Public Private Partnership Projects in India

PPP Workshop

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Overview

Government of India's PPP Definition

- Public Private Partnership project as per Government of India means a project based on a long-term contract or concession agreement, between a Government or statutory entity on the one side and a private sector company on the other side, for delivering an infrastructure service on payment of user charges.
- Private Sector Company means a company in which 51% or more of the subscribed and paid up equity is owned and controlled by a private entity.
- The concession agreement is specifically targeted towards financing, designing, implementing and operating infrastructure facilities and the collaborative ventures are built around mutually agreed allocation of resources, risks and returns.

PPP forms

- In a PPP, the ‘private’ partner could be a private company, a consortium, or a nongovernmental organization (NGO). Typically, a PPP project involves a public sector agency and a private sector consortium which comprises contractors, maintenance companies, private investors, and consulting firms. The consortium often forms a special company or a ‘special purpose vehicle’ (SPV). The SPV signs a contract with the government and with the subcontractors to build the facility and then maintain it.

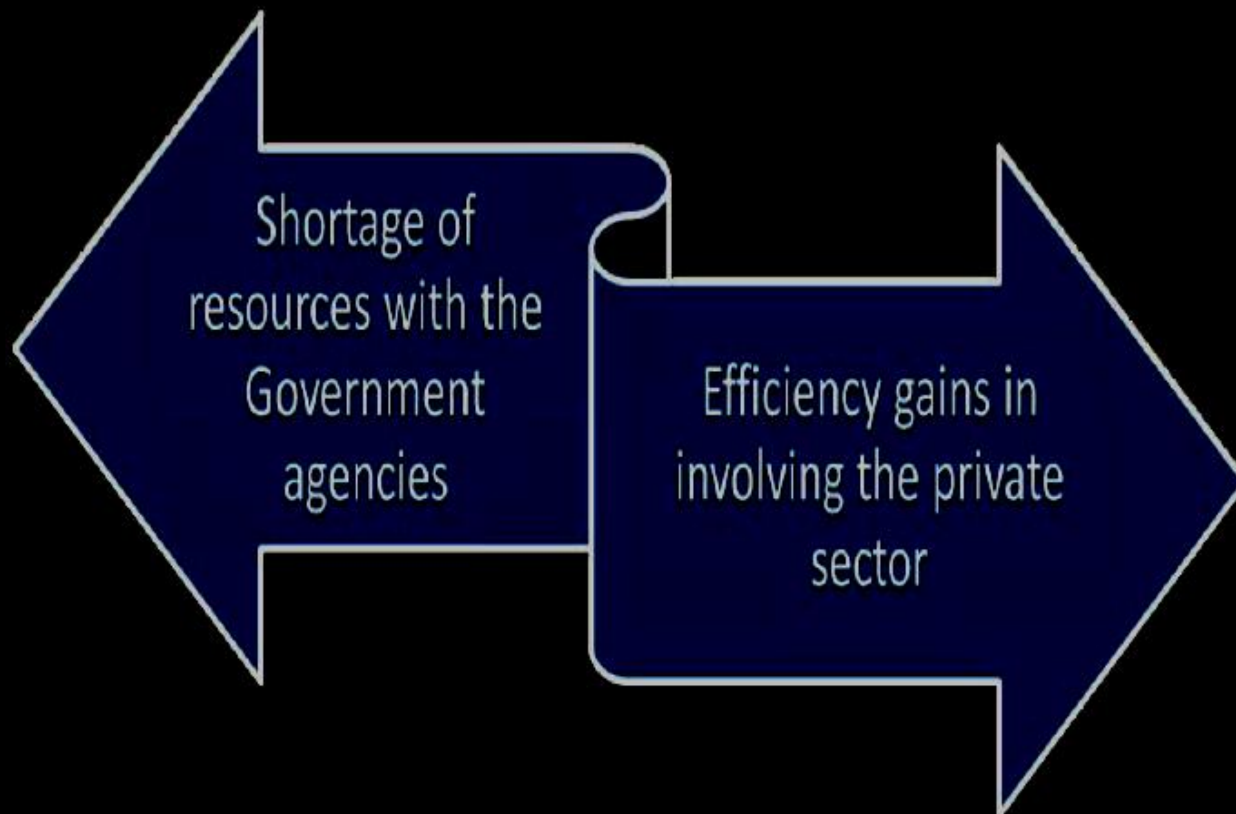
Key Issues addressed through PPP

- Provision of quality infrastructure is a pre-requisite for the economy to achieve a higher growth trajectory on a sustained basis. To achieve a new vision of growth, which is broad based and inclusive, Planning Commission GOI has estimated that the total investment in infrastructure has to increase from 4.5 percent to around 8 percent of the GDP in the 11th Five Year Plan (2007-2012).

- During the 11th Five Year Plan projected investments of over US $ 494 billion are envisaged in the infrastructure sector-defined broadly to include road, rail, air and water transport, electric power, telecom, water supply and irrigation-which is equivalent to Rs. 20,27,169 crore at 2006-07 prices.

- The investment requirements are enormous and are not likely to be met from the public sector alone. Attracting private capital in this critical sector is recognized as a key strategy to meet the resource deficit. Consequently, Public Private Partnership (PPPs) are being encouraged as the preferred mode for execution and operation of infrastructure projects. The private sector would need to contribute a little over 30 percent – or some $160 billion

Key Issues addressed through PPP



Fundamental qualities of a PPP project

- High priority, government-planned project. The project must have emerged from a government-led planning and prioritization process.

- The project must be such that, regardless of the source of public or private capital, the government would still want the project to be implemented quickly.

- Genuine risk allocation. Shared risk allocation is a principal feature of a PPP project. The private sector must genuinely assume some risk

- Mutually valuable. Value should be for both sides, which means government should also genuinely accept some risks and not transfer the entire risk to the private sector, and vice versa.

Pre-Requisites of a PPP project

- Right Policy and Regulatory frameworks
- Sustainable Fiscal/ Financial Incentives
- Adequate Project Development
- Transparent Selection Process
- Equitable Risk Allocation
- Reliable Revenue Sources
- Partnership in Practice
- Political Will

Relevance of PPPs for India

- Massive deficit in infrastructure services
- Deficient infrastructure is a ‘binding constraint’ which undermines global competitiveness and impedes inclusive growth and poverty reduction
- Growing government emphasis on infrastructure spending

India would need to spend 12.5% of GDP per annum to reach China’s present infrastructure stocks by 2015 (% GDP per annum, per sector)				
Electric-ity generating capacity	Length of paved roads	Telecoms, mainlines and mobile	Water & Sanitation	Total
5.90%	3.81%	2.32%	0.55%	12.6%

Source: World Development Indicators, Bank staff estimates.

Relevance of PPPs for India

- Estimated investment requirements far exceed government resources

Projected Infrastructure Investment Planning commission estimated spends				
Sector (US $ bn)	10th Five Year Plan (FY 02-07)	11th Five Year Plan (FY 08-12)	Growth (%)	Opportunities
Power	67.5	142.7	111	• Shortage of 15% in peak demand • Unbunding & open space • Ultra mega power projects
Transport	51.6	175.0	239	• Significant PPP model for roads • Golden quadrilateral, rural roads • Privatization of ports & airports • Selective opening up of railways for container traffic • Urban mass transportation
• Road	30.4	81.1	167	
• Ports	0.8	19.1	2229	
• Airports	1.0	9.0	787	
• Railways	19.5	65.9	239	
Telecom	21.5	47.1	119	• Low tele-density • Gradual liberalization of polices
Others	50.0	80.0	60	• Industrial & commercial SEZs Education & healthcare
Total	190.7	444.7	133	

Relevance of PPPs for India

- Growing emphasis on private sector participation

Encouraging PPPs

While encouraging PPPs, six constraints have been identified:

- Weakness in enabling policy and regulatory framework in most of the infrastructure sectors continues to be a constraint.
- The market presently does not have adequate instruments and capacity to meet the long-term equity and debt financing needed by infrastructure projects.
- There is also lack of capacity in public institutions and officials to manage the PPP process.
- There is a lack of shelf of credible, bankable infrastructure projects, which could be offered for financing to the private sector.
- There is a lack of capacity in the private sector to fully meet the challenge of investing in a very large number of projects as diverse as solid waste management to terminals in ports
- Inadequate advocacy to create greater acceptance of PPPs by the stakeholders.

Encouraging PPPs

- **Government of India Initiatives**

1. GOI constituted, on August 31, 2004, the Committee on Infrastructure (CoI)

Committee on Infrastructure
(Chaired by Prime Minister)
At Ministry of Finance-Department of Economic Affairs

Empowered Subcommittee

Encouraging PPPs- Government Initiatives

2. **Approval mechanism for PPPs in the central sector has been streamlined through setting up of Public Private Partnership Appraisal Committee (PPPAC). Since its constitution in January 2006, 135 projects have been granted approval with an estimated cost of Rs. 137025.62 crores**.

3. **GOI has published several key documents on**

- Rail Road Connectivity of Major Ports;
- Guidelines for Financial Support to Public Private Partnerships in Infrastructure;
- Guidelines on Formulation, Appraisal and Approval of Public Private Partnership Projects;
- Scheme for Financing Infrastructure Projects through the India Infrastructure Finance Company;
- Financing of the National Highway Development Programme (NHDP), and
- Model Concession Agreement for PPP In Highways, etc

Encouraging PPPs- Government Initiatives

4. More recently, GOI has taken several additional measures for facilitating PPPs. The key ones are the

- *VGF scheme,*
- *IIFCL to provide long-term capital,*
- *India Infrastructure Project Development Fund- IIPDF,*
- *Capacity building and other assistance.*

Encouraging PPPs- Government Initiatives

Viability Gap Funding (VGF) scheme

- **The money given by the government to the private player to make the project viable is called Viability Gap Funding**
- **This facility is housed in the DEA**
- **This is an assistance to make the project commercially or financially viable.**
- **The VGF scheme provides funding for Central Ministries, State Governments and statutory authorities' PPP projects implemented by the private sector developer on a BOT basis (selected through a process of competitive bidding)**
- **A private concessionaire shall be eligible for VGF, only if it is selected on the basis of open competitive bidding**
- **Funding is available for 20% of the project cost. If required, an additional 20% can be made available by the sponsoring Ministry/ agency or it can come from the state government or any sponsoring statutory agency like local bodies**

Encouraging PPPs- Government Initiatives

Viability Gap Funding scheme (VGF)

- **An Empowered Committee has been set up for quick processing of cases. The expectation is to build up a good pipeline of projects by providing approvals quickly. The approval mechanism being followed is:**

  VGF funding up to Rs 100 crore for each project will be sanctioned by the Empowered Institution, which is chaired by the Additional Secretary, Economic Affairs;

  Proposals up to Rs 200 crore will be sanctioned by the Empowered Committee, which is chaired by Secretary, Economic Affairs; and

  Amounts exceeding Rs 200 crore will be sanctioned by the Empowered Committee with the approval of the Finance Minister.

- **Up to March 2009, 138 Projects were approved with a total commitment of USD 7.244 billion in the form of VGF**

Encouraging PPPs- Government Initiatives

India Infrastructure Finance Company Limited (IIFCL)

- In January 2006, the GOI established IIFCL under the Companies Act, 1956, as a wholly government-owned company with an authorized capital of Rs 1000 crore and paid-up capital of Rs 10 crore.
- It has been set up to fill the gap for long-term infrastructure finance that banks are not in a position to address.
- The loan assistance from SPV will not exceed 20% of the project cost.
- All disbursements and recoveries would be undertaken through the lead bank.
- IIFCL borrows long-term funds on GOI guarantees from multilateral organizations and others and lend to identified infrastructure projects, either directly or through refinance of long-term debt with a tenure of ten years or more.

Encouraging PPPs- Government Initiatives

India Infrastructure Project Development Fund (IIPDF)

- **IIPDF available for PPP projects for meeting the project development costs including for feasibility studies, legal reviews, environment impact studies, financial structuring, development of project documentation etc.**
- **The IIPDF will contribute up to 75% of the project development cost as an interest free loan. Balance 25% to be co-funded by sponsoring authority**
- **IIPDF announced in the Union Budget for 2007-08**
- **A corpus of Rs.100 crore created in DEA**
- **The IIPDF will be administered by the Empowered Institution.**
- **It would not include expenses incurred by Sponsoring Authority on its own staff**
- **On successful completion of the bidding process, the project development expenditure would be recovered from the successful bidder. In the case of failure of bids, loan would be converted into grant**

Encouraging PPPs- Government Initiatives

Other measures taken to encourage PPP

- MCA-In airports and ports sectors, Model Concession Agreements are being developed to encourage public private partnerships.
- Technical Assistance-Recognizing that strengthening the capacities of different levels of government to conceptualize, structure and manage PPPs will lead to more and better PPPs, DEA is facilitating mainstreaming PPP through Technical Assistance from ADB.
- Transaction Advisors-The Government has pre-qualified a panel of firms through International Competitive Bidding. The short listed consultants have been evaluated for their capability and experience in discharging a lead role in PPP transactions.
- This panel is available to all Central, State and Municipal Governments who are undertaking PPP transactions. They would be able to select any of the consultants from this panel through a limited financial bid without having to go through the lengthy and more complex technical bid.

Encouraging PPPs- Government Initiatives

Knowledge management and capacity building

- Creation of state-level PPP cells such as a nodal agency
- Streamlining the PPP approval process
- Developing PPP toolkits
- Creating (MCAs), bidding documents, and project preparation manuals
- GOI is also building a centralized database and a website on PPP projects in India to address the lack of authentic and credible information relating to PPPs
- GOI, through the regional workshops and other interactions, is also identifying the capacity building needs of state governments and is geared to supporting any state initiatives on building their capacity on PPP.

Institutional Approach

At Central Level

- Planning Commission
- Ministry of finance-Department of Economic Affairs (DEA)
- Leading Govt. ministry
- PPPAC
- PPPAU

At State level

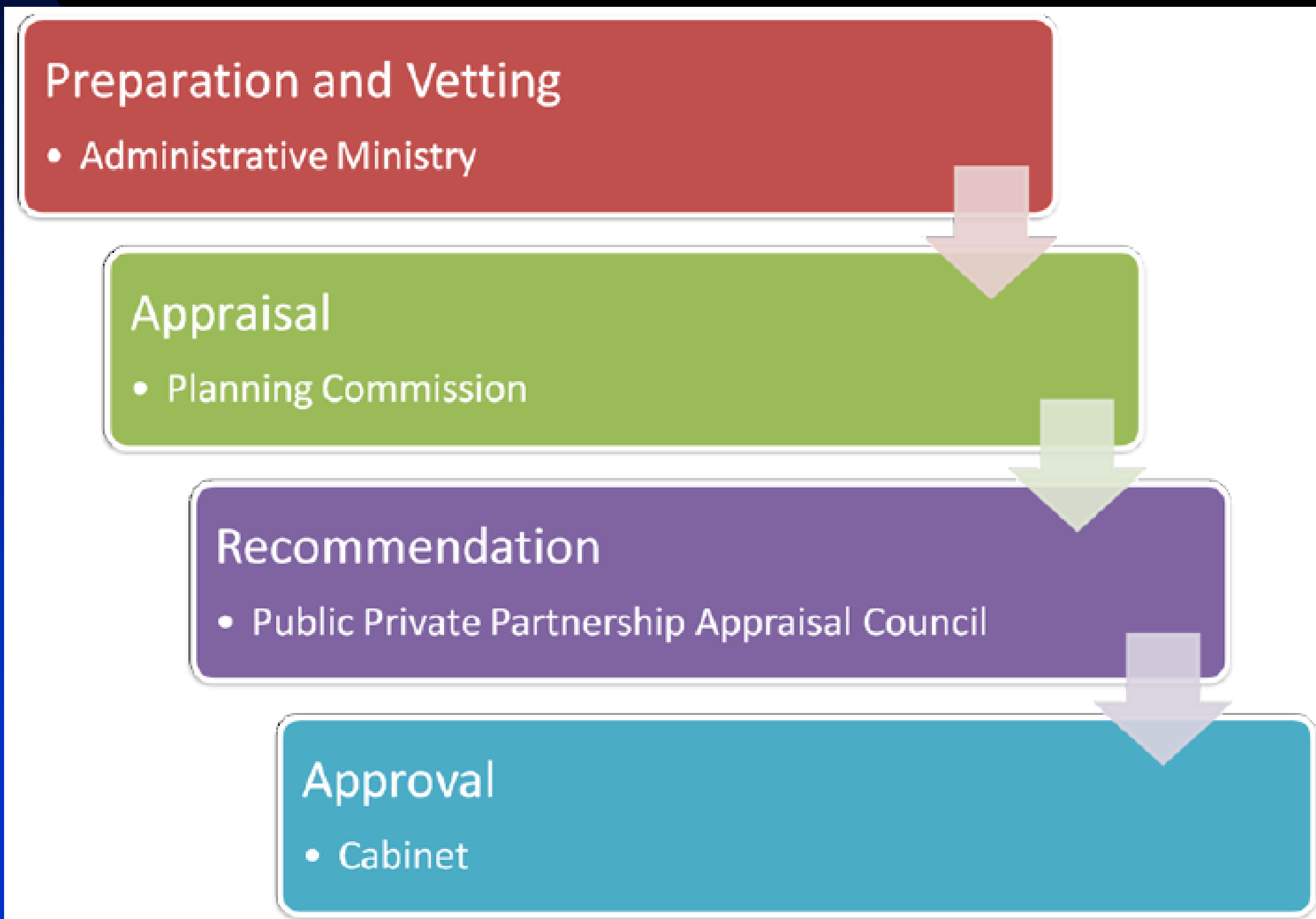
- Apex Authority at state level
- Empowered Committee for PPP
- PPP Cells

PPP Procedure in India: Formulation & Approval

- Project identification
- Inter-ministerial consultations
- 'In principle' approval of PPPAC
- Expression of Interest
- Formulation of project documents
- Appraisal/Approval of PPPAC
- Invitation of bids
- PPP Procurement

PPP Procedure in India: Formulation & Approval

Stages



PPP Procurement - Stages

- **Two-Stage Procurement -** The bidding process for PPP projects is divided into two stages. The first stage is generally referred to as Request for Qualification (RFQ) or Expression of Interest (EoI). The objective is to pre-qualify and short-list eligible bidders for stage two of the process. In the second and final stage, generally referred to as the Request for Proposal (RFP) or invitation of financial bids, the bidders engage in a comprehensive scrutiny of the project before submitting their financial offers.

- **Request for Qualification (RFQ) -** Bidders short-listed shall be invited to submit their financial offers

- **Request for Proposal (RFP)-** The document should be simple and transparent whereby only a financial bid would be invited. The detailed terms of the project would have to be specified in the Concession Agreement/ Power Purchase Agreement (PPA) that should form an integral part of the Bid Documents.

- **Evaluation Criteria -** The concession period and other terms of the project shall be pre-determined and clearly specified in the Concession Agreement/ PPA. The financial offer would constitute the sole criteria for selection of a bidder and the Project would be awarded to the Bidder quoting the lowest/highest bid.

- **Technical Evaluation at RFP Stage -** Only prequalified applicants should be invited to participate in the bid stage, which shall only consist of an invitation to submit financial offers.

PPP Procurement - Stages

Bidding Documents

- Request for Qualification (RFQ)
- Request for Proposal (RFP)

Model Concession Agreements

- National & State Highways (2-,4-,6- lane OMT)
- Port Terminals
- Airports (Greenfield Non – Metro)
- Redevelopment of Railways Stations
- Urban Transit
- Container Trains

PPP Procurement - Procurement Schemes

- Build-and Transfer (BT)
- Build-Lease-and-Transfer (BLT)
- Build-Operate-and-Transfer (BOT)
- Build-Own-and-Operate (BOO)
- Build-Own-Operate-Transfer (BOOT)
- Build-Transfer-and-Operate (BTO)
- Contract-Add-and-Operate (CAO)
- Develop-Operate-and-Transfer (DOT)
- Rehabilitate-Operate-and-Transfer (ROT)
- Rehabilitate-Own-and-Operate (ROO)
- Build-Operate-Share-Transfer (BOST)
- Build-Own-Operate-Share-Transfer (BOOST)
- Build-Own-Lease-Transfer (BOLT)

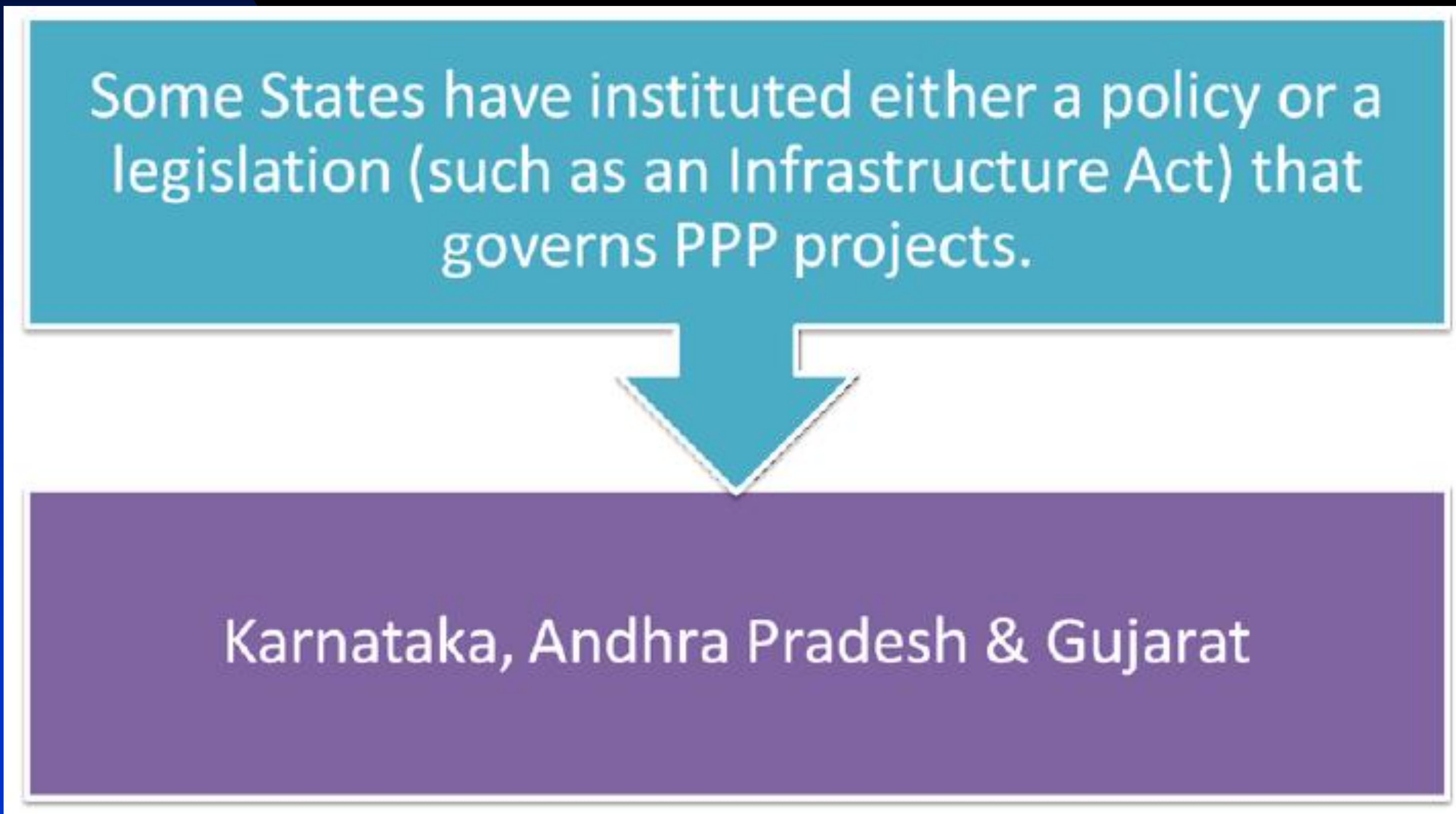
PPP Procurement - Procurement Schemes

Degree & Involvement of Private Sector in Service Concession Agreement

Degree Of Private Sector Risks And Responsibility	
	10. Privatization
	9. Build, Own, Operate.
	8. Build, Own, Operate, Transfer
	7. Design, Build, Finance, Operate
	6. Design, Build, Operate, Maintain
	5. Operations Concessions
	4. Design, Build
	3. Management Contracts
	2. Service Contracts
	1. Government Directly Providing the Public Service
	Degree of Private Sector Involvement

Legal framework of PPP in India

- **No separate law since executive orders, policy, administrative decisions, framework available are sufficient**

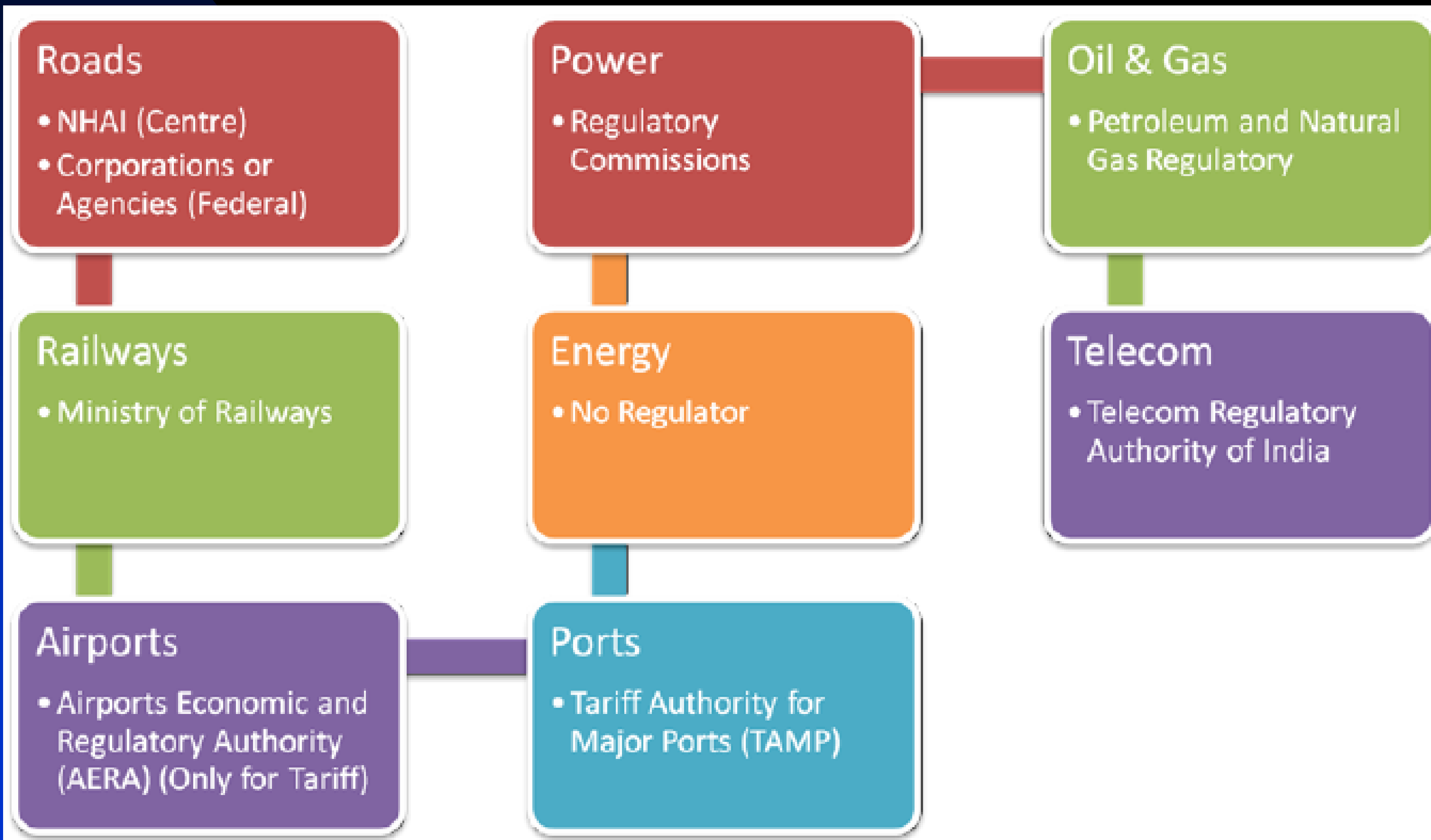


Legal framework of PPP in India

Regulation

Legal framework of PPP in India

Sectoral Regulators



Legal framework of PPP in India

Accounting

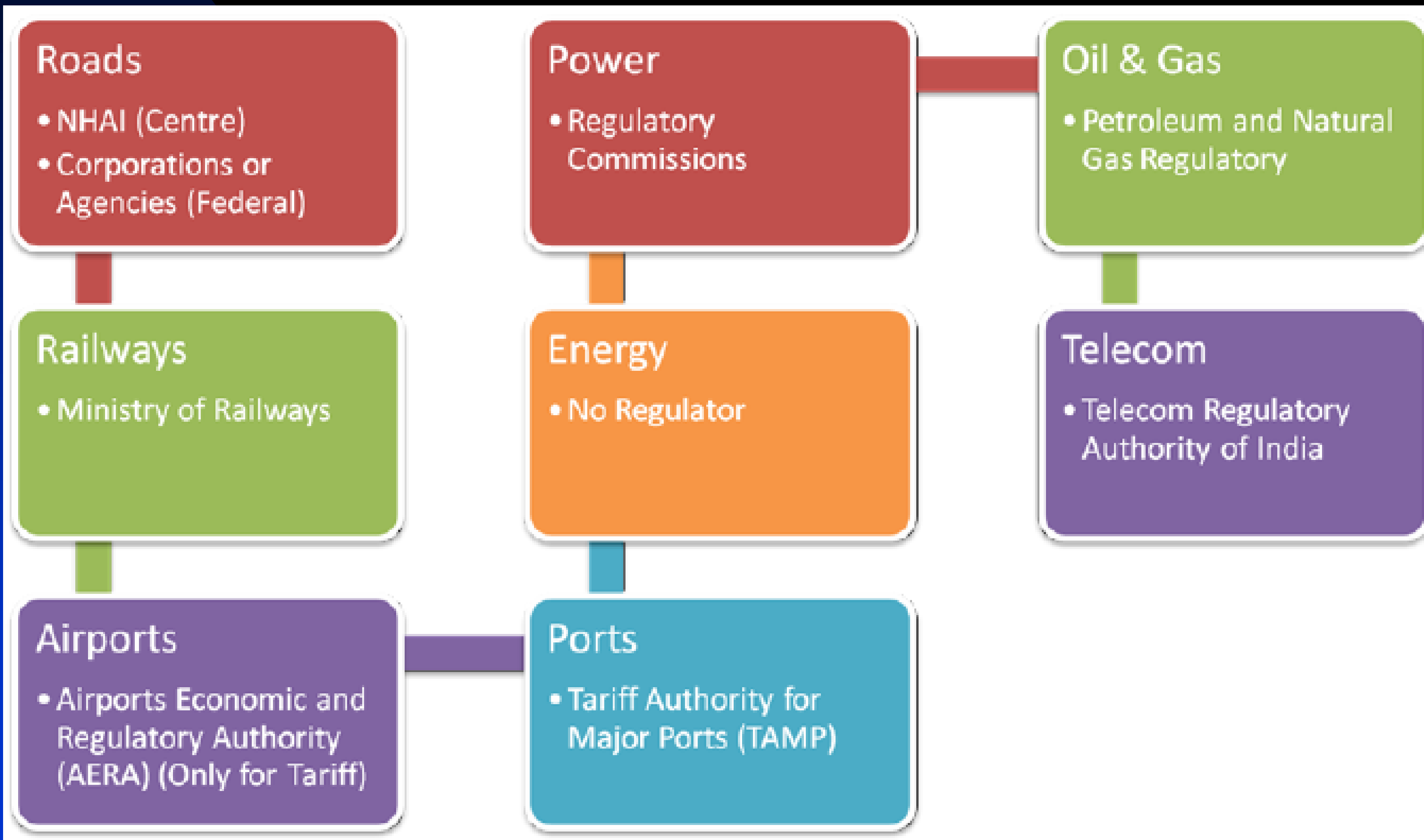
There is no separate legislation governing PPP projects or SPV accounts. It is administered by the Companies Act (1956).

Depreciation of assets as per Companies Act & Income Tax Act.

Capital investments and future liabilities would need to be recognized on the books of the promoter consortium.

Legal framework of PPP in India

Sectoral Regulators



Distribution of PPP Projects

The database lists information on all PPP projects in India. The database on a particular PPP project will essentially provide data on

- Project information,
- Bidding information,
- Project benefits and costs,
- Legal instruments and
- Financial information

Distribution of PPP Projects – State Wise

STATE WISE FIGURES						
States	Total Number of Projects based on value of contracts					
	Total Number of Projects	Based on 100 crore	Between 100 to 250 crore	Between 251 to 500 crore	More than 500 crore	Value of contracts
Andhra Pradesh	63	1062.93	1554.27	3188.53	33473.7	39279.43
Bihar	2	4	0	418.04	0	422.04
Chandigarh	14	15	0	0	0	15
Chhattisgarh	4	70	304	464	0	838
Delhi	9	95	0	408.2	10374	10877.2
Goa	2	30	220	0	0	250
Gujarat	27	130.06	277.22	3360.9	14943.71	18711.89
Haryana	2	0	0-	756	0	756
Jharkhand	6	131	550	0	0	681
Karnataka	95	980.39	1692.55	12203.31	24615.6	39491.85
Kerala	11	114	112	615.5	11131	11972.5
Madhya Pradesh	37	1027.32	1117.28	2694.95	2949	7788.55
Maharashtra	285	118.5	745.5	1099.84	32061.95	34025.79
Orissa	16	235.1	0	500	6888.34	7623.44
Pudducherry	2	0	0	419	1867	2286
Punjab	19	537.26	434.72	572	0	1543.98
Rajasthan	49	523.92	783.79	833	3112.7	5253.41
Sikkim	24	175.59	558	2669	13708	17110.59
Tamil Nadu	30	143.31	555.6	6412.87	5340	12451.78
Uttar Pradesh	5	0	0	1458.57	649.21	2107.78
West Bengal	5	0	200	1214.4	641	2055.4
Inter-State	13	160.45	195	2294.67	5984	8634.12
Total	450	5638.83	9299.93	41582.78	167739.21	224175.8

Distribution of PPP Projects

Sector wise observations

SECTOR WISE FIGURES						
Sector	Total Number of Projects	Based on 100 crore	Between 100 to 250 crore	Between 251 to 500 crore	More than 500 crore	Value of contracts
Airports	5	0	0	303	18808	19111
Education	1	93.32	0	0	0	93.32
Energy	24	175.59	558	2669	13708	17110.59
Ports	43	96	970	2440	62992.95	66498.95
Railways	4	0	102.22	905	594.34	1601.56
Roads	271	3162.5	5526.49	32861.87	60453.92	102004.7
Tourism	29	742.56	674.52	0	1050	2467.08
Urban Development	73	1283.86	1468.7	2403.91	10132	15288.47
Total	**450**	**5638.83**	**9299.93**	**41582.78**	**167739.21**	**224175.8**

Distribution of PPP Projects

Sector wise observations

- Road projects account for 60% of the total number of projects and 45% by total value because of the small average size of projects. Ports though account for 10% of the total number of projects have a larger average size of project and contribute 30% in terms of total value.

- It is noteworthy that if ports and central road projects are excluded from the total, there is in fact a relatively small value of deal flow, at only Rs 55757.02 Crores in basic infrastructure PPPs to date, suggesting a significant potential upside for PPP projects across sectors where states and municipalities have primary responsibility.

- The potential use of PPPs in e-governance and health and education sectors remains largely untapped across India as a whole, though off-late there have been some activities shaping in these sectors.

Distribution of PPP Projects

Central-State wise observations

- Across states and central agencies, the leading users of PPPs by number of projects have been Karnataka, Andhra Pradesh, and Rajasthan, with 95, 63 and 49 awarded projects respectively and the National Highways Authority of India (NHAI), with about 77 projects.

Distribution of PPP Projects

PPP Type wise observations

- In terms of main types of PPP contracts, almost all contracts have been of the BOT/BOOT type (either toll or annuity payment models) or close variants. In terms of approach to provider selection, almost all the projects in the sample were competitively bid (either national or international competitive bidding) with the negotiated ones (through MOUs) primarily coming from the railway PPP projects,

Distribution of PPP Projects

International-Domestic Bidding

- **In terms of contract award method the International Competitive Bidding yielded 39% of total investment in India followed by Domestic Competitive Bidding with 33%.**

Sector Wise Contract Award Method					
Sectors	**Total Number of Projects**	**Total Number of Projects based on Contract Award Method**			
		Domestic Competitive Bidding	International Competitive Bidding	Negotiated MOU	Value of Contracts (Rs. Crore)
Airports	5	0	18808	0	19111
Education	1	93.32	0	0	93.32
Energy	24	100	0	16014.59	17110.59
Ports	43	4816	24037	34591.95	66498.95
Railways	4	696.56	0	905	1601.56
Roads	271	62779.2	34161.9	1259.2	102004.78
Tourism	29	1367.76	982.32	0	2467.08
Urban Development	73	4645.83	9758.91	15	15288.47
Total	**450**	**74583.67**	**87748.13**	**52785.74**	**224175.8**

Distribution of PPP Projects

Foreign versus Domestic Investment In PPP in India

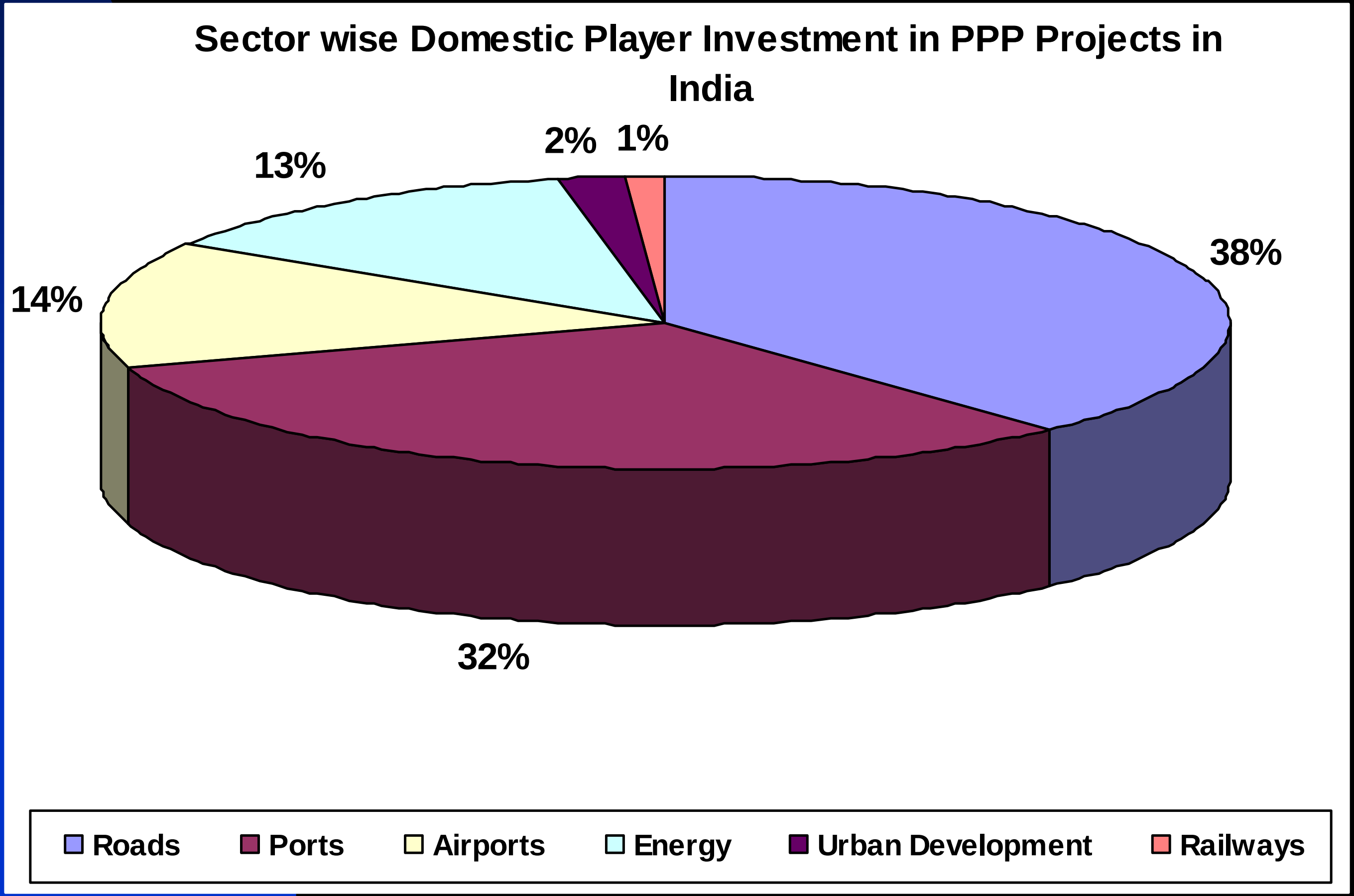
Foreign versus domestic investment in PPP projects in India*			
Investor Type	Total Investment	% of total number of projects	% of total project cost
Foreign Investor	1725.85	7%	1%
Indian Private Investor	134145.57	93%	99%
Total	135871.42	100%	100%

Sector-wise break-up of foreign investor participation in PPP projects			
Foreign Investor Versus Sector	No. of Projects	Investment	% of total project cost
Ports	9	416.5	24%
Roads	9	256.22	15%
Airports	4	1053.13	61%
Total	22	1725.85	100%

*As per records made available during project survey

Distribution of PPP Projects

Domestic Investment In PPP in India - Sector wise



Distribution of PPP Projects

Domestic Investment In PPP in India

- On aggregate level the domestic players have dominated the PPP projects both in terms of numbers and investment. Out of sample of 300 projects 278 projects with investment of Rs. 134145.57 crore.
- The road sector has dominated investment by domestic players with aggregate investment of Rs. 51,398 crore.
- The port sector with total domestic player investment of Rs. 23931 crore comes second and airports at Rs. 19,111 crore.
- The energy space that includes hydro based power plants is dominated by domestic private players Rs. 17,802 crore.

Cont

Distribution of PPP Projects

Domestic Investment In PPP in India

- Leading among big domestic players is Larsen & Toubro with a total investment of, both in existing and under construction projects, totalling Rs. 3498 crore mostly in road projects. It is followed with GMR Infrastructure with a total investment of Rs. 1288 crore.

- In case of small road projects on BOT basis Sadbhav Engineering Limited with investment in 11 projects with total investment of 2085.68 crore leads the domestic scene.

- The Delhi based DS Constructions Limited is second, with total investment of Rs. 320 crore. Mumbai based MSK Projects (India) Limited is third in terms of investment, with 15 projects and total investment of Rs. 238.84 crore. Among these three players they shared 30 projects out of 300 sample projects.

Distribution of PPP Projects

Domestic Investment In PPP in India

Domestic players in PPP projects		
Domestic players	**Investment by private player (Rupees in crore)**	**Number of projects**
Major domestic players		
Larsen & Toubro Transportation Infrastructure Ltd.	3497.95	10
GMR Infrastructure Ltd.	1287.98	6
IVRCL Infrastructure & Projects Ltd.	936.6	4
Small domestic players		
DS Constructions	319.42	4
Sadbhav Engineering Limited	2085.68	11
MSK Projects (India) Limited	238.84	15
Total	**8366.47**	**50**

Distribution of PPP Projects

Foreign Investment In PPP in India

Foreign versus domestic investment in PPP projects in India*			
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Airports	**4**	**1053.13**	61%
Total	**22**	**1725.85**	100%

*As per records made available during project survey

Distribution of PPP Projects

Foreign Investment In PPP in India

- Foreign multinationals have equity participation only in 22 PPP projects in the sample of 300, where contracts have already been awarded and projects are underway.

- Malaysian companies are leading investors in public private partnership (PPP) projects in India, involving nearly six major infrastructure ventures.
- Followed by the United Kingdom with four projects,
- Mauritius (three),
- Two each for France, Germany, United Arab Emirates and the Philippines, and
- One each for the United States and Switzerland.

Distribution of PPP Projects

Foreign Investment In PPP in India

- Foreign equity participation of 27 foreign companies in PPP projects was only at Rs 1,725.85 crore which is meagre 1 per cent of the total project investment.

- Prominent PPP projects where foreign companies have an equity stake include modernisation of Mumbai and Delhi international airports, Delhi-Noida toll bridge, Pipavav port, Bangalore international airports and JNPT container terminal etc.

Conclusion

- Private Sector Perspective
- Conclusion from Indian PPP experience
- Lessons Learnt

Conclusion- Private Sector Perspective

- PPPs represent enormous, long-term business opportunity.
- GOI's PPP initiatives are welcome and much appreciated.
- Need to publicize the size of the business opportunity for PPPs to the private sector.
- PPP pipeline creation is top priority. If India is to plan for Rs 60,000 crore of PPP project investments every year, and assuming that infrastructure projects require four years from concept to commissioning, it would need a project pipeline of at least four times the annual investment requirement, that is, Rs 240,000 crore.

Conclusion- Private Sector Perspective

- **The regulatory and policy environments need substantive improvement.**

- **What governments should not do in a PPP project**
  - offer a project without detailed project development;
  - make commitments that cannot be kept;
  - change goalposts after award of concession and revisit project design;
  - not recognize that each project is a business and not a mere asset;
  - regret that the business is profitable within the framework agreement;
  - superimpose public processes on private initiatives; and
  - not fully exploit the capacity of the business to grow in the state

- **What Government should do**
  - protect officers who take the initiative on PPP;
  - align the economic interest of all stakeholders;
  - define PPP projects on a holistic basis;
  - induct the private sector as partners;
  - establish frameworks that permit failures; and
  - encourage plurality of approaches

Conclusion- Private Sector Perspective

- **Maintaining transparency is paramount.**
- **Finding credibly and viably structured projects continues to be a challenge. Often, the private sector does not see finance as a real challenge. The real challenge has been in finding projects that are well defined, credibly structured, rigorously appraised, and financially viable. Many government projects have suffered from time and cost overruns, quality issues, noneconomic allocation criteria, irregular cash flows from budgets, and shortage of competent people.**
- **PPP projects with potential to attract foreign investors**
- **Need to think regionally, beyond project.**
- **Public sector capacity to successfully execute PPPs needs to be built up rapidly.**

Conclusion- Private Sector Perspective

- **Land acquisition and environmental clearances are best obtained by governments. Numerous projects have been stalled with huge time and cost overruns due to delay in land acquisition and transfer of possession to the private sector.**
- **Address the risk and return perceptions of foreign investors. Governments need to understand that foreign investors look for the fundamentals of an investment opportunity.**
- **Build genuine and mutually rewarding partnerships.**

Conclusion- from Indian PPP experience

- In India most PPPs have been restricted to the roads sector. The US $ 100 million Delhi-Noida bridge project, implemented on a BOOT framework on the basis of a 30 year concession, is India's first major PPP initiative. The Jaipur-Kishangarh highway is a Build Operate Transfer (BOT) success story and it has been decided that the four laning of 10,000 kms, under NHDP III will be done entirely on BOT basis.

- Then there are successful PPPs in water supply. The Tirupur project in Tamil Nadu is a shining example. It is a BOOT project and an SPV was set up for the purpose. The project however took more than ten years from concept to financial closure. Many other PPPs in water supply have been financed through municipal bonds in cities such as Ahmedabad, Ludhiana and Nagpur.

- The housing projects coming up on the outskirts of Kolkata City are a good example of what a PPP model can deliver in terms of quality housing and living conditions to middle and lower middle class.

Conclusion- from Indian PPP experience

- Gujarat and Maharashtra have had success especially in ports, roads and urban infrastructure. Karnataka also has done well in the airport, power and road sector.
- Punjab has had PPPs in the road sector. As per a World Bank financed and DEA commissioned study by Price waterhouse Coopers, in the last 10 years a total of 227 PPP infrastructure projects were found to have achieved financial close.
- Furthermore, PPP projects in India clearly show a sharp increasing trend in the past 10 years. Out of the 227 PPP projects, more than 117 projects have achieved financial close in the last three years.

Conclusion- from Indian PPP experience

- Road sector which forms more than 81% of the total projects by number accounts for only 54% of the total projects by value. Port and Airport projects which form 8.4% and 1.8% respectively by number constitute 21% and 17.2% respectively of the pie by value.

- Western region followed by Southern region dominates both in terms of number and value of projects.

- Though states dominate in terms of the number of PPP projects awarded (55%), they trail the centre in terms of the total value of the projects (centre accounting for 72%). This is because most state project sizes are less than $50 million but central project sizes; in particular Airport projects are large being more than $100 million.

Conclusion- Lessons Learnt

- **Clarifying the objectives**. Governments need to be abundantly clear and determined about the basic motivation and objectives for opting for PPPs.
- **Detailed policy for implementing PPP projects is required.**
- **Strategic planning and management by government is essential**.
- **Develop a policy on unsolicited proposals from the private sector**.
- **Proper allocation of risks**.
- **Provide adequate protection for lenders**.
- **Beware of contractor-driven nature of BOT**. Offering excessively concessional terms to the project company needs to be avoided. A BOT scheme may not be a perfect solution, since it tends to be contractor oriented.

Conclusion- Lessons Learnt

- **Rigorously analyze traffic projections.**

- **Avoid renegotiation and midway changes.** Bidders often offer below-cost prices to win the contract in anticipation of later renegotiation. A concession agreement should cover all possible causes of later adjustments, leaving minimum room for renegotiation.

- **Need to consider foreign systems as an alternative.**

- **Full and clear support by government is critical.** A strong political will is essential in overcoming resistance, and needs to be seen as a clear signal of the government's intention to meet its contractual commitments.

- **Implementation schedules need to be realistic.**

- **Proactive public communication and stakeholder management.** Many PPPs have failed owing to strong opposition from civil society, local media, and other stakeholders.

Conclusion- Lessons Learnt

- **Comprehensive planning: Planning is essential to prevent failures-** Most PPP failures can be attributed to inadequate or non-existent feasibility studies, including unrealistic traffic forecasts and undefined public contribution of funds.
- **Good project preparation**
- **Solid Revenue & Cost Estimations as part of a feasibility.** Strong emphasis should be put on forecasting revenues and costs as part of the feasibility study
- **Solid Legal Framework.** A solid legal framework for PPP is needed to specify the "rules of the game" for the private sector and reduce the project risk, thus improving the success rate of PPP projects.
- **Strong Institutional Arrangements**
- **Value of Competitive Procurement.** Uncompetitive procurement gives a strong position to the negotiating private party and can lead to long delays and excessive cost to the government.

Useful Links

- **Ministry of Finance, Government of India**
  http://www.finmin.nic.in/
- **PPP India Database**
  www.pppindiadatabase.com
  www.adb.org
- **Government of India Portal**
  http://www.india.gov.in/
- **Ministry of Finance, Government of India**
  http://www.finmin.nic.in/
- **Committee on Infrastructure, Planning Commission**
  http://www.infrastructure.gov.in/
- **Investment Commission of India**
  http://www.investmentcommission.in
- **India Brand Equity Foundation**
  http://www.ibef.org/
- **State Level Infrastructure**
  http://business.gov.in/infrastructure/state_level.php