1. Long-Term Infrastructure Bond Market for the Private Sector is a Must

Context:

- The Recent Announcement of ₹102 lakh crore by the finance minister was shot in arm for acceleration of mega infrastructure projects allocated across the various sectors like power, railways, urban irrigation, mobility, education and health. This will spur up the demand for Alternative Infrastructure Projects Funding.

Why Infrastructure is crucial for Economic Development?

- Infrastructure is a **Crucial Driver of Economic Growth.** Infrastructure development not only **creates employment but also has the capacity to increase consumption and can give a boost to the Economy.**
- In early 1930's developed economies like the US, Germany was going through recessionary cycle. For quick revival, these economies relied on slew of mega infrastructure development like autobahns, highways and railways to attract more investments. This had a manifold effect on GDP growth and economic revival.

Challenges in raising Infrastructure Financing:

- Infrastructure financing in India faces several challenges right from high cost of capital to shortage of long-term financing due to asset- liability mismatch.
- It is difficult to fund new projects due to limited availability of capital and liquidity with the Banks/NBFCs and Bank's sectoral limits. Therefore, alternative funding avenues needs to be worked out.

Alternative Funding Avenues:

- The government needs to **Encourage Privatisation**. In India, the government has only issued sovereign bonds in local currency in the domestic market to finance the fiscal deficit.
- While a **Sovereign Bond** is neither necessary nor desirable, it is still **essential that a long-term infrastructure bond market for the private sector is created.** This can only happen with participation from life insurance institutions and other long-term investors. Institutional participation, stamp duty and tax incentives required to make this happen, must be accelerated.
- **To mobilise funds via divestment of profit-making state-run companies.** Disinvestment provides the government the much-needed fiscal resources and withdrawal from several activities that can be transferred to private sector without sacrificing any

public cause. It also helps in refocusing the scarce administrative resources of the government.

- **By disinvestment, public money could be freed up for investments in Infrastructure, Health, Social Sectors or education.** This would also result in improved efficiency and, at times, expansion of enterprises and creation of employment opportunities after management is passed into private hands.
- Though the **public-private partnership model** has gained significant importance, there is a need to refine and evolve it further to make it a successful proposition. The government, now, needs to lay further emphasis on creating tailor-made solutions to suit the prevailing risks.
- GOI has come out with the **Hybrid Annuity Model or HAM. This model is a mix of the EPC (Engineering, Procurement and Construction) and BOT** (build, operate, transfer) models. The private players are paid to lay down the roads and have no role in the roads ownership. It is the government's responsibility to maintain and collect tolls on the road.

Conclusion:

- Thus, the advantage of huge investment drawn to the infrastructure sector via different avenues shall transmit into a manifold effect leading to increase in the GDP growth to a double digit number inclusive of Employment Generation