Opinion

THURSDAY, JANUARY 9, 2020

SERIOUS CHARGE
Congress leader Rahul Gandhi

The Modi-Shah Govt's anti people, anti labour policies have created catastrophic unemployment & are weakening our PSUs to justify their sale to Modi's crony capitalist friends

Growth in FY20 looks like it could be even less than 5%

Apart from the issue of credit availability not being fixed, there is little visibility on investment picking up soon

THE QUIBBLE THAT most economists seem to have with the advance estimates for FY20—which put GDP growth for the year at 5%—is that growth in consumption seems to have been overestimated. The asking rate for private consumption in H2 of 7.3% year-on-year (y-o-y) does appear challenging given the reading in H1 was just 4.1% y-o-y. To be sure, H2 covers the festive season and holiday season too, but the festive season was a dull one and manufacturers haven't reported any meaningful increase in consumer spends. To assume, therefore, that there would be a big upswing in demand in the last few months of the year might be stretching it. As analysts at Nomura point out, viewed from a three-month moving average basis, most consumption-demand indicators remain deep in contractionary territory. And, given little else is changing on the ground—one doesn't read about bigger investments or more jobs being created—it is not clear why and how consumers will be spending more. Real wages for rural workers actually contracted in September-November period, suggesting the farm economy remains in the doldrums. If analysts are talking of 'better' momentum in some categories, they are often referring to a smaller contraction in sales volumes rather than any big jump in buying; for instance, car sales fell only 8.1% y-o-y in November compared with 18.3% y-o-y in October.

The other over-estimation by the CSO, where consumption is concerned, lies in government expenditure, where the implied growth for H2 is 8.5% y-o-y. Unless there has been a rethink on the deficit—the government does not intend to prune expenditure, but to spend as planned—an increase of 8.5% y-o-y looks very unlikely. The fact is consumer confidence has slipped and can only be revived once more investment takes place. The capex data for Q3FY20 was slightly better, but doesn't reflect any major change in the investment environment. New projects announcements were up 38% y-o-y, but more than 60% of the projects, analysts pointed out, had poor visibility. Moreover, not many more projects are being completed; the growth was flat. Unfortunately, many projects that had taken off have been halted midway for various reasons, data from CMIE showed. Much of this ties in with the production data in sectors such as coal, steel, cement or electricity, where there has been a fair bit of contraction in October and November. Against this backdrop, the CSO's estimate that the industry would grow 3.8% in H2 too seems optimistic, even if the government pushes infrastructure projects; industry grew at a lowly 0.6% in H1.

The macro environment isn't reassuring, banks remain reluctant to lend, except to the very best customers and the NPA problem isn't quite over. So, it is difficult to see credit flows improving meaningfully for at least another six months. Worse, prices of several commodities—including crude oil—have been going up, suggesting inflation could spike. Therefore, even if the fisc is tightly controlled, chances of interest rates coming down further now look remote. There is also bad news from the rest of the world, especially the US, where chances of a recession are rising as suspected, when the yield curve saw an inversion late last year; a recent *Reuters* poll said an economic rebound is not expected soon. That seems to be much the story for India too. The worst is not over, and FY20 could see the economy grow at sub-5%.

Minority interests

SC allows regulation of teacher selection in minority institutions

THE SUPREME COURT upholding the constitutionality of the West Bengal Madrasah Service Commission Act 2008, observing that minority institutions don't enjoy "an absolute and unqualified right of appointment", sets a welcome precedent. It opens the doors for the government to regulate the appointment of teachers at such institutions, in order to ensure excellence in education. The SC overturned the 2015 verdict of the Calcutta High Court that had declared the Act *ultra vires* of Article 30 of the Constitution that preserves the right of minorities to establish and administer educational institutes, saying that it violated the right of the minority institution to appoint its own teachers. The SC judgment, by Justices Arun Mishra and UU Lalit, underscores the need to strike a balance between the upholding the academic interest of students & preserving standards of excellence and the right of minorities to establish/administer educational institutes. To be sure, government regulation must mean that experts do the selection rather than it facilitating political appointments—in the West Bengal case, the Act mandates that the chairperson of the committee be an eminent educationist with profound knowledge in Islamic culture, while three other members are eminent educationists with one having deep knowledge of Islamic theology, and the fifth being a legal/administrative expert.

The bench invoked a clutch of judgments, including the 2002 *TMA Pai Foundation* one delivered by a 11-judge bench, that held, "The right under Article 30(1) cannot be such as to override the national interest or to prevent the government from framing regulations in that behalf... the right under Article 30 is not so absolute as to be above the law." The SC, in the present case, observed that regulation framed in the national interest must apply to all institutions regardless of the community that runs them. The court relied on the secular/otherwise touchstone adopted in the *TMA Pai* case to offer clarity on what would constitute national interest. In the *TMA Pai* case, the apex court had considered two categories of institutions—one that imparts education "dealing with preservation and protection of the heritage, culture, script and special characteristics of a religious or linguistic minority" and another that deals with "secular education". In the present matter, the SC said, "In the first category, maximum latitude may be given to the managements of the concerned minority institutions... However, when it comes to the second category of institutions, the governing criteria must be to see ... the institution achieves excellence and imparts best possible education."

Pushing merit over other considerations for teaching of "secular" subjects at minority institutions ensures that students don't lag their peers at non-minority institutions—a 2014 study in Karnataka had shown that 80% of madrassa students did not get to learn science, mathematics and social science while over half didn't get to learn English—all subjects that are key to future employability.

Deadly DENIAL

Australia's deadly bushfires are fanning even wider climate denialism

AS COUNTRIES, INCLUDING Australia, drag their feet on climate action, Australia burns. Nearly half a billion of its flora and fauna have been reduced to cinders—some species, native only to Down Under, now face certain extinction. A third of the land on the island that is the only natural home to some unique animals, some of which had been brought back from the brink of getting wiped out, has been scorched by the bushfires which have been raging since late December, NASA images show. But, visuals of neither singed and raw koalas nor of a charred baby roo whose remains hung from a wire fence have done anything to cause the Australian government to get real on climate change. Instead, 10,000 camels will be shot because they drink too much water and fire-ravaged Australians of the *Homo sapiens* kind can ill-afford to share water with 'lesser' mammals.

The irony is climate denialism is thriving like never before in the country. Given how research shows that conservatives are more likely to be climate sceptics than progressives—worse, there is also research showing that presenting scientific information to climate-sceptics causes them to dig in their heels—it is not surprising that Australia's right-wing political parties are mainstreaming denialism from podiums. Even PM Scott Morrison is guilty. This is affecting solutions, since it would mean more government intervention. Denialism gets more "favourable exposure" in mainstream media while, Ipsos polling shows, Australia lags other countries in acknowledging the threat of climate change. It isn't just Australia, the US is headed by a climate denier and Brazil by a man who has blamed the loss of the country's forests to, believe it or not, climate activists. If this is the path the big economies insist on taking, the world will fry.

GDP GROWTH

GROWTH-INFLATION MIX IN NEAR TERM LIMITS ROOM FOR LARGE POLICY STIMULUS... FY21 BUDGET HAS TO EXPLORE WAYS TO MAXIMISE IMPACT OF LIMITED RESOURCES

Growth revival won't be easy, the onus is on fiscal policy

SAUGATA BHATTACHARYA
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THE OFFICIAL FIRST Advance Estimate of FY20 GDP growth is 5% (*see graphic*), and further shallow cuts, on balance, are likely in future revisions (to 4.7–4.8%), given the expected dynamics of growth drivers in Q3 and Q4. The current estimate is derived largely by extrapolating the available data for 7-8 months onto the full year. Some components of the GDP (e.g. IIP) are estimated using the ratio of (seasonally adjusted) prints of the seven months to the annual values "of past years". Other extrapolations used are financial results of listed companies up to Q2, first advance estimates of crop output, accounts of the Centre and state governments, bank deposits and credit, commercial vehicle sales, volume indicators of freight, etc. The performance on most of these metrics had been quite poor in H1, but many high frequency indicators of economic activity have improved in November and December. However, constraints on central and state governments' spending, continuing weak or only slightly improved credit offtake and likely financial markets volatility will probably keep the expected recovery in Q4 very modest.

The two most striking aspects of the growth forecasts were the very sharp, almost precipitous, drop in fixed capital investment and the low nominal growth rate. The latter is both the cause and effect of shortfalls in government tax collections, slower corporate profit growth, and multiple other metrics that are linked more to nominal rather than real (i.e., inflation adjusted) activity. The fiscal arithmetic of the Centre will be impacted and limit a slippage from the budgeted fiscal deficit within the ambit of FRBM on additional spends. The worry is the former, which is the real cause and amplifier of the slowdown, particularly in the manufacturing segment. Capex (real) growth is forecast to have fallen to 1% in FY20, from an average of 9% in the previous three years, and 6% since the start of the current GDP series. The Centre's recently released National Infrastructure Pipeline project needs to be expedited, amongst various other measures.

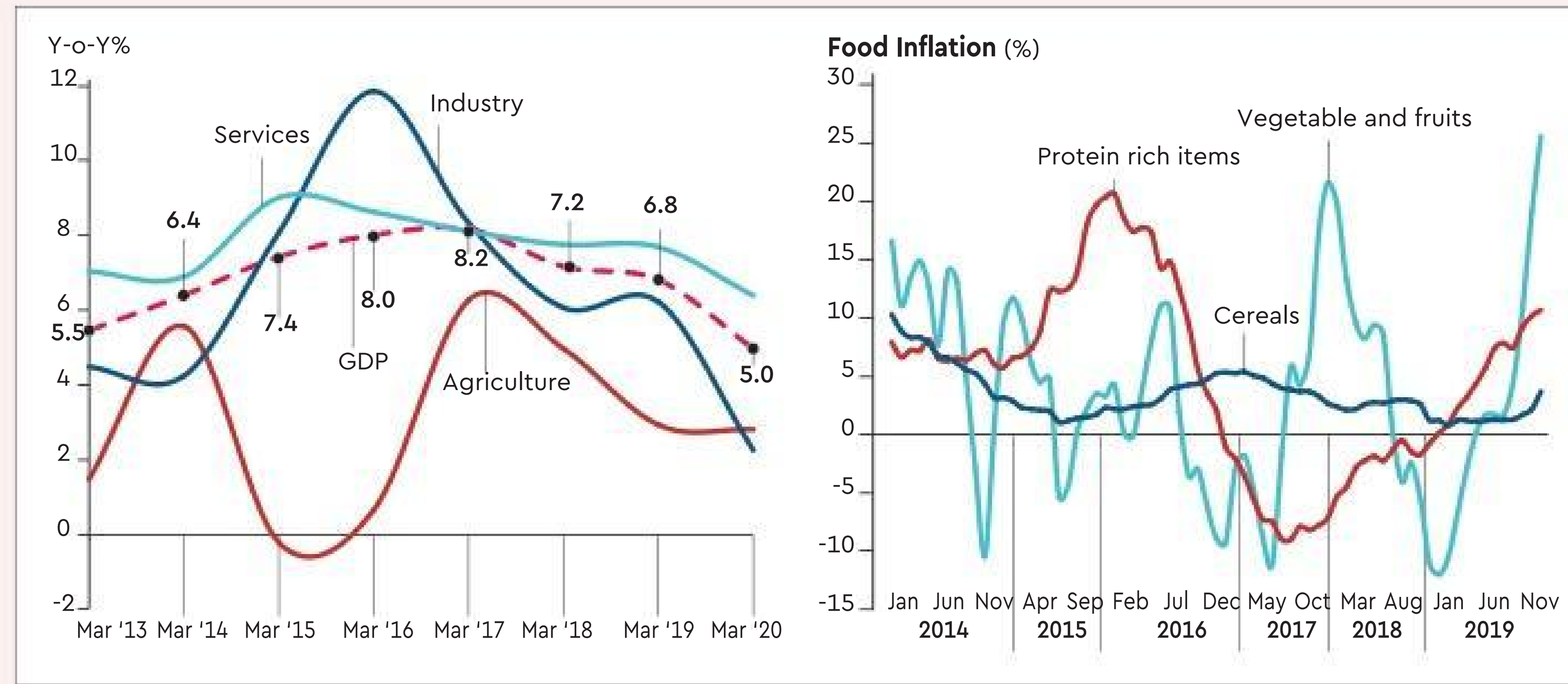
Juxtaposed against this slowdown is the likely high CPI headline inflation print for December 2019, which we forecast at 6.9% with upside risk. Even WPI inflation in December is expected to rise sharply to 2.6% from 0.6% the previous month. Although the rise is due to onions and a couple of other vegetables, and is likely to correct in January, CPI inflation, even excluding onions, has moved up since September 2019. The proximate reason has been the "protein complex"—meat, fish, eggs and pulses *(see graphic)*. Globally, too, food prices have moved up sharply, although this has been mostly due to pork prices in China. Despite the rise in vegetables prices, India's core (excluding-food and energy) inflation had continued to remain muted, and had consistently fallen over the past year. However, there is a risk of even core inflation ticking up. Some part of this will be the base effect of last year's fall, but there are fundamental price pressures building up as well. The proximate risk is, of course, crude oil prices, given the present geo-strategic situation, but over time, more broadly on expectations of a global recovery post the US-China trade deal and other factors. A global growth revival, however modest, particularly in China, could pull up industrial metals. Gold prices have gone up sharply.

FY20 is more or less done. The focus will now be on the recovery path for FY21, with the trade-offs noted above defining the mix of policy instruments which can be further deployed to revive growth. The scope for further cuts in the policy repo rate in the near future remain limited, although other monetary policy stimulus measures are still on the table to accelerate transmission (as RBI has demonstrated with its operations twist). The Monetary Policy Committee (MPC) made it clear that it will lean more towards its inflation targeting mandate, till there are signs of inflation stabilising close to the 4% target. As we have repeatedly emphasised, one of the key inputs in the MPC decision will be the refresh of RBI's Household Inflation Expectations Survey. Since this survey is likely in progress now, the saliency of the persisting rise in vegetables prices and the recent hike in petrol and diesel prices is likely to keep inflation expectations elevated. While a reversion down in inflation in H1 FY21 might create some space for additional monetary policy easing, the heavy lifting will have to be done by the fiscal policy, supplemented by trade, ease of business and other policies.

The first improvement is likely to be a nominal growth rate higher than the 7.5% estimated for FY20, probably around 10%, which will provide some extra room for manoeuvre. While fiscal policy is still likely to be circumscribed by relatively weak tax revenue growth, the government has shown an intent to use its limited resources more effectively, both through pragmatism in revenue augmentation (dispute resolution, non-tax revenues, access to foreign capital, etc) and expenditure rationalisation and management. These measures need to be taken forward to monetise as much of latent assets as possible, cut spending overlaps and increase coordination with states.

Improving credit offtake and delivery will be central to a quick recovery, and using fiscal revenues to leverage private funds (as is already being tried for the Partial Credit Guarantee and Last mile funding corpuses) besides further recapitalisation of PSBs will be central to reducing risk aversion and enhancing bankability of projects. FY20 will certainly have been the trough, but growth revival will not be easy, given the multiple structural impediments. An innovative coordination of policy levers will need to be carefully thought out.

Vikram Chhabra contributed to the article



Don't bundle coal and renewable power

When coal power generators in India are evading deadlines to retrofit plants with emission controlling systems, using renewable energy to lower tariff of polluting power counters climate objectives

ANINDYA UPADHYAY
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Views are personal

RENEWABLE POWER HAS been steadily posing a David-like (of David and Goliath) challenge to polluting coal-fired projects ever since PM Narendra Modi declared the building of 175-gigawatt green capacity by 2022 as the centrepiece of India's climate pledge. In 2015, the government had come up with a plan to 'bundle' solar energy with the then cheaper coal generation to push sales of renewable power through a market-driven approach. The 'bundling' mechanism soon became obsolete as renewable energy cost started falling dramatically. The cost of electricity using solar photovoltaic fell to $38 per megawatt hour—14% lower than cost of coal-fired power in 2019—according to consultancy Wood Mackenzie.

A new proposal now seeks to flip the 'bundling' scheme by using cheap renewable energy to subsidise costlier coal-fired power to ensure continuous supply. The Ministry of New and Renewable Energy on January 3 proposed 'reverse bundling', wherein "high cost thermal power" is bundled with cheaper renewable energy to overcome the 'intermittent-ness' of green power, and ensure uninterrupted round-the-clock electricity. At a time when coal power generators in the country are evading deadlines year after year to retrofit plants with emission controlling systems, using renewable energy to lower tariff of polluting power counters climate objectives.

The draft policy for round-the-clock electricity via 'reverse bundling' stipulates supply of 51% renewable energy with or without energy storage bundled with 49% thermal power component. The tariff for this bundled electricity could work out to be much higher instead of a simple average of cheap renewables and costlier coal supply. There are at least two reasons for this:

- Renewable energy can only be supplied for 6-8 hours, while battery storage plus thermal plants will cover power supply for the remaining 18-14 hours in a day. The cost of battery storage, although falling rapidly, could raise power tariff when supplying for several hours together. The high charge for a fixed amount of standby thermal power capacity needed for bundling will further add to the combined tariff.

Also, if thermal power is bundled with renewable energy without storage, the coal-fired capacity will have to be ramped up and down throughout the day or be shut for a part of the day depending on renewable generation. This may not benefit the coal-fired projects due to inefficient operation.

- The capacity utilisation factor (CUF) of a solar project is only 20%. If 80% power is supplied from thermal capacity, the mechanism is still workable because the coal-fired plants will be utilised to a larger extent. Necessitating renewables to form a 51% share of supply will make bundled power tariff expensive, due to the fixed charges of a large standby coal-fired capacity operated inefficiently.

The inability of power distribution companies (discoms) to buy enough electricity owing to their poor financial health is at the centre of this David-Goliath tussle between renewables and coal-fired power. The aggregate external debt of state-owned discoms is set to increase to ₹2.6 lakh crore by the end of this fiscal, according to credit rating agency Crisil. Government data shows that discom dues to power generators have increased to over ₹80,000 crore, of which almost ₹65,000 crore was overdue by October-end last year. Simultaneously, coal thermal capacity utilisation has constantly been falling throughout the year and stands reduced to merely 50%, as of October.

State agencies have been struggling to find buyers for almost a year for 2.5 gigawatts power from stressed coal-fired units as part of a scheme to facilitate procurement of power from commissioned projects lacking purchase agreements. The tariff under this scheme at ₹4.41/kilowatt-hour has been perceived as expensive, evoking poor response from buyers. Renewable energy tariff at less than ₹3/kilowatt-hour, in comparison, is cheaper, and hence, more compelling for discoms to procure. Thus, reverse bundled power will have to face the same test of being attractive to discoms, who cannot be forced to buy it.

To be sure, electricity from renewable sources constitutes only about 10% of the country's total generation mix, and there is a long way to go in achieving higher green power generation. As per the Central Electricity Authority's estimates, coal will continue to dominate India's energy mix constituting 50% of generation by 2030 in spite of its installed capacity being lower than that of renewables. India's coal demand is expected to grow by more than that of any other country, in absolute terms, by 2024, according to the International Energy Agency. This necessitates mechanisms to ensure more renewable projects come online, especially as India has barely reached the halfway mark in installing the targeted 175 gigawatts by 2022.

LETTERS TO THE EDITOR

On nationwide strike

The nationwide strike by trade unions has succeeded in bringing to focus the Modi government's anti-labour policies. It has led ordinary people to ask why the government has decided to go ahead with privatisation of public sector units. The trade unions have reason to worry over the government's disinvestment plans that spell further emasculation of the country's workforce. But, the government is naturally so pro-rich that it cannot say 'no' to the rapacity of big industrialists seeking amassment of more wealth. Under the present regime the workers are not at all treated as the most important stakeholders in the economy. The government subscribes, to the view that the curtailment of the rights of the working class is necessary to propel growth. The idea that 'man is essentially a worker' is alien to the right-wing parties. The daily wage earners and the workers in the unorganised sector occupy no space in the government's thinking sphere. BJP is preoccupied with implementing policies that will satisfy the Hindutva zealots and corporate tycoons. It is hostile not just to Dalits and other lower caste people and Muslims, but also to the working class. Such has been the overarching appeal of Hindutva over the years that even the impoverished, the Dalits, farmers and workers favour BJP despite their distress aggravated by its policies. Mercifully, people are realising the folly of supporting a party that works against their interests out of their uncritical devotion to religion. Faith is okay for those who need it, but it should not be allowed to be misused as a tool for exploitation.

— G David Milton, Maruthancode

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INDIA'S FUTURE

Informal, and urban?

Our mindset lets large enterprises have a disproportionate influence in policy making, with no place for the informal sector at the table. But India's urban future, job creation, and growth revival may be with the small entrepreneurs

FOR DEVELOPING COUNTRIES as a group, more than half of all jobs still remain in the informal sector. Early views of industrialisation leading to an inexorable pull of the rural population into urban areas saw urbanisation and formalisation as being the same thing. Later views of rural-urban migration, as leading to a translation of rural poverty into urban poverty, coincided with caution on urbanisation, and greater support for rural development.

We now find ourselves at a conjuncture where urbanisation is being promoted as an integral part of our growth strategy, but concerns about the informal sector have been folded with the black economy, congestion costs, and a threat to law and order and social cohesion. The "undermining of social cohesion and law and order" bears a familiar resemblance to concerns of colonial regulators about activities that were "on the other side" of the dual economy divide. These concerns run counter to our understanding that the informal sector remains an integral part of India's structural transformation and young demographics (*bit.ly/36CwEiu*).

The growth dynamics of the formal and informal sectors are very different. These differences can be seen in their spatial location, the pace at which they create jobs, their contribution to traded and non-tradable activities, and their impact on networking and gender equality. These differences are enormous. But informal and formal sectors remain friends, not foes.

India's urban transformation is taking place at a 100-times faster pace than what developed countries have experienced. India is also the youngest country in the world, riding a wave of youth bulge that will continue to add 10 million additional workers to the labor force every year for decades to come. Urbanisation and informal sectors have the potential to complement each other, and absorb this youth bulge and promote shared prosperity. Policy makers should not worry about slow pace of formalisation.

Trends in urbanisation and formalisation

India's informal manufacturing sector is large, no matter which definition we use, enterprise or employment. While India's overall manufacturing sector has become more urbanised, the differences in the spatial development of the formal and informal sectors are striking. The formal sector is de-urbanising rapidly and moving from urban to rural locations to remain cost competitive. India is one of the most densely populated countries in the world, and the high population density of a city makes large-scale manufacturing less competitive, and forces them to move to a rural setting. On the other hand, the informal sector is urbanising rapidly to benefit from a better physical infrastructure.

The urbanisation of the informal sector and the de-urbanisation of the formal sector can't be explained by changing definition of urbanisation, as the definition of an urban setting in India has been mostly stable since the 1961 census. India uses a more demanding set of criteria than most countries to define what is 'urban'. For example, substantial parts of the US metropolitan areas like Atlanta or Phoenix would be classified as rural in Indian statistical analyses because their population densities fall below 1,000 persons per square mile.

India's employment growth in the manufacturing sector during the last two decades has occurred largely in the urban areas. Job growth has been concentrated in the informal sector. Informal sector jobs have expanded in the traded sector and contracted in the non-tradable sector. So, growth in traded industries is not due to plants achieving larger economies of scale, as was expected from reforms implemented in the early 1990s. The rapid urbanisation of the informal sector appears to be the most important factor.

Informal sectors conform much more closely to the overall contours of India's economic geography than formal sectors. Not all jobs in the informal economy yield paltry incomes. Many self-employed earn more than unskilled or low-skilled workers in the formal economy. A diverse and large number of entrepreneurs in garment industry in New York have made it much more competitive compared to Pittsburgh with one large and vertically integrated steel factory, which has now become a ghost town.

It is unlikely that rapid urbanisation and technological changes will lead to the demise of the informal sector. Remaining small is a rational response to high urban density. Technological changes have enabled entrepreneurs to operate at a smaller scale, and benefit much more from networking and agglomeration economies associated with urbanisation. The growth benefits of urbanisation come from agglomeration economies, which are much stronger in India compared to the US. It is even stronger in the informal sectors.

Tax reforms, demonetisation and financial stress

While the goal of Goods and Service Tax reform is commendable, its hasty implementation has adversely impacted small entrepreneurs in the informal sector. It has broken the link between formal and informal sectors. Large enterprises that outsource a lot of tasks to small enterprises are now less inclined to do it to the informal sector that barely come under the GST net. The informal sector has been badly affected by the economic slowdown and much of this may not be captured in official statistics.

Insolvency and bankruptcy reforms are important and needed for more efficient resource allocation. But it is not of a great consequence to the informal sector. There is mounting evidence that economic shocks that worsen infrastructure affect informal sectors by reducing their access to markets and basic services.

There is rising concern that demonetisation has also adversely impacted the informal sector more than the formal sector. Hundreds of millions of small enterprises that operate in the informal sector, and which are cash dependent, have suffered losses and lost their jobs. India may have experienced a potential reversal in structural transformation, as more than 2 million people have migrated back to villages from cities. But the backbone of the informal sector is not broken, as India's urbanisation will continue to expand the informal sector.

Policy agenda

India's favorable structural trends and young demographics will revive growth, with urbanisation and informal sector playing a key role in job creation. First, the FM could explicitly recognise the role of informal sector as an important driver of growth and job creation in the next Budget. Second, while the agenda on smart cities has caught the attention of policy makers, it needs to be made more inclusionary by integrating the informal sector into city planning, budgeting and financing. Third, technological revolution has made the informal sector as partners in development. Smartphones have become the key tool for women entrepreneurs, putting instant information about safety alerts, traffic, tourism, health services, and community news into millions of hands. India's urban future is in the informal sector.

DATA PROTECTION

Makings of a nanny state

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Does India want to be the Big Data State after all?

INDIA CONTINUES TO prove to the world that the State needs to act like a parent for her subjects (data). Good parenting is ideally a result of the parent having lived a life full of rich experience and an ability to master life trajectory. With the democracy still young, and dwindling economic parameters over the last three quarters, the *locus standi* seems weak. Any attempt to monopolise data, on the pretext of due functioning, is an unfounded approach to monetise the now overused 'demographic dividend' of young population.

The recent WhatsApp breach gave further succour to push for a Data State. This was done as the government introduced a draft of the Personal Data Protection Bill (PDP) in Parliament on December 11, 2019. The bill was referred to a joint select parliamentary committee. If the current PDP is anything to go by, there are several opportunity costs. The PDP allows for the processing of personal data for the provision of any 'service' or 'benefit' provided by the State. In contrast, another provision leaves room to define what constitutes 'reasonable purposes' for non-consensual processing of data.

PDP does not have a focus like GDPR, where there is at least onus on the data processor to establish how non-consensual data processing must outweigh the data subject's fundamental right. Ordinary rules governing judicial review on State action will, therefore, become the default rule for enforcing privacy breaches. However, since the Data Protection Authority (DPA) isn't under obligation to provide reasoned orders before processing data, the grounds of such judicial challenge will be limited. PDP shall, thus, dilute the *Puttaswamy* judgment on the right to privacy. A suggestion could be to adopt the GDPR framework to allow subjects to object against data processing by the state in certain situations. The current PDP only allows the right to erasure and call for factual incorrectness of data, but doesn't provide an outright ability for citizens to object to non-consensual data sharing.

> Data localisation requirement isn't challenge-free. Sensitive personal data and personal data would usually be stored as a mixed set, and de-identification may be an arduous task

Interestingly, since the technology itself is not sacrosanct and is liable to be manipulated, in case of factually inaccurate data sharing, the State could potentially land in embarrassing situations unless an additional layer of legitimacy is in place. Thus, it is important to staff the DPA not just by appointing retired judges and bureaucrats but also seasoned technology veterans. An intensive boot camp for potential training of candidates is not a far-fetched idea. The Central Government reserves its right to issue binding instructions to the DPA severely compromises the independence, calling the need for an overarching ombudsman structure using established principles of administrative law.

The data localisation requirement under the PDP (although eased from the previous version of the bill) is still not challenge-free. For instance, sensitive personal data (SPD) and personal data would usually be stored as a mixed set, and de-identification may be an arduous exercise. Similarly, leaving the definition of 'critical personal data' open to the government, in the absence of legislative guidelines, seems like excessive delegation. Third-party transfers of SPD are required to be approved by the DPA, which could reduce agility in fast-paced innovation, especially blockchain and distributed ledger technology (DLT). An exception for real-time data transmission using DLT should be considered. Similarly, while the sandbox introduced in the PDP is laudable, one needs to take care of the selection criteria of companies. The chances of government owned enterprises competing with private players cannot be excluded. Therefore a 'neutral' and well-implemented selection procedure will be imperative.

The government retaining the right to seek anonymised data from data fiduciaries, although patently innocuous, leaves room for enough data sets to be generated which would otherwise not be available to the government. Deanonymisation of data is not entirely off-limits. Further, the blanket right to exclude the applicability of the PDP to State agencies in the interest of 'sovereignty', 'integrity' or 'public order' does place the State on a different footing as far as ownership and processing of data is concerned.

Does India want to be the Big Data State after all, and what is so peculiar about her data subjects that call for them being treated like wayward children? We can only read between the lines for now!

Infra funding 2.0

A long-term infrastructure bond market for the private sector must be created

NIRANJAN HIRANANDANI

President - NAREDCO

INFRASTRUCTURE IS A crucial driver of economic growth. Infrastructure development not only creates employment but also has the capacity to increase consumption and can give a boost to the economy.

The recent announcement of ₹102 lakh crore by the finance minister Nirmala Sitharaman was shot in arm for acceleration of mega infrastructure projects allocated across the various sectors like power, railways, urban irrigation, mobility, education and health. This will spur up the demand for alternative infrastructure projects funding.

In early 1930's developed economies like the US, Germany were going through recessionary cycle. For quick revival, these economies relied on slew of mega infrastructure development like autobahns, highways and railways to attract more investments. This had a manifold effect on GDP growth and economic revival. Today, India needs to relook at the same development model by expanding and expediting its infra projects.

The government is rightly concerned about fundraising for such a plan as well as low private sector participation. The problem gets multiplied when Government says that it "has no business being in business or as Chanakya has said "*Jis desh ka raja (sarkar) vyapari hota hai, uss desh ki praja bhikhari ho jaati hai*". The government, thus, should work on its disinvestment plans as well.

Infrastructure financing in India faces several challenges right from high cost of capital to shortage of long-term financing due to asset- liability mismatch. It is difficult to fund new projects due to limited availability of capital and liquidity with the Banks/NBFCs and Bank's sectoral limits. Therefore, alternative funding avenues needs to be worked out. First, the government needs to encourage privatisation. In India, the government has only issued sovereign bonds in local currency in the domestic market to finance the fiscal deficit. Foreign portfolio investors have evinced interest in Indian government bonds traded locally in recent years, as the real interest rate on Indian bonds is attractive compared to other developed economies.

While a sovereign bond is neither necessary nor desirable, it is still essential that a long-term infrastructure bond market for the private sector is created. This can only happen with participation from life insurance institutions and other long-term investors. There is a need to construct a financial bond market which runs for five years and moves assets into a 20-30 year bond / InvIT, essential to ensure constant capital flows. Institutional participation, stamp duty and tax incentives required to make this happen, must be accelerated.

There are two more ways that the central government can think of financing the infrastructure projects. The first step is to mobilise funds via divestment of profit-making state-run companies. The second is to revive private participation to fill the financing gap.

Disinvestment provides the government the much-needed fiscal resources and withdrawal from several activities that can be transferred to private sector without sacrificing any public cause. It also helps in refocusing the scarce administrative resources of the government.

By disinvestment, public money could be freed up for investments in infrastructure, health, social sectors or education. This would also result in improved efficiency and, at times, expansion of enterprises and creation of employment opportunities after management is passed into private hands.

Similarly, disinvestment in major ports and all the waterfront ocean or river areas into a completely open-license regime will revolutionise the ports sector in India. This can earn the government at least ₹100,000 crore in annuity, if executed well.

We strongly believe that the disinvestment proceeds will be critical for the government to stick to its target of keeping fiscal deficit at 3.3% of the GDP in the current fiscal year.

Though the public-private partnership model has gained significant importance, there is a need to refine and evolve it further to make it a successful proposition. The government, now, needs to lay further emphasis on creating tailor-made solutions to suit the prevailing risks. GOI has come out with the Hybrid Annuity Model or HAM. This model is a mix of the EPC (engineering, procurement and construction) and BOT (build, operate, transfer) models. The private players are paid to lay down the roads and have no role in the roads ownership. It is the government's responsibility to maintain and collect tolls on the road.

As an example, NHAI has shown that using such innovative mechanisms their annuity collections will grow from ₹30,000 crore per annum to ₹100,000 crore per annum. This alone will be able to fund ₹10 lakh crore worth of projects.

Thus, the advantage of huge investment drawn to the infrastructure sector via different avenues shall transmit into a manifold effect leading to increase in the GDP growth to a double digit number inclusive of employment generation.