

Positive Outlook

Key government programmes increase optimism

The urban infrastructure sector witnessed significant developments in the past one year. Key government programmes such as the Swachh Bharat Mission (SBM), the Smart Cities Mission and the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) made significant headway, and have led to a renewed focus on urban infrastructure development. However, for the sector to capitalise on this potential, several measures such as municipal capacity building, appropriate project structuring, effective coordination between stakeholders, and the adoption of information and communications technology (ICT)-based solutions need to be undertaken. *Indian Infrastructure* invited sector experts to share their views on sector developments and the future outlook...

How has the urban infrastructure sector progressed in the past one year?

Arun Lakhani

There has been a tumultuous global economic environment, including Brexit, and a slowdown in various sectors in the past year. However, India has emerged as the world's fastest growing economy with a GDP growth of over 7 per cent. In the urban infrastructure sector, new government programmes like the Smart Cities Mission, AMRUT and Housing for All have boosted investor sentiment and will create 3.4 million jobs in the coming years. There are key reasons behind this upward swing such as the proper management of the fiscal deficit, controlled inflation, efforts to maintain an investor-friendly environment, expectations regarding the goods and services tax bill (which has been passed recently) and a development-oriented government which believes in the ease of doing business and time-bound implementation of projects. The infrastructure sector is showing signs of progress as stalled projects have restarted.

Anand Madhavan

There have been a lot of conceptual, planning and preparatory activities, in particular for the

Smart Cities Mission and the AMRUT programme, in terms of the proposals for smart cities and the state- and city-level plans for AMRUT. Some states have also initiated state-specific missions with budgetary outlays and funding assistance from multilateral agencies. The numerous elections held in states across the country have not helped, as reforms in key areas including revisions in property taxes and user charges as well as the ability of state governments to further increase formulaic devolutions (to local bodies) are constrained. However, the increase in direct grants from the central government to urban local bodies (ULBs), estimated at Rs 800 billion over the next five years, is a positive development. If used effectively, this can help ULBs better manage their investments.

Rishabh Sethi

There has been a renewed interest in the urban infrastructure sector after the government initiated several new programmes. The ambitious Smart Cities Mission for the development of 100 smart cities, AMRUT for the development of infrastructure in 500 towns and cities, the SBM for clean and affordable sanitation facilities and the National Mission for Clean Ganga (NMCG) with dedicated bud-

gets have contributed to growth. These initiatives, along with plans for other favourable policies, reforms undertaken for the ease of doing business and steps taken for future planning, are all measures in the right direction. A number of new projects have already been awarded and many long-term projects are at various stages of planning and clearances. The programme for developing smart cities has already been rolled out. Cities have been selected and grants already allocated. Grants to states under AMRUT have also been sanctioned and released.

Srinivas Chary Vedala

The urban infrastructure sector is going through a transformational change. The Smart Cities Mission and the SBM are game-changing initiatives ably supported by AMRUT. Planning is important for effective management of this transition. Cities have spent considerable time and mind space in planning during the past one year. I would envisage considerable action on the ground in the coming years.

What has been the progress on the new programmes (SBM, AMRUT, Smart Cities Mission) initiated by the government?



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Arun Lakhani, Chairman and Managing Director, Vishvaraj Infrastructure Limited



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Anand Madhavan, Group Head, Energy and Urban Infrastructure, ICRA Management Consulting Services Limited

Arun Lakhani

The government has recently selected 20 cities in the first phase of the Smart Cities Mission, including five state capitals, to launch its larger urban makeover plan and has proposed an investment of Rs 508.02 billion. This infrastructure development will lead to higher private sector participation. However, if growth in urban areas is unchecked and unplanned, it could lead to massive energy and water consumption, wastage well as increase carbon emissions. The key challenges that urban areas face include increasing transport demands, depleted groundwater resources and poor disaster management planning. The SBM is a key programme by the prime minister who believes in waste management and recycling of products. Urban India produces sewage equivalent to 38,000 million litres per day which is discharged untreated into rivers and other waterbodies. Sewage management is necessary for the industrial and agricultural sectors.

Anand Madhavan

Much of the work under the Smart Cities Mission and AMRUT has been focused on conceptual development and planning. It will be critical for states and cities therein to expeditiously streamline the implementation apparatus, especially in terms of operationalising/empowering special purpose vehicles set up under the Smart Cities Mission and ensuring adequate institutional capacity and rigour in project preparatory activities. These measures will need to precede

the investments envisaged. A few cities have started moving towards programme implementation. We expect many more cities to kick-start work and investments during this year.

The SBM focuses specifically on addressing the issues of open defecation, making toilets universally available and improving the municipal solid waste scenario. There has been a fair bit of progress in building individual toilets in a number of states, but they still have work to do in terms of better communication and bringing about behavioural changes. Also, initiatives like city-level surveys will help build peer pressure and create greater awareness. They will also put pressure on ULBs to deliver on the survey-based service delivery parameters.

Rishabh Sethi

The first 20 cities across the country have already been selected for the Smart City Mission and development works have started with central grants. The budget has been allocated under AMRUT and most states have selected consultants. Detailed project reports are being prepared and a few states have begun the tendering process as well. The SBM is a unique programme that has created awareness with sanitation drives being undertaken. It will help reinforce the seriousness of the need to tackle the issue of open defecation and building toilets across the country. The programme is progressing at different levels and I hope that it will be successful in its efforts to change the mindset and behaviour of people.

Srinivas Chary Vedala

Contrary to many urban thinkers, I feel (based on evidence on the ground) that the new programmes are progressing exceedingly well. I was sceptical about these schemes prior to their launch. Following the launch, the Ministry of Urban Development has handled these schemes very well, communicated extensively, engaged states/cities and monitored progress meticulously. No doubt, more needs to be done, but I feel that the programmes are on the right track.

What, according to you, should be the top three priority areas for the government?

Arun Lakhani

With an estimated 850 million people expected to live in Indian cities by 2050, up from the current 350 million, smart water infrastructure is the need of the hour. An integrated water management approach, which includes sewage treatment and reuse, is necessary to develop a healthy and clean environment. In 84 of the 108 nominated smart cities, we have adequate water supply (over 135 litres per capita per day) and if we start reusing water, all the cities will have adequate water supply for the next 50 years, if managed properly.

For the upcoming Smart Cities Mission, the government should prioritise better water management and supply for each city, sewage treatment plants should be mandatory and treated water should be used in industrial units, commercial areas, the agricultural sector and thermal power plants.



“We need to have strong political support, transparent policies and regulations, adequate financial support and immediate solutions for issues affecting the sector.”

Rishabh Sethi, Executive Director, SPML Infra Limited



“Transformational change through innovation as well as ICT-based solutions for sustainable urban development is likely to prevail in the next two years.”

Srinivas C. Vedala, Director, Urban Governance, Infrastructure, Environment and Energy, Administrative Staff College of India

Anand Madhavan

The first priority should be to implement multi-year rolling capital investment and service improvement plans to ensure continuity and a long-term planning focus. Second, the government should build commensurate financial and institutional capacity at the local body/implementation agency level to sustainably operate and manage the assets created. Lastly, it needs to build rigour in project preparation and efficiency in procurement of investment for projects.

Rishabh Sethi

India needs a long-term plan for infrastructure reforms and investments as infrastructure bottlenecks are hampering growth. We need to have strong political support, transparent policies and regulations, adequate financial support and immediate solutions for issues affecting the sector. The first priority area for the government should be sequential clearances at various levels of government, especially for land- and environment-related matters, and close coordination among all levels of government, which is urgently needed. There is a need for appropriate delegation to ensure quick decision-making with a proper dispute resolution mechanism. Second, the adoption of newer business models, innovative technologies, strategies and global best practices is important. Finally, there is a need for appropriate structuring of projects, need-based revision of total project cost and demarcation of risks and rewards.

Srinivas Chary Vedala

The first priority should be to accelerate the agenda of zero open defecation and build safeguards to prevent slippage in service standards. Second, capacity building in municipalities and consulting organisations

is essential to support the Smart Cities Mission, SBM and AMRUT. Lastly, fecal sludge and septage management to ensure healthy and sanitised cities should be prioritised.

What is the sector outlook for the next one to two years?

Arun Lakhani

India needs Rs 31,000 billion (\$454.83 billion) for infrastructure development over the next five years, with 70 per cent of the funds required for the power, road and urban infrastructure sectors. The water sector will need \$28 billion and the Namami Gange programme (for sewage management) will need an investment of over \$10 billion. There are many infrastructure projects coming up which offer good opportunities for investment. Nearly all the infrastructure sectors present excellent opportunities, with urban infrastructure, roads and highways, ports, railways and power standing out as particularly bright spots.

Anand Madhavan

We expect the investment momentum under the new programmes, especially AMRUT and

the Smart City Mission, to pick up in the next 12 to 20 months. Large urbanised states are also expected to step up additional investment, especially in larger metros where investment needs are significantly higher than what has been provided for under the flagship schemes. Given the relatively greater focus on technology and the adoption of smart solutions, technology-led interventions could improve significantly.

Rishabh Sethi

Taking a strategic and ambitious approach to infrastructure development will improve living standards. In the coming years, technology will transform our cities and how we interact with our infrastructure. Massive investments are being made in urban infrastructure that will provide considerable employment and will also stimulate input industries like steel, cement, power equipment, construction machinery and others. New opportunities will emerge in the outsourcing of engineering goods and services, strengthening our global role as an exporter of resources, services and products. The automation of infrastructure services will fundamentally change how we live, communicate, commute and work. This will enhance living standards and productivity. The new initiatives – Smart Cities Mission, AMRUT, NMCG, SBM and others – will pick up pace and there will be a lot of new projects coming up in water, wastewater, sanitation and city development.

Srinivas Chary Vedala

Transformational change through innovation as well as ICT-based solutions for sustainable urban development is likely to prevail in the next two years. Start-ups and technology incubators are forging partnerships with cities for introducing game-changing ideas. ▀

