

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:62

ANSWERED ON:02.03.2007

FOREIGN EXCHANGE RESERVES

Bhargav Shri Girdhari Lal;Yadav Shri Kailash Nath Singh

Will the Minister of FINANCE be pleased to state:

- (a) whether any assessment has been made with regard to the foreign exchange reserves in the country;
- (a) if so, the details thereof alongwith the amount of foreign exchange reserves at present;
- (b) whether there is any fluctuation in the accumulation of foreign exchange reserves during the last six months;
- (c) if so, the reasons therefor;
- (d) what percentage of the foreign exchange reserves the Government proposes to utilise on the development of basic infrastructure sector;
- (e) whether the Government has formulated any scheme to provide loan on concessional rate to infrastructure sector for their development from the foreign exchange reserves;
- (f) if so, the details thereof;
- (g) whether there is any proposal to set up India Investment Corporation for providing loan to the infrastructure sector; and
- (h) if so, the details thereof and the time by which it is likely to be set up?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI P.CHIDAMBARAM)

(a) to (i): A Statement is placed on the Table of the House.

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(POSITION NO.2)

Statement referred to in reply to Lok Sabha Starred Question No.+62 (POSITION NO.2) of 2nd March, 2007 by Shri Girdhari Lal Bhargava and Shri Kailash Nath Singh Yadav, regarding Foreign Exchange Reserves.

(i) and (b): The foreign exchange reserves which stood US \$ 151.6 billion at end March 2006 have increased and are placed at US \$ 188.9 billion as on February 16, 2007. India's foreign exchange reserves are monitored closely and statistical information is disseminated by the Reserve Bank of India (RBI) through its weekly publication 'Weekly Statistical Supplement'. The RBI makes assessment of foreign exchange reserves in its bi-annual publication 'Report on Foreign Exchange Reserves'.

(c) Yes, Sir. India's foreign exchange reserves, which stood at US \$ 151.6 billion at end-March 2006 has risen by about US \$ 37.3 billion in the current year (up to February 16, 2007) with variations in the last six months.

(d) The rapid increase in foreign exchange reserves in the current year is on account of higher capital and other inflows, and valuation gains.

(e) to (i): There is no scheme for using foreign exchange reserves for financing infrastructure projects at present. However, the Budget for 2007-08 has proposed as follows:

'A committee chaired by Shri Deepak Parekh has made a number of recommendations for financing infrastructure. One of the recommendations is to use a small part of the foreign exchange reserves without the risk of monetary expansion. The Committee has suggested the establishment of two wholly-owned overseas subsidiaries of IIFCL with the following objectives:

(i) to borrow funds from the RBI and lend to Indian companies implementing infrastructure projects in India, or to co-finance their ECBs for such projects, solely for capital expenditure outside India; and

(ii) to borrow funds from the RBI, invest such funds in highly rated collateral securities, and provide 'credit wrap' insurance to infrastructure projects in India for raising resources in international markets. The loans by RBI to these two subsidiary companies will be guaranteed by the Government of India and the RBI will be assured of a return higher than the average rate of return on its

incremental investment. Government proposes to examine the legal and regulatory aspects of the recommendation, in consultation with RBI.