

## KIIFB-Based Infrastructure Development in Kerala: Problems and Prospects

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### ABSTRACT

In recent years, infrastructure development has become a critical focal point for India's economic growth and social well-being. The Kerala Infrastructure Investment Fund Board (KIIFB) represents a significant effort by the Government of Kerala to channel investments into infrastructure projects across the state. This paper examines the problems and prospects associated with KIIFB-based infrastructure development, analyzing its impact on regional growth, community welfare, and environmental sustainability. A thorough evaluation of the operational framework, challenges faced, and future potential will provide a comprehensive understanding of how KIIFB can influence Kerala's infrastructure landscape.

**Key words:** Kerala Infrastructure Investment Fund Board(KIIFB), KIIF Act, Special Purpose Vehicles (SPVs), Global Industrial Finance Trade City (GIFT)

### Introduction

The Kerala Infrastructure Investment Fund Board (KIIFB) was established in 1999 to raise funds for capital expenditure on behalf of the Kerala Government. Its creation represented a significant achievement in Kerala's infrastructure development journey. KIIFB was proposed under the Kerala Infrastructure Investment Fund (KIIF) Act, with the main goal of raising funds and facilitating investments in crucial infrastructure projects throughout the state. The enacted KIIF Act underwent amendments in 2016 to overhaul the structure, as well as the quality and timing of the projects. Through its establishment, Kerala acquired a dedicated institution focused on accelerating infrastructure development by bridging the funding gap and harnessing public and private resources. KIIFB enables the planned, uncomplicated, and sustainable development of physical and social infrastructure, including essential land acquisitions for development, utilizing financial instruments approved by the Securities & Exchange Board of India (SEBI) and the Reserve Bank of India (RBI). It collaborates with State/Central public sector agencies to involve them as Special Purpose Vehicles (SPVs) to assist administrative departments in infrastructure development (Kerala Economic Review, KER, 2023).

Initially designed to address funding gaps for essential projects, KIIFB underwent significant expansion in 2016, broadening its scope and enhancing its financial mechanisms to support large-scale initiatives across various sectors, including transportation, power, and water supply. KIIFB, a key player in the state's economic development strategy, faces challenges such as financial constraints and concerns about equitable distribution and community engagement. Technological innovations under KIIFB offer opportunities for enhanced project delivery but also present complexities. Assessing these issues and implementing policy recommendations for sustainable practices is crucial for stakeholders to navigate this complex landscape (Shamnamol, 2021).

### Financial Framework of KIIFB

KIIFB's financial structure allows it to raise funds through bonds and other financial instruments, thus providing a steady flow of capital for infrastructure investments. The Board ensures transparency and accountability in fund management, which is crucial for winning the trust of investors and stakeholders. Furthermore, it works to streamline the process of project approval, reducing bureaucratic delays that often hinder development initiatives. The KIIFB Funds Trustee and Advisory Commission (FTAC) ensures credibility and prompt returns for investors. The government makes budget provisions for repayment obligations and operational costs, contributing 10% of Motor Vehicle Taxes in the first year and increasing to 50% in the fifth year. Petroleum cess is also contributed. Government borrowings for KIIFB range from Rs.5000 to Rs.15000 crores over four years, with a minimum of Rs.100 crores for each project. Other infrastructure investment structures include Alternate Investment Funds, Infrastructure Investment Trust, Mutual Funds, and Infrastructure Debt Fund. Customized investment packages are available through existing government financial agencies such as Kerala

State Financial Enterprises Ltd. (KSFE). The payment and interest of any fund raised are guaranteed by the Board, and it is backed by the Government (Vandana,2017).

### Project Selection and Implementation

KIIFB employs a strategic approach to project selection, focusing on initiatives that align with state priorities, have socio-economic benefits, and demonstrate sustainability. By leveraging Public-Private Partnership (PPP) models, the Board involves private players in executing projects, ensuring not only efficiency but also innovation. Thorough project evaluations focus on feasibility, environmental impact, and community benefit, making KIIFB a benchmark for future infrastructure ventures in India (KER 2023).

### Progress of the KIIFB-based infrastructure development of Kerala

The Kerala Infrastructure Investment Fund (KIIFB) is a government-backed initiative that provides investment for various sectors in Kerala, including transport, water sanitation, energy, social and commercial infrastructure, IT, and telecommunication. Major projects funded by KIIFB include the Kerala Fiber Optic Network, West Coast Canal, Wayanad Twin-Tube Tunnel, Transgrid 2.0, Life Science Park, Hi-Tech School Programme, and Integrated Urban Regeneration and Water Transport System. The fund aims to stimulate economic growth, attract investments, create job opportunities, and improve quality of life (KER, 2023).

### Consolidated details of KIIFB approved Projects in Kerala

Table No. 1

Sl No	Types of Project	2021-22		2022-23		Total 2016-23	
		Number	Outlay	Number	Outlay	Number	Outlay
1	Infrastructure Projects	58	7249.92	94	8392.75	1050	61027.02
2	Project Under Land Acquisition	1	840	0	0	7	20000

Source: Kerala Economic Review 2023

The Kerala Industrial Infrastructure Development Corporation (KIIFB) has sanctioned 485 projects worth Rs 30,014 crore in 140 constituencies of the State, including the Anakkampoyil - Kalladi-Meppadi (AM) Tunnel Road, an 8.735 km long four-lane tunnel providing connectivity between Anakkampoyil and Meppadi. The projects aim to improve the industrial climate of the State. The Industries Department has also initiated land acquisition for the Industrial Manufacturing Cluster and proposed a non-manufacturing cluster called 'Global Industrial Finance Trade City (GIFT)'. The majority of the KIIFB fund has been set aside for the roads and road transport sector, with Rs 37,512.43 crore set aside as of March 2023 (KER,2023).

### Sector-wise KIIFB Funding as of March 31, 2023

Table No. 2

Sl. No.	Sector	KIIFB funding %
1	Public work and Transport	50.16
2	Water Resources	10.73
3	Power	8.52
4	Public Health	9.66
5	Education	7.77
6	Inland Navigation	3.66
7	Agriculture and allied sector	0.80
8	IT	2.31
9	Sports	1.36
10	LSGD	1.15
11	Other sectors	1.36

Source: Kerala Economic Review 2023

The Kerala Infrastructure Fund Board (KIIFB) is funding 25% of the total Land Acquisition (LA) cost for National Highway development in Kerala. The State Government has transferred Rs 5,580.74 crore to the National Highway Authority of India (NHAI) for land acquisition. KIIFB has approved Rs 3,167.89 crore for the Hill Highway project, and some stretches have been completed by the Kerala Road Fund Board (KRFB). The water resources and health & family welfare sectors also receive allocations from KIIFB funds (KER 2023).

The major share of KIIFB fund has been set aside for the roads and road transport sector, which is Rs 37,512.43 Crores as of March 2023. The Board has accorded sanction for Rs 30,014.23 crore for various road/bridge projects including the Anakkampoyil – Kalladi - Meppadi Tunnel Road Project. It has also sanctioned

projects for the construction of Alappuzha Mobility Hub Phase I and KSRTC Bus Terminal Complex in Alappuzha. The details of funding for the Road and Road Transport Sector are shown in table no. 3

**Funding in the Road and Transport Sector as of March 31, 2023**

Table No. 3

Sl. No.	Name of the Project	Amount in Crores
1	Coastal Highway	2899.11
2	Hill Highway	3167.89
3	Anakkampoyil Kalladi Meppadi (AM) Tunnel Road	2134.5
4	Other Roads/ Bridges Projects	22009.46
5	Road Transport Projects	504.47
6	Land Acquisition for NH Development	6797

Source: KER, 2023

KIIFB has completed projects worth Rs. 13,389.89 crore as of March 31, 2023. In 2022-23, KIIFB disbursed Rs. 9,507.78 crores exclusively on land acquisition projects, accounting for 40.23 percent of the total disbursement. The funds were used for various projects, including the Kochi-Bangalore Industrial Corridor & Gift City, Petro Chemical & Pharma Industrial Park, and land acquisition from Hindusthan Newsprint Ltd.

**Financial Performance of KIIFB as of March 31, 2023**

Table No. 4

Year	Crores Spent
2017-18	442.67
2018-19	1069
2019-20	3502.50
2020-21	5484.88
2021-22	8459.47
2022-23	4673.28

Source: Website - KIIFB

**Problems Associated with KIIFB-based Infrastructure Development:**

The government is rolling out a growth strategy driven by government initiatives, which will be financed off-budget via the Kerala Infrastructure Investment Fund Board, commonly referred to as KIIFB. This growth approach led by KIIFB could potentially lead to a significant fiscal crisis for the State. While investments in infrastructure through borrowing are generally acceptable, the issue with the KIIFB-driven growth strategy is that some of the borrowed funds will be allocated to projects that do not generate revenue, such as housing for the underprivileged. Approximately Rs. 3000 crores have been allocated for the revival of KSRTC, yet past revival efforts have not yielded positive outcomes. The projected revenue growth appears overly optimistic, especially considering the decline in remittances from West Asia, which is affecting overall growth. The state is struggling to secure resources as most major infrastructure projects are being incorporated into KIIFB, while additional project proposals continue to be suggested for inclusion in the initiative (Shamnamol, 2021).

Despite its objectives, KIIFB encounters several bureaucratic challenges, including lengthy approval processes, fragmented governance structures, and inter-departmental coordination issues. These problems can lead to project delays and increased costs, undermining the overall effectiveness of the initiative. Although KIIFB aims to mobilize significant funds, its reliance on market borrowings poses risks, particularly in a volatile economic environment. Fluctuations in interest rates and investor sentiments may affect fund availability, limiting the scope of infrastructure projects. Furthermore, the long-term sustainability of financing models requires careful evaluation to avoid future fiscal stress. Resistance from local communities often arises due to inadequate stakeholder engagement and consultation during the planning phase. Concerns regarding land acquisition, environmental degradation, and socio-economic displacement can lead to public protests and legal challenges, further complicating project implementation. Infrastructure development can have detrimental effects on the

environment, particularly in ecologically sensitive regions like Kerala. Critics argue that inadequate assessments of environmental impact have often led to unsustainable projects that threaten natural resources and biodiversity (Nirmal Roy & Priyanka, 2024).

The challenges linked to infrastructure development through KIIFB are diverse and significant, presenting hurdles to the sustainability and effectiveness of its projects. A key issue is the financial instability caused by excessive dependence on external loans, which has been worsened by recent interventions from the central government limiting KIIFB's ability to raise funds via bonds. This constraint not only puts ongoing projects at risk but also creates uncertainty about future funding sources. Furthermore, the intricacies of public-private partnerships (PPP) can result in misaligned interests between public entities and private investors, potentially compromising project quality and outcomes. In addition, the timely execution of projects is frequently impeded by bureaucratic inefficiencies. Approval delays and complex regulatory procedures can lead to increased costs and reduced project feasibility. These administrative obstacles are worsened by financial limitations at both the state and national levels, where infrastructure progress may be given lower priority in favour of more immediate social needs or other urgent expenses (Vandana, 2017).

Challenges often arise in the area of community engagement, particularly concerning the exclusion of marginalized groups from infrastructure development decision-making processes. This exclusion can lead to resentment towards government initiatives and worsen existing inequalities within communities. To effectively address these interconnected issues, a comprehensive approach that prioritizes financial stability, streamlines bureaucratic processes, ensures inclusive community participation, and enhances accountability within KIIFB's operational framework is necessary. Without such measures, the potential benefits of KIIFB's initiatives may not be fully realized or may be unfairly distributed among Kerala's diverse population (Nirmal Roy & Priyanka, 2024).

#### **CAG's Comment on KIIFB Fund Mobilization:**

The Comptroller and Auditor General (CAG) has provided critical insights into the fund mobilization strategies employed by the Kerala Infrastructure Investment Fund Board (KIIFB), highlighting several areas of concern that may impede its operational efficacy. One of the primary observations made by the CAG pertains to KIIFB's heavy reliance on external borrowing, which has raised questions about financial sustainability and risk management. The CAG's report underscores that while KIIFB was designed to facilitate infrastructure funding through innovative mechanisms, such as issuing bonds, recent interventions from the central government have restricted these capabilities, leading to uncertainties in future funding avenues. This constraint not only jeopardizes ongoing projects but also casts doubt on KIIFB's ability to finance new initiatives effectively. Moreover, the CAG pointed out discrepancies in financial reporting and transparency within KIIFB's operations. Inadequate documentation and oversight mechanisms can hinder accountability, making it challenging for stakeholders to assess project viability and fiscal health accurately. The lack of a robust monitoring framework raises concerns regarding resource allocation and project prioritization, further complicating efforts to maximize infrastructure development outcomes. While KIIFB has made significant strides in addressing Kerala's infrastructure needs, CAG's comments reveal critical vulnerabilities in its fund mobilization approach. Addressing these issues will be essential for ensuring that KIIFB can continue to play a pivotal role in transforming Kerala's infrastructure landscape sustainably and equitably (Shamnamol, 2021).

#### **Prospects for Future Development:**

The successful execution of KIIFB projects holds the promise of delivering substantial economic advantages, such as the creation of employment opportunities, better connectivity, and increased investments across various sectors. Through well-designed infrastructure, Kerala can improve its competitiveness, attracting enterprises and nurturing innovation. The incorporation of technology into infrastructure development is vital for maximizing resource utilization, improving service delivery, and ensuring sustainability. KIIFB's focus on public-private partnerships promotes the adoption of state-of-the-art technologies, potentially establishing a model for other states to follow. Tackling the challenges associated with environmental impacts and community concerns necessitates a dedication to sustainable development principles. By giving priority to environmentally friendly designs, integrating renewable energy solutions, and involving communities in decision-making, KIIFB can lead the way in responsible infrastructure development. KIIFB projects offer opportunities for achieving balanced regional development, especially in underserved areas. By concentrating on infrastructure in rural and semi-urban regions, the Board can contribute to reducing urban-rural disparities, stimulating local economies, and improving the overall quality of life (Nirmal Roy & Priyanka, 2024).

**Conclusion:**

The Kerala Infrastructure Investment Fund Board signifies a major change in infrastructure development in Kerala, driven by creative financing and a strategic approach to project implementation. The KIIFB's role in Kerala's infrastructure development presents compelling prospects for regional growth, community welfare, and environmental sustainability. However, as this assessment shows, KIIFB confronts numerous challenges that jeopardize its long-term sustainability and effectiveness. Financial uncertainty resulting from excessive dependence on external borrowing, coupled with interventions from the central government, raises serious concerns about sustainable funding for current and future projects. Moreover, bureaucratic inefficiencies impede timely execution, while the exclusion of community voices from decision-making processes exacerbates existing disparities. The integration of technological advancements offers promising prospects for improving project management but requires adequate workforce training to realize their full potential.

**Recommendations:**

1. Reducing Bureaucratic Obstacles: Create systems that reduce delays caused by bureaucracy, ensuring projects are completed on time.
2. Engaging with the Community: Strengthen relationships with the community and build agreement around development initiatives.
3. Sustainability Initiatives: Give priority to projects that are environmentally sustainable and develop strategies to address any possible ecological impacts.
4. Diverse Funding Avenues: Investigate a range of funding options beyond conventional bond markets to improve financial resilience.

The success of KIIFB in reshaping Kerala's infrastructure environment will ultimately hinge on its capacity to manage these difficulties while seizing opportunities to promote sustainable development.

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