Building a New India

National Real Estate Development Council NAREDCO

Under the Aegis of Ministry of Housing & Urban Poverty Alleviation

Government of India

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" According to Government of India Estimates Approximately US200Billion will be required over the next 7-10 Years for Basic Infrastructure Projects"

In India, it is currently estimated that an 80 million unit housing shortage exists, with 40 million in Urban areas and it is evident that the infrastructure of our nation has to be addressed in all areas and modernized to the levels of developed nations. The numbers stated are enormous and of a truly staggering proportion. Frankly, the state of the nation's infrastructure remains severely out of date and built to the requirements of many decades ago and is not capable of supporting the large increased population which is expected to surpass that of China's by 2050.

It is further understood that since 1980, Our Northern neighbor China has attracted approximately $350 billion USD in FDI, while India has languished behind at a mere $18 billion USD. In fact, the IMP has stated that China will attract over 90 Billion in 2003, becoming the largest receipt of FDI in the World. Regrettably our nation will attract only a very small fraction of this.

Why? In 1989, the Chinese government initiated a campaign designed to accelerate economic growth by boosting its primary industries and reinforcing its primary infrastructure. From 1989 through 2001, the government poured 6.3 trillion Yuan (@ $761 Billion USD) into 1553 infrastructure projects, covering sectors including farming, forestation, animal husbandry, fisheries, energy, raw materials, transportation, postal and telecom services and other public services. China's leadership has recognized the vital importance of infrastructure development in the new global marketplace and the resultant economic vibrancy it creates. Thus, its has eliminated the impediments, laws and concrete mindsets to that important attainment. It is increasingly evident that a strong economic foundation enhances the quality of life of a nation's people **and at the core of a strong economic foundation is infrastructure, ensuring growth and bringing economic and national security in the Global Market Place**.

At present's rates of modernization, China is expected to surpass America as the world's largest economy by 2025 ensuring a better quality of life for the people of the world's most populous nation. It is hence at this critical moment that India must aggressively look to the examples of China and other nations successful in attracting FDI to attract monies into sectors where she cannot capitalize and to effect modernization.

India began its reform practices just over a decade ago in 1991. It started dismantling an all-pervasive ideology based on central planning and bureaucracy-managed processes financed through institutions and controlled by the State. Much of the impetuses for change was driven largely by one assailable fact: **financial bankruptcy of the old order based on the principle of central planning.** The overthrow of the old paradigm is not now in doubt; the pace of change dictated largely by the extent of fiscal crisis and the urgency of keeping it at bay at the central, state and local levels of government.

Crisis however is a powerful motivator for change and in India, would be the predominant inducement for change. Yet, the crisis deepens and the fervor for change becomes irrefutable at the passing of every successive year. In the interim, we fall further behind in the modernization race. Public Monies for infrastructure development is in scarcity. However, financial constraints can be overcome, by private sector contribution combined with increased large-scale FDI invited if the playing field can be aggressively reformed.

The only clear solution to this crisis is **Deregulation and Privatization**. A clearly reformed sector which is conducive to Private Sector participation and FDI. This process is now underway, but must be accelerated in order to maintain global competitiveness and to ensure the timely progression of India' infrastructure development process. Privatization and deregulation would further accelerate the FDI into India through increased global investor confidence created by a more investor-friendly economic climate, not to mention bringing people out of poverty through economic growth. This in turn, empowers the consumer and gives them the option to "select" which product or service they would prefer to purchase. These simple procedures would increase global and national competitiveness, encourage entrepreneurship and simultaneously increase national productivity, development and distribution of higher quality products and services resulting in lower consumer pricing. In turn, increasing purchasing power for the consumer and increasing state and federal tax revenues to ensure the government fulfills its social obligations in the areas of education and healthcare without having to divert funds that 'were' required for infrastructure improvements.

Building a New India

The Royal Indian Raj International Corporation's mandate of "Building the New India" is a multifaceted one. Our firm is an Overseas Corporate Body (OCB) founded by native sons of Indian origin. RIRIC, a North America based corporation was formed with the express directive of promotion, viability and growth of the Urban Infrastructure and Housing sector in the Indian Nation on par with developed nations. Through the importation of advanced modern building technologies and international construction systems directed to large-scale housing development. RIRIC, has in association with over forty Fortune 100 leaders in the areas of International Construction, Technologies & Products has moving to build totally contained satellite township cities in the suburbs of major Indian Cities. These well-planned communities benefit greatly from RIRIC's one stop approach to world class infrastructure, including roads, water capture and treatment facilities, modern waste management and sewage treatment processes with advanced urban planning matched to international and domestic sector finance. This is intended to provide create very modern communities housing forty to a hundred thousand populations at standards of building that are on par with other developed nations.

A first in the Nation of India.

In light of RIRIC's fervent belief in the overwhelming opportunities that have been created through Indian consumer demand for modern housing, RIRIC is pleased to report that it has attracted offers of investment into the Indian real estate sector in excess of 5,000 Cr (@ $1B USD) on several projects the most notable being a 1015 Area proposed township community of 33M sq Ft in

Bangalore , India. The FDI capital raised would effortlessly facilitate a buoyant state of affairs in the areas that it would be channeled into. Not to mention other areas where everyone would benefit including large scale job creation with its resultant ripple effect of workers income into the local economies, large scale capital base increases with its tax base benefit for the Nation and the creation of modern town ship and sub city communities for all levels of the populace. All built with modern technologies at world class levels of quality and run professionally with globally sound players.

However, capital and much needed FDI has its requirements and many impediments exist that risk delaying, frustrating or stopping these investments into the Indian nation. Some of these obstacles include unclear policy frameworks, bureaucratic roadblocks, political compulsions, poor governance, paucity of resources, pervasive and generic contractual issues that hinder the legal process, inconsistent and impartial regulatory processes, transparency and a general lack of knowledge linking the various sources required to complete a real estate transaction. Rather they system works to frustrate the transaction for example in certain areas such as Land Registration, Title Clearance and Land Conversion Processing is a convoluted process at best. This can be made completely transparent and easily accessible through a well-managed, organized electronic database, which is integral to the expedition of investment capital into the Real Estate Sector with appropriate laws enacted.

Our Finance Minister has simply stated "There can be no growth without reforms."- Finance Minister Jaswant Singh. October 29, 2002.

The message seems to be clear and change is needed and required. So how can we make India Attractive to Foreign Direct Investments in Urban Infrastructure? Let us commence by touching briefly on some of the main issues that need to be addressed:

1. Open the Nation to greater Foreign Ownership in the urban infrastructure and housing sector. Present and proposed guidelines are ignoring FDI investment into existing commercial buildings and residential blocs. The question is why? Long-term institutional investment in prime commercial and residential property is a crucial component of all world-class property markets. These investors will bring in advanced management as well as enhancing landlord tenant relationships not to mention capital.

2. Create attractive corporate tax incentives through the development of sustainable incentives and concessions, which is clear. For example, infrastructure status should be accorded to township development with a ten-year tax holiday mandatory. This stimulates investments and helps offset the Rupees devaluation in the equation and Standard & Poor's award of a –BBB credit rating for the nation. Another underlying negative for Foreign Direct Investors.

3. State Level Policy must be consistent with central FDI policy.

4. System of Single window clearances should be followed with permits and approvals granted on an automatic basis. This department should be highly professional and competent staff trained to interact at a international level so the investment is facilitated with the minimum irritations. This agency should co-ordinate all approvals rapidly and help in the facilitation of investment with respective state governments.

5. Reduce Tariffs across the board especially in the importation of advanced technology. The nation would benefit from the importation of advanced building equipment, production systems and technologies. Construction and development efficiencies would d dramatically improve. Actually imported inputs for construction related production should be duty free.

6. Modernize Labour Law in this sector. Labor-intensive development concerns require being competitive and flexible so they can vary their employments according to changes in m market demand and in technology. Large firms in India are not allowed to retrench or layoff workers or close down a business unit without the permission of the State Government.

7. Liberalize exit barriers. A exit policy needs to be further liberalized so firms can enter and exit the market mindful of course to certain safeguards. We must be careful that the regulatory framework does not become a barrier adversely affecting the health of the firm if it needs to restructure itself.

8. Continue Liberalizing of Banking Regulations. In this area, the banks should be encouraged to be aggressive and imaginative in township and infrastructure financing with private sector and FDI concerns. For example simple construction financing, Raw Land Financing, Subdivision Financing etc. if you have converted lands to a multi use application it is still difficult to use the land as collateral for intermediate use on the way to developing the project. In addition various financing mediums should created such as Real Estate Investment Trusts (REIT). A popular form of Real Estate Finance in the developed nations.

9. Develop an institutional presence on the ground that can help FDI participants structure domestic finance and provide frameworks through which both equity and debt financing becomes available expeditiously if need be. In short, provide the knowledge base to link resource pools to investment opportunities within efficient financial structures in the nation so sound projects can obtain domestic financing.

10. Develop clear, transparent policies. So they are investor friendly, twisted and difficult policies need to be separated and simplified. Policy frameworks should be clear and unambiguous and be sector specific.

11. Set Up of Offices in major Capital Markets such as New York, London, Hong Kong etc promoting specific projects with all approvals in place ready to go.

Conclusion:

Addressing India's Housing and Infrastructure requirements is an immense task that will require everyone's cooperation and at all levels. It is now very clear that we need to continue to create this alternative framework or system in the Urban Infrastructure & Housing sector through aggressive reforms rapidly. The corporatising of this sector to international levels and making it attractive to FDI can and will bring great benefits to us through large FDI flows in this sector. If we can harness and attract it the results will be of an enormous importance to us in building a new India and building a better tomorrow for her children. The solution is clear and obvious like day following night! We need only to think differently to solve the riddle.

So the time has come to jump the ravine in one giant leap. A series of feeble jumps can only lead to inertia and further lack of productivity. So the question in front of us is whether we have the industry resolve to enact the necessary measures required at the policy making level. If we can, the results will be immediate and relief will be clear as we tap into the enormous power of the international money markets. Their favor to our nation will in effect provide an invaluable equity component when channeled into our infrastructure projects and their financing provision will affect massive infrastructure and housing developments greatly benefiting the nation of India and her children as well as all parties involved.