

Outlook

9.100 The drumbeats of infrastructure are gradually getting louder and in the next few years their rumble will be felt and heard all over the country. There exist strong, well recognized linkages between infrastructure on the one hand and economic growth and poverty alleviation on the other. Not only will infrastructure give a fillip to economic growth, but robust economic growth, in turn, by enhancing willingness to pay appropriate user charges, will promote investment in infrastructure. The outlook for infrastructural improvement looks promising. With experience gained in PPPs, formulation of model PPP and concession agreements, infrastructure investments should gain momentum over the coming months and year.

9.101 Short-term problems, however, are unlikely to disappear rapidly without resolute action. In power, for example, enough generation capacity will get added to wipe out the shortages only over the medium term. Improving the short-term power outlook will critically depend on how fast success in slashing transmission and distribution losses from the near 40 per cent to 15 per cent is achieved. The successful financial turnaround of the railways has demonstrated that, given the will, the leakages in the power sector can also be plugged.

9.102 Outlook in infrastructure will depend on how investment in infrastructure is facilitated. Such investment requires long-term funds with long pay back periods, for example, from insurance and pension funds. Thus, success on the infrastructure front will be facilitated by the development of a vibrant bond market, and pension and insurance reforms. A single, unified exchange-traded market for corporate bonds would help create a mature debt market for financing infrastructure.

9.103 Progress on the roads and highways front will depend on how rapidly constraints such as delays in land acquisition, removal of structures and shifting of utilities, law and order problem in some States, and poor performance of some contractors are removed.

9.104 Urban infrastructure is a vital element of the Indian infrastructure scenario. The JNNURM is a significant move to address the creaking urban infrastructure, but comprehensive planning and effective monitoring are essential to take this scheme successfully to its logical conclusion. Outlook on urban infrastructure, however, will depend critically on how fast the finances and functional efficiency of urban local bodies are improved.