



GOVERNMENT OF KERALA

**Abstract**

WAYS AND MEANS POSITION OF THE STATE - MEASURES FOR ACCESSING  
FINANCIAL MARKETS FOR RAISING FUNDS - ORDERS ISSUED.

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FINANCE (SECRET SECTION) DEPARTMENT

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G.O. (P) No.583/2014/Fin. Dated, Thiruvananthapuram, 29.12.2014.

Read:- 1. G.O.(P) No.401/2014/Fin dated 19.09.2014.  
2. Letter D.O. No. 493/MISC/PFC/SPB/2014 dated 04.12.2014 of the  
Vice-Chairman, State Planning Board.

**ORDER**

Kerala's record of investment in the social sector has brought rich dividends to the State. The State continues to rank first or is among the top in various welfare, health and educational indicators in the country. However, Kerala lags behind in infrastructure development. To ensure a sustainable growth in the State, investment in infrastructure needs acceleration.

2. With this end in view, a committee under the chairmanship of Sri. K.M. Chandrasekhar, Vice Chairman, State Planning Board was constituted vide Government Order read above, to explore the measures to be taken for accessing the financial market for raising funds for investing in infrastructure. The Committee submitted its report on the options that can be pursued.

3. The present and future resource requirement of the State can be categorized into immediate, medium and long term.

- (i) For meeting the immediate requirement, the committee proposes to issue "I Owe You" mode of financial instrument, backed by unconditional and irrevocable guarantee from Government to contractors facilitating them to avail bill discounting facility from banks. This is meant to be a one-off measure to tide over the present fiscal scenario.

- (ii) To meet the medium term requirement, the Committee has suggested the options of floating General Obligation Bond against Government Guarantee and Revenue Bond with structured payment mechanism through the present but structurally modified SPVs viz. Kerala Road Fund Board (KRFB) and Kerala Infrastructure Investment Fund Board (KIIFB).
  
- (iii) In the long term, when the infrastructure projects mature and stabilize, Free Cash Flows (FCF) from viable projects can be expected which will provide investors an opportunity to earn returns. During this stage, the investors, with the consent of the government and independent of budgetary support, can opt to raise funds for infrastructure projects which are completed and revenue generating through Alternate Investment Fund (AIF) Category I, Infrastructure Investment Trust (InvIT) or Infrastructure Development Fund (IDF). The committee recommended to explore the possibility of forming an AIF Category I as infrastructure fund with KIIFB as sponsor.

4. Government after having examined the options in detail, are pleased to take the following decisions:

- a. To introduce Bill Discounting system for dealing with pending bills of contractors through IOUs for one year and to initiate all consequential procedures required for its introduction.
  
- b. To issue General Obligation and Revenue Bonds for medium term requirement after carrying out all procedures required including amendments in the guidelines for enabling Kerala Infrastructure Investment Fund Board and Kerala Road Fund Board to act as sponsor.
  
- c. To initiate steps to raise funds to meet long term

requirement through AIF Category-I, InVIT and IDF, and take consequential action to form necessary institutional framework.

- d. To provide the seed capital required to set up these institutions.
- e. To form an empowered Sub Committee of the Council of Ministers with the following composition to take all decisions relating to its implementation.
  - i. Minister for Finance (Chairman)
  - ii. Minister for Planning
  - iii. Minister for Industries
  - iv. Minister for Railways
  - v. Minister for Power
  - vi. Minister for Ports
  - vii. Minister for Public Works
- f. To constitute an Implementation Group headed by Chief Secretary.
- g. The service of a Consultant or Consultancy agency with experience in the fields of financial consultancy, financial research, merchant banking be obtained by the Finance Department through an open and transparent process for successful implementation of the new concept with the approval of the Implementation Group headed by the Chief Secretary.
- h. A special unit with an officer in the rank of Joint Secretary and a Section with a Section Officer and two assistants be created under the Kerala Infrastructure Investment Fund Board to provide administrative support and to fill these posts by suitable hands with sufficient exposure and aptitude from among officers of the Finance Department. In the absence of suitable officers from Finance Department, Competent Officers of PSUs selected on the basis of a written test/interview shall be appointed on

deputation basis. The Joint Secretary shall also be designated as the Joint Fund Manager to assist the Secretary (Resources) who is currently designated as the Fund Manager of the Kerala Infrastructure Investment Fund Board.

- i. Kerala Road Fund Board (KRFB) and Kerala Infrastructure Investment Fund Board (KIIFB) shall be equipped to act as the sponsors.
5. Separate guidelines shall be issued on the method of implementation/operation of each option, legal aspects involved etc.

By Order of the Governor,

**Dr. K.M. ABRAHAM,**  
**Additional Chief Secretary (Finance)**

To

The Principal Accountant General (A & E), Kerala, Thiruvananthapuram.  
The Principal Accountant General (G&SSA), Kerala, Thiruvananthapuram.  
The Accountant General (E&RSA), Kerala, Thiruvananthapuram.  
The Vice Chairman, State Planning Board  
All Heads of Departments and Offices.  
All Departments (all Sections) of the Secretariat including Law Department  
The Director of Treasuries, Thiruvananthapuram  
The Secretary, Kerala Public Service Commission, Thiruvananthapuram (with C.L.).  
The Advocate General, Kerala, Ernakulam (with C.L)  
All Secretaries, Additional Secretaries, Joint Secretaries, Deputy Secretaries and Under Secretaries to Government.  
The Secretary to Governor.  
The Private Secretaries to Chief Minister and other Ministers, Government Chief Whip and Leader of Opposition.  
The Private Secretary to Speaker/Deputy Speaker.  
The Director of Public Relations, Thiruvananthapuram  
The General Administration (SC) Department (vide item No. 6160 of the proceedings dated. 24.12.2014 of the Council of Ministers).  
The Additional Secretary to Chief Secretary.  
The Nodal Officer, [www.finance.kerala.gov.in](http://www.finance.kerala.gov.in)  
The Stock File/Office Copy.

Forwarded/By order,

  
Section Officer.