# GOVERNMENT OF INDIA
# FINANCE
# LOK SABHA

UNSTARRED QUESTION NO:1843
ANSWERED ON:08.03.2013
PENSION FUND
Tandon Annu

**Will the Minister of FINANCE be pleased to state:**

(a) whether a proposal for inviting sovereign debt ffunds and other institutional funds of foreign Governments, like the pension fund, to invest in the country is under consideration off the Government;

(b) if so, the details thereof; and

(c) the steps taken by the Government to facilitate foreign institutional funding in the infrastructure sector?

## Answer

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

(a) & (b): In order to attract long term stable foreign capital inflows and to broad base the non resident investor base in Indian debt security market, it has been decided to accord preferential treatment to long term investors such as Sovereign Wealth Funds and pension funds for allocation of debt limits in Government Securities and Corporate bonds in terms of RBI`s A. P. (DIR Series) Circular No. 135 dated June 25, 2012 and Circular No. 80 dated January 24, 2013.

(c): Government has been making concerted efforts to attract greater foreign investment into India with special thrust on availability of off-shore funds for infrastructure development. In order to attract greater foreign investment to the infrastructure sector, following measures have been taken:

(i) The limit for foreign Investment In long-term corporate bonds in the infrastructure sector has been enhanced from USD 5 billion to USD 25 billion.

(ii) The USD 25 bn scheme for foreign investment in Long-term infra bonds has been gradually liberalized by inter-alia reducing residual maturity criteria and removing lock-in period restriction.

(iii) The debt limit allocation mechanism for FIIs has been rationalised by allowing reinvestment facility to FIIs; reduction fin utilisation period of debt limits and allowing to avail debt limits upto 90% without .obtaining SEBI approval in case of long term infra bonds.

(iv) Infrastructure Debt Funds (IDFs) have been set up to accelerate and enhance the flow of long term debt In Infrastructure projects. To attract off-shore funds into IDFs, withholding tax on interest payments on borrowings by IDFs has been reduced from 20% to 5%.

(v) Further, the rate of with-holding tax has been reduced from 20 % to 5% on interest payments in respect of foreign currency borrowings and long-term infrastructure bonds.