

General Studies-3; Topic: Infrastructure

Infrastructure Sector: Economic Survey 2017-18

1) Introduction

- Promoting inclusive employment-intensive industry and building resilient infrastructure are vital factors for economic development.
- Survey highlighted the structural reforms like GST, Insolvency and Bankruptcy Code and measures to facilitate Ease of Doing Business.

2) Investments Required

- India lags behind many emerging economies in terms of providing qualitative transportation related infrastructure.
- Around US\$4.5 trillion worth of investments is required till 2040 to develop infrastructure to improve economic growth and community well-being.
- The current trend shows India can meet around US\$3.9 trillion infrastructure investment.
- So India will face a \$526 billion infrastructure investment gap by 2040, according to Economic Survey.
- Total investment for Bharatmala is estimated at Rs10 trillion—the largest ever outlay for a government road construction scheme.
- Rs8 trillion of investments will be needed for Sagarmala until 2035.
- The Global Infrastructure Outlook reflects that rising income levels and economic prosperity are likely to further drive demand for infrastructure investment in India over the next 25 years.

3) Reasons behind Infrastructure Investment Shortfall

- Stressed balance sheets of private firms.
- Problems with land and forest clearances.
- Collapse of public private partnership funding model.

4) Logistics Sector

- India has high logistics costs of 16-18% (of the cost of a product), which make exports uncompetitive when compared with those of China, where these costs make up 8-10%.
- The logistics sector needs to be improved because of its impact on improving competitiveness in the economy.
- Improving logistics sector has huge implication on exports and it is estimated that a 10% decrease in indirect logistics cost can increase 5-8% of exports.
- India also plans to set up 35 multi-modal logistics parks and develop 50 economic corridors.
- The Global Ranking of the World Bank's 2016 Logistics Performance Index shows that India jumped to 35th rank in 2016 from 54th rank in 2014.

5) Bharatmala Pariyojana

- Bharatmala Pariyojana is a new umbrella program for the highways sector across the country for bridging critical infrastructure gaps.
- Focuses on development of Economic Corridors, Inter Corridors and Feeder Routes, National Corridor Efficiency Improvement, Border and International connectivity roads, Coastal and Port connectivity roads and Green-field expressways.

6) Social Infrastructure

- Priority to social infrastructure is stated as essentials to inclusive and sustainable growth.
- Higher public investment in the social sector, including education and health, is critical for India.
- Being a developing economy “there is not enough fiscal space” to increase expenditure on critical social infrastructure.
- India has made significant progress in quantitative indicators such as enrolment levels and physical infrastructure like construction of school buildings, drinking water facilities, toilet, etc.
- The quality of education also needs to be monitored and assessed.
- India has been successful in achieving gender parity in the school sector and in higher education it is moving towards a better gender parity.
- Growing expenditure on health is burdening the public in general.

7) Need of the Hour

- India needs funds for ambitious plans such as Sagarmala and Bharatmala to improve its transport infrastructure.
- Experts believe that an innovative financial solution to attract investments into infrastructure to sustain growth is the need of the hour.
- Fund raising from long-term global investors, including sovereign wealth funds, insurance and pension funds and endowments.
- Railways need to tap non-fare revenue.
- Enhanced investment on infrastructure sector will help in creating jobs both directly and indirectly.

8) Recommendations

- The Economic Survey says the infrastructure investment gap needs to be filled by private investments and the National Infrastructure Investment Bank (NIIB).
- Support from global institutions such as the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank is required.
- Encourage ship-building and manufacturing, given India’s strategic location along international trade routes.
- “Railway station redevelopment” could be a big source of revenue generation by providing “world-class amenities and services”.