

January 18, 2021

Gajendra Haldea: Father of India's infra-PPP

From a modern electricity law to roads, airports and even metros, it was Haldea who constructed the PPP framework



Though Haldea never divulged the contents of what he was working on – and it was several years later that we became friends – as Enron demanded compensation; the enormity of Haldea's contribution became evident.

What you are writing on Enron is complete rubbish ... you need to get some proper information and then write". Harsh words from Gajendra Haldea at our very first meeting around three decades ago, after I barged into his room and, to get him to share some information on the Enron deal, lied that his brother Prithvi had asked me to meet him; as joint secretary in the finance ministry, Haldea was working on the famous counter-guarantee the US energy major wanted in the 1990s. "I have a job to do and", an apparently unmoved by my 'recommendation' (!), Haldea added, "it is not my job to do your job".

Though Haldea never divulged the contents of what he was working on – and it was several years later that we became friends – as Enron demanded compensation, the enormity of Haldea's contribution became evident. Even as the political system was pressurizing the finance ministry to clear the project and give it a counter-guarantee, Haldea ring-fenced the central government to ensure that, even as the Maharashtra government guaranteed the project, the centre's liability was restricted. When the project went belly-up after the BJP decided to throw Enron into the Arabian Sea, it was this that saved top finance ministry officials, including finance minister Manmohan Singh, the blushes and perhaps even worse.

Astonishingly, for all the work Haldea put in – even his detractors admit he was the father of all PPP in infrastructure – when he was sent to the Planning Commission several years later, it was as an advisor to his mentor deputy chairman Montek Singh Ahluwalia, not as a Member; his erstwhile bosses, it would appear, were happy to have him, but didn't give him the official position he both deserved and needed in order to push his agenda.

It was Haldea that came up with model laws like the one on electricity and there are almost no private projects such as on roads, airports, metros, or ports in India today that were not based on his concession agreements. But unlike many others who would have rested once they laid down the conceptual framework, Haldea fought hard to protect what he had created, and he wasn't particularly worried if this upset others. Hardly surprising, then, that former Cabinet Secretary TSR Subramanian said India would have been better off paying Haldea a billion dollars so that the infrastructure sector could move on without his interference – “towards the end of my tenure, I found that he was in fact worth five billion dollars!”, Subramanian wrote in his autobiography (<https://bit.ly/2N78ibv>).

So, when the Delhi and Mumbai airports were being privatized and Haldea found a lot of favouritism in the way the awards were being finalized, he decided to take on powerful UPA ministers who were keen to award the contracts quickly. Once Haldea put his objections down in writing, the government had no choice but to appoint a group of experts under Delhi Metro chief E Sreedharan (ironic, since Haldea and Sreedharan were at loggerheads as well) which agreed with most of the points he had made (<https://bit.ly/2XP0D3K>).

Haldea's Electricity Act of 2003, written after studying the electricity laws in various countries, built in a trajectory – and a method – to usher in electricity reforms. So, users were to have 'open access' that brought in competition by allowing them to buy electricity from other suppliers even across the country and, to cushion the state electricity boards (SEBs), a 'cross-subsidy surcharge' was to be given to them; this was to be lowered over time. Two decades later, few governments have, sadly, implemented the law in its true spirit.

To that extent, the decision to privatise the Delhi Vidyut Board (DVB) was in keeping with what Haldea wanted, but he filed a court case against it – as a private citizen – as he argued the process had huge flaws including Rs 4,500-crore of post-bid sweeteners (<https://bit.ly/2LZdXji>), loss-reduction targets that were unambitious and, in a sense, just replaced a public monopoly with a private one; it didn't help, as Haldea alleged, that the process of valuing DVB's assets was hugely flawed. Several years later, the Delhi high court agreed with most of what Haldea had argued (<https://bit.ly/35PKnEd>) but said that too many years had passed and so it could not undo what had already been done!

While in service, Haldea even filed a case against Orissa's Gridco selling power to the central Power Trading Corporation – it bought it at Rs 1.1 from units within the state and sold it to PTC at Rs 4.7 – at a mark-up much higher than what was allowed by the rules put in place by the electricity regulator CERC and was tantamount to profiteering at the expense of the citizenry, apart from vitiating the concept of one-country-one-market.

One company that Haldea believed was really profiteering, of course, is IL&FS, though not many supported him at that point. With so many successful projects under its belt, IL&FS was the poster-boy of effective infrastructure development through good risk-management; we now know, of course, that IL&FS's risk-management was simply hiding the risk off balance sheet and hiding so much of the risk that it almost wrecked the country's financial system. A study published under Haldea's guidance (goo.gl/eD6aWu) laid bare how IL&FS raked in money in

the Noida Toll Bridge. Indeed, it turns out, the IL&FS model worked best under bureaucratic cover (<https://bit.ly/3bGJMIG>) which is what its boss Ravi Parthasarathy excelled in providing.

At the end of the day, while Haldea too realized that projects ran into trouble and needed rescuing, his model was to do this via a contract – once revenues fell by a certain amount, the period of concession could be increased by a pre-set formula – while many others felt that a committee would do a better job of renegotiating; Haldea believed the latter involved too much discretion and, thereby, corruption. While the jury remains out on this, there can be little doubt that clear contracts – based on equally clear principles – are critical if PPP is to remain viable; and it is equally clear that unless you fight for them, the best-constructed frameworks mean little. For that, we are eternally grateful to Haldea.

Postscript: It is not clear whether Haldea had a premonition that he would be laid low by Covid – that stopped other critical treatment he was getting – but his last set of passionate and brilliantly argued articles were about how the government was risking our lives by both fudging the data on the spread and by using unreliable RAT tests.