प्रेस प्रकाशनी **PRESS RELEASE**

भारतीय रिज़र्व बैंक
**RESERVE BANK OF INDIA**


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**Infrastructure Financing: Global Pattern and the Indian Experience: RBI Staff Study**

It is well recognised in the literature that the economic advancement of a country critically depends upon adequate availability of physical infrastructure. In this backdrop the present study acknowledges that the phenomenal transformation of some of the South-East Asian nations was preceded by and later reinforced by substantial investments in physical infrastructure.

An examination of the practices in infrastructure financing in some select countries throws light on the means adopted by these nations to address gaps in infrastructure availability. China, for instance, annually spends as much as 20 per cent of its GDP on infrastructure development, and this is substantially higher in comparison with India which spends just about 6 per cent of its GDP on provision of physical infrastructure. Further, Canada has created a specialised institutional set up to promote Public Private Partnerships (PPPs), given its advantages and these are dealt with in detail in the study. Maintenance of old infrastructure is also a serious business in Canada. Australia has actively promoted private sector participation in infrastructure development since early eighties. The Australian government is also proactive in addressing its future physical infrastructure needs. A bulk of private finance for infrastructure development in Malaysia, which complements the public sector efforts in developing physical infrastructure, is raised from the domestic bonds market.

Reflecting on the efforts of government of India in developing infrastructure, the study captures the focus on criticality of infrastructure in the Eleventh Plan, which places the expenditure requirement for provision of infrastructure at US $ 514.04 billion in order to be able to maintain the GDP growth rate of 9 per cent annually. The study highlights the measures taken by the Reserve Bank of India in ensuring provision of adequate bank finance to infrastructure, which include, *inter alia*, regulatory concessions, introducing innovative financing techniques, provision of relaxations in group/single borrower limits for exposure to infrastructure financing, permitting banks to issue long-term bonds for the purpose, reintroducing interest rate futures to enable banks to manage their interest rate risk efficiently, allowing repos in corporate bonds and introducing infrastructure NBFCs as separate entities.

Major conclusions of the study are:

- Private sector has to complement the government's efforts in financing the development of infrastructure in India;

- Infrastructure services have to be provided on commercial principles in order to make the projects viable, and hence the issue of imposing appropriate user charges has to be given serious consideration;

- Banks have to keep track of asset-liability mismatches arising on account of infrastructure financing; appraisal and monitoring mechanisms for the financed projects need to be tightened;

- Find innovative means to channelise resources of post-office deposits and pension funds into infrastructure financing; and introducing land reforms for paving way for the success of many projects.

- The study vouches for the PPP model for infrastructure financing and the success of such models would require facilitating factors, such as, bureaucratic efficiency, adequacy of returns, efficient market mechanisms, information access, to name a few.

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