

GOVERNMENT TO STEP UP FUNDING FOR NATIONAL INFRASTRUCTURE PIPELINE

Relevant for: Indian Economy | Topic: Infrastructure: Roads

While presenting the Union Budget 2021-22 in Parliament today the Union Minister for Finance & Corporate Affairs, Smt. Nirmala Sitharaman announced that in order to achieve the target of National Infrastructure Pipeline (NIP) in the coming years the Government proposes following three steps :

The Finance Minister informed that NIP launched in December 2019 with 6835 projects has now expanded to 7,400 projects and around 217 projects worth Rs. 1.10 lakh crore under some key infrastructure Ministries have been completed.



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- National Infrastructure Pipeline (NIP) now expanded to 7,400 projects
- It will require a major increase in funding both from the government and the financial sector

Three steps are proposed to be undertaken to achieve this:

1. CREATION OF INSTITUTIONAL STRUCTURES: INFRASTRUCTURE FINANCING

- A Bill to set up a Development Financial Institution (DFI)
- With Provision of ₹ 20,000 crore



2. BIG THRUST ON MONETIZING ASSETS 2/2

- Launch of a "National Monetization Pipeline"

Some important measures are:

- a. National Highways Authority of India and PGCIL each have sponsored one InvIT
- b. Railways to monetise Dedicated Freight Corridor assets for operations and maintenance, after commissioning
- c. The next lot of Airports will be monetised for operations and management concession.

3. SHARP INCREASE IN CAPITAL BUDGET

- BE of ₹ 5.54 lakh crore, 34.5% more than the BE of 2020-21

Infrastructure financing - Development Financial Institution (DFI)

The Union Finance Minister announced that a sum of Rs. 20,000 crore has been provisioned in the Union Budget to capitalise Development Financial Institution (DFI). The Minister informed that a Bill will be introduced to set up DFI which will act as a provider, enabler and catalyst for infrastructure financing. The ambition is to have a lending portfolio of at least Rs. 5 lakh crore for this DFI in three years time, the Minister added.

The Minister further stated that in order to enable Debt Financing of InVITs and REITs by Foreign Portfolio Investors suitable amendments will be done in the relevant legislations. The move is expected to help in augmenting funds for infrastructure and real estate sectors.


Asset Monetisation


The Union Finance Minister announced launch of a "National Monetization Pipeline" of potential brownfield infrastructure assets stating that Monetizing operating public infrastructure assets is a very important financing option for new infrastructure construction. The Minister informed that an Asset Monetization dashboard will also be created for tracking the progress and to provide visibility to investors. Some important measures in the direction of monetisation are as follows:

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INFRASTRUCTURE


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