Time to focus on project execution

INFRATALK

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The last three decades of the Indian infrastructure development journey have seen strident efforts to garner finances to implement the projects.

Towards this end, not only were budgetary outlays stepped-up but a slew of institutional financing initiatives was unleashed. The earliest was the Infrastructure Leasing and Financial Services in 1987. The next was Infrastructure Development Finance Company — incorporated in 1997. Then came the India Infrastructure Finance Company in 2006, National Infrastructure and Investment Fund in 2015, and the National Bank for Financing Infrastructure and Development in 2021. Simultaneously public-private partnership frameworks were established.

Earlier times had seen sector-specific financing initiatives. The notable ones are the Rural Electrification Corporation Limited (1969), Housing and Urban Development Corporation Limited (1970), Power Finance Corporation Limited (1986), and Indian Railway Finance Corporation (1986). In the last two decades, a number of private non-banking financial companies, and private equity funds have also become quite active in funding infra projects. Many global long-term institutional investors have also come in. Moreover, a new generation of capital market instruments came into existence — such as Real Estate Investment Trusts, and Infrastructure Investment Trusts.

Suffice to say that India is well poised now to actualise an annual infra funding capacity of around ₹22 trillion, which is what the stated goal of the nation is, as enunciated in the National Infrastructure Pipeline document. This capacity could be construed to be broadly made up of the Union Budgetary outlay (₹7 trillion), combined investment from states (₹6 trillion), public sector undertakings and extra-budgetary resources (₹2 trillion), National Bank for Financing Infrastructure and Development (₹3 trillion), and domestic and foreign private capital (₹4 trillion).

So, if this hypothesis is accepted — that India now has the required funding capability, the emphasis then must necessarily shift to efficient action on the ground viz. timely project execution. However, in stark contrast to financing capacity, the ground realities on project execution are quite grim. The latest update, as of December 2021, from the Ministry of Statistics and Programme Implementation (MoSPI) covers 1,679 projects. These are central sector projects each costing ₹150 crore or more across 10 areas — roads, railways, power, petroleum, urban development, coal, water, atomic energy, steel and telecommunication. Of these, 11 are ahead of schedule, 292 are on schedule, 541 are delayed and then there are 835 projects where neither the year of commissioning nor the expected date of completion is available.

The report points out that the total original cost of implementation of these 1,679 projects was ₹22.3 trillion, but now the anticipated cost is around ₹26.68 trillion, showing a cost overrun of ₹4.38 trillion, which is 20 per cent of original cost. Till November, around 48 per cent of cost has been spent on all these projects. This cost overrun of ₹4.38 trillion amounts to 79 per cent of the entire infra outlay of ₹5.54 trillion proposed in the FY22 Budget.

The status of mega projects under the control of state governments is not available. Delays there, clearly, would further add to the problem. It is not that the government is not seized of the enormity of the problem. The Online Computerised Monitoring System (OCMS) maintained by the Infrastructure and Project Monitoring Division of MoSPI has been in existence for quite some time. But the grouse of the ministry is that the concerned project execution agencies do not upload their milestone achievements regularly.

One of the more strident administrative interventions was possibly the Project Management Group (PMG) set up by the United Progressive Alliance government in the summer of 2013. It was mandated to unfreeze some ₹17 trillion of "stalled projects" and was reportedly able to get around ₹7 trillion worth of industrial and infra projects moving again. The key learning was positive and energetic engagement between the Centre and states to untangle the knots.

Whilst the PMG was set up as a special cell in the Cabinet Secretariat, it was subsequently brought under the administrative control of the Prime Minister's Office in 2015. In 2019, the PMG was merged with the Department for Promotion of Industry and Internal Trade. It is now known as the Project Monitoring – Invest India Cell (PMIIC). The eSuvidha Project Management System (ePMS) under PMIIC monitors a database of mega projects from both the public and private sectors.

There is also Pragati (Pro-Active Governance and Timely Implementation) in the PMO. This platform, introduced in 2015, reviews important programmes and projects of the Central government as well as projects flagged by state governments.

Further, recognising the mounting problem, the Niti Aayog and the Quality Council of India (QCI) launched in October, 2020 the National Programme and Project Management Policy Framework targeted to bring "radical reforms in the way infrastructure projects are executed in India". Its key recommendations included: (i) Setting up a National Institute for Chartered Programme and Project Professionals under the QCI; (ii) developing a technical repository of best implementation practices called the Indian Infrastructure Body of Knowledge; (iii) a four-level certification system for project implementation professionals; and (iv) capacity building programmes.

Finally, the two recent technologically-driven platforms — Gati Shakti and the National Single Window System for online clearances and permissions are powerful tools to positively impact project implementation.

So, we now have a battery of institutional formats to address the issue of chronic delays in project execution. Are these collectively going to radically improve matters? Time will tell.

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