Guest Column

REBOOTING INDIAN INFRASTRUCTURE FOR FASTER GROWTH

By Ramesh Bawa

A LEAP It's a bold and game changing budget, with the government's focus on increasing infrastructure spending through the public exchequer, while continuing to prepare the ground for greater involvement of private capital over the longer run. The finance minister has acknowledged the need to continue with strong economic reforms, promote higher investments, and accelerate growth, particularly is sectors like railways, roads, and renewable energy. The budget has focused on greater spending in the rural economy, housing, and infrastructure, and yet maintained best standards of fiscal prudence, which is praiseworthy.

The government has allocated Rs. 3.96 lakh crore for infrastructure development for fiscal year 2017-18. I anticipate this will not only bolster economic activities but also create more job opportunities. The proposal to abolish Foreign Investment Promotion Board in 2017-18, and further liberalise foreign direct investment policy will attract higher investments into the sector.

The budget has allocated Rs.64,900 crore for roads development, while Rs.19,000 crore has been apportioned towards Pradhan Mantri Gram Sadak Yojana. The states are expected to provide an additional Rs 8000 crore for roads development. The government has also announced construction of 2,000 km coastal connectivity roads. Among with mentioned programme, development of multi-modal logistics parks, with multimodal transport facilities is expected to be rolled out. These inventiveness will further strengthen road infrastructure in the country. The targeted investments for railways stand at Rs.1.31 lakh crore for fiscal year 2017-18, this includes Rs.55,000 crore support from the government. The railways will also implement end-to-end solutions for select commodity transport, while 70 projects have been identified for construction and development. A new metro rail policy is expected to be announced and a new Metro Rail Act will be enacted soon. These initiatives will and pave way for faster economic development, particularly in sectors where there is movement of goods and services.

The government is striving towards a goal of 100 per cent rural electrification by 1 May, 2018. Allocation under Integrated Power Development Scheme and Deen

3.96 IS THE FUND IN LAKH CRORE, THAT THE GOVERNMENT HAS ALLOCATED FOR INFRASTRUCTURE DEVELOPMENT FOR FISCAL YEAR 2017-18

Dayal Upadhyaya Gram Jyoti Yojana has been increased to Rs 10,600 crore. The budget has also proposed to take up the second phase of solar park development for an additional 20GW solar capacity. These tangible moves are a silver lining for the power sector.

The legal banking and financial framework have been strengthened in the budget to facilitate resolution, through the enactment of insolvency and bankruptcy code and amendments to SARFAESI and Debt Recovery Tribunal Acts. The budget has merely provided

Rs.10,000 crores for the recapitalisation of state owned banks in 2017-18. The government should have focused much more on additional recapitalisation of state owned banks, which are crucial for growth of the economy and infrastructure sector.

The amendment in Arbitration and Conciliation Act 1996 will help to construct a mutual bridge between the financiers and infrastructure developers, which is crucial for attracting more players in the infrastructure space. This initiative will support project accounting and boost infrastructure sector sentiment.

Among the important tax proposals in the budget, the interest paid by an Indian company or permanent establishment of a foreign company, in excess of 30% of EBITDA or interest paid to its associated enterprise, whichever is less, shall not be allowed as a deduction in computing its taxable profit. The proposal will ensure foreign entities to contribute significant equity to capital intensive projects, and discourage overleveraging.

The government needs to revisit the public–private partnership models and re-instate confidence into the private sector, which's lagging at this point of time. The government also needs to develop a rational pricing system, a better regulatory mechanism, strengthen dispute resolution mechanisms, and reform financial markets, so that infrastructure projects becomes economically feasible for the private sector.

According to India Brand Equity Foundation (IBEF) report, infrastructure spending in India currently stands at 8 percent of GDP, and going forward its estimated to increase to 10 percent, whereas China spends nearly 11 percent of its GDP on infrastructure. The magnitude of scaling up required for infrastructure development in India is enormous. The estimated infrastructure investment was pegged at $1 trillion in 12th Plan, with pro-

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jected share of investment from private sector at 48 percent. However, private participation in infrastructure sector has been not comforting, because to numerous challenges and blockages including land acquisition and environmental issues, moreover, the absence of bankable infrastructure projects have been another disappointment factor for private infrastructure players.

The infrastructure sector has always received special attention and increase allocations in every budget since the government came to power in 2014. The center has always displayed consistency and coherence on infrastructure policies. However, the sector needs consolidation in terms of policy framework starting from approval to implementation. An enhanced budgetary allocation, institutional mechanism for impartial pricing and competition, and vibrant financial markets is required for achieving India's long-term growth potential ■

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