

Committee on Capital Market

*323. SHRI CHAMAN LAL GUPTA : Will the Minister of FINANCE be pleased to state :

(a) whether a high power Committee has been set up to prepare a report on the infrastructure agenda for capital markets;

(b) if so, the composition of the Committee; and

(c) the time by which the Committee is likely to submit its report?

THE MINISTER OF FINANCE AND MINISTER OF COMPANY AFFAIRS (SHRI P. CHIDAMBARAM) : (a) to (c). A statement is laid on the Table of House.

STATEMENT

(a) and (b). In October, 1994 the Ministry of Finance constituted an Expert Group on the Commercialisation of Infrastructure Projects under the Chairmanship of Dr. Rakesh Mohan, the then Economic Advisor to the Government of India, Ministry of Industry. Other Members of the Group included the following :

1. Shri K.K. Bhatnagar, Chairman, Housing and Urban Development Corporation.
2. Shri Shitin Desai, Vice Chairman and Managing Director, DSP Financial Consultants.
3. Shri Gajendra Haldea, Joint Secretary, Department of Economic Affairs.
4. Shri Pratip Kar, Executive Director, Securities and Exchange Board of India.
5. Shri S.K.N. Nair, Consultant (Former Member, Central Electricity Authority and former Member, Telecom Commission).
6. Shri Yogendra Narain, Chairman, National Highways Authority of India.
7. Shri Ravi Parthasarathy, Vice Chairman and Managing Director, Infrastructure Leasing and Financial Services Limited.
8. Shri R.H. Patil, Managing Director, National Stock Exchange of India.
9. Shri. S.D. Saxena, Financial Adviser, Mahanagar Telephone Nigam Limited.
10. Dr. Pronab Sen, Economic Adviser, Planning Commission.
11. Shri Pradeep Shah, Managing Director, Indocean Fund Management.
12. Shri Sidharath Shriram, Managing Director, Shriram Industrial Enterprises Limited.
13. Smt. Anita Soni, Deputy Director General, Department of Telecommunications.

14. Shri R. Venkatesan, Chief Officer, Reserve Bank of India.

15. Dr. Arvind Virmani, Adviser, Department of Economic Affairs.

16. Smt. Lalita D. Gupta, Deputy Managing Director, Industrial Credit and Investment Corporation of India (Member Secretary).

The terms of Reference of the Expert Group include, inter alia, to review the existing legal framework governing infrastructure sector and to recommend suitable modifications to facilitate private sector participation, to recommend appropriate institutional arrangements to facilitate raising resources for infrastructure projects; to examine and make recommendations to facilitate Public-Private sector partnership in financing infrastructure projects; and to make recommendations on how private international capital flows can best be harnessed for infrastructure development.

(c) The Expert Group has submitted its report to the Finance Minister on 22nd June, 1996.

[Translation]

SHRI CHAMAN LAL GUPTA : Mr. Speaker, Sir, in the reply it has been stated that the Expert Group had submitted its report to the Finance Minister on June 22, 1996. I would like to know the contents of the recommendations made by the Expert Group and how many of them have been incorporated in the Budget. It has generally been observed that after the presentation of the Budget, the fall in the share market has upset the entire economy. I would like to know from the hon. Minister whether a copy of the recommendations would be laid on the Table of the House? In the statement it has been mentioned that there is fluctuation over which they have no control. If the Finance Minister expresses his helplessness, how can he reform the economy and what will be the fate of the country?

[English]

SHRI P. CHIDAMBARAM : Sir, the Report of the Committee was presented to me on the 22nd June, 1996 and the Report is being processed.

As far as the major recommendations of the Group are concerned, these deal with fiscal concessions, fiscal issues relating to infrastructure projects, insurance provident fund and pension fund, forex, markets, external commercial borrowings, debt market reforms, regulatory reforms and institutional innovations for developing the debt market. These recommendations are under consideration and decisions will be announced as and when they are taken.

As far as capital market is concerned, I do not think this Report has any bearing on the capital market nor do I think what I have presented in the Budget has a bearing on the capital market. If it is any consolation to

the hon. Member, all I can say is, in six out of the last ten years, the stock market declined after the Budget was presented, particularly, in 1993, 1994 and 1995 but that is completely unrelated to this question.

[Translation]

SHRI CHAMAN LAL GUPTA : The thrust of the Terms of Reference of the Committee was

[English]

to facilitate raising resources for infrastructure projects and to recommend suitable modifications to facilitate private sector participation.

[Translation]

I would like to know what are the recommendations to maximise private sector participation?

[English]

SHRI P. CHIDAMBARAM : This is a voluminous report running into over thousand pages. By next weeks I shall place copies of this report in the library of Parliament. This report must generate a very wide debate because there are very important recommendations in this report.

SHRI NIRMAL KANTI CHATTERJEE (Dum Dum) : Would you place this report on the Table of the House?

SHRI P. CHIDAMBARAM : Well, I can do that; I can also lay it in Parliament early next week. I can lay it on the Table of the House when Parliament resumes next. But I would lay it in Parliament Library next week. It is a voluminous Report. We want to print it properly and place it. It is under printing now.

Sir, the Terms of Reference are : To review the existing legal framework governing infrastructure sector and to recommend suitable modifications to facilitate private sector participation; to recommend appropriate institutional arrangement to facilitate raising resources for infrastructure projects; to examine and make recommendations to facilitate public-private sector partnership in financing infrastructure projects; and to make recommendations on how private international capital flows could best be harnessed for infrastructure development.

Even if we accept all these recommendations and implement them, a substantial part of the investment in infrastructure would still come from the public sector. I lay great emphasis on public investment in infrastructure. I would encourage private sector participation and I would also encourage public sector-private sector partnership in infrastructure.

SHRI SURESH PRABHU (Rajapur) : Sir, my supplementary relates to the answer and not to the question. It is because the question relates to capital market and the answer given is on infrastructure.

SHRI P. CHIDAMBARAM : The question is not on capital market.

SHRI SURESH PRABHU : Yes, it is. In fact, the question is titled as 'capital market.'

The Common Minimum Programme of the United Front Government says that the minimum investment needed for infrastructure is to the tune of 200 billion dollars. This is almost equivalent to rupees seven lakh crore. In this year's Budget there has been a provision for targeting only rupees ten billion dollars of FDI into various sectors including the infrastructure sector. The authorised capital of the new finance companies is Rs.5,000 crore but the capital outlay is Rs.100 crore. So, probably we would require a lot of time to really reach this figure as anticipated - 200 billion dollars - and which is needed for investment in the infrastructure sector.

So, my question to the hon. Minister would be, first, whether this infrastructure related investment is going to be targeted for the under-developed areas like the Konkan, and particularly would be used for providing drinking water and for construction of roads in these under-developed areas. Secondly, I would like to know whether the Government would provide counter-guarantees to foreign investors or not. We have always seen that a lot of investment is coming but there is a difficulty in getting the counter-guarantees. Does the Report recommend for providing counter-guarantees? If the State Governments are coming forward to give guarantees, then would the Central Government provide the counter-guarantees? If so, on what terms and whether the under-developed areas would be privileged to receive such investments?

SHRI P. CHIDAMBARAM : Sir, my good friend has asked a number of questions. Let me begin with IDFC.

IDFC will have a total capital of Rs.5,000 crore.

SHRI SURESH PRABHU : That is the authorised capital.

SHRI P. CHIDAMBARAM : What I have provided this year is not Rs.100 crore but Rs.1,000 crore in the Budget - Rs.500 crore in the Budget and Rs.500 crore would be the share of the RBI. I think you are wrong by a factor of 10.

SHRI SURESH PRABHU : The provision made in the Budget is for Rs.100 crore in the Budget.

SHRI P. CHIDAMBARAM : No. Rs.500 crore for the IDFC and Rs.500 crore would be the share of RBI. Rs. 100 crore is for NABARD.

Sir, I would like my learned friend to go out and tell people that we have provided for a sum of Rs.1000 crore and not a sum of Rs.100 crore.

Sir, secondly, as far as estimate is concerned, it is true that the CMP did estimate that our requirement would be about 200 billion dollars over the next five years.

This report places the requirement between 115 billion dollars to 130 billion dollars. But then, when the expert group relegated the matter to sectoral experts, they sectorally made recommendations which indicate the total requirement to be about 175 billion dollars to 180 billion dollars. So, whether we are talking about 130 billion dollars as the report says, or 200 billion dollars as the CMP says, the requirement for infrastructure is massive. Unless we find the funds, public funds, private funds, and semi-public funds, we will not be able to make India's infrastructure anywhere near world-class.

What is the definition of infrastructure? As far as the Government is concerned, today, I mean until the Budget, we had included roads, highways, bridges, new airports' ports and rail systems as infrastructure. In the current budget I have added four other areas - irrigation, water supply, sanitation and sewerage systems. Today we have ten areas which qualify for infrastructure. We have taken a number of steps; the hon. Member referred to some. I have extended the five year tax holiday under Section 88(i) (a) to all infrastructure investments; I have given an additional exemption of Rs.10,000 under Section 88; I have made infrastructure funds pass through funds without any tax liability; we have set up the IDFC; and we have levied a special customs duty of two per cent to raise funds which will be matched with what we will invest in infrastructure.

Now, these funds will necessarily have to go into the areas where infrastructure is poor and that will take care of the backward areas, the backward States of this country. As my learned friend Shri Maran said a little while ago, in order to receive these funds, in order to absorb these funds in infrastructure, you must have proper investment and market-friendly climate in these States. Unless State Governments also gear themselves up - like Maharashtra has done, like Gujarat has done - to receive these investments, you will not get the benefit of the any kind of funds. But I will do my best through the IDFC to channelise a bulk of the investment into the backward States. If I may take the permission of my learned friend to answer the North-Eastern Members, we will see that a substantial portion goes to the North-East also.

SHRI SURESH PRABHU : What about the counter guarantees?

SHRI P. CHIDAMBARAM : It is not our intention to give any counter guarantees to any new projects.

Foreign Debt

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*324. SHRI PRAMOD MAHAJAN :
SHRI BRAJ MOHAN RAM :

Will the Minister of FINANCE be pleased to state :

(a) the total amount India owes to global and domestic creditors during each of the last three years;

(b) the amount paid to global and domestic creditors in the form of interest and principal during the above period, year-wise; and

(c) the amount of loan and interest payable to domestic creditors during the above period; and

(d) the present position in respect of global and domestic loans?

THE MINISTER OF FINANCE AND MINISTER OF COMPANY AFFAIRS (SHRI P. CHIDAMBARAM) : (a) to (d). A statement is laid on the Table of the House.

STATEMENT

(a) to (d). External debt and debt service of the country during the last three years are as under :-

External Debt Outstanding (End of period)

(US \$ million)

	March 94	March 95	September 95*
	92,695	9,042	93,843

* Latest available

External Debt Service

(US \$ million)

	1993-94	1994-95	1995-96@
Principal	4,475	6,825	8,166
Interest	3,818	4,130	4,476

@ Provisional

Internal debt and either liabilities of the Government of India are as under :-

Cumulative Internal Debt and other liabilities of Central Govt.

(Rs. Crores)

	March 94	March 95	March 96@
	4,30,323	4,87,382	5,52,744

@ Revised Estimates.

Debt Service on account of internal Debt and other liabilities of Central Government

(Rs. Crores)

	1993-94	1994-95	1995-96
Principal	58,482	57,562	63,963
Repayments* Interest	33,017	40,023	47,101

* Excluding discharge of 91 days Treasury Bills. Reserve Funds and Deposits not bearing interest and suspense transactions.

SHRI PRAMOD MAHAJAN : Mr. Speaker, Sir, borrowing as a concept cannot be rejected, if it is needed, if the quantum is manageable, and if it is utilised properly. It seems that the Government in the last several years has failed on all these fronts, and we are almost