
A Partnership Strategy to deepen Investments in Infrastructure

Infrastructure Corporation of Andhra Pradesh

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Growing Indian Economy

- The GDP growth ranged between 7.5 % to 8% plus (Estimate for FY 2006-07... 9.4%)
- GDP expected to achieve still higher growth
- Exports share is expected to be doubled
- Goldman Sach's BRIC report projects India as one of the fastest growing economy in first half of 21st century
- Investment to GDP ratio touching 35%
- Would require a solid backbone of infrastructure if such growth rates are to be sustained
- Similar situation besets AP as well

Infrastructure Bottleneck

- Infrastructure is the biggest bottleneck in 'India Growth Story'
- Transport system has severe capacity constraints: highways, city roads, airports, seaports and railways
- Urban and Utility infrastructure : Huge demand-supply gap in drinking water, sewerage system, drainage and power supply
- India needs US\$ 350 billion investment in the 11th Five Year Plan to meet current Infrastructure needs.
- Government alone can not bring the desired investment and efficiency: need for Public Private partnership (PPP)

PPP Approach

Goal

- Attract private investments for infrastructure projects
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Need

- Lack of Budgetary Resources
 - Need to improve efficiency in service delivery
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PPP approach

- Private Sector contribution for:
 - Financial investments
 - Best Management practices
 - Efficiency in service delivery
 - Efficient use of capital resources

- Public Sector contribution limited to:
 - Providing institutional commitment to project
 - Project Development & Selection of Developer
 - Viability gap funding (VGF), if any

Key Determinants to the Success of PPP

- Adequate Demand for the services/goods
- Broad based and clear identification of Projects
- Political commitment to the project
- Administrative framework and readiness to meet requirements
- Partnership of Public (Government) with Private Sector rather than owner-contractor relationship
- Proper Project Development and transparent and expeditious bid management

Adequate project development - for Bankable Projects

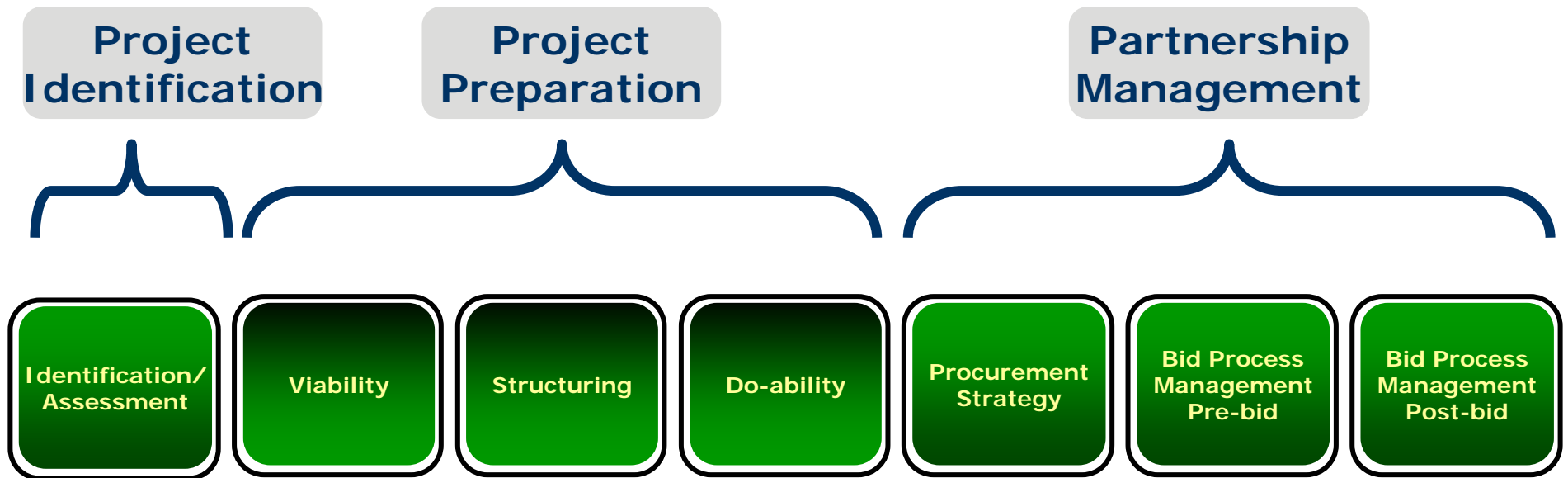
- Provide information required to take informed decision, reduce risks and uncertainty
- Level of project development depends on the intrinsic strength and viability of the project
- Technical, environmental, social, financial, legal aspects
- Risk identification and mitigation
- Bankability of project and project documents

Background Issues

- Ability to create a 'shelf of projects'?
- Project development requires funds and continuous support
- Strengthening the capabilities of the mandated agency to create experiential learning
- Standardized processes for Viability support for projects not viable on stand alone basis
- Every department has to look beyond their narrow shelves to create this shelf

Debate has shifted from financing of infrastructure projects to creation of a shelf of projects.

Putting the projects on 'shelf'



- Requires **P**roject **P**reparation & **P**artnership Management
- Incap is the nodal agency mandated to do the above

State need to enhance the involvement of private sector – need a PPP! The challenge is the right model and right process for engagement of private sector!

Identification Stage

Objective

- To convert wish list into a list of projects that are viable and amenable for PPP.

Activities

- Prelim assessment of the opportunity
- Prelim assessment of possibility of a PPP
- Presence of necessary ingredients – land, land use, basic approvals

Preparation Stage

Objective

- Assessing feasibility and structuring the PPP (Value for Money) (Risk Return Ratio)

Activities

- Assessment of Market opportunity
- Technical & Financial Feasibility
- Financial structuring
- Sharing of risk and Structuring PPP

Partner Selection Stage

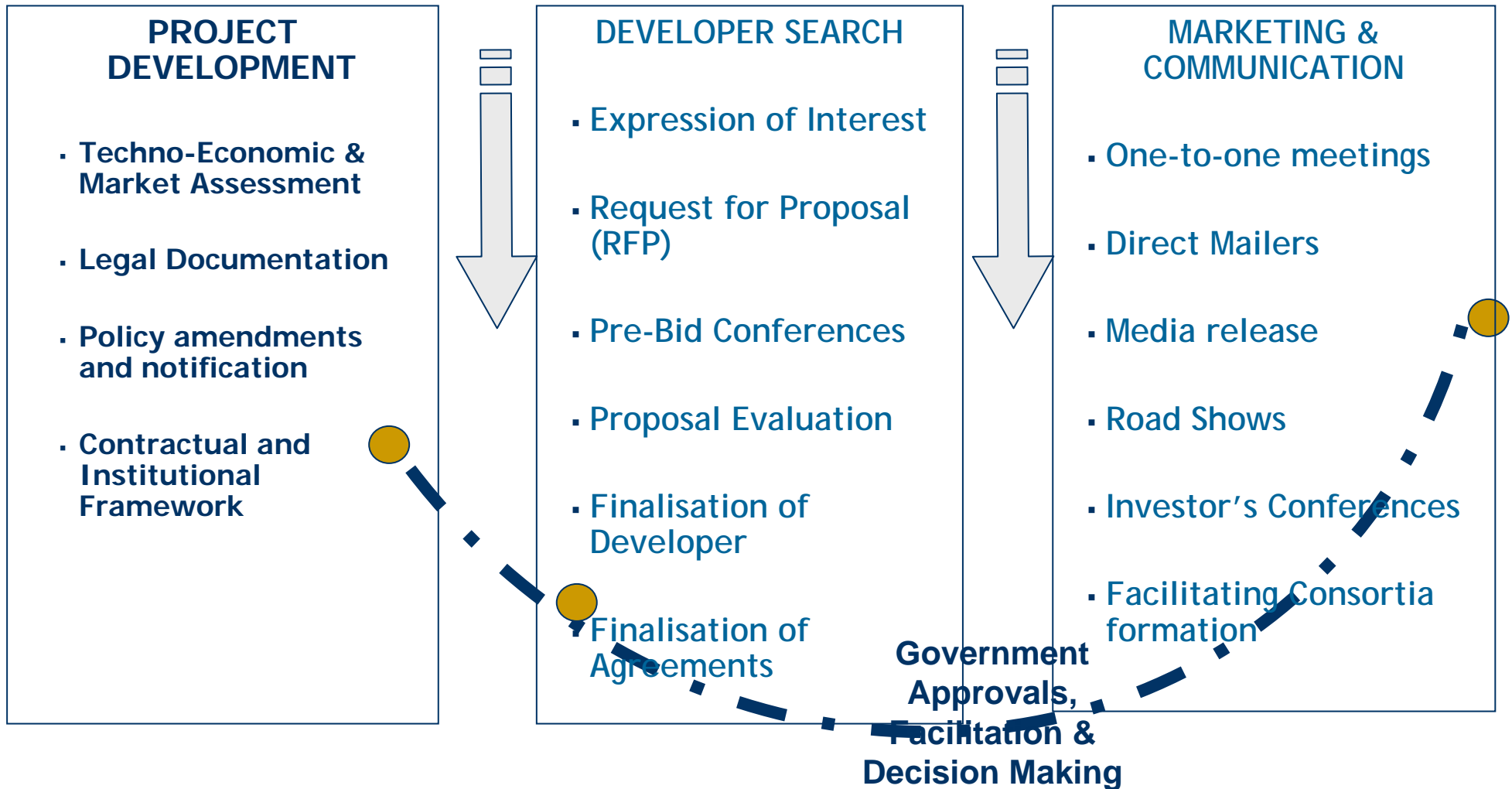
Objective

- To select Private Sector Partner in an open and transparent manner

Activities

- Technical and financial capability criteria
- Equal information sharing and support to all bidders
- Rigorous specifications & Contract
- Efficient and time bound bidding process

Project Development Process



Current Situation

- Inability of the Departments caught up with their regular work to think out of box and conceptualize PPP projects
- Engagement without accountability for success
 - Consultants funding program
 - Project reports not translating into action
- Process taking far too long; impatience with tender process
- Governments not able to commit resources – financial and human for project development
- Risk aversion of officers in view of allegations of malpractices



- A nodal agency **INCAP** created for this purpose most equipped to do it
- Infrastructure Development enabling act and APIA
- State Level Empowered Committee

We would have to react before it is too late!

Strengths of INCAP

- A dedicated project development entity with necessary expertise, experience and autonomy
- Ability to create an enabling environment to unleash the potential of the private sector
 - Developing 'Commercially Viable' & 'Bankable' Projects
- Enhance market response & obtain best value to state
 - Developing reliable technical & financial information
 - Direct marketing with potential investors
- Provide clarity to
 - Government - basis of support to make the project bankable
 - Private Sector - to bid at nominal bid costs and risk premia
 - Financing Agencies - the bankability of the project
- Successful delivery and implementation of projects
 - Manage bottlenecks

Strengths of INCAP

- To develop effective risk management & mitigation framework
 - Techno-commercial, Financial, Regulatory
- Viability enhancement
 - Optimizing implementation time
 - Appropriate implementation structure
 - Financial engineering
 - Leveraging government resources/support, wherever possible through PPP model
- Capacity building to
 - Government Departments/bodies

Role of INCAP

- Provide proper documentation services by hiring Consultants, Experts in sector-specific PPP Projects. (Over 50 consultants of global repute on board)
- Develop and maintain proper database on the Infrastructure Projects.
- Prepares project profiles to improve knowledge base on the project execution.
- Sector-specific case studies.
- Organize project evaluation studies with reference to social and environmental issues.
- Organize training / skill development programs for the departmental resource persons to improve their Techno-Managerial Skills.
- Design and maintain web based inter-active portal, documenting and disseminating best practice and lesson learned in the project implementation under PPP to the user.

There is a chance to explore the possibility for creating strong linkages between the PPP cell and INCAP

Proposed PPP cycle

The following steps are proposed for the initiation and implementation of PPP projects from concept to completion.

- Each department dealing with the Infrastructure Projects has to identify resource persons, who are professionals in their functional domain.
- Such identified resource persons are to be exposed to PPP training in India and abroad.
- Proforma information covering the areas of PPP to be submitted to the I&I Department.
- Preparation of pre-feasibility report by the departments concerned on the PPP proposals.
- Comments/observations on the pre-feasibility report by INCAP as the nodal agency.
- Preparation of detailed Project Report or Detailed Feasibility Report by the INCAP.
- Alternatively to suggest terms of reference for such project preparation, selection of consultants, evaluation of DPR/DFR by charging a nominal fee from the project executing department.
- Proposals from the identified departments to be submitted to A.P. Infrastructure Authority for consideration under PPP method.
- Initiation of bidding process for the projects feasible under PPP
- Selection of project developer with due process.

Sectors for PPP Projects development

The following Sectors may be considered for immediate development of projects under Public Private Partnership (PPP) mode:

- Power plants
- Highways
- Ports
- Airports
- Hydro Power Projects
- Water supply
- Irrigation
- Telecommunication
- Railways
- Land reclamation projects
- Industrial Estates or Townships
- Housing
- Government Buildings
- Tourism projects
- Markets & Warehouses
- Solid Waste management
- Information Technology
- Education and Health facilities
- Sewerage
- Other Infrastructure and Development Projects.

Areas of Interest

Core



- Transportation
 - Highways
 - Railways
 - Ports
 - Aviation
- Energy
- Water

Urban



- Water & Sanitation
- Roads
- MRTS
- Transport Hubs

Rural



- Water Supply & Sanitation
- Health

Social



- Housing & Townships
- Retail
- Leisure & Entertainment
- Hospitality
- Healthcare

Commercial &
Industrial



- IT Parks
 - Industrial Estates & SEZs
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Infrastructure categories

- **Group A: Rural Infrastructure**
 - Irrigation, rural connectivity (roads, power, IT), cold chains and mandis, drinking water.
- **Group B : Core Infrastructure**
 - Transportation (roads, railways, airports, sea ports, inland waterways); energy (generation, transmission, distribution).
- **Group C : Urban Infrastructure**
 - Water, sanitation, sewerage, LRT/MRT/MTS, city-energy distribution, terminals and logistics parks.
- **Group D : Land- Intensive**
 - SEZs, industrial parks, new townships, industrial cluster development, IT parks.
- **Group E : Social Infrastructure**
 - Healthcare, education, leisure and entertainment, retail, tourism, housing, exhibition and convention centres, hospitality.

Prospective Projects

- Coastal Corridor Project
- Development of ITIs/ Polytechnics
- Development of National and State Highways
- Inland Waterways
- Commodity Exchanges
- Telecom Towers
- Regional Airports
- Health Infrastructure
- Urban Water and Sewerage Upgradation in select municipal areas
- Solid Waste & landfill Management
- Ancillary Urban Infrastructure & Street Furniture Project

**THANKS FOR UR
VALUABLE TIME !!**

