SHANKAR IAS PARLIAMENT
Information is Empowering

Public Spending for Infrastructure

What is the issue?

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There is a need to orient policies towards development of infrastructure to sustain a desired level of economic growth.

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What is the current demand?

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- The humongous tax reforms through GST and multiple initiatives with the intent of building a more productive and efficient economy have been ushered.
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- In this backdrop, a focus on development of infrastructure and raising resources for financing the infrastructure is important.
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- Estimates suggest that Rs 10-15 trillion of annual investment in infrastructure over the next 5 years will be needed to sustain desired growth.
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- This expenditure must be judiciously divided between the public and private sectors, with the latter being brought into projects where returns are feasible.
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How can private participation be facilitated?

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- Suitable conditions should be created for private sector to invest and projects should be awarded only after securing key sovereign clearances.
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- Large amounts of resources that are currently locked in arbitration need to be freed up by effective contracting and dispute resolution mechanisms.
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- Implementing the Kelkar committee recommendations on revitalising the public-private partnership model could be a good start.
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- Public spending is indeed a key driver, but it is currently being channelized only to frontal sectors like roads, railways and waterways.
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- Hence, it needs to be expanded to public housing and agri-infrastructure.
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- A sound policy on asset recycling by identifying public assets for sale or ‘leasing for operations’ could help generate funds needed by the government.
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- The TOT (Toll-Operate-Transfer) model for highways is a good example.
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How can land be secured for projects?

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- Availability and procurement of land remains a contentious issue and multiple planned and upcoming projects are locked in arbitration due to land.
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- But significantly, many public entities such as the Railways, airports, defence services and port authorities hold underutilised land parcels in prime areas.
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- Hence, the setting up of a Land Bank Corporation has been suggested as a definitive publicly available inventory of central government land holdings.
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- A “Land Bank Corporation” will hence help in increasing the transparency with regard to monetisation of such land parcels which will benefit all.
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What is the scenario in the electricity sector?

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- While electricity is an important sector for a growing economy, it is currently facing stress and rising NPAs due to lack of demand for thermal power.
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- Notably, there is stiff competition from renewable, which has become cheaper and the state discoms tend to focus exclusively on costs for sourcing

power.
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- While these are the prime reasons for rising NPAs in the sector, the discoms too are reeling under stress due to irrational subsidies.
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- In this context, a “National Power Distribution Company” (NPDC) on the “one nation, one market” which will enable structured long-term strategising.
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- Consequently, a minimum purchase from stranded capacities will be ensured, a unified power market will be created and source diversification in the generational sector can be ensured.
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What is needed for the railways?

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- There is an urgent need to upgrade and modernise railway infrastructure and increase the number of freight wagons, which at present is in severe shortage.
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- A government policy for procuring new-generation freight wagons from the private sector could be a boon for the sector.
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- In addition to freeing up resources for up-gradation and maintenance of railway infrastructure, it would also increase transport capacity and revenue.
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- Additionally, this will boost manufacturing as a whole due to new technologies and new designs.
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Source: Business Standard

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