

“KIIFBI” -The Key arm of Government for Infrastructure Development in Kerala

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Abstract

The infrastructure sector plays a major role in the overall development of an area. The term infrastructure encompasses the physical facilities and systems that serve the public at large. An infrastructure is an indispensable tool for the development of an economy, as it facilitates supporting services, such as Transportation, Aviation, Telecommunication, Power supply, Education system, Banking system, Hospitals, Trade, etc. Kerala state possesses a high literacy rate, highly skilled manpower, and cheap Labour compared to the rest of the world. Kerala is gifted with rich natural resources and the state government is offering all facilities for infrastructure development at the lowest tariffs. The industrial policies of Kerala possess high stability and continuity which in turn helps the state to be an emerging state in India. KIIFBI plays a very important role in metamorphosing Kerala into a well-developed industrial state by providing adequate infrastructure facilities. KIIFBI aims to dynamically mobilize funds for the infrastructure of development in Kerala. It is constituted under the Finance Department of Kerala for raising funds both in the medium as well as long term to finance critical and large infrastructure projects in the state. This paper analyses the role of KIIFBI as a key arm of the Kerala government for infrastructure development in Kerala.

Keywords: Economy, Funds, Development, Infrastructure, Industrial State, KIIFBI

Introduction

Infrastructure refers to structures, systems, and facilities serving the economy of a business, industry, country, city, town, or area, including the services and facilities necessary for its economy to function. The importance of infrastructure as a key driver of growth, competitiveness, and social well-being is well established. Kerala is among the well-performing states in India and holds an important position on the industrial front. The state holds significant industrial potential owing to good infrastructure facilities like power, transport system, airports, port, and harbors. Transport infrastructure of the state consists of 3.31 lakh Km of road, 1257 Kms of Railways, 1687 Kms of Inland Waterways, and 111 statute miles of Airways and 18 ports. The problem is rather that of matching the supply of finance from the private sector with invested projects. Lack of public funds with the government has resulted in the non clearance of pending dues to the contractors, leading to stalling of works related to roads & bridges. To finance critical & large infrastructure projects government intends to mobilize funds both in the medium as well as long term.

Here comes the importance of the introduction of the Kerala Infrastructure Investment Fund Board. The fund was established with the main objective of providing investments for projects in the state of Kerala in sectors of road, power, irrigation, water supply, ports, inland navigation, solid waste management, and drainage. KIIFB will assist the government and its agencies in the various aspects of infrastructure development namely management consultancy, finance consultancy. Issue advisory, a legal consultancy.

Objectives of the study

1. To study the role of KIIFB in the infrastructure development of Kerala.
2. To understand the working of KIIFB
3. To examine the major Projects undertaken by the government using the investment from KIIFBI

Methodology

This paper is descriptive and used only secondary data. Secondary data have been collected from various websites, different journals, books, newspapers, government reports, and research studies.

Infrastructure in Kerala

While Kerala is unique among Indian states with a higher level of Social Infrastructure and services infrastructure, comparable with that of many advanced countries, economic infrastructure is inadequate, especially the manufacturing base, power generation, Agriculture Infrastructures such as irrigation, and Transport.

For instance, Kerala has extensive power distribution infrastructure, reaching even remote rural areas. All villages are electrified. But against an annual electricity consumption of 18426 million units, generation is 7343 million units. So is the case of food grains, vegetables, and manufactured goods. This imbalance makes Kerala, a consumer state propped up by the services sector, and remittances made by Non-resident Keralites spread across the globe. The state holds significant potential for developing infrastructure facilities in the fields of power, transport system, airports, harbors, and communication

State Government is on an overdrive to complete infrastructural projects, particularly Kannur Airport, Kochi Metro, Light Metro at Thiruvananthapuram and Kozhikkode, and Kochi Water Metro. Light Metro is for reducing traffic congestions and pollution in cities. Kannur Airport is one of the biggest airports in India. Efforts are on to develop National Highways maintaining international standards, with a width of 45 meters as well. Construction of Kochi Water Metro has been initiated as part of the development of the water transport sector which is waste-free and less accident prone. Renovation of our district roads, as well as rural roads along with the smart road project, will also be implemented without delay.

Kerala is better placed than most other States, as regards road length, But the condition of many of these roads is very poor. Therefore, the main emphasis under road development in Kerala has been on the improvement and up-gradation of existing roads rather than the construction of new roads.

Waterways are highways charted by God. Inland Water Transport, is a fuel-efficient and environment-friendly mode of transportation Waterways have always been an important mode of transport in Kerala. The total length of the navigable route in Kerala is 1,900 km and the navigable rivers constitute about 54 percent of the waterways. The 41 West-flowing rivers together with the backwaters are an integrated part of the inland navigation system in Kerala. Kerala's backwaters offer incomparable beauty and unique experience which have contributed to its inclusion in the list of 50 must-see places in the world.

To promote industrial activity in the State, the Government of Kerala has identified the port sector as a major thrust area. Recognizing the need to develop the ports in a time-bound manner, the Government has decided to encourage private sector participation in the sector in line with the reforms initiated by the government of India. Vizhinjam International Seaport is such a new venture under the PPP model. The present Vizhinjam natural port (16 km away from State Capital and only 10 nautical miles from the major international sea route and East-West shipping axis) is being developed into a greenfield International deepwater Multipurpose Seaport, Vizhinjam International Seaport Limited

(VISL) a special purpose Government company, fully owned by Govt of Kerala is implementing this project through PPP- BOT model at a cost of Rs.7524 cr

Kerala has 3 international airports (two under AAI and one under state ownership). Together, the three airports operated more than 70000 flights (55000 plus International and 15000 plus domestic) and handled passenger traffic of 1.50 crores in 2016-17

The Railway system in Kerala forms part of the Southern railways and covers 13 railway routes. The Railway Divisions at Thiruvananthapuram, Alakkad, and Madurai jointly carry out Railway Operations in Kerala.. Thiruvananthapuram Division is the largest Coaching Division of Southern Railway

Kochi Metro Rail Project (KMRP) is the flagship project of the Government of Kerala designed to address the transportation woes of Kochi City. The project is implemented through the Kochi Metro Rail Ltd (KMRL) which is a Special Purpose Vehicle jointly owned by the Government of Kerala and the Government of India with equity participation. The Union Government gave sanctions for the project in July 2012 at a total cost of 5181.79 Crores. KMRL has signed an agreement with the Government of India and Delhi Metro Rail Corporation Ltd (DMRC).

Kerala infrastructure investment fund board. The government of Kerala is poised for accelerated investment in infrastructure for ensuring sustainable growth in the economy. To finance critical and large infrastructure projects the government intends to mobilize funds both in the medium as well as long term. Government is in hope that the introduction of KIIFB would eliminate all obstacles in investment in infrastructure.

KIIFBI

Kerala Infrastructure Investment Fund Board (KIIFB) was established as the principal funding arm of the Government of Kerala on 11.11.1999 by the Kerala Infrastructure Investment Fund Act 1999 (Act 4 of 2000). The objective of KIIFB is to channelize funds for critical and large public infrastructure projects in Kerala. Comprehensive modifications to the Act have been enacted through Kerala Infrastructure Investment (Amendment) Act, 2016. With the expanded scope and structure provided under the amended Act, KIIFB is now mobilizing and channeling funds for facilitating planned, hassle-free and sustainable development of both physical and social infrastructure including major land acquisition needs that are integral to development ensuring all-round wellbeing and prosperity, using financial instruments approved by Securities & Exchange Board of India (SEBI) and Reserve Bank of India (RBI).

The sharp spike in pace, coverage, competency, and quality witnessed by the public infrastructure development ecosystem in the state within a short while with the interventions of restructured KIIFB would remain as the all-time testimony for the highest degrees of commitment being showcased by it in harnessing innovative technologies and widely recognized standards of quality control in infrastructure project management. This fact is always recognized by national and international financial institutions and external rating agencies. With the strong and stable backup of all the above, so far, KIIFB has approved funding for projects worth INR 60, 102 Crores, covering all vital sectors like Healthcare, Education, Transportation, Water supply, and Power supply.

Working of KIIFBI

The Board has previously mobilized funds to the tune of Rs.1023.71 crore through three series of Redeemable and Non-Convertible Non-Statutory Lending Rate (Non-SLR) bonds by private placement fully backed by State Government Guarantee. The fund was deposited in the Government Treasury under the KIIF Act & Scheme and has been utilized by the government for funding infrastructure projects through its Plan Schemes. The government of Kerala is now poised for accelerated investment in Infrastructure for ensuring sustainable growth in the economy. To finance critical and large infrastructure projects the Government intends to mobilize funds both in the medium as well as long term. It has approved a plan to issue General Obligation Bonds against unconditional Government guarantee and Revenue Bonds with structured payment mechanism for medium-term requirement and has initiated steps to raise funds to meet long term requirements through Alternative Investment Funds (AIF), Infrastructure Investment Trust (InVIT), Infrastructure Debt Fund (IDF) and build the institutional framework needed for this. In this new scenario, KIIFB has been restructured to act as the key Special Purpose Vehicle (SPV) for mobilizing and channeling the funds to the various infrastructure SPVS. With the restructured and rejuvenated KIIFBI the future looks bright for the development of key infrastructure in Kerala.

Major projects are undertaken by KIIFBI

KIIFB is constituted under the Finance Department of Kerala for raising funds both in the medium as well as long term to finance critical and large infrastructure projects in the state like Kerala Fibre Optic Network, Petrochemical, and Pharma Park - Kochi, Coastal and Hill Highway, Transgrid 2.0, Life Science Park - Thiruvananthapuram, Hi-Tech School Programme, etc. Abattoirs in municipalities, "septage" units in municipalities, Cancer centers and hospitals, TVM medical college, Agro parks, 182 new roads, 69 new bridges and flyovers, 30 regulators in 20 rivers, Drinking water schemes, Cochin University, Kannur international airport, PWD construction of 16 roads and 3 flyovers, Kerala water authority drinking water projects, Forest fencing to check man-animal conflict, Health care department major 2 projects combining outlay of 149 crores, It sector 2 major projects of 351 crores

The government is implementing a government-led growth strategy, which will be funded outside the budget through Kerala Infrastructure Investment Fund Board, popularly known as KIIFB. This KIIFB-led growth strategy can backfire, landing the State in a serious fiscal crisis. No one will object to infrastructure investment through borrowings. But, the problem with the KIIFBI-led growth strategy is that part of the borrowed money is to be spent on projects that will not yield revenue, like housing for the poor. Around Rs, 3000 crore is to be spent on KSRTC revival, which has not produced results in any of the previous such revival programs. Revenue expectations from higher growth are too optimistic; particularly in the context of falling West Asian remittances impacting growth. With most large infrastructure projects being brought under KIFBI, the state is finding it difficult to find resources while more projects proposals are being recommended to be included under the initiative. As per government figures, there are 314 projects under various stages before KIFBI and the list mainly includes roads, bridges, school modernizations projects, and other physical infrastructure projects. It is estimated that the all projects put together will require at least 50000 crores. Even projects that have reached the stage of bidding would approximately require 20000 crores and the state will have to find new resources to raise this much money. Finance department sources said that if more and more projects are added indiscriminately to KIFBI, it will lead to a situation where Kerala will have no way to repay the loans. The ultimate burden will be on the people despite assurances and promises. The center has set a borrowing limit for states to go ahead with their projects and it is to evade this, the state came up with the initiative called KIFBI, which is functioning as an extra-constitutional body in terms of transacting public money. Even though the state government can announce projects at present under

KIFBI, all these will take at least three to four years to complete the land acquisition process and move to a stage where the payments will have to be made. Ultimately this burden of this will fall on the next government and invariably the public. As per the finance minister it will not be difficult to mobilize the funds from the market since CRISIL and ICRA have accorded A+ grade to the KIFBI this is recognition for the transparency and efficiency of the systems of this institution. So far the state government has given Rs 4270 crore has granted to the KIFBI. The procedure has been completed for issuing a general obligation bond worth Rs 3000 crore.

With Covid-19 affecting the overall revenue in the last financial year, the state government significantly reduced the share of funds to Kerala Infrastructure Investment Fund Board (KIIFB) for 2021-22, as against the funds sought by it. As per top government sources, while KIIFB sought Rs 2,400 crore for 2021-22 for fulfilling its project commitments, the state government has cleared only Rs 1,560 crore till now. It is reliably learned that the government has not yet taken a call on the remaining Rs 840 crore. The KIIFB received Rs 1,921.11 crore, as its share from petroleum cess received by the state till March 31, 2020. As per KIIFB's annual report of 2019-20, the government provided Rs 3,651.74 crore from motor vehicle taxes and Rs 2,634.52 crore as grants. As per KIIFB (Amendment) Act, 2016, the government set apart 10% of motor vehicle tax in 2016-17 for KIIFB, increasing it by 10% every year until it reaches 50% in the fifth year. The cess levied on petrol and diesel is also given to KIIFB, before Dec 31 every year and paid on an escrow basis from the state treasury to KIIFB accounts automatically. The government channeled Rs 8,207.07 crore to KIIFB under these three heads till March 31, 2020, as per the audit report.

In addition to Rs 2,150 crore raised through masala bonds at an interest rate of 9.723%, KIIFB availed long-term loans from Nabard (Rs 565 crore at 9.30%), State Bank of India (Rs 1,000 crore at 9.15%), Indian Bank (Rs 500 crore at 9.15%) and Union Bank of India (Rs 500 crore at 8.95%).

Conclusion

Once Kerala was famous for its growth and energy production. „ The Kerala model“ growth story was an inspiration to other states. It is sad to note that the Kerala model has gone and the state is struggling due to weak and pathetic economic conditions. Infrastructure development is the main pillar to build the economic structure. The KIIFB had chipped in to take development work forward whenever there were funds shortages in Budget allocation. KIIFB follows the GoK's plan to finance and implement various infrastructure projects and its board consists of existing and former government officers as well as independent members. In addition, a fund trustee and advisory commission act as KIIFB's trustee to ensure there is no diversion of funds. KIIFBI assists the government and its agencies in the various aspects of Infrastructure Development and also acts as the nodal agency for scrutinizing, approving, and funding major infrastructure projects. With the restructured and rejuvenated KIIFBI the future looks bright for the development of key infrastructure in Kerala.

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