The Big Picture: Roadmap to Implement Infra Projects

Why in News?

- The **Union Budget 2021-2022** has given the much-needed fillip to the infrastructure sector.
    - The Finance Minister has also announced the setting up of a **Development Finance Institution**, allowing large-scale asset monetisation.
- The infrastructure push is expected to not just boost India's post-pandemic economic recovery, but also create jobs.

Key Points

- **Hike in Allocation:** There is a **34.5% increment** in the budget allocation for infrastructure as compared to FY 2020-21.
- **Equal Focus:** Equal emphasis has been given to all the physical infrastructures including roads and highways, railways, urban infrastructure, power, port, shipping and airways, and petroleum and natural gas.
    - The highest-ever capital expenditure of Rs 1.08 lakh crore has been allocated for building highways.
- **Institutional Set-up:** The government has allocated 20,000 crore rupees to set up and capitalize a **developmental financial institution.**
- **Monitoring & Transparency:** A **national monetisation pipeline** will be launched, with a dashboard to track the progress and provide visibility to investors.

National Monetisation Pipeline

- The budget for 2021-22 proposes a national monetization pipeline of potential **brownfield** projects.
    - Asset monetisation is the process of unlocking the value of investment made in public assets which have not yielded appropriate or potential returns so far.

Brownfield Projects

- A brownfield investment is when a company or government **entity purchases or leases existing production facilities** to launch a new production activity.
    - This is one strategy used in **Foreign Direct Investment (FDI).**
- The alternative to this is a greenfield investment, in which a new plant is constructed.

Focus Areas for Infrastructure Development

- **Decongesting the Choke Points:** In addition to the roads and highways that are being built, there should be a focus on decongesting the choke points that connect the highways with the city.
- **Low-cost Housing:** The infra projects which are going to be confined to mostly tier 1 tier 2 cities, post pandemic the migrant labourers will return to the cities, so the government has to work on

low-cost housing so that there’s no further plight of temporary accommodation for the labourers .
    - **Deslumification** of the cities and low-cost housing are some of the priority areas that India shall take into account and act upon.
- **River Rejuvenation:** It is a major infrastructural push India has to give as every city has a river that is spooning black water.
    - Although major action plans for major rivers like the **National Mission for Clean Ganga** are there, it's not enough, there are many drains and tributaries that are actually contributing to the pollution of the main river.
    - Also, it is the people living along these river banks that need to be invested in the idea.
- **Public-Private Partnerships (PPP):** The government cannot entirely invest from its own resources in these infra projects, unless they involve the **private sector** which can monetise these assets.
    - For a reduced delay in completion of infra projects, preferably governments can initially build the projects and then hand over the projects to the private players for operations and maintenance.

Issues Associated

- **Lack of Sustainable Finances:** Although the budget allocation for infrastructure is a considerable amount but it is not enough unless augmented with supplementary resources from the market such as the FDI.
- **Land Issues:** Land is the basic requirement for any infrastructure project. Land acquisition in India is contentious and hence not a very speedy process.
- **Ineffective Dispute Resolution Mechanism:** A lot of infra projects are mired in the litigation between the executing agencies and the authorities which own the projects.
    - The dispute resolution mechanisms are not very quick and effective, therefore the existing investors find it difficult to thrive and the new investors do not feel much comfortable in participating.

Way Forward

- **Human Resources:** Quality manpower shall be invested to plan, implement, execute and monitor the infrastructure projects well.
- **Foreign Direct Investments:** Enhancing and permitting FDI, in the sectors where India’s R&D is still not at the global level.
    - To bring more FDI in India, the legal framework has to be smoothened and a better contract management system and a better dispute resolution mechanism is required.
- **Encouraging the Private Sector Involvement:** Government by itself putting all the efforts will not bring out the entrepreneurship capabilities within the private sector, which is very much required if India wants to catch up at the global level in terms of providing infrastructure.
    - The government has to look at the private sector as a partner and not as a vendor as it is about equal participation towards transformation of the country from an infrastructure perspective.

Conclusion

- A roadmap to implement infrastructure projects with the PPP model will be sustainable and it will reduce the burden on the government's financial capacity.
    - Although the private sector is a profit based sector, if regulated in a suitable way, it would be beneficial for the government, the private sector as well as the nation.
    - Moreover, the announcement of the National Monetisation Pipeline is a welcome move which will not only enhance returns from public investments but also promote balanced regional development.
- If India is aiming at world class infrastructure, there are several things that need increased attention and encouragement such as the industry-academia partnership to fillip the R&D sector.

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