

CHALLENGES AND OUTLOOK

9.146 The development of adequate infrastructure is a critical prerequisite for sustaining the growth momentum and to ensure inclusiveness of the growth process. Not surprisingly, the Eleventh Five Year Plan document states that the pattern of inclusive growth of the economy projected for the Eleventh Five Year Plan period, with GDP growth averaging 9 per cent per year, can be achieved only if the infrastructure deficit can be overcome and adequate investment takes place to support higher growth and an improved quality of life for both urban and rural communities.

9.147 The challenges in implementing projects in this sector are immense. Each segment in the physical infrastructure sector has its own specificities, be it of land acquisition, environment, regulation, financing or of designing of contracts. In case of land acquisition, the problems are well known. There is no option but to squarely address them with foresight, sensitivity, fairness and transparency for all stakeholders. The need to develop appropriate mechanisms for financing infrastructure, especially the development of a domestic debt market, is overarching. It is also important to ensure synergy in the efforts being made to develop different types of infrastructure through effective coordination between different agencies. Only then can the sum total be greater than its parts. These challenges are serious, but they are by no means insurmountable. The critical requirements would be determined and well-designed efforts by the Government(s) and the private sector partners to implement the policy initiatives already under way with the requisite amount of detailed technical, managerial, administrative and human skill and, not the least, with the will to implement in a transparent and inclusive manner.

9.148 As with any sector, growth of the infrastructure sector has two dimensions: growth in its output and increment in its capacity through new investment. While the year-on-year growth of infrastructure output is important in its own right, it is evident that the addition to capacity is a critical determinant of the potential output of production sectors. Viewed from the latter

perspective, the growth in output of infrastructure sector and its capacity, particularly power, has been relatively modest as compared to the robust performance in manufacturing and services. The growth in universal intermediates like coal, petroleum and petroleum products, steel and cement has been subdued. While growth in GDP at about 9 per cent in recent years has come about in the face of severe constraints, it is apparent that further expansion in all sectors of the economy will be increasingly contingent on the availability of physical infrastructure and related services. On the investment front too, fresh capacity creation needs to gather greater momentum.

9.149 Though physical infrastructure may appear to be a constraint on growth at present, at the same time, if investment is forthcoming into this sector, it can not only help sustain growth in the production sectors, but may very well be “the driver of growth and employment” through its multiplier effects. Just as growth of the construction sector, especially in housing, stimulated growth in certain segments of the industrial sector in recent years, similarly investment in infrastructure can not only support growth but has the potential to drive growth in other sectors. This is because the growth prospects of the production sectors that include agriculture, industry and services are becoming closely intertwined with the growth of the infrastructure sector. Indeed, the growth of physical infrastructure can not only help in ameliorating some of the supply-side constraints over production, but also stimulate domestic demand for goods and services that is essential for growth.

9.150 The strategy for infrastructure development has been articulated in ample measure in the Eleventh Five Year Plan. An early head start is crucial for translating investment targets into investment intentions and investment intentions into ground realities. Realizing the investment targets and outcomes in a manner which does not deviate from the path of inclusive growth is not only a challenge but also an opportunity for sustainable growth.

