

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3899
ANSWERED ON:27.04.2012
NORMS ON ECB AND FDI QUESTION
Annayagari Shri Sai Prathap

Will the Minister of FINANCE be pleased to state:

- (a) the norms governing Foreign Direct Investment (FDI) and External Commercial Borrowings (ECB) in real estate sector;
- (b) whether any request for relaxation of norms governing FDI and ECB in real estate sector has been received by the Ministry of Finance during the recent times and if so, the details thereof; and
- (c) the measures taken or proposed to be taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a): FDI is not permitted in Real Estate Business. However, as per paragraph 6.2.11 of `Circular 1 of 2012 - Consolidated FDI Policy` of the Department of Industrial Policy & Promotion (DIPP) , FDI upto 100% is permitted under the automatic route for Townships, housing, built-up infrastructure and construction development projects (which would include, but not be restricted to, housing, commercial premises, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure), subject to certain conditions.

As per `axtant External Commercial Borrowings (ECB) policy, ECB is not permitted for real estate sector.

(b): A representation from Confederation of Real Estate Developers` Association of India (CREDAI) was received in the Ministry of Finance through the DIPP In December 2011. The said representation inter-alia requested for the following:

- a. ECB borrowings to be permitted in housing construction particularly for completion of all ongoing projects where there is already equity in the form of FDI.
- b. FDI rules and ECB rules be modified to encourage investment in affordable housing. The limit of 50,000 sq.m. or 25 acres could be relaxed for this sector. The slum redevelopment projects and other affordable housing projects irrespective of size may also be considered for the same.

(c): Government is not considering any further relaxation in FDI policy norms for the construction - development sector at this point of time. However, so far as ECB is concerned, Budget 2012-13 announced the provision of ECB for low cost affordable housing projects.