

In Gajendra Haldea's death, India loses a keen upholder of public interest



Of his many initiatives, the former IAS officer authored the bill that became the Electricity Act 2003. It provided 'open access' to customers – who could choose their electricity supplier like they do with telecom services

Gajendra Haldea, who died on Friday (January 15), at the age of 71, was a civil servant who believed that the private sector and competitive markets could provide public services efficiently and affordably.

Haldea was an Indian Administrative Services (IAS) officer from Rajasthan, who retired in 2014 as adviser to Deputy Chair of the Planning Commission, Montek Singh Ahluwalia. Haldea was also the Principal Adviser (Infrastructure) in the Planning Commission, where he drafted bills, policies and tender documents to ensure competition in infrastructure services and to award projects on merit.

After the economic liberalisation of 1991, the finances of the Indian state were stretched and there was little left for capital investment after meeting revenue expenditure. So the country came increasingly to depend on public private partnerships (PPP) for infrastructure development. However, PPPs can work efficiently only when risks are apportioned as per the capability of the contracting parties and they execute their responsibilities scrupulously. The projects need to be diligently monitored and accountability has to be enforced. While PPPs have given us better roads, ports, airports and electricity services, many such projects were set up by cronies to simply mint money by hollowing out the banks.

Haldea liked to be a thorn in the flesh. He never hesitated to point out flaws in concession agreements or tendering processes that were detrimental to public good. In 2010, while in the Planning Commission, Haldea wrote a paper titled 'Sub-prime Highways,' (<https://bit.ly/3nXeakF>) in which he showed that by lending to highway projects on the basis of inflated costs, banks were putting themselves at risk of loans going bad because the developers had no skin in the game. He took up 20 highway stretches and showed that the

cost that formed the basis for bank lending at Rs 25,940 crore was 90 percent higher than the cost estimated by the National Highways Authority of India (Rs 13,646 cr). Banks would be left holding the can, he said, because NHAI would not reimburse a loan if a developer failed to complete a highway. If a concession was terminated after construction, NHAI would reimburse 90 percent of the cost as per its estimate. His study was prophetic. After the financial crisis of 2008, Haldea's worst fears came true.

In 2007, Haldea got an economist to study the Delhi-Noida-Delhi toll bridge and showed how its sponsor, Infrastructure Leasing & Financial Services (IL&FS) which collapsed in 2018, got itself a sweet-heart deal. The analyst showed that the subsidiary of IL&FS, which won the concession, was assured 20 percent return on total project cost and not just on the equity it contributed. Even on the debt portion on which it paid an average interest rate of 14.7 percent, it was getting a return of 20 percent. The agreement was drafted such that if it did not get the 20 percent return in a year, the shortfall would be added to the project cost. As a result, the initial project cost of Rs 408 crore in 2001 had increased to Rs 953 crore by 2006. And the concession of 30 years had stretched to 70 years to ensure that the concessionaire recouped its 'investment.' The study also showed that IL&FS had conflicts of interest: it had conceptualised the project; as a member of the steering committee it had decided that the project should be implemented by a company it had set up and it was also a lender. In 2016, the Allahabad High Court ordered that the bridge should be toll free.

Haldea authored the bill that became the Electricity Act 2003. It provided 'open access' to customers – who could choose their electricity supplier like they do telecom services. But the distribution companies along with the regulators did not allow this. Haldea filed a public interest suit in the Delhi High Court saying that the privatisation of electricity in Delhi had resulted in the replacement of a public monopoly with private ones. There were only single bidders for the three distribution zones, the transferred assets had been under-valued and a loan of Rs 3,450 cr which was given to prevent a jump in tariffs initially had not been recovered.

In the award of the concessions for Delhi and Mumbai airports, Haldea's intervention, as a representative of the Planning Commission, resulted in an 'open and shut' award in favour of one of the bidders being reversed after he pointed out several flaws and conflicts.

At Jawaharlal Nehru port, a study (<https://bit.ly/3oTjaI0>) which Haldea mentored showed that the concessionaire for Nava Sheva International Container Terminal had got annual returns of over 100 percent of equity against the permissible 20 percent between 2002 and 2006 with the indulgence of the port regulator.

Even in metro rail projects, Haldea believed private operations will not only prove efficient but also profitable. He thought the Delhi Metro model could not be a template for other metro rail projects, because the currency risk of its Japanese Yen-denominated debt was underwritten by the Centre. Haldea exulted when Maytas (Satyam in reverse) was awarded the Hyderabad metro rail project. Instead of seeking a subsidy, it said it would pay the government instead. Maytas believed that land parcels in the city given to it for commercial development would more than pay for the cost. This is how Hong Kong had developed its metro rail infrastructure but then the government of the island state regulated the supply of real estate into the market, which was not the case in Hyderabad. Maytas could not execute the project after Satyam Computer imploded due to a corruption scandal. L&T is executing the project now, but wants to move out.

Haldea's career in government after he joined the finance ministry in 1993 mirrors the twists and turns of infrastructure development in India since economic liberalisation. He thought highly of himself; humility was not a virtue he pleaded guilty to. His critics found his highway and railway concession agreements rigid. But Haldea was a man of principle. As a civil servant he keenly protected the public interest even at the risk of un-friending people. I will miss him.