



Review Meeting of ADB TA On Mainstreaming PPPs

Ministry of Urban Development

23rd March 2009



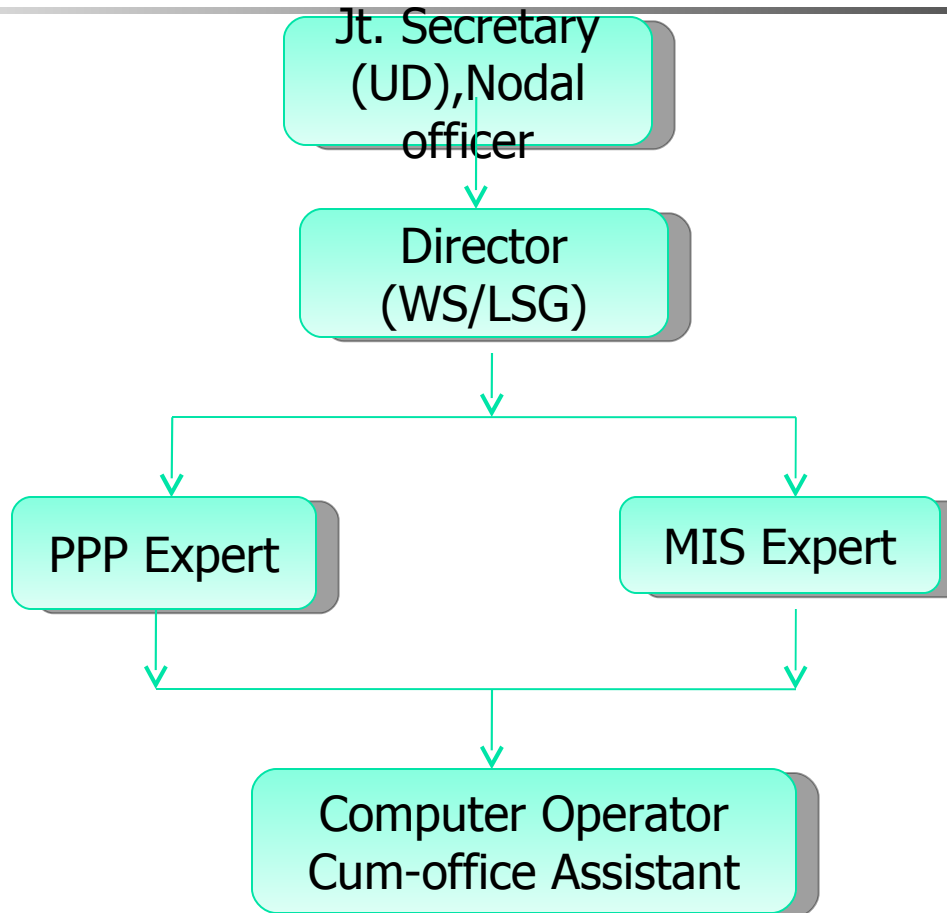
Mandate of the PPP Cell

- To give a fillip to PPP projects in Urban Sector across the States

Coverage under the Urban Sector

- Water Supply & Sanitation, SWM
- Urban Roads & Bridges
- Heritage & Public Space Development
- Metro projects
- BRTS, Bus terminal
- Outsourcing of Municipal Services in the States, etc.

Organization Structure (PPP Cell)





Challenges of developing PPP Projects IN URBAN SECTOR

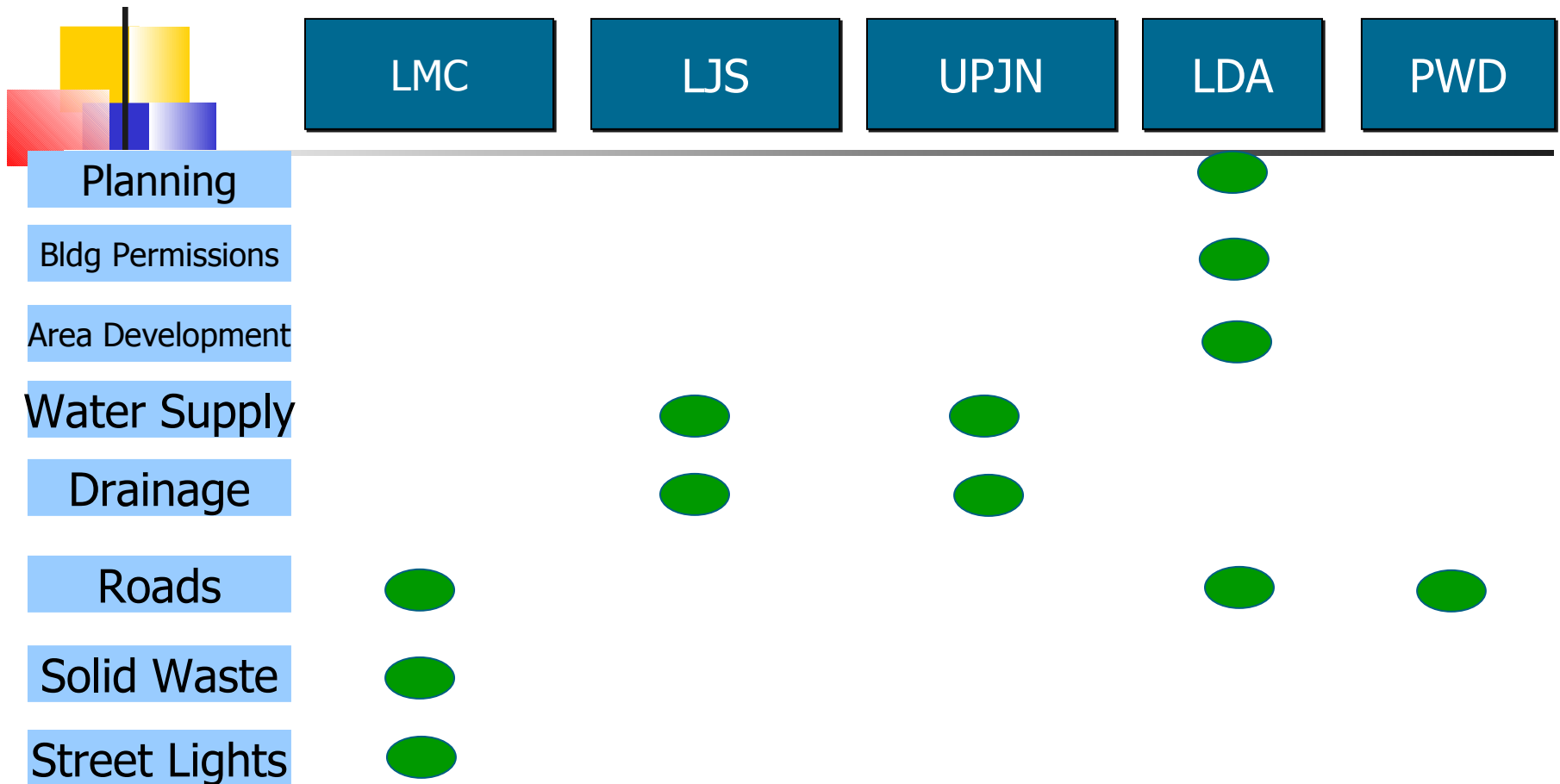
- Most of urban sector investment involve third tier of Government, which increases the perceived political risks for the private sector
- An exception is Industry which has long history of paying rational Tariff, otherwise it is low tariff and low collection of user charges
- Except for a minority of municipalities, the general financial health of most of the municipalities is precarious
- The urban sector is seen as a high-risk sector, leading to anemic inflows of private capital
- PPPs are very different from the traditional procurement and project execution process followed in urban sector by state and ULBs



Challenges of developing PPP PROJECTS

- Institutional complexity in service delivery –reflected in multiple agencies-(PHEDS,Boards and municipalities etc),overlapping functions, lack of clarity of roles and responsibilities

Complexities of fragmentation, Example – Lucknow (2004)

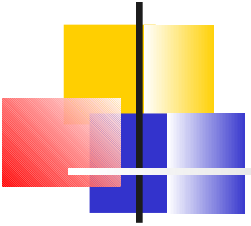


Lucknow Jal Sansthan(LJS) maintains water supply and sewerage.

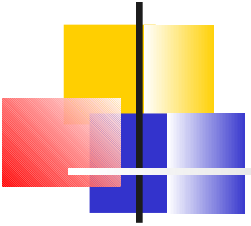
UP Jal Nigam executes capital works and maintains the Sewerage Treatment Plant in Lucknow.

PWD has responsibility for roads greater than 80 ft.

Several other State level agencies are involved in executing grant based capital works.



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- Inappropriately targeted subsidy
 - High unknown unaccounted for water
 - Lack of customer orientation
 - High staff ratio and low productivity
 - Traditional bureaucratic approach and lack of management culture
 - The challenge lies in disaggregating the requirement of urbanization, systematically identifying PPP products, structuring them, fulfilling the requirements in terms of the technical studies and managing a competitive bid process for award



- Challenge lies in creating a shelf of projects. A shelf of projects is not merely a list of projects, it is a systematic and exhaustive method of identifying project by the user deptt against a set criteria. There is rigor and discipline in the methodology and it fleshes out regulatory, policy and institutional arrangements required.
- Utilities require baseline studies, price determination either through a regulatory or independent process, standards of quality Matrices are not only required for a non-discriminately selection process but are often breaking issues for investors
- Standardisation accelerates PPP proecss



(i) Process becomes replicable

(ii) Approval process gets streamlined

Not only SBDs and MCAs facilitate the bid process by ease of approval by depts, but an MCA and SBD has the national best practices built into it and international experience incorporated

- While several states have an infrastructure fund, a dedicated urban fund for technical studies, bid process management, VGF, long tenor loan for the urban sector is typically an important requirement
- While Policy and regulatory issues are stressed, a breaking issue is the capacity building of the ULBs and urban development agencies for PPP. Most often the absence of capacity is the greatest impediment to PPP



Constrains in urban PPP Dev

- No regulatory or policy enabling framework for PPPs barring few exceptions
- Poor capacity to structure projects and execute contracts for city/state governments
- Little progress on preparing bankable and financially sustainable projects considering the opportunity and Risk involved
- Need to rationalize Tariff and user charges
- Complexity in unbundling urban service delivery



Opportunities for Expanding PPPs in Urban Infrastructure Development


- With the launch of the reform-driven and part-grant financed JNNURM, both the macro-environment as well as project-level micro environment is becoming more and more congenial for PPPs in the urban sector
- Many of the JNNURM-supported reforms are expected to create favorable governance and institutional framework for private sector to feel more confident to venture into the urban sector
- JNNURM grants may be used for Tariff reforms, Escrow structures, good debt-equity structures, creations of SPVs etc
- JNNURM projects that can be taken up on PPP should be taken up on PPP
- JNNURM funding can be used to finance the viability gap of 20% to come from sponsoring Government
- Each state can leverage JNNURM funding to generate large additional investment in urban PPPs
- Each DPR is examined if it is amenable to PPP and if that is so, then support is being provided

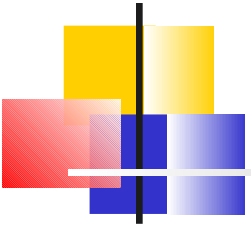


Efforts made/being made by the ministry for supporting PPP

- MOUD has formulated PPP Guidelines on urban Infrastructure particularly Water and sanitation which have been circulated to the states
- A document for capacity building for PPP in urban sector has also been prepared
- Toolkit for PPP in Urban Sector has been developed
- Key parameters for Evaluating PPP Projects have been prepared
- Compendium of case studies on PPP in Urban Infrastructure has been Prepared jointly with CII and was released on 11th November,2008

- The Ministry intends to conduct three programmes on PPP in Urban sector during 2009 concentrating on skill development inputs which will really help in formulating PPP projects in urban sector across the states
- The Draft National Mission for Sustainable Habitat has been prepared, the successful implementation of which will lead to development of projects on PPP basis in water supply, sanitation and solid waste management etc

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- It is intended to Develop Model PPP Policy for Urban sector and also develop Model Concession Agreement for PPP Projects in the urban sector
 - MCA for BOT(WATER SECTOR) has been prepared
 - A Toolkit for Pooled Finance Development Fund has been prepared and efforts are being made to give a fillip to Municipal Bond Market
 - Further, the capacity building programmes initiated in the following areas will help in giving a boost to PPP projects:
 - Accounting and Budgetary Reforms
 - Property Tax Reforms
 - Credit Rating of Municipalities
 - Efforts are being made for setting up of UIF(Urban Infrastructure Fund) with assistance from KfW which will bring to bear an integrated approach to the development of PPP projects in terms of
 - Capacity Building
 - Project Development
 - Project Financing

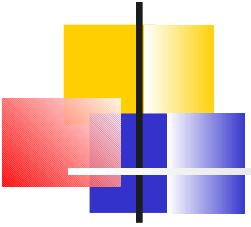


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- Database creation, formats for data collection pertaining to PPP projects have been prepared and sent to the states & the information obtained has been compiled
 - Prepared PPP portal specific to the Ministry
 - Will be preparing Position Paper on PPP in SWM
 - A need is being felt for developing Toolkit for regulatory benchmarks for Water and sanitation sector
 - It is also intended to develop Templates for PPPs in Water, Sanitation and Solid Waste Mgt which will lay emphasis on
 - Performance Parameters
 - __Technical and commercial Parameters
 - __Basic PPP structure as per each Model
 - __Key clauses for Concession Agreement

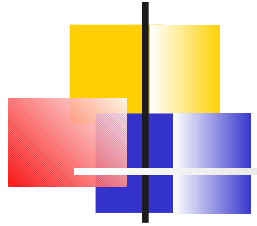


Support Required

- Capacity building , Training and Advocacy for Elected representatives and officials
- Assistance in development of few Pilots in water, sanitation sector & SWM
- Assistance in setting up PPP Resource link for urban sector. Urban managers and associated sector professionals would be required to forward their enquiries and access online data base which will be created. Responses to the enquires would be addressed by a team of Experts



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- Assistance in developing Model concession Agreement/Templates for urban sector projects
 - Assistance in Developing Model PPP Policy for urban sector
 - Assistance in developing a Toolkit of Regulatory Benchmarks for Water sector



Thank you