

Budget may give big push to infra spending

FY18 capital outlay could be 12-14% higher than previous financial year

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Budget 2017-18 is likely to give a massive push to infrastructure in terms of outlay and extra budgetary resources as the Narendra Modi government looks to boost economic growth following a global slowdown abroad and demonetisation at home.

Senior government officials said Finance Minister Arun Jaitley might announce a third straight year of record capital spending and the capital outlay for the coming financial year could be 12-14 per cent higher than the 2016-17 Budget Estimates of ₹2.47 lakh crore. That would put the 2017-18 capital expenditure at nearly ₹2.8 lakh crore.

Jaitley may also introduce other measures to revamp the infrastructure sector and create an environment to attract investment from the private sector and foreign institutional investors (FIIs).

These could include tax holidays for coastal economic zones, revamping public-private partnerships (PPPs), making state-owned projects more attractive to FIIs, higher outlay for affordable housing, and fresh impetus to municipal bond markets for Smart City funding.

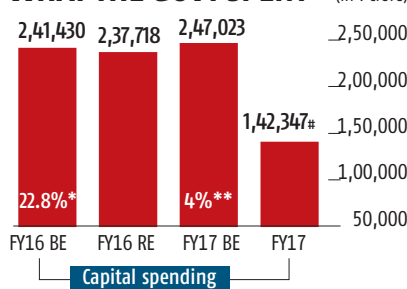
"The private sector's balance sheet is still weak and banks are reeling under the weight of bad loans. It is up to the government to kick-start infrastructure development through public spending and improve the investment environment for the private sector," said a government official.

Jaitley had stated the Centre's commitment to boost public spending in infrastructure as an impetus for growth in the FY16 Budget and increased capital expenditure by almost 23 per cent from the 2014-15 actual figures of ₹1.97 lakh crore. It was the steepest jump in capital spending in 15 years.

That push has continued in the current financial year. The Budget Estimates for FY17 is four per cent higher than the



WHAT THE GOVT SPENT



*% rise over previous year's actuals
**% rise over previous year's RE
#Capital expenditure for April-November
BE: Budget Estimates; RE: Revised Estimates
Sources: indiabudget.nic.in; cga.nic.in

FY16 Revised Estimates. A combined outlay of ₹2.18 lakh crore was announced for roads and railways. About ₹1.42 lakh crore has been spent on capital expenditure till November.

"We expect the finance minister to significantly increase the outlay on roads and shipping," said Vinayak Chatterjee, chairman, Feedback Infra.

The proposal for an asset recycling structure was one of the major points industry representatives raised at pre-Budget interactions with Jaitley, Chatterjee said, adding, such a structure would give leeway to government departments to sell brown-field projects.

"We are also expecting an action plan

WHAT LIES AHEAD

Capital spending for FY18 could be nearly ₹2.8 lakh crore

- Govt is planning to boost infrastructure amid a slowdown on global cues, demonetisation
- Measures to increase foreign, private participation in infra
- Tax breaks expected for coastal economic zones, enabling FIIs to invest in public projects
- Higher outlay likely for roads, ports and affordable housing

on the National Investment and Infrastructure Fund," he said. With a corpus of ₹40,000 crore, NIIF is a vehicle to attract equity investments from domestic and international sources, and the government plans to contribute 49 per cent to the corpus.

For PPPs, Chatterjee said it was imperative the government implemented the recommendations of the Vijay Kelkar panel. The panel has suggested a new mechanism for dispute resolutions.

It states that a project above a certain monetary and time threshold could be renegotiated if there is evidence that it is distress material and is likely to result in default under the concession agreement at some future point.

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