

**PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA**

**UNION FINANCE MINISTER, SHRI PRANAB MUKHERJEE'S SPEECH AT
THE IIFCL FOUNDATION DAY AND LAUNCH OF PILOT CREDIT
ENHANCEMENT SCHEME**

**New Delhi: Pausa 15, 1933
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**Following is the text of the Speech of the Union Finance Minister,
Shri Pranab Mukherjee delivered here today at the IIFCL Foundation
Day and Launch of Pilot Credit Enhancement Scheme**

I am happy to join you all on the Foundation Day of India Infrastructure Finance Company Limited (IIFCL) and launch of Pilot Transaction of Credit Enhancement. On this day, in the year 2006, the Central Government established IIFCL, as a special purpose vehicle, to provide long term financial assistance to infrastructure projects.

2. It is heartening to note that in these past six years, IIFCL has sanctioned nearly Rs. 46,851 crore on 231 projects (including IIFC (UK)) with pre-eminent focus on PPP projects. Within a short span, the Company has established itself in infrastructure financing in the country. The Company has launched Take-Out Finance Scheme during the last year and is now ready to launch another innovative Scheme of Credit Enhancement. I compliment the Company for its exemplary performance in these past years.

3. Building of quality infrastructure is a major priority for sustaining high growth, creating a globally competitive economy and ensuring inclusive development of the country. During the 11th Five Year Plan (2007-2012) the estimated investment requirements for the infrastructure sector was USD 514 billion. For the 12th Plan period (2012-17), this has been doubled to USD 1 trillion.

4. Availability of long term resources to meet investment requirement in infrastructure is a key challenge. As per preliminary estimates, there may be a substantial gap of 30% in debt financing the 12th Plan (2012-17) which is about USD 300 billion. We recognize that debt of longer maturity is constrained by the absence of developed corporate bond market and the asset-liability mismatch for most financial institutions.

5. There is therefore a need to develop new instruments for improving the financing of infrastructure projects in the country. IIFCL, through this product of Credit Enhancement would provide an opportunity for the flow of long-term funds from Insurance and Pension Funds. This mechanism would help in the development of infrastructure bond market as it would lead to creation of a class of investors like LIC, other Insurance Companies and Pension Funds. This would also release Bank credit for financing other new projects.

6. I congratulate IIFCL for conceiving this scheme of Credit Enhancement and sanctioning today the first pilot transaction. I expect that more transactions would be identified soon which will pave the way for a full-fledged Scheme on Credit Enhancement. I would like to thank the Asian Development Bank for partnering IIFCL in the Pilot Transactions of Credit Enhancement.

7. I also take this opportunity to announce that, major Public Sectors Banks and Financial Institutions namely State Bank of India, Punjab National Bank, Bank of Baroda, Bank of India, Canara Bank, Union Bank, IDBI Bank, LIC, IIFCL and HUDCO will be signing a MoU with a view to facilitate speeding up of financial closure of viable infrastructure projects. Such an arrangement will facilitate smooth flow of funds into infrastructure projects.

Thank you

DSM/SS