

Document of
The World Bank
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Report No. P-6830-IN

MEMORANDUM AND RECOMMENDATION
OF THE
PRESIDENT OF THE
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
AND THE
INTERNATIONAL DEVELOPMENT ASSOCIATION
TO THE
EXECUTIVE DIRECTORS
ON A
PROPOSED LOAN
IN AN AMOUNT EQUIVALENT TO US \$200 MILLION
TO INFRASTRUCTURE LEASING AND FINANCE SERVICES
AND A
PROPOSED CREDIT OF SDR3.4 MILLION
TO
INDIA
FOR A
PRIVATE INFRASTRUCTURE FINANCE (IL&FS) PROJECT

MARCH 7, 1996

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CURRENCY EQUIVALENTS

(As of February 1996)

Currency Unit = India Rupees (Rs)

Rs 1.00 = US\$0.03

US\$1.00 = Rs 35.0

Guarantor's and Borrower's Financial Year

April 1 - March 31

MEASURES AND EQUIVALENTS

Metric		British/US System
1 meter (m)	=	3.281 feet
1 square meter (m ²)	=	10.764 square feet
1 cubic meter (m ³)	=	35.315 cubic feet
1 kilometer (km)	=	0.621 mile
1 metric ton	=	2,205 pounds
1 tkm	=	ton-kilometer (0.621 ton-mile)
1 pkm	=	passenger-kilometer (0.621 passenger-mile)

ACRONYMS AND ABBREVIATIONS

BOT	=	Build, operate and transfer	IL&FS	=	Infrastructure Leasing and Financial Services Limited
CAS	=	Country assistance strategy	LIBOR	=	London interbank offered rate
CBI	=	Central Bank of India	MOST	=	Ministry of Surface Transport
ERR	=	Economic rate of return	NBFC	=	Non-banking financial company
FYB	=	First-year benefits	OD	=	Operational directive
GOI	=	Government of India	R&R	=	Resettlement and rehabilitation
HDFC	=	Housing Development Finance Corporation	RBI	=	Reserve Bank of India
IFC	=	International Finance Corporation	SPV	=	Special purpose vehicle
IFP	=	Infrastructure financing project	UTI	=	Unit Trust of India

INDIA

PRIVATE INFRASTRUCTURE FINANCE (IL&FS) PROJECT

LOAN AND PROJECT SUMMARY

Borrowers:	- India, acting by its President (for the IDA credit) - Infrastructure Leasing and Financial Services Limited (IL&FS) (for the IBRD loan)
Guarantor:	India, acting by its President (for the loan to IL&FS)
Beneficiaries:	Public sector agencies; special purpose entities established for the construction and operation of commercial infrastructure projects
Poverty:	Not applicable
Amounts:	- SDR3.4 million (US\$5 million equivalent) (for the credit to India) - US\$200 million (for the loan to IL&FS)
Terms:	- For the credit to India: repayment over 35 years. - For the loan to IL&FS: repayment over a 20-year period, including 5 years of grace. Standard interest rate for LIBOR-based single currency loans.
Commitment fee:	- For the credit to India: 0.50% on undisbursed balances, beginning 60 days after signing, less any waiver. - For the loan to IL&FS: 0.75% on undisbursed loan balances, beginning 60 days after signing, less any waiver.
Onlending terms:	Proceeds of the Bank loan will be onlent either (i) in rupees at a market-determined rate. In this case, IL&FS will bear the foreign exchange risk; or (ii) in US dollars at a variable market-determined rate. The tenor of the subloans will vary between 17 and 20 years. Proceeds of the IDA credit will be onlent on the standard terms and conditions for central assistance to the states applicable at the time.
Financing plan:	See Schedule A.

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Net Present Value: Not applicable

Staff Appraisal Report: No. 15364-IN

**MEMORANDUM AND RECOMMENDATION OF THE PRESIDENT
OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION
TO THE EXECUTIVE DIRECTORS
ON A PROPOSED LOAN
TO INFRASTRUCTURE LEASING AND FINANCIAL SERVICES LIMITED
AND A PROPOSED CREDIT TO INDIA
FOR A PRIVATE INFRASTRUCTURE FINANCE (IL&FS) PROJECT**

1. I submit for your approval the following memorandum and recommendation on a proposed loan of US\$200 million to Infrastructure Leasing and Financial Services Limited (IL&FS) with the guarantee of India, and a credit of SDR3.4 million to India, the equivalent of US\$5 million, to help finance a Private Infrastructure Finance (IL&FS) Project. The loan would be at the Bank's standard LIBOR-based interest rate for US\$ single currency loans, with a maturity of 20 years, including 5 years of grace. The Government of India (GOI) would charge a guarantee fee of not less than 1.2% per annum on the outstanding amount of the Bank loan, a level considered appropriate considering the pioneering role IL&FS is expected to play in establishing a track record for India in the area of private investment in infrastructure. The proceeds of the loan would be onlent to subborrowers for a maximum period of 20 years, including a maximum grace period of 5 years, at a market-determined rate. The credit will be on standard IDA terms, with a maturity of 35 years. The proceeds will be onlent on the standard terms and conditions for central assistance to the states applicable at the time.

Private investment in infrastructure

2. The expansion and efficient use of infrastructure is fast becoming one of India's key development issues. Of grave concern today is the risk that poor infrastructure will undermine severely India's ability to achieve its medium- and long-term objectives of higher and sustainable economic growth. At the root of the problem is a severe absorptive capacity and implementation constraint which, combined with a financial constraint, has led to chronic underinvestment in the sector and a less than optimal use of the funds actually made available. Addressing the situation requires, above all, a redefinition of the role of the public sector in the provision of infrastructure and the establishment of an appropriate legal, regulatory and administrative framework for private investment so that the latter can assume a dynamic role in a domain up to now dominated by the public sector. The impetus for change will have to come primarily from the central and state governments. A number of steps and policy announcements have already been made in that direction. The removal of formal barriers to private investment must now be followed by the establishment of policy and institutional frameworks fully supportive of such investment.

3. The lack of finance on terms commensurate with the typical long gestation and revenue-earning capacity of infrastructure projects is also slowing down the pace of private investment in the sector. The development of a domestic long-term debt market will require a number of significant policy reforms in the financial sector, particularly as regards regulations applicable to contractual savings institutions. While such reform program is being formulated and until its key

elements are implemented so that a well-functioning domestic long-term debt market can emerge, domestic financial institutions will have to play a major role in supporting private investment in infrastructure. Among these, Infrastructure Leasing and Financial Services Limited (IL&FS) stands out as it has been, since its inception in 1988, at the forefront of the promotion of private investment in infrastructure. One of India's top five non-banking financial companies, IL&FS is a 51% privately-owned finance company with strong ties to the public sector, a highly competent and innovative staff, and a high-quality Board. Now that it has built up its balance sheet to a comfortable size, it is embarking on a major move into infrastructure. Although its record to date in this area is limited to the successful implementation of a small toll road in Madhya Pradesh, the company is emerging as the leader in developing the concept for commercializing infrastructure projects, the associated legal framework as well as financing alternatives. In the process, IL&FS has displayed an exceptional understanding of the synergy required between public and private interests for successful infrastructure development. As a result of its initial success and the general liberalization trend of the Indian economy, it is faced now with the need to raise long-term finance to support its pipeline of projects.

Objectives

4. The Project aims to develop prototype contractual arrangements for private investment in IL&FS's areas of involvement (urban bypasses and bridges, water supply and sewerage, effluent treatment, and other municipal infrastructure), thereby facilitating entry of the private sector on a much larger scale in areas heretofore dominated by the public sector. In the process, it would build up India's capacity to attract private investment in infrastructure, pilot-test institutional and contractual arrangements in a variety of subprojects under various administrative and political conditions, and help establish a track record as a prerequisite for large scale private investment in the sector. The Project would also meet the pressing needs of commercial infrastructure project entities for long-term rupee financing, pending the implementation of financial sector reforms for the development of a domestic long-term debt market, currently under preparation. Equally important, it would foster efficiency in the delivery and use of selected infrastructure services, encourage the establishment of more efficient practices in the construction and operation of infrastructure projects, and assist in alleviating the severe financial and institutional constraints to the expansion of infrastructure in India.

Description

5. The Project will assist IL&FS in financing infrastructure subprojects to be implemented on a build-operate-and-transfer (BOT) basis (or a variation thereof) and expected to be started within the next three years. It consists of three interrelated components:

- ◆ an *investment component* in the form of a line of credit to IL&FS, the proceeds of which will be used to provide long-term finance to special purpose entities established for the construction and operation of commercial infrastructure projects in IL&FS's pipeline;

- ◆ a *subproject preparation component* to cover specialized consultancy services to advise public authorities granting the subproject concessions or to assist project developers in preparing their subprojects; and
- ◆ a *training and technical assistance component* to cover (i) IL&FS's staff development for its Projects staff, (ii) specific studies that IL&FS is undertaking to facilitate the evaluation and implementation of commercial infrastructure projects (e.g., legal and regulatory framework applicable to BOT projects in sectors of IL&FS's interest, innovative financing for environmental infrastructure in medium-sized cities and townships, traffic forecasting, willingness to pay and fixation of user charges for water supply and road projects).

Implementation

6. The Project will be implemented by IL&FS, acting as equity investor and lender to the special purpose entities. IL&FS has designed a comprehensive system of steps and procedures to be followed by its staff for appraising subprojects and evaluating subloan applications. The resulting project cycle is an elaborate and well-thought out project evaluation system. Because of the size, relative complexity and novelty of the subprojects which the loan will finance, all subproject appraisal activities will be carried out in close consultation with the Bank. For the first two subprojects in each sector category, there would be close interaction with the Bank as appraisal of infrastructure projects is still an area where the company has least experience and where the Bank can contribute most. In particular, the full documentation on the contractual framework for the subprojects (e.g., concession agreement, construction contract, O&M contract, lenders' agreement, shareholders' agreement) will be reviewed in detail by the Bank for their risk mitigation aspects. This is critical as IL&FS is breaking new grounds in India and is thereby setting precedents that may potentially become government policies. For all subprojects, IL&FS will prepare a detailed subproject evaluation report.

7. The aggregate cost of the subprojects in the pipeline is estimated at about US\$1.6 billion, with a foreign exchange component of about US\$686 million. These figures are indicative and provide an order of magnitude of the investments envisaged. The subprojects would be developed with a mix of financing comprising: equity from project sponsors and other partners such as institutional investors (through specialty equity funds), debt financing from contractors or suppliers, term financing from other domestic financial institutions and the domestic markets (e.g., through the offering of "toll bonds"), and long-term financing from multilateral agencies such as the Bank loan. In the aggregate, it is estimated that the Bank loan will finance about 30% of the foreign exchange cost. The IDA credit will finance consultancy services and associated computer hardware and software to be procured by public authorities for the negotiation of concession agreements. A breakdown of project costs and the financing plan are shown in Schedule A. Amounts and methods of procurement and of disbursements are shown in Schedule B. A timetable of key project processing events and the status of Bank Group operations in India are presented in Schedules C and D. The Staff Appraisal Report, No. 15364-IN, dated March 8, 1996, is being distributed separately.

8. Bringing the subprojects to financial closure will require a mix of project development expertise and relatively novel and complex financial engineering. IL&FS is expected to play a key catalytic role in the process. Comfort can be taken from its established position as the only specialized infrastructure finance institution in India, its proven record of success in investment banking and financial services, and the strategic alliances it has established with foreign institutional investors. For all subprojects in its pipeline, IL&FS is also laying great emphasis on aligning the interests of the major stakeholders and the local governments in the success of the projects.

9. The proposed loan would be an open line of credit for infrastructure projects. It would not preclude investments in any particular subsector to take account of the composite nature of some of the subprojects (e.g., integrated area development). However, the eligibility criteria applicable to the subprojects emphasize priority to certain sectors and replicability. Proceeds of the proposed loan would be onlent to the project entities, mainly in the form of rupee term loans with maturities matching that of the original loan to IL&FS as closely as possible. In most cases therefore, IL&FS will bear the foreign exchange risk. It will hedge the currency risk by swapping the proceeds of the Bank loan into back-to-back rupee-denominated loans with the same repayment structures as the Bank loan. To enable IL&FS to arrange these swap transactions in a cost-effective manner, a Special Account, with an authorized allocation of US\$25 million, will be established by IL&FS in a commercial bank. The amounts deposited in the Special Account will be used exclusively for executing swap transactions, and the rupees obtained will be deposited in a Swap Account from which withdrawals will be made to finance eligible expenditures under subloans.

Sustainability

10. The Project will support the implementation of commercial infrastructure projects which IL&FS is carefully screening for their financial, economic, technical, environmental and social merits. IL&FS has set as its own eligibility criterion a minimum real financial rate of return of 14% which it considers to be the minimum for attracting private finance. The projects are structured to generate sufficient revenues to recover capital as well as operating and maintenance costs through the duration of the concessions. Particular attention is given by IL&FS to establishing an appropriate institutional framework for the implementation of the projects, through a pro-active dialogue with GOI on regulatory and legal issues and by establishing public/private partnerships with state governments and their agencies. IL&FS has developed an Operating Framework which inter alia sets out a risk management framework and related policies as well as the company's guidelines and framework of operations. To ensure that IL&FS's expanded involvement in infrastructure is sustainable in the long run, the Operating Framework will be strengthened to include a clear set of prudential guidelines for IL&FS, with particular emphasis on the management of the risks associated with its infrastructure business, and specific terms and conditions for onlending to infrastructure projects. To ensure that the subprojects supported under the Project are the result of a fair and responsible contracting and negotiating process, a small technical assistance component, financed under the IDA credit, has been included and will be specifically geared to support public contracting parties

Lessons from previous Bank involvement

11. The Bank has successfully funded numerous operations through financial institutions for India's industrial, agricultural and housing sectors. More recently, the Bank has agreed to finance the implementation of fundamental reforms and the modernization of the banking sector. In the context of the preparation of the 1996 Country Economic Memorandum and of the proposed Infrastructure Financing Project (FY98), further discussions are taking place to foster the development of a long-term debt market in India. This will be the first Bank operation with IL&FS. IFC has made an equity investment and two lines of credit to IL&FS, representing a total investment of US\$45 million and the largest total exposure to a single company in the Asia Capital Markets's portfolio. IFC recently prepared a draft Investment Assessment Report in which it stresses the need for both IFC and IBRD to carefully monitor the development of IL&FS's infrastructure business and the extent to which it modifies the risk profile of what is currently a very prudently managed enterprise.

Rationale for Bank involvement

12. IL&FS has made an impressive start in positioning itself as the leading player in the field of infrastructure financing and has broken new grounds in demonstrating the commercial viability of infrastructure projects in India. Its growth in the infrastructure business is now limited by the availability of long-term finance. In the absence of a well-functioning long-term debt market in India, IL&FS has no other option but tap foreign sources for long-term funds. IFC is not in a position to provide additional funds with the maturities and on the substantially-increased scale that is now being sought by the company. IL&FS is therefore looking to the Bank not only as a major provider of much needed long-term funds, but also as a source of technical expertise. As an innovative and sophisticated finance company already active in the private infrastructure market, IL&FS is the ideal conduit for channeling the Bank's efforts to build up India's capacity to attract private investment in infrastructure, thus making the Project fully consistent with the Country Assistance Strategy discussed by the Executive Directors on June 20, 1995.

Agreements reached

13. Agreement has been reached with IL&FS that:
- (i) it will provide to the Bank, on a timely basis, all important documents and information submitted to the Board for its consideration;
 - (ii) it will implement a comprehensive cost accounting system by product line to be fully operational by March 31, 1997;
 - (iii) it will submit its annual audited accounts to the Bank by June 30 of each year;

- (iv) any material modification to the existing regulatory framework applicable to IL&FS, that adversely affects the operations of the company, will be an event of default under the loan;
- (v) it will continue to conduct its operations in accordance with the principles and procedures enunciated in its Operating Framework, as suitably revised, and that any material modification to the Operating Framework, without prior approval of the Bank, will be an event of default under the loan;
- (vi) it will maintain at all times a debt service coverage ratio of not less than 1.25;
- (vii) it will maintain at all times a debt to equity ratio of not more than 6:1;
- (viii) it will apply eligibility criteria, acceptable to the Bank, to all subprojects to be financed under the loan;
- (ix) it will onlend the proceeds of the loan on terms and conditions acceptable to the Bank;
- (x) it will use the amounts deposited in the Special Account exclusively for executing swap transactions, on terms and conditions acceptable to the Bank, and it will deposit the rupees obtained thereby in a Swap Account, payments out of which will be used exclusively for eligible expenditures under the Project; and
- (xi) it will follow a methodology acceptable to the Bank for the economic analysis of subprojects.

14. Agreement has been reached with GOI that it will guarantee the proposed loan to IL&FS under terms and conditions satisfactory to the Bank, including the levy of a guarantee fee of not less than 1.2% on amounts outstanding and disbursed.

15. Agreement has been reached with GOI and IL&FS that annual management reviews of the Project will be carried out by April 30 of each year and that a mid-term review of the Project will be carried out no later than April 30, 1998.

16. Conditions of effectiveness of the loan to IL&FS will be that:

- (i) IL&FS's Operating Framework has been revised to (a) set definite investment exposure limits instead of guidelines, (b) limit to one third of its total credit exposure, IL&FS's credit exposure to infrastructure projects, as suitably defined, (c) limit to 30% of the company's net worth its aggregate investments in affiliates, as suitably defined, and (d) treat as equity all expenditures incurred by IL&FS on infrastructure projects prior to their financial closure;

- (ii) GOI and IL&FS have entered into an indemnity agreement on terms and conditions satisfactory to the Bank; and
- (iii) the security arrangements for the loan have been completed by IL&FS, including the placement of the loan under the mortgage shared equally with other lenders and the execution of the intercreditor agreement.

17. A condition of effectiveness of the development credit will be that the loan to IL&FS has been made effective.

18. Conditions of disbursement for the investment component of the loan to IL&FS will be, with respect to all subprojects, that the Bank will have reviewed and approved each subproject and that all contracts associated with the implementation of the subproject will have been executed.

Environmental and social aspects

19. IL&FS, with assistance from an NGO, has prepared an Environmental and Social Report (ESR). The ESR: (a) states the company's environmental and social goals; (b) provides the contextual setting for the environmental and social assessment process; (c) identifies the major issues in the priority sectors; (d) details the environmental assessment and social assessment (EA/SA) process that IL&FS will follow when appraising subprojects; (e) outlines methods to moderate risks and liabilities due to environmental and social factors; (f) specifies the organizational arrangements in IL&FS to manage the environmental and social assessment process; and (g) spells out the staff development plan. Relevant regulations, guidelines (including the Bank's relevant operational directives), checklists and protocols are provided as an attachment to the report. The Bank "field-tested" the ESR approach in the context of one subproject and met with various government officials and NGOs to assess their concurrence with the approach proposed in the ESR.

20. In the process of preparing the document, IL&FS's management has demonstrated a strong commitment to implement the ESR and taken a proactive stand for tackling environmental and social issues. IL&FS clearly sees the EA/SA process as an integral part of its risk management framework: specific environmental and social risks are identified upfront and mitigation measures fully integrated into the project design, thereby reducing the risks of delays during construction and operation that could threaten the project's financial viability. It also enables IL&FS to screen projects and avoid financing investments for which, for example, land acquisition may result in costly resettlement and rehabilitation (R&R). IL&FS has brought a few innovative features into the environmental and social assessment process, such as the establishment of neighborhood committees or the preparation of annual environmental and social audits for the company. It has set an example of best practice.

Economic analysis

21. The economic analysis of the Project will be carried out at the subproject level, on an

investment-by-investment basis. Each subproject will be subject to both a detailed financial analysis and a conventional economic evaluation by IL&FS, assisted, as necessary, by specialized consultants. The eligibility criteria which each subproject will need to comply with include a minimum economic internal rate of return of 12%. The Bank agreed with IL&FS a methodology to be followed for investments in each sector, including : (i) a clear articulation of the underlying rationale for the choice of each subproject, (ii) the consistency of the subproject within future sectoral development plans, including poverty alleviation and growth strategies, (iii) the identification of the expected beneficiary groups, (iv) the valuation of economic benefits and costs using appropriate shadow prices, (v) the identification of the risks of the subproject and the associated mitigation measures, (vi) the calculation of the economic internal rate of return (ERR), (viii) the test of first-year benefits (FYB) to check appropriate timing of the investment, and (ix) the use of incremental analysis in the context of a phased project. These aspects will be fully documented in the subproject evaluation report which IL&FS will submit to the Bank for the review and approval of each subloan.

Benefits

22. At the subproject level, the Project will achieve the benefits normally attributed to specific infrastructure projects; these will be clearly identified and measured on a case-by-case basis in the economic evaluation of individual subprojects. At the macroeconomic level, the Project should be seen as a precursor for greater involvement of domestic financial institutions and the capital markets in the infrastructure sector. It will enable IL&FS to promote commercially-viable infrastructure projects on a much wider scale than heretofore. By giving such investments a clear commercial orientation, the concept adopted by IL&FS for their implementation is expected to induce better cost recovery, faster construction, the application of improved maintenance policies, the introduction of technological improvements, better utilization of the infrastructure capacity, and better interaction between users and providers of services. The project will also provide the company with the appropriate institution-building and technical assistance support required to develop it into a successful infrastructure company. IL&FS will thus have become a rare institution in the developing world, achieving what it does as a purely indigenous enterprise.

Risks

23. The pioneering of commercial infrastructure projects in India in itself constitutes a major risk, particularly in the absence of a well-established administrative, legal and regulatory regime. To mitigate this risk, IL&FS is using great care in selecting (“cherry-picking”) only those projects which it considers commercially viable, in establishing close partnerships with local authorities and other stakeholders, and spending significant resources in developing appropriate contractual frameworks (e.g., concession agreements) for these projects. BOT-type infrastructure projects are still very new to IL&FS and raise credit risk issues quite different from the more traditional corporate finance and investment banking business in which IL&FS has so far excelled. IL&FS is building up a core team of professional staff and has agreed to build into its appraisal process a greater degree of reliance on outside consultants to complement its own resources. Systems are being put in place to ensure careful and comprehensive appraisal of

projects which will be reinforced by a close interaction with the Bank. Another risk stems from IL&FS's involvement in a number of large and relatively complex projects, leading to a rapid and considerable expansion of its infrastructure operations. While it has followed until now prudent management practices, it is crucial that it maintains a proper balance between growth and sound investments. The financial covenants proposed for this project, including the prudential guidelines being developed in consultation with IFC, should provide adequate safeguards. The risk of too rapid a growth is however counterbalanced by the possibility that IL&FS may have set excessively optimistic targets for implementation of the subprojects in its pipeline. Thus, embedded in the project is also a risk of delays in disbursing the proposed loan. Finally, appropriate safeguards have been built into the terms and conditions of the Special Account and the associated Swap Account so that the funds disbursed from the loan account are used exclusively for the Project.

Recommendation

24. I am satisfied that the proposed loan and credit would comply with the Articles of Agreement of the Bank and the Association, and I recommend that the Executive Directors approve them.

James D. Wolfensohn
President

Washington, D.C.
March 8, 1996

INDIA

PRIVATE INFRASTRUCTURE FINANCE (IL&FS) PROJECT

Project cost and financing plan

*Indicative project cost and financing plan
(millions of US dollars)*

<i>Cost</i>	<i>Foreign</i>	<i>Local</i>	<i>Total</i>
Investment	675	905	1,555
Subproject preparation	10	9	19
Training and technical assistance	1	-	1
<i>Total</i>	<i>686</i>	<i>914</i>	<i>1,600</i>
<i>Financing</i>			
IBRD	200	-	200
IDA	5	-	5
IL&FS	-	44	44
Indian financial institutions/banks	-	430	430
Capital markets	-	150	150
State government & agencies	-	100	100
Export credit agencies	200	-	200
Bilateral funds	75	-	75
Project sponsors & others	206	190	396
<i>Total</i>	<i>686</i>	<i>914</i>	<i>1,600</i>

INDIA

PRIVATE INFRASTRUCTURE FINANCE (IL&FS) PROJECT

PROCUREMENT AND DISBURSEMENT

A. Summary of Procurement Arrangements

(a) IBRD loan to IL&FS ^{1/}
(indicative) (US\$ million)

	<i>ICB</i>	<i>Others</i>	<i>Total</i>
Subprojects	110	75	185
Technical assistance			
- Implementation support	-	14	14
- Policy support	-	0.5	0.5
- Capacity building	-	0.5	0.5
<i>Total</i>	<i>110</i>	<i>90</i>	<i>200</i>

(b) IDA credit to India
(SDR million)

	<i>ICB</i>	<i>Others</i>	<i>Total</i>
Consultants' services and training	-	2.7	2.7
Equipment and software	-	0.7	0.7
<i>Total</i>	<i>-</i>	<i>3.4</i>	<i>3.4</i>

1/ The amounts shown correspond to IBRD financing; as of the appraisal date the respective total cost of the individual subprojects is not known and therefore not shown in the procurement table.

B. DISBURSEMENT ARRANGEMENTS

(a) IBRD loan to IL&FS

<i>Category</i>	<i>Amount of the loan allocated (US\$ million)</i>	<i>% of expenditures to be financed</i>
(1) Sub-loans.	185,000,000	100% of amounts disbursed by the Borrower under sub-loans
(2) Consultant's services and training	15,000,000	100%
TOTAL	200,000,000	

(b) IDA credit to India

<i>Category</i>	<i>Amount of the credit allocated (SDR million)</i>	<i>% of expenditures to be financed</i>
(1) consultants' services and training	2,700,000	100%
(2) Equipment and software	700,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally

Estimated Disbursements					
Bank FY	1997	1998	1999	2000	2001
IBRD loan (US\$ million)	25	40	55	55	25
	25	65	120	175	200
IDA credit (SDR million)	1.4	2			
	1.4	3.4			

INDIA

PRIVATE INFRASTRUCTURE FINANCE (IL&FS) PROJECT

Timetable of key project processing events

◆ Time taken to prepare the project	11 months, March 1995 - February 1996
◆ Prepared by	Infrastructure Leasing & Financial Services Ltd.
◆ First Bank mission	April 1995
◆ Appraisal mission departure	February 1996
◆ Negotiations	March 1996
◆ Planned date of effectiveness	July 1996

The project was prepared by a team composed of: Mmes. Joëlle Chassard (Senior Financial Analyst and Task manager, SA2EI), Susan Morse (Financial Consultant), Jelena Pantelic (Urban Development Specialist, SA2EI), and E. Schaengold (Senior Sociologist, ASTHR), and Messrs. Syed Ahmed (Senior Legal Counsel, LEGSA), Raúl Auzmendi (Transport Consultant), Chandra Godavitarne (Senior Operations Officer, SA2RS), Harald Hansen (Senior Transport Economist, SA2EI), P. Illangovan (Environmental Specialist, ASTEN), and I.U.B. Reddy (Urban Rehabilitation Specialist, SA2RS).

SCHEDULE D

PAGE 1 of 5

THE STATUS OF BANK GROUP OPERATIONS IN INDIA
A. STATEMENT OF BANK LOANS AND IDA CREDITS

(As of December 31, 1995)

Loan/ Credit #	FY of Approval	Purpose	US\$ Million (net of cancellations)		
			IBRD 1/	IDA 1/	Undisbursed 2/
1/	143 Loans/ 199 Credits closed		12149.7	14739.7	99.8 24.1
1621-IN	1986	Maharashtra Composite Irrigation	-	128.82	50.30
1631-IN	1986	National Agricultural Research II	-	57.21	5.14
1750-IN	1987	Bombay Water Supply & Sewerage III	-	145.00	49.17
2846-IN	1987	Madras Water Supply	53.00	-	17.29
2845-IN	1987	Talcher Thermal	367.00	-	128.81
1780-IN	1987	Uttar Pradesh Urban Development	-	120.95	35.74
1931-IN	1988	Bombay & Madras Population	-	57.00	18.82
1923-IN	1988	Tamil Nadu Urban Dev.	-	254.73	76.70
3093-IN	1989	Electronics Industry Dev.	8.00	-	4.10
3058-IN	1989	Export Development	120.00	-	7.43
3096-IN	1989	Maharashtra Power	354.00	-	199.81
3024-IN	1989	Mathpa Jhakri Power	485.00	-	323.16
1952-IN	1989	National Seeds III	-	147.24	51.74
2022-IN	1989	National Sericulture	-	125.05	36.73
2057-IN	1989	Nat'l. Family Welfare Trng.	-	72.76	32.88
2994-IN	1989	States Roads	115.00	-	45.04
2010-IN	1989	Upper Krishna Irrigation II	-	160.00	18.73
3050-IN	1989	Upper Krishna Irrigation II	45.00	-	45.00
2008-IN	1989	Vocational Training	-	163.85	85.48
3196-IN	1990	Cement Industry Restructuring	293.18	-	53.37
2115-IN	1990	Hyderabad Water Supply	-	79.90	48.48
2064-IN	1990	Industrial Technology Development	-	55.00	43.94
3119-IN	1990	Industrial Technology Development	135.00	-	44.63
3237-IN	1990	Northern Region Transmission	485.00	-	394.62
2133-IN	1990	Population Training VII	-	63.96	30.19
2076-IN	1990	Punjab Irrigation/Drainage	-	145.28	81.22
2158-IN	1990	Tamil Nadu Integrated Nutrition II	-	67.52	28.10
2130-IN	1990	Technician Education I	-	210.74	117.59
2100-IN	1990	Watershed Development (Hills)	-	75.00	49.19
2131-IN	1990	Watershed Development (Plains)	-	55.00	38.10
2241-IN	1991	Dam Safety	-	130.00	119.65
3364-IN	1991	Gas Flaring Reduction	450.00	-	21.49
2173-IN	1991	ICDS I (Orissa & Andhra Pradesh)	-	74.35	40.61
3334-IN	1991	Industrial Pollution Control	124.00	-	51.78
2252-IN	1991	Industrial Pollution Control	-	31.60	32.21
2234-IN	1991	Maharashtra Rural Water Supply	-	109.90	77.95
3258-IN	1991	Petrochemicals II	12.00	-	9.31
3259-IN	1991	Petrochemicals II	202.70	-	94.31
3344-IN	1991	Private Power Utilities II (BSES)	200.00	-	32.41
2215-IN	1991	Tamil Nadu Agricultural Development	-	92.80	46.28
3300-IN	1991	Tamil Nadu Agricultural Development	20.00	-	20.00
2223-IN	1991	Technician Education II	-	255.73	189.47
2300-IN	1992	Child Survival and Safe Motherhood	-	214.50	60.95
2394-IN	1992	Family Welfare (Urban Slums)	-	79.00	81.25
2328-IN	1992	Maharashtra Forestry	-	124.00	104.61
2350-IN	1992	National AIDS Control	-	84.00	59.80
3436-IN	1992	Power Utilities Efficiency	265.00	-	209.13
3498-IN	1992	Second Maharashtra Power	350.00	-	286.58
3470-IN	1992	Second National Highway	153.00	-	153.00
2365-IN	1992	Second National Highway	-	153.00	136.40
2329-IN	1992	Shrimp and Fish Culture	-	85.00	85.68
2341-IN	1992	West Bengal Forestry	-	34.00	17.31
2433-IN	1993	Agricultural Development Rajasthan	-	106.00	76.30
2439-IN	1993	Bihar Plateau Development	-	117.00	105.60
2450-IN	1993	Jharia Mine Fire Control	-	12.00	9.77
2483-IN	1993	Karnataka Rural Water Supply	-	92.00	87.90

SCHEDULE D

PAGE 2 of 5

Loan/ Credit #	FY of Approval	Purpose	US\$ Million (net of cancellations)		
			IBRD	IDA 1/	Undisbursed 2/
2528-IN	1993	National Leprosy Elimination	-	95.00	69.50
3632-IN	1993	NTPC Power Generation	400.00	-	368.37
3630-IN	1993	Power Finance Corporation	20.00	-	19.60
3577-IN	1993	Powergrid System Development	350.00	-	290.08
2449-IN	1993	Renewable Resources Development	-	115.00	118.02
2409-IN	1993	Rubber	-	92.00	91.35
2470-IN	1993	Second Integrated Child Dev.	-	194.00	196.15
2509-IN	1993	Uttar Pradesh Basic Education	-	165.00	140.11
2510-IN	1993	Uttar Pradesh Sodic Lands Reclam.	-	54.70	49.88
2572-IN	1994	Forestry Research Education	-	47.00	42.74
2573-IN	1994	Andhra Pradesh Forestry	-	77.40	75.89
2592-IN	1994	Water Resources Consolidation (Haryana)	-	258.00	251.50
2594-IN	1994	Maharashtra Emergency Earthquake	-	246.00	208.44
2611-IN	1994	Blindness Control	-	117.80	118.22
2630-IN	1994	Population IX (Family Welfare)	-	88.60	90.09
3753-IN	1994	Container Transport Logistics	94.00	-	92.39
3779-IN	1995	Industrial Pollution Prevention	93.00	-	88.00
3780-IN	1995	Industrial Pollution Prevention	50.00	-	50.00
2645-IN	1995	Industrial Pollution Prevention	-	25.00	25.35
2661-IN	1995	District Primary Education	-	260.30	255.48
2663-IN	1995	A.P. District Health	-	133.00	133.27
2669-IN	1995	Agricultural Human Resources Development	-	59.50	57.13
2700-IN	1995	M.P. Forestry	-	58.00	55.51
2733-IN	1995	Assam Rural Infrastructure	-	126.00	118.42
2745-IN	1995	Tamil Nadu WRCP	-	282.90	270.39
3856-IN	1995	Financial Sector Development Project	350.00	-	236.74
3857-IN	1995	Financial Sector Development Project	150.00	-	150.00
3858-IN	1995	Financial Sector Development Project	200.00	-	200.00
3907-IN	1995	Madras Water Supply II *	275.80	-	275.80
2763-IN	1996	Bombay Sewage Disposal *	-	25.00	23.64
3923-IN	1996	Bombay Sewage Disposal *	167.00	-	167.00
2774-IN	1996	Hydrology Project	-	142.00	133.93
2801-IN	1996	Orissa WRCP *	-	290.90	289.57
Total			18536.36	21662.72	9247.65
of which has been repaid			5742.2	1488.3	
			12794.21	20174.44	
Total now outstanding					
Amount Sold			133.8		
of which has been repaid			133.8		
Total now held by Bank and IDA					
Total undisbursed (excluding *)			3706.2	4755.4	

1/ IDA Credit amounts for SDR-denominated Credits are expressed in terms of their US dollar equivalents, as established at the time of Credit negotiations and as subsequently presented to the Board.

2/ Undisbursed amounts for SDR-denominated IDA Credits are derived as the undisbursed balance expressed in SDR equivalents (in turn derived as the difference between the original principal expressed in SDRs (based on the exchange rate as established at the time of Credit negotiations) and the cumulative disbursements converted to SDR equivalents at the exchange rates prevailing at the respective dates of disbursements less cancellations expressed in SDR equivalents converted to US dollar equivalents at the SDR/US dollar exchange rate in effect on December 31, 1995.

* Not yet effective.

Source: Statement of Loans & Credits (LOALA) of December 31, 1995.

INDIA -- List of Closed SALs and Secals

Loan/ Credit #	FY of Approval	Purpose	US\$ Million (net of cancellations)		
			IBRD	IDA 1/	Undisbursed 2/
23160-IN	1992	SAL I	-	220.00	0.00
23161-IN	1992	SAL I	-	30.00	0.00
34210-IN	1992	SAL I	250.00	-	0.00
24480-IN	1993	Social Safety Nets	-	87.40	0.00
24481-IN	1993	Social Safety Nets	-	89.40	0.00
24482-IN	1993	Social Safety Nets	-	203.80	0.00
24483-IN	1993	Social Safety Nets	-	119.40	0.00
36270-IN	1993	External Sector Adjustment	300.00	-	0.00
Total INDIA			550.00	750.00	0.00

B. STATEMENT OF IFC INVESTMENTS

(As of December 31, 1995)

Fiscal Year	Company	Original Gross Commitments (US\$ millions)				Held by IFC	Held by IFC	Undisb. Incl. Pcpnt.
		Loan	Equity	Pcpnt.	Total			
1959	a/ Republic Forge Company Ltd.	1.50	--	--	1.50	--	--	--
1959	a/ Kirloskar Oil Engines Ltd.	0.85	--	--	0.85	--	--	--
1960	a/ Assam Sillimanite Ltd.	1.37	--	--	1.37	--	--	--
1961	a/ K.S.B. Pumps Ltd.	0.21	--	--	0.21	--	--	--
1963/1966	a/ Precision Bearings India Ltd.	0.39	0.38	0.26	1.03	--	--	--
1964	a/ Fort Gloster Industries Ltd.	0.71	0.35	0.15	1.21	--	--	--
1964	a/ Lakshmi Machine Works Ltd.	0.86	0.31	0.14	1.31	--	--	--
1964/75/79/90	Mahindra UGINE Steel Co. Ltd.	11.70	2.62	0.14	14.46	1.68	--	--
1967	a/ India Explosives Ltd.	7.37	2.86	1.23	11.46	--	--	--
1967	a/ Jayshree Chemicals Ltd.	1.05	0.10	--	1.15	--	--	--
1969/70	a/ Zuari Agro-Chemicals Ltd.	11.00	3.71	4.20	18.91	--	--	--
1976/87	a/ Escorts Limited	15.55	--	--	15.55	--	--	--
1978/87/92/93	Housing Development Finance Corp.	46.32	2.10	50.00	108.42	42.47	--	--
1980/82/89	Deepak Fertilizer & Pesticides	7.50	4.23	--	11.73	3.83	--	--
1981	a/ Coromandel Fertilizers Ltd.	15.88	--	--	15.88	--	--	--
1981/86/89/93/94	Tata Iron and Steel Company	82.14	24.49	20.00	126.63	32.38	--	--
1981/90/93	Mahindra & Mahindra Ltd	26.52	6.76	--	33.28	7.82	5.33	--
1982	a/ Ashok Leyland Limited	14.00	--	14.00	28.00	--	--	--
1982	a/ Bharat Forge Company Ltd.	7.90	--	8.00	15.90	--	--	--
1982	a/ Nagarjuna Coated Tubes Ltd.	1.50	0.24	--	1.74	--	--	--
1982	a/ The Bombay Dyeing and Manufacturin	11.80	--	5.00	18.80	--	--	--
1982	NSL Ltd.	2.88	0.24	--	3.12	0.07	--	--
1982/86/87/91/93	ITN Signode India Ltd.	2.99	1.55	--	4.54	1.55	--	--
1982/87	The Indian Rayon Corporation	14.57	--	--	14.57	0.70	--	--
1984/86	a/ Grasim Industries Ltd.	10.84	--	5.12	15.96	--	--	--
1985	a/ Bajaj Auto Ltd.	11.96	--	11.96	23.92	--	--	--
1985	Modi Cement	13.05	--	--	13.05	20.24	--	--
1985/91	Bihar Sponge	15.24	0.68	--	15.92	16.80	--	--
1986	a/ Bajaj Tempo Limited	15.08	--	15.46	30.54	--	--	--
1986	a/ Larsen and Toubro Ltd.	10.96	--	10.81	21.77	--	--	--
1986/91/95	India Lease Development Ltd.	8.50	1.09	--	9.59	2.83	--	--
1986/93/94/95	India Equipment Leasing Ltd.	5.50	0.77	--	6.27	1.53	1.87	--
1987	a/ Gujarat Fusion Glass Ltd.	7.53	1.70	--	9.23	--	--	--
1987	a/ Gujarat Narmada Valley Fertilizer	38.07	--	--	38.07	--	--	--
1987	a/ The Gujarat Rural Housing Finance	--	0.19	--	0.19	--	--	--
1987	a/ Wimco Ltd.	4.70	--	--	4.70	--	--	--
1987	Bannari Amman Sugars Ltd.	--	--	--	0.00	0.16	--	--
1987	City Mills (Private) Ltd.	--	--	--	0.00	0.52	--	--
1987	Hero Honda Motors Ltd.	7.74	--	--	7.74	3.00	--	--
1987	Hindustan Motors Ltd.	39.14	--	--	39.14	12.16	--	--
1987	N B Footwear Ltd.	--	--	--	0.00	0.19	--	--
1987	Paharpur Cooling Towers Ltd.	--	--	--	0.00	0.37	--	--
1987	Switching Technologies	--	--	--	0.00	0.50	--	--
1987	Tan India Ltd.	--	--	--	0.00	0.07	--	--
1987	The Coromandel Engineering Co.	--	--	--	0.00	0.01	--	--
1987	Wires and Fabriks (S.A.) Ltd.	--	--	--	0.00	0.18	--	--
1987/89/90/93	Titan Watches Ltd.	21.95	1.08	--	23.03	8.89	--	--
1987/93/94	The Great Eastern Shipping Company	30.00	9.25	11.25	50.50	14.90	11.89	--
1987/95	Export-Import Bank of India	40.00	--	--	40.00	25.00	--	15.00
1988/95	Invel Transmissions Ltd.	--	1.40	--	1.40	1.40	--	--
1989	a/ WTI Advanced Technology	--	0.20	--	0.20	--	--	--
1989	The Ahmedabad Electricity Company	20.83	--	--	20.83	19.08	--	--
1989/90/92	Tata Keltron Ltd.	--	0.56	--	0.56	0.56	--	--
1989/92	Gujarat State Fertilizers	40.46	--	--	40.46	20.83	--	--
1990	UCAL Fuel Systems Ltd.	--	0.63	--	0.63	0.63	--	--
1990/91/94	Tata Electric Companies	111.88	18.75	--	130.63	111.87	--	--
1990/95	J.M. Share & Stock Brokers	1.20	1.21	--	2.41	1.21	--	--
1991	BSES Ltd.	50.00	--	18.00	68.00	50.00	--	--
1991	Herdilla Oxides	--	0.29	--	0.29	0.28	--	--
1991	Technology Development	--	2.05	--	2.05	2.05	--	--
1991	The Industrial Credit and Investme	--	22.91	--	22.91	--	--	--
1991	Varun Shipping Company Ltd.	15.00	1.71	--	16.71	11.35	--	--

SCHEDULE D
Page 5 of 5

Fiscal Year	Company	Original Gross Commitments (US\$ millions)				Held by IFC	Held by IFC	Undisb. Incl. Ptpnt.
		Loan	Equity	Ptpnt.	Total			
1991/93	CESC Ltd.	54.92	--	30.00	84.92	53.15	--	22.93
1991/93	Trivendi Oilfields Services	--	1.30	--	1.30	1.11	--	--
1991/93/95	Infrastructure Leasing	40.00	4.92	--	44.92	34.92	10.00	--
1991/95	SPIC Fine Chemicals Ltd.	--	1.88	--	1.88	1.88	--	--
1992	a/ Block KG-OS-IV Petroleum	--	8.20	--	8.20	0.02	--	0.02
1992	a/ Kotak Mahindra Finance Ltd.	0.66	--	--	0.66	--	--	--
1992	Indus Venture Capital Fund	--	1.01	--	1.01	1.00	--	--
1992	Indus Venture Management	--	--	--	0.00	0.01	--	--
1992	SKF Bearings India Ltd.	11.50	--	--	11.50	9.58	--	--
1992/93	Arvind Mills Ltd.	22.13	7.81	--	29.94	17.55	--	--
1992/94	IFGL Refractories Ltd.	--	1.06	--	1.06	1.06	--	--
1992/95	Nippon Denro Ispat Ltd.	70.00	5.77	60.00	135.77	72.91	60.00	90.00
1993	20th Century Finance Corp.	8.00	--	8.00	16.00	2.04	8.36	--
1993/95	Creditcapital Venture Fund	--	1.11	--	1.11	1.05	--	--
1993/96	Nicco-Uco Financial Services	3.00	0.47	--	3.47	2.81	--	--
1994	20th Century Asset Management	--	0.16	--	0.16	0.16	--	--
1994	Centurion Quantum Growth	--	2.39	--	2.39	2.39	--	--
1994	Creditcapital Asset Management	--	0.32	--	0.32	0.32	--	--
1994	DLP Cement Ltd.	19.40	--	17.00	36.40	15.42	--	--
1994	Global Trust Bank	--	3.19	--	3.19	3.19	--	--
1994	Gujarat Ambuja Cements Ltd.	17.57	8.23	--	25.80	8.23	--	--
1994	Indo Ram Synthetics	35.00	9.84	--	44.84	34.84	10.00	--
1994	Information Technology Fund	--	0.64	--	0.64	0.64	--	--
1994	Taurus The Starshare	--	7.17	--	7.17	7.17	--	--
1995	Centurion Bank Ltd.	--	3.87	--	3.87	3.87	--	--
1995	Chowgule Steamships Ltd.	15.00	4.58	27.00	46.58	19.58	27.00	42.00
1995	IL&FS Stockbroking	--	0.32	--	0.32	0.32	--	--
1995	Prism Cement Ltd.	15.00	5.02	15.00	35.02	20.02	--	10.00
1995	SRF Finance Ltd.	15.00	5.00	--	20.00	20.00	--	20.00
1996	GVK Industries Ltd.	40.00	8.30	55.75	104.05	48.30	--	48.30
1996	Oin and Gas Facility	--	8.00	--	8.00	8.00	--	8.00
1996	Rain Calcining Ltd.	19.25	5.40	--	24.65	24.65	--	24.65
	TOTAL GROSS COMMITMENTS b/	1194.62	220.37	398.47	1813.46			
	Less: Cancellation, Terminations, repayment & Sales	526.79	60.90	264.02	851.71			
	Total Commitments Now Held c/	667.83	159.47	134.45	961.75	827.30	134.45	280.90
	Pending Commitments							
	DCB	--	1.89	--	1.89			
	IB Valley Power	50.00	20.00	80.00	150.00			
	RPG Communications	--	8.30	--	8.30			
	Sara Fund	--	7.97	--	7.97			
	SPIC	--	0.86	--	0.86			
	ST CMS Electric	30.00	18.00	150.00	198.00			
	UNITED RICELAND	10.00	--	--	10.00			
	Total pending commitments	90.0	57.0	230.0	377.0			
	Total commitments held and pending	757.8	216.5	364.5	1338.8			
	Total Undisbursed Commitments	167.18	26.72	87.00	280.90			

a/ Investments which have been fully cancelled, terminated, written-off, sold, redeemed or repaid.

b/ Gross commitments consist of approved and signed projects.

c/ Held commitments consist of disbursed and undisbursed investments.

Source: IFC Statement of Investments as of December 31, 1995.

IMAGING

Report No: P- 6830 IN
Type: MCP