

**PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA**

**SPEECH BY THE UNION FINANCE MINISTER SHRI P.CHIDAMBARAM AT THE
ANNOUNCEMENT OF FIRST CLOSURE OF IDFC'S SECOND INFRASTRUCTURE
FUND IN WASHINGTON D.C.**

New Delhi, 12th October, 2013

Asvina 20, 1935

Following is the text of the Speech by the Union Finance Minister Shri P.Chidambaram at the announcement of “First Closure of IDFC’s second Infrastructure Fund in Washington, D.C. yesterday:

“Ladies and Gentlemen, I’m honoured to be here today amidst this distinguished gathering. I look back to the day in 1997 when IDFC was established by the Government of India to lead private investment flows into Indian Infrastructure. I am glad to note that IDFC has proved to be a successful initiative of the Government of India and has over the years become one of the key flag bearers of enabling infrastructure development in India. IDFC Limited is India's leading integrated infrastructure finance player providing end-to-end infrastructure financing and project implementation services.

I congratulate IDFC on successfully conveying the robustness of the Indian Infrastructure Investment opportunity to foreign institutional investors gathered today. They have committed USD 644 million towards first close of its Second India Infrastructure Fund and I am quite confident that they will shortly achieve the target size of USD 1 Billion. This happens to be the second of the Indian Infrastructure Funds that was encouraged by the Government of India in 2008 through a direct commitment of USD 25 MM. I am confident that IDFC will prove to be a worthy Infrastructure Fund Manager and will help you access the Indian Infrastructure Investment Opportunity realize attractive returns.

I am happy to share with you that the focus of the Indian economy has been on the infrastructure investment, which has grown

massively supported by increased private sector participation. Total investment requirements for power, roads, ports, civil aviation etc. during the Twelfth Plan period is projected at US\$ 1 trillion, nearly half of which is expected to come from the private sector. This provides an ample opportunity for foreign investments to reap benefits from the high returns from India.

There is huge opportunity for foreign investment. We have massive infrastructure projects underway. For example, the Delhi Mumbai Industrial Corridor, entailing over \$ 90 billion in investment, will link Delhi to Mumbai's ports, covering an overall length of 1483 km passing through six States. This project will have nine mega industrial zones of about 200-250 sq. km. each, high speed freight lines, three ports, six airports, a six-lane intersection-free expressway connecting the country's political and financial capitals, and a 4000 MW power plant, and provide a plug and play environment for manufacturing investment.

The Government of India is promoting Public Private Partnerships as an effective tool for bringing private-sector efficiencies for delivery of quality public services. India, in recent years, has emerged as one of the leading PPP markets in the world, because of several policy and institutional initiatives taken by the government. We have over 1000 PPP projects in the infrastructure sector with a total project cost (TPC) of about US \$ 97 billion.

The Viability Gap Funding (VGF) Scheme has been further strengthened by adding many new sectors like modern storage, education, health, irrigation etc. Thirteen new sub-sectors have been included in the list of sectors eligible for VGF support under the Scheme.

We have taken steps to make India more attractive for Foreign Direct Investment. FDI limits have been increased in several sectors, including retail, civil aviation and telecom, and restrictions in the banking sector have been eased. FDI up to 100% is allowed, under the automatic route, in most of the sectors/activities. Investors are only required to notify and file documents at the Regional office of the Reserve Bank of India.

The Government has set up the Cabinet Committee on Investments (CCI) with the Prime Minister as the Chairman, to expedite decisions on approvals/clearances for implementation of projects. This had improved the investment environment by bringing transparency, efficiency and accountability in the grant of various approvals and sanctions.

Through policy interventions and tax incentives, we have encouraged Infrastructure Development Funds. This is an innovative attempt to address the issue of sourcing long term debt from foreign investors for infrastructure projects. Potential investors in these will be overseas High Net Worth Individuals and institutional investors like Sovereign Wealth Funds, Insurance and Pension Funds. The income of Infrastructure Debt Funds is exempt from income tax. Withholding tax on interest payment on borrowings of IDFs stands reduced from 20% to 5%. So far, 2 IDF-NBFCs and 4 IDF – MFs have been approved.

I am confident that India will see a long spell of high, sustained growth which offers opportunities for investment and engagement in various fields.

I wish IDFC all the success in its infrastructure financing ventures.”
