

Budget thrust on infrastructure development to make Indian MSMEs globally competitive

At a time when private investment is not forthcoming, given the anticipation of low consumption demand due to people making precautionary savings to avert future uncertainties arising out of COVID-19 crisis, the government has stepped in and given a major thrust to infrastructure creation in the Union Budget 2021, as this can have a multiplier effect on the economy in the form of income-generation and spending.

The National Infrastructure Pipeline (NIP), which was announced in December 2019, has been expanded to 7,400 projects, of which around 217 projects worth Rs. 1.10 lakh crores under some key infrastructure ministries have already been completed.

The government proposes to finance and facilitate these projects by creating institutional structures such as a Development Financial Institution, asset monetisation and enhancing the share of capital expenditure in central and state budgets.

Some important proposals towards asset monetisation include:

- National Highways Authority of India (NHAI) and Power Grid Corporation of India (PGCIL) have each sponsored one Infrastructure Investment Trust (InvIT) that will attract international and domestic institutional investors. Five operational roads with an estimated enterprise value of Rs. 5,000 crores are being transferred to the NHAI InvIT. Similarly, transmission assets of a value of Rs. 7,000 crores will be transferred to the PGCIL InvIT.
- Railways will monetise Dedicated Freight Corridor assets for operations and maintenance, after commissioning.
- The next lot of Airports will be monetised for operations and management concession.
- Other core infrastructure assets that will be rolled out under the Asset Monetization Programme include NHAI Operational Toll Roads, Transmission Assets of PGCIL, Oil and Gas Pipelines of GAIL, IOCL and HPCL, AAI Airports in Tier II and III cities, other Railway Infrastructure Assets, Warehousing Assets of CPSEs such as Central Warehousing Corporation and NAFED, among others, and Sports Stadiums.

An InvIT is an investment vehicle created to hold income-generating and operational infrastructure assets such as roads, power transmission lines, gas pipelines, etc. InvITs work like mutual funds and are regulated by the Securities and Exchange Board of

India. The primary objective of InvITs is to promote infrastructure development in India by encouraging retail and institutional investors to invest in them.

NHAI undertakes asset monetisation through the Toll-Operate-Transfer (TOT) model, under which NHAI passes on the toll collection rights, and operation and maintenance obligations for road projects, to private developers.

The Finance Minister, in her Budget Speech, announced “Monetising operating public infrastructure assets is a very important financing option for new infrastructure construction. A “National Monetization Pipeline” of potential brownfield infrastructure assets will be launched. An Asset Monetization dashboard will also be created for tracking the progress and to provide visibility to investors.”

Logistics costs in India average around 13-15 per cent of the product cost compared to the global average of 6 per cent. Similarly, energy costs in India are high due to cross-subsidisation. Reforms in the infrastructure sector will enhance the efficiency of Indian industries, agriculture, trade and commerce, and make our manufacturing and exports competitive.

Notifications

PIB

Trade Deficit Between India and China

<https://pib.gov.in/PressReleasePage.aspx?PRID=1694820>

Increase in Exports

<https://pib.gov.in/PressReleasePage.aspx?PRID=1694817>

One District One Product Scheme

<https://pib.gov.in/PressReleasePage.aspx?PRID=1694805>

Improvement in Ranking of States

<https://pib.gov.in/PressReleasePage.aspx?PRID=1694802>

MAKE IN INDIA 2.0

<https://pib.gov.in/PressReleasePage.aspx?PRID=1694804>