
Project Development Fund to deepen Investments in Infrastructure

Infrastructure Corporation of Andhra Pradesh

6th Oct, 2007

PPP Approach

Goal

- Attract private investments for infrastructure projects

Need

- Lack of Budgetary Resources
- Need to improve efficiency in service delivery

PPP approach

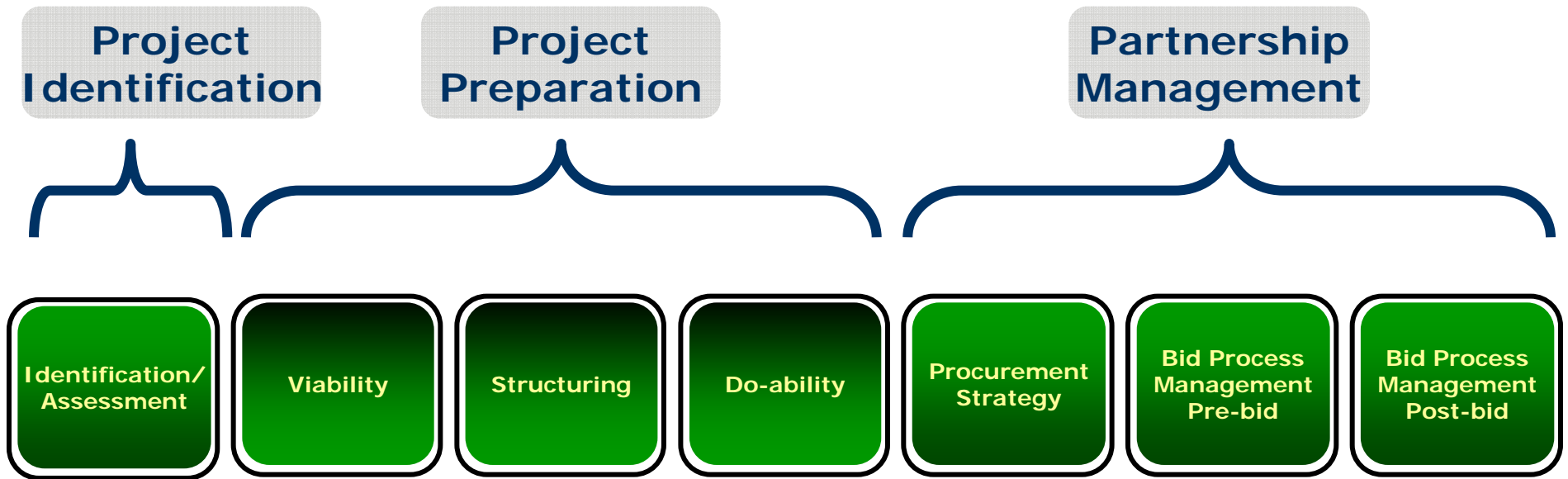
- Private Sector contribution for:
 - Financial investments
 - Best Management practices
 - Efficiency in service delivery
 - Efficient use of capital resources
- Public Sector contribution limited to:
 - Providing institutional commitment to project
 - Project Development & Selection of Developer
 - Viability gap funding (VGF), if any

Background Issues

- Ability to create a 'shelf of projects'?
- Project development requires funds and continuous support
- Strengthening the capabilities of the mandated agency to create experiential learning
- Standardized processes for Viability support for projects not viable on stand alone basis
- Every department has to look beyond their narrow shelves to create this shelf

Debate has shifted from financing of infrastructure projects to creation of a shelf of projects.

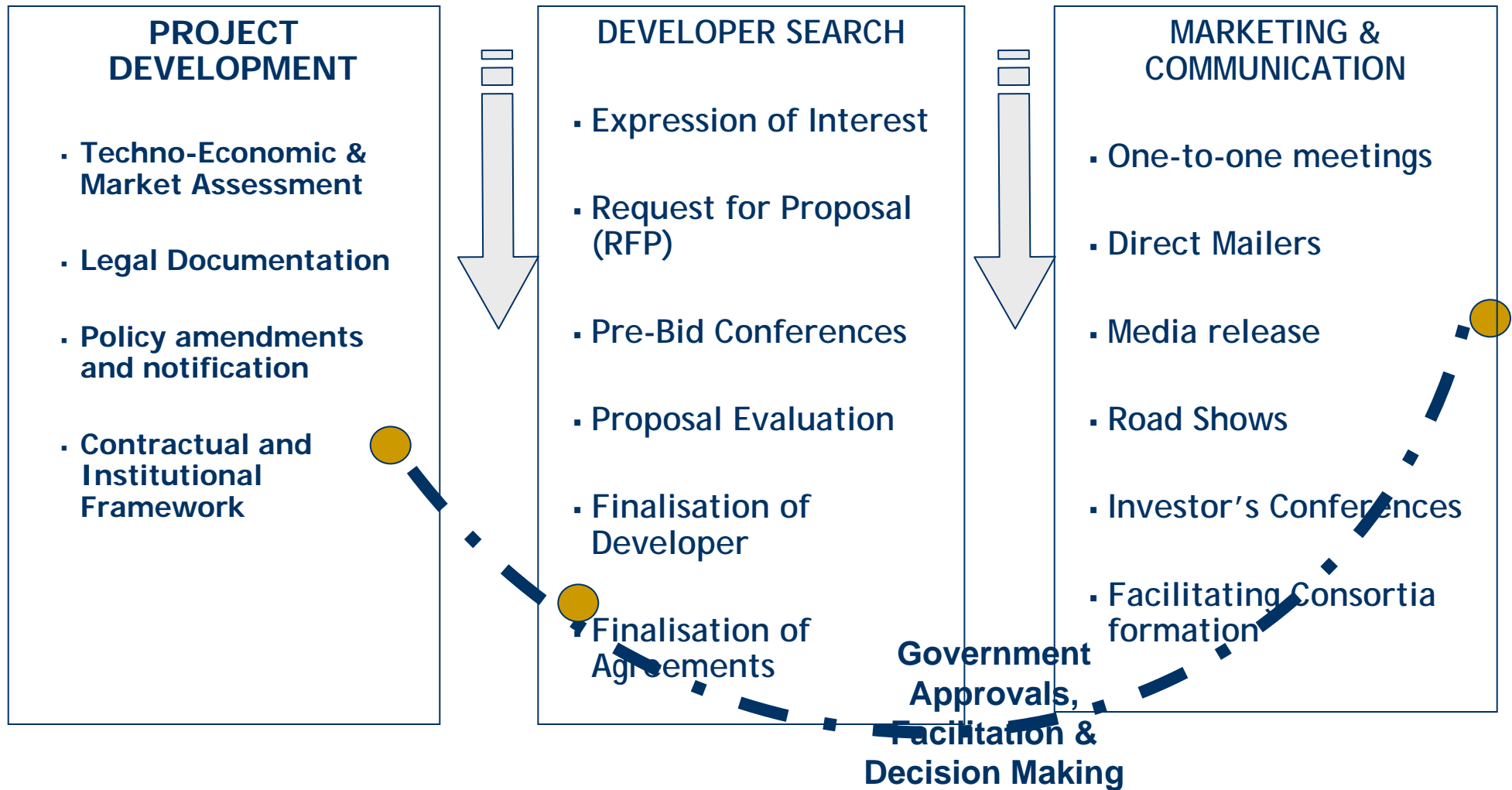
Putting the projects on 'shelf'



- Requires **P**roject **P**reparation & **P**artnership Management
- Incap is the nodal agency mandated to do the above

State need to enhance the involvement of private sector – need a PPP! The challenge is the right model and right process for engagement of private sector!

Project Development Process



Adequate Project Development - for Bankable Projects

- Provide information required to take informed decision, reduce risks and uncertainty
- Level of project development depends on the intrinsic strength and viability of the project
- Technical, environmental, social, financial, legal aspects
- Risk identification and mitigation
- Bankability of project and project documents

Project Development Fund

- Incap plans to set up a dedicated close ended(5 years lock in) project development fund
- Fund would be utilised to meet the costs of project development on a recurring basis and would get success fee from the bid out projects
- Fund would invite participation from willing partners
- Selection of investors into the fund would be based on certain ground rules
- Multilateral and reputed institutions without any conflicting positions in project development would be invited
- Fund would have certain enabling clauses as well as certain ground rules
- Fund would be run on a commercial format and would not offer exclusive pre project/post project rights to partnering institutions

How would the fund be operated!

- The fund would be housed in Incap preferably as a trust fund
- Fund would be managed by the internal core team within Incap
- A joint investment committee that includes the members from the partnering institutions would be a senior/oversight body to guide the fund
- The Development Corpus shall not be “fully” funded, but based on a “draw-down” on the decision of the Joint Investment Committee;
- The “Success Fee” shall be based on a reasonable computed value, and not be some arbitrary and exorbitant percentage of project cost;
- Success Fee shall be ploughed back into the Development Corpus (and not taken out till the expiry of the fund by the members)

Fund Activities

- Development of sector policies and frameworks
- Standard documentation and model documents
- Training & capacity building
- Development of specific 'icon' projects (these would be identified by the Joint Investment Committee)
 - Incap is in the process of empanelling consultants willing to partner in project development activities on service/success fees criterion
 - List of prospective projects also available
 - Exploration into newer ideas/projects on an ongoing basis

IDFC & INCAP

- Infrastructure Development Finance Company Ltd. (IDFC) is a company promoted by the Government of India, in the private sector, and is an institution that specializes in a whole range of advisory and financial services in the domain of developing infrastructure on a public-private partnership (PPP) format.
- To bring in an initial funding of Rs. 2 Crores into the fund, Incap to also bring in the similar amount
- Rest of the modalities to be worked out as per mutual convenience in due course

Infrastructure categories

- **Group A: Rural Infrastructure**
 - Irrigation, rural connectivity (roads, power, IT), cold chains and mandis, drinking water.
- **Group B : Core Infrastructure**
 - Transportation (roads, railways, airports, sea ports, inland waterways); energy (generation, transmission, distribution).
- **Group C : Urban Infrastructure**
 - Water, sanitation, sewerage, LRT/MRT/ MTS, city-energy distribution, terminals and logistics parks.
- **Group D : Land- Intensive**
 - SEZs, industrial parks, new townships, industrial cluster development, IT parks.
- **Group E : Social Infrastructure**
 - Healthcare, education, leisure and entertainment, retail, tourism, housing, exhibition and convention centres, hospitality.

Prospective Projects

- Development of ITIs
- Development of National and State Highways
- Commodity Exchanges
- Telecom Towers
- Regional Airports
- Health Infrastructure
- Urban Water and Sewerage Upgradation in select municipal areas
- Solid Waste & landfill Management
- Ancillary Urban Infrastructure & Street Furniture Project
- Provision of Urban Amenities in rural areas