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EXPERT TAKE

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# Bridging the Urban Infra Deficit

The survey has outlined the urgent need to kick-start the virtuous cycle of investments for sustained growth, and identified private sector as a crucial driver to achieve the objective of $5 trillion GDP by 2024-25.

Highlighting the importance of National Infrastructure Pipeline (NIP) report that identifies projects and opportunities to boost infrastructure investments to the tune of ₹100 lakh crore (about $1.4 trillion) over next five years, the survey said it will facilitate supply-side interventions in infrastructure sector and help government launch well prepared projects in a structured manner for investors.

While the gamut of opportunities in NIP is large, a quick analysis of the report shows that three sectors–energy, urban infrastructure and roads—account for almost 60% of the total projected pipeline of investments. While private sector traditionally played an important role in energy and roads sector in the past, it has largely shied away from the urban infrastructure sector. This situation is neither desirable nor sustainable. The urban population in the country is expected to touch 600 million by 2030, up from 370 million as per Census 2011.

There are already immense deficits in quality and quantity of basic urban facilities, causing traffic congestions, inadequate solid waste management facilities, drinking water scarcity, pollution, etc. There is a pressing need to ensure fast-paced development of urban infrastructure. And private capital has to play a pivotal role.

**PRIVATE SECTOR CRUCIAL**

**The govt can consider setting up an institution dedicated to urban infrastructure on lines of SECI to woo pvt cos**

Some notable challenges that deter private investors from this sector include: a) lack of transparent and credible bidding process in public-private partnership; b) lack of model/standard contracts and standardised bidding documents, which makes securing debt difficult for investors; and c) absence of credible payment security mechanisms due to concerns around creditworthiness of urban local bodies (ULBs). These challenges are not unique to the urban infrastructure sector. Learnings from other sectors with similar complexities show it is possible to attract large-scale private capital. This will need innovative thinking.

The government can perhaps consider setting up an institution dedicated to urban infrastructure on the lines of Solar Energy Corporation of India (SECI) that helped enhance private sector interest. The institution can come under the housing and urban affairs ministry and be entrusted to support ULBs and state governments in planning, executing and managing PPPs in urban infrastructure. While doing so, this institution may: (a) work closely with ULBs to create a pool of well-structured economically feasible projects with standardised concession terms to help create scale for large investors; (b) run bidding processes through fair and transparent mechanisms used successfully in other sectors; and (c) offer a reliable payment security mechanism to private investors.

This can possibly persuade private investors to fund urban infrastructure projects. Besides providing a ready template to ULBs to structure sustainable PPPs, it will also help them leverage their own balance sheets through crowding-in of private capital at scale to finance critical projects.

Acknowledging the importance of "trust as a public good", the Survey has outlined that policies need to create transparency and credibility in business environment for economic growth. The proposed institutional arrangement could be a viable first step towards establishing trust of investors in ULBs and, consequently, addressing deficiencies in urban infrastructure space.