

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:102
ANSWERED ON:30.11.2012
NATIONAL INVESTMENT BOARD
Dhanaplan Shri K. P.;Naik Dr. Sanjeev Ganesh

Will the Minister of FINANCE be pleased to state:

- (a) the place of India in the world in terms of ease of doing business at present as per the survey of World Bank and the reaction of the Government thereto;
- (b) whether the Government is planning to set up a National Investment Board and if so, the details thereof along with its aims and objectives;
- (c) the time by which the said Board is likely to be set up; and
- (d) the steps taken or proposed by the Government to encourage investment and growth in the country?

Answer

MINISTER OF FINANCE (SHRI P CHIDAMBARAM) A statement is placed on the table of the House.

Statement placed on the Table of Lok Sabha in reply to parts (a) to (d) of the Lok Sabha Starred Question No. 102 to be answered on Friday, the 30th November, 2012 regarding National Investment Board by SHRI K.P DHANAPALAN and Dr. SANJEEV GANESH NAIK, Members of Parliament 'Doing Business 2013' Report ranks countries on the basis of 'Ease of Doing Business based on set of indicators as perceived by World Bank. India has been ranked 132 in terms of ease of doing business. India has been consistently opposing the Report pointing out several flaws and weaknesses in the report.

A proposal is under consideration for constitution of a Cabinet Committee with Prime Minister as the Chairman to expedite decisions on approvals/clearances for implementation of projects. According to the proposal, the Cabinet Committee would monitor and review the implementation of major projects to ensure accelerated and time-bound grant of various licenses, permissions and approvals. The Cabinet Committee would also prescribe different time limits, in consultation with the Ministries concerned, for taking decisions on different types of approvals and clearances for each sector under that Ministry/Department. The Ministry/Department would be expected to take a decision after due diligence on the application within the stipulated time period. In case the decision is not taken within the stipulated time period, the Cabinet Committee would look into the reasons for delays and facilitate decision-making on critical issues to de-bottleneck key impediments by fast-tracking the required approvals/clearances. A draft Cabinet Note was circulated earlier for inter-ministerial consultations. Comments of various Ministries/Departments are under consideration. It is expected that the Government would take an early decision on the proposal for setting up a Cabinet Committee.

The Government has also taken the following steps to encourage investment and growth in the country:

i. Harmonised Master List of Infrastructure: In pursuance of the decision of the Cabinet Committee on Infrastructure, Department of Economic Affairs have brought out a Gazette Notification on March 27, 2012 on harmonized master list of infrastructure. Education Institutions (Capital stock) has been included in the harmonized master list. Different regulators have been advised to adopt the same list with the objective of creating an enabling regulatory framework which will spur investment in infrastructure sub-sectors.

ii. Infrastructure Debt fund (IDF): Infrastructure projects, given their long payback period, require long-term financing in order to be sustainable and cost effective. However, banks which have been the main source of funding these projects are unable to provide long-term funding, given their asset-liability mismatch. IDFs through innovative means of credit enhancement are expected to provide long-term low-cost debt for infrastructure projects by tapping into sources of saving like Insurance and Pension Funds which have hitherto played a comparatively limited role in financing infrastructure. By refinancing bank loans of existing projects, the IDFs are expected to take over a fairly large volume of the existing bank loans that will release an equivalent volume for fresh lending to infrastructure projects. The IDFs will also help accelerate the evolution of a secondary market for bonds which is presently lacking in sufficient depth.

iii. External Commercial Borrowing/FII: Investment in infrastructure holds the key to India's economic growth. Keeping in view India's huge investment requirement for infrastructure development, a number of important steps have been taken to encourage availability of foreign funds for infrastructure development. Some of these measures include: progressive enhancement in the limit for FII investment in various categories of debt securities; allowing Qualified Foreign Investors (QFIs) access to Indian capital market; liberalisation and rationalization of the External Commercial Borrowing (ECB) policy by permitting ECB for refinancing of the Rupee loans for infrastructure sector to the extent of 25% of fresh ECBs; allowing ECBs for low cost/affordable housing projects; reduction in the rate of withholding tax on interest payment on monies borrowed in foreign currency; permitting S1DBI as an eligible borrower for accessing ECB for on-lending to MSME sector; allowing ECB for capital expenditure on the maintenance and operations of toll

systems for roads and highways; permitting ECB for working capital requirements of the airline industry and introduction of a new window of ECB for companies in the manufacturing and infrastructure sector.