

# Investment boost from PSIDC

The Private Sector Infrastructure Development Company (PSIDC) was formed to give incentives to the private sector investment in national infrastructure development. This public-sector company, established in 1995, supplements the usual, commercial sources of finance for infrastructure projects with funding obtained from the World Bank and KfW of Germany. Other international donors have also expressed interest in providing funds through the PSIDC.

The company will extend loans to private organizations for investment in a range of infrastructure sectors, including power generation and distribution, transportation, highways, ports and railways, telecommunications, urban environmental services such as solid waste management, water supply and drainage etc.

Loans from the PSIDC are intended to support build-operate own (BOO) and build-operate-transfer (BOT) type projects which are financed on a limited or fully non-recourse basis. They may fund up to 40% of the total project cost.

The borrower will have to seek clearance from the PSIDC on the detailed outline for the preparation of the business plan and supporting feasibility studies before assigning the work to the consultants. The consultants should be of international repute and proven ability.

Both solicited and unsolicited project proposals can be submitted to the PSIDC. Unsolicited proposals which do not meet competitive bidding procedures or requirements for selection must employ international competitive bidding (ICB) procedures in the use of PSIDC funds for the procurement of goods and services. Effectiveness of a loan from the PSIDC to a borrower will be subject to all other financing, equity and senior debt for the project concerned to be irrevocably committed and effective.

Eligible project proposals will be subject to an environmental review and evaluation to ensure compliance with the standards and regulations prescribed by the Central Environmental Authority and the Industrial Development Association. The evaluation and review will be carried out by an environmental expert retained by the PSIDC. This expert will be in a position to provide sponsors with technical guidance in order that the project proposals meet the required standards and regulations.

## **Rates**

Borrowers may choose between variable and fixed on-lending rates at the time of negotiating the loan. The alternatives are:

“Variable rates: Based on 6 month USS LIBOR plus a premium of 3%

“Fixed rates: based on the term of the loan and the market swap rate for USS plus a premium of 3%

## **Fees**

- a) one time, non-refundable Application Admission Fee of US\$85,000, to be submitted with the application and supporting documents.
- b) Documentation fee of 0.5% of the loan (subject to maximum of US\$300,000), plus out of pocket costs of travel and fees for consultants employed for the processing of the ‘due-diligence’ report.
- e) Commitment charges of 0.75% of the committed funds. These will be calculated on the unutilized amount of the loan effective 60 days from the date of the loan agreement with the PSIDC.
- d) Project monitoring fee of 0.25% of the yearly outstanding balances subject to a maximum of US\$50,000 per annum commencing 30 days from the date of financial closure.