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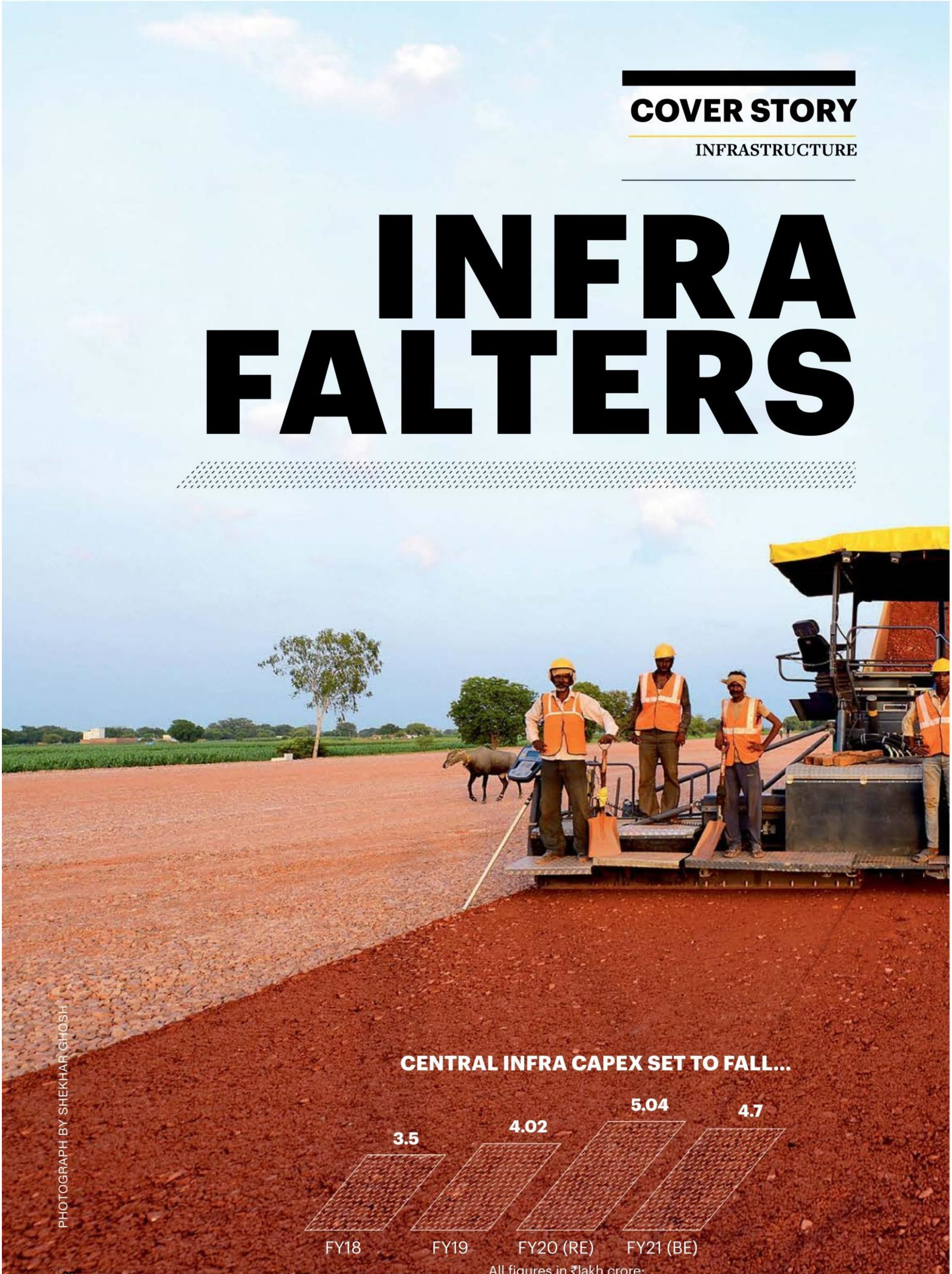
THE BIG INFRA SLUMP

WITH UP TO 60% CUT IN INFRA CAPEX BY THE CENTRE AND STATES AND 27% OF CENTRAL PROJECTS DELAYED, ECONOMIC RECOVERY WILL SLOW DOWN

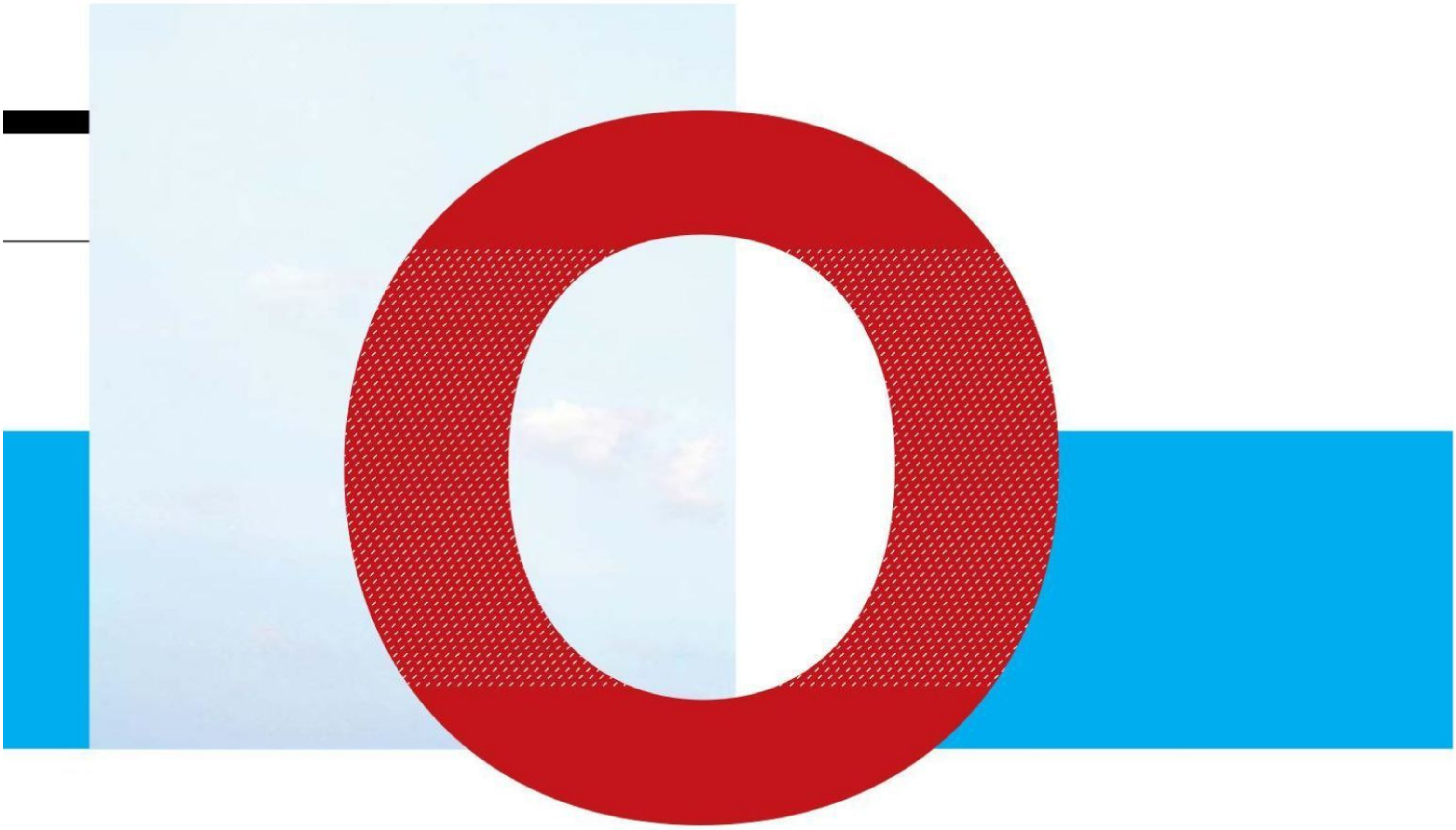
INFRA FALTERS



PHOTOGRAPH BY SHEKHAR GHOSH

DESPITE AN AMBITIOUS TARGET, PUBLIC EXPENDITURE ON INFRASTRUCTURE — THE ONLY FUNCTIONAL ENGINE OF THE ECONOMY — IS DWINDLING. THAT SPELLS BAD NEWS FOR ECONOMIC RECOVERY

BY NIRBHAY KUMAR



On July 10, Virendra D. Mhaiskar, Chairman and Managing Director of Mumbai-based IRB Infrastructure Developers, was enthused. IRB had emerged the preferred bidder for the ₹2,193-crore build, operate and transfer (BoT) project for six-laning the 63.83-km stretch of NH-19 from Dankuni to Palsit in West Bengal under the Bharatmala Pariyojana.

His joy was short-lived. On July 21, the National Highways Authority of India (NHAI) annulled the bids. Its rationale: it expected a premium or upfront payment from private developers while IRB asked for a grant. Bids for another BoT project were cancelled for similar reasons amid tepid market sentiment.

The development hurts NHAI equally badly as it prefers to award projects on BoT (toll) mode instead of Engineering, Procurement and Construction (EPC) or Hybrid Annuity Model (HAM) where it has to shell out funds upfront. This chicken-and-egg situation represents the dilemma — of government agencies as well as private companies, both starved for funds — in the roads sector amid demand destruction due to the Covid crisis.

Unruly combinations such as these brought down spending on road construction from ₹1,37,354 crore in FY19 to ₹85,275 in FY20 (till November 2019, as per latest data released), slowing road building from 10,855 kilometres a year in FY19 to 6,940 kilometres in FY20 (up to December 2019, as per latest data released). That's a run rate of 84 per cent of target in road building and 93 per cent in spending.

THE CHALLENGES

With state finances impacted by the pandemic, public spending has been hit

Centre, states divert funds to healthcare and social sectors; it could leave infra high and dry

Prolonged weak demand may raise risk for private developers, investors and banks

Risk-averse banks likely to shun lumpy infrastructure projects

But roads is only one of the several areas of infrastructure where public expenditure has fallen despite the government's intent to push the pedal and spend ₹111 lakh crore on infrastructure by 2025. According to latest data released by the Controller General of Accounts (CGA), which tracks government accounts in real time, in FY20, the Ministry of Power spent only 89 per cent of its planned capital expenditure, while the Ministry of Roads spent 93 per cent. In the first quarter of FY21, the situation is far worse. The Ministry of Power spent only 2 per cent of its annual budgeted capital expenditure in the quarter, while the Ministry of Roads spent 21 per cent. The figure for the Ministry of Housing and Urban Affairs is a mere 9 per cent (see *Spending by Infrastructure Ministries Not Up to The Mark*).

The crisis is unlikely to spare even the prime minister's signature Smart City project. The project got ₹18,810 crore support from the central government till February this year, 39 per cent of its share since the launch of the scheme in June 2015.

One silver lining has been Indian Railways. It spent ₹67,825 crore on infrastructure in FY20, up from ₹52,844 crore in FY19. In the first quarter of FY21, it spent 29 per cent of the amount budgeted for the entire financial year.

In Covid-hit FY21, infrastructure spending by Centre is projected to be 7 per cent less than the previous fiscal, according to ratings agency Crisil.

₹1.7
LAKH CRORE
Expected infra capex of 10 major states in FY21, according to Crisil

States, which were expected to spend at least 40 per cent of the ₹111 lakh crore National Infrastructure Pipeline (NIP) till 2025 (Centre will spend 39 per cent and private sector 21 per cent), also drastically reduced capital spending in FY20. Only three of top 15 states by size of GSDP increased capital spending in FY20 (of these, UP by just 1.8 per cent). The other 12 scaled down capital outlay by 0.1 per cent (Tamil Nadu) to 60 per cent (Andhra Pradesh). The infrastructure capex of 10 major states could stagnate at ₹1.7 lakh crore, it says.

And private sector interest is already muted. One reason is sharp drop in demand for airports, ports and power, with recovery appearing far away. With this, India is staring at a downward slope in infrastructure building, especially as revenue collection of both Centre and states is expected to be hit badly due to the Covid crisis.

Four infrastructure sectors — roads, energy, urban infrastructure and railways — were to account for 71 per cent of the NIP investment. Of that, energy is 24 per cent, followed by roads (18 per cent), urban infrastructure (17 per cent) and railways (12 per cent).

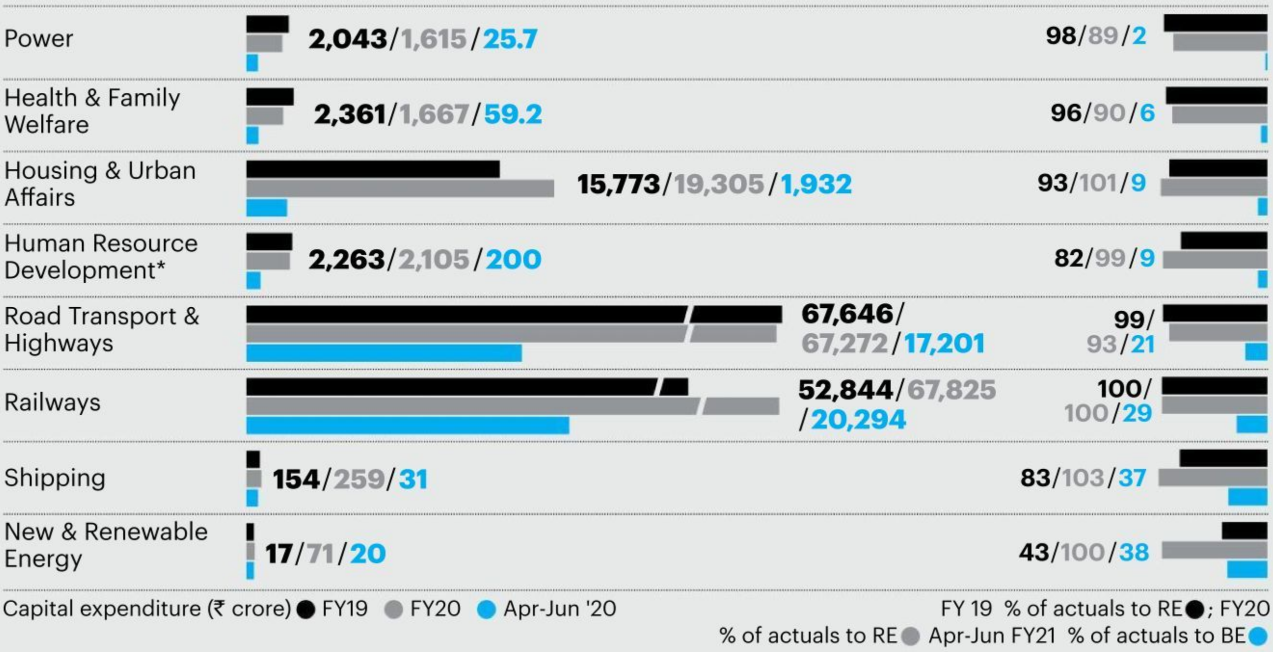
M. Govinda Rao, former Member of the PM's Advisory Council, expects a significant cut in public spending on infrastructure as resources will be needed to augment public health facilities and save lives and livelihoods. Further, states will see a decline in own revenue,

THE ROADBLOCK

SPENDING BY STATES AND CENTRE UNDER PRESSURE EVEN AS DELAYED PROJECTS RISE

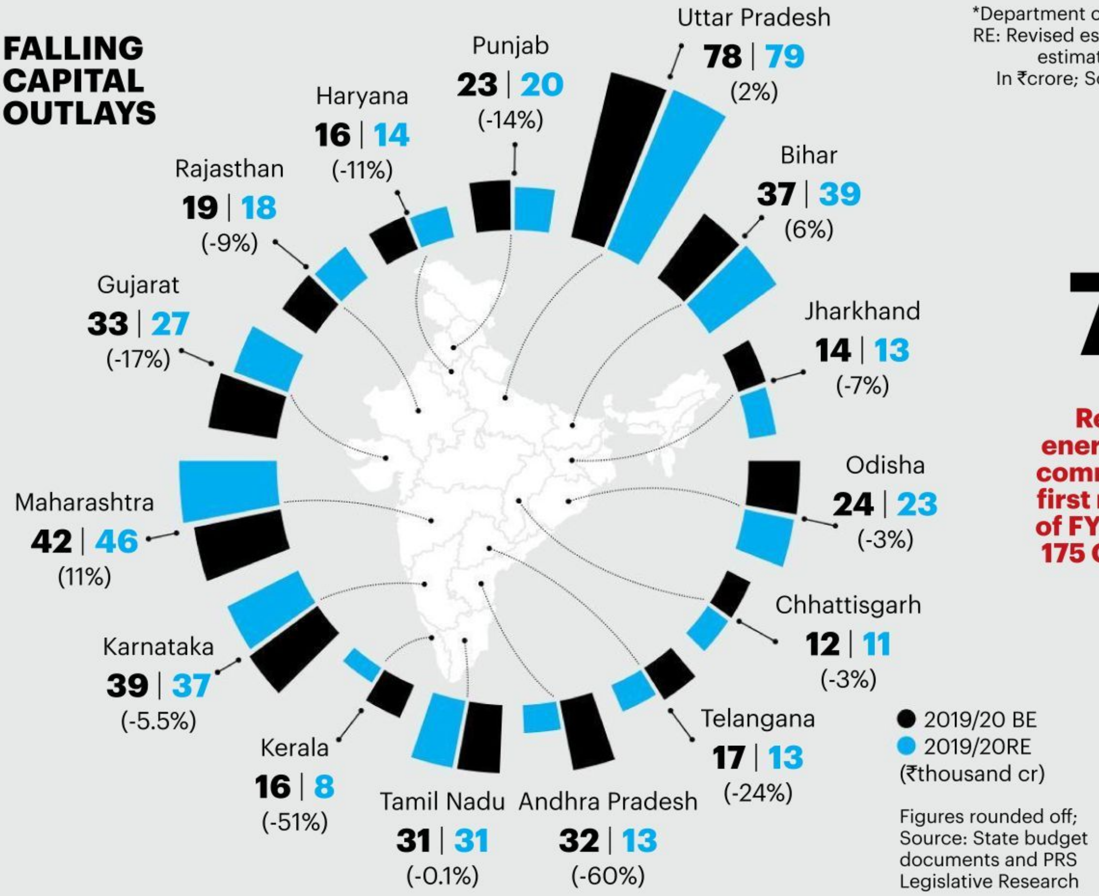
GRAPHIC BY TANMOY CHAKRABORTY

SPENDING BY INFRASTRUCTURE MINISTRIES NOT UP TO THE MARK



*Department of Higher Education; RE: Revised estimates; BE: budget estimates; Provisional data
In ₹crore; Source: CGA & Union Budget documents

FALLING CAPITAL OUTLAYS



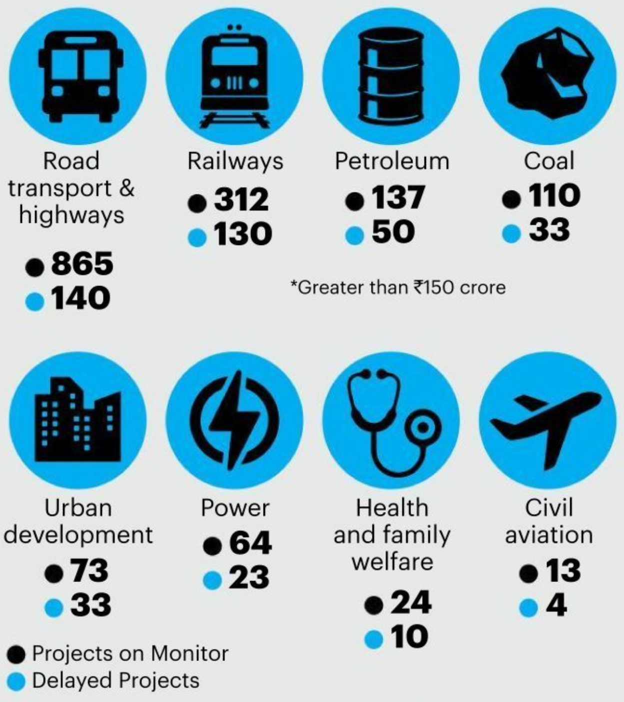
Figures rounded off; Source: State budget documents and PRS Legislative Research

7.6

GW Renewable energy capacity commissioned in first nine months of FY20; target is 175 GW BY 2022

THE DELAYED PROJECTS

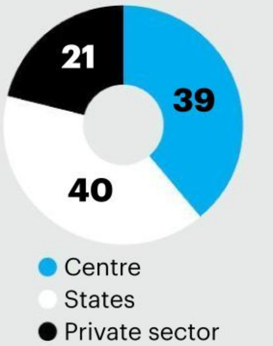
Ongoing Central projects*



Source: MOSPI

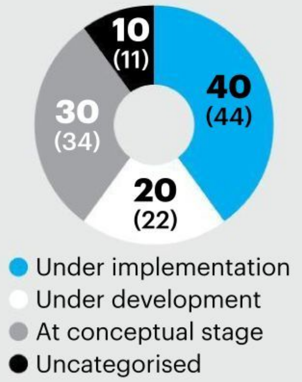
WHO FUNDS THE NIP

Share in NIP (in %)



NIP IMPLEMENTATION STATUS

% Share of projects (Value in ₹lakh crore)



devolution from Centre and GST compensation. "There will be huge revenue shortfall, and the entire borrowing will meet revenue expenditure. There will be very little left for capital spending," he says.

That is bad news for India's hope for an early economic revival. With three of the four engines of the economy — exports, private investment and consumption —non-functional or delivering negative growth, revival hopes rest on the fourth engine: public expenditure on infrastructure creation. Its downstream effect on a host of sectors such as steel, cement and construction was expected to create a multiplier effect on allied industries, triggering a recovery. Now, with public spending cuts lurking, this lone growth driver will slow down as well. The Union finance ministry, in a June 4 circular, asked central ministries to put on hold new schemes in FY21 stating there was unprecedented demand on public financial resources and the need to use them prudently. "No new proposal for a scheme/sub-scheme should be initiated this year except proposals announced under the Pradhan Mantri Gareeb Kalyan package, the Atma Nirbhar Bharat Abhiyan package and any other special package/announcement. In-principle approval for such schemes will not be given in this financial year," it said.

In the states, acute funds shortage is forcing them to defer infrastructure projects. "We are under extreme stress and have deferred capital expenditure to the next fiscal. We will be happy if we can pay salaries, pensions, debts, subsidy on account of electricity and old age pensions. The committed expenses leave us very little resources," says Punjab Finance Minister Manpreet Singh Badal. He adds his government will provide funds for projects nearing completion. Similarly, Chhattisgarh Commercial Taxes Minister T.S. Singh Deo says lower tax collections will impact infrastructure development as reduction in salaries or pensions is not an option.

The ability of states to raise funds differs. Finances of Punjab and Kerala have traditionally been weak. The pandemic has brought stress in state finances to the fore. Rating agencies are apprehensive of Centre facing a similar problem. "Punjab, Kerala and West Bengal are historically known to have a weak fiscal situation. That's why when Kerala went to the market, it had to borrow at 8.96 per cent, almost 200 basis points more than the repo rate. Maharashtra and Gujarat borrowed at less than 6 per cent," says N.R. Bhanumurthy, Vice-Chancellor of Bengaluru Dr. B.R. Ambedkar School of Economics University. So, clearly, poor state finances are making a bad situation worse.

Getting the country out of the economic crisis due to coronavirus depended on rise in public spending due to its multiplier effect on GDP. Infrastructure offered the best bet to boost demand and create more jobs. After all, when GDP growth was sliding over the last few years, public spending was saving the day — government's final consumption expenditure (GFCE) grew 13.6 per cent in the fourth quarter of FY20, as per National Statistical Office data released in May. GFCE rose 11.8 per cent in FY20 compared to 10.1 per cent in the previous fiscal.

States Face Strong Headwinds

Faced with lower-than-expected revenues, states cut capital outlays in revised estimates for FY20, even before coronavirus struck. The downturn and the pandemic together have roiled public finances. Government data shows GST collections slumped 41 per cent in April-June 2020. States have complained about delayed GST compensation affecting expenditure.

With states expecting a huge dip in revenues, they will look at Centre to bridge the possible investment gap. Research firm Crisil says infrastructure capex will decline this fiscal as more funds will be diverted towards health and social sectors. Budget estimates for infrastructure capex fell for the first time in FY21; spending by states is, in any case, seen stagnant during the year.

PHOTOGRAPH BY REUBEN SINGH

WE ARE UNDER EXTREME STRESS AND HAVE DEFERRED CAPITAL EXPENDITURE TO THE NEXT FISCAL. WE WILL BE HAPPY IF WE CAN PAY SALARIES, PENSIONS, DEBTS, SUBSIDY ON ACCOUNT OF ELECTRICITY AND OLD AGE PENSIONS"

MANPREET SINGH BADAL, Finance Minister, Punjab

"Centre will have to play a bigger role in infrastructure as states don't seem to have the bandwidth to invest. There is a lot of stress on state finances but it is difficult to say what will be the deficit due to Covid disruptions and uncertainty about growth," says D.K. Joshi, Chief Economist, Crisil.

Inordinate Delays The Norm

As on April, 446 out of 1,682 central projects (₹150 crore or more) were running behind schedule. The average time overrun is 43 months. In 117 projects, the delay is 25-60 months, while in 101 projects, it is five-plus years. Majority of delayed projects are in road transport/highways, railways, energy and urban development.

As a result, the cost of implementing these 1,682 projects has shot up 20 per cent from ₹20.59 lakh crore to ₹24.66 lakh crore. "Expenditure incurred on these projects till April 2020 is ₹11,01,020 crore, 44.63 per cent of the anticipated cost," says a report on central projects by the Ministry of Statistics and Programme Implementation.

Long Road To Growth

In early July, the crisis-hit IL&FS, which has put assets on sale to avoid bankruptcy, reported that an Italian company has pulled out of a deal for the Pune Sholapur Road Development Company Ltd because of Covid-related financial crisis back home. Another project — Hazaribagh Ranchi Expressway — was taken off the table due to a legal dispute. The previous month, Canadian pension fund CDPQ put on hold purchase of seven toll roads worth more than ₹3,000 crore from Global Infrastructure Partners.

There is no end to the flow of bad news for the road sector. Private players, which once bet heavily on the segment, have been shying away from toll-based BoT projects for six-seven years now, after years of bidding aggressively on assumption of high traffic growth. The share of BoT projects had risen during 2008 to 2012. Road building jumped ten-fold during 2009-2012. Private sector interest, however, started waning from 2013 as high interest rates, delay in statutory clearances and land acquisition, lower-than-expected traffic and economic slowdown came to haunt the developers. Private investment continued to slide from a high of 42 per cent in FY12. As things started worsening, NPAs piled up, and many projects got stuck. Having burnt their fingers, banks turned away from funding road projects and highway construction came to a near-halt. That's when the government introduced HAM in FY16, a cross between EPC and BoT (annuity), taking away a part of the construction risk and the entire traffic risk. HAM kick-started the sector and put highway construction back on track. Most highway projects being executed at present are on EPC or HAM mode. Still, in FY20 (up to November), private sector investment in roads was 15 per cent of what was spent by the central government.

₹2.28 LAKH CRORE NHAI debt in FY20, a rise of 10 times since FY15

NHAI has been borrowing from the market to fund EPC and HAM projects. Its total debt swelled nearly 10 times to ₹2,28,252 crore in FY20 (till February) from ₹24,188 crore in FY2015. That is why it wants to award projects on BoT (toll) mode. But private players are not ready to inject money and take traffic risks.

However, undeterred by coronavirus playing havoc on the economy and poor investor sentiment, Centre has raised its highway construction/award target. This fiscal, it plans to award contracts for 20,000 kilometres and build 15,000 kilometres of highways. Even during the nationwide lockdown and surge in coronavirus cases, the Ministry of Road Transport and Highways spent ₹17,200 crore on road building. This accounts for 22 per cent of FY21 Budget Estimates. Government spending in the sector rose from ₹50,752 crore in FY18 to ₹67,271 crore in FY20.

Demand Crash In Urban Infra

The precipitous drop in demand has put a question mark over the viability of current and future urban infrastructure such as airports, ports and power plants. Recovery seems far, at least 2023 by some estimates. This could force many private operators to put work on hold or go slow in the initial phase and shift new projects to the next fiscal.

The bigger worry is aviation, where passenger traffic

PHOTOGRAPH BY SHEKHAR GHOSH

FOR TRIGGERING AND SUSTAINING ECONOMIC RECOVERY, IT IS IMPORTANT THAT BOTH CENTRE AND STATES RETAIN NIP PROJECTS TO THE EXTENT POSSIBLE"

RAJIV KUMAR, Vice Chairman, Niti Aayog

has collapsed and there are no green shoots. After being grounded for two months, domestic carriers ferried 19.84 lakh passengers in June 2020, a tenth of the 120.25 lakh in June 2019. Crisil does not see traffic at pre-Covid levels even in the next fiscal. Without enough passenger demand, private airport operators are likely to go slow on expansion.

Similarly, the power sector has seen low off-take. All-India electricity demand declined 16.2 per cent during April-June due to the lockdown. While demand recovered from a Y-o-Y decline of 23.1 per cent in April 2020 to 10.9 per cent in June 2020 and further to 3.9 per cent in the first 15 days of July 2020, this was slower than expected. Research firm ICRA has said that electricity demand will fall 5-6 per

NIP UNDER STRESS

To counter the slowdown, the Union government accorded priority to infrastructure building. Prime Minister Narendra Modi last year announced a ₹100 lakh crore infrastructure plan. The National Infrastructure Pipeline (NIP) followed; it was revised in April this year to peg total investment at ₹111 lakh crore.

The Centre had projected infrastructure investment of ₹ 14.4 lakh crore in FY20 but the number is unlikely to be anywhere close to it. Actual figures have not been made public. A query to the finance ministry went unanswered.

Projects worth ₹21.5 lakh crore – more than the Atmanirbhar Bharat stimulus– have been lined up under NIP for FY21. But financial conditions pose a challenge. "For triggering and sustaining economic recovery, it is important that both Centre and states retain NIP projects to the extent possible," says Niti Aayog Vice Chairman Rajiv Kumar.

Infrastructure experts see NIP timelines getting pushed back by two-three years, though social and health infrastructure projects are expected to be fast-tracked. "State governments are staring at a huge revenue deficit because of lower tax collections. Unless there is funding from multilateral agencies or some state corporations achieve financial closure through a consortium of lenders, there will be problems for projects dependent on state budgets. Given the pressure on government finances, meeting the overall outlay is going to be a challenge this year and to some extent next year also," says Rajeshwar Burla, Vice President, Corporate Ratings, ICRA.

Out of total projects in NIP, 40 per cent are under execution. These are likely to be impacted by non-availability of labour, supply chain issues and financing challenges. "Centre and state government budgets for at least current and next fiscal will remain severely constrained and fresh public infrastructure spending may have to take a back seat. Private sector investments will remain muted in capex heavy industries due to excess capacity and in the infrastructure space due to financing challenges," says Sanjay Sethi, Managing Partner & CEO, Nestor Capital Consulting LLP. "Banks and NBFCs are facing headwinds and are cutting down on wholesale lending. Bond markets are neither wide nor deep enough to lend meaningful support to infrastructure. Implementation of identified projects may get pushed back by two-three years," he adds.

"In case of PPP (Hybrid Annuity Mode) projects, there are issues over banks supporting the infrastructure sector. Of late, bankers do not want to support the sector through bank guarantee and financing. So, banks' stand will decide growth of PPP projects in the highway sector," says Satish Parakh, Managing Director, Ashoka Buildcon.

₹14.4

LAKH CRORE Infrastructure investment projected for FY20 under NIP

cent in FY21. This is expected as GDP is set to shrink. The International Monetary Fund, in its June update of the World Economic Outlook, projected a 4.5 per cent decline in India's GDP in FY21.

"At this juncture, we will not undertake financing of any new project. We would want to see that the present issues of contractors, concessionaires and financial institutions are addressed," says Hemant Kanoria, Chairman, Srei Infrastructure Finance.

Kanoria has advised the government to put in abeyance new projects envisaged under NIP till immediate problems of infrastructure players are addressed. "One major issue is outstanding bills with the government, both Centre and states. Funds blocked in arbitration awards or disputes should be released. Then companies will have the financial stability and capability to undertake new projects. Financial institutions involved in financing infrastructure projects should be strengthened. This is the time to set the house in order and prepare for the future," he says.

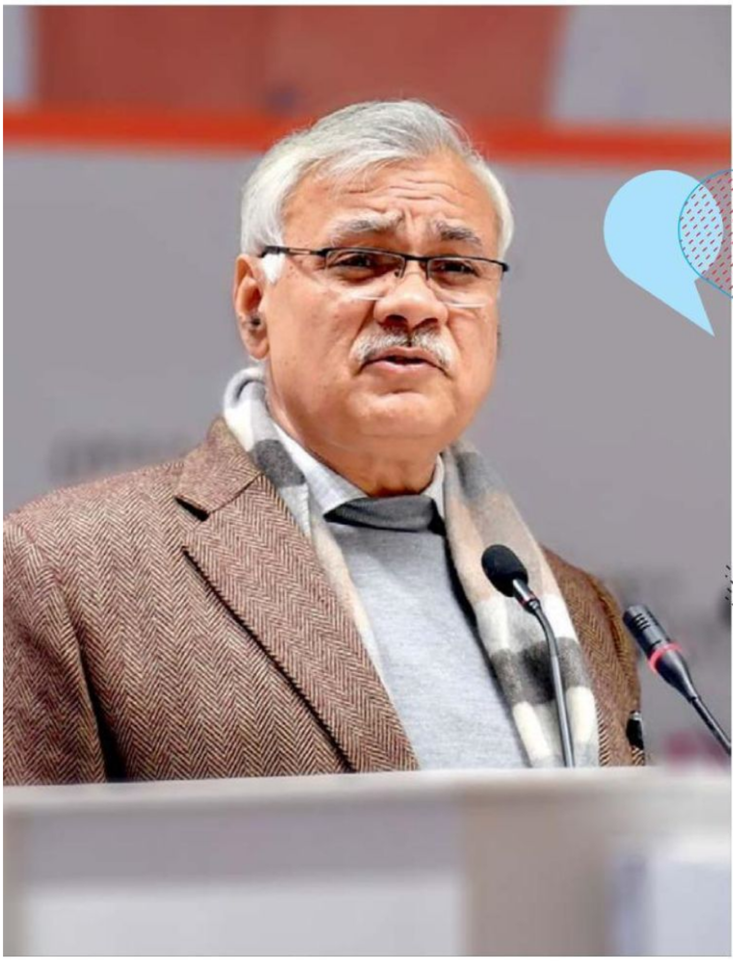
Signs of tepid investor sentiment in aviation are visible with the Adani Group seeking time to take over Lucknow, Mangalore and Ahmedabad airports after winning the bids and completing most formalities for transfer of these assets. The proposed Navi Mumbai airport has missed several deadlines and lead partner GVK Group is dithering on fund injection given its poor financial position. The ₹15,754 crore Greater Noida (Jewar) airport project has also extended the date for signing the concession agreement. "We expect to complete pre-construction activities in the first half of 2021. Following that, we will commence construction work. Despite the current challenges, Zurich Airport is extremely motivated to develop this concession, and we are fully committed to invest in Uttar Pradesh and India," says Daniel Bircher, Chairman and Managing Director, Yamuna International Airport Private Ltd (a subsidiary of Swiss airport major Zurich Airport International AG).

The Indian Ports Association says major ports which handle more than half of India's seaborne trade reported a near 20 per cent fall in traffic in the April-June quarter. The 12 major state-run ports handled 141.9 million tonnes of cargo compared to 176.7 million tonnes in April-June 2019.

Push For Renewable; Thermal In Dark

In the power sector, both private players and government had projected rising demand on the back of growing GDP. Due to the prolonged slowdown, the projections went haywire, resulting in excess capacity in coal-fired power plants. Thermal power plants are running at 50-60 per cent capacity and are under stress. This means risk-averse banks refuse to provide them funds. That is why no greenfield thermal power project has come up over the last five-seven years, say experts. Then there are late payments by stressed discoms which, despite the UDAY rescue plan, have seen their dues to power producers rise. The government recently announced a ₹90,000 crore liquidity injection in discoms under Atmanirbhar Bharat.

"Over the next 8-10 years, few new thermal power plants will be built. Renewables, doing well till now, may also go through stress due to lack of demand, confusion over sourcing equipment and overall financial health of discoms," says Debasish Mishra, Leader (Energy, Resources and Industrials) at Deloitte India. PSUs and private players have planned ₹9.53 lakh crore capex in the next five years.



EVERYTHING IS DELAYED, IMPACTED, BUT WE WILL TRY TO COVER THEM OVER A PERIOD OF TIME. URBAN INFRASTRUCTURE PROJECTS SUCH AS METRO, WATER, SEWER, ETC, ARE DIRECTLY LINKED WITH PEOPLE'S LIVES"

DURGA SHANKAR MISHRA, Secretary, Housing and Urban Poverty Alleviation

Renewables have been reporting record capacity growth due to government support. But government plans to restrict import of solar power equipment from China may cause a steep cost escalation. Solar power firms import almost 80 per cent of their equipment, primarily panels and modules, from China. In April-December 2019, they had imported equipment worth $1.17 billion from China.

Against the target of 175 GW renewable energy capacity by 2022, 8.5 GW was commissioned in FY19. In the first nine months of FY20, 7.6 GW was made operational. Another 34.16 GW is under various stages of implementation.

At cumulative installed capacity of 86.32GW in renewable energy, it is still way short of the target.

However, Union Power Minister R.K. Singh is bullish on renewables. He says 15,000 MW solar power projects have been bid out in the last three-four months. Jyoti Kumar Agarwal, Director - Finance, JSW Energy, says recent years have been challenging for the power sector. The exuberant growth prospects led to excess capacity between 2012 and 2017. This was compounded by weak discom financials, lack of long-term power purchase agreements and time and cost overruns. All this lowered investor appetite. "However, over the medium to long term, with sanguine outlook for GDP growth, power demand is expected to grow at a healthy pace, with impetus from rural demand," says Agarwal.

Big Push To Rail Infra

Parag Jain, Secretary of the Railway Cables Development Association, is hassled these days. Indian Railways has told association members to defer supply of signalling cables to March 2021. "About 8-10 members have apprised us about their hardships due to deferment of orders," says Jain.

While Indian Railways has maintained that the financial crisis will not affect its major works, it has sent a communication to zonal managers on at least two occasions to put on hold new projects and rationalise expenses. Indian Railways' capital expenditure was ₹67,825 crore in FY20 as against ₹52,844 crore in FY19. For FY21, it has projected a massive jump to ₹161,042 crore, a bulk of which is proposed to be financed through extra-budgetary resources (52 per cent), followed by budgetary support from the central government (44 per cent). It will fund only 5 per cent capital expenditure from internal resources, continuing the trend of previous years. In April-June, it spent ₹20,294 crore on capex, 29 per cent of the budget estimate. But meeting the capex target for the year will be an uphill task thanks to revenue loss of ₹30,000-35,000 crore due to limited passenger services during the lockdown.

Railways have been investing big time in upgrading existing infrastructure and building new one with government providing bulk of the funds. A capex of ₹13.67 lakh crore is planned over five years. The railways have also kicked off a ₹30,000 crore privatisation plan by inviting private companies to run passenger trains on 109 pairs of routes.

All's Not Lost

But not all may be lost on infrastructure just yet. Given the multiplier effect of infrastructure spending on private investment and jobs, Centre has been pushing all agencies to accelerate capex. In his Independence Day speech, Prime Minister Narendra Modi announced that the government will connect all six lakh villages with optical fiber cable over the next 1,000 days.

"Everything is delayed, impacted, but we will try to cover them over a period of time. Urban infrastructure projects such as metro, water, sewer, etc, are directly linked with people's lives. They are priority of both Centre and states. In the next six-nine months, we will be moving towards the target. These are the projects for which funding is tied up," said Durga Shankar Mishra, Secretary, Housing and Urban Poverty Alleviation.

So, while urban infrastructure and projects with high dependence on investment by states such as irrigation, rural roads and sanitation could be hit significantly, projects undertaken by Indian Railways, Ministry of Road Transport and Highways, NHAI are expected to be less impacted.

"AT THIS JUNCTURE, WE WILL NOT UNDERTAKE FINANCING OF ANY NEW PROJECT. WE WOULD WANT TO SEE THAT THE ISSUES OF CONTRACTORS, CONCESSIONAIRES AND FINANCIAL INSTITUTIONS ARE ADDRESSED"

HEMANT KANORIA, Chairman, Srei Infra Finance

Projects getting financial support from multilateral agencies such as the World Bank and the Asian Development Bank will progress. Central projects are better placed due to the Centre's ability to better manage its budget. "A significant push to infrastructure investment was envisaged under NIP. Its time profile during FY2020-'25 indicates an investment bulge in FY2021-'22. If this investment plan can be met fully or nearly fully, the multiplier effects on the overall economy will be very large," says D.K. Srivastava, Chief Policy Advisor, EY India. Srivastava suggests low interest rates, higher borrowing by Centre and states and encouraging FDI to support the investment bulge.

On the other hand, some marquee rail projects such as the dedicated freight corridors (DFCs) and high-speed trains are unlikely to face any funding issues. The DFCs are being financed by a mix of debt from bilateral/ multilateral agencies, equity from Ministry of Railways and limited PPP. The ₹1.1 lakh crore Mumbai-Ahmedabad bullet train project is getting 81 per cent of funds from Japanese International Cooperation Agency as soft loan.

Since the Modi government laid emphasis on building new rail infrastructure, most projects would continue to get funding. But some projects would face funding issues given that the financial position of Indian Railways has turned precarious due to sluggish demand for freight and truncated passenger services. "I am not worried about funds but constraints related to project readiness, contracting delays, execution of contracts, operational issues, among others, which have become more challenging due to Covid and lockdowns," says Manish Agarwal, Partner, PwC India. "The government would want to spend at the Budgeted level. On extra budgetary resources, that is where IRFC (Indian Railway Finance Corporation) and LIC come, there will be caution. But a lot of borrowing is on the basis that railways is effectively central government," he added.

On enhancing availability of funds, Shailesh Pathak, CEO, L&T Infrastructure Development Projects Ltd, says state governments should emulate asset monetisation and asset recycling success of NHAI's TOT (toll-operate-transfer) and AAI (Airports Authority of India). "There are so many assets that state and city governments can monetise in the next six months," he said.

PHOTOGRAPH BY SHEKHAR GHOSH

A SIGNIFICANT PUSH TO INFRASTRUCTURE INVESTMENT WAS ENVISAGED UNDER NIP. ITS TIME PROFILE DURING FY2020-'25 INDICATES AN INVESTMENT BULGE IN FY2021-'22"

D.K. SRIVASTAVA, Chief Policy Advisor, EY India

The low revenue mop-up in the wake of the pandemic, coupled with the need for directing more funds towards healthcare, has severely dented state finances. Experts have suggested that state governments set up task forces to prioritise projects in hand and provide adequate funding for timely completion of projects.

Kshitish Nadgauda, Senior Vice President and Managing Director - Asia, Louis Berger, says states will need to identify and develop alternative resources and models to fund projects, including seeking financing from multilateral lending agencies. He suggests accelerating monetisation of infrastructure, raising capital through infrastructure and municipal bonds, and setting up financial institutions for development of urban infrastructure.

As the government faces an unprecedented economic and public health crisis, it has fewer funding options to find innovative ways to finance infrastructure projects. But deferring spending could compound the problem, now and for the future. BT (*With inputs from Niti Kiran*)

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