

# KIIFB NEWSLETTER

## Vol 2. Issue 4.2



*Defining the Future*



**Dr. Daniel Babu Paul (1941 - 2019)**

## A titan bids adieu

KIIFB loses one of its illustrious board members...

### From the CEO's desk.....

After the euphoria over the great historic success of the Masala Bond and the celebratory mood in KIIFB, a pallor of gloom has suddenly fallen on us.

One of our dear Board Members Dr. Daniel Babu Paul, IAS (Rtd.), Former Additional Chief Secretary and long time Finance Secretary of the State left us for his heavenly abode on April 13, 2019. One of the conditions for the selection of the independent members of the KIIF Board is that the person should be of eminence with experience

in finance and administration. After the Hon. Chief Minister approved the proposal to request Dr. Babu Paul to be an independent Member of the Board, I met him to convey this request. He reminded me, in his characteristic honesty, that he had long ceased to be a Finance Secretary nearly two decades ago and that the experience that he has accumulated may be outdated and not in tune with the requirement of modern financial markets. Dr. Thomas Isaac, Hon. Finance Minister called on him to convey the

keenness of Government to have him on the KIIF Board. I too accompanied the Hon. Minister. In the end, bowing to the wishes of Government, he agreed to be on the KIIF Board. Of course, this is, not in a small measure, due to the special regard that he had for the Hon. Chief Minister and Chairman of the KIIF Board – a fact which he has openly shared in his meetings with me on several occasions. He has not missed a single Board Meeting except the last one - due to his ill health.

Dr. Babu Paul was critical of super-specialty in the private sector, because of the damage that it was causing to hundreds of poor families who would line up for availing many of these expensive facilities for even basic health care, dragging them and their families into severe indebtedness, from which many of these families would be able to scarcely extricate themselves. Referring to the huge out-of-pocket expenses incurred by many such families, he emphasized the need for upgrading health facilities in Government hospitals and once said: “Do not go to a specialist for every silly reason. We have to set up sophisticated medical equipment, including ventilators and scanning machinery, in all government hospitals.”

Already, the KIIF Board has approved sixteen projects in the health sector for a total outlay of Rs.1615.70 cr. Many more projects are under preparation. In all, Government will be adding vital health infrastructure to the tune of Rs.3000 cr. in the health sector. We are proud that KIIFB is working towards fulfilling the dream of this great visionary and humanist.

But, Dr. Babu Paul's contribution to infrastructure development in Kerala, is best exemplified by his singular contribution to the successful completion of the Idukki Arch Dam. It is reported that Shri. C. Achutha Menon, former Chief Minister of Kerala specially picked him for the job of coordinating the

construction of the Idukki Dam. Dr. Babu Paul was appointed as Project Coordinator, Idukki Hydel Project and District Collector, Idukki. This dam was a prestige project for the Chief Minister. It is reported that the Chief Minister had taken it as a personal challenge especially after Shri. K N Rao, the then Union Power Minister after visiting the project area in Idukki in January 1971 said that “I don't think that this will work. Either the project will have to be handed over to the military or it has to be shelved.”

Nine months, later the Hon. Union Power Minister visited the Idukki dam site again in December 1971. By that time, Shri. Babu Paul had turned things around considerably with the support of his team of engineers and staff in KSEB. The Union Minister, who wanted to shelve the project, told the press reporters: “Kulamavu, which was silent like a cemetery, is now humming like an active beehive.” Dr. Babu Paul served in Idukki, till the dam, then the highest arch dam in Asia was commissioned in October 1975. For this great service, he received the rare special award of Rs.10,000 from the C. Achutha Menon Government for his leadership in the construction of the Idukki Hydel Project.

Dr. Babu Paul served as the Chairperson of the Kochi Port Trust during the period 1984-88. The idea of the Vallarpadam project was first mooted during his tenure as Chairperson. Even though, it took another 20 years for the Kochi International Container Transshipment Terminal, known as the Vallarpadam Terminal, to be launched as the first transshipment terminal in India, it is a tribute to his vision that he could understand the strategic importance of such an infrastructure project much before Kerala woke up to realize its potential.

KIIFB will miss this elder statesman and visionary and humbly salutes the memory of its noble friend, philosopher and guide.

*More in our next edition.*

**Chief Executive Officer, KIIFB**

## Sector wise details of Projects Approved by KIIFB

Department	Nos.	Amount (Rs. in cr.)	Department	Nos.	Amount (Rs. in cr.)
PWD - Roads	147	6299.20	Transport	3	556.49
PWD - Bridges	52	1407.06	Forest	4	441.67
PWD - ROBs	24	789.42	Culture	8	194.34
PWD - Flyovers	9	635.51	SC / ST Development	9	186.60
PWD - Hill Highways	17	1506.25	Fisheries & Ports	3	194.24
PWD - Coastal Highways	1	52.78	Devaswom	1	141.75
PWD - Underpass	1	27.59	Registration	6	89.88
Power	15	5200.00	Labour & Skills	5	82.50
Water Resources	68	3489.29	Tourism	3	72.47
General Education	76	2037.91	Home	1	50.14
Health & Family Welfare	16	1615.70	Local Self Government	3	31.69
Information Technology	3	1174.13	Agriculture	1	14.28
Coastal Shipping & Inland Navigation	1	566.51	Revenue	1	10.09
Higher Education	26	562.02			
Sports & Youth Affairs	29	601.38	Total	533	28030.89

### Revenue Earning Projects - Industries

Development of Industrial Infrastructural Land Acquisition	1	12710.00
Life Science Park Phase - II, Trivandrum	1	301.17
Petro-Chemical & Pharma Park	1	1264.00
Total	536	42306.06

## Sector wise Project Status of State wide Projects

Department	Approved		Work tendered (including work started)		Work Started / Work Awarded	
	No. of Projects	Amount in Rs. cr.	No. of Projects	Amount in Rs. cr.	No. of Projects	Amount in Rs. cr.
Health & Family Welfare	2	149.00	2	149.00	2	149.00
General Education	2	785.50	1	402.78		
Power	1	2730.49				
Information Technology	1	823.00				
Transport	1	324.00				
Total	7	4811.99	3	551.78	2	149.00

# Focus Sector: Shore Protection works

The State of Kerala is a narrow strip of land with an average width of 67 km and is bordered by the Arabian sea on the west and the Western ghats on the east. The total length of coastline is 590 km and Kerala has around 6250 sq. km of brackish water area including marshes, backwaters, mangroves, inter and sub-tidal zones and 322 km is prone to severe sea erosion. The coastal zones of Kerala, both sea and backwaters are facing a big crisis. The south west corner of India along the Kerala coastline is unique in its behaviour and environment, when compared to the coastal belt of other maritime states of India. Sea walls and groynes are the major management strategies adopted for coastal protection along Kerala coast. Erosion hotspots are identified from extensive field work carried out during the southwest monsoon season. Severe sea attacks are being experienced in the coastal belts in the last few years. The dwelling units of poor fisherman are very close to the seashore. During the monsoon season, the furious waves are prone to intrude into the nearby houses which results in the dwelling collapse.

Shoreline changes induced by erosion and accretion are natural processes that take place over a range of time scales. They may occur in response to smaller-scale (short term) events, such as storms, regular wave action, tides and winds, or in response to large-scale (long-term) events such as glaciation or organic cycles that may significantly alter sea levels (rise/fall) and tectonic activities that cause coastal land subsidence or emergence. Hence, most coastlines are naturally dynamic, and cycles of erosion are often an important feature of their ecological character. Wind, waves and currents are natural forces that easily move the unconsolidated sand and soils in the coastal area, resulting in rapid changes of the shoreline.

Addressing these situations, Government of Kerala has announced Erosion mitigation measures, under KIIFB funding, by way of Construction of Groynes and Extension of Breakwaters, through Water Resources/ Fisheries Departments. The main objectives of the project include environmental protection including protection of the shores, prevention of calamities and loss of life, prevention of recurring costs for rehabilitation,

compensations and employment opportunities to the coastal areas in addition to direct revenue generation for the Government.

The Kerala Irrigation Infrastructure Development Corporation Ltd. (KIIDC) and Kerala State Coastal Area Development Corporation Ltd. (KSCADC) have been entrusted as the Special Purpose Vehicles for planning, designing and execution of the above projects with funding from KIIFB.

KIIFB has already approved a total outlay of Rs. 266.07 Crore for shore protection works and the details of which are noted below:

## Water Resources Department (SPV: KIIDC)

### Total Outlay- Rs. 184.05 Crore.

1. Construction of Groynes at Ambalapuzha – Rs. 53.36 Cr - (between CЕСP 645 and 672 (Ch 72.340 Km to Ch 82.74 Km) at Ambalapuzha South, North Panchayath and Punnapra South Panchayat in Alappuzha District)
2. Construction of Groyne Fields in Arattupuzha of Alappuzha District (CH 56.600 TO 57.800 KM).- Rs. 28.52 Cr
3. Construction of Groyne Fields at Pathiankara (between chainage. 60.100 To 61.600 km at Trikkunnapuzha Grama Panchayath in Alappuzha District) – Rs. 21.64 Cr
4. Construction of Groyne Fields at Vattachal (between chainage. 53.400 To 55.200 km at Arattupuzha Grama Panchayath, Alappuzha District)- Rs. 30.67 Cr
5. Construction of Groyne Fields at Kattoor (from CH 168.465 Km to CH 171.627 Km at Alappuzha District)- Rs. 49.86 Cr

## Fisheries & Ports Department (SPV: KSCADC)

### Total Outlay Rs. 82.02 Crore

1. Construction of Groynes and Extension of Breakwaters – Rs. 46.94Cr
  - Shore Protection Works at Thazhampally side & Kadinamkulam Kayal in Muthalappozhy Fishery Harbour



- Construction of groynes at Kayamkulam Fishing Harbour
  - Construction of groynes at Thotapally Fishing Harbour
  - Construction of groynes on South side of Chettuva Fishing Harbour
  - Construction of additional groynes at Thalai Fishing Harbour
  - Beach Stabilization on Southern Side of Manjeswaram Fishery Harbour
2. Shore protection work from Kollam beach to Thanni in Kollam district (To re-build the beach and to protect the structures in the coastal stretch of Thangassery Fishing Harbour starting from the Kollam beach and extending up to the Mukkom pozhi.)- Rs. 35.08 Cr
- The period of completion proposed is 24 months and on completion, the projects would effectively manage coastal erosion problems and restore coastal capacity to accommodate short-and long-term changes, extreme events and sea level rise.

*General Education Projects - Continued from Our Last Edition Vol\_2\_Issue 4.1*

No.	Name of School	Legislative Assembly Constituency
<b>Alappuzha</b>		
94	Cherthala Govt. H.S.S	Cherthala
95	Kalavur Govt. H.S.S	Alappuzha
96	Kidangara Govt. H.S.S	Kuttanad
97	Ambalappuzha Govt. H.S.S	Ambalappuzha
98	Harippad Govt. Girls H.S.S	Haripad
99	Mavelikkara Govt. G.H.S.S	Mavelikkara
100	Kayamkulam Govt. Boys H.S.S	Kayamkulam
101	Chanthiroom Govt. H.S.S	Aroor
102	GVHSS Mulakuzha	Chengannur
<b>Kottayam</b>		
103	Pala Mahatma Gandhi Govt. H.S.	Pala
104	Mundakkayam Murukkumvayal	Poonjar
105	Vaikom G Boys HS	Vaikom
106	Peruva Govt. Boys H.S	Kaduthuruthy
107	Ponkunnam Govt. H.S.S	Kanjirapally
108	Puthuppalli Govt. St. George V.H.S.S	Puthupally
109	GHSS Thrikodithanam	Changanassery
110	GHSS Karapuzha	Kottayam
111	Chengalam GHSS	Ettumanoor
	Pathanamthitta	
112	Vechoochira Colony Govt. H.S.S	Ranni
113	Konni Govt. H.S.S	Konni
114	Kadapra Kannassa Smaraka Govt. H.S.S	Thiruvalla
115	GBHSS Adoor	Adoor
116	Govt. HS Kozhenchery	Aranmula
<b>Kollam</b>		
117	Peroor Meenakshi Vilasam Govt. V.H.S.S	Kundara
118	Vettikkavala Govt. Model H.S.S	Pathanapuram
119	Thevalakkara Govt. H.S.S	Chavara
120	Kadakkal Govt. H.S.S.	Chadayamangalam
121	Govt.HSS, Chathannur	Chathanoor

122	Shooranad Govt. H.S.S	Kunnathur
123	Karunagappalli Govt.V & H.S.S	Karunagapally
124	Mayyanad Vellamanal Govt. H.S.S	Eravipuram
125	Anchalummoodu Govt. H.S.S	Kollam
126	Kottarakkara Govt. Boys V & H.S.S	Kottarakara
127	Anjal East Govt. Model H.S.S	Punalur
<b>Thiruvananthapuram</b>		
128	Kazhakoottam Govt. H.S.S	Kazhakoottam
129	Varkala Govt. H.S.S	Varkala
130	Mudhakal, IlampaGHSS, Mudakkal	Chirayinkeezhu
131	Malayinkeezhu Govt. G.H.S.S	Kattakada
132	Venjaramood Govt. H.S.S	Vamanapuram
133	Attingal Govt. B.H.S.S	Attingal
134	Pattom Girls Govt. H.S.S	Vattiyoorkavu
135	Manakkad Govt. G.H.S.S	Thiruvananthapuram
136	Kaladi Govt. H.S	Nemom
137	Marayamuttam Govt. H.S.S	Parassala
138	Balaramapuram Govt. H.S.S	Kovalam
139	Neyyattinkara Govt. H.S.S	Neyyatinkara
140	GHSS Nedumangad	Nedumangad
141	GVHSS Poovachal	Aruvikkara

**District wise list of 185 schools (PPE Mission – Betterment of infrastructure in 229 Schools) – KIIFB approved outlay of Rs. 3.00 crore**

<b>Kasargod</b>		
1	Kanhangad G.V.H.S.S	Kanhangad
2	Bellikoth M.P.S.G.V.H.S.S	Kanhangad
3	Kuttamath G.H.S.S	Trikkaripur
4	Balanthode G.H.S.S	Kanhangad
5	Maloth Kasaba G.H.S.S	Kanhangad
6	Chayoth G.H.S.S	Kanhangad
7	Adoor G.H.S.S (Uduma)	Uduma
8	Mogral Puthur G.H.S.S	Manjeswaram
9	Cherkala Central G.H.S.S	Kasargode
10	Kumbala G.H.S.S	Manjeswaram
11	Bandhadukka Govt. H.S	Uduma
<b>Kannur</b>		
12	Kathirur G.V.H.S.S	Thalassery
13	Cherukunnu G.G.V.H.S.S	Kalliaserri
14	Chavasseri G.H.S.S	Peravur
15	Malur G.H.S.S	Mattannur
16	E.K Nayanar G.H.S.S Vengad	Dharmadam
17	Chala G.H.S.S (Dharmadam)	Dharmadam
18	Munderi G.H.S.S	Kuthuparambu
19	Kannadiparamba G.H.S.S	Azhikode
20	Irikkur G.H.S.S	Irikkur
21	Mathamangalam G.H.S.S	Payyannur
22	Tagore Vidyaniketan VHSS	Kannur

Wayanad		
23	Ambalavayal G.V.H.S.S	Sulthan Bathery
24	Kakkavayal G.H.S.S	Kalpetta
25	Meppadi G.H.S.S	Kalpetta
26	Anappara G.H.S.S	Sulthan Bathery
27	Moolankavu G.H.S.S	Sulthan Bathery
28	Vaduvanchal G.H.S.S	Sulthan Bathery
29	Karthikkulam G.H.S.S	Mananthavady
30	Vellamunda G.M.H.S.S	Mananthavady
31	Panamaram G.H.S.S	Mananthavady
Kozhikode		
32	Cheruvannur G.V.H.S.S	Beypore
33	Payyanakkal G.V.H.S.S	Kozhikode South
34	Atholi G.V.H.S.S	Balusseri
35	Payyoli G.V.H.S.S	Koyilandy
36	Madappalli G.V.H.S.S	Vadakara
37	Koduvally G.H.S.S	Koduvally
38	Narikuni G.H.S.S	Koduvally
39	Kuttikkattur G.H.S.S	Kunnamangalam
40	Beppur G.H.S.S	Beypore
41	Chalappuram G.H.S.S	Kozhikode South
42	Kozhikode NGO Quarters H.S.S	Kozhikode North
43	Poonoor G.H.S.S	Balusseri
44	Balusseri G.G.H.S.S	Balusseri
45	Kokkallur G.H.S.S	Balusseri
46	Koyilandi G.G.H.S.S	Koyilandy
47	Maniyur Panchayat H.S.S	Perambra
48	Madappalli G.G.H.S.S	Vadakara
49	Cheruvadi Govt. H.S	Thiruvambady
50	Aazhchavattom Govt. H.S	Kozhikode South
51	Nallalam Govt. H.S	Kozhikode South
52	Kavilampara Govt. H.S	Kuttiyadi
53	Kolathur GHSS	Elathur
54	Kallachi GHSS	Nadapuram
Malappuram		
55	Chelari G.V.H.S.S	Vallikunnu
56	Vengara G.G.V.H.S.S	Vengara
57	Nellikuth G.V.H.S.S	Manjeri
58	Vandoor G.G.V.H.S.S	Wandoor
59	Keezhuparambu Govt. V.H.S.S	Eranad
60	Idavanna S.H.M.V. V.H.S.S	Eranad
61	Thrikkavu Govt.H.S.S	Ponnani
62	Idappal Govt.H.S.S	Tavanur
63	Kottakkal G.R.H.S.S	Kottakkal
64	Kattilangadi Govt.H.S.S	Tanur
65	Thiroorangadi Govt.H.S.S	Thirurangadi
66	Puthupparamba Govt.H.S.S	Thirurangadi
67	Calicut University Campus G.M.H.S.S	Malappuram
68	Othungal Govt.H.S.S	Vengara

*To be continued in the next edition - Vol\_2\_Issue\_5.1*

# ROAD SAFETY AUDIT

Road safety audit is the systematic checking of the safety aspects of new / existing highway and traffic management schemes, including modifications to existing layouts. The main aim of road safety audit is to ensure that all new road schemes operate as safely as practicable from the beginning and to reduce future problems. This means that safety should be considered throughout the entire cycle of design, construction and pre-opening of any project facility and also during operation & maintenance of the highway. In many of our highway projects safety devices are included in the designs but are simply not constructed on the ground. Frequently, road maintenance is limited to fixing potholes and cleaning drainage facilities, without replacing missing traffic signs, guard-rails, road markings and other safety features essential to create a safe road network.

Safety Audit can be applied on

- (a) new roads
- (b) existing roads.

On new projects safety audit will lead to avoiding building road crash-prone situations and on existing roads audit will lead to improved roads from the safety point of view. It should be realized that safety audits are a necessary cost, and not an additional expense. As project is audited, it provides further scope to improve / enhance safety. In projects where there is a choice of route or standards, or there are known safety problems, the designer should discuss these with auditors at the initial stage. The safety audit shall be carried out on road and traffic improvement projects. These are the different stages of road safety audits carried out depending upon the stage of progress of the project.

- i) Safety Audit during the Feasibility Study
- ii) Safety Audit during the Preliminary Design
- iii) Safety Audit on Completion of Detailed Design
- iv) Safety Audit at the Construction Stage
- v) Safety Audit on Completion of Construction (Pre-opening)
- vi) Safety Audit on Existing Roads (Monitoring)

First five stages of safety audit are applicable to the new construction / widening of existing and last

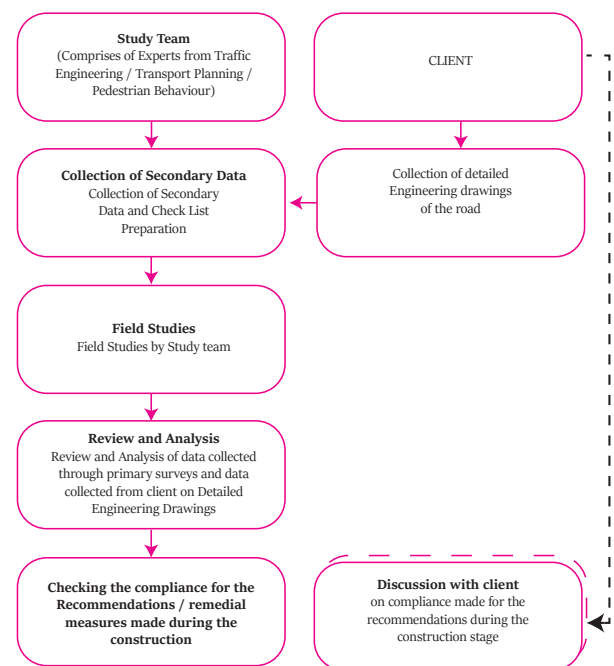
one is applicable to the existing roads. In the present study the road safety audit was conducted at the pre-opening stage before opening to the traffic.

## METHODOLOGY ADOPTED

In carrying out the safety audit of the road project following methodology was adopted, the sequence of steps is as shown in Figure.

Physical and environmental features that required special attention from the point of view of safety during day time as well as night time. Some typical aspects studied include pedestrians, roadside developments and sociological aspects which needed special attention focusing on provision of appropriate facilities.

RSA Checklist (IRC-SP-88:2010) was taken to ensure that problems and situations that can affect the road safety at the desired stage of road safety



audit have been taken into consideration. These checklists broadly covered the aspects like

- Have all recommendations from the previous stage been followed? If not, why not?
- Whether information regarding the construction zone approaching has been provided well in advance or not?
- Whether standard procedure and contract



conditions provided for proper management of the construction site and road users are properly and safely accommodated?

- Whether the transitions from the existing road to the road works safe and clearly laid out?
- Whether the width of the lanes is satisfactory for the traffic passing through the works area?
- Whether sight and stopping distances adequate at works and at intersections?
- Whether bus stops appropriately located with adequate clearance from the traffic lane for safety and visibility.
- Whether appropriate street lighting or other delineation provided at the road works to ensure that the site is safe at night? Check the night time visibility of traffic control devices.
- Check for proper education and training programme for site operators and managers, which would assist in creating and maintaining safer environment for construction workers and road users.
- For clear and sufficient information to the road user, advance warning signs installed or not?
- Is there any provision of marked lanes for safe and clearly guiding road users?
- Whether suitable measures provided through construction zones to control driver behaviour?
- Check for the adequacy of traffic control devices (such as signs, markings, cones, drums, delineators, barricades, flashing lights, etc.) required for each zone i.e., at advance warning zone, at approach transition zone and at work zone? Check for placement and visibility of these control devices.
- Has permission been taken while changing the standard layouts from safety point of view?
- Whether police and other emergency services been consulted?

Appropriate recommendations / remedial measures for the identified safety deficiencies during

the construction stage was provided or not, was checked conforming to IRC-SP-88:2010.

## ROAD SAFETY AUDIT FINDINGS AT CONSTRUCTION STAGE

The present road safety audit at pre-opening stage consist of a careful and detailed examination of each of the logically delineated sections as per the checklists within the study area. The observations, recommendations made during the construction stage were examined in terms of compliance made at the pre-opening stage. Further considering the length papers some important issues have been discussed below showing the construction stage recommendations and compliance made for the same issues. The Audit findings are briefly listed under the following heads:

- i) Diversion Plans / Traffic Management Plans
- ii) Construction vehicle movements at the work zone
- iii) Use of blinkers and quality reflective tapes
- iv) Pavement Markings
- v) Pedestrians and Cyclists
- vi) Hazard markers on fixed objects and CD works
- vii) End treatment of Crash Barrier and Provision of safety measures at high edge drops
- viii) Dilapidated sign boards and missing signs
- ix) Personnel Protective Equipments (PPE)

## Conclusion

The safety audit is in demand, first of all, as a modern system controlling the quality (safety) of roads and services for road maintenance and operation provided to the community by the road industry. The value of road safety audit is critically dependent on the knowledge and training of the individuals undertaking the audit. So, the safety audit will ensure higher traffic safety level due to prevention of errors in road users behaviour making it more predictable and safe.

# Masala Bond Issue of KIIFB

Kerala Infrastructure Investment Fund Board (KIIFB) has successfully concluded its inaugural international debt issue by closing its INR 2150 crore Masala Bond issue on March 29, 2019. With this issue, KIIFB becomes the first sub-sovereign entity not just from India but from the whole of emerging markets and Asia to access the offshore debt market. This has been hailed as a landmark transaction and has received plaudits from across the financial world. This issue has also been nominated in the 'Investment of the Year' category at the annual UK-India Awards, 2019.

It has, however, come to our notice that questions have been raised in some quarters regarding the transaction and our point wise response is given below,

**CDPQ, a Canadian investor, was allotted substantial portion of the issue even before the issue was listed on the Stock Exchanges.**

CDPQ is a long-term institutional investor which manages funds primarily for public and parapublic pension funds and insurance programmes, and has its headquarters in Quebec, Canada.

It is confirmed that CDPQ is an anchor investor in the masala bond issue. However, CDPQ was only allotted the securities along with the other investors in the issue on March 26th and pay-in of funds by the all investors happened on March 29th.

All the investors had put in their bids through the IssueNet platform maintained under the aegis of the International Capital Markets Association and bonds were allotted through the depositories-ClearStream and EuroClear.

The issue was, however, listed on both the London and Singapore Stock Exchange on September 19, 2018 and all investors meetings have happened post listing. The issue prospectus was publicly available on the websites of both the exchanges from September 19th onwards.

It can therefore be seen that there is no merit in the argument that the bonds were allotted to CDPQ even prior to listing.

**Investment by CDPQ is a proxy for investment by SNC Lavalin**

As at December 31, 2018, it publicly available information show that CDPQ held \$220 billion US (INR 15.40 lakh crore) in net assets, which are composed of several thousand investments globally in more than 60 countries. CDPQ has made investments of 4.5 billion US Dollars (approximately Rs.31,500 crore) in India, itself, in companies such Edelweiss, Kotak Bank, TVS Logistics and Azure Power. Around the world, it has invested in high-quality assets such as Heathrow airport in the UK, Port of Brisbane in Australia, and multinationals like Nestlé. In Quebec alone, the province of Canada where CDPQ is headquartered, it has investments in close to 775 companies, including Bombardier, CGI, SNC Lavalin, and other well-known Canadian companies active in world markets. Within this global portfolio, CDQP, it is noted, has an 19.9% equity investment in SNC-Lavalin also.

**Masala Bond issue was done without obtaining approval of the Government**

The decision to permit KIIFB to float Masala Bond was taken by the Board and reviewed by it several times under the provisions of the KIIFB Act. The Board was kept informed about all aspects of the transaction and necessary approvals were obtained at every stage. Further, prior approval of the Government, as required under Section 8(1) of the KIIF Act, was also obtained prior to listing the issue on the London Stock Exchange on September 19, 2018.

**The Bonds were issued for an excessively high interest rate**

The KIIFB Masala Bond was listed in London and Singapore Stock Exchange on September 19, 2018 for ensuring wide publicity. The CEO and

DMD led a team for holding meetings with investors in Singapore, Hong Kong, London and Dubai. The rate of interest is arrived at as per the lowest bid quoted by such investors on the international bidding platform - IssueNet. Thus, the interest rate was arrived at through a transparent bidding process.

To further clear the misgivings about the interest rate, the three types of International funds that a Central or State Government and their agencies can avail is explained in greater detail.

#### **a. External Commercial Borrowing in Dollars or other Foreign currencies:**

In an external commercial borrowings (ECB) in a foreign currency (most commonly US dollars), the exchange rate risk must be borne by the party that issues the bond. This means, if the Rupee Dollar Exchange rate changes from Rs.70 (current) to Rs.140 at the time of repayment, the burden of repayment could kill the finances of KIIFB or any similar agency. RBI has made hedging mandatory for ECB denominated in foreign currency. These hedges are quite costly ranging from 4-6%. When this is also added, for an organisation like KIIFB there need not be any advantage in raising funds at a cheaper rate in any other currency.

#### **b. Concessional funding by Multilateral Agencies like World Bank/ ADB, Bilateral agencies like JICA (Japan), kFW (Germany), AFD (France):**

A State Government can avail these funds only through its budget within the borrowing limit (currently 3% of State Domestic Product) set by the Government of India. The strategy under KIIFB is to boost development of the State through infrastructure spending over and beyond the funds available in the State Budget. Hence, you may kindly note that KIIFB cannot use these funds for financing its target of completing infrastructure projects of Rs.50,000 crore in the next three years.

Such loan additionally also tends to be foreign currencies and KIIFB would have to deal with fluctuations in currency market.

#### **c. Masala Bond**

Masala Bonds are also part of ECBs in Indian Rupee where an issuer like KIIFB does not have to bear the exchange rate risk. However, the Masala bond market, which was announced by RBI in 2016 are still in the growth process. Only issuers with domestic rating of (AAA) or international rating of AAA/BBB/BBB-/BB+ have issued Masala Bonds in the past. They have been able to secure rates between 8-8.5%. KIIFB has been internationally rated at BB and domestically rated at A+. An institution like KIIFB with its rating of BB typically must pay an extra price of 1.5-2% excess interest over the rates received by agencies with better international rating. Even though KIIFB is the best internationally rated State Government entity in India, with this rating KIIFB could secure only a rate of 9.723 % in the international bidding platform.

In the domestic market within India, KIIFB floated tenders twice and both times, the lowest bid received was in the range of 10.20% to 10.25%. Furthermore, Andhra Pradesh Capital Region Development Authority (APCRDA) a statutory body identical to KIIFB, could get funds only at 10.34% (quarterly basis) recently from the domestic bond market. Given the fact that KIIFB is a first-time entrant into the Masala Market and had no standing established yield curve, the rate obtained by KIIFB can be considered reasonable.

#### **The bonds expose the state to huge future liabilities**

As per the provisions of the KIIF Act, the Government passes on a share of the Motor Vehicles Tax and Cess on Petroleum products to KIIFB every year. KIIFB will be able to meet all debt serving obligations arising out of these borrowing just from the revenue escrowed by the Government. So there be will no extra burden that will fall on the people of Kerala.

# Administrative Inspection Wing notes...

AIW during the last fortnight inspected the offices of SPVs Kerala Irrigation Infrastructure Development Corporation (KIIDC) and State Forest Development Agency (SFDA).

KIIDC has taken up the Project “Modernising Water Transport in Alappuzha Canals” and the work includes canal cleaning, desilting and construction of box culverts. Technical Sanction for the project was issued for Rs. 38,98,32,121/ on 19.09.17. Though tender was floated on 28.09.17 itself, re-tenders were necessitated owing to lack of participation of qualified bidders. The litigation has also delayed the tendering process. Finally, the work was awarded to M/s TBAS Construction Joint Venture with M/s Mary Matha Construction Co. Ltd based on G.O.(Rt) No.74/2019/WRD dated 02.02.19. Agreement with the said JV was executed on 15.02.19. According to SPV, cleaning and de silting of Uppooti canals and West Jn canal is nearing completion. The issues which require immediate attention will be closing of sewage pipes at canal and cutting of trees along the banks of the canal. In an another Project named “Improvements works to Anthakarathodu in Thripunithura Municipality”, SPV has reported that cleaning, de silting and pile casting work of the project is progressing.

On examining the documents and files AIW observed that:

- Work Breakdown Structure (WBS) preparation is yet to be started by the SPV.
- TS committee as prescribed in the implementation guidelines of KIIFB has not yet constituted.

In the case of SFDA, the project ‘Thrissur Zoological Park-Wild life conservation and Research Centre, Puthur-Phase II’ has been verified. Phase II and III of the project will be implemented as KIIFB project while the Phase I is under State Plan. The Package I of Phase II is for ‘Construction of arrival and parking area, orientation centre, eight animal enclosures including common roads for tram and services, common amenity centre, internal water supply, sanitary installation and internal electrification work. CPWD, who is the executing and monitoring agency has tendered the work for an amount of Rs. 83.46 Cr and work was awarded to M/s. PNSC Infrastructure Pvt Ltd which quoted Rs. 72. 6 Cr. Packages III to V of the Project are also awarded.

The main observations are.

- No serial numbers assigned to agreement documents
- Agreement is in the standard format
- Sufficient value stamp paper is not used for signing the agreement.
- WBS not prepared



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