Report and Recommendation of the President to the Board of Directors

Project Number: 39915
January 2006

Proposed Equity Investment
IDFC Private Equity Fund II

In accordance with ADB's public communications policy (PCP, 2005), this abbreviated version of the RRP excludes confidential information and ADB's assessment of project or transaction risk as well as other information referred to in paragraph 126 of the PCP.

Asian Development Bank

CURRENCY EQUIVALENTS
(as of 4 January 2006)

Currency Unit	–	Indian rupee/s (Re/Rs)
Rs1.00	=	$0.022
$1.00	=	Rs45.046

ABBREVIATIONS

ADB	–	Asian Development Bank
GDP	–	gross domestic product
GPS	–	Good Practice Standards
IDFC	–	Infrastructure Development Finance Company
IPO	–	initial public offering
IRR	–	internal rate of return
NHDP	–	National Highway Development Program
PSOD	–	Private Sector Operations Department
SEBI	–	Securities and Exchange Board of India

NOTE

In this report, "$" refers to US dollars.

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I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed equity investment in the Infrastructure Development Finance Company (IDFC) Private Equity Fund II (the Fund) in an amount of up to the lesser of $45 million or 25% of the Fund's total share capital.

II. RATIONALE: BACKGROUND, CHALLENGES, AND OPPORTUNITIES

A. Background

2. The Indian economy has improved significantly over the past decade. The economic reforms introduced by the Government in 1991 have liberalized trade and industry, opened several sectors to private investment, and increased the role of market forces. The domestic economy is also better integrated with the global economy through capital and technology flows. The Tenth Five Year Plan (2002–2007) envisages an average gross domestic product (GDP) growth rate of 8%. It also specifies various other objectives aimed at enhancing human welfare.

3. The provision of adequate infrastructure is essential for the achievement of growth targets. A consensus has formed within the development community that there is also a strong link between infrastructure development and poverty reduction. Given the large geographic area and population of India, the future financing requirements for infrastructure development are considerable. The India Infrastructure Report[1] estimated that infrastructure investment requirements equal 7–8% of GDP.

4. The public sector has historically been the main provider of infrastructure in India. The budget for 2005/06 sees large sums of money allocated for infrastructure, including as much as Rs 930 billion for highway construction. The budget also includes the launch of a 4-year plan to improve rural infrastructure. The plan is currently being drawn up, and funding for the plan has yet to be allocated. The Government's fiscal deficit currently stands at approximately 4.8% of GDP and the total public sector debt burden has reached 80% of GDP. This severely limits the ability of the Government to meet the future infrastructure financing requirements, and the focus is shifting toward the private sector. Moving forward, the ability to mobilize private capital will be key to infrastructure development in India.

1. Sector Review

5. Although recent government pronouncements have increasingly emphasized the need to secure investment in major infrastructure projects, real progress has been made only in the telecommunications sector and, more recently, in road construction.[2]

2. Roads

6. India's poor road network has received renewed emphasis in recent years. There are 3 million kilometers of roads, most of which are poorly maintained. National highways cover 65,565 kilometers and carry approximately 40% of total road transport. The ambitious National

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[1] National Council of Applied Economics and Research. 1996. *India Infrastructure Report: Policy Imperatives for Growth and Welfare.* New Delhi.

[2] Main source for the sector review: Economist Intelligence Unit. 2004. *Country Profile: India.* London.

Highway Development Program (NHDP) is upgrading more than 14,000 kilometers of national highways in the Golden Quadrilateral (Delhi, Kolkata, Chennai, and Mumbai) and the North–South and East–West corridors at a total cost of approximately $13 billion–$15 billion. In addition, plans have been developed to continue the expansion of the NHDP in five additional stages to be implemented over 7 years. The total cost of this new series of NHDP is estimated at $40 billion. The Government intends for the private sector to implement and finance 44% of the new program. In addition to the NHDP program, the Government plans to initiate a northeastern state program valued at $2.8 billion, of which the National Highway Authority of India will develop about 10–15% on a build-operate-transfer basis. The remaining 85–90% will be developed by the Border Road Organization under public sector financing mechanisms.

3. Ports

7. India has 13 major ports, seven on the east coast and six on the west. They are managed by the Port Trust of India. An additional 148 minor ports, managed by state governments, account for 18% of total cargo handled. The major ports (encompassing 82% of all cargo) handled 314 million tons (t) of cargo in FY2002/03, compared with a capacity of 363 million tons. India's ports are plagued by inefficiency. Poor port governance and inefficient customs clearing translate into high costs. An identical shipment of textiles to the United States from India costs, on average, 20% more than from Thailand and 35% more than from China. Government initiatives to increase private sector participation include: automatic approval for up to 100% foreign ownership in port and harbor construction projects; establishing a Tariff Authority for Major Ports to determine port charges collected by private providers; and setting up a Maritime States Development Council to help frame an integrated port development policy. The Government has also drawn up plans to promote joint ventures between major Indian ports and minor foreign ports in a bid to attract new technology and improve management practices.

4. Civil Aviation

8. The state-owned domestic carrier, Indian Airlines, has retained a dominant position in air transport despite liberalization of the sector to allow private domestic—but not foreign—operators. Private operators, notably Jet Airways and Sahara, have steadily increased their market share. The state-owned international carrier, Air India, has continued to suffer losses as a result of increased competition and a rising wage bill. Plans to lease out Mumbai, Delhi, Chennai, and Kolkata international airports have been drawn up, and three new international airports will be constructed with private sector participation in Bangalore, Hyderabad, and Goa.

5. Telecommunications

9. India's telecommunications sector has registered rapid growth in recent years, spurred by reforms to introduce greater competition to the sector. However, market penetration is still relatively low. There is an average of one public phone for every 383 people living in India's cities, and 3.8 million of India's 6 million villages currently have a public telephone. Mobile phone services have been liberalized since 1994. The number of mobile subscribers grew from 3.2 million at the end of 2000 to about 10.9 million by the end of 2003. Basic telecommunication services have also been liberalized, but so far private services are being offered in only six states (Andhra Pradesh, Gujarat, Maharashtra, Madhya Pradesh, Rajasthan, and Punjab). The state-owned international call carrier lost its monopoly and was privatized on 1 April 2002. Long-distance services have been open to private competition since January 2000. Rates for long-distance and international calls have fallen, but remain high by international standards. Internet connectivity remains low at six users per 1,000 people, compared with 26 users per 1,000 people in China.

6. Power

10. Although total power generated has continued to increase, reaching 573.2 billion kilowatt hours in FY2001/02, shortages amounted to 6% of total demand, rising to over 12% at peak times. Problems in the power sector include inefficient state electricity boards, high levels of power theft, unsound cross-subsidization policies, and chronic underinvestment. The average cost of power in India exceeds Rs4 per unit. This compares with less than Rs2 in the United States and Rs2.5 in South Korea. India's power sector urgently requires substantial investment. However, after decades of neglect, the public sector lacks the necessary resources, and the private sector is unwilling to fill the gap, deterred by the fact that the main electricity purchasers—the state-owned State Electricity Boards—are bankrupt. Only industry is charged a market rate, while more than 25% of power generated is lost in transmission and distribution, much of it stolen. The central Government has drawn up an agreement with the state administrations whereby State Electricity Boards would charge users market rates for electricity, reserving subsidies for those genuinely in need. In return, the central Government will cover the $5.6 billion that the Sate Electricity Boards owe power generators, through the issue of long-term bonds. In an effort to stimulate further investment in the power sector, proposals for 100% foreign direct investment in electricity generation, transmission, and distribution projects up to around $300 million receive automatic approval. Power transmission has also been opened to the private sector.

7. Coal, Oil, and Gas

11. India's total coal reserves are estimated to be about 200 billion tons, while proven reserves total about 70 billion tons. Coal accounts for 67% of commercial energy supplies, but it is a polluting and inefficient energy source because of its high ash content. Low levels of mining productivity are also a serious problem. In an attempt to promote greater investment, regulation has been reduced and coal mining no longer requires licenses. India is a net importer of oil. In FY1998/99, India produced 64.5 million tons of refined products and consumed 90.6 million tons. Boosted by the start of production at Reliance Industries' 27 million-ton refinery, in FY2001/02 the crude imports deficit of refined products turned into a net export of 3.1 million tons. Over 75% of India's total estimated reserves of 17 billion tons oil equivalent is in the form of natural gas. India has introduced measures to encourage the production of natural gas. With regard to distribution, the price and distribution controls that were introduced at the time of the oil crisis in the 1970s were finally removed on 1 April 2002, and a number of Indian and foreign companies have received licenses to open petrol stations.

8. Tourism Sector

12. A sustained promotional campaign undertaken by the Government has led to a substantial increase in foreign tourists—to more than 3 million arrivals in 2004. Occupancy rates and average room rentals have surged, leading to strong growth for companies in the industry, reflected by the robust performance of hotel companies. A number of companies are expanding capacity to meet the acute shortage of rooms and increase their borrowings, which provides opportunities for equity investors. Tourist inflow is likely to continue to increase with the improvement of airports and road infrastructure across the country.

13. Across all sectors, infrastructure remains inadequate to support sustained high economic growth rates. However, regulations are evolving to support private sector participation and generate more investment opportunities in Indian infrastructure businesses.

B. Challenges and Opportunities

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14. In order to overcome impediments, the Government of India launched the Infrastructure Development Finance Company Ltd. (IDFC) in 1997 to finance private sector infrastructure projects. ADB was an investor in IDFC from its inception. To date, IDFC is effectively a publicly owned company, but it is in the process of increasing its private ownership and has recently listed its shares on the National and Bombay Stock Exchanges. Over the past few years, IDFC has rapidly expanded its rupee-based lending to Indian infrastructure projects and firmly established its position in the Indian market.

15. While local-currency debt capital is now available for infrastructure projects, equity capital is still lacking. Financial institutions and commercial banks conduct due diligence of infrastructure undertakings and assess the technological and commercial viability of the projects. In most situations, the financial institutions and commercial banks insist on a financing mix of debt and equity with a ratio of 70 to 30.

16. There have been many situations in which domestic entrepreneurs in India have been unable to raise their equity contribution for otherwise viable projects. Investments in infrastructure projects have been restrained because of this lack of equity capital.

17. To promote equity investment in infrastructure, the Government has added a new clause—Section 10 (23G)—to the Income Tax Act that provides financial incentives for equity investments in infrastructure undertaken by infrastructure funds and infrastructure capital companies. In addition, the Securities and Exchange Board of India has recognized funds with a clear focus on infrastructure as venture capital funds, and has permitted their registration as such. By registering as venture capital funds, these entities are entitled to certain financial benefits, such as a 10-year tax holiday, and are exempted from obtaining approvals from the Reserve Bank of India and the Foreign Investment Promotion Board. Appendix 1 reviews recent regulatory changes supporting private equity investments in India.

18. To complement the IDFC's provision of debt capital, the Ministry of Finance in 2003 set up the India Development Fund I, an infrastructure equity fund managed by IDFC Private Equity, a 100% subsidiary of IDFC. The India Development Fund I is the predecessor fund of the proposed Fund.

19. The India Development Fund I's shareholders include leading financial institutions in India. In effect, the fund is mostly owned by state-owned companies. One of the purposes of ADB's possible involvement is to support the Fund in mobilizing resources from international investors for the first time.

III. THE PROPOSED FUND

A. Objectives and Description

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20. ADB proposes to make an equity investment in the Fund in an amount of up to the lesser of $45 million or 25% of the Fund's total share capital, including parallel vehicles, if any. ADB will not be the largest investor in the Fund, taking into consideration the commitments to the Indian fund, at any time.

21. The primary objective of the Fund will be to achieve medium-term capital gains by investing in high-growth infrastructure businesses in India, principally through equity or equity-related instruments. The Fund aims to take advantage of the ongoing increase in expenditures in Indian infrastructure by focusing on investments in private companies engaged in developing, constructing, maintaining, or operating infrastructure facilities or services in India. The Fund may also invest in foreign companies that have a significant presence in India and play a substantial role in providing infrastructure facilities or services.

B. Sponsor and Co-investors

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22. The Fund will be managed by IDFC Private Equity Ltd., a wholly owned subsidiary of the Infrastructure Development Finance Company (IDFC), an Indian financial institution set up in 1997, which focuses on financing infrastructure projects in India.

23. The sponsor of the Fund is IDFC, which has extensive expertise in appraising and financing large infrastructure projects.

24. IDFC Private Equity is currently managing India's largest domestic infrastructure fund, the India Development Fund I. The Fund manager has taken a proactive role in sourcing investments and created most of India Development Fund I's transactions.

25. In just 2 years the team has invested most of the Fund and in doing so has created a reputation for smooth execution and competence.

C. Governance Structure

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26. The Indian fund will be managed by IDFC Private Equity Limited, a public limited company incorporated under the Indian Companies Act, 1956. The role of the Fund manager is to (i) identify potential fund investment opportunities, (ii) screen investment proposals based on a thorough appraisal of the feasibility and risks, (iii) supervise and monitor fund investments, (iv) dispose of the shares of companies invested at the time of exit, and (v) undertake all Fund accounting, compliance, and investor reporting. The Fund manager will be contractually bound to carry out its responsibilities in accordance with the Fund's investment policy.

IV. INVESTMENT BENEFITS, IMPACTS, ASSUMPTIONS, AND RISKS

A. Justification

1. Development Impact

27. By providing financing for this transaction, ADB intends to achieve the following development objectives:

(i) Help India meet the infrastructure development requirements that are essential for sustained economic growth.

(ii) Support the Government's strategy of encouraging private sector participation in infrastructure development, given the large investment requirements and the limited amount of public sector financing available. The Fund will help the Government reroute resources from investments in infrastructure to other types of expenditure.

(iii) Mobilize long-term capital in the form of private equity from private sources for infrastructure development.

(iv) Diversify sources of finance available to infrastructure companies by including equity finance, which enables these companies to buy fixed assets to be used as collateral for commercial bank loans, thereby leveraging their expansion.

(v) Demonstrate to the private sector that investment in infrastructure companies in India can be commercially attractive, thus mobilizing investments by building up local private equity investment management capacity in a specialized area.

(vi) Contribute to the development of a well-functioning regulatory and legal environment in India. The Fund will be required to collect consistent information on regulatory problems encountered by the infrastructure businesses in the portfolio encounter. The Fund will report this information on a regular basis to ADB's South Asia Department to support the formulation of a conducive regulatory framework for private infrastructure companies.

2. Value added of ADB

28. ADB involvement adds value to the Fund in the following ways:

(i) **Catalytic and demonstration effect**. Given the significant risks and challenges facing potential investors, ADB will serve a catalytic role in attracting additional local and foreign long-term private investments to India. ADB will demonstrate by its intervention the credibility of infrastructure equity finance in India and mobilize capital to support other private equity funds. This Fund is particularly well positioned to achieve a demonstration effect as ADB is to support the Fund in mobilizing resources from international investors for the first time.

(ii) **Private sector development.** The Fund will make a direct contribution to private sector development in India. The Fund, with a portion of its funding coming from private institutional investors, will employ market-based mechanisms to develop profitable and sustainable private infrastructure companies. ADB's contribution

will help India implement its private sector development strategy by fostering the provision of infrastructure services from private companies.

29. ADB is developing an investment strategy that includes a portfolio approach to its investment fund operations. This strategy stresses the relevance and impact of ADB's private equity investments and describes how ADB intends to tailor ADB's products to the specific requirements of the beneficiary countries.

B. Measuring Development Effectiveness

30. PSOD and Operations Evaluation Department (OED) are in the process of formulating guidelines for implementing good practice standards (GPS) for evaluation of private sector investment operations, which were prepared by the Evaluation Cooperation Group[3] of the multilateral development banks. These GPS cover the roles of the independent evaluation department and the private sector department itself, the evaluation dimensions for private sector operations, the nature of annual reporting, dissemination of reports, and lessons learned. According to the GPS, the three principal dimensions for private sector evaluation are development outcome, investment profitability for the multilateral finance institution, and operational effectiveness. PSOD will measure the expected development outcome of this Fund at the Fund level, the subproject level, and beyond the Fund by monitoring certain performance measures for the duration of the Fund. The performance measures for development outcome are encompassed in three key areas:

(i) **Business performance**. Will assess the extent to which the Fund has reached its objectives in terms of overall profitability and commercial viability of the Fund and subprojects.

(ii) **Economic sustainability**. Will evaluate the Fund's and subprojects' effects on the developing member country's economy and the associated benefits and costs. On one hand, these measures assess the extent to which the Fund improved the allocation of resources and provision of financial services to viable private enterprises. On the other hand, these measures evaluate whether the subprojects directly generated benefits to the local economy.

(iii) **Private sector development**. Addresses the Fund's impact on private sector development beyond the Fund and its immediate stakeholders—i.e., the Fund's contribution to the growth of viable financial institutions and financial markets development.

31. A set of quantitative and qualitative performance measures has been developed to track the development impact of this investment for each key area. These performance measures are provided in Appendix 2.

C. Environmental Protection and Social Safeguard Guidelines

[3] The Evaluation Cooperation Group was established by the multilateral development banks for the purpose of designing common evaluation standards for private sector operations. The Evaluation Cooperation Group's work is ongoing and some aspects of the existing evaluative framework might be subject to change according to best practices.

32. The Fund is classified as category FI.[4] The Project's impact on indigenous peoples has been classified as C (no impact). All companies in which the Fund invests will also comply with ADB's environmental and social safeguard policies, including policies related to involuntary resettlement and indigenous people as well as all environmental laws and regulations in force within the relevant jurisdiction. The Fund will also comply with anti-money laundering and financing of terrorism policies.

33. The implementation of an environmental management system that includes ADB environmental and social safeguards represents an essential value addition by ADB to this private equity fund. Close coordination with ADB will be necessary to ensure that the Fund manager possesses the skills to screen and categorize prospective investments based on environmental and social impacts. The Fund will ensure that at least one of its employees has received environmental training and training in application of ADB's social safeguard policies. The Fund manager will appoint a senior officer to implement and supervise the environmental and social management system and an environmental coordinator to conduct reviews of investee companies with respect to all applicable ADB policies. The Fund has developed and is committed to implementing an environmental management system that is satisfactory to ADB. The environmental management system might be adapted to accommodate bilateral development finance institutions that invest in the Fund, in which case it will be submitted to ADB's Environment and Social Safeguards Division for approval.

V. ASSURANCES

34. ADB will enter into suitable documentation that will indicate ADB's commitment to invest an amount up to the lesser of $45,000,000 or 25% of the Fund's total share capital (including parallel investment vehicles, if any) following approval of the investment by ADB's Board of Directors. ADB will not be the largest investor in the Fund, taking into consideration investments into the Indian fund. ADB will satisfy itself with the terms and conditions of the all principal documents associated with its investment in the Fund.

VI. RECOMMENDATION

35. I am satisfied that the proposed investment in IDFC Private Equity Fund II as described in this report complies with the Articles of Agreement of ADB and recommend that the Board approve the investment of up to the lesser of $45,000,000 or 25% of the Fund's total share capital (including parallel investment vehicles, if any) in IDFC Private Equity Fund II from ADB's ordinary capital resources.

Haruhiko Kuroda
President

10 January 2006

[4] FI stands for financial intermediary.

THE REGULATORY ENVIRONMENT OF THE PRIVATE EQUITY INDUSTRY IN INDIA

1. The Securities and Exchange Board of India (SEBI) issued its Regulations for Venture Capital in 1996, thus establishing the agency's authority over the funds, the limits on their activities, and incentives for them to finance and rescue troubled companies. There are no legal or regulatory differences between venture capital firms and private equity firms. The Government first permitted financial institutions, commercial banks (including foreign banks), and subsidiaries of commercial banks to establish venture capital companies under guidelines issued in 1988. In addition, under current central-bank regulations, banks' investments in mutual funds catering to venture capital funding are considered to be outside the ceilings applicable to banks' investments in corporate equity and debt.[1]

2. India has allowed foreign venture capital funds to operate since 1995. They may either hold shares of unlisted Indian companies directly (up to a maximum of 25% of equity) or route their investments through domestic venture capital funds and companies. Prior to guidelines issued in September 2000, direct exposure by offshore private equity funds in shares of unlisted companies was treated as a foreign direct investment, and approval was needed, in line with the Government's general policy on foreign investments. Indocean Venture Fund (now Indocean Chase), originally set up by George Soros and Chemical Bank, was the first such overseas private equity fund.

3. The regulatory environment for the private equity industry was being simplified during 1995–2000. Foreign institutional investors participated in the growth of the private equity industry through the foreign direct investment regulations of the Government and the simplified tax administration procedures under the Indo–Mauritius Double Taxation Avoidance Treaty. While the foreign direct investment route offered minimum investment restrictions for private equity funds, exit pricing and repatriation of capital were regulated by the Reserve Bank of India. In order to bring these capital flows under regulations of the venture capital industry, new SEBI regulations were issued with simplified exit pricing and repatriation procedures for foreign investors.

4. Following amendments to the 2000 budget, the Government allowed private equity funds "pass-through" status, meaning that no tax is levied on the distributed or undistributed income of the funds. To avoid double taxation, a private equity fund's income is taxed only in the hands of the investor.

5. SEBI was also made the sole regulatory authority, to which private equity funds must submit quarterly reports. In September 2000 SEBI announced the guidelines that currently govern venture capital investment, based on the January 2000 recommendations of the Chandrashekhar committee on venture capital. After another set of amendments in April 2004, the following rules now apply:

(i) Foreign venture capital investors can invest in India without approvals from the Foreign Investment Promotion Board if they register with SEBI.

[1] Dossani, Rafiq, and Martin Kenney. 2002. *Creating an Environment for Venture Capital in India.* World Development 30.2; Economist Intelligence Unit. 2005. *Country Finance. India.* New York; as well as Information collected during due diligence of IDFC Private Equity Fund II.

(ii) The minimum investment by any single investor in a venture fund is Rs500,000, and a fund's minimum corpus must be Rs50 million.

(iii) A fund's maximum investment in one company is 25% of the fund's corpus. The fund cannot invest in associated companies of ventures that it finances.

(iv) A fund must invest 66.67% (lowered from 75% in April 2004) of its investable funds in unlisted equity or equity-linked instruments. The remaining 33.3% can be invested in subscriptions to initial public offerings (IPOs) of companies or in debt instruments of a company in which the venture fund has already made an equity investment.

(v) The April 2004 amendments removed a previous one-year lock-up for IPO subscriptions. They also allowed investments within the 33.3% category in preferential allotments of equity shares of a listed company, subject to a one-year lock-in, and in equity shares or equity-linked instruments of a listed company that is financially weak.

(vi) The removal of a profitability criterion as a listing requirement had an important effect on the private equity industry as it provided an exit mechanism for investors, in particular for technology companies. To replace the profitability requirement, a firm will would be delisted if it did not earn profits within 3 years of listing.

(vii) Acquisition of shares by the investee company or its promoters from a venture fund is exempt from the provisions of the takeover code and will therefore not mandate an open offer.

(viii) Mutual funds may invest 5% of the corpus of an open-ended scheme and 10% of the corpus of a closed-ended scheme in a venture fund.

(ix) In April 2004 the SEBI also removed some previous restrictions, allowing venture funds to invest in real-estate companies, in gold-financing companies, and in equipment-leasing and hire–purchase companies registered with the RBI.

6. These regulations significantly improve the regulatory environment for private equity funds operating in India, such as the Infrastructure Development Finance Company (IDFC) Private Equity Fund II. In addition, they reflect a strong commitment by the Indian Government to support the provision of long-term equity finance to domestic entrepreneurial companies.

PERFORMANCE MEASURES FOR DEVELOPMENT OUTCOMES

1. Business Performance (Fund)

Concept	Impact	Performance Measures (Qualitative and/or Quantitative)
Financial objectives	▪ Overall profitability of the Fund	▪ Gross internal rate of return (database)[a] ▪ Net internal rate of return (database)

2. Economic Sustainability (Fund and Subprojects)

Concept	Impact	Performance Measures (Qualitative and/or Quantitative)
Efficient allocation of finance and/or provision of financial services to economically viable enterprises	▪ Subproject economic performance ▪ Contribution to widening infrastructure companies' access to finance	▪ Annual net profit of subproject (database) ▪ Annual net revenue of subproject (database) ▪ Additional debt raised by subprojects as a result of the equity investments (database)
Additional direct contributions of subprojects to the local economy	▪ Positive externalities of the subprojects in the targeted sectors, such as additional handling volumes in ports, and passengers and cargo transported through airports	▪ Actual capacity utilization of infrastructure company once operations have started (PCR) ▪ Comparison of actual capacity utilization achieved by each infrastructure subproject with capacity utilization originally targeted (PCR)

3. Private Sector Development (Impact Beyond Fund and Subprojects)

Concept	Impact	Performance Measures (Qualitative and/or Quantitative)

Concept	**Impact**	**Performance Measures** (Qualitative and/or Quantitative)
Contribution to the growth of viable financial institutions and financial market development	▪ Induce financial institutions to provide long-term equity to both Indian private equity funds and Indian infrastructure subprojects by demonstrating commercial viability ▪ Resource mobilization through private equity ▪ Growth in financial services in the domestic financial markets[b]	▪ Number of Fund's investment professionals raising a subsequent fund in financial sector of a DMC (PCR) ▪ Fund manager raising a subsequent fund (PCR) ▪ Enhanced future private sector funding for infrastructure subprojects (PCR) ▪ Mobilized domestic finance for investments in infrastructure companies by the Fund (at Fund closing) ▪ Mobilized international finance for investments in infrastructure companies by the Fund (at Fund closing) ▪ Growth in private equity market in the domestic financial sector (PCR) ▪ Increased access to long-term finance (PCR)

ADB = Asian Development Bank, DMC = developing member country, IRR = internal rate of return, PCR = project completion report, SMEs = small and medium enterprises.

[a] Performance measures followed by "(database)" will be monitored regularly in the framework of the Private Sector Operations Department's database for funds. Performance measures followed by "(PCR)" will be measured at the PCR stage.

[b] Growth in financial services in the domestic market will be measured at the level of the whole economy, not at the level of the Fund.

Source: Asian Development Bank, Private Sector Operations Department.