PRESS INFORMATION BUREAU
पत्र सूचना कार्यालय
GOVERNMENT OF INDIA
भारत सरकार

Financial Express, Delhi
Monday, 27th August 2018; Page: 1
Width: 39.47 cms; Height: 43.50 cms; a3; ID: 22.2018-08-27.7

FLAGSHIP SCHEMES

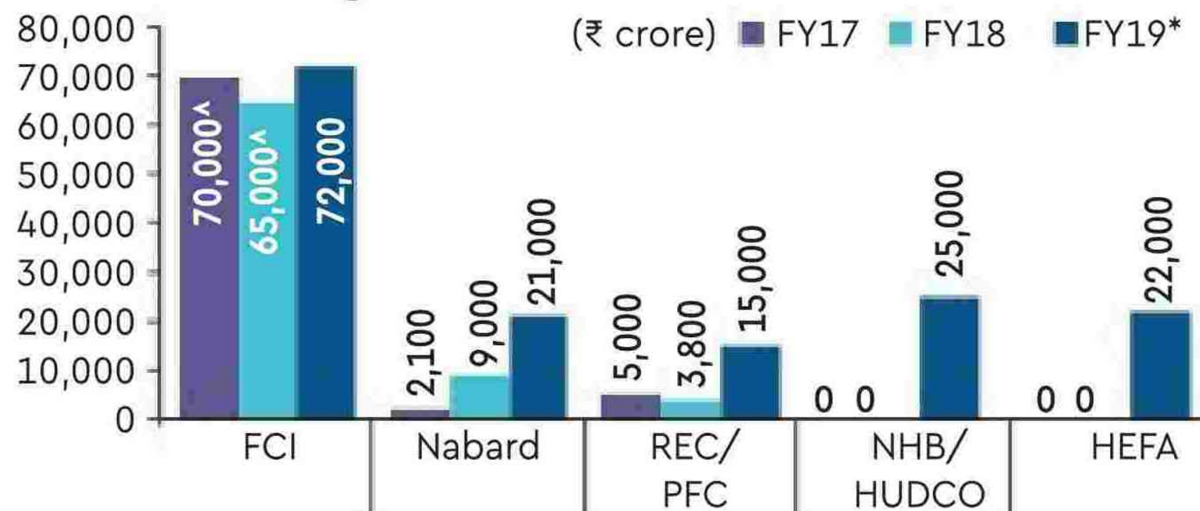
Off-budget loans to double to ₹1.7 lakh crore in FY19

EBRs to soar if NHAI, railways and other PSUs included, will dent sanctity of fisc, crowd out private investors

PRASANTA SAHU
New Delhi, August 26

Extra budgetary resources (loans) fully serviced by GoI
(₹ crore)

Entities through which EBR raised



*Estimate; ^from NSSF, others via market borrowings

CAUGHT BETWEEN THE twin goals of treading the fiscal consolidation path and keeping the flagship schemes and other important welfare programmes adequately funded ahead of next year's general election, the Centre has lined up plans to raise a massive ₹1.7 lakh crore via the extra budgetary resources (EBR) route in the current fiscal, up 110% from FY18. These loans, all of which will have to be serviced out of the Budget, will be mobilised through assorted public-sector entities.

If the debt being raised by the National Highways Authority of India (NHAI) and the ailing MTNL are added (which too are mostly financed out of the Budget as the revenue streams of the entities are not enough to service the loans), the total size of such budget-anchored EBRs could go up to ₹2.43 lakh crore in FY19 as compared to ₹1.42 lakh crore in FY18 and ₹1.14 lakh crore in FY17.

Continued on Page 2

PRESS INFORMATION BUREAU
पत्र सूचना कार्यालय
GOVERNMENT OF INDIA
भारत सरकार

Financial Express, Delhi
Monday, 27th August 2018; Page: 1
Width: 13.14 cms; Height: 68.12 cms; a3; ID: 22.2018-08-27.7

Flagship schemes: Off-budget loans to double to ₹1.7 lakh crore in FY19

AS MOST of these public-sector debtors have no facility to pay back the loans from their resources — neither are supposed to as the monies are meant for government schemes — these are clearly liabilities on the exchequer.

Including the railways and other PSUs, which can mostly fund their market borrowings, the EBRs by central agencies were ₹3 lakh crore in FY18 and could be at least ₹3.88 lakh crore in FY19 (The figure could be even higher if the railways ups its borrowings as suggested by the finance ministry recently).

Spending via EBRs — rather than through Budget — will allow the Centre to reduce the immediate impact on the fisc, as the repayments are calibrated over many years. These, however, add to the overall public debt.

However, these would still crowd out the private sector from the market as much as direct sovereign borrowings would do and put pressure on bond yields.

The elevated EBR levels coincide with the state governments raising their exposure to the market, desisting from the practice of taking the costly National Small Savings Fund (NSSF) loans.

The Centre's fund mobilisation via EBRs this fiscal will be used to finance food subsidy arrears, Pradhan Manti Awas Yojana, electrification programme, higher education infrastructure, Swachh Bharat Mission and irrigation among a host of other such schemes.

Though EBRs/off-budget bonds used to be a way to finance subsidies — like the oil bonds during the United Progressive Alliance period — the reliance on them to run popular government programmes

PRESS INFORMATION BUREAU
पत्र सूचना कार्यालय
GOVERNMENT OF INDIA
भारत सरकार

Financial Express, Delhi
Monday, 27th August 2018; Page: 1
Width: 26.43 cms; Height: 74.85 cms; a3; ID: 22.2018-08-27.7

and step up capital expenditure has risen over the last two-three years.

"This is something we have been noticing.. Fully serviced government bonds are being issued by Nabard and some others agencies. So, these are sort of off-balance sheet items and exaggerate the impact on bond yields," said Abheek Barua, chief economist at HDFC Bank, said. The yield on 10-year benchmark government securities (G-Sec) is now ruling at about 7.8%, up 20% from a year ago, partly due to higher EBRs and the rise in market borrowings by state governments.

"When we talk about crowding out, we should not only look at the government borrowing but also the consolidated public-sector borrowing requirements and its impact on interest rates and the amount of residual funds available for the private sector," Barua said.

EBRs (for government schemes) by entities such as Food Corporation of India (FCI), National Housing Bank (NHB), Housing and Urban Development Corporation (HUDCO), Higher Education Financing Authority (HEFA), Nabard and National Rural Infrastructure Development Agency (NRIDA) are to be fully serviced (principal and interest) by the government of India.

Over the past two years, FCI has emerged as a major mobiliser of funds with its fully-government-serviced EBRs from the National Small Savings Fund (NSSF) — the amounts raised were ₹70,000 crore in FY17, ₹65,000 crore in FY18 and is projected to be over ₹70,000 crore in FY19. Similarly, among them, NHB, Hudco and NRIDA are raising ₹37,000 crore from market this year to finance the Centre's flagship Pradan Mantri Awas Yojana (urban and rural), which is lagging behind targets. Among others, ₹22,000 crore will be borrowed by Higher Education Financing Authority this year to finance education infrastructure and ₹21,000 crore by Nabard for Swachh Bharat and irrigation projects (as compared to about ₹9,000 crore in FY18) and ₹15,000 crore by Rural Electrification Corp/Power Finance Corp duo for the rural electrification programme. These are key projects for the government to reach out to the masses ahead of general election 2019.

Analysts fear that scaled up borrowings by NHAI-type bodies could further shrink pool of funds available for private borrowers. The NHAI has recently reached an agreement with the State Bank of India to borrow ₹25,000 crore, part of its EBR of ₹62,000 crore for FY9.

While the Centre's net borrowing seem to be static in the past couple of years at about ₹4 lakh crore/year, the the public sector borrowing requirement (PSBR) by the Centre, state governments and their entities are seeing a big jump. The combined market borrowings of states are projected to rise from ₹3.5 lakh crore in FY17 (66% of the combined fiscal deficit of states) to ₹4.4 lakh crore (91%) in FY19, as they virtually stopped accessing costly NSSF funds.

Recently, the finance ministry has asked the railways to tap market if it needs more funds this year for capex and replenishment of assets (including non-revenue-generating ones) as there is no scope to give additional budget support. The ministry said it would pay back the principal part of the extra loan, as and when the repayment starts. Railways had sought a 40% increase in FY19 gross budgetary support from the budgeted level of ₹53,060 crore. Railways' EBR is pegged at ₹54,940 crore in FY19 as compared to revised estimate of ₹45,000 crore in FY18.

Other than EBRs, there are few options before the government as it intends to stick to the revised fiscal consolidation path — bringing down fiscal deficit from 3.5% in FY18 to 3.3% in FY19, 3.1% in FY20 and 3% in FY21. The government officials expect more spending than budgeted on agriculture and rural-oriented schemes. The Centre has not provided for the higher minimum support price announced for kharif crops, which, according to officials, could cost some ₹20,000 crore this year and an unspecified sum for the national health protection

PRESS INFORMATION BUREAU
पत्र सूचना कार्यालय
GOVERNMENT OF INDIA
भारत सरकार

Financial Express, Delhi
Monday, 27th August 2018; Page: 1
Width: 13.29 cms; Height: 4.03 cms; a4; ID: 22.2018-08-27.7

scheme that would bring 10 crore families under a ₹5-lakh health coverage.