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

