

CUTS Institute for Regulation & Competition**Backgrounder****Achieving Inclusive Growth through Better Infrastructure Regulation**

Time: 5.30pm – 7.30pm

Date: Friday, 17th July 2009

Venue: ASSOCHAM House, 47, Prithviraj Road, New Delhi

Shri Salman Khurshid, Hon'ble Minister of State (Independent Charge) for Corporate Affairs and Minister for Minority Affairs will speak and release the Policy Document "Developing Infrastructure through an Ideal Regulatory Framework"

The current economic scenario poses four fundamental challenges to the new government:

- responding to the impact of the current economic slowdown in India and globally;
- advancing the regulatory reform process to achieve socially and economically desirable objectives;
- leveraging the investment in infrastructure to boost 'inclusive growth'; and
- improving the delivery of existing and new social schemes to provide relief to the vulnerable sections of Indian society.

In one way or the other, last three form a part of India's answer to economic slowdown. India's annual growth of gross domestic product in 2008-09 is reported to have fallen to 6.7 percent from over 9 percent in 2007-08. This significant fall in growth rate should be read along with other important factors such as a marginal fall in the rate of investment, significant government expenditure in social sectors. As far as marginal drop in investment is concerned, the underlying reason may be that enterprises were implementing their earlier investment decisions during this phase. However, the possible effects of a curtailed future investment commitment mandate some fresh thinking.

Also, in view of the job losses in export-oriented sectors – which are to the tune of 10 to 15 million – the most important challenge lies in the area of job creation for the young population. As per the World Bank estimate, 20 million get trapped in poverty for every one percent decline in the growth rate in developing countries. This requires for the government to substantially increase public investment and create better conditions for private investment to crowd-in so that challenges posed by the economic slowdown can be better tackled in terms of increased, inclusive and job-oriented growth.

It is pertinent to note that supply side bottlenecks demand as much attention as demand side factors. This related to capacity challenges, particularly in sectors like water, energy (electricity, petroleum, natural gas, coal, etc), transport (road, air, sea and multimodal), communications, etc. Thus, not only that increased investments are required in these sectors but also improving the regulatory process (for infusing dynamic efficiency in such sectors through greater competition, etc) governing these sectors would go a long way in generating a new economic impetus.

In terms of reforming the regulation of the infrastructure sector, the Planning Commission has recently presented Draft Regulatory Reform Bill for wider public debate. Also, in its submission to the Finance Minister in May 2009, CIRC had suggested specific steps towards improving infrastructure regulation. These suggestions included establishment of sector regulators in various infrastructure sectors, measures to ensure independence and accountability of regulators, etc.

Keeping in mind various new challenges being faced by the Indian economy, the Finance Minister of India has recently presented the annual budget for 2009-10. Annual budget, being an important tool to achieve Government's stated objectives, needs to be looked at in light of above discussion.

This event will take a closer look at some of the budgetary proposals and explore further ways and means of achieving inclusive growth through better infrastructure regulation. Eminent experts such as Swaminathan S A Aiyar, Consulting Editor, The Economic Times; Saumitra Chaudhri, Member, Planning Commission; Pradeep S Mehta, Secretary General, CUTS International will discuss the relevant issues. Nitin Desai, Chairman, CIRC Managing Committee will preside and moderate.