COMMERCIAL FINANCE FOR INDIAN CITIES
India: Poor Urban Service Provision and Low Investments

Water and Wastewater Utilities

- % of population served by water utilities
- % of population served by wastewater utilities

Source: GWI

Urban Transportation

- Share of public transportation (As a % of mass public transit)
- Vehicular congestion (Peak vehicles per lane kilometer)

Large External Investments Required to Improve Urban Service Level

- Investment needs of urban local bodies (ULBs) are enormous and growing with increasing urbanization pressure:
  - HIPEC Estimate (2011): INR 39.2 trillion (USD 600 billion)
- In 2007 – 2008, cities spent only INR 180 billion (US$2.75 billion), of which, only 3% were borrowings
Key Action Points for Municipalities to Improve Service

➢ Municipal capacity building
  – Capacity to conceptualize, design and implement projects
  – Capacity to identify and procure commercial financing

➢ Use of Private-Public Partnership (PPP) to attract private capital and skills to the urban sector

➢ Use commercial financing to leverage budgetary resources
Main Sources of Commercial Financing for the urban sector

➢ Market Based Financing

  – Municipal bonds without a state government guarantee (Indian ULBs have raised a cumulative total of US $230 million through issuing municipal bonds)
  – Loans from Indian commercial banks and Multilateral institutions

➢ Land-Based Financing

  – Several land based financing methods like higher Floor Space Index (FSI), Transfer of Development Rights (TDR), Impact Fee, Area Linked Development Charge, External Development Charge, Betterment Levy, etc. have been used as tools for financing urban development in India

➢ Public-Private Partnership
Considerations for Municipalities in raising Commercial Financing

➢ Creditworthiness
  – To be discussed further in the creditworthiness presentation

➢ Municipal capability to conceptualize, design and implement projects efficiently

➢ Capacity of municipality’s finance department to identify, negotiate and procure commercial financing

➢ Timely availability of the municipality’s financial accounts

➢ Municipality’s track record in raising and servicing commercial debt

➢ Market reputation of the Municipality
A Decade of IFC Urban Engagement

$10B invested

300 urban projects

60+ countries
IFC’s Urban Engagement: Products and Sectors Supported

Products

➢ Loans
➢ Guarantees
➢ Credit enhancement of bonds
➢ Mobilization of third party resources
➢ Resilient infrastructure grants

Sectors Supported

- Municipal - Other: 41%
- Subnational - Water & Wastewater: 13%
- Transport: 46%

Total Investment (2008-Current): $1.6 Bn

Municipal-Other includes projects for:
- Hospitals, Clinics, Laboratories & Other
- Integrated utilities
- Education
- Other municipal general capex
How IFC Works with Cities

Access to Finance:
Bond Issuances
IFC Support for Bond Issuance

➢ City of Johannesburg, South Africa
  - IFC provided a US$ 30 million equivalent partial credit guaranty, which boosted the city’s credit rating and helped extend tenor of its $150 million bond from 9 to 12 years

➢ City of Ekurhuleni, South Africa
  - Direct purchase of US $50 million (equivalent in South African rand) in local currency bonds issued by CoE
  - IFC’s involvement in the project is expected to encourage a wider spectrum of international investors to provide long-term financing to municipalities and cities in South Africa
How IFC Works with Cities

Access to Finance:
Mobilization of Commercial Finance
Bus system upgrade

Recaudo Bogotá S.A.S Concessionaire

peso linked loan $55m IFC + $121m mobilization

Bogota Colombia
Metro line

€50m loan + €60m mobilization

Istanbul, Turkey
How IFC Works with Cities

Long-term Partnership
IZMIR AND IFC

A DECADE LONG PARTNERSHIP

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<td>Sea Transport</td>
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<td>Astra Dorms</td>
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<td>$20 million</td>
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**Project Details**

- **Port Expansion**: $20 million
- **TMS & new ambulances**: $59 million
- **15 new ferry boats**: $68 million
- **Treatment plant expansion**: $36 million
- **New dormitory rooms**: $10 million
- **New tramway lines**: $167 million
- **85 new metro cars**: $58 million
- **Waste-to-fertilizer**: $70 million
- **E&S impact of sewers**: NA
- **Support of waste project**: NA
- **New sewerage lines**: $12 million
- **Analysis of electric buses**: NA
- **Network & treatment plants**: NA

*Expected in 2017*
Custom financing and advisory solutions for creditworthy municipalities (examples)

**Creditworthiness**
- Municipal creditworthiness academy

**Technology & innovation**
- Intelligent traffic lights | Bogotá
- Waste-to-fertilizer | Izmir

**Core financial products**
- Loans
- Enhancement of bond issuances
- Guarantees
- Mobilization of 3rd party resources
- Resilient infrastructure grants

**Community**
- Mitigation plan for displaced workers in BRT concession | Cartagena

**Private Sector**
- PPP advisory for street lighting | Rajasthan
- Workshops on financing models | Cape Town

**Environment & Efficiency**
- Market & technology analysis on electric busses | Izmir
- Green building certification program | India
- Non-revenue water audit & investment feasibility | Lima