

Transcription for episode 28: Who will fund Amaravati?

Vaishali Pandiyen: Welcome to the Suno India Show, a weekly news show brought to you by Suno India, a podcast platform for issues that matter.

Amaravati is the new capital of Andhra Pradesh after the Telangana partition, which took away Hyderabad as Telangana's capital. Andhra Pradesh former Chief Minister Chandrababu Naidu came up with the Amaravati Sustainable Infrastructure and Institutional Development Project to develop the planned city, pooling land along the Krishna river bank from 29 villages between Vijayawada and Guntur. The World Bank, along with Asian Infrastructure Investment Bank, which signed up for investing a big chunk, for almost 500 million dollars, of the 715 million dollar estimates, have backed out of the project following a withdrawal request from the Central Government earlier this morning. The present Jagan Mohan Reddy government blames the former Chandrababu Naidu government's corruption and disregard for the social, economic, and environmental norms. A World Bank team had earlier visited the proposed region in September 2017, and found problems with tender processing, contractors, land pooling, and some environmental violations. Here with us we have Raghavendra Reddy who is a political analyst from Hyderabad speaking to us on Andhra Pradesh's capital issue.

To start with, can you give us a quick brief about the state's political understanding and their play in the Amaravati Sustainable Infrastructure and Institutional Development Project?

Raghavendra Reddy: Once the diverse – once the state has been divided in two, Andhra Pradesh was left wanting for many things, with capital being one of the main necessities. If we look at the old European standard of development, the development has been more centralised, wherein the capital formed the centre of all the economic, political, and financial activities, and the rest of the locations in the country depended on the centralised development. This was more suitable for smaller countries, like in Europe. But when you look at the US, when you look at other larger countries, whether it was Australia, Canada, majority of these countries, people may find it difficult sometimes to even recall what is the capital of that particular country. So if I ask someone, what is the capital of Canada, it would be very difficult for them to mention Ottawa. So from this perspective, the modern countries have been developing on a decentralised manner, where growth is diversified into various locations.

But unfortunately, coming into Andhra Pradesh, Chandrababu Naidu has always believed because of his past success with Hyderabad where he claims that he has been the architect of modern Hyderabad and he has helped the city emerge into an IT capital for the country or even for the world. He believes in a centralised form of growth. So similar to Hyderabad he was more focusing on a model, okay, on a development model which is centric to a capital city, and that is how the Amaravati idea emerges, okay, and as part of that he has a CRDA, which is a Capital Region Development Authority, which has all the mandate from acquiring land to allocating various projects to businesses, to institutions, and other forms. There was a centralised administrative model that Chandrababu Naidu has brought in. Instead of he going for a diversified route because he has such a large coastline and there were wages prospects, he could have probably gone for a development – a petrochemical development in Vizag, IT development somewhere in Anantapur, which was very close to Bangalore. So these models would have probably worked better for Andhra Pradesh than focusing everything in one region, okay. And that too a region that was very fertile from an agricultural standpoint. So now that he has conceived this grand idea of Amaravati creating a

futuristic capital in the country which will, according to him, will be the next Singapore, while he missed out on certain fundamental things. Singapore has been a very small island region. Chandrababu missed out on some fundamental aspects here, and yet he has gone ahead and worked on this grand idea.

So now coming to Amaravati Sustainable Infrastructure and Institutional Development Project, it's close to a billion-dollar idea wherein he wanted institutions to come in and fund the basic infrastructure development and the development of public amenities, like your roads, your drinking water supply, drainage system, and other basic needs of people. He wanted to approach institutions for supporting that. So – and that is how he has gone to the World Bank, asked for 500 million in loan. World Bank I think has rejected the 500 million and agreed to consider a 300 million loan, which now got rejected, and even the Asian Infrastructure Investment Bank which is based out of Beijing, has also rejected the loan proposal of 1400 crores, which is 200 to 250 million. So there are many aspects because of which this loan has been rejected. Coming to what they wanted to do at Amaravati was – again, like I mentioned, it will be the grand capital wherein you will have all the private, public institutions at one location, and you will have the central administration also operating out of that region. So educational institutions are in fact working out of there but unfortunately the other infrastructure is still at a very nascent stage. The roads and bridges are still being laid and it would require a lot of capital infusion. Unfortunately, now with this new government which has allocated only 500 crores in the Telangana budget, it is evident that they are not as serious as probably Chandrababu Naidu would have been on this issue. Chandrababu Naidu wanted to create those seven sub-cities or townships in that region which is from finance to sports, to entertainment, all of that he will – he had this grand idea of creating those small townships. We will have to see what really – Jagan really intends to do. Will he focus only on the core capital or will it be more than that?

Vaishali Pandiyen: The World Bank has said that the land-pooling activity for developing Amaravati which was carried out by the government was not as per the norms, and that they have received a lot of complaints from farmers and the civil society. How much do you think that this has affected the withdrawal of support for Amaravati?

Raghavendra Reddy: So the complaints that the World Bank has received after 2016 – the entire complaints process started after 2016 – and that was the time when TDP and BJP – the differences between TDP and BJP got widened. So before that everything was hunky-dory. One factor that we really need to understand is, is the World Bank not funding any projects across the world where there had been a pulsive approach to land-acquisition? I'm sure there are many projects around the world where World Bank has supported projects where not everything was in order, or not everything where anyway World Bank enters there are certain conditions that they impose and the people on the ground are always averse to that because it requires a lot of change on their behaviour – behavioural patterns, something which I consider as my birth-right, or something that I feel, this is for me, for my taking, for free, and suddenly I am being charged for that, which is what happens when World Bank enters. It becomes very difficult for that perception to change. So anywhere across the world there will be rejection of the idea. And this particular – on Amaravati also, this is not something that is not going to get impacted. This is not insured from that kind of a problem. World Bank stating that the farmers are raising complaints is a meek excuse on the Bank's front. There are other reasons – the World Bank cannot say the people are not ready to pay or other elements – I feel that that would be the main reason rather than saying the farmers have complained, because what was the percentage of farmers who have complained? It was hardly one percent. There is 99 percent of the people – there are many – if the World Bank then comes in and

tours in the capital region, they will come across farmers that have given away their land willingly, expecting the future would be very bright. So stating the farmers have complained on this is not an agreeable reason.

Vaishali Pandiyen: Now the World Bank and Asian Infrastructure Investment Bank have announced that they are dropping their financial aid to the project. What has caused this? And can you also tell about the role of such institutions in financing state projects?

Raghavendra Reddy: So the kind of capital Amaravati was proposed to be, it requires a lot of capital infusion, which would come in from public institutions or international financing institutions or private investment. Private investment will come in only when there is a lot of incentive for the private investor, okay, to put in and make many times more money than what he is putting in. So the easier way, the easier route to get in money was the World Bank and other AIB or the Asian Infrastructure Investment Bank, or other financial institutions, which would lend for something like this. There are certain core conditions that they will put across. While this will improve the standard of people living in that area, more than that the World Bank or AIB would want people to repay the loan that is being granted in their name, okay, so that is something that is very important.

Now what was missing here was Chandrababu Naidu when he sought loan in his earlier avatar as Chief Minister of United Andhra Pradesh, he had a – he had a capital which was self-sufficient, which had abundant revenue opportunities, abundant funds, and a strong working model which could repay any loan that was taken in the name of the capital region. But here you don't have a revenue model. You don't have the capital that will repay the loan immediately. So you have to go to people to repay the loans. So what Chandrababu Naidu or even now what Jagan is doing is, the kind of freebie stuff they have announced will not encourage people to pay back for any service they incur, okay. They would probably want a free water supply. They would want roads without any toll. They would probably want drainage system to the best of it but without paying any municipal charges, so these would be a – this would be a situation where any institution would be worried about the repayment of the loan that they would grant to this region. And the kind of announcement, the kind of freebies that both the parties whether it was Chandrababu Naidu or Jagan have announced, and what, the direction they are in, does not encourage people to pay for any of the basic services that they would incur and they don't see – okay the repayment also is a long term thing, because the capital is taking a very long time since this process was initiated in 2004. Five years later, there is hardly any progress that was noticed on the ground.

So these would be the factors that would discourage any international bank from putting in their money, and these are the similar reasons, like because there is no development, a private investor will not come in. And because you don't have a private investment, you don't have an international bank funding again so you will have to be dependent on self-funding, which would either be by the state themselves, or taking it from the federal account, which would be the federal bank, which would be the Union Government.

This is the big challenge that has happened as far as Amaravati is concerned. There has to be a strong coordination between the State and Central government to ensure that these banks show interest in whatever project they need financing for. So like for example before, between '94 and 2000 – between 1994 and 2004 when Chandrababu Naidu was the Chief Minister of united Andhra Pradesh, he had a great say in the governments at the Centre. After, '96, when – after the fall of Narasimha Rao and the 13-day regime of Vajpayee, Chandrababu Naidu played a central role for the next 8 years in Delhi and that was a time when World Bank – he was darling of the World Bank. He was rubbing shoulders with leaders across the world, he was travelling to Davos, he was meeting Bill

Gates, Bill Clinton, almost every one. And it was this posturing, this international posturing of Chandrababu Naidu which made him a darling of the World Bank and other institutions, which were willing to put in money. After he has come to power in 2014 Chandrababu Naidu tried to do a similar exercise. He travelled to various countries. One day he was in Singapore, next day he was in Japan, and third day he went to Korea or China. He tried to attract a lot of attention to the capital region and help get in – tried to get in the money. But unless you have support from Delhi, unless you have a strong backing of the Finance Department sitting in Delhi, it becomes very difficult because end of the day you are not communicating directly with any of these banks. You are communicating through the Finance Department and that becomes very difficult. And in this particular case, in 2016, after the differences started emerging between both the parties, between Naidu and Prime Minister Modi, I think the role has become very, very difficult for the then Chief Minister and now the Leader of Opposition in Andhra Pradesh.

Vaishali Pandiyen: What does this mean for those whose lands went into the pooling activity? And how about the environmental clearances the project required? How did it go ahead?

Raghavendra Reddy: So basically we'll have to look at the negative side of this as well, with Chandrababu Naidu not making an immediate announcement on the capital region itself. There was a lot of real estate game that got played in Andhra Pradesh. Okay so first it was taken that [unclear] will be the capital, so there are lot of people who took loans at very high rates of interest and bought large packs of land and then they moved the capital again [unclear] and again the move towards Ongole the real bubble today got built around – in Ongole, and finally they decided on this particular region between Vijayawada and Guntur cities. So what happens is, the biggest problem when something worked or didn't work is the impact that the common man living in that region or people who have invested in that region will have. So today a lot of people who have invested on land will suffer big time. Okay so someone's bought this land at a very high rate, they will probably – they will probably not see the kind of development that is happening, so it's very difficult for them to even make the money they gave invested in, so that will become a big challenge.

As for environmental clearances, see, people are willing, people are giving their region, so it's a large area. It is a large area that they have pooled. So there was no problem in 2014 or in 2015 when this entire process started, so there was nothing much that – there was nothing in fact that Modi has said, Modi being the Prime Minister by then had not given any statement on land pooling. No negative statement was made. In fact it was the Prime Minister himself who has come for the foundation stone laying of the capital. He came and brought some water and soil to put in that area. So Modi did not see a problem when – in 2014, 2015. So it is only after the differences grew wider that there are so many aspects and there are so many issues that are being discussed now. So environment – see, if the government is willing it is hardly an issue that you get your environment clearance, so you get your other clearances. If the government is not willing then you'll have hurdles in front of you. So had there been a cordial relationship between Naidu and Modi going forward, even after 2016, probably things would have been cleared much faster, and maybe the loan would have probably materialised. It is the differences that are the problem. It is now creating this problem. And it is – ultimately it is the people who – who expected a lot to happen in that region who will be ultimately getting affected.

Vaishali Pandiyen: Okay, so now what is the current Andhra Pradesh government's stand on the state capital issue? What are they planning to do?

Raghavendra Reddy: Jagan has to quickly give a clarity on what would be his outlook as far as a capital is concerned. Will he be going only for a court capital and will not look at any other glitzy

elements around it, so then that clarity has to come in because Jagan is somebody who has never spoken very high of the capital being centralised, okay, he was never keen on that; he didn't focus that during his 2014 campaign, or 2019; he hasn't mentioned though there was a lot of confusion during the election campaign where it was – a couple of his leaders had to give an explanation that we are not going to change the capital from Amaravati region. But there were always doubts about his interest or inclination to have a very strong or to develop an all-powerful capital region. Because he doesn't belong to this region could also be one of the factors, okay. I'm not saying it is a factor but it could be one of the factors that for him, his politics, his future lies around what kind of development will happen in and around Rayalaseema.

So he would probably want to take certain investments that would come in the name of Amaravati to his region. He would probably be very excited about [unclear] setting up a factory in Anantapur or maybe some other investment coming in for Kadappa. And going forward also he would want more investment to come into Rayalaseema region because the region also deserves – considering the backwardness of Rayalaseema, the region also deserves more funding and so – and Vijayawada and Guntur are comparatively more affluent. So probably Jagan would want the focus to not just be on Amaravati, but be more decentralised and all regions – all districts in the state get equal priority. While on the court capital? Of course he has to give an explanation, okay, he has to put an end to the kind of confusion that is being let, and the media is also talking about so many things and now we see so many rating agencies suddenly downgrading the – they are basically downgrading the viability of Amaravati so there is a lot that is happening around this time.

Vaishali Pandiyen: Alright. Finally, what does this mean for the future of Andhra Pradesh's capital, I mean, as state? What measures should be in place or can be taken to avoid a similar situation?

Raghavendra Reddy: Andhra Pradesh has a state budget of 2 lakh crores, okay, and 2000 crores that World Bank has rejected, 2000 crore loan. It is not even aid. It's just a loan. The loan that they have rejected is 1% of your state budget, okay, so the kind of reportage that we see or the kind of allegations and counter-allegations that both the sides are making sitting in TV studios, it's like as if the sky has fallen and everything is lost, okay. In a state budget of 2 lakh crores, 2000 crore is just hardly 1 percent, okay, so it should not have majorly impacted this. Okay now that the – now that the World Bank and other institutions and all said no, they should – it is not the end of the road; you can always go back to them, after some time. Maybe for that you need to do – maybe you need to bring in certain fundamental changes. So now Jagan is considered to be closer to Modi. Maybe he should approach Centre and say that okay we need certain capital – so as of now the amount granted by the Central government is 1500 crores. I think that's the last updated figure. No capital can get built in 1500 crores and they should probably immediately put pressure on the Modi regime and ensure that more and more funds are allocated at the earliest.

So once a court capital gets developed, you will have certain private investment also coming in. This would probably encourage the government to go back to the World Bank and other institutions, other banks and reapply for the same loan because they would probably see much more progress than now, so there is every possibility that they will reconsider the loan again now and grant the money, which will help in further development. But now, instead of hurling allegations at each other, I think it is more important that they swing into action, they ensure that was is the other sources from which they can actually source some funding, what is the quick development work that they can show on the ground, and how they can actually change the entire outlook of this Amaravati.

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