

12th Five-year Plan of India – Emphasis on Social Infrastructure to Boost Economic Growth

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In India, Five Year Plans are considered very important as they set objectives and the roadmap for economic development of the country. Several policy decisions, including the union budgets and the monetary policies of the Reserve Bank of India (RBI), are prepared to help achieve the Plan targets. The Plan’s importance can be understood from the fact that the Prime Minister of India is the Chairman of the Planning Commission that develops, executes and monitors the Plan.

1. Introduction of the 12th Five-year Plan

The latest 12th Five Year Plan (2012-2017) was approved at the end of December 2012. Its motto is “Faster, Sustainable, and More Inclusive Growth,” and in order to achieve growth, it has set the following targets:

- Annual average GDP growth rate of 8.2%, a rate that is higher than the 7.9% growth rate of the 11th Plan.
- Growth rate of 10% for the manufacturing sector.
- Infrastructure investments to be 9% of the GDP, compared to 7.1% in the 11th Plan.
- Create 50 million new jobs in non-agricultural sectors.

2. Huge Emphasis on Infrastructure Development

The main highlight of the Plan is its target of US\$ 1 trillion for new investment in infrastructure (Table 1).

Table 1: 12th Plan – Infrastructure Investment Targets (cumulative)

Sector	US\$ Bn	Share (%)
Power	331	32.3
Roads & Bridges	176	17.2
Telecom	172	16.8
Railways	118	11.5
Irrigation	92	9.0
Water Supply & Sanitation	46	4.5
Ports	36	3.5
Oil & Gas Pipelines	27	2.6
Airports	16	1.6
Storage	11	1.0
Total	1,025	100

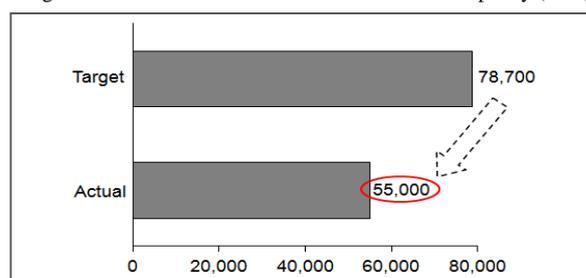
Source: Planning Commission, Government of India (2012)

This target looks ambitious as it is double the target of the 11th Plan, which itself fell short of target (estimated to realize 92.8% of the target infrastructure investments). It has a huge focus on social infrastructure – power, transport especially railways, water supply & sanitation, which matches with the focus areas of Hitachi’s business.

2.1 Power (US\$ 331 billion)

The 12th Plan has set a target to increase India’s power generation capacity by 88,000 MW, which is almost 42% of the current capacity (210,500 MW), by 2017. About 80% of this target capacity is coal-based. So, achieving this target will be a challenge, because India has a shortage of domestically produced coal. In fact, power sector fell short of target by 30% in the 11th Plan also (Fig. 1). To promote alternative sources, the Plan targets to add renewable capacity of 30,000 MW, a significant increase in the current capacity (24,500 MW). It has a special focus on wind (15,000 MW) and solar (10,000 MW) energy.

Fig. 1: 11th Plan – Additional Power Generation Capacity (MW)



Source: Planning Commission, Government of India (2012)

In order to make power transmission and distribution (T&D) efficient, the Plan focuses on the following areas:

- Develop technologies for transmission lines of 765 KV & 1000–1200 KV, and gas insulated substations.
- Promote smart grids through a number of pilot projects, phased installation of smart meters, and extend Supervisory Control and Data Acquisition (SCADA) system to 100 additional towns.

2.2 Railways (US\$ 118 billion)

India has the world's fourth largest rail network with a total 64,000 km of track. But, it does not have any high-speed rail lines capable of supporting speeds greater than 200 km/h. Recognizing this, the 12th Plan has a goal to complete feasibility studies for six identified high-speed corridors (Table 2), undertake at least two detailed project reports and develop one corridor for construction. But, it will take several years as massive funds are required to build a high-speed network, and civil & safety standards also need to be upgraded to run these trains.

Table 2: 12th Plan – Six High-Speed Rail Corridors

Corridor	Km.
Delhi–Agra–Lucknow–Varanasi–Patna	990
Pune–Mumbai–Ahmedabad	650
Chennai–Bangalore–Coimbatore–Ernakulam	649
Hyderabad–Dornakal–Vijaywada–Chennai	644
Delhi–Chandigarh–Amritsar	450
Howrah–Haldia	135

Source: Planning Commission, Government of India (2012)

There is a plan to complete two Dedicated Freight Corridors (DFCs) on the eastern and western routes at an estimated project cost of US\$ 19 billion. This will help in the transportation of coal and steel on the eastern corridor, and containers for commodities on the western corridor. The Plan focuses on modernizing signaling systems with advanced technology and developing systems to improve safety. These technologies will address safety concerns for the Indian Railways, which has been plagued by rail accidents. In fact, during 2007–2011, of 177 rail accidents that occurred globally, 15% happened in India alone.

2.3 Water Supply & Sanitation (US\$ 46 billion)

Rapid urbanization, increase in population, and industrial growth have put severe stress on water resources. To address this challenge, the 12th Plan focuses on water management systems by pursuing the following initiatives:

- Enforce water returns (like annual tax return) and water audits for industrial users to promote water conservation technologies.
- Promote industrial reuse and recycling of wastewater through incentives and regulatory frameworks.

According to industry estimates, if the current pattern

of demand continues, about 50% of the demand for water will be unmet by 2030. Therefore, implementation of planned policies will be essential for water conservation.

2.4 Other Key Measures

- Increase the oil refining capacity by 100 MMTPA (million metric tonnes per annum); formulate policy for exploration and production of shale gas.
- Implement Electronic Toll Collection (ETC) system for all 150 toll plazas on the National Highways.
- Invest US\$ 660 million to improve Air Navigation Services (ANS) and air safety infrastructure.

3. Policy Developments

3.1 Initiatives for Manufacturing Growth

To boost manufacturing, the 12th Plan emphasizes policy initiatives such as reforms in the land acquisition process, setting-up NIMZs (National Investment and Manufacturing Zones), encouraging technology and R&D investments from the private sector, and pursuing policies to improve the skills of workforce. To address environmental concerns, the Plan proposes to expand the scope of the Perform Achieve and Trade (PAT) program to promote energy efficiency, and create a Green Technology Fund to promote the development of green technologies.

3.2 Focus on Private Sector Investments

The Plan focuses on increasing the role of private sector through models such as Public-Private-Partnership (PPP). Its target is to increase private sector investments from 38% of total infrastructure investment in the 11th Plan to 48% in the 12th Plan. More private investments will help address the problem of insufficient government funding due to India's high fiscal deficit (5.9% of GDP in 2011-12).

4. Conclusion

The Plan emphasizes infrastructure growth and capacity building to achieve faster economic growth. For this, it stresses policy reforms to facilitate investments. However, due to sluggish economic conditions, financing challenges, and policy paralysis, it is likely to miss its US\$ 1 trillion investment target. The HRI India Research Group will continue to monitor the progress and achievements of the 12th Five Year Plan.