

Union Budget 2022-23: The pivot towards infrastructure

March 2022

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(7 min read)

Key takeaways:

- *As part of the supply-side augmentation measures for providing a booster dose to revive economic growth, the Budget has rightly focussed on ramping up infrastructure creation, in both its physical and digital avatars. The combined effect of these initiatives will be not just to ramp up and modernise India's infrastructure stock, but also to accelerate the pace of employment creation, and to revive the animal spirits of the economy, all the while keeping India's climate change related goals in view.*

Arguably, the predominant theme informing this year's budget is its unprecedented focus on the creation and augmentation of physical and digital infrastructure, not only by the Union Government, but also in terms of support and incentives for the states to ramp up the pace of infrastructure creation. This intense focus on infrastructure serves objectives that are threefold:

- Modernising and augmenting the country's stock of infrastructure assets in areas ranging from energy and transportation to urban and digital infrastructure
- Accelerating the currently stagnant pace of employment creation
- Reviving the animal spirits of the economy to overcome pandemic-induced sluggishness

In terms of budgetary enhancement, the additional commitments made this year are very significant; amounting to INR7.5 trillion in FY 2022-23, which is a 35.4 per cent increase over the previous year's outlay.¹ Out of this, the government has allocated INR1 trillion for providing 50-year tenure interest-free loans² to the state governments for catalysing investments. In the realm of digital infrastructure, apart from the country-wide rollout and commissioning of the Bharatnet project to provide ubiquitous net connectivity to rural India, the budget has proposed the launch of a Digital Ecosystem for Skilling and Livelihood (DESH Stack e-portal). This portal is expected to be a potent instrument for reskilling and upskilling workers. Likewise, the thrust on startups engaged in digital technologies, such as Drone-As-A-Service (DrAAS) is expected to consolidate the nascent drone industry while encouraging greater collaboration amongst its stakeholders. The budget also continued its focus on ramping up national production, with the proposed launch of a scheme to build a strong ecosystem for design-led manufacturing for 5G, as part of the Production Linked Incentive (PLI) Scheme.

Migrating towards a public-private-partnership (PPP) model continues to be a key element of the budgetary aspiration, with the proposed launch of a new scheme in PPP mode for delivery of digital and hi-tech services to farmers. This trend can also be seen in the launch of a new fund with blended capital to finance investment requirements. Further, with a view to improve connectivity and promote tourism in hilly areas, the National Ropeways Development Programme has been proposed to be taken up in PPP mode.

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The PPP model has had a chequered history of growth in India, and it is hoped that all the elements needed to enhance PPP funding will fall into place this budgeting year. Some key areas include a clear and focused regulatory regime that considers the diversities and particularities of various key infrastructure sectors, lucid and resilient contracting templates, and a fairer allocation of risks and rewards between public agencies and the private sector.

As part of India's commitment towards the reduction goals for climate change impact, the budget also proposes the issuance of Sovereign Green Bonds so as to harness the untapped potential of the Indian green bond market. Inclusion of energy storage systems in the harmonised list of infrastructure can be a vital step in accelerating the deployment of grid-scale battery energy systems as important enablers for grid integration of renewable energy. This will help channelise credit availability towards digital infrastructure and clean energy storage. Additional PLI allocation for high-efficiency solar PV modules is expected to improve the domestic content in solar power projects while keeping costs competitive with international suppliers.

The GatiShakti National Masterplan continues to be centerstage with respect to the efforts augmenting national infrastructure. This is not just a Geographic Information Systems (GIS)-based monitoring system for coordinating and overseeing the pace of infrastructure creation but is also attempting to foster economic transformation through seamless multimodal connectivity and logistics efficiency. The Budget has announced awarding four major contracts for the creation of multimodal logistics parks through the PPP mode. In its efforts to enhance the modal share of railways, the budget also announced the development of 100 cargo terminals over three years.

In sum, building on the vision drawn in previous year's budget, Budget 2022-23 reiterates some of the key themes that are critical for restoring India's growth trajectory back to the path of becoming one of the fastest growing sustainable major economies in the world. Given the huge thrust on infrastructure as a sector that has one of the highest multiplier effects on the economy, one can hope that the initiatives delineated in the budget will revive the vigour of the pandemic affected economy, while providing greater employment, as a key existential challenge in our quest for a brighter future.

For more information, please read KPMG in India's Budget FY 2022-23 viewpoint:

- [India Union Budget 2022-23 Point of view Agriculture and Allied Sectors](#)
- [India Union Budget 2022-23 Point of view Transport and Logistics](#)
- [India Union Budget 2022-23 Point of view Energy and Natural Resources](#)
- [India Union Budget 2022-23 Point of view Education and Skill Development\)](#)

¹ India Union Budget 2022-23, Ministry of Finance, 1 February 2022

² India Union Budget 2022-23, Ministry of Finance, 1 February 2022