

1. Name of the Project

Country: Republic of India

Project: PPP Infrastructure Financing Project

Loan Agreement: March 11, 2016

Loan Amount: 50,000 million yen

Borrower: India Infrastructure Finance Company Limited

2. Background and Necessity of the Project

(1) Present State of Development and Problems of the PPP Infrastructure Sector in India

The population of India was more than 1.2 billion as of 2011, with outstanding economic growth which has rendered the country to be the 4th biggest economy in the world on GNI comparison. In the meantime, however, delayed domestic infrastructure development has caused serious problems slowing down economic growth and poverty reduction. The Government of India has promoted the utilization of private fund through Public-Private Partnership (hereinafter referred to as 'PPP'), due to the demand of huge fund for consolidating infrastructure but limited budgetary fund. Nevertheless, in addition to stagnated infrastructure investment by private companies, it has become harder for even commercial banks in recent years, that used to be a center of private fund procurement in domestic infrastructure construction, to continue to supply long-term finance to infrastructure projects, due to increasing credit concentration on specific sectors such as road and electricity which are the main target projects for PPP and concerned expansion of interest risks accompanying short-term procurement and long-term operation.

(2) India's Development Policies for the PPP Infrastructure Sector and the Role of the Current Project

According to the 12th Five Year Plan (April 2012~March 2017) by the Government of India, the total amount of around 1 trillion US Dollar is required as infrastructure investment, 48% of which is expected as the investment from the private sector. The Government of India has taken concrete supporting measures, including increased budget for infrastructure, introduction of financial procurement scheme such as Viability Gap Funding, supply of long-term fund through India Infrastructure Finance Company Limited (hereinafter referred to as 'IIFCL'). The Project aims at attracting and encouraging private infrastructure investment by supplying long-term fund through IIFCL. This is in accordance with the aforementioned policy to promote consolidating domestic infrastructure in India by utilizing private fund.

(3) Japan and JICA's Policy and Operations in the PPP Infrastructure Sector in India

Country Assistance program for India (May 2006) regards 'promotion of economic growth' as one of the focal targets. Based on an understanding that the biggest bottle neck in achieving economic growth in India includes absolute shortage and underdevelopment of infrastructure, it articulates that limited public assistance shall be effectively utilized for supporting infrastructure development. JICA Country Analysis Paper for India (March 2012) also analyzed that it was necessary to support the promotion of local economic development and logistic efficiency focusing on industrial clusters such as economic special zones and economic corridors located in the 6 biggest metropolitan cities in India, Delhi-Mumbai Industrial Corridor, and Chennai-Bengaluru Industrial Corridor, together with supporting infrastructure development, including main railways, roads, large-scale airports and ports, through expanding investment of foreign capitals. The project is in accordance with this direction and analysis.

(4) Other Donors' Activity

The World Bank indicated in its Country Partnership Strategy (2013~2017) that infrastructure development was indispensable for realizing sustainable economic growth, and therefore, it would promote PPP and investment environment enhancement. As for IIFCL, it has approved total amount 1.95 million US Dollar for financial and technical assistance. In its Country Partnership Strategy (2013~2017), Asian Development Bank emphasized the improvement of infrastructure as a tool for economic growth and clarified its stance to promote the utilization of private fund through PPP to meet the huge financial gap. As for IIFCL, it has approved the total amount of 16 million US Dollar for financial and technical assistance, in addition to the implementation of institutional capacity development program for the Economic Department of the Ministry of Finance in India regarding PPP infrastructure projects.

(5) Necessity of the Project

It is required in India that domestic infrastructure development is promptly and steadily promoted through actively utilizing private fund, in order to realize sustainable economic growth. Although the domestic financial institutions are still expected to play a significant role, since the domestic capital market to supply long-term fund is underdeveloped in India, financing by government policies is considered to be an important source for the long-term fund. The necessity for JICA to support the implementation of the Project is considered to be high, since it is in accordance with development issues in India as well as assistance directions of the Government of Japan and JICA, that private investment is promoted for PPP infrastructure projects in India by providing the long-term fund to PPP infrastructure projects through IIFCL as an implementing agency of the Project.

3. Project Description

(1) Project Objective

The Project intends to contribute to economic growth in India through the utilization of private fund in the country, by providing the long-term fund necessary for infrastructure development to the implementing organizations of the infrastructure development via IIFCL and other financial institutions, for the purpose of promoting social infrastructure through PPP.

(2) Project Site/Target Area

The whole territory of India

(3) Project Components

The Project envisages to provide the long-term fund for infrastructure development to implementing organizations of PPP infrastructure development as end users and intermediate financial institutions, through Two Step Loan via IIFCL, the Implementing Agency. As a financing method by IIFCL, there are direct finance (co-finance), take out finance (purchase and succession of infrastructure loan credit), refinance (back finance to infrastructure finance via other financial institutions).

(4) Project Cost (planned)

50,600 million yen (Loan amount: 50,000 million yen)

(5) Project Implementation Schedule

March 2016 – March 2022 (72 months in total). The project completion is defined as the completion of disbursement of sub-loan (March 2022).

(6) Project Implementation Structure

- 1) Borrower: IIFCL
- 2) Guarantor: The President of India
- 3) Executing Agency: same as 1)
- 4) Operation and Maintenance System: same as 1)

(7) Environmental and Social Considerations/Poverty Reduction/Social Development

1) Environmental and Social Considerations

- ① Category : FI
- ② Reason for Categorization: It is because that the Project will not be able to specify sub-projects before the approval of financing from JICA, as it finances financial intermediary service providers and so on, according to “JICA Environmental and Social Consideration Guideline” (issued in April 2010), and those sub-projects are assumed to have impacts on environment.
- ③ Other/Monitoring: In the Project, IIFCL is to conduct categorization of each sub-project and to take necessary measures for each category, based on Indian domestic legal system and JICA guideline. IIFCL is required to fill in necessary information in the screening forms specified by JICA Guideline, after the approval of financing to sub-projects, and to submit them together with appraisal-related document, the project plan, and a list of sub-projects. Meanwhile, sub-projects categorized as A are out of the scope of the Project.

2) Promotion of Poverty Reduction

None in particular

3) Promotion of Social Development (e.g. Gender Perspective, Measures to Prevent Infectious Diseases Including AIDS, Participatory Development, Consideration for Handicapped, etc.): none in particular

- (1) Collaboration with Other Schemes and Other Donors: In light of strengthening complementarity with other donors such as the World Bank and Asian Development Bank which have supported IIFCL, the Project assumes to seek for active coordination with other donors through organizing relevant donor meetings.
- (2) Other Important Issues: As for the geographical distribution of the projects that IIFCL previously supported, the target states for Delhi-Mumbai Industrial Corridor Plan and Chennai-Bengaluru Industrial Corridor Plan where many Japanese companies have launched their business, accounted for 53.2% on the basis of approved amount. From the point of view to encourage these currently operating Japanese companies, the Project assumes more than 50% of the total amount by Yen Loan are to be disbursed to finance for these target states.

4. Targeted Outcomes

(1) Quantitative Effects

1) Performance Indicators (Operation and Effect Indicator)

Indicators	Baseline (actual value in 2014)	Target (2024) [2 years after project completion]
Total Amount of Approval and Loan of Sub-Loan	-	50 billion yen
Number of Approval and Loan of Sub-Loan	-	Defined at the time of Loan Agreement

Loan Amount to PPP Projects and Private Projects/Total Loan Amount (%)*	-	70% or more
Number of Loan to PPP Projects and Private Projects/Total Number of Loan*	-	70% or more

* IIFCL implements financing to Public projects, PPP projects and Private projects.

(2) Qualitative Effects

The qualitative effects of the Project include infrastructure improvement by utilizing private fund and sustainable economic development.

(3) Internal Rate of Return

Not calculated as subproject is not identifiable.

5. External Factors and Risk Control

None in particular

6. Evaluation Results and Lessons Learned from Past Projects

(1) Results of Similar Past Projects

Results of Ex-Post Evaluation of “Industrial and Support Services Expansion Program” in the Republic of Philippine showed a lesson that it was necessary for the financial institution to utilize its financial scheme flexibly, given the project purpose and conditions of market interests, in case of Two Step Loan. In addition, from the cases of the World Bank and Asian Development Bank which have preceded in supporting IIFCL, there is a lesson to learn that strengthening environmental and social consideration sectors would be an issue.

(2) Lessons for the Project

Based on the aforementioned lessons, the Project plans to reflect needs of end users in a flexible way, without fixing a limit to the allocation among direct finance, take out finance, and refinance, in accordance with the Project purpose of infrastructure development through the utilization of private fund and conditions of PPP sector. In addition, JICA assumes to follow a due process to confirm environmental assessments of sub-projects in advance, and to consider to strengthen environmental sector of the Implementing Agency through JICA technical assistance.

7. Plans for Future Evaluation

(1) Indicators for Future Evaluation

- 1) Total Amount of Approval and Loan of Sub-Loan
- 2) Number of Approval and Loan of Sub-Loan
- 3) Loan Amount to PPP Projects and Private Projects/Total Loan Amount (%)*
- 4) Number of Loan to PPP Projects and Private Projects/Total Number of Loan(%)*

(2) Timing

Two years after project completion