Nirbhaya Fund and Rs 1,08,500 crore from IEBR. Similarly, in the case of the Ministry of Ports, Shipping and Waterways, while going through the break up of capital expenditure it might appear that there has been nil allocation for Capital Outlay on Ports and Light Houses, but if one takes into IEBR into account for estimating the net capital expenditure, then one can observe that a total of Rs 5,004 crore has been earmarked for IEBR under 'Loan to Credit Cooperatives' where the money would be mobilized for various ports across India for capital expenditure.

It is estimated that largely private capital would contribute to the resources raised through IEBR. However, considering the fickleness of the private capital it needs to be seen how much of this is achieved and on what conditions and concessions. This also to some extent demonstrates that a big chunk of capital outlay is also dependent on the government's ability to raise resources from the private sector.

It also appears that a big part of the increase in capital expenditure is in the form of loans and advances to states which stands at over Rs 1.1 lakh crores in the BE for 2022-23 against Rs 21,000 crore in the RE for the current year. As clearly spelled out in the budget document, "Grants for creations of capital assets also include allocations under Demand driven/entitlement based scheme MGNREGS, which would vary based on demand." This would mean that actual expenditure on asset creation will depend on the ability of states to implement and spend this funding for the given objectives. The capacity of the states vary considerably across the country and this could prove to be a bigger challenge.

The budget proposals focused a lot on the PM Gati Shakti Plan. However, one of the clear disconnects between the flamboyant Gati Shakti Plan is the lack of clarity on from where the scheme would be financed and how much is the budget outlay for the GatiShakti plan for the year 2022-23. For a common person, in the budget speech, it is expected that the plans for the upcoming year along with details of the finances are clearly spelled out. Bringing together 16 ministries for rolling the Plan has its own complications in terms of which ministry would be in-charge or lead the scheme and how the fund allocation would be managed across the ministries and state governments.

Moreover, there are practical questions of how consultative the process has been during its design and formulation and how the coordination process would be in the future when dealing with multiple ministries and the various state governments. There is also no information currently available on where the 100 cargo terminals would be created for multimodal logistics facilities, whether the various inland or coastal authorities have been consulted and adequately handling the rehabilitation of communities and the loss of ecosystem. There is also a great deal of ambiguity in terms of how many jobs would be created through the GatiShakti Plan or through the enhanced use of technology and automation, would it also lead to erosion of jobs to some extent.

Although the idea to attract private investments continues to be pursued. In the benefit of the larger sections of the society, the details are awaited for the appropriate measures for environment and social safeguard policies as well as transparency and accountability mechanisms for such private entities and their investments. Such mechanisms are increasingly necessary to hold these private entities accountable for the investments they make and the impacts on the local communities in terms of loss of livelihood, displacement, environmental 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. The question also looms as to what extent the large scale infrastructure projects are democratic and participatory in nature in their implementation.

5. From the lens of International Finance

From the lens of International Finance

- The Ease of Doing Business 2.0 has been proposed; raises serious concerns around environmental and social protection, data security and rights of people over their data, alongside an accentuating digital divide to name a few.
- Focus laid on financing the infrastructure needs and stepping-up of public investment complemented by private capital at a significant scale; past experience of financialisation of development assistance has resulted in promoting shadow banking, deregulation, reforms, extensive use of PPPs.
- Thrust on enhancing financial viability of projects through PPP, with technical and knowledge assistance from multilateral agencies when the experience of PPPs in many developed and developing countries has been negative, while very few projects have delivered results in the public interest.

India's external debt estimated at US$ 593.1 billion as of end-September 2021, grew by US$ 22.3 billion (3.9 per cent) from end of June 2021. External Commercial borrowings remain the largest component at US$ 218.8 billion with multilateral banks constituting US$ 71.1 billion and IMF US$ 23.3 billion. IMF (SDRs) at US$ 23.3 billion saw a sharp rise from US$ 5.7 billion in December 2020, primarily reflecting additional SDR allocation on August 23, 2021.

The World Bank's much tainted "The Ease of Doing Business Report's"(EoDB) ghost continues to haunt India. Despite the World Bank scrapping the report and the rankings due to "data irregularities" in its 2018 and 2020 editions. EoDB has been criticised globally for watering down environmental and social protection in the name of doing business. India rose dramatically in the EoDB ranking in the last few years before it was scrapped. This rise has occurred alongside widespread deregulation, which has eroded environmental protections and has seen attempts to introduce labour and land laws that favour corporations. GoI adopted the EoDB in order to rank the Indian states, giving impetus for states to bring changes in regulatory policy space for improving the business environment. In the 2022 budget, the Ease of Doing Business 2.0 has been proposed as a revamped version, alongside the announcement of 'Ease of Living'. This new phase will focus on active involvement of the states, digitisation of manual processes and interventions, integration of the central and state-level systems through IT bridges, a single point access for all citizen-centric services, and a standardization and removal of overlapping compliances. Ease of doing business 1.0 version resulted in 1486 Union laws being repealed alongside deregulation of India's environmental standards and labour protections, and reducing taxation that left the poor and vulnerable even more vulnerable. With the 2.0 version we could be looking at a crisis in terms of environmental and social protection, data security and rights of people over their data, alongside an accentuating digital divide to name a few.

In the 2022 budget, the Finance Minister also announced that an international arbitration centre will be set up at the GIFT City to provide faster dispute resolution under international jurisprudence. In addition, the setting up of a university in GIFT

IFSC (International Financial Services Centre) which would be free from domestic regulation was also announced.

Focus was also laid on financing the infrastructure needs and stepping-up of public investment which needs to be complemented by private capital at a significant scale. This is in sync with the World bank Groups ambitious strategy 'Maximising Finance for Development' (MFD) to use public finance to unlock trillions in new private capital . The financialisation of development assistance inherent in financial intermediary Funds and the World Bank's MFD approach has been criticised several times in the past for promoting shadow banking, deregulation, reforms, extensive use of PPPs and more.

Immense thrust has been given to enhancing financial viability of projects through PPP, with technical and knowledge assistance from multilateral agencies. In the last decade IFC has provided technical assistance for financing strategies for Rewa Solar Ultra Mega Project. Since 2013, IFC has implemented a $5.5 billion rupee-denominated bond program that attracts funding for roads, power, airports, and other infrastructure projects. PPPs, itself have come under severe criticism in India. The World Bank has been at the forefront in promoting the public-private-partnerships to deliver infrastructure projects and public services around the world. The experience of PPPs in many developed and developing countries has been negative, while very few projects have delivered results in the public interest. PPPs have become a classic case of putting the burden of losses on the public and profits for the private.

Centre for Financial Accountability (CFA) engages and supports efforts to advance transparency and accountability in financial institutions. We use research, campaigns and trainings to help movements, organisations, activists, students and youth to engage in this fight, and we partake in campaigns that can shift policies and change public discourse on banking and economy.

We monitor the investments of national and international financial institutions, engages on policies that impact the banking sector and economy of the country, demystify the world of finance through workshops and short-term courses and help citizens make banks and government more transparent and accountable, for they use public money.

CFA

Centre for Financial Accountability