



*UNESCAP High-level Expert Group Meeting on Infrastructure  
Public-Private Partnerships for Sustainable Development*

## **Attracting Private Sector Investment in Infrastructure – Experiences from India**

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# The Context

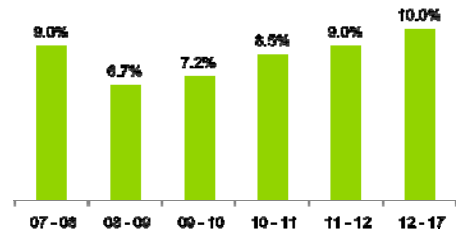
## Infrastructure scenario: India snapshot

### Infrastructure needs

the infrastructure gap in the country was holding back economic growth by 1.5-2 per cent every year"  
 Mr P. Chidambaram,  
 Minister of Finance

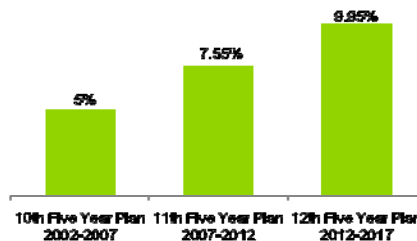
#### Accelerating economic growth

GDP growth rate targets



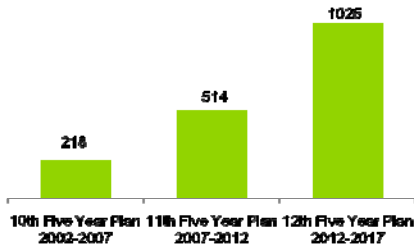
#### Requires increasing infrastructure investments

Required infrastructure investment in % of GDP



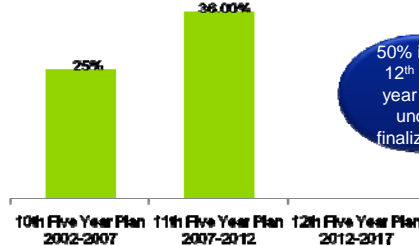
#### ..and increasing infrastructure finance needs

Amount of infrastructure investments in USD billion



#### ...and increasing need for private finance

Private finance as % of total finance need



50% in the 12<sup>th</sup> Five year plan under finalization

3

## Concept

- The above slide graphically represents some important statistics. The statistics reveal how the policy thinking has actually translated into actions over the last couple of Five Year Plans:
  - a. The GDP growth rate has been targeted towards 10% in the current FYP (11<sup>th</sup> FYP);
  - b. This growth rate can be sustained by increasing the infrastructure spending. After a slowdown until the 10<sup>th</sup> FYP, the share of infrastructure spending in the GDP is expected to rise – the target being about 10% in the 12<sup>th</sup> FYP.
  - c. Over 100% growth in infrastructure expenditure is expected in each of the FYPs since the 10<sup>th</sup> plan (2002-07)
  - d. The share of private capital is also be expected to increase from 25% to about 38%.

## The Financing Challenge

- Banks' total advances – around \$1 trillion
  - Not over 15-20% in long term debt
- Gross Domestic Savings @ 30% of GDP - \$550-600 billion
- Challenge of intermediation
  - Insurance companies, pension funds, infrastructure funds
  - Debt, equity and mezzanine finance
- Need for long term funding – IDFC, IIFCL (Last mile/ Take Out Financing) & Infrastructure Debt Funds
- External Funding
  - Multi-lateral / Bi-lateral credit, ECBs, Bonds
  - Managing forex risk – infra revenues largely in rupees
- *Financing not the biggest challenge – the challenge is financeability – good projects find funding*

## **The Capacity Challenge**

- **Government** – in preparing for these volumes of investment
  - both public and private
- **Private Sector**
  - Contractors – experience in smaller projects to handling larger contracts
  - Contractors to developers – change in mindset
  - Consultants
  - Bankers and financial investors
- **Key Project Resources**
  - Engineers (especially civil engineers)
  - Skilled work force
  - Material inputs – natural resources – coal, O&G, aggregate

## **Enablers for Private Investment**

- Stable policy & regulatory framework
- Long term strategy/ plan for the sector
- Adequate project development – capacity to develop projects of requisite scale
- Equitable contractual framework
- Transparent selection process
- Reliable revenue sources
- Partnership in practice – managing unexpected events
- Political will

# **Policy & Regulatory Frameworks, Incentives & Concessions**

## Investor Comforts & Incentives

1. Fiscal Benefits - Tax holiday of 100% for 10 years in a block of 20 years
2. Viability gap funding of up to 40% of the cost of the project – as a grant
3. Foreign Direct Investment – 74 to 100% of the equity permitted
4. Duty free import of high capacity & modern construction equipment
5. Long Concession periods – up to 30 years

预览已结束，完整报告链接和二维码如下：

[https://www.yunbaogao.cn/report/index/report?reportId=5\\_5586](https://www.yunbaogao.cn/report/index/report?reportId=5_5586)

