

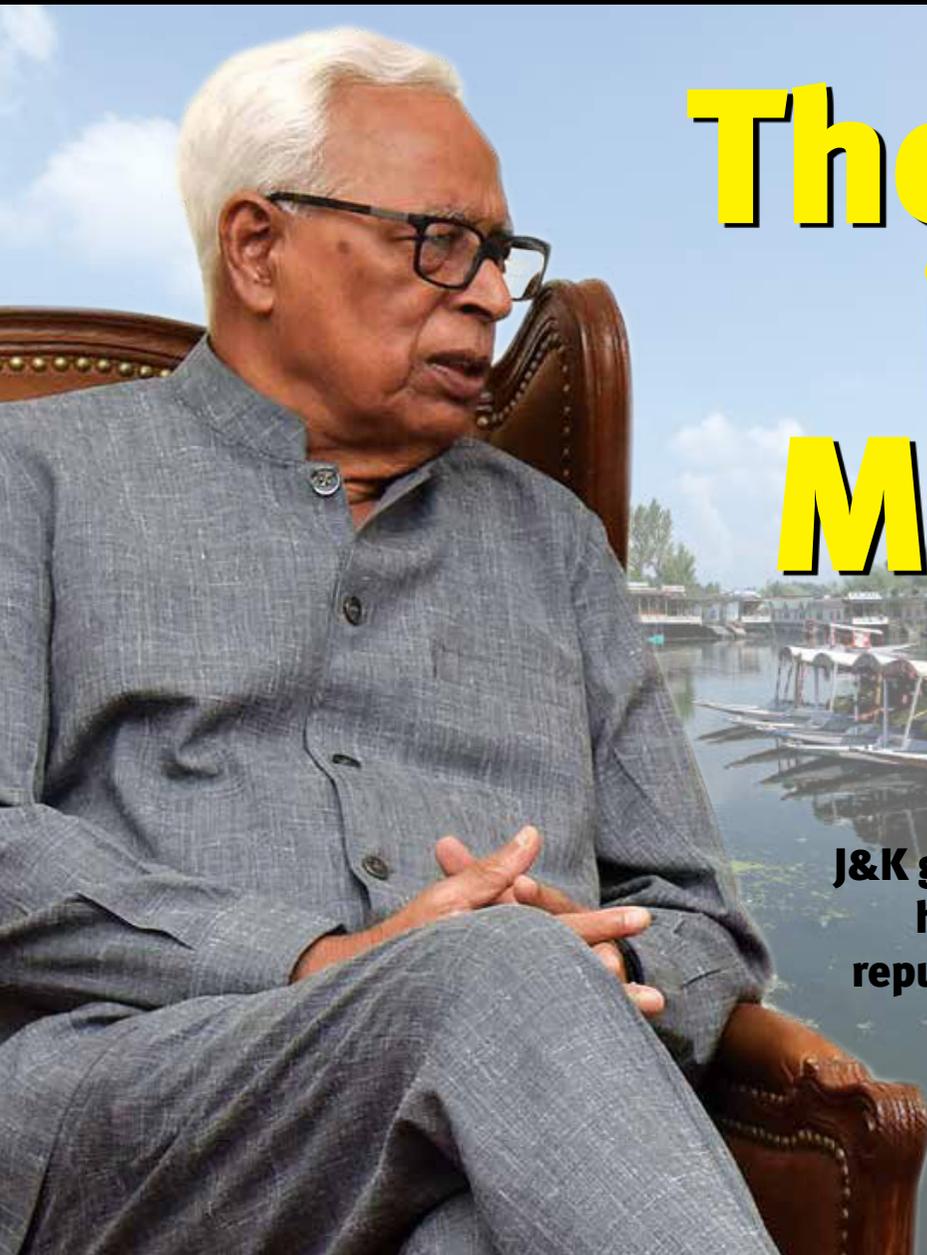
# GOVERNANCE **now**

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## The Man in the Muddle

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# Home run

For the 'Housing for All' initiative to succeed, the govt needs to bring in PPP reforms



Kshitish Nadgauda

**A**iming to provide affordable housing for all by 2022, the central government has in the last two years undertaken ambitious plans to improve housing infrastructure, resulting in major opportunities for economic growth. However, an infrastructure deficit has hindered these plans and the government needs to raise additional resources to bridge the gap.

To this end, increased investment is crucial. The centre will require over \$1.5 trillion in infrastructure investments over the next 10 years to successfully complete some of its biggest urban development initiatives, and this will call for greater involvement of the private and foreign sectors. However, legal and contractual issues in public-private partnerships (PPP) are constraining efforts by the central and state governments to attract private investors. There is a need for the centre to implement PPP reforms, such as enacting PPP laws, streamlining

procurement, and launching mutually agreeable dispute resolution methods.

Another key factor that I believe will help in attracting more investors is the Reserve Bank of India's (RBI) recently proposed approach: specialised banks. The RBI will be offering licences to private companies to set up infrastructure banks that will help serve the industry's long-term financing needs. Unlike the Chinese approach to infrastructure development funding, which relies on bond sales, increased PPP is what India needs in the coming years to overcome its infrastructure deficit and to keep its economy growing.

From the start of its implementation, the affordable housing initiative has relied heavily on PPP policies. With about 843 million people expected to move into cities by 2050, according to an ASSOCHAM report of 2017, housing has become one of the top priorities of the government.

In a step to boost the initiative, the central government conferred infrastructure status to affordable housing

as part of the 2017 union budget. This strengthened status will encourage investment in the housing sector and will bring down the overall cost of construction, boosting urban infrastructure development. Additional changes also will ensure easy access to institutional credit and cost borrowing policies. This is a big push for private companies to engage and invest in the development of urban infrastructure, resulting in the successful implementation of the 'Housing for All' initiative.

The central government's move will also help simplify the approval process for various housing projects, increasing transparency. The industry recently witnessed an almost 53 percent increase in budget allocation for affordable housing. According to the 2017 budget, the central government has increased the allocation for the Pradhan Mantri Awaas Yojana from ₹15,000 crore to ₹23,000 crore. This will stimulate positive, long-term development within the sector. To achieve the affordable housing initiative's goals, the government will have to rely on partnerships with private developers, banks and technology innovators to ease access to lands and finance.

The central government's decision to abolish the 25-year-old Foreign Investment Promotion Board (FIPB) will pave the way for foreign companies to invest in projects in India. Additionally, the government plans to liberalise foreign direct investment laws across various sectors that will enhance business opportunities for foreign investors and multinational corporations vested in India's growth economy.

The recent reforms and institutional improvements put into place at the national level are opening up opportunities to bring foreign and private investment in support of much-needed infrastructure improvements. With further government investment and even further relaxation of PPP norms, India will surely sustain its place as the world's fastest growing economy. ■

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