

Adherence to ESG norms necessary for infrastructure development

The government has announced the National Monetization Pipeline with an estimated value of Rs. 6 lakh crores over four years. Through this programme, the government intends to engage the private sector in developing and operating brownfield projects that are currently not fetching enough revenues to the government. With this exercise, the government intends to improve efficiencies in running these projects, while utilizing the revenues generated towards building greenfield infrastructure projects.

However, while the intent of the government may be well-meaning, entry of the private sector in strategic infrastructure sectors may lead to creation of monopolies or oligopolies. Although fraught with challenges of inefficient management, PSUs focus on social and regional development. The profits generated by PSUs are used for financing various government schemes and programmes to support national interests.

Further, although imperative for development, infrastructure projects leave an environmental footprint. These projects may cause exploitation of natural resources, and generate pollution, thereby leading to natural calamities and human catastrophes. These projects also lead to displacement of people, and exacerbate income inequalities.

It, therefore, becomes imperative that the government lays emphasis on sound environmental, social and governance (ESG) disclosures while engaging private entities in the National Asset Monetization Pipeline projects.

While bringing about reforms, it is also necessary that these percolate at the ground level in order to ensure success of these reforms. The IBC, for example, despite of being a landmark reform has failed to improve Ease of Doing Business in India, as many resolution plans have overshot their time limit and NPAs are being sold at substantial haircuts. The primary objective of introducing IBC was timely resolution of insolvency cases and maximization of recovery value for creditors.

While the reasons for delay in bankruptcy resolution could be many such as lower investor interest in a slowing economy, cost strings attached with the ailing company such as huge liabilities, non-viability of the business which only took off because of political backing, lack of adequate technical staff with the regulator to handle litigations etc., turning to the private sector as a panacea for all developmental challenges may not be the answer.

However, regulation of the private sector may in itself be a challenge for the government as over-regulation can deter entrepreneurs from taking risks and nudging investments towards productive purposes. Thus, the growing tradeoff between the developmental requirements of



the economy and conducting businesses ethically calls for a balancing act by the government, as it has a tight rope to walk on.