

**GOVERNMENT OF INDIA
PLANNING
LOK SABHA**

UNSTARRED QUESTION NO:270
ANSWERED ON:23.02.2011
INVESTMENT IN INFRASTRUCTURE SECTOR
Paranjpe Shri Anand Prakash

Will the Minister of PLANNING be pleased to state:

- (a) whether investment in the infrastructure sector is dwindling;
- (b) if so, the details thereof and the reasons therefor;
- (c) the impact of such a trend on the targeted Gross Domestic Product growth; and
- (d) the steps being taken by the Government to offset this down trend in investment?

Answer

MINISTER OF STATE FOR PLANNING, PARLIAMENTARY AFFAIRS, SCIENCE & TECHNOLOGY AND EARTH SCIENCES(DR. ASHWANI KUMAR)

(a) : No, Madam.

(b) : The investment in ten major physical infrastructure sectors (electricity incl. NCE, roads & bridges, telecommunications, railways incl. MRTS, irrigation incl. watershed, water supply & sanitation, ports incl. inland waterways, airports, storage and oil & gas pipelines) during the Eleventh Five Year Plan is projected at Rs. 20,54,205 crore, which is 2.23 times the investment of Rs. 9,19,225 crore realized in the Tenth Plan at 2006-07 prices.

During the first three years of the Eleventh Plan (2007-08 to 2009-10) the anticipated investment in infrastructure is Rs. 10,65,828 crore against the target of Rs. 9,81,118 crore.

(c) : Increased investment in infrastructure has resulted in a higher growth of Gross Domestic Product of 8 per cent in 2009-10 at constant (2004-05) prices.

(d) : The Government has taken the following steps to promote investment in infrastructure sector:

Cabinet Committee on Infrastructure (CCI)

The Cabinet Committee on Infrastructure (CCI) was constituted under the chairmanship of the Prime Minister on July 6, 2009. CCI approves and reviews policies and projects across infrastructure sectors.

Public Private Partnership Appraisal Committee (PPPAC)

With a view to streamlining and simplifying the appraisal and approval process for PPP projects, a Public Private Partnership Appraisal Committee (PPPAC) has been constituted consisting of Secretary, Department of Economic Affairs as its chairman and Secretaries of Planning Commission, Department of Expenditure, Department of Legal Affairs and the concerned Administrative Department as its members.

Empowered Committee/Institution (EC/EI)

An institutional framework comprising an inter-ministerial Empowered Committee has been established for the purpose of appraising and approving projects for availing the VGF grant of upto 20 per cent of the cost of infrastructure projects undertaken through PPP.

Viability Gap Funding (VGF)

Recognising that the externalities engendered by infrastructure projects cannot always be captured by project sponsors, a Viability Gap Funding (VGF) Scheme was notified in 2006 to enhance the financial viability of competitively bid infrastructure projects which are justified by economic returns, but do not pass the standard thresholds of financial returns. Under the scheme, grant assistance of upto 20 per cent of capital costs is provided by the Central Government to PPP projects undertaken by any Central Ministry, State Government, statutory entity or local body, thus leveraging budgetary resources to access a larger pool of private capital. An additional grant of up to 20 per cent of project costs can be provided by the sponsoring Ministry, State Government or project authority.

India Infrastructure Finance Company Limited (IIFCL)

India Infrastructure Finance Company Limited (IIFCL) was set up as a non-banking company for providing long-term loans for financing infrastructure projects that typically involve long gestation periods. IIFCL provides financial assistance of up to 20 per cent of the project costs, both through direct lending to project companies and by refinancing banks and financial institutions. Upto one-half of the lending by IIFCL can also be in the form of subordinated debt, which often serves as quasi-equity.

Model Documents

Standardised guidelines and model documents that incorporate key principles and best practices relating to the bid process for PPP projects relating to the bid process for PPP projects have also been developed. Guidelines for the pre-qualification of bidders along with a Model Request for Qualification (RFQ) document have been issued by the Ministry of Finance for application to all PPP projects.