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## Kerala Infrastructure Investment Fund Board

### Why in news?

Kerala Assembly passed a resolution against the findings of Comptroller and Auditor-General (CAG) report on KIIFB.

### What is Kerala Infrastructure Investment Fund Board (KIIFB)?

- KIIFB was constituted in 1999 to provide financial assistance to PSU's for their investments in infrastructure projects.
- Chief Minister of the state is chairman of KIIFB and it has got project consultants, quality inspection wing etc to deal with all stages of infrastructure project implementation.
- In 2016, it was declared that KIIFB would be converted into a fund mobiliser for infrastructure projects.
- Due to chronic financial constraints in the state, implementing infrastructure projects was delayed hence loans were routed through KIIFB to expedite the process.

### What are the various sources of revenue for KIIFB?

- The government gave Rs 2,498 crore as seed capital to KIIFB & use innovative methods to raise finance authorised by SEBI and RBI.
- Its major source of revenue was from term loans provided by banks and financial institutions & government provides guarantee for the payment of principal and interest on these loans.
- Government also diverted a portion of motor vehicle taxes and fuel cess to KIIFB which usually go into state exchequer.
- Additionally, cess on petrol was passed on to the KIIFB.
- In 2018, KIIFB launched **Pravasi Chitty**, a scheme which targets for huge inflow of funds from overseas Keralites which will be later invested in infrastructure projects at home.
- KIIFB expected to mobilise Rs 30,000 crore by the end of 2020 but only Rs 443 crore was mobilised until November 30, 2020 & dividends gave only Rs 162 crore from 1,654 depositors.

- In 2019, KIIFB raised Rs 2,150 crore from masala bonds listed on the London Stock Exchange.

### **What are the projects planned & done?**

- In the 2016 Budget, it was announced that projects worth Rs 50,000 crore will be implemented through KIIFB within five years and hundreds of such projects was announced later.
- As of January 16, 2021, KIIFB sanctioned 821 projects worth Rs 40,100 crore spreading across various departments including public works, education, health, forest and cultural affairs.
- Later Rs 20,000 crore was sanctioned for acquiring land for industrial parks & totally projects worth Rs 60,000 were approved.
- Though it is claimed that projects worth Rs 50,000 crore would be implemented, but projects worth only Rs 7,000 crore was completed.

### **What does CAG's audit report mention about KIIFB?**

- The borrowings of the state government are governed under **Article 293(1)** - state is free to borrow money within the territory of India upon security of Consolidated Fund of the State.
- The limits on such borrowings are regulated under **Article 293(3)**.
- It says that off-budget borrowings of KIIFB are unconstitutional as they are not accounted in the Budget disclosure statements and hence they do not have legislative approval.
- It noted that KIIFB has no source of income apart from assured inflow of funds from petroleum cess & motor vehicle tax and it has not invested in any income/profit-generating ventures so far.
- It says that KIIFB's loans are repaid from the government's own resources and are direct liability on the government.
- Hence creating such liabilities without disclosing them in the Budget raises questions on transparency & on inter-generational equity.

### **How did government respond to CAG's report?**

- Chief Minister of the state has moved a resolution against the CAG report rejecting all critical remarks against KIIFB.
- The government replied that since it provides guarantee for principal and interest for KIIFB loans, these borrowings can be considered as contingent liabilities.
- It would become a liability on the government only when there is default by KIIFB but CAG has rejected this view of government.
- The government believes that KIIFB can repay its liabilities using the

petroleum cess and vehicle tax share received every year.

- It mentions that findings are against the larger development interests of state, politically motivated, violation of political neutrality of CAG and its lack in professionalism.

**Source: The Indian Express**



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