# IFS: Getting set to make an impact

INFRATALK

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The Department of Economic Affairs (DEA) in the Ministry of Finance has traditionally had two divisions overseeing policy matters relating to the infrastructure sector; the Infrastructure Policy and Planning Division, and the Infrastructure Support and Development Division. These two divisions are now being moved out of their traditional home in North Block to a new office in the STC Building on Janpath to become part of a new set-up called the Infrastructure Finance Secretariat (IFS). The IFS will have three sections: Infrastructure financing, sectoral studies and capacity building.

As the IFS will still function as an extended arm of the DEA, what then was the need to set up a new body? Six reasons suggest themselves.

One, the need for a standalone "knowledge set-up" has been keenly felt for quite some time now, and the finance ministry has finally decided to do something about it. In fact, the DEA has recognised the number of times the recommendation has been made to have an institution like the 3P India, which was announced in Arun Jaitley's budget speech in July 2014. 3P India was conceived to be an independent institution manned by experts to revitalise the broken public-private partnership ecosystem. For this purpose, a whopping ₹500 crore was allocated in the 2014-15 Union budget. Subsequently, in 2015, the National Democratic Alliance government set up the Kelkar Committee to examine ways to bring back the mojo in PPP. The Kelkar Committee, in its path-breaking report titled "Revisiting and Revitalising PPP Model of Infrastructure Development" submitted in November 2015 once again strongly endorsed the setting up of 3P India. 3P India's charter was to include coming to grips with complex PPP issues like equitable risk-allocation, renegotiation, independent regulation, amendments to the Prevention of Corruption Act 1988, and expeditious redress of disputes.

Two, the key differentiating factor is expected to be the arm's-length association with the bureaucracy. Contractual hiring terms for experts is not expected to be a constraint, and appropriate talent from the market can not only be motivated to join, but also nurtured. Moreover, it should provide a stimulating working environment for professionals deputed from multilateral institutions like the World Bank and the Asian Development Bank.

Three, a multiplicity of players are now in existence. Sixteen line ministries at the Centre individually and collectively deal with infra matters, along with the NITI Aayog and the Ministry of Finance. Add to that the individual efforts of 30-plus states and Union Territories, making it a tangled web of effort. Thus, harmonising policies and formats has assumed criticality. The IFS is expected to be the maypole around which most of the policy dance should happen.

Four, the financial and operating playing field has changed substantially vis-à-vis the first two decades of this century. There has been a re-jigging of the policy framework where greenfield projectisation through state-funding and monetisation of operating brownfield assets through private capital have become the governing mantra. There has been the arrival of heavy-duty technical platforms like Gati Shakti and national single-window system. Then is the advent of two new financial institutions — namely, the National Investment and Infrastructure Fund and the development financial institution for the infrastructure sector, the National Bank for Financing Infrastructure and Development. All these need to work in tandem.

Five, there is the expectation that decision-making, ownership and operations and maintenance of utilities (like Nal-Se-Jal) will cascade down to the next levels of the country's federal governance structure, viz. urban local bodies and village panchayats. This shift requires massive capacity-building at decentralised levels, which is one of the priority mandates of the IFS. In her Budget speech on February 1, the finance minister strongly emphasised capacity-building measures to galvanise India's infra play.

Six, the interface function. The IFS is expected to be the one-stop-shop to continuously engage with a demanding set of stakeholders like regulators, project bidders, asset owners, asset operators and investors.

With all these six trends being taken cognizance of, the belief in the finance ministry appeared to be that a more comprehensive attack on infra development issues was a better strategy than an institution dedicated only to the art, science, and practice of PPP. Clearly, there is merit in this point of view.

But could not the IFS be housed in NITI Aayog? Some would argue that that would have been a natural anchorage, as traditionally the Planning Commission was the policy-hub for infra and the gateway between central and state economic matters. The NITI Aayog also claims to be the clearing-house for Centre-state issues. Clearly, the belief that the power and impact of housing it in the most powerful line ministry—that is, finance — gives it sharper teeth, has won the day!

As it settles down to deliver its mandate, the IFS could draw upon the learnings from similar organisations in other countries. One such is the National Infrastructure Commission of the United Kingdom, set up in October 2015. As an operationally independent agency under the UK Treasury, it functions as a think-tank focused on the long-term infrastructure priorities of the country and provides advice and recommendations to the government on infrastructure challenges and strategy. It has a secretariat of approximately 50 staff led by a chief executive.

One day the IFS may well, like the UK's National Infrastructure Commission, earn the right to be an independent standalone institution. It could well morph into a 4I (Infrastructure Integration Institute for India) rather than the more focused 3P India that was thought of.

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