

GROWTH THROUGH PRIVATISATION.

**By Ashwajit Singh
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If economists, analysts, businessmen and the public at large were asked to identify the single major factor for the economic slowdown in India, the likely consensus would be "inadequacy of infrastructure services in the country". Much water has gone under the bridge since policy makers announced that infrastructure was one of the key areas that they would be focusing on to kick start economic growth. However, one finds today-whether it is roads, ports, civil aviation, railways, oil and gas, financial or even legal services-here exists an acute shortage where infrastructure has not been able to keep pace with economic growth over the last few years. Instead of providing a fillip to growth, infrastructure is the biggest bottleneck. The reason for the dismal state of infrastructure is not lack of demand or interest of prospective investors, but unclear policies and delay in implementing decisions.

A major policy initiative that the government took was to privatise major areas of infrastructure. Years later, although the government has made some moves to encourage private investment in infrastructure, the level and structure of private investment necessary to take up the slack is yet to materialise. This is the biggest failure of the reforms. The government needs to devise a friendlier regime to accelerate private investment.

Unlike vanilla project financing, infrastructure financing is not simple, requiring commitment of long-term funds for 10 to 15 years without a safety network. This means that investors would need to evaluate the project risks and financial projections over a longer period. Often, the commercial viability of these projects is intricately tied with government policies, including certain government concessions.

Till now, the progress of the reforms in infrastructure has been limited to the Centre and few states. However, to accelerate infrastructure development the Centre would need to create regulatory authorities or boards on the lines of the National Highway Authority of India. It will need to focus on formulating the vision with time bound projects. To enable financial closure, the government would need to formulate concessions and incentives. It may need to provide a sweetener in the first few projects to attract investors and create awareness. It would also need to focus its energies to create a proper institutional framework and reform the legal framework by creating clear and transparent policies. Capital market infrastructure would need to keep pace by introducing a well-developed debt market, demat process and greater trading volume.

The high-powered committee and inter-ministry groups need to work in co-ordination, to avoid confusion of which Tata Airlines was a casualty. Change in infrastructure facilities can only follow change in attitude. The role of the government is not just policy making but policy implementation too.

Infrastructure at the state level needs to be looked at by the states. A number of state governments have started floating infrastructure development boards or infrastructure initiative funds to catalyse private sector investment. With an initial contribution from the state's infrastructure cess funds, the objective of these boards is to attract financial institutions,

multilateral agencies and other bodies. Infrastructure projects, if properly perceived and planned, can lead to zero cost or profits in the long run. However, it should be commercially viable as a stand-alone project in the long run. Although grants and aids would be welcome, projects should not be conceived on the assumption of grants and aids. States need to focus on developing micro-enterprise cities so that the benefits percolate to economically backward areas.

Though there is a clear national awareness that economic growth is dependent on adequate, cheap and efficient infrastructure, action needs to be clearly defined and sector-specific. After initial resistance models implemented successfully elsewhere are gaining acceptance. One hopes that if we are to overcome the crisis, privatisation of infrastructure will get a shot in the arm. It has been rightly said, "people may doubt what you say, but they will believe what you do."