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Bringing Investment in Construction Projects-Infrastructure India

Mearaj Benazir Lone[1], and Manish Kaushal[2]

[1]M.Tech Scholar, Department of Civil Engineering, RIMT University, Mandi Gobindgarh, India
[2]Assistant Professor, Department of Civil Engineering, RIMT University, Mandi Gobindgarh, India

Correspondence should be addressed to Mearaj Benazir Lone; benazirmearaj@gmail.com

ABSTRACT- Construction projects (particularly infrastructure) necessitate large capital investments both during construction and operation, accounting for 3 to 8% of a developing country's GDP. Construction and supporting economic activity account for roughly half of all investments in the economy. The construction sector in developing nations must be incorporated in national development plans in order to promote a healthy building market by gradually developing the entire national economy while taking into account interrelationships with other sectors of the economy. In terms of private participation and financing, infrastructure is one of the world's fastest growing sectors. The lack of debt continues to be a major stumbling block for many private infrastructure projects. Due to a worldwide financial crisis, many developing countries have had reduced access to capital markets. Due to a global drop in lending, increasing investor uncertainty, and a lower willingness to assume risk, many developing countries have had less access to capital markets. "What has to be done to increase FDI to developing countries?" is the question. There is plenty of room for positive growth and access to new money in developing countries. However, in order to realise such benefits, these countries must first create the necessary legal, financial, and technological infrastructure. International capital market integration will continue to expand access to private foreign finance for emerging countries. In order to access the international financial markets and secure the necessary finance for their PPI (Private Participation in Infrastructure) projects, policymakers must adjust their policies to fit investors' interests. Infrastructure private participation is here to stay, and as more developing countries open their doors to private investors, the policy debate has shifted from "whether to" to "how to." The goal of this thesis is to come up with a strategy that developing countries can use to finance construction investment, particularly in infrastructure, by improving and streamlining access to domestic and international capital markets.

KEYWORDS- contract renegotiation, economic trends, foreign investments, infrastructure planning, monitoring planning, risk mitigation.

I. INTRODUCTION

To meet social needs and support faster economic growth, infrastructure investment in most developing and emerging economies must be significantly increased. The OECD estimates that total global infrastructure investment requirements for transportation, electricity generation, transmission and distribution, water, and telecommunications will total USD 71 trillion by 2030. From 2007 to 2030, this figure represents about 3.5 percent of global GDP. There is widespread agreement that governments cannot afford to bridge these growing infrastructure gaps solely through tax revenues and aid, and that more private infrastructure investment is required. Participation of the private sector in infrastructure can assist relieve fiscal pressures and expand the portfolio of projects under the public sector investment programme[1]. Governments can profit from the private sector as well. Governments can however benefit from private sector expertise and save money and time by assigning infrastructure building and, in some cases, administration to private investors. Infrastructure, from the standpoint of economic growth, is not only a catalyst for development and facilitating private investment and competitiveness in all sectors of national and regional economies, but it can also be a lucrative investment opportunity in and of itself[2]. Despite the fact that infrastructure investment possibilities abound in developing nations, investors are unable to take full advantage of them, owing to inadequacies in the enabling environment for such investment. Private investors face unique risks in the infrastructure industry, and because private engagement in infrastructure delivery is a relatively new form of procurement in many countries, governments may not have the necessary expertise. the knowledge and skills required to properly manage these risks To make the larger infrastructure investment environment more open to private involvement, clear, implementation-oriented assistance that can help governments identify and manage reforms is needed in addition to case-by-case project preparation and finance[3]. Policy improvements that are well-targeted can improve the quality and quantity of private infrastructure investment, which is an important complement to public investment. In OECD Investment Policy Reviews, country-specific experiences provide examples of good practise in a variety of policy sectors, as well as risks to avoid[4]. Country examples illuminate the intricate interplay between regulatory and institutional frameworks that enable private infrastructure investment. Improving service delivery efficiency, enabling investor access to land, and ensuring a

more level playing field between state-owned infrastructure operators and private investors will help secure required resources and make infrastructure networks more appealing for private involvement. Furthermore, optimising procurement processes can aid in the long-term sustainability of projects and the achievement of expected performance increases. Countries are also revising their regulatory systems to create a balance between public and private investors' cost-recovery needs on the one hand, and end-user affordability on the other.

In many ways, the year 2021 marked a turning point for the Indian economy, with policies such as Atmanirbhar Bharat (Self-Reliant India) hastening the formal implementation of several Production Linked Incentive (PLI) programmes and a push to negotiate comprehensive free trade agreements. The goals are simple: revive the economy after a COVID-related recession, increase local production capacity, reduce trade dependence, invest in higher-tech manufacturing and R&D, and make doing business easier. Automobile, digital infrastructure and services, healthcare, and metallurgy industries, among others, have spearheaded India's post-COVID revival, with the country receiving a record FDI of US$81.97 billion in fiscal year (FY) 2020-21 and cross-border mergers and acquisitions (M&A) surging. Industry analysts are optimistic about India's economic prospects for 2022, particularly in terms of overall growth, productivity, and capital spending.

Fitch Ratings has raised its economic growth forecast for FY 2023 to 10.3 percent.

The Indian GDP forecast, which has a K-shaped recovery curve, will be primarily supported by strong corporate earnings, and the Indian market will remain globally appealing. Some of these forecasts are based on the assumption that 85-90 percent of India's adult population will be doubly vaccinated by March-April 2022. The announcement of future booster doses and COVID vaccines for those aged 15 to 18 was also appreciated.

A. Economic trends to keep an eye on

Increased consumption in India is predicted to push capacity utilisation above the critical barrier of 75% by the end of 2022, boosting private sector investment activity in 2023. The rise in consumption is being fueled by a gradual drop in consumer prices, which have dropped from 6.20 percent in 2020 to 5.60 percent in 2021, and are expected to drop even lower to 4.90 percent in 2022, according to experts. Furthermore, government spending is predicted to increase in 2022, owing to an increase in tax receipts.

Since the epidemic began, the Indian capital market, along with Vietnam, has made significant development in comparison to other other countries. To diversify their supply, a number of multinational firms have been looking into alternative investment destinations. Chains to be free of geopolitical snares, natural calamities, and COVID epidemics, as well as the disease control procedures that follow. Recent policies to further liberalise FDI in sectors such as insurance, defence, agriculture, and telecommunications, among others – in addition to India's market size, local talent base, and trade infrastructure – have enticed foreign investors to set up shop in the country.

Industrial policy reforms, such as the production-linked incentives framework, have generated positive investment buzz as they demonstrate India's intentions to fill gaps in its production ecosystem. For its part, the national monetisation pipeline will open up a plethora of options for international investors, both in brownfield and greenfield assets. The logistics infrastructure blueprint in the PM Gati Shakti National Master Plan is another government programme that will likely drive India's macroeconomic growth fundamentals.

In the private sector, start-up initiatives experienced a surge in the last quarters of FY 22. tier-1 funds including as Tiger Global, Falcon Edge Capital, and SoftBank have invested in a slew of new start-ups in the education technology (edtech), financial technology (fintech), social commerce, and business-to-business (B2B) e-commerce industries. India's appeal may have been reinforced by China's crackdown on its technological sector. Food delivery leader Zomato, payments behemoth Paytm, and fashion and make-up e-commerce platform Nykaa were among the record number of IPOs. PharmEasy (online pharmacy), Meesho (social commerce), CRED (fintech), Groww (online investment platform), and more startups became unicorns in India in 2021. In 2021, Indian entrepreneurs received finance of around US$39 billion, up from a record US$14.6 billion in 2019 - here are the figures.

In 2021, Indian startups got money worth approximately US$39 billion, up from a record US$14.6 billion in 2019 — these figures come from Tracxn, a platform founded by ex-venture capitalists that tracks market intelligence data for private companies and has filed for an IPO. India is one of the most competitive countries in the world, according to the global competitiveness index. India's Ease of Doing Business Ranking jumped from 142 in 2014 to 63 in 2020 as a result of many regulatory measures aimed at improving the business climate. This trend is likely to continue. India lowered corporate tax rates for new manufacturing enterprises from 25% to 15% in October 2019, allowing it to compete with rising economies in Southeast Asia.

B. Year-end review of India's 2021 investment scenario

According to UNCTAD's World Investment Report 2021, India was the world's fifth largest FDI receiver in 2020, with incoming FDI up 27% from the previous year to US$81.97 billion.

Given the rising need for digital infrastructure and services fueled by COVID-19 caused lockdowns and the ensuing work from home transformation, this rise in FDI inflows was mostly driven investments in the information and communication technology (ICT) industry.

In FY 2021, computer software and hardware were the leading sectors drawing the most FDI equity inflow, accounting for 44 percent. Construction (infrastructure) operations came in second with a 13 percent share of FDI equity inflow, followed by the services sector with an 8% share. Rubber goods, retail trading, chemicals and

pharmaceuticals, automobiles, and electrical equipment were among the other industries that saw an increase in FDI.

Cross-border M&As increased by 83 percent to US$27 billion in 2021, according to the World Investment Report, with big deals covering ICT, health, infrastructure, and energy. The acquisition of Jio Platforms by Jaadhu (a subsidiary of Facebook (United States)) for US$5.7 billion, the acquisition of Tower Infrastructure Trust by Brookfield (Canada) and GIC (Singapore) for US$3.7 billion, and the sale of Larsen & Toubro India's electrical and automation division for $2.1 billion were among the major transactions. According to another Bain & Company research, "India M&A: Acquiring to Transform," there were 85 strategic M&A agreements valued at more than US$75 million in 2021, with nearly 80% of first-time purchasers. The majority of these transactions were large-scale, ranging from $500 million to $1 billion. The increased M&A activity is fueled by increased upheaval across industries, courtesy of start-ups and digital disruptors. Scope and capability deals accounted for the majority of M&As in the post-COVID era as corporations used M&As to restructure their operations. Digital, renewable energy, electric vehicles, consumer durables, and fintech are all developing as M&A hotspots in India.

Global greenfield FDI is predicted to expand by around 6% in 2022, according to GlobalData's FDI forecasting model. India's ambitious plans, such as the National Monetization and Infrastructure Pipelines, as well as its enabling business laws, should position it to receive a significant amount of the incoming FDI.

II. INVESTMENT OPPORTUNITIES IN INDIA'S CONSTRUCTION INDUSTRY

Given the country's enormous scope for infrastructure modernization, establishing "smart cities," boosting logistics and transportation lines, and ensuring affordable housing for all, India's construction business offers various investment prospects for foreign enterprises. Foreign investors also profit from not needing government authorisation to invest in construction projects.

A. Market profile

India's construction sector, which includes real estate and urban development projects, is quickly developing. Highway construction, school construction, transportation and healthcare infrastructure, sewage treatment, water supply, and power generation are examples of real estate projects, while urban development projects include highway construction, school construction, transportation and healthcare infrastructure, sewage treatment, water supply, and power generation are examples of urban development projects. India is predicted to become the world's third largest construction market by 2025, owing to the country's aim to modernise infrastructure, advance its cities through "smart" development, and increase employment. The construction industry comprises a wide range of activities and accounts for about 55% of the steel industry, 15% of the paint business, and 30% of the glass industry.

India has simplified foreign investment regulations in this area to assist expansion, and the real estate sector alone is expected to attract $5 billion in investment by 2020. In terms of job creation, the Indian construction sector employs 51 million people, making it the most employed sector in the country in 2017.

B. Foreign investment policy for India's construction industry

India's current foreign direct investment (FDI) policy allows 100 percent FDI into complete urban infrastructure and development projects, such as residential or commercial premises, roads, bridges, hotels, resorts, hospitals, educational institutions, and recreational facilities, via the automatic route.In completed townships and commercial construction, manage and perform activities.Begin real estate development projects in Special Economic Zones (SEZs) (SEZs)Build industrial parks.

According to government data, India's construction sector received FDI worth US$17.22 billion for infrastructure activities and US$25.78 billion for construction projects from April 2000 to September 2020. Several major construction projects have been launched since the beginning of 2021 to help increase infrastructure and meet significant corporate objectives. Here are a few examples:

On January 13, it was announced that a land block of 0.5 million square feet would be added to the Mindspace Business Park REIT, a well-known Real Estate Investment Trust.

The Gujarat government announced on January 22 that it will open eight new industrial estates in eight districts to help micro, small, and medium-sized enterprises (MSMEs) expand their manufacturing capacity, including medical equipment, car accessory goods, engineering, and food products.

All of this would necessitate a large infusion of foreign funds and the creation of flexible investment structures. The government forecasts that infrastructure development will require FDI worth US$777 billion.

Meanwhile, the COVID-19 epidemic halted economic activity for months last year, upsetting growth patterns and leading to widespread job losses in crucial industries, notably construction, which employs a large number of migrant workers across the country.

The Indian government is apparently considering enabling limited liability partnerships (LLPs) to invest in townships, hotels, hospitals, and highways in order to boost hopes for a national economic resurgence and improve investor facilitation.

Foreign investors are currently required to agree to a three-year lock-in period before departing India's building business. Allowing LLP firms to participate could attract more FDI.

C. The announcements in India's Union Budget 2021 relating to the construction industry

In order to successfully attract future foreign investments, Finance Minister Nirmala Sitharaman highlighted the following sectors in her Union Budget 2021 to demonstrate

the government's commitment to attaining India's infrastructure goals:

The Ministry of Housing and Urban Development would get INR 500 billion (US$6.85 billion).

The Pradhan Mantri Awas Yojana, which promises to provide urban homes for all by 2022, would get INR 275 billion (US$3.76 billion).

The Smart Cities Mission, which aims to promote'smart cities' that offer their residents with fundamental infrastructure, a reasonable quality of life, and a clean and sustainable environment, has been allocated INR 137 billion (US$1.88 billion).

The Swachh Bharat Mission (Urban) has been allocated INR 23 billion (US$315 million), with the goal of launching a campaign for a clean urban India by increasing sanitation and public health, eliminating manual scavenging, and so on.

India has a variety of projects in which international investors can invest. Development of residential and commercial buildings, transportation infrastructure, and the maintenance of efficient water supply and sewerage systems are all popular examples.

As part of the smart city development initiative, the attention has recently shifted to the construction of green buildings employing sustainable and environmentally friendly materials and renewable-based technologies. India's sector wise construction investment is shown in Table 1

Table 1: Sector wise Construction project Detail

India's Sector-Wise Construction Projects Available for Investment				
Sector	Number of available projects	Total cost of available projects	Example of a project	Cost of the project
Transport infrastructure	5,891	US$839 billion	Baithkol Modern Deep Sea Port Project, Karnataka	US$273 million
			Anakapalle-Atchutapuram Road Upgradation Project, Andhra Pradesh	US$34 million
Water and Sanitation	1,970	US$296 billion	Supaul-Kishanganj Intrastate Link Irrigation Project, Bihar	US$672 million
			Basaniya Multi Purpose River Valley Project in Mandla town, Madhya Pradesh	US$343 million
Social Infrastructure	1,699	US$247 billion	Township Project in Kamrup district, Assam	US$96 million
			Mandi Housing Project, Himachal Pradesh	US$74 million
Real estate	1,207	US$9.62 billion	Mixed Use Land Development Project, Haryana	US$132 million
			Walkway Project in Kangra town, Himachal Pradesh	US$49 million
Energy	1,062	US$427 billion	Chandikhol Strategic Petroleum Reserve Construction Project, Odisha	US$841 million
			Lower Kopili Hydro Electric Power Project, Assam	US$167 million
Logistics	882	US$48.91 billion	Nangal Chaudhary Development Project, Haryana	US$797 million
			Gargai Water Supply Project, Maharashtra	US$249 million
Commercial infrastructure	815	US$101 billion	Dholera Special Investment Region Development Project, Gujarat	US$780 million
			Shendra Bidkin Industrial Area Development Project, Maharashtra	US$1.52 billion
Corporate social responsibility (CSR)	793	US$79.33 million	Center of Excellence on Agricultural Innovation and Research, Maharashtra	US$4.58 million
			Centre of Excellence on Agricultural Processing, Maharashtra	US$3 million
Manufacturing	485	US$230 million	Electronics System Design and Manufacturing Project, Odisha	US$27 million
			Yeola Silk Fabrics Project, Maharashtra	US$6.86 million
Food processing and agriculture	329	US$612 million	Jalalabad Sugar Project, Uttar Pradesh	US$74 million
			Shirur Sugar Project, Karnataka	US$45 million

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Among the foreign corporations that have made investments in India are:

Alstom is a town in France.
Norway's Aqualyng
Singapore's Ascendas
Germany's Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH is a non-profit organisation that promotes international cooperation.
Hines, United States of America
South Africa's Hydro-Comp
The Trump Organization in the United States of America
Veolia is a French company.
The National Infrastructure Pipeline (NIP) is a major growth generator in the United States.

Since its initial release in 2019, the National Infrastructure Pipeline (NIP) has been India's largest infrastructure project, with a five-year construction duration. The project intends to deliver world-class infrastructure to Indians, improve their quality of life, and attract foreign capital investment in capital projects.
By aggregating all available information (provided by ministries, state governments, and the private sector) about infrastructure sub-sectors and recording all greenfield and brownfield projects whose costs exceed INR 1 billion (US$13.71 million), NIP hopes to create a "harmonised master list of infrastructures." Transport, logistics, electricity, communication, water and sanitation, commercial infrastructure, and social infrastructure are all covered by NIP investment programmes.

- Infrastructure is critical to the growth of other industries as well as India's overall development. As a result, the government concentrates on the growth of infrastructure and construction services through policies including open FDI requirements, major budget allocations to the infrastructure sector, and the Smart Cities Mission, among others.
- Under the Smart City project, 99 cities have requested an investment of roughly INR 2 lakh crore.
- The government's flagship initiative, the Pradhan Mantri Awas Yojana (Urban) - PMAY (U), was launched in June 2015 with the goal of providing homes to all urban dwellers by 2022.
- India's second-largest FDI equity beneficiary sector in 2020-21.
- Cement production grew by 2.8% in October 2020 over October 2019 according to the Department for Promotion of Industry and Internal Trade.

Roads and bridges, railways, urban transportation, airports and aviation infrastructure, ports, and shipyards are all sub-sectors of these sectors.
There are currently 7,552 projects under the NIP framework, spread across 34 sub-sectors, of which 1,754 are in the development stage, with a total value of US$1,814 billion.
For international investors, the NIP has created 'Marquee Options,' which are carefully curated strategic partnership opportunities that each investor can study further to choose which project best suits their needs. These initiatives can be compared across various industries and sub-industries. The 42 flagship projects available across five industries are listed in the table 2 below:

Table 2: Marquee Construction Projects

India's Sector-Wise Marquee Construction Projects Available for Investment				
Sector	Number of available projects	Total cost of available projects	Marquee project	Cost of the project
Transport infrastructure	29	US$31.48 billion	Katghora-Dongargarh New Corridor Construction Project, Chhattisgarh	US$816 million
			Terminal 4-Phase 2 Jawaharlal Nehru Port Trust (JNPT) Container Construction Project, Maharashtra	US$438 million
Commercial infrastructure	7	US$3.92 billion	Dholera Special Investment Region Development Project, Gujarat	US$780 million
			Shendra Bidkin Industrial Area Development Project, Maharashtra	US$1.52 billion
Logistics	3	US$2.4 billion	Nangal Chaudhary Development Project, Haryana	US$797 million
			SMPL Augmentation Project; Gujarat, Haryana and Rajasthan	US$221 million
Energy	2	US$1.02 billion	Chandikhol Strategic Petroleum Reserve Construction Project, Odisha	US$841 million
			Third Jetty Project at Dahej Liquified Natural Gas (LNG) Terminal, Gujarat	US$178 million
Communication	1	US$1.21 billion	4G Services by Mahanagar Telephone Nigam Limited (MTNL), Delhi and Maharashtra	US$1.21 billion

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III. METHODOLOGY

A. Infrastructure Investment and the Investment Regime

Private investors face unique risks in the infrastructure industry. Not only do projects tend to be large-scale, capital-intensive, and take a long time to build, but the private party may also find it difficult to transfer asset ownership. Infrastructure investors are more subject than investors in other sectors of the economy to changes in government rules (such as a change in infrastructure tariffs) that can stifle their profitability. Furthermore, because infrastructure development is such an important part of sustaining economic growth and meeting basic social requirements, government choices on how much, where, and what sort of infrastructure to create are politically sensitive. As a result, governments have historically constructed, owned, and maintained infrastructure capital. Making the transition to more private engagement in national infrastructure provision poses a variety of risks for all of these reasons. Furthermore, because some kinds of private participation (such as public-private partnerships or PPPs) are still relatively new in many countries, governments may lack the knowledge and capacity to adequately manage the risks they imply. Thus, 37 percent of PPP projects have been carried out in "lower middle income" countries over the last two decades, with only 4% in "low income" developing countries. Yet, in order to get the best value from infrastructure projects and avoid imbalanced risk-sharing arrangements, which can lead to financially unsustainable contracts and costly contract renegotiations, public sector competence for project design and execution is required. In such a delicate situation, investors considering a country's infrastructure investment opportunities pay close attention to what economists refer to as government "commitment technologies" – essentially all measures, whether economy-wide, sector-specific, or contract-specific, that make it more difficult for governments to back out of commitments made within an infrastructure project.

B. Infrastructure Planning

On a national scale One example of "commitment technology" is government methods for deciding how much to spend on public infrastructure and how to allocate spending, as stated in national or sector-level medium-term development plans or strategies. Any domestic or international investor considering investing in the country's infrastructure networks is likely to scrutinise these plans closely. Investors will be particularly interested in government plans to encourage private participation in specific utility markets (for example, plans to increase the number of independent power providers connected to the national electricity grid or to embrace more forms of renewable energy) or through a specific contract structure (as embodied in a PPP Policy for instance). Private investors need assurances from the government that their investments in national infrastructure will be promoted and that institutional and regulatory barriers will be removed. When a change toward increased private engagement is made, public discussion of national infrastructure plans and other strategy papers is especially significant, as it can help modify embedded ways of thinking among government officials and the general public. Indeed, investors expect the regulatory environment to be consistent across all governments. National infrastructure plans can also be used to allow room for more innovative forms of infrastructure expansion, such as shared usage of infrastructure networks. Indeed, large-scale projects in places that are underserved by existing infrastructure networks, particularly in the extractive industries, frequently necessitate significant private infrastructure expenditures with significant spare capacity.

C. Protection from Expropriation and Access to Land Land

Acquisition is frequently a major stumbling block in infrastructure projects, and nations have responded by enacting laws. The government has passed many laws in order to acquire land from private individuals. The Land Acquisition Act of 1894 is one of the most important ("LAQ Act 1894"). The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation, and Resettlement Act, 2013 ("LARR Act"), which superseded the LAQ Act 1894, was enacted in response to a lack of effective safeguards in favour of landowners. Unfortunately, the LARR Act was extensively condemned by the previous government upon taking power in 2014, claiming that it interfered with the government's authority to acquire property for public use and would thus have a negative influence on the country's progress. The government responded by introducing the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation, and Resettlement (Second Amendment) Bill, 2015. ("Bill").

D. Renegotiation of a Contract

Given the extended timelines of infrastructure projects and the unpredictability and variability of many of the risks involved (such as commercial or demand risk), most infrastructure contracts will almost certainly need to be renegotiated at some point throughout their lifecycle. Between the mid-1980s and the year 2000, 30 percent of Latin American concession contracts were renegotiated. In transportation contracts, this proportion reaches 54.4 percent, and in water contracts, it reaches 74.4 percent.

E. Renegotiations generally benefit the concessionaire

In Latin America, 62 percent of renegotiation cases reviewed resulted in tariff hikes, 38 percent in concession period extensions, and 62 percent in reductions in investment requirements. Such high renegotiation rates highlight the importance of adequately addressing the need for contract renegotiation in long-term contractual arrangements – on the one hand, through flexible contracts and renegotiation structures, and on the other, through appropriate dispute resolution mechanisms in the event of disagreement between public and private parties. Most of the time, if the contract structure is flexible enough, these renegotiations proceed well and don't result in any disagreements between the investor and the government. When disagreements do emerge, they are usually resolved individually or through national courts.

F. Disputes about infrastructure investment

Are resolved Along with a balanced approach to contract renegotiation, a dependable domestic arbitration mechanism can aid in the resolution of public-private disputes. While 83 percent of the renegotiation volume was settled directly between the contractual parties in the Chilean case, the rest was decided by arbitral panels. However, domestic arbitration is not always an adequate or satisfactory remedy, and some infrastructure investment claims are brought before international arbitral tribunals. The parties' permission to arbitral jurisdiction, which is commonly stated in an IIA, determines whether or not a case can be brought to international arbitration (although consent to arbitration may also be included in an investment contract or within domestic legislation). As a result, in addition to mitigating expropriation risks, domestic legal frameworks might incorporate the right to resolve any issues that may occur during project operation through arbitration as another essential norm of treatment. Prior to 2003, the ICSID tribunal heard at least 28 cases involving infrastructure arbitrations and settlement agreements (including telecommunications, transportation, water and sanitation, and energy).

G. Project Risk Mitigation and Value-for-Money Obtainment to Ensure Successful and Long-Lived Projects

Risks associated with infrastructure projects should be assigned to the party that can best control or bear them at the lowest cost. The private partner is best placed to take on the commercial risk (which is tied to changes in demand and revenue from consumers), whereas the public partner is better suited to take on the legal, regulatory, and political risks. Risks are distributed differently across infrastructure industries. When a sector is politically sensitive, such as water and sanitation, the revenue risk (because to fluctuations in user fees and government subsidies) and sub-sovereign risk (due to administration at the local level where capacity may be inadequate) are higher. When the quality of existing infrastructure (such as water mains) cannot be accurately assessed, the potential for concealed maintenance and rehabilitation expenses might pose considerable contractual risks. Management contracts, leasing contracts, concessions, and build-operate-transfer (BOT) schemes and their various variants are the four main types of PPP modalities. for solid waste management, the Government of India also gives a good explanation of these methods. Because these numerous project types include a variety of risk-sharing agreements, each with its own set of costs and advantages, it is critical to ensure that the choice among them results in the most cost-effective infrastructure provision that gives end-users the best value for money.

IV. CHAPTER INSTITUTIONAL ENVIRONMENT FOR SUSTAINABLE PRIVATE INFRASTRUCTURE MARKET PARTICIPATION

A. PPP Units, Procurement Entities, and Privatisation Agencies have Important Roles to Play

The shift to private sector infrastructure participation places new demands on government agencies and involves several entities' responsibilities . The majority of countries have established a national public body to coordinate public procurement, as well as bodies to receive procurement procedure appeals and oversee privatisation operations. Many have also established their own PPP units, albeit with varying capacities.

- In India, PPPs have ensured that critical projects in industries such as power, technology, and infrastructure are completed quickly and at a low cost. This is extremely beneficial to taxpayers who profit from the impact of such businesses.
- In India, public-private partnerships have combined public infrastructure with private firms' superior finance and upkeep. Synergistic relationships between the public and commercial sectors have resulted in the development of resources and the transmission of knowledge.
- The projects have been regulated by the government to ensure accountability and the delivery of high-quality goods and services.
- The public-private partnerships that have sprung up in India over the years have been marked by innovation and excellence. These PPPs ensure that public assets are effectively utilised in a productive and profitable manner.
- The infrastructure built as a result of these collaborations is of high quality. As a result, India now possesses a plethora of excellent airports and structures. India requires more basic infrastructure, and public-private partnerships are the best way to achieve this.

B. Peer-to-Peer Learning And Training For Managing Private Infrastructure Participation

PPP Units, procurement entities, and privatisation authorities should be housed in appropriate ministries and staffed with a sufficient number of well-trained private-sector veterans. These agencies must be given clear mandates and adequate resources in order to ensure a prudent and consistent procurement process, as well as to negotiate and monitor infrastructure contracts on an equal footing with private investors, in order to safeguard society's interests. To avoid blurring lines of accountability, increasing the number of agencies should be avoided. In order to enable private engagement in small-scale infrastructure projects, capacity-building activities (and the expertise of PPP Units) should be extended to the local government level whenever practicable. Starting with a series of small-scale, low-risk 'pilot' PPPs can also aid in the development of public capacity and experience. Dedicated authorities can help with procurement oversight and increase investor confidence. Procurement boards, agencies charged with handling procurement complaints, and bodies tasked with monitoring the performance of former SOEs after they have been divested or privatised must be given the political clout and technical capacity needed to facilitate (and assess the impact of) private participation in infrastructure networks.

C. FDI Limitations in Infrastructure Sectors are Being Addressed

Private ownership restrictions are still prevalent in many countries' vital infrastructure sectors. These can include broad restrictions on any type of private engagement, whether domestic or international, as well as restrictions on foreign direct investment in particular. Foreign equity restrictions are by far the most common type of restriction in infrastructure subsectors, and they can take a variety of forms: sometimes they apply only to acquisitions, and other times they apply to both acquisitions and greenfield projects; sometimes they apply only to listed companies or to investments in a specific company, most notably in former state monopoly holders; and sometimes there is an overall cap on foreign investment in the entire sector, allowing foreign entrants to invest in only a limited number of companies. Regardless of the type of restriction, the goal is usually to foster domestic economic linkages or to protect national interests; however, as discussed below, they rarely achieve the desired effect and can instead serve to protect specific interest groups rather than to stimulate domestic entrepreneurship in general.

According to the World Investment Report 2020, India is ranked 9th among the world's major FDI beneficiaries in 2019, compared to 12th in 2018.

During the financial year 2020-21, India received the largest ever total FDI inflow of USD 81.72 billion, up 10% over the previous financial year 2019-20. (USD 74.39 bn).

In the fiscal year 2020-21 (USD 59.64 billion), FDI equity inflows increased by 19 percent over the previous year (FY 2019-20). (USD 49.98 bn).

'Computer Software & Hardware' has emerged as the leading sector in F.Y. 2020-21, accounting for roughly 44% of total FDI Equity inflow, followed by Construction (Infrastructure) Activities (13%), and Services Sector (8%).

Construction (Infrastructure) Activities, Computer Software & Hardware, Rubber Goods, Retail Trading, Drugs & Pharmaceuticals, and Electrical Equipment all saw more than a 100% increase in equity in the fiscal year 2020-21 compared to the previous year.

In the securities market, up to 100% automatic route

Infrastructure Company - 49 percent

Insurance - up to 49 percent

Medicinal Devices - up to 100%

49 percent pension

Refining of petroleum (by PSUs) – 49%

Power Exchanges accounted for 49% of the total.

D. Transparency And Predictability Of The Procurement Regime

The degree of transparency, fairness, and predictability of public procurement regimes has a significant impact on whether private investors can compete in infrastructure markets against incumbent operators (often state-owned) and other bidders in general. A clear and open public procurement structure can assist to mitigate these risks by ensuring that project proposals are evaluated objectively and fairly. The procurement procedure can also assist in ensuring that bids (particularly for PPPs) are selected with proper risk-sharing, budgetary supervision, and value for money in mind. Savings from more competitive procurement procedures might account for up to 8% of overall project development expenses. Commitments to public tender announcements; standard or model contractual agreements; procurement appeal mechanisms; and objective eligibility standards and assessment criteria should all be included in procurement laws for more clarity and openness. To guide the decision between alternative kinds of public, private, and hybrid infrastructure service supply, clear and consistent regulations for open bidding and tendering procedures should be set. This involves, among other things, assessment of VFM, financial sustainability, and risk analysis.

E. Infrastructure market price setting

Between April 2000 and June 2021, FDIs in the construction development sector (townships, housing, built up infrastructure, and construction development projects) and construction (infrastructure) activities totaled US$ 26.14 billion and US$ 25.38 billion, respectively, according to the Department for Promotion of Industry and Internal Trade (DPIIT). Infrastructure activities received 13 percent of the overall FDI inflows of US$ 81.72 billion in FY21.

F. Initiative and investment by the government

The government has allocated Rs. 233,083 crore (US$ 32.02 billion) to improve transportation infrastructure in the Union Budget 2021. The government has increased the number of projects in the 'National Infrastructure Pipeline (NIP)' to 7,400. As of 2020, 217 projects totaling Rs. 1.10 lakh crore (US$ 15.09 billion) had been completed. As of July 2021, the government had invested US$1.4 trillion in infrastructure development through the NIP. The government of India has turned its attention to the infrastructure sector. India intends to invest $1.4 trillion on infrastructure between 2019 and 2023 in order to ensure the country's long-term prosperity. From 2018 to 2030, the government proposes investing Rs. 5,000,000 crore (US$ 750 billion) on railway infrastructure. India and Japan have partnered to improve infrastructure in India's northeastern states, as well as establishing an India-Japan Coordination Forum for Northeast Development to carry out important infrastructure projects in the region.

I. CONCLUSION

Government role is very necessary.

Land availability and investment by both private and public and by government is necessary.

From 2000 to 2020, India's construction sector attracted FDI of $ 17.22 billion for infrastructure projects and $ 25.78 billion for building projects, according to government data. Since the beginning of 2021, many large building projects have been undertaken to improve infrastructure and contribute in the fulfillment of vital economic goals, including:

Highways, bridges, hotels, hospitals, education, and recreational facilities are all examples of commercial and residential assets.

Starting real estate development projects in Special Economic Zones (SEZs)

Building industrial parks
Managing and running finished townships and commercial developments
Minimizing risks and making use of money much effective.
Public private partnership is necessary.
Collaboration with different nations is necessary.

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ABBREVIATIONS

GDP :- Gross Domestic Product.
FDI:- Foreign Direct Investment
INR:- Indian Rupee.
US:- United States
FY :- Financial Year
NIP:- National Infrastracture Pipeline
PPP:- **Public Private Partnership**

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