

(\*) NIP may remain a dream unless supported by multiple strategies for better infrastructure creation. Discuss.

National Infrastructure pipeline is a flagship program of Government of India to make India "\$5 trillion economy" by 2025. Till now, 7400 projects worth \$102 trillion have been sanctioned between 2020-25

→ Concerns:-

- Private partnership is not as expected.
- NIP requires Private to fund 28% of the total cost. (Fund pattern  $\frac{39:39:28}{\text{Centre State Private}}$ )
- Lack of sufficient funds & pandemic caused economic stress are major concerns
- 80% of infrastructure projects are funded by commercial banks but they lack expertise and have huge NPA's.

→ Strategies:-

1) Funding:-

- Due to lack of expertise of commercial banks, Government plans to set up Development finance institution (DFI)
- Earlier experiences have resulted in

poor performance of IIFC & IDBI.

- DFI must be allowed to accept long term deposits and be converted to infrastructure banks within 3 years based on Usha Thorat Committee.
- This will help DFI to finance & refinance projects.

2) Debt market :-

- Need to broaden the corporate debt market
- Currently only 16% of GDP whereas Malaysia has 46% & South Korea 73%.
- Mechanism for purchase of "investment grade bonds" will help corporate debt market.

3) Legal mechanism :-

- Apart from funding, legal hassles like land acquisition & dispute resolution is also a challenge.
- 1600 projects have suffered cost overruns.
- Institutionalised time bound clearance & approvals is need of the hour.

Thus, NIP may remain a dream unless government adopts multi pronged strategy to address gaps in value chain of investment promotion & infrastructure creation.