# Back to the public sector?

Implementing a recent announcement, the Ministry of Finance released the National Infrastructure Pipeline Report (NIP). The exercise is similar to that undertaken in the now discarded Five-year and Annual Plans: List projects under implementation/development/conceptualisation, specify which of these are to be implemented by the central and state governments and by the private sector, and specify financing targets. But unlike in a Plan, the NIP exercise is a standalone one, since there is no macroeconomic and fiscal framework within which it is nested. It also has no relationship with the medium-term "strategies" produced by the NITI Aayog from time to time, possibly because these are too general to be of operational use.

RATHIN ROY

Of the ₹102 trillion to be deployed through to FY25, 78 per cent is to be mobilised by the public sector and 22 per cent by the private sector. This is a Nehruvian aspiration and a quiet admission that the private sector is unlikely, given past experiences, to be a dominant player in the infrastructure space. Other than renewable energy and, to some extent, roads and airports, the private sector is a minor player. In agriculture, health, education, rural and urban infrastructure, and irrigation, the private sector has no role at all. In substantial measure, India's infrastructure aspirations are to be delivered by the governments of India. This is a major policy reversal from the heydays of public-private partnerships, and possibly a realistic one.

Currently, 42 per cent of the NIP consists of projects already under implementation, but there is high variance by sector— 100 per cent for atomic energy, 60 per cent for railways, 34 per cent for irrigation, 8 per cent for agriculture, 3 per cent for renewable energy. This is worrying given that investments are front-loaded with 53 per cent of the investment to happen by FY 2022. Thus, India's infrastructure aspirations are dependent on the ability of the government to immediately execute investments at a far higher level of timeliness and efficiency than is presently the case.

I was hoping this would be addressed in the section on reforms, but many of the action points listed are simply homilies with sentences beginning with "it is critical to have..." and "we need to establish..." without specifying when and how these critical things will be part of the strategic framework. There are welcome concrete proposals on optimal risk-sharing, contract enforcement and dispute resolution, revitalising the credit and bond markets, and asset monetisation, but implementation challenges are not addressed. The project monitoring framework is very general with a vague promise of a forthcoming "governance framework for monitoring".

This is disappointing, given the poor track record of government implementation (which was the reason, in the first place, for the emphasis on the private sector over the past 20 years). How these rapid efficiency and punctuality improvements are going to be secured by the public sector, should be immediately made explicit in a companion white paper, if the NIP is to be taken seriously. In this context, it is reassuring that it is intended, as I understand, to make a list of project proposals available shortly. If these issues are addressed, at least at the project level, then that would be an improvement over the present, and it would help the cause if this project level documentation is quickly placed in the public domain for wider analytical scrutiny.

The weakest sections of our Five-year Plans were on financing, because resource envelopes were designed to fit plan aspirations and not the other way round. This seems true of the NIP as well. There is no fiscal picture of how the states and the private sector will finance their part of the NIP. There is one slide on financing for the Centre and this has many problems, which commentators have already begun highlighting, such as the rationale behind the assumed gross domestic product (GDP) growth rates, and the reasoning behind the forecasted fivefold increase over FY 20 in incremental budgetary support through to FY 25. These underlying assumptions can be interpreted to be fairly reasonable depending on the medium-term macroeconomic outlook and the Centre's fiscal stance. The trouble is precisely that no entity in the central government delivers a medium-term macroeconomic outlook or a medium-term fiscal framework that explicates these things. Therefore, the assumptions in the NIP are opaque and thrown open to questions as the basic medium-term analytical machinery that every functional finance ministry should possess is not available to the Government of India. Thus, even though these numbers could be plausible when nested in a medium-term framework, the GDP estimates and the budgetary support numbers appear to be plucked from thin air. It is my fervent hope that this will not be compounded in the forthcoming Budget, which should explicitly and plausibly link this NIP with the fiscal numbers presented.

The NIP is a laudable initiative. But as presented, it is far from being either a strategy or a demonstrable attempt to address poor performance in the infrastructure space. In this sense, it is in continuity with the tradition of indicative planning whose time, I thought, was over. And as in that methodology, the weakest link is the specification of the public financing challenges. A lot of groundwork and hard analytics are needed to establish the credibility of the NIP with stakeholders in the Indian economy.

*The writer is director, National Institute of Public Finance and Policy. Views are personal*