

National Infrastructure pipeline (NIP)

January 10, 2020

Source: *The Hindu*

Manifest pedagogy: Infrastructure spending has been a driver of economic growth. The vision of spending 105 lakh crores in the coming years required better policy and implementation procedures and thus a need was felt to get National priorities in terms of the National Infrastructure Pipeline.

In news: Roadmap for National Infrastructure Pipeline has been released by the government.

Placing it in syllabus: Infrastructure

Static dimensions:

- **Infrastructure spending in india**
- Highlights about important sectors

Current dimensions: National Infrastructure Pipeline & \$5 trillion economy

Content:

NITI Aayog has designed '**The Ease of living Index**' comprising **37 measurable indicators**, which takes into consideration the UN 2030 Sustainable Development Goals (**SDGs**). In order to meet the growth aspirations and provide improved standard of living, the infrastructure investments should be increased.

Infrastructure spending in india:

Infrastructure sector is a **key driver for the Indian economy** which is highly responsible for propelling India's overall development. Infrastructure sector includes **power, bridges, dams, roads and urban infrastructure development.**

In 2018, India ranked **44th** out of 167 countries in **World Bank's Logistics Performance Index (LPI)**. It is currently ranked **70** out of 140 for infrastructure quality in **World economic forum's Global Competitiveness Index**.

India is expected to become the **third largest construction market globally by 2022**. FDI received in Construction Development sector (townships, housing, built up infrastructure) from April 2000 to March 2019 stood at US\$ 25.05 billion.

India has a **requirement of investment worth Rs 50 trillion in infrastructure by 2022** to have sustainable development in the country. The Government of India has allocated **Rs. 4.56 lakh crore for the infra sector in Union Budget 2019-20**.

Constraints faced by infrastructure sector:

- availability of funds for financing large projects,
- lengthy processes in land acquisition and payment of compensation,
- environmental concerns, time and cost overruns due to delays in project implementation,
- procedural delays and lesser traffic growth than expected increasing the riskiness of the projects,
- Stalled or languishing projects and shortfall in funds for maintenance.

Overcoming the **deficiencies in infrastructure** and **improving the quality of services** provided in both urban and rural areas in India will help in realising the full potential of the growing urban economy thus raising its contribution to India's GDP.

National Infrastructure Pipeline (105 lakh crore plan):

- Honourable PM Narendra Modi in his Independence Day speech 2019, had said that Rs.100 lakh crore would be invested on infrastructure over the next 5 years.

- A **task force headed by Economic Affairs Secretary** was set up by the Finance ministry to prepare a roadmap for the “**National Infrastructure Pipeline (NIP)**” from **2019-20 to 2024-25** to form Rs.105 lakh crores plan.
- The **task force has identified Rs 102 lakh crore of projects.**



- Another **Rs.3 lakh crore of projects** are likely to be added in the NIP by the **states.**
- The **Centre and states' contribution** to the NIP would be **39 percent each** as well as **22 per cent by the private sector** which is expected to increase to 30% by 2025.
- Sectors such as power, railways, urban, irrigation, mobility, education, digital and health sectors form the bulk of the proposed projects.
- This is the **first time that an infra pipeline has been proposed** and NIP helps making India a \$5 trillion economy by 2025.



- **Reform suggestions** by various working groups under the infrastructure task force including **reforming the PPP based contracts, enforcement of contracts and dispute resolution process** will be considered.

Highlights about the sectors:

Energy:

- This sector will get about **24 per cent of the total investments.**
- India aims to **take the current installed power capacity of 356 GW to 619 GW.**
- The **share of thermal installations is expected to go down** from 66 per cent to 50 percent.

Roads:

- **19 percent of the investments** will be channelised to this sector.
- The **target is to add 50 percent total length to the existing National Highways, with 12x more Expressways** constructed.
- The ownership of roads will tilt in favour of **asset aggregators and financial investors** as opposed to the public authorities today.

Urban and Housing:

- About **16 percent** of the NIP investments will go towards improving urban infrastructure and running housing programmes.
- The government **aims to cover 100 percent urban and rural households with piped water supply.**
- 100 percent of all municipal waste is expected to be treated.
- More than **25 cities will get operational metro** projects.
- Affordable housing projects will continue to remain in focus.

Railways:

- This sector gets **14 percent** of the total investment outlay.
- The vision for Railways includes healthy private sector participation with **targets of 30 percent net cargo volumes, 500 private passenger trains and 30 percent of 750 stations privatised.**
- The **two dedicated freight corridors (DFCs) will be fully operational,** while the construction of East-West, North-South, East Coast, and South-West DFCs will be underway.
- Railways also expects to **electrify 100 percent of its network.**

Irrigation:

- This sector will get about **8 percent** of the total investment outlay.
- The target is to bring **61 percent of India's cultivable land under irrigation** from the current 49 per cent.
- Higher investments will be earmarked towards **drip and sprinkler irrigation.**

Other sectors include:

Ports:



Airports:



Digital infrastructure:



\$5 trillion economy:

- The path to a \$5 trillion economy by 2024-25 has been laid down in the recently released NIP report.
- **GDP by the end of 2024-25 has been projected to be around Rs 365.5 lakh crore (\$5.15 trillion).**
- GDP is expected to grow at an average nominal rate of 12.2% over the next five years to 2024-25.
- Even considering 4.5% inflation, the government is expecting the GDP growth rate to be around 6% in the next financial year, touching 8.5% in 2024-25.
- However economists and analysts have raised doubts over the target.



Path to \$5-trillion economy

Though the NIP brings about an overarching vision to

infrastructure development in India, its success will depend on a **plethora of factors** including administrative reforms, financial success, judicial reforms and intervention and general governance reforms. Hence the states and the central government should work in tandem to achieve the NIP targets.