

India: A snapshot

In the World Economic Forum's Global Competitiveness Report for 2012-2013, India's infrastructure ranked 84th out of 144 countries.¹ India ranked a lackluster 118th for its fixed telephone lines, 110th for its electricity supply, 86th for its roads, and 80th for its ports — a serious problem in a country where as much as 90% of international trade by volume is conducted via maritime transport. The report noted that India's business community "repeatedly cites infrastructure as the single biggest hindrance to doing business, well ahead of corruption and bureaucracy."

India's existing infrastructure cannot support the country's massive and rapidly growing population, so vast investment will be needed in everything from roads to power generation to sanitation. Goldman Sachs has estimated that India will require \$1.7 trillion in infrastructure investment over the next 10 years alone.² Recognizing that this infrastructure deficit is a severe constraint on economic growth, India's Planning Commission has projected that infrastructure investment will almost double to \$1,025 billion in the 12th Five-Year Plan, which runs from 2012 to 2017.

In the past, the government itself has financed the lion's share of India's infrastructure development. But it doesn't have the financial resources to meet the nation's needs for new or upgraded infrastructure in areas such as roads, railways, electricity generation, ports and waste management.

As a result, the government has set a target of attracting some \$500 billion in infrastructure spending from the private sector in the 12th Five-Year Plan. To fill this funding gap, the government has welcomed private sector involvement via Public-Private Partnerships. Major PPP projects have already been undertaken to build Indian airports, ultra-mega power complexes, container terminals, and hundreds of highways. Private equity funds are also expected to target Indian investments in sectors such as telecom, ports, power and roads.

However, attracting \$500 billion from the private sector will be no easy task. India suffers from the absence of a sufficiently active long-term corporate debt market, making it difficult to finance infrastructure projects. An economic environment of slowing growth, rising inflation and high interest rates has also shaken investors' confidence. Meanwhile, concerns remain over the country's political gridlock, regulatory uncertainty, reputation for corruption, and lack of reform. Even so, the need for improved infrastructure across this vast country is so great that BNP Paribas has referred to this sector of the Indian economy as "a trillion dollar opportunity."³

¹ See "The Global Competitiveness Report 2012-2013"; http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2012-13.pdf

² See Goldman Sachs Global Economics Paper No: 187; <http://www.gbv.de/dms/zbw/611425971.pdf>

³ See BNP Paribas report "Indian Infrastructure: A trillion dollar opportunity"; http://www.oifc.in/Uploads/MediaTypes/Documents/Indian_Infrastructure_A_trillion_dollar_opportunity.pdf



Major projects

Roads: India, which already has one of the world's largest road networks, needs an enormous number of new roads throughout the country. The government has embarked upon a massive National Highways Development Project: in the first phase alone, it announced plans to develop 35,000 km of highways by 2014 at a cost of over \$67 billion. The government hopes that a major portion of the spending on roads will come from the private sector.

Rural Infrastructure: The Mahatma Gandhi National Rural Employment Guarantee Scheme is a \$9 billion program similar to America's Depression-era Works Progress Administration. The plan is to

combat rural poverty by building roads, schools, hospitals and other much-needed infrastructure in underdeveloped rural areas. However, the project has been struck by media allegations of corruption and by criticism over a lack of completed projects.⁴

Nuclear Energy: In November 2011, the government announced that it would defer plans for a \$2.6 billion nuclear power plant in Kudankulam, due to on-going negotiations with locals who opposed the project. Japan's Fukushima disaster has intensified opposition toward the Kudankulam plant.

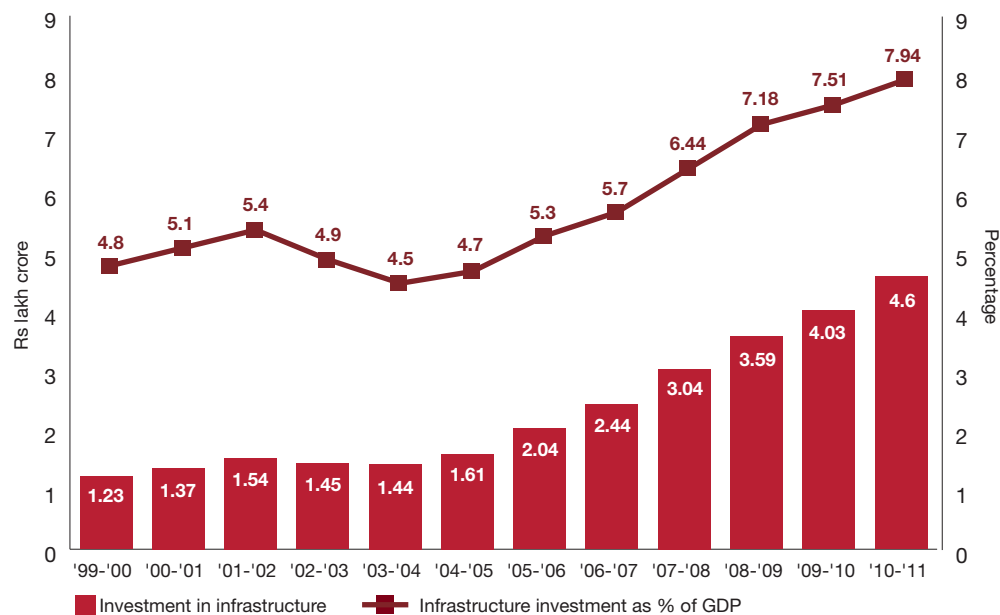
4 <http://online.wsj.com/article/SB10001424052748704081604576143671902043578.html>

By the numbers

- India's government has targeted over **\$1 trillion** in infrastructure investment during the 12th Five-Year Plan. The goal is for half of this money to come from the private sector, up from almost **37%** during the 11th Five-Year Plan.
- India fell from **87th** in 2010 to **95th** in 2011 (out of 182 countries) in Transparency International's Corruption Perceptions Index.
- According to India's 2011 Census, the country's portion of urban dwellers rose from **27.8%** of the population in 2001 to **31.2%** in 2011 — and it will surge again to **40%** by 2030. This breakneck urbanization will create tremendous demand for investment in infrastructure such as public transport, sewerage, electricity and low-cost housing.
- India has the world's second-largest road network, totaling **4.2 million kms**. But the government's Planning Commission says half of India's roads are unpaved.
- In 2009, the National Highway Authority of India drew up plans to build **20 km** of roads per day. So far, it has fallen far short of this ambitious goal, partly due to the challenge of securing sufficient investments from the private sector.

Infrastructure investments in India

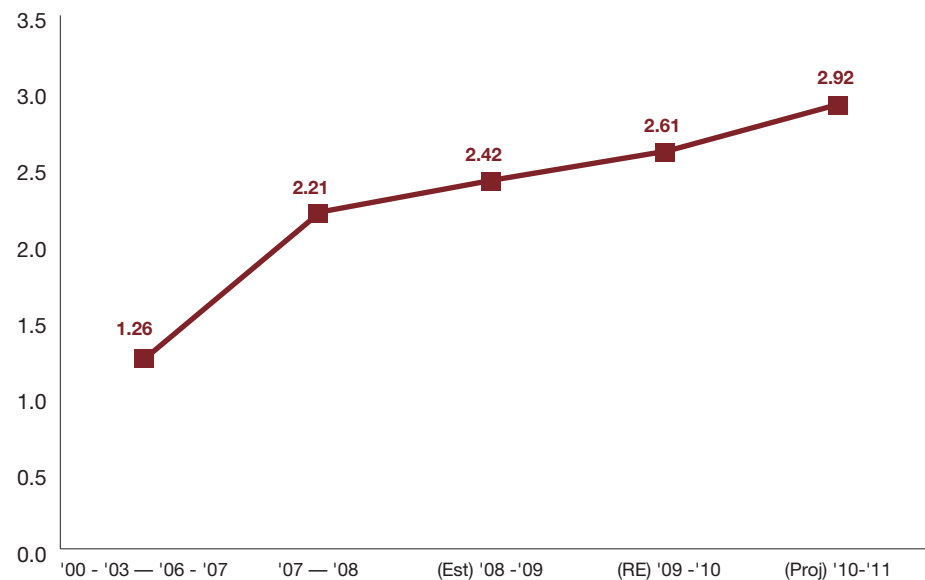
(At 2006-2007 prices)



Source: Planning Commission (2010a).

Share of private sector in infrastructure development as a proportion of GDP

(At 2006-2007 prices)



Source: Planning Commission (2010a).

Note: Est: Estimated actuals, Re: Revised estimates, Proj: Projected estimates

To discuss the issues

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