GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4337
ANSWERED ON:22.03.2013
INVESTMENT IN INFRASTRUCTURE
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Will the Minister of FINANCE be pleased to state:

(a) The contribution of infrastructure sector in the economic development and growth of the country;

(b) Whether the foreign as well as domestic investment in infrastructure sector has declined over the years;

(c) If so, the details thereof including the break-up of domestic and foreign investment made in the infrastructure sector of the country during each of the last three years and the current year and the reasons therefor;

(d) The estimated investment likely to be made in various segments of infrastructure sector viz. roads, Railways, ports and power during the 12th Plan period; and

(e) The initiatives taken/ being taken by the Government for development and growth of infrastructure sector?

Answer

Minister of State in the Ministry of Finance (SHRI NAMO NARAIN MEENA)

(a) The importance of infrastructure for sustained economic development is well recognized. High transaction costs arising from inadequate and inefficient infrastructure can prevent the economy from realizing its full growth potential. Physical infrastructure through its backward and forward linkages facilitates growth. Social infrastructure including water supply, sanitation, sewage disposal, education and health are in the nature of primary services and they have a direct impact on the quality of life. The performance of infrastructure is largely a reflection of the performance of the economy.

(b) & (c): Investments (domestic and foreign) in infrastructure are broadly in line with the trends. Details of domestic and foreign investment made in the Infrastructure sector during each of the last three years are annexed at Annex-I and Annex-II respectively.

(d): The 12th Five Year Plan (2012-17) has projected following investment in various segments of infrastructure sector viz. roads, Railways, ports and power(figures provided by Planning Commission):

	(Rs. in crore at current prices)
Roads (including Bridges)	9,14,536
Railways	5,19,221
Ports (+ILW)	1,97,781
Power (Electricity)	15,01,666

(e): The Government has taken following major steps for the development and growth of infrastructure sectors:

(i) Cabinet Committee on Investment: The Government has constituted the Cabinet Committee on Investment on January 2, 2013 under the chairmanship of the Prime Minister. The key objective of the Committee is to fast track approvals and clearances of key projects involving investments of Rs. 1000 crore or more or any other critical projects required to be implemented on a time-bound basis in infrastructure, manufacturing etc.

(ii) High Level Committee on Financing Infrastructure: In order to review the existing framework for financing infrastructure and to make recommendations in this regard, a High Level Committee on Financing Infrastructure has been constituted. The Committee will make a range of recommendations to enable the requisite flow of investment in infrastructure during the Twelfth Plan. The Committee has already submitted its Interim Report and is expected to submit its final report in next few months.

(iii) Public Private Partnership Appraisal Committee (PPPAC):For streamlining and simplifying the appraisal and approval process for PPP projects, the PPPAC has been constituted under the chairmanship of Secretary, Department of Economic Affairs.

(iv) Empowered Committee / Institution (EC/EI): An institutional framework has been established for appraising and approving PPP projects for availing the Viability Gap Funding (VGF) grant of up to 20 per cent of the cost of infrastructure projects.

(v) Viability Gap Funding (VGF) Scheme: To enhance the financial viability of competitively bid PPP infrastructure projects which do not pass the standard thresholds of financial returns, VGF grant up to 20 per cent of capital costs is provided by the Central Government to projects undertaken by any Central Ministry, State Government, statutory entity or local body. An additional grant of up to 20 per cent of the project costs can be provided by the sponsoring authority.

(vi) India Infrastructure Finance Company Limited (IIFCL): The IIFCL was set up as a non-banking company for providing long-term loans for financing infrastructure projects that typically involve long gestation periods. The IIFCL lends up to 20 per cent of the project costs.

(vii) Model Documents: Model documents that incorporate key principles and best practices relating to the contract terms and 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.

(viii) Infrastructure Debt Fund: The setting up of Infrastructure Debt Fund (IDF) has been announced to accelerate and enhance flow of long term debt in infrastructure projects by tapping into savings through Pension and Insurance Funds.