

WHAT IS A PPP?

- ⊙ Contract by Public Authority for provision of asset and/or services
 - With private entity
 - Private finance used to fund asset/service
 - Long-term in nature
 - Allocates risk between the Authority and the private sector
 - Annuity or User Charge based
 - Performance-linked payments
 - Output based

CONVENTIONAL VS. PPP PROCUREMENT

◎ **Traditional procurement:**

- Government bears construction related risks
- Does not account for risks adequately leading to time and cost overruns
- Input-based specifications
- Poor construction & maintenance
- Declining service levels over a period of time
- Leakages in revenue

◎ **PPP procurement:**

- Private party bears construction related risks
- Output based specifications
- Private service provider designs, builds, finances, operates and maintains the asset/service

WHEN TO USE PPPS (CONTD.)

- ◎ **Transport**
 - Metros, roads, ports, railways, airports
- ◎ **Social sector services – education, health, etc**
- ◎ **Water supply and solid waste management**
- ◎ **Power sector – generation, transmission, distribution**
- ◎ **Irrigation projects**
- ◎ **Modern storage/warehousing**

FEATURES OF PPP PROJECTS

◎ **PPP infrastructure projects involve**

- Transfer of public assets
- Delegation of Governmental authority for recovery of user charges,
- Private control of monopolistic services
- Sharing of risks and contingent liabilities by the Government
- Protection of user interests and securing value for public money over lifecycle of the project
- Complex deals with high transaction costs

PPP TRANSACTION

- Preparation of concept paper
 - Feasibility study
 - Preparation of documents
 - In-Principle approval by Public Private Partnership Appraisal Committee (PPPAC) /Empowered Institution (EI)
 - Request For Qualification
 - Final Approval by PPPAC/EI
 - Request For Proposal including draft Model Concession Agreement
 - Award
- appointment of consultants

GOVERNANCE STRUCTURE FOR PPPS

- **Constitution of a Cabinet Committee on Investment (CCI)**
 - Prime Minister is the Chairperson
 - Ministers of Infrastructure Ministries, Finance Minister, other relevant Ministers and Deputy Chairman, Planning Commission are members

- **PPP Appraisal Committee / Empowered Committee**
 - Appraises & recommends PPP projects
 - Cleared **285 projects** with an investment of **Rs. 2,47,300 cr.**

- **PPPs have been integrated in the planning process**

- **Consultations** with stakeholders; adoption of best practices

- **Simplification & standardisation of documents & processes**

FINANCIAL SUPPORT: VIABILITY GAP FUNDING

- ⦿ Upto 20% of total project cost
- ⦿ Process of selection should be open competitive bidding; bidding parameter
- ⦿ Private company should be responsible for financing, construction, maintenance and operation of the project during the concession period
- ⦿ Project should provide a service against payment of a pre-determined tariff or user-charge
- ⦿ Project should be from infrastructure sectors included in the guidelines of the scheme

STANDARDISED DOCUMENTS

- ⊙ Reinforce the **enabling environment** for private investment
- ⊙ **Accelerate the roll-out** of PPP projects
- ⊙ Improve the **delivery** of public sector projects
- ⊙ Accelerating competitive **investment flows**
- ⊙ Transparent and competitive selection process
- ⊙ **Leverage budgetary resources** & multi-lateral loans for PPPs

FRAMEWORK DOCUMENTS

Model Concession Agreements published for PPP in:

- National Highways
- State Highways
- Ports
- Operation & Maintenance of Highways
- National Highways (Six Laning)
- Urban Rail Systems (Metro rail)
- Container Train Operation
- Redevelopment of Railway Stations
- Non-metro Airports
- Greenfield Airports
- Procurement-cum-Maintenance of Locomotives
- Transmission of electricity

FRAMEWORK DOCUMENTS (CONTD.)

Model Bidding Documents for PPP projects

- Request for Qualification Document (**RFQ**) for pre-qualification of bidders
- Request for Proposal (**RFP**) for selection of bidder
- RFP for Selection of **Technical Consultants**
- RFP for Selection of **Legal Advisors**
- RFP for Selection of **Financial Consultants**
- RFP for Selection of **Transmission Consultants**

Guidelines for Appraisal, Approval and Assistance for PPP projects

- Guidelines for **Financial Support to PPPs** in Infrastructure (**VGF Scheme**)
- Guidelines for Appraisal and Approval of PPP Projects (**PPPAC**)
- Scheme for Financing through India Infrastructure Finance Co. (**IIFCL**)
- Guidelines for establishing Joint Ventures (**JVs**) in Infrastructure

POLICY DOCUMENTS AND REPORTS

Financing of Infrastructure

- Projections in the Eleventh Five Year Plan: Investment in Infrastructure
- Report of the Core Group on Financing Plan for National Highways
- Report of the Task Force on Financing Plan for Airports
- Report of the Task Force on Financing Plan for Ports
- Private Participation in Infrastructure

Regulation

- Guidelines for Monitoring of PPP Projects
- Approach to Regulation of Infrastructure
- Draft Regulatory Reform Bill

Manuals of Standards and Specifications

- Manual of Specifications & Standards for Two-laning of Highways
- Manual of Specifications & Standards for Four-laning of Highways

POLICY DOCUMENTS AND REPORTS (CONTD.)

National Highways

- Report of the Inter-Ministerial Committee on Restructuring of NHAI
- Report of the Committee of Secretaries on review of Toll Policy for National Highways
- Report of the Committee on Road Safety and Traffic Management.

Railways

- Report of the Task Force on the Delhi-Mumbai and Delhi-Howrah Freight Corridors

Ports

- Report of the Task Force on Tariff Setting for PPP Projects in Major Ports.
- Report of the Committee of Secretaries on Road Rail Connectivity of Major Ports
- Report of the IMG on Customs Procedures of Container Freight Station and Ports
- Report of the IMG on Reducing Dwell Time of Cargo at Ports.