

INFRASTRUCTURE

SECTOR POLICY GROUP MEETING

On 14 October, we held the third meeting of the Infrastructure sector policy group, with attendees in Gurgaon and London. The meeting was chaired by Philip Bouverat, and the list of attendees is below:

ATTENDEES		
Philip Bouverat	JCB	Director
Shashwati Ghosh	YES Institute	Senior Vice President
Nitin Das	YES Institute	VP, Marketing & Corporate Communication
Shehla Hasan	CBI	Country Head and Policy Director
Liz King	Mott Macdonald	Managing Director
Sheela Kulkarni	Standard Chartered Bank India	Senior Manager, Public Affairs
Sushen Jhingan	Standard Chartered Bank India	Director
Gavin Williams	Herbert Smith Freehills LLP	Partner
Vivek Nanda	Aecom	Director
James Kenny	Arup	Head of Global Affairs and Group Executive Office
Richard Stokes	RICS	Head of Global Corporate Affairs
Kevin McCole	UKIBC	COO
Tara Panjwani	UKIBC	Retail Sector and Policy Manager

UKIBC UPDATE

The group was informed that the UK India Business Council and its members met with Mr Atul Chaturvedi, Joint Secretary of the DIPP on 9th October in London. Mr Chaturvedi has invited UK companies to put forward their views and suggestions for improving India's operating environment. Mr Chaturvedi also encouraged the UK India Business Council to organise a workshop to give shape to the recommendations discussed on delivering infrastructure projects.

KEY ISSUES

1. Delivering infrastructure projects

It was discussed that the Indian government should consider radical reforms to deliver quality infrastructure projects, such as appointing a private partner to deliver the project within budget and in time. This private player will have the authority and responsibility of delivering the project similar to how the Olympic Delivery Authority appointed a delivery company, CLM, which was a consortium of CH2M Hill, Laing O'Rourke and Mace to manage the delivery of the Olympic Park and its associated infrastructure. It was suggested that this could be one way to cut layers of bureaucracy and ensure planning, monitoring and completion of projects in time.

It was discussed that the current structure where Project Management Consultants (PMCs) or General Consultants (GCs) work with the Government is not efficient as it is important to grant decision making ability to the entity which has subject matter expertise. Often interference from the Government, even on issues such as hiring contractors, delays projects and a radical reform is required.

2. Government Projects

Members unanimously agreed that the inconsistency of bureaucratic procedures in India is a challenge and makes it difficult for foreign players in India to manage and plan externally. UK companies engaging with the Government particularly face the issue because Government contracts feature more rigidity clauses and this often leads to delay in payments. This discourages foreign players from bidding for government projects. Also government procurements are often not based on quality but who can do it at the lowest cost. There is also lack of knowledge and awareness at the lower levels of government and more efforts are needed to change the mindset of junior government officials.

Contracts should be more flexible, allowing for more transparency. This would ensure timely delivery, payments and completion of projects. Poorly drafted contracts often lead to non-compliance and disputes, and it was suggested that the Indian Government should consider opening up FDI in the legal sector to look at international best practices.

Also establishing international standards in areas of quality, health and safety, skills and training will improve the delivery of projects. Simplifying administrative procedures in line with international standards will encourage more FDI.

3. Ease of Doing Business

The findings of the UKIBC survey were also shared with the group – GST emerged as the most important reform which would significantly help in improving India’s business environment. Members of the group suggested that land reforms was a more critical issue for their sector. Land acquisition is a difficult area of policy but is necessary for infrastructure development.

Corruption also emerged as a key barrier to doing business in India and it was suggested that online applications and approvals will ensure more standardised procedures, more transparency, and less corruption and bribery. Particularly in the case of statutory approvals for investments (i.e. setting up projects / manufacturing facilities) procedures vary from state to state. This leads to administrative and bureaucratic hurdles for foreign players. The Government of India should encourage the states to digitise and streamline the procedures to make the process transparent and uniform across the country.

KEY TAKEAWAY

It was discussed that the Indian government should consider radical reforms to deliver quality infrastructure projects, such as appointing a private partner to deliver the project within budget and in time.

Actions:

- Members will start working on the structure of the workshop on the infrastructure delivery model, with a meeting in Delhi in mid-November to discuss with the CII and DIPP and take forward planning towards a workshop in late January 2016.
- Issues such as statutory clearances, government contracts to be included in the UK India Business Council’s report on ease of doing business to be released in November, 2015.