

Budget 2020: Infrastructure is crucial to govt's 'Economic Development for All' goal

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Union Budget 2020 India: On 1 February 2020, the Hon'ble Finance Minister, Mrs Nirmala Sitharaman presented the Budget 2020 (Budget) with one of the three key themes being "economic development for all", for which infrastructure development is a crucial driver. The Budget included several announcements across various verticals of infrastructure projects to expedite necessary holistic development including economic turnaround. The measures are in continuance with the vision of aspirational India and the Prime Minister's announcement of Rs 100 lakh crore investment in the infrastructure in next 5 years and the National Infrastructure Pipeline of Rs 103 lakh crores. The following are the key takeaways of the Budget 2020 vis-à-vis infrastructure projects:

Key takeaways for infrastructure projects:

The Government has been focusing on cleaner fuel and the IX and X round of city gas distribution bidding had seen a great response including from foreign investors. The issue of pollution and lack of cleaner fuel has been a challenge for smaller cities as well. The announcement to further augment the national gas grid from the

present 16200 km to 27000 km will further bolster investment in natural gas and city gas infrastructure providing much

needed penetration in tier II and tier III cities as well.

(a) Electricity: The announcement of investment of around INR 22,000 crores in the power and renewable energy sector is a welcome step towards achieving the renewable target of 175 GW by 2022. The fiscal health of Discoms has been a matter of concern and despite the previous schemes, there has not been much success. Further, the announcement of promoting smart meters and replacing conventional energy meters by prepaid smart meters in the next 3 years will check aggregate technical and commercial losses by allowing consumers to choose rate and supplier as per their specific requirement.

(b) Aviation: The announcement to develop 100 more airports under the UDAAN scheme will not only provide benefits to passengers and commercial aviation sector, it will also provide opportunities for development of smaller cities by addressing the connectivity issues. Further, the proposed launch of Krishi Udaan Scheme to assist farmers in transporting agricultural products will ensure rapid growth in air traffic by providing financial incentives to airlines operating from remote airports.

(c) Roads: Pursuant to the fast tag mechanism and envisaging greater commercialisation of highways, Government announced accelerated development of highways which includes: (i) monetisation of at least 12 lots of highway bundles of over 6000 km before 2024; and (ii) development of 2500 km access control highways, 9000 km of economic corridors, 2000 km of coastal and land port roads and 2000 km of strategic highways.

(d) Railways: The announcement of redevelopment of 4 railway stations and operation of 150 passenger trains through PPP model is a favourable move towards optimisation of costs for [Indian Railways](#).

(e) Logistics: The announcement to release National Logistic Policy for creation of a single window e-logistics market will contribute towards scaling up of logistics infrastructure and enhancing export competitiveness. The emphasis of Budget 2020 on transport infrastructure, airports, inland waterway and logistics is a welcome move, inter alia, backed by the tax concessions to sovereign wealth funds for investment in Infrastructure sector. This will provide necessary flexibility for brownfield projects and other secondary transactions across various verticals of infrastructure projects. However, it is yet to be seen how the existing challenges associated with greenfield projects including funding requirements will be addressed by the Government given the some of the experiences with the PPP projects. The announcements in the Budget if backed by proper implementation and necessary policy measures will indeed help in “Economic Development for All” and achieving the INR 100 lakh crore investment in the infrastructure in next 5 years.

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