Bharatmala Collaterals

What is the issue?

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- The road building programme of India, Bharatmala project launched recently. Click here to know more
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- It is facing practical difficulties and implementation constrains.
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What are government's plan on the project?

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- The government has planned to mobilising a large chunk of capital from private sources as well as garnering robust and enthusiastic participation by private construction companies.
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- Project implementation now requires the rate to enhance to 46 km/day from the 25-28 km/day being reported right now.
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- It is expected to create 14.2 crore man days' worth of new jobs across the next five years as well as rejuvenate the economy with all its multiplier effects.
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- To address the financial constrains NHAI (National highway authority of India) had introduced Infra bonds.
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What are the implementation issues with the project?

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- **Budgetary allocation -**A recent reportpostulates that India will be spending Rs 50 lakh crore on infrastructure development in the next five years.
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- Had the 13th Five-Year Plan existed, it is believed that it would have targeted a minimum of Rs 75 lakh crore for the period of 2017-2022, a 14 per cent increase over the Rs 56 lakh crore targeted in the 12th Plan.
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- **Participatory Mechanism -**Project delays by NHAI is getting set to debar a clutch of large construction companies from participating in future tenders.
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- The PPP is oft-perceived master-slave relationship this needs an address.
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- **Institutional capacity -** There are doubts about India's institutional capacity to implement such a large programme.
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- India needs integrated relationship between various public institutions involving NHAI, the National Highways and Infrastructure Development Corporation Limited, State road corporations and associated public works departments.
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- **Safety -**As many as 407 people die in road accidents in India every day.
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- It is unthinkable to undertake such a massive roads programme without a parallel and urgent rectification of roads safety.
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- **Infrastructure ratio -**India is proposing to spend the same on both its road and rail networks, but it is dubious that whether India is going in way to promoting roads at the cost of rail.
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- In the Funding Plan of railways, the total cap outlay for the railways was presented at Rs 8.56 lakh crore for five years, where the Bharatmala outlay at Rs 6.90 lakh crore for five years.
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- The freight and passenger mix across road and rail is yet to be explained by the government.
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What measures needs to be taken?

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- The construction sector does need a soothing and helping hand, and many

suggestions have been made over time on contract administration and dispute resolution processes.
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- **Betterment Levy -**The concept of a “betterment levy”, as proposed in the new Metro Rail Policy, is worth bringing into the roads sector.
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- A betterment levy is a tax that the state collects on a plot of land that its actions have in some way made 'better'.
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- For instance, if building roads, metros or airports with public money leads to an appreciation in land prices in the vicinity of these projects, then landowners enjoy a windfall gain.
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- The proponents of a betterment levy argue this gain should be taxed much like winning a lottery.
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- **ToT-** Large chunks of public expenditure need to be accompanied by a clear and stated asset recycling policy, along the lines of the Toll-Operate-Transfer (ToT) programme.
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- Under this model, the right of collection of user-fee or toll on selected national highway stretches that have been built through public funding is proposed to be assigned for a 30-year period todevelopers and investors against an upfront payment of a lump-sum amount to the government.
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- During the tenure of the contract, the operation and maintenance would be the responsibility of the developer.
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Source: Business Standard

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