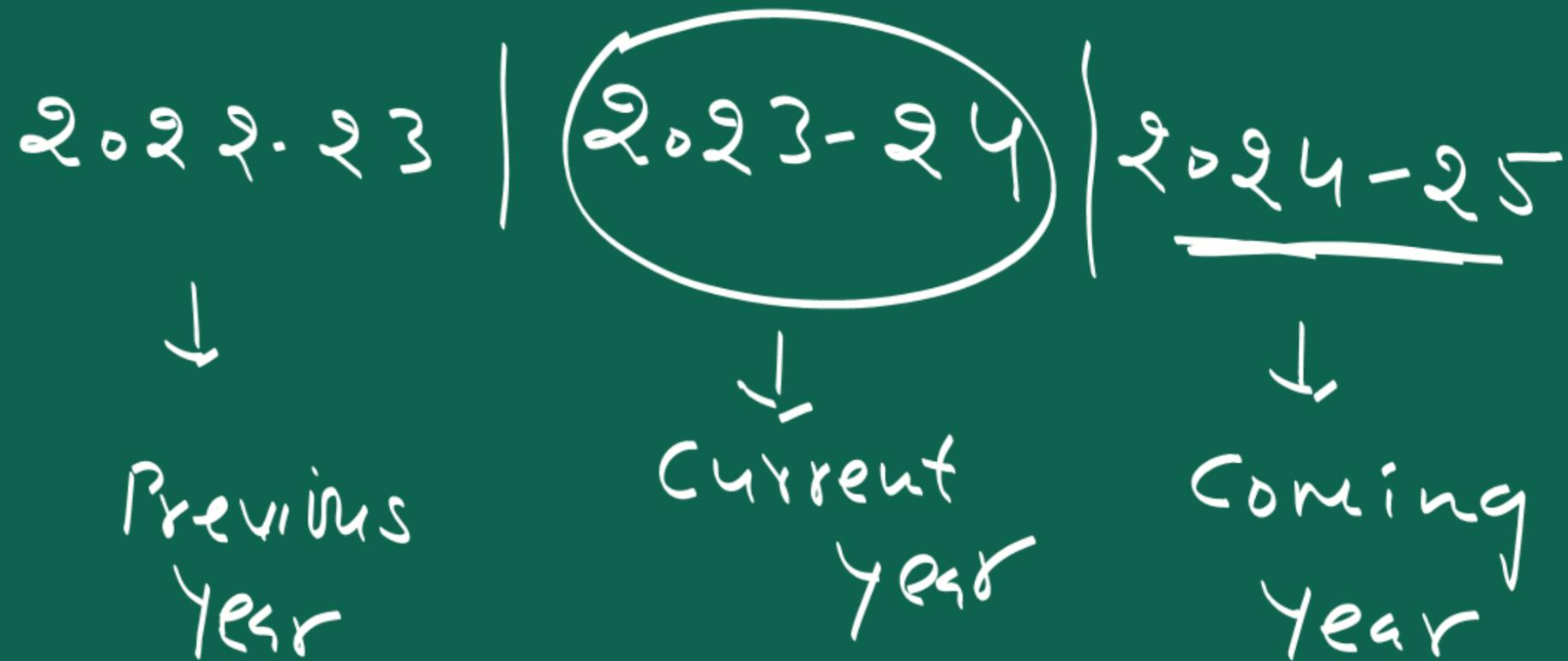


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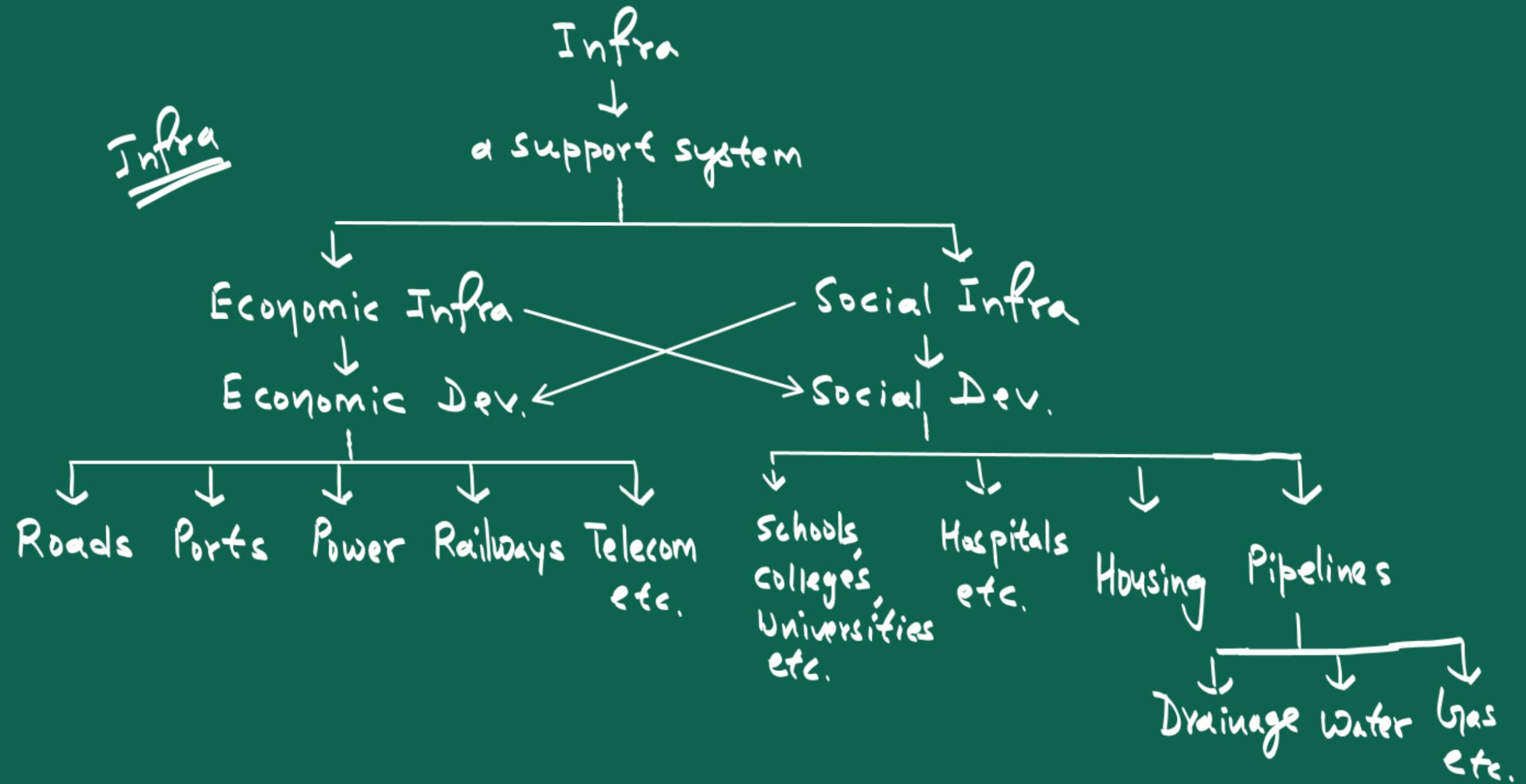


# Infrastructure

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Intro.





According to Hirschman -

'Infra services are those basic services without which primary, secondary & tertiary activities can not function efficiently.'

According to Eco. Survey 2018-19,

'For socio-economic transformation of a country, it is necessary that all the people get infra services in an inclusive & sustainable manner.'

According to the World Bank -  
the growth rate of productivity was

found to be higher in  
countries with the world class  
infra.

# Infra as a public good

Non-rival consumption

↓  
Consumption by a person doesn't impact availability for others.

Non-exclusion

↓  
It becomes difficult to remove people from consumption, if they don't pay.

↓  
Free-rider's problem.

In India, the second feature is removed through govt. support for the private sector.

In such a case, any infra service becomes a semi-public good.

# Infra & poverty reduction

World Bank Report



Voices of the Poor



Infra can reduce poverty directly & indirectly.

Indirectly, through the process of trickle-down as given below -

Industrialisation ← ————— Infra

↓  
growth

↓  
Emp.

↓  
Income

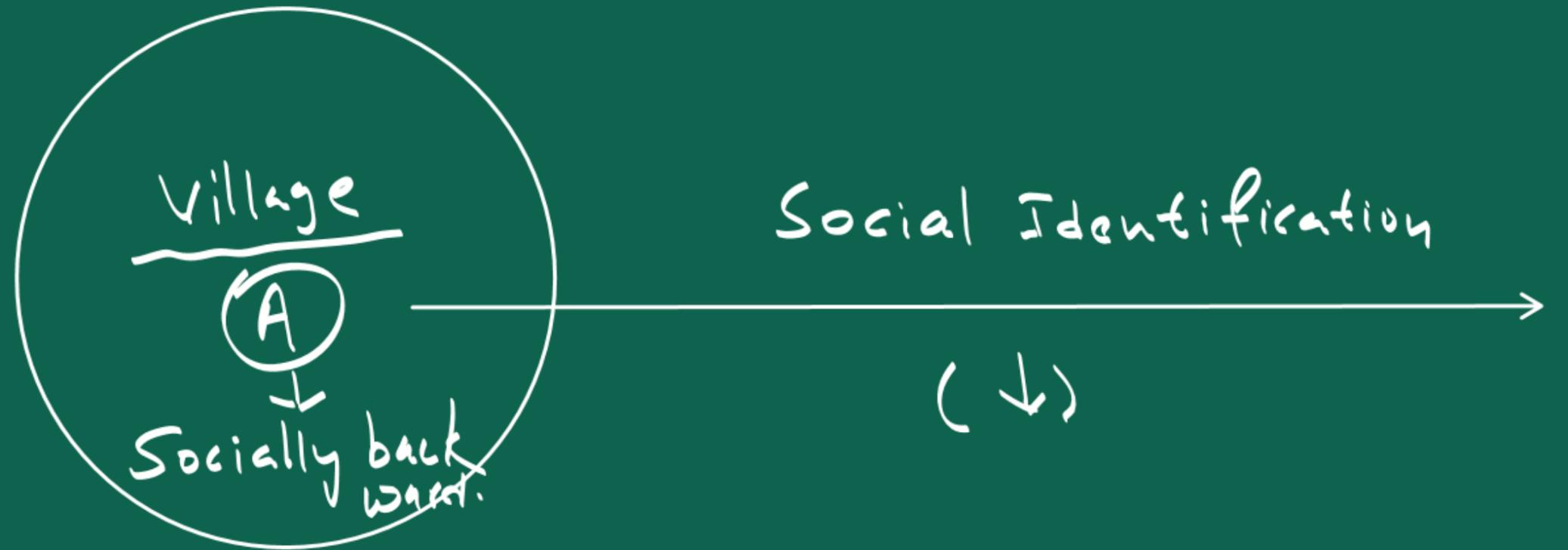
↓  
Basic-Needs

Directly, infra improves market access of poors.

They can access both product & factor markets. Markets starts functioning for the poors.

↓  
Ref.: Poverty in South Asia

↓  
The reduction of poverty in socially backward people in India was found to be higher due to the development transport system.



Thus, we can say that infra has a significant role in poverty reduction.

## Role of Private Sector in Infra Dev. of India

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India needs the World class infra.

According to Eco. Survey 18-19 India needs every year infra investment of at least \$200 billion.

Due to fiscal constraints, the public sector is not able to invest such a huge amount.

In the light of the above, the participation of the private sector is necessary.

In India, the PPP model is being used largely to ensure this, particularly since 2005.

## What is PPP ?

In India, there is no explicit definition of PPP but according to the MoF -

To provide infra services to the public on the basis of the collection of user-charges through an infra project by the private & public sectors through an agreement/contract is called PPP.

What is VGF? Started - 2006

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↓  
Viability Gap Funding

↓  
The Ministry of Finance can provide maximum grant of 20% the TPC (Total Project Cost) to the private sector company.

Apart from the above, the concerned infra authority (like NHAI etc.) can also provide an extra grant of 20% of the TPC under it.

Note -

The VGF in India becomes controversial due to the charges of crony-capitalism.