Syllabus subtopic: Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.

Prelims and Mains focus: about the government’s move to boost infrastructure investments and the role of NIP; Greenfield and brownfield projects

News: Finance minister Nirmala Sitharaman on Tuesday unveiled a plan to invest ₹102 trillion over five years to develop social and economic infrastructure to boost India’s sagging growth.

How the projects will get implemented and the role of NIP

- The projects will be implemented under the National Infrastructure Pipeline (NIP) mechanism.
- The task force for the purpose was set up after PM Modi, in his Independence Day speech, promised to roll out an ambitious infrastructure push worth Rs.100 trillion over the next five years to make India a $5 trillion economy.
- This exercise, the first of its kind, is expected to be followed up by a periodical review process. NIP will enable a forward outlook on infrastructure projects, which will create jobs, improve ease of living and provide equitable access to infrastructure for all, thereby making growth more inclusive.
- Greenfield and brownfield projects worth more than ₹100 crore per project that may be at the conceptualization stage, under implementation and under development would be part of NIP.
- The projects will be spread across 21 ministries and 18 states and Union territories.
- While the Centre and states will contribute 39% each of the project cost, the private sector will contribute 22%. By 2025, it is expected that the private sector contribution will rise to 30%.

Suggestions for reforms made by various working groups under the task force will be taken up. This will include reforming the contracts based on the public-private partnership model, enforcement of contracts and the dispute resolution process.
- A robust monitoring mechanism will also be established.
- Between FY20 and FY25, sectors such as energy (24%), roads (19%),
urban (16%) and railways (13%) amount to around 70% of the projected capital expenditure in infrastructure in India.

- Out of the total expected capital expenditure of ₹102 trillion, projects worth ₹42.7 trillion (42%) are under implementation, which includes expressways and the national gas grid.
- Projects worth ₹32.7 trillion (32%) are in the conceptualization stage and the rest are under development, which includes urban, roads and renewable energy.

Other measures taken by the govt. to boost economic growth

- The government has taken a raft of measures to address a slowdown in the broader economy, including a massive corporate tax cut and sector-specific steps. However, a renewed thrust on infrastructure projects is expected to increase economic activity, generate employment and boost demand.
- Encouraging more private sector investment in the infrastructure space can create additional fiscal space for the government.

Reforms suggested by the NIP report

- To boost investment in the infrastructure sector, the NIP report released by the finance minister also suggested general reforms and updating sector policies.
- The report said it is critical to have a robust project preparation framework consisting of a transparent policy and legislative framework, presence of guidelines, model bidding documents and standard procedures, design, multistage reviews and audits.
- “Inadequate attention to project planning may lead to avoidable delays in the implementation of the project or may even lead to scrapping of projects prior to its implementation,” said the NIP report.
- The report also called for robust private sector participation in the infrastructure sector and optimal risk sharing between the public and private sector entities, such that the risks are allocated to entities best equipped to handle them.

What are Greenfield and Brownfield projects?

- The Greenfield project means that a work which is not following a prior work. In infrastructure the projects on the unused lands where there is no
need to remodel or demolish an existing structure are called Green Field Projects.

- The projects which are modified or upgraded are called brownfield projects.