



AIIB DECIDES TO INVEST \$140M TO IMPROVE RURAL CONNECTIVITY IN INDIA¹ ***Project to benefit about 1.5 Million Rural residents of 5,640 Villages in Madhya Pradesh***

Approximately 1.5 Million rural residents in State of Madhya Pradesh are going to directly benefit from improved livelihoods, education and mobility with the USD \$ 140-Million loan approved by the Board of Directors of the Asian Infrastructure Investment Bank (AIIB) in a Meeting held recently in Beijing. The Project, co-financed with the World Bank, aims to improve the rural road connectivity and management for residents of about 5,640 villages who use the rural roads for daily activities.

Livelihoods of the rural population will be improved by expanding income earning opportunities through better farm-to-market road connections. Moreover, more children are expected to enroll in higher education programs and school attendance is expected to further improve. The road maintenance pilot under the Project will employ more women, contributing to gender equality and income generation.

“Promoting sustainable growth in India through investment in rural infrastructure will require substantial financing,” said AIIB Vice President and Chief Investment Officer D.J. Pandian. “I am glad that AIIB’s participation in this project will contribute to reducing this financing gap and enhance overall development in the region.”

In addition to the above, the Project also aims to improve durability and accessibility, and enhance resilience to climate change of the gravel surfaced rural road in State of Madhya Pradesh while building the capacity of the State to manage its rural road network and road safety.

The planned activities under the Project are:

- Upgrading the gravel surfaced roads to a sealed surface standard.
- Providing additional linkages to villages with potential for high growth.
- Enhancing institutional capacity through implementing/upgrading a rural road asset management system and strengthening design and research and quality assurance capacity of the implementation agency.
- Developing road safety management capacity with road accident data management system and piloting a comprehensive road safety program.
- Supporting design, implementation and management.

AIIB Director General of Investment Operations Supree Teravaninthorn said that this Project will provide sustainable and safe last-mile connectivity to small villages and improve mobility of the rural population of Madhya Pradesh. He said that the Project will stimulate economic development in the entire State of Madhya Pradesh and improve the livelihoods of the rural population, especially rural women and girls. It is a typical reflection of our priorities of enhancing economic growth and sustainability through infrastructure investment.

More details and information and the Project’s Environmental and Social Management Plan are available at <https://www.aiib.org/en/projects/approved/index.html>

¹ Available at: <http://www.pib.nic.in/PressReleaseDetail.aspx?PRID=1528807>

INVESTMENT BY FOREIGN PORTFOLIO INVESTORS (FPI) IN GOVERNMENT SECURITIES²

Medium Term Framework – Review

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to Schedule 5 to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 notified vide Notification No. FEMA.20/2000-RB dated May 3, 2000, as amended from time to time.

2. The Statement on Developmental and Regulatory Policies, Fourth Bi-monthly Monetary Policy Statement, 2017-18 proposed that a detailed review of current regulations on debt investment by Foreign Portfolio Investors (FPI) shall be undertaken to facilitate the process of investment and hedging by FPIs. The regulatory changes would be effective from April 2018. Accordingly, after consultation with the Government of India, the FPI limits are revised as below:

3. **Revision of Investment Limits**

The limit for FPI investment in Central Government securities (G-secs) would be increased by 0.5% each year to 5.5% of outstanding stock of securities in 2018-19 and 6% of outstanding stock of securities in 2019-20.

The limit for FPI investment in State Development Loans (SDLs) would remain unchanged at 2% of outstanding stock of securities.

The overall limit for FPI investment in corporate bonds will be fixed at 9% of outstanding stock of corporate bonds. All the existing sub-categories under the category of corporate bonds will be discontinued and there would be a single limit for FPI investment in all types of corporate bonds.

No fresh allocation has been made to the 'Long-term' sub-category under SDLs. Out of the existing limit of ₹ 13,600 crore for this sub-category, an amount of ₹ 6,500 crore has been transferred to the G-secs category.

The allocation of increase in G-sec limit over the two sub-categories – 'General' and 'Long-term' – remains at the current ratio of 25:75. However, based on an assessment of investment interest, this ratio has been re-set at 50:50 for the year 2018-19.

Coupon reinvestment by FPIs in G-secs, which was hitherto outside the investment limit, will now be reckoned with in the G-sec limits. FPIs may, however, continue to reinvest coupons without any constraint, as they do now. Only at the time of periodic re-setting of limits, coupon investments would be added to the amount of utilization. Accordingly, for the year 2018-19, the stock of coupon investment of ₹ 4,760 crore as on March 31, 2018, would be added to the actual utilization under the 'General' sub-category of G-secs. Since this is a new policy, as a one-time measure, the investment limit in the 'General' sub-category of G-secs has been increased by an amount equal to the stock of coupon reinvestment as on March 31, 2018. This increase in limit on account of coupon investment amount is over and above the limit indicated in paragraph 3(a).

This coupon reinvestment arrangement will be extended to other debt categories subsequently.

Accordingly, the revised limits for the various categories, after rounding off, would be as under (Table 1):

² Available at: <https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11241&Mode=0>

	G-Sec- General	G-Sec-Long Term	SDL - General	SDL-Long Term	Corporate Bonds	Total Debt
Current Limit	191,300	65,100	31,500	13,600	244,323	545,823
Revised Limit for the HY Apr-Sep, 2018	207,300*	78,700	34,800	7,100	266,700	594,600
Revised Limit for the HY Oct 2018-March, 2019	223,300*	92,300	38,100	7,100	289,100	649,900
* Includes ₹ 4,760 crore one-time addition to limit to provide for inclusion of coupon investment amount in utilization.						

4. These directions would be applicable with immediate effect.
5. A separate notification will be issued announcing coupon reinvestment arrangements referred to in paragraph 3(g) and other changes affecting operational aspects of FPI investments in debt, in consultation with SEBI.
6. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/ approvals, if any, required under any other law.

Team ICSI

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