

# The big infra push

The Govt is introducing new and innovative models in different infrastructure sectors to bolster growth. The Hybrid Annuity Model (HAM) and the Toll Operate Transfer (TOT) model in the roads sector, to counter the vagaries of the Build Operate Transfer (BOT) model, have found positive response from the banking and private equity sectors, says CHANDRAJIT BANERJEE

**T**he economic growth of a country is directly dependent on the development of its infrastructure. The fabric of a nation — its roads and highways, airports and ports, railways, water systems and telecommunications — forms the foundation which determines a nation's economic prosperity.

In India, infrastructural development has contributed more towards economic growth than both private and public investments. As such, investments in the infrastructure sector have substantially increased over the last 10 years, with the share of India's total expenditure rising from around 23 to 32.5 per cent in 2015.

The Union Budget 2016 laid considerable emphasis on infrastructure spends following unanimous consensus that ramping up the country's infrastructure is essential for achieving a double-digit GDP growth. This notion found expression in the form of the National Investment and Infrastructure Fund (NIIF) which envisages a starting corpus of ₹40,000 crore to bridge the investment gap.

This perspective was further corroborated in the Budget announcement of 2017, where an allocation of ₹3.96 lakh crore was made to boost infrastructure.

To further increase the appeal of the sector to potential global and domestic investors, the



Government is reviewing ways to push Public Private Partnership (PPP) in infrastructure. The new Metro Rail Policy is a recent case in point where the PPP model has been made a mandatory provision for all projects seeking central financial aid.

But till the time the PPP model picks up, public expenditure can be the driving force if infrastructure investments are to support economic growth. This format can support projects across roads and highways, railways, power and even ports.

The Government is introducing new and innovative models in different infrastructure sectors to bolster growth. For example, the introduction of the Hybrid Annuity Model (HAM) and the Toll Operate Transfer (TOT) model in the roads sector, to counter the vagaries of the Build Operate Transfer (BOT) model, have found positive response from the banking and private equity sectors.

The Regional Connectivity Scheme (RCS) and the Open Sky Policy in the aviation sector have

increased the attractiveness of the sector among foreign airlines and institutional investors. The Major Port Authorities Bill 2016 and the National Waterways Act 2016 are, respectively, enhancing the efficiency levels of the major ports and enabling a reduction in logistics cost by strengthening connectivity through the development of the inland waterways.

The introduction of the Real Estate Regulatory Act, initiation of Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs), the

formal adoption of affordable housing within the scope of the infrastructure sector and the change in arbitration norms for construction companies have given the much-needed fillip to the realty and construction sector that will draw in more investments, help create demand and drive growth.

The Government has taken steps to alleviate the condition of the sector which includes measures like infusion of capital to improve the Capital Adequacy Ratio of the banks, implementing policies to ensure coal and gas availability to power projects, improving the regulatory environment for faster project clearances, introduction of long-term infrastructure bonds as a viable option to raise funds from the markets and so on. These have the potential to revive the sector and provide the support it needs to pace up and enhance its contribution to the nation's economic growth.

CII has been supporting the Government in effectively driving the country's economic growth engine. For the infrastructure sector, in the last three years, CII has created a consensus-building platform between the Government and India Inc. in order to initiate a powerful process of exchange of ideas and shape the regulatory environment to facilitate the development of this sector.

(The author is Director General, CII)