

## Spend more on infra for double-digit growth, says Govinda Rao

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The government will have to invest more in the infrastructure sector to achieve double-digit growth, Prime Minister's Economic Advisory Council member Govinda Rao said on Saturday.

"If we are thinking about double digit growth we need to put in a lot of money into infrastructure," Rao said at a post-Budget seminar of the five-member Council. "A majority of infrastructure investments was coming from internal resources of public sector undertakings."

His observations could imply that the government's direct investment in infrastructure could be shored up.

Rao, a director at the National Institute of Public Finance and Policy, said the finance minister's dilemma was to increase allocation to social sector infrastructure, while controlling fiscal and revenue deficits.

"There is marginal fiscal stimulus withdrawal (in the Budget). The government has to keep stimulus while making fiscal consolidation. But how much fiscal consolidation is appropriate? There is a need to increase taxes and administer prices but that may add to inflation," he added.

In a step towards fiscal consolidation in the Financial Bill 2010-11, the government partially rolled back the cut in the excise duty and raised it by 2 per cent to 10 per cent.

The other members of the panel accepted that the Budget initiated a process to spur growth but did little on tackling inflation, which is likely to reach double digits next year.

"With food and fuel prices along with global commodity prices increasing there are fears that inflation may be as high as 12 per cent in 2010-11," said Indian Council for Research on International Economic Relations (Icrier) director Rajiv Kumar. India Development Foundation director Shubhashis Gangopadhyay echoed Kumar's views.

The National Council for Applied Economic Research (NCAER) had projected a 7 per cent growth for the economy in 2009-10, lower than the government estimate of 7.2 per cent. For 2010-11, the council estimated a growth of 7.8 per cent, while the government's projection is over 8 per cent.