

# National Infrastructure Pipeline (NIP)

[UPSC Notes]

## What is the National Infrastructure Pipeline?

The National Infrastructure Pipeline (NIP) for FY 2019-25 is a first-of-its-kind, whole-of-government exercise to provide world-class infrastructure to citizens and improve their quality of life. It aims to improve project preparation and attract investments into infrastructure. The NIP will address all of the crucial factors that will assist India in attaining its goal of being a \$5 trillion economy by 2025. It will include projects in both economic and social infrastructure.

The Prime Minister, in his Independence Day speech of 2019 declared that ₹100 lakh crore would be invested in infrastructure over the next 5 years. The prime focus areas would be on ease of living: safe drinking water, access to clean and affordable energy, healthcare for all, modern railway stations, airports, bus terminals, and world-class educational institutes. NIP, in a way, will create jobs, improve ease of living, and provide equitable access to infrastructure for all, thereby making growth more inclusive.

During the fiscals 2020 to 2025, sectors such as Energy (24%), Roads (19%), Urban (16%), and Railways (13%) amount to around 70% of the projected capital expenditure on infrastructure in India.

## Significance of NIP

In India, the government is increasingly looking to the private sector for forging partnerships via effective models for co-working between the public and private sectors. The National Infrastructure Pipeline is a step in that direction. The National Infrastructure Pipeline is of great significance to India.

- India is working at a fast pace to be a USD 5 trillion economy by 2025, NIP is contributing to this.
- It will improve agricultural and rural infrastructure and would improve India's connectivity, particularly in rural areas.
- A well-planned NIP will allow for more inclusive growth, as it will generate jobs, provide better living conditions, equitable access to infrastructure, etc.
- NIP will boost economic activities, and free up fiscal space by increasing the government's tax base.
- It will provide a clearer picture of project supply, more time to prepare for project bidding, less aggressive bids/project failures, and improved access to capital sources as a result of higher investor trust.
- The national infrastructure pipeline hopes to build investor confidence by actively monitoring projects, bringing needed reforms and resolving any potential issues. More

institutional funding will also give the government bandwidth to invest more in other areas essential for economic growth.

## National Infrastructure Pipeline: Mission

The National Infrastructure Pipeline has the primary mission to look after the following points:

- Create a five-year strategy for India's infrastructure development in important industries.
- Assist in the design, delivery, and maintenance of public infrastructure in accordance with international standards.
- Facilitate broad and sectoral reforms in the regulation and administration of public infrastructure services in accordance with international best practices.
- Objectives Improve India's public infrastructure ranks globally.

## Benefits of the National Infrastructure Pipeline

As India pursues COVID-19 policies, it must concentrate not just on short-term alleviation but also on long-term measures that would help the country become successful and self-sufficient. By establishing an enabling environment of stability and order, as well as ensuring planning and investment in critical prioritized infrastructure projects, the nation will be able to propel the Indian economy ahead. The benefits included in the National Infrastructure Pipeline can be counted as in:

- More infrastructure projects will be enabled by a well-planned NIP, which will power businesses, create jobs, enhance living conditions, and give equitable access to infrastructure for all, making growth more inclusive.
- Infrastructure that is well-developed boosts economic activity, frees up budgetary space by increasing the government's tax base, and guarantees that government spending is concentrated on productive areas.
- Increases investor confidence since selected projects are better equipped, and exposures are less likely to experience stress due to active project monitoring by competent authorities, resulting in higher returns.
- As a result of greater investor confidence, projects are better prepared, aggressive bids/project failures are reduced, and increased access to sources of finance is ensured.

## NIP Task Force

The NIP Task Force was set up after the Prime Minister, in his Independence Day speech of 2019, promised to roll out an infrastructure push worth ₹100 trillion over five years to make India a \$5 trillion economy. The NIP is headed by Atanu Chakraborty, the Economic Affairs Secretary. The NIP Task Force submitted its final report to the Finance Minister, in April, 2020. The task force forecasted an investment need of ₹111 lakh crore over the next five years (2020-2025) to build infrastructure projects and drive economic growth. Energy, roads, railways and urban projects are estimated to account for 70% of the projects. Out of the total expected capital expenditure of ₹111 lakh crore:

- Projects worth ₹33 lakh crore (30 % of NIP) are at the conceptual stage
- Projects worth ₹22 lakh crore (20 % of NIP) are under development.
- Projects worth ₹44 lakh crore (40 % of NIP) are under implementation.

## Challenges of National Infrastructure Pipeline

Lack of infrastructure is the primary growth concern that India faces today. Timescales associated with infrastructure development imply that decisions made now will impact the world of tomorrow. Challenges associated with the National Infrastructure Pipeline are:

- The role of the private sector is important for providing finance and expertise. But, effective models for co-working between the public and private sectors need to be evolved.
- Before the speed and severity of climate change are fully understood, governments and businesses must make critical strategic decisions and promote behavioral changes.
- An increase in natural disasters or unexpected events will place the infrastructure to the test, not only in terms of reconstruction but as well as in terms of supply chain disruptions.
- Infrastructure development needs to keep pace with technological development like the internet of things and other emerging technologies.
- Financing the infrastructure of the needed scale is the issue for which solutions would have to be found.