Early Warning System

ADB-48229-003

Innovative Municipal Finance Sector Development Program for India

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Quick Facts

Countries	India
Financial Institutions	Asian Development Bank (ADB)
Status	Proposed
Bank Risk Rating	U
Borrower	Urban infrastructure funds or Specialized infrastructure financing corporations
Sectors	Infrastructure
Investment Type(s)	Loan
Investment Amount (USD)	$ 250.00 million

Project Description

As of June 4, 2024, the project has been removed from the ADB's website.

The objective of the proposed project is to support innovative financing instruments for catalyzing commercial financing to the urban sector. In the context of accessing finance, urban infrastructure funds (UIFs) or specialized infrastructure financing corporations (IFCs), will play a key role in leveraging financing from commercial financiers given the low capacity of ULBs. The market financing will require a commercial due diligence on UIFs and on the quality of underlying assets. This will demonstrate the extent of commercial viability of urban sector projects and the potential for leveraging private sector resources to fill the resources gap. The terms of commercial financing will also provide pricing benchmarks for the wider market and expand the viability of commercial financing instruments (including bond issuances). Accordingly, the proposed project will introduce and expand commercial financing to UIFs in a few Indian states that are pursuing reforms designed to enhance the commercial viability of ULBs.

The impact of the proposed project is improved urban service delivery. The outcome will be enhanced investment in viable urban sector project. This will be achieved through three outputs: (i) improved viability of commercial financing by ULBs, (ii) improved governance of ULBs, and (iii) improved project management and implementation capacity.

PROJECT RATIONALE AND LINKAGE TO COUNTRY/REGIONAL STRATEGY

Urbanization is a key policy and financing challenge in India. As urban infrastructure accelerates inclusive economic growth, supporting urban infrastructure is critical given the Twelfth Five-Year Plan s (FY2012 FY2017) focus on rapid and inclusive growth. Rapid and inclusive growth cannot be achieved in a sustained manner unless Indian cities become livable and competitive. This is especially true given the fact that almost 53 million poor live in the urban areas in FY2011, and the nature of urban poverty poses challenges for housing, water, sanitation, health, education, social security, livelihoods, and the special needs of vulnerable groups such as women, children, and the aging. Thus, effective delivery of public services plays a critical role in the context of human capital formation in urban areas and urban poverty alleviation. The urban local bodies (ULBs) established under the 12th Schedule in 74th constitutional amendment identified urban poverty alleviation as one of the functions of ULBs. Consequently, ULBs will need to continuously upgrade and maintain critical urban infrastructure to accomplish this goal.

The proposed project serves three purposes that are critical to meet urban infrastructure challenges at this juncture. First, the idea that while ULBs may not be able to access pure commercial loans but some of the ULBs could absorb blended commercial loans (semi-commercial) will be promoted and implemented under the project. Second, the proposed project will have an important demonstration effect to facilitate commercial financing of urban infrastructure (paradigm shift). Finally, the project will promote a culture of proactive urbanization as against reactive urbanization promoted by JnNURM. Finally, a key design element will be to focus resources on those ULBs that are directly responsible and empowered to undertake asset creation and service delivery.

IMPACT

Improved urban service delivery in the participating states

OUTCOME

Enhanced public and private investments in urban sector projects in participating states

CONSULTING SERVICES

A 3-month staff consultancy is proposed in parallel with the processing of the proposed project. The objective of the staff consultancy would be to (i) identify the menu of reforms, including reforms to mobilize additional revenues, that the

Investment Description

- Asian Development Bank (ADB)

Loan: Innovative Municipal Finance Sector Development Program for India
Ordinary capital resources US$ 150.00 million
Ordinary capital resources US$ 100.00 million

Private Actors Description

Borrowers will be undisclosed "Urban infrastructure funds or Specialized infrastructure financing corporations", according to the ADB.

Contact Information

ACCOUNTABILITY MECHANISM OF ADB

The Accountability Mechanism is an independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an Asian Development Bank-financed project. If you submit a complaint to the Accountability Mechanism, they may investigate to assess whether the Asian Development Bank is following its own policies and procedures for preventing harm to people or the environment. You can learn more about the Accountability Mechanism and how to file a complaint at: http://www.adb.org/site/accountability-mechanism/main

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Bank Documents

- Innovative Municipal Financing Facility for India [Original Source]
- Project Disclosure PDF