

»» Financing Indian Smart Cities: Ways of Financing Planning, Investment and Operation

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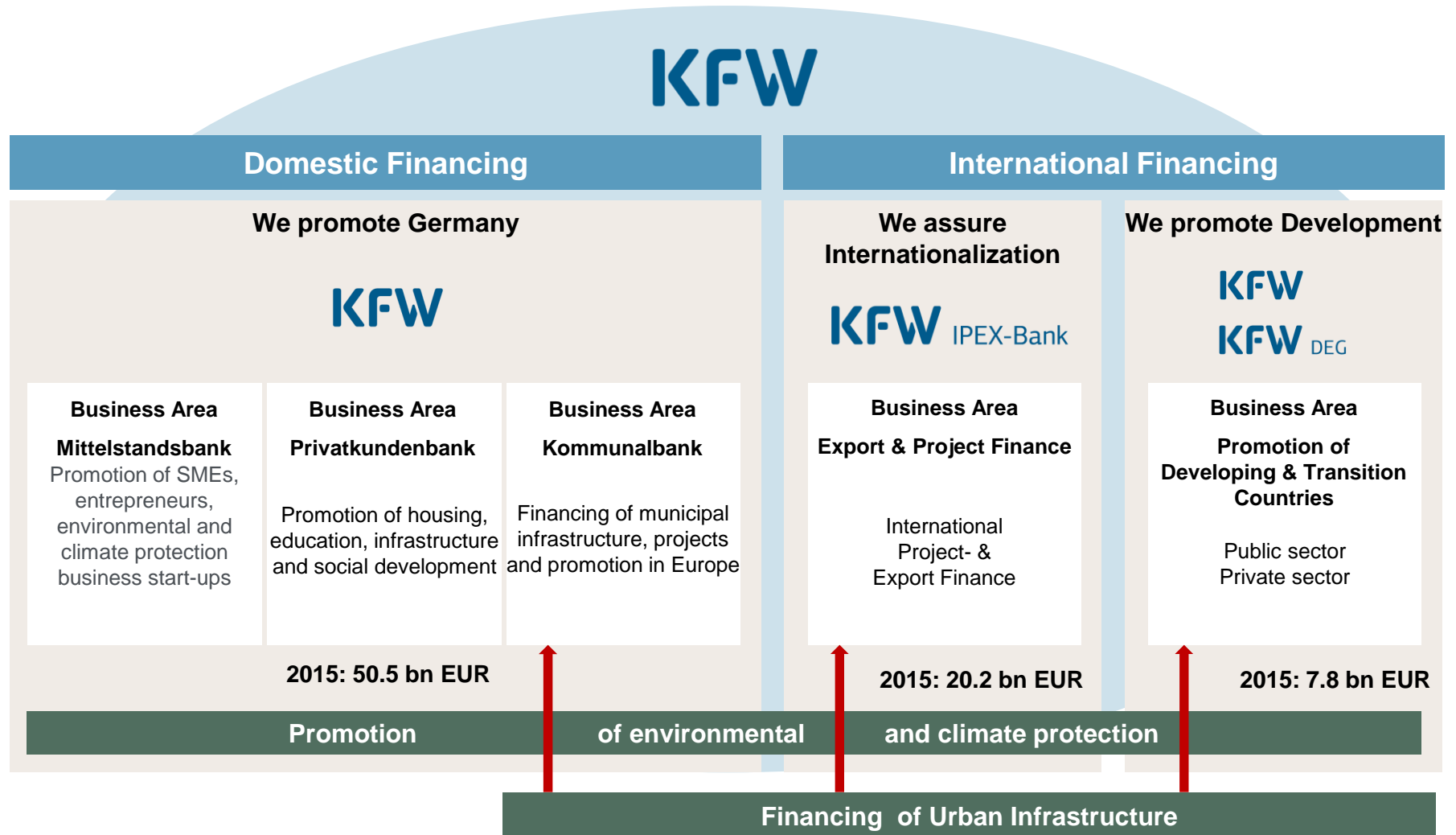
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Bank aus Verantwortung

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»» KfW Group at a glance: A bank with various tasks



»» „New Urban Agenda“ on Urban Financing



› **Bridging infrastructure funding gap: prerequisite for NUA, SDG, Climate Goals**

› **Sound domestic financial policy framework**

Strong and transparent system of transfers

Local government autonomy

Robust regulatory frameworks for borrowing

National credit guarantees, municipal development funds

› **Local financial management**

Capacities in planning, budgeting, accounting, procurement, auditing, oversight

Capacities to develop, implement and operate bankable projects

Establish and collect user charges and fees

Capturing the increase of land values

› **Partnerships and development cooperation**

Public-private partnerships

Official development assistance as financier (grants, loans) or „de-risker“ for investments and preparation

»» NUA on Urban Financing: Reality Check



Policy framework

- › **Imbalance between responsibilities and funding** – strained budgets, poor service quality
- › **Legal borrowing hurdles, weak financial management, intransparent accounts** - little debt access

Financial Management

- › **Low own income (taxes, tariffs)** – reduces new investments and wears down existing infrastructure
- › **Insufficient planning and capacity to develop+implement projects** – inefficient or low investment



Vicious circle of low service quality, deteriorating infrastructure and low growth requires responses on policy level, capacity building and adequate financial instruments

»» KfW Instruments for Urban Financing



Mandate, Budget Funds, Risk Cover



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SOFT-LOANS

Investment

- › large stand-alone projects
- › bundle of small/medium projects (programmatic approach)
- › investment design and supervision

GRANT

Preparatory studies

- › Project planning / preparation (FS, DPR etc.)

Accompanying measures (AM)

- › Capacity building for implementation & O+M

Via central and state governments / banks / urban development funds

Urban Local Bodies (ULBs)



Nodal Ministry

- Ministry of Urban Development

Programs / Missions

- Smart Cities Initiative
- AMRUT
- Swachh Bharat

Activities of KfW

Environmentally Friendly Urban Infrastructure	<ul style="list-style-type: none"> Tamil Nadu Urban Development Fund (TNUDF) Odisha Urban Infrastructure Development Fund (OUIDF) National Capital Region Planning Board (NCRPB) Karnataka urban sanitation & environment (*) MP urban sanitation & env. (*) Chennai SWD, Water Production & Demand Management (*) Bhubaneswar Smart City (*)
Urban Mobility	<ul style="list-style-type: none"> Metro Nagpur Bus Rapid Transit - Chennai, Coimbatore & Bangalore (*) Integrated waterways Kochi (*)
Municipal Bonds	<ul style="list-style-type: none"> Water & Sanitation Pooled Municipal Bond (via TNUDF)

- Ministry of New and Renewable Energy
- Ministry of Power

- National Solar Mission
- Green Energy Corridors
- National Mission on Enhanced Energy Efficiency

Energy Efficiency	<ul style="list-style-type: none"> Demand side management measures – EESL Efficient cooling system in urban / rural (*)
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Renewable Energy	<ul style="list-style-type: none"> Investment measures for Solar Rooftops (*)
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Transmission	<ul style="list-style-type: none"> Intra-state and Inter-state Transmission-evacuating energy from generation centers to load centers
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- Ministry of Finance (DFS)

- Energy efficient
- Affordable Housing

Energy Efficiency	<ul style="list-style-type: none"> Industry / SME through SIDBI Housing through NHB (*)
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Affordable Housing	<ul style="list-style-type: none"> Low cost / affordable housing through NHB (*)
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Volumes (approx.)

- Under implementation: 910 mln EUR (loans) and 8.25 mln EUR (AM grants)
- Under preparation (*): 1.125 mln EUR (loans) and 2.5 mln EUR (AM grants)

- Under implementation: 400 mln EUR (loan) and 1.5 mln EUR (AM grant)
- Under preparation (*): 900 mln EUR (loans)

- Under implementation: 100 mln EUR (loan)
- Under preparation (*): 350 mln EUR (loan) and 2 mln EUR (AM grant)

»» KfW and the 3 „German“ Smart Cities in India



Smart City / State

Bhubaneswar / Odisha



Kochi / Kerala



Coimbatore / Tamil Nadu



Ongoing Cooperation

Odisha Urban Infrastructure Development Fund (OUIDF):
since 2012; 50 mn EUR loan, 2,5 mn EUR grant

Integrated Waterways Kochi:
preparatory studies 2015/16; 85 mn EUR loan, potential T.A. grant

Tamil Nadu Urban Development Fund (TNUDF):
since 2012; 260 mn EUR loan, 3 mn EUR grant

Potential Cooperation

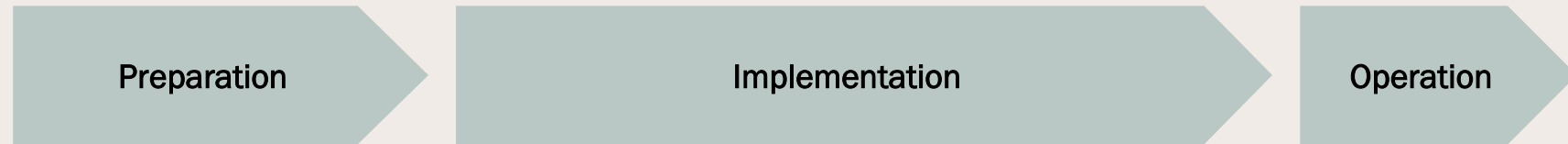
- **Climate-Friendly Urban Mobility Bhubaneswar**
Complete Street Design
Non-motorised Transport
City Bus System
- **Climate-Resilient Storm Water Drainage Bhubaneswar**
- **OUIDF Phase II**

- **Introduction of Low-Carbon City Buses Greater Kochi**
- **Solar PV program under preparation**
- **Water&Sanitation?**

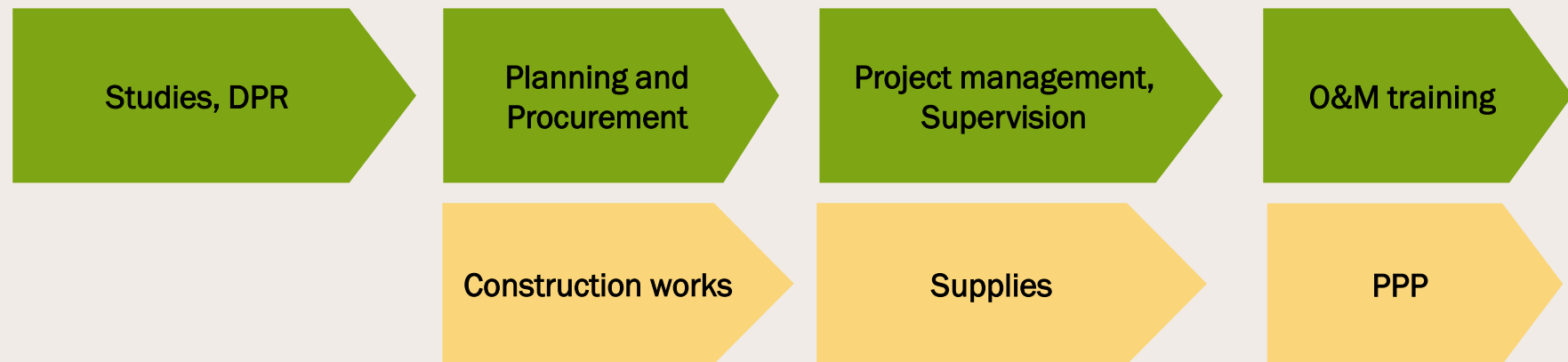
- **Climate Friendly Urban Mobility?**
(Bus Rapid Transit / Non-motorised Transport)
- **Water&Sanitation?**

»» KfW Urban Finance: Private Sector Business Opportunities

In all project stages...



... external private sector services are required, be it consulting, construction or supplies



**Principle of transparent and fair competition applies (through ICB as a rule)
KfW „non-objects“ all tender processes**

»» Conclusion – Smart Cities India: Potential Contribution of KfW

Offer

- › 1. Based on **strategic priorities** of selected smart cities – 3 partner cities + others
- › 2. Feasibility Studies / DPR for **investment preparation**
- › 3. Close **handholding during investment and commissioning** phase
- › 4. **Long-term, soft loans** for investments of EUR 50 mn or larger
- › 5. **Lasting partnership** – not just one-off investments

Prerequisites

- › 1. **Committed + responsive partners**, willing to borrow (city, state)
- › 2. Focus on **Green Urban Development** (mobility, water&sanitation, SWM, EE)
- › 3. Potential for **sustainable O&M** (tariffs, non-fare revenues, partial subsidies)
- › 4. Application of **international standards** (env+social; procurement)

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BACKUP SLIDES

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»» Example 1: Tamil Nadu Urban Development Fund



TNUDF
TAMILNADU URBAN DEVELOPMENT FUND

Country	India
Project	Sustainable Municipal Infrastructure Financing in Tamil Nadu
Partner	Tamil Nadu Urban Development Fund (TNUDF) (PPP between state and financial intermediaries)
KfW Funding Volume	EUR 260 mn loan, EUR 3 mn grant in 3 phases
Objectives	<ul style="list-style-type: none">• Better municipal infrastructure and services• Improved and diversified access to finance for municipalities
Approach	<ul style="list-style-type: none">• KfW funding channeled to TNUDF via central/state gov't• Loan funds to finance urban projects via established fund• Grant funds for technical assistance to fund and towns• Development and cofinancing of municipal bond pool

»» Example 2: Nagpur Metro



Country	India
Project	Nagpur Metro
Partner	Nagpur Metro Rail Corporation Ltd. (NMRCL) (SPV between Gov't of India and Gov't of Maharashtra)
KfW Funding Volume	EUR 500 mn loan (+ cofunding from AFD)
Objectives	Climate Friendly, Sustainable, Integrated Urban Transport
Approach	<ul style="list-style-type: none">• KfW loan channeled to NMRCL via central government• Preparatory funding and investment loan for feeder system• Consultancy support to ensure technical and E&S quality