

Overview of PPP in India

PPPs in India

- ▶ Rapid urbanization and industrial growth led to demands for basic infrastructure, such as, water supply & sanitation, transportation and energy
- ▶ Rapid growth in purchasing power in the rural areas simultaneously - need for improving connectivity and services
- ▶ Budgetary Constraints and public sector capacity considerations
- ▶ Critical relationship between infrastructure and economic growth, need for policy and enabling measures to support the creation of quality infrastructure and efficient delivery of services
- ▶ Emphasis on the Public Private Partnership mode of delivery

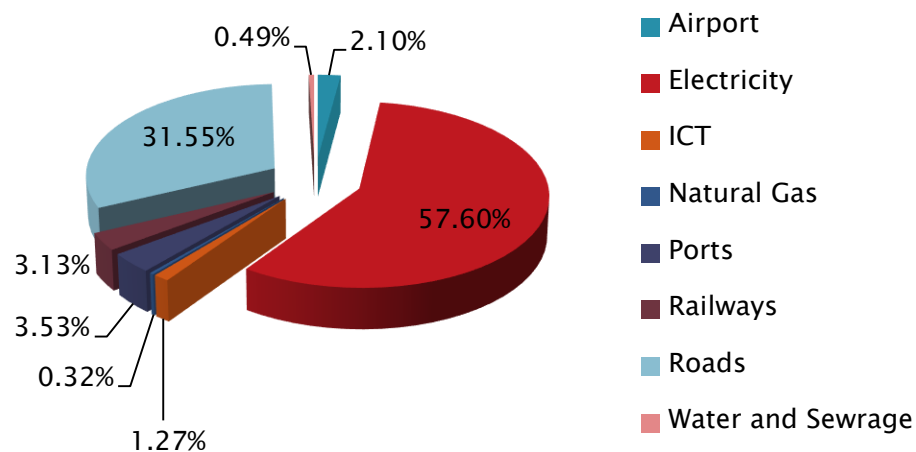
Evolution of PPPs in India

- ▶ Initial success stories confined to roads
- ▶ Today, additional sectors under PPP fold – airports, ports, urban transport, energy distribution/transmission, silos, water sector, tourism, etc.
- ▶ **2nd in developing countries** in No. of PPP Projects and associated investment (PPI –WB)
- ▶ 2015 report of The Economist Intelligence Unit, “Evaluating the environment for PPPs in Asia-Pacific 2014” :
 - 1st rank of India worldwide in “Operational Maturity” for PPP projects
 - 3rd rank for India for sub-national PPP activity
 - 5th rank overall for India for having ideal environment for PPP projects
- ▶ Growth was supported by favourable policy reforms and financial support for PPPs

PPP projects in India

Sector	No. of Projects	Total Investment (Million USD)
Airport	8	5,400
Electricity	433	147,967
ICT	25	3,272
Natural Gas	5	831
Ports	42	9,068
Railways	11	8,037
Roads	436	81,042
Water and Sewrage	20	1,258
Total	980	256,875

Total Investment (Million USD)



Source : World Bank [<https://ppi.worldbank.org/snapshots/country/india>]

Institutional Framework for PPPs

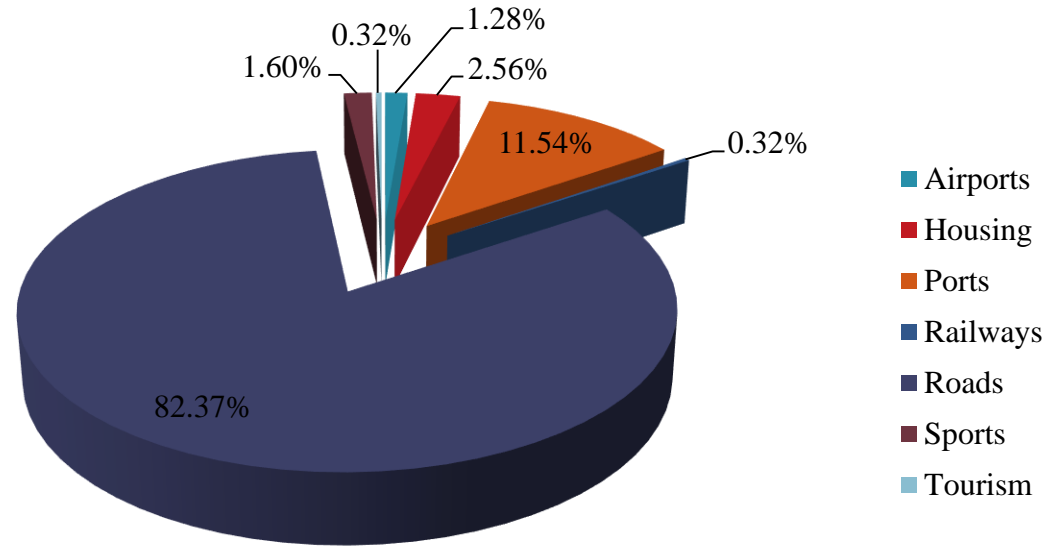
Public Private Partnership Appraisal Committee (PPPAC)

- ▶ Streamlining appraisal/approval mechanism for Central Sector PPP projects of all sectors
- ▶ Ensure **speedy appraisal of projects, eliminate delays, and uniformity in appraisal** mechanisms
- ▶ Capital costs or underlying value of the assets is **US \$ 36 million** (Rs. 250 cr) or more
- ▶ Capital costs is **US\$ 285 million** (Rs. 2,000 cr) or more (Bharatmala project) & **US\$ 140 million** (1,000 cr.) {road/port projects}
- ▶ The PPPAC comprises of the following:
 - *Secretary, Department of Economic Affairs, Ministry of Finance (in the Chair);*
 - *CEO Niti Aayog;*
 - *Secretary, Department of Expenditure, Ministry of Finance*
 - *Secretary, Department of Legal Affairs; Ministry of Law & Justice*
 - *Secretary of the Department sponsoring a project*
- ▶ On recommendation by PPPAC and after CCEA approval, the projects can be bid out

Sectoral Spread of PPPAC Proposals

Sector	Projects Approved
Airports	4
Housing	8
Ports	36
Railways	1
Roads	257
Sports	5
Tourism	1
Total	312

Projects Approved



Viability Gap Funding (VGF) Scheme

- ▶ Introduced in **2006 as Central Sector (CS) Scheme**
- ▶ Provides financial support in the form of **one time/deferred grant** to PPP projects at construction stage to make PPP infrastructure **projects commercially viable**
- ▶ Upto **20% of Total Project Cost**. Further 20% of TPC from State Govt./Statutory entity.
- ▶ **Empowered Committee (EC)** (*for VGF between Rs. 100 cr - Rs. 200 cr*): Secretary, DEA [Chair], CEO, NITI Aayog, Secretary (Expenditure) and Secretary of the Line Ministry
- ▶ **Empowered Institution (EI)** (*for VGF up to Rs. 100 cr*): Additional Secretary, DEA [Chair], Additional Secretary (Expenditure), Representative of NITI Aayog (JS level), Joint Secretary of the Line Ministry and Joint Secretary, DEA
- ▶ Sectors are already identified which are eligible for the VGF Scheme
- ▶ Need to certify that Tariff/user charge/project Term/scope cannot be increased to eliminate/reduce VGF

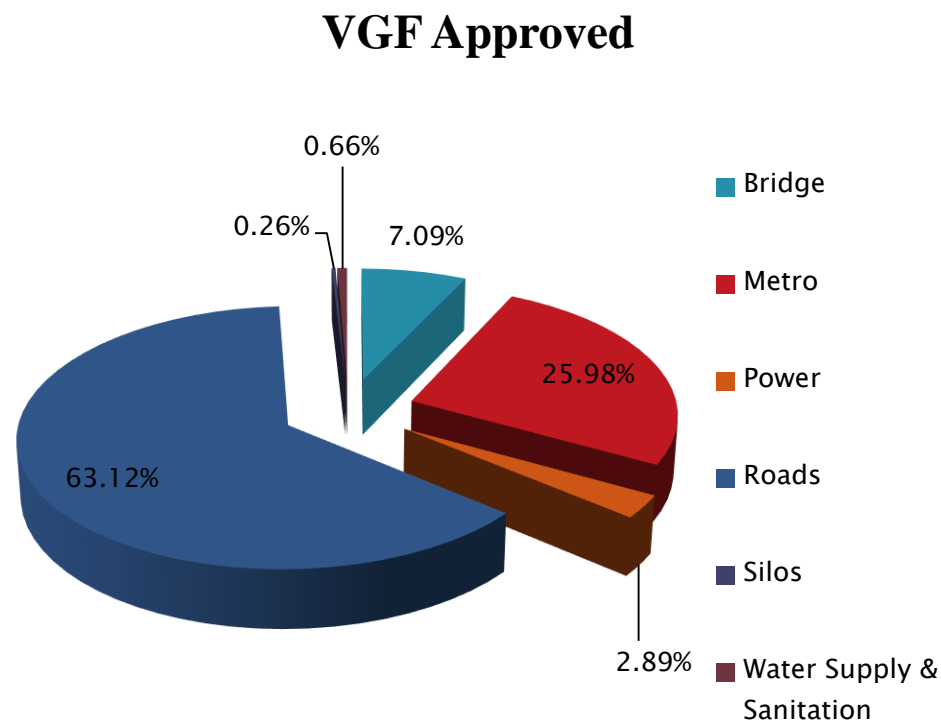
Process of releasing Viability Gap Funding

- ▶ Private Sector Company to be selected by **transparent, open competitive bidding process**
- ▶ **Bid parameter will be amount of VGF** (and all other parameters are comparable)
- ▶ Prior to disbursement, EI, Lead Financial Institution (LFI) and private sector company enter into a Tripartite Agreement.
- ▶ Private sector company need to **subscribed and expended the equity contribution** required for the project
- ▶ VGF will be released in **Escrow account** of LFI in proportion to debt disbursements
- ▶ LFI responsible for monitoring/periodic evaluation of compliance with agreed milestone and performance levels
- ▶ LFI to send **Quarterly Progress Report** of physical progress of project to the EI/EC

Sectoral Spread of VGF Proposals

Sector	Projects Approved	Total Project Cost (Million US \$)	VGF Approved (Million US \$)
Bridge	2	299	57
Metro	1	1733	208
Power	3	132	23
Roads	49	2664	507
Silos	6	25	2
Water Supply & Sanitation	1	27	5
Total	62	4881	802

1 \$ = 70 (INR)



Recent Initiatives

Toll-Operate-Transfer (ToT) Project of NHAI

- ▶ Funding to meet ambitious plan of **expanding National Highways (NH) Network**
- ▶ Efficient management of **75 operational NH projects** through Operation & Maintenance (O&M) to reduce waiting time at toll plazas.
- ▶ Aimed at improving **road safety, quality of maintenance and toll collection methods**
- ▶ Targeted at **Long-term global strategic/financial investors including pension/sovereign funds, insurance companies, asset managers etc.**
- ▶ Bundle-I of nine (9) NH stretches (**Andhra Pradesh & Gujarat**) having a length of 681 kms is bid out.
- ▶ Awarded to Macquarie for around **USD 1.5 billion** (Rs. 9,681 Cr) (1.5 x NHAI estimate)
- ▶ Bids are called for Bundle-II having length of 586 kms (Rajasthan, Gujarat, West Bengal & Bihar)

Hybrid Annuity Model (HAM)

- ▶ Government introduced Hybrid Annuity Model (HAM) to rejuvenate PPP.
- ▶ HAM is a mix between the existing two models – BOT Annuity and EPC.
- ▶ Under HAM, the government contributes 40% of the project cost in the first five years through annual payments (annuity).
- ▶ The remaining payment (60%) is made on the basis of the assets created and the performance of the developer.
- ▶ 60% is paid as variable annuity amount after the completion of the project depending upon the value of assets created

Model Bid Documents and Manuals for PPPs

- ▶ Standardized guidelines and model documents have been developed to **address complexities of PPPs and balance the interests of users and investors**
- ▶ **Key principles/best practices** relating to bidding and award of PPP projects are incorporated
- ▶ **Standardized Contractual Documents** such as Sector specific Model Concession Agreements (MCAs)
- ▶ **Standardized bidding documents:** Model Request for Qualification & Request for Proposal
- ▶ Model Bidding Documents for selection of **Technical, Financial and Legal** consultants for PPP projects
- ▶ **Manual of Specifications and Standards** for 2-lane/4-lane highway projects

Information Dissemination

▶ Web site devoted to PPP policies/programmes/ initiatives in States/ Central Ministries (<https://www.pppinindia.gov.in>) contains:

- Guidelines for PPPAC, VGF, IIPDF, etc.

(<https://www.pppinindia.gov.in/appraisal-and-approval-mechanisms>)

- Record of Discussions of EC, EI, PPPAC Meetings
- Knowledge Products, Toolkits

(<https://www.pppinindia.gov.in/toolkit/>)

- Guidance Material for Health, Contract Management
- (<https://www.pppinindia.gov.in/guidance-material-and-reference-documents>)

Thank You

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