



Accelerating Infrastructure Investment Facility in India (Tranche 3) (RRP IND 47083-004)
Appendix 11

Technical Assistance Report

Project Number: 47083-004
Transaction Technical Assistance (TRTA)
October 2018

India: Expanding Infrastructure Financing Capacity

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 1 October 2018)

Currency unit	–	Indian rupee (₹)
₹1.00	=	\$0.0138
\$1.00	=	₹72.540

ABBREVIATIONS

ADB	–	Asian Development Bank
IIFCL	–	India Infrastructure Finance Company Limited
MFF	–	multitranche financing facility

NOTES

- (i) The fiscal year (FY) of the Government of India and its agencies ends on 31 March. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2017 ends on 31 March 2017.
- (ii) In this report, “\$” refers to United States dollars unless otherwise stated.

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I. THE PROPOSED PROJECT

1. The Accelerating Infrastructure Investment Facility in India (AIIFI) is a \$700 million multitranche financing facility (MFF) that was approved in October 2013 with the India Infrastructure Finance Company Limited (IIFCL) as both the executing and implementing agency. The MFF supports the Government of India in promoting infrastructure growth through increased private sector investment in public-private partnerships (PPPs). The facility's impact is facilitated private sector investment in infrastructure PPPs and its outputs include enhanced availability of long-term finance for PPP subprojects and improved operational capacity of IIFCL.

2. Tranche 3 is the final of two tranches.¹ It is estimated to fund \$300 million in subprojects that IIFCL has sanctioned in its indicative pipeline and is expected to help catalyze the financial closing of \$2.4 billion of investment. At IIFCL's option, the tranche will be disbursed in Indian rupees or United States dollars on such terms and conditions as set forth in the loan agreement. Tranche 3's implementation is expected over 4 years.

II. THE TECHNICAL ASSISTANCE

A. Justification

3. The proposed transaction technical assistance (TRTA) is being processed not only to support IIFCL's implementation of tranche 3 but to help its overall operational capacity. Earlier technical assistance provided to IIFCL focused on safeguards support, such as establishing its own safeguard team and developing a safeguards framework consistent with national standards. This TRTA not only aims to further strengthen IIFCL's safeguards management but will also support improvements in its overall financial management.

4. This TRTA will help address some of the weaknesses noted in the financial management assessment for IIFCL namely: (i) proper management of project-specific risks, (ii) evolving governance and risk management systems in terms of checks on originations and staffing, (iii) developing management information systems, and (iv) underdeveloped financial forecasting capacity. The TRTA will help IIFCL strengthen its operations in: (i) financial management by evaluating and improving IIFCL's risk management framework, strengthening its management information systems, developing multiyear financial projections and updating its credit risk models; and (ii) social and environmental safeguards by training IIFCL staff on best practices in implementing projects with significant safeguard risks (category A) and funding safeguard monitoring reviews of ADB-funded projects. With the increasingly important role of IIFCL in the government's drive for long-term infrastructure financing, not only as a participant but as a lead in lending consortiums, IIFCL will need to substantially ramp up its technical capacity to meet the challenges ahead.

5. The MFF did not originally include an attached technical assistance, so this TRTA is being processed on a standalone basis and is included in the 2018 country operations business plan.²

¹ Tranche 2 was approved in 2015. However, the government thereafter increased the guarantee fee. With this higher guarantee fee, tranche 2 was uneconomical for IIFCL and ADB cancelled tranche 2 in 2016. Because tranche 2 has expired, this tranche is designated as number 3.

² ADB. 2018. [Country Operations Business Plan: India, 2019–2021](#). Manila.

B. Outputs and Activities

6. **Output 1: Financial management.** The TRTA will (i) evaluate IIFCL's risk management framework and help implement recommendations to strengthen it, (ii) certify the material integration of IIFCL's management information systems, (iii) assist IIFCL in the development of multiyear financial projections, and (iv) update its credit risk models.

7. **Output 2: Social and environmental safeguards.** The TRTA will (i) expose IIFCL to best practices in implementing projects with significant safeguard risks (category A) to enable it to play the role of lead lender and (ii) fund independent semiannual safeguard monitoring reviews of ADB-funded subprojects.

C. Cost and Financing

8. The TRTA is estimated to cost \$500,000 which will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-Others). IIFCL will provide (i) counterpart staff remuneration, (ii) office accommodation and supplies, (iii) local transport, (iv) logistical support, and (v) other in-kind contributions. The key expenditure items are listed in Appendix 1. IIFCL was informed that approval of the TRTA does not commit ADB to finance any ensuing project.

D. Implementation Arrangements

9. ADB will delegate administration of the technical assistance to IIFCL which will be the executing agency. A total of 36.7 person-months of consultancy services will be required intermittently. The TRTA is estimated to begin in April 2019 and will be implemented intermittently through December 2022. The implementation arrangements are summarized in the table.

Implementation Arrangements			
Aspects	Arrangements		
Indicative implementation period	April 2019–December 2022		
Executing agency	India Infrastructure Finance Company Limited		
Consultants	To be selected and engaged by ADB		
	Firm: QCBS (financial institution capacity development)	One international and three national experts (6.2 person-months)	\$108,000
	Firm: QCBS (credit risk management)	Two national experts (16.9 person-months)	\$260,000
	Individual: individual selection	One international expert and one national expert (13.7 person-months)	\$132,000
Disbursements	The TRTA resources will be disbursed following ADB's <i>Technical Assistance Disbursement Handbook</i> (2010, as amended from time to time)		

ADB= Asian Development Bank, QCBS = quality- and cost-based selection, TRTA = transaction technical assistance.
Source: Asian Development Bank.

10. **Consulting services.** Two consulting firms will be engaged using the quality- and cost-based selection method with a standard quality cost ratio of 90:10 for the financial institution

capacity development component (one international consultant and three national consultants) and for the credit risk management component (two national consultants). An international and national consultant will be recruited for the overall risk management component. All consultants will be recruited in line with ADB's *Procurement Policy* (2017, as amended from time to time). Lump sum payments and output-based contracts will be considered for consulting services under the TRTA. All disbursements under the TA will be made in accordance with ADB's *Technical Disbursement Handbook* (2010, as amended from time to time).

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
A. Asian Development Bank^a	
1. Consulting firm (financial institution capacity development)	
a. Remuneration and per diem	
i. International consultant	18.8
ii. National consultants	44.4
b. Out-of-pocket expenditures	
i. International and local travel	10.0
ii. Site visits on international best practices for safeguards	29.6
2. Consulting firm (credit risk management)	
a. Remuneration and per diem	
i. National consultants	260.0
3. Individual consultants (risk management)	
a. Remuneration and per diem	
i. International consultant	66.1
ii. National consultant	38.1
b. Out-of-pocket expenditures	
i. International and local travel	21.5
4. Contingencies	11.5
Total	500.0

Note: The transaction technical assistance is estimated to cost \$500,000, of which contributions from the Asian Development Bank are presented in the table above. India Infrastructure Finance Company Limited will provide counterpart support in the form of relevant counterpart staff, office accommodation, office supplies and other in-kind contributions. The value of government contribution is estimated to account for 33% of the total technical assistance cost.

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-Others).

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=47083-004-TARreport>

Terms of Reference for Consultants