



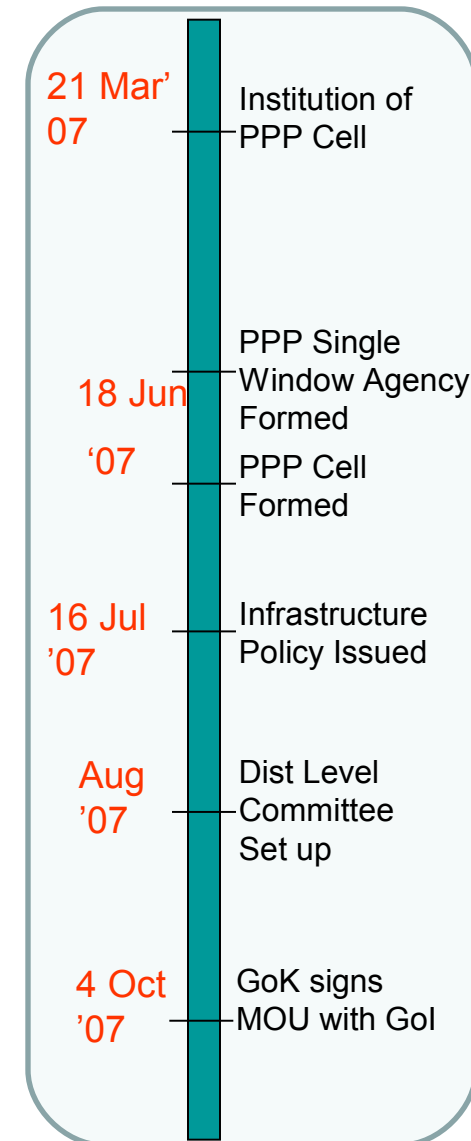
PPP Nodal Officers' Workshop

**Presentation by
(Arvind Jadhav)
(Principal Secretary)
(Infrastructure Development Department)
(Govt. of Karnataka)**

November 26-27, 2008

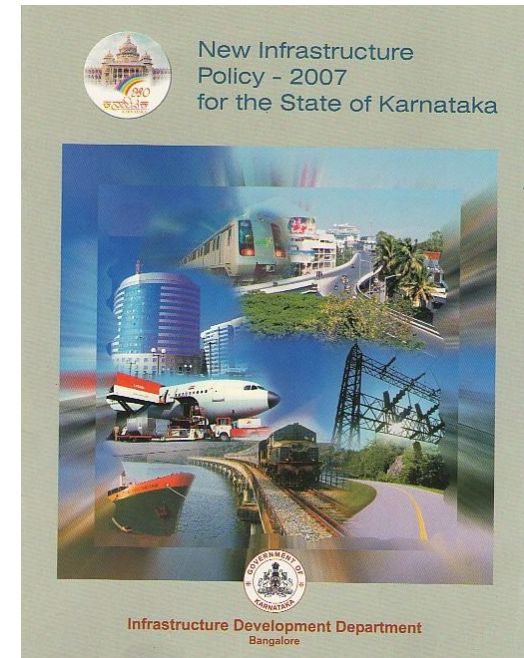
Policy and Developments

- Formulated First Infrastructure Policy in 1997
- New Infrastructure Policy issued in Jul 2007
- PPP cell set up in Jun '07
- Dist Level Committee Set up
- GoK Signs MOU with GOI for Tech Assistance



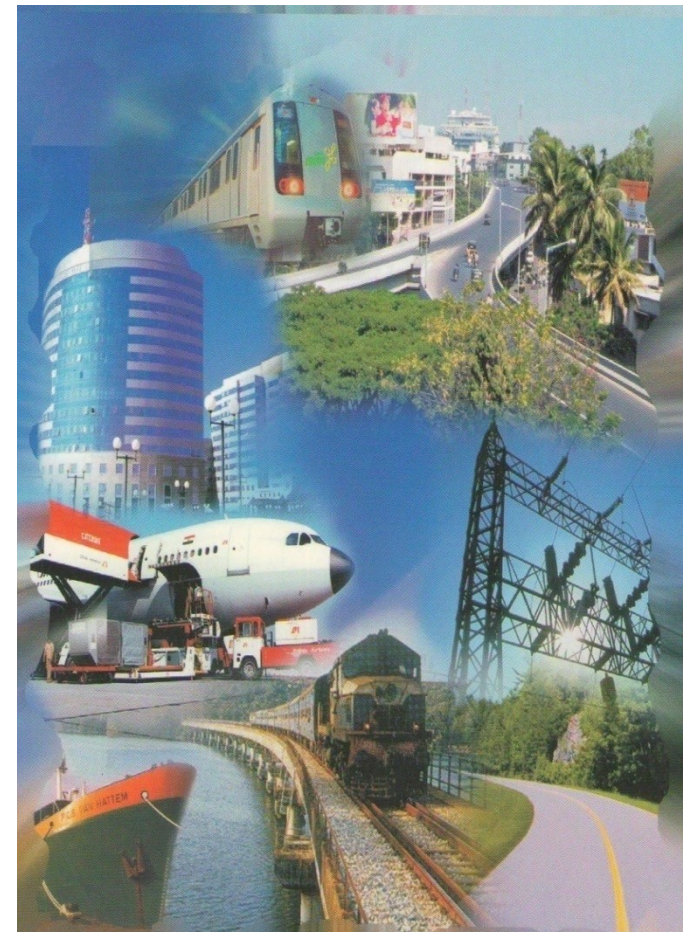
State Govt.'s PPP Policy/Legislation

- Government of Karnataka (GoK) issued infrastructure policy in 2007
- Objective
 - To provide a fair and transparent policy framework to facilitate and encourage Public Private Partnership (PPP) in upgrading, expanding and developing infrastructure in the State.
 - Features
 - Touchstone Principles
 - Procurement Process
 - Detailed Procurement Process
 - Contractual Structure
 - Regulatory framework
 - Incentives and Concessions
 - Assignment and Mitigation of Risks
 - Features of New Single Window Policy
 - Single Window Agency clearance
 - State high Level Committee clearance
 - Viability Gap Funding introduced
 - Swiss Challenge to encourage the initiator and innovator



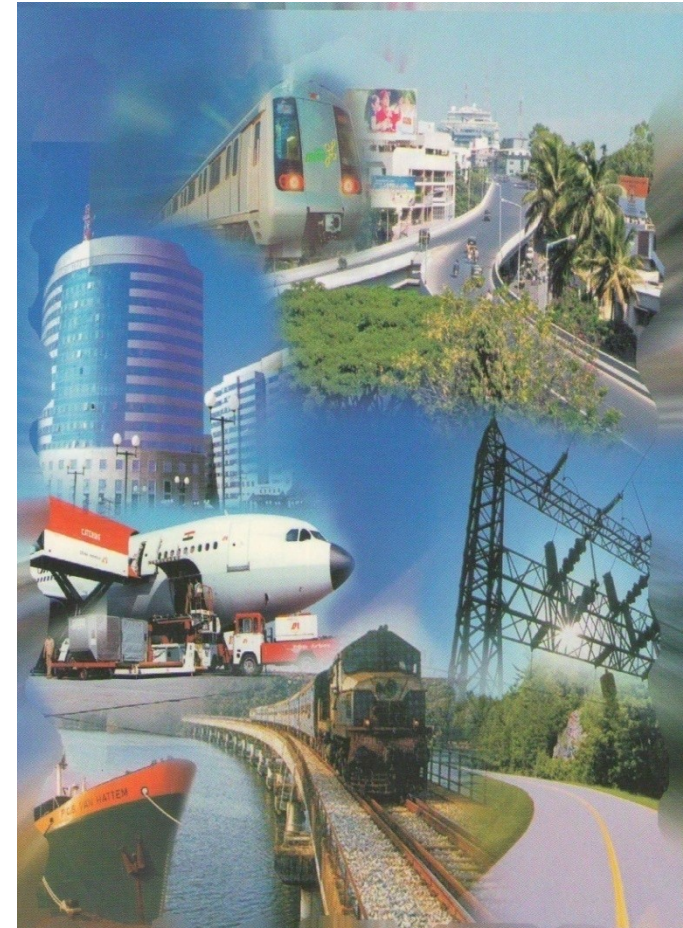
Salient Features- Sector Focus

- Focus Areas of State &/ PPP Cell
 - Sector Focus (10 Sectors):
 - Agri-Infrastructure
 - Education
 - Energy
 - Healthcare
 - Industrial Infrastructure
 - Irrigation
 - Public Markets
 - Tourism
 - Transportation & Logistics
 - Urban and Municipal Infrastructure
 - Geographic Focus: Is to broad base the infrastructure development across the state



Salient Features- Special Projects

- Special Project Type Focus
 - Industrial Parks
 - Bus Terminals
 - Tourism
 - Municipal Land Fill
 - Agriculture Infrastructure
 - Ring roads
 - Aqua Marine Park
 - Ayurvedic Spa
 - Besides Roads, Ports, Airports
- To encourage innovation and the initiator there is Provision for taking up projects under “Swiss Challenge”



Salient Features - Principles

- Touchstone Principles
 - Efficient use of existing assets and optimal allocation of additional resources
 - Payment for services
 - Equitable contractual structures
 - Transparent process of procurement
 - Fair regulatory framework
 - Enabling institutional frameworks
 - Sustainable incentives and concessions
- Inculcation of
 - “Provider charges” and “User pays” Principles
 - Subsidies in user charges for economically weaker sections
 - Levy of user charges based on
 - Willingness to pay
 - Cost recovery
 - Debt service and return on equity
 - Parity with similar projects

Salient Features - Procurement Process

- Procurement through
 - Selection of Private Sector Partner through a transparent procurement process involving
 - EOI/RFQ and RFP: Technical & Financial Proposals
 - Procurement in all Projects to be on the basis of a transparent bidding process
 - “Swiss Challenge” concept included to entertain unsolicited projects and to encourage innovative projects
- Contractual Structure
 - Existing Assets:
 - O & M Contracts, Lease of Assets, Rehabilitate, Operate Maintain Transfer (ROMT) Contract
 - New Assets:
 - BT, BLT, BTO, BOT, BOOT, BOO, BOST, BOOST, BOLT, DBOT
 - (B: Build, D: Design, O: Own/Operate, L: Lease, S: Share), T: Transfer
 - Setting up of SPV where appropriate

Salient Features – Regulatory Framework

- Regulatory Framework
 - Suitable mechanisms to be worked out to facilitate expeditious land acquisition
 - Set up independent regulatory authorities for some sectors
- Incentives and Concessions
 - A. Facilitation
 - Acquisition of land, if necessary
 - Facilitation in obtaining clearances
 - B. Asset based support
 - Allotment of Govt land if available and is necessary
 - Allow acquisition of additional land for commercial use to make the project viable
 - Tax Incentive: Exemption from payment of entry tax/special entry tax and Stamp duty exemption as per the Industrial Policy.
- Assignment and Mitigation of Risks
 - Risks are typically assigned to parties best able to handle them.
Examples:
 - Design Risk, Cost overrun, inflation risk: Concessionaire;
Mitigation by appointing an independent technical consultant

PPP Cell: Origins and Envisaged Role

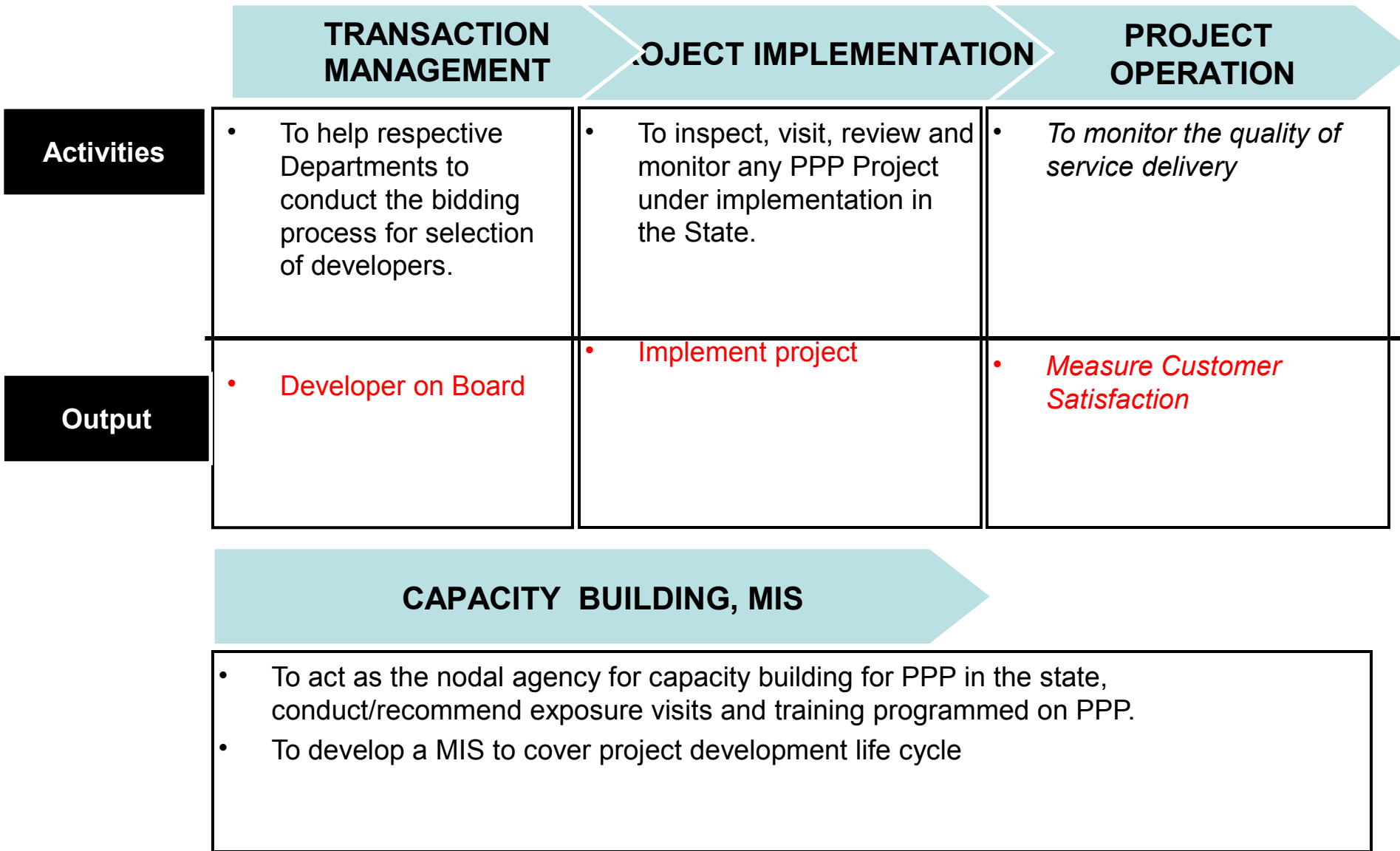
Challenges and Innovative steps

- Statutory basis for the formation of PPP Cell
 - Formed through the New Infrastructure Policy '07
- Mandate of the PPP Cell
 - To Mainstream PPP in Infrastructure Sectors
- Scope of Activities
 - Assist Line Departments in all phases of Project Development
 - Sector Study
 - Project Identification
 - Project Development
 - Transaction Management
 - Project Implementation
 - Monitoring Project Operation
 - Capacity Building and PPP related Training
- Coverage of Sectors
 - 10 Focus sectors (as per New Infrastructure Policy)

Envisaged Role & Scope of PPP Cell-1

	SECTOR STUDY	PROJECT IDENTIFICATION	PROJECT DEVELOPMENT
Activities	<ul style="list-style-type: none"> Undertake Sector Study 	<ul style="list-style-type: none"> To identify, conceptualize and create a shelf of projects in consultation with the line Departments To Recommend suitable projects for implementation on PPP route. To assist different Government Departments in preparing the pre-feasibility reports through consultants. To develop internal evaluation guidelines in consultation with the respective Departments to evaluate and assess the projects whether the projects are to be funded by the State Government, or implemented with Private Sector participation. 	<ul style="list-style-type: none"> To appoint / select consultants to develop the projects in consultation with the concerned Department To assist the respective Departments in preparing the Detailed Project Reports. To interact with the Government of India and other funding agencies for obtaining their support. To recommend projects to Government of India for grants under Viability Gap
Output	<ul style="list-style-type: none"> Identify Sector Requirement, Demand, Policy, Regulation, Legal Tariff 	<ul style="list-style-type: none"> Whether to Utilize Existing Asset/ Create new assets Technology to be adopted Create a Shelf of Projects 	<ul style="list-style-type: none"> Funding Scheme. Develop viable projects further for private participation Project Ready for implementation

Envisaged Role & Scope of PPP Cell-2



PPP Cell: Challenges

- Challenges and Main Issues to Date
 - Sponsor Level
 - Improving awareness regarding PPP
 - Improving capacity of the sponsoring agency to take up PPP projects
 - Fear of Transfer of Ownership
 - Suspicion of Private Developer making 'Super Normal' Profit
 - Implementation
 - Slower Acquisition of Land due to ground resistance

PPP Cell: Innovative steps

- Innovative Steps
 - Identification: Project Profiling with pre-feasibility initiated in all sectors with three consultants
 - Development: Interaction with each Department to develop a shelf of projects
 - Transaction Mgt:
 - Empanelment of further Transaction Advisors to undertake more projects
 - DBOT to be favored to pass on Design Risk to concessionaire
 - Monitoring: Detailed monitoring of projects above 20 Crore
 - Operation Risk Audit, financial Audit to be initiated
 - Capacity Building
 - Coordination with State Administrative Training Institute
 - Proposed to conduct function wise training programs

Progress - 1

- Project Clearance
 - 4 Single window agency Meeting conducted
 - 9 Projects of value Rs. 4973 Crore cleared
 - In 2 State High Level Coordination Committee
 - 7 Projects of value Rs. 4523 Crore cleared
- Transaction Advisor
 - 11 Transaction Advisors (TA) Empanelled by Department of Economic Affairs
 - RFP issued to the TAs for 5 Projects worth over 2500 Crores
 - PPP cell in IDD has initiated action for increasing the panel
 - Advertisement Issued on 30 Sep '08 for enhancing panel to 3 categories depending on the project size- Rs 3 to 50 Crore, Rs 50 to 250 Crore, > Rs 250 Crore
 - 10 Bids Received, under evaluation

Progress - 2

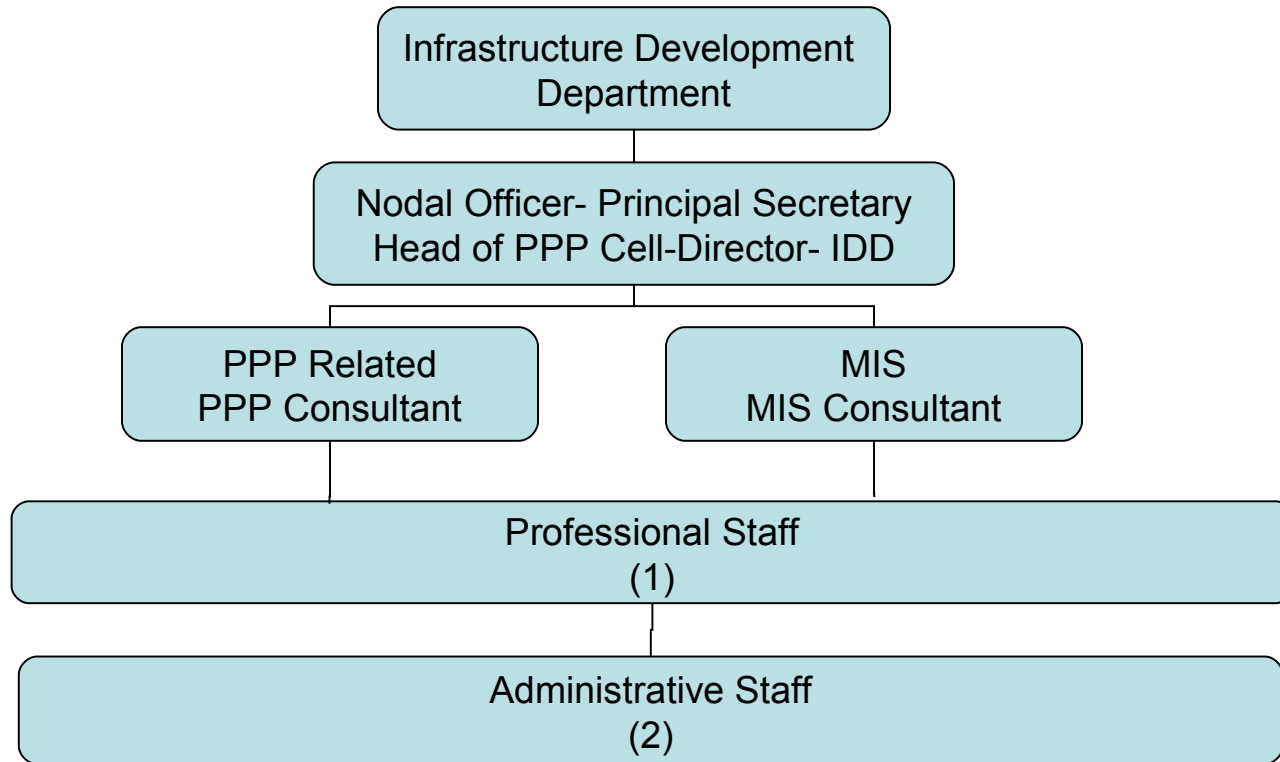
- Central Assistance
 - Viability Gap Funding (VGF)
 - For 3 projects, VGF funding of Rs 120 Crore sanctioned for 3 Road Projects
 - Project Development Funding from Centre - 1st IIPDF Empowered Institution meeting on 29th Sep'08
 - 8 Projects have been approved subject to conditions

Existing Means of Support to PPP Cell

Support Required

- State Government Support
 - Housed under Infrastructure Development Dept.
 - Funds are made available as needed
 - For Studies etc
 - Staff
 - Technical Staff – 2
 - Administrative Staff - 2
 - Office Space for the Cell
 - Office Infrastructure as needed
- Central Assistance
 - Through ADB - Two Consultants

Organizational Structure:- Staffing pattern



Type of Staff	In-house	Outsourced	Total
Professionals	1	2	5
Administrative Support	2		2
Engineers on Training	2		2
Total	3	2	7

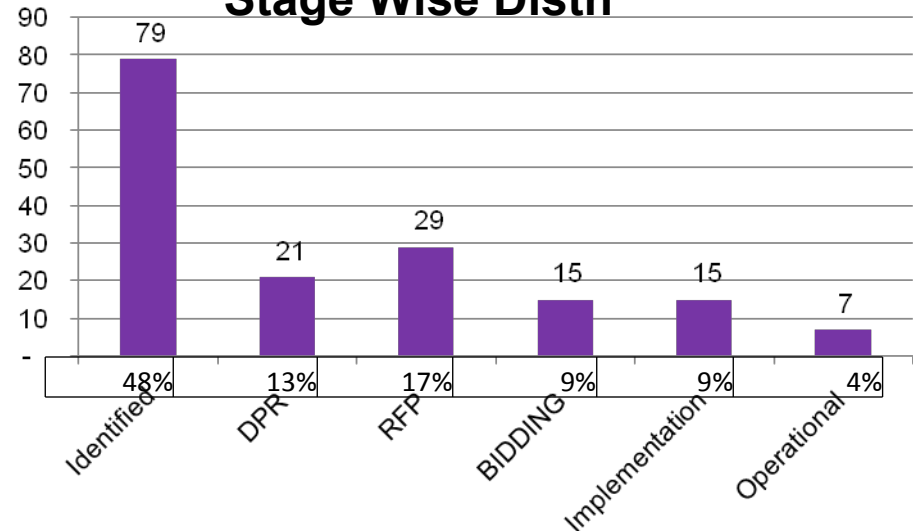
Project Pipeline of PPP Projects

Sectors/ Sub-Sector	No of PPP Projects in Various Stages						Total	
	Identified	DPR	RFP	BIDDING	Implementation	Operational	Nos	Value (Rs Cr)
Road	27	9	4	2	8	2	52	20,698
Rail	4					1	5	-
Port		2		1			3	2,950
Water Supply & Sewerage	1	1					2	357
Transport - terminal	42	2	12				56	9,852
Airport		1		1	3	1	6	3,300
MRTS					1		1	3,716
Urban Infra: Comm. Dev, Urban Infra, Township	3	2		1	1	1	8	50,883
Tourism: Hotels/ Resorts, Cultural Center, Entertainment		3	9	3			15	2,106
Others - Agriculture, Bio tech, IT, Health, Power, MSW, etc.	2	1	4	6	3	2	18	15,466
Total	79	21	29	15	15	7	166	1,09,329

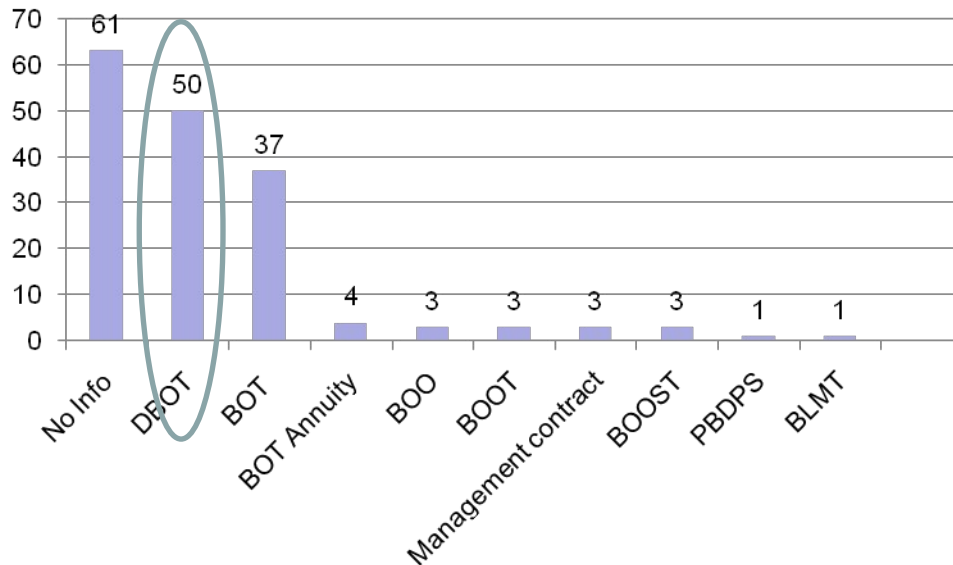
Distribution of PPP Projects

- In Jun '08 (Info Available)
 - 39 projects
 - worth around 6000 Crores under development
- In Nov '08 (Info Available)
 - Number Proposed- 166 Projects
 - Capital Cost - Rs 109329 Crores

Stage Wise Distn



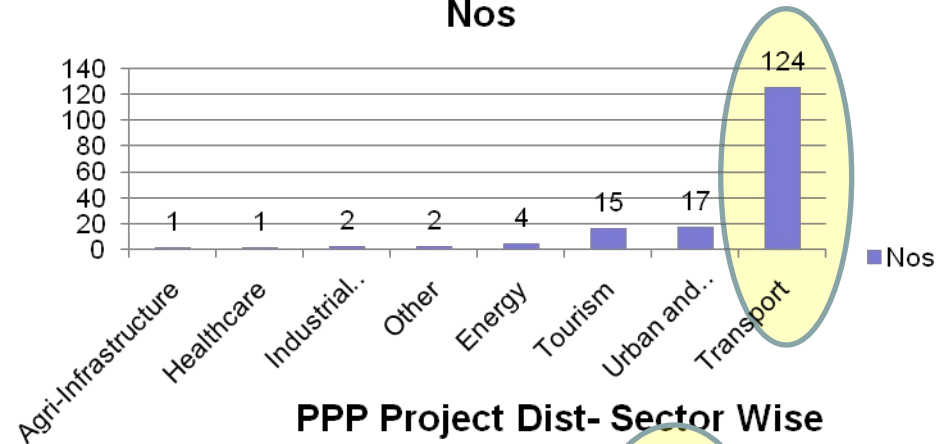
PPP Modality Distn



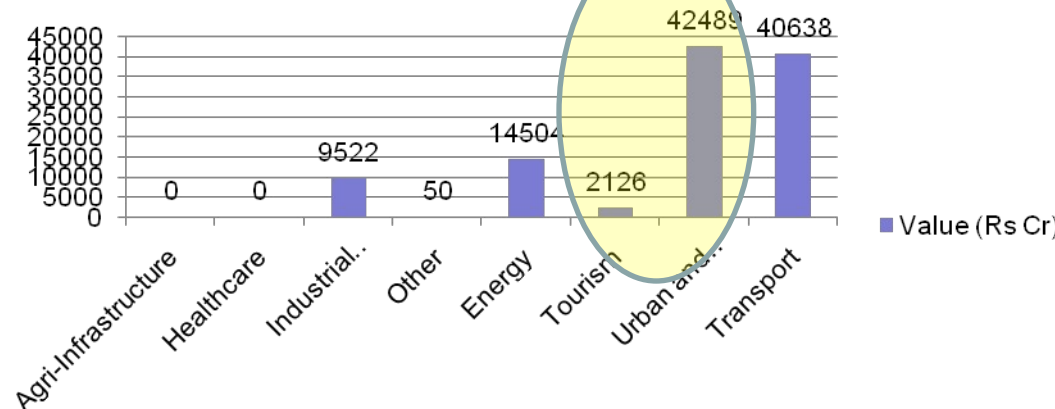
Distribution- Sector Wise

- Transport Sector has the max No of Projects in Nos contributing Rs 40638 Crore in Value
- Urban Infra Sector has the max Value of Projects with Rs 42489 Crore with 17 No of Projects. (Bidadi Township project at Rs 40,000 Cr)
- Other Key sectors are Energy and Industrials
- So far many of the projects have come in Physical infrastructure
- In the next phase the focus will also be on social infrastructure like Education and Health
- More than 30 state Agencies involved in PPP Projects

PPP Project Dist- Sector Wise based on Nos

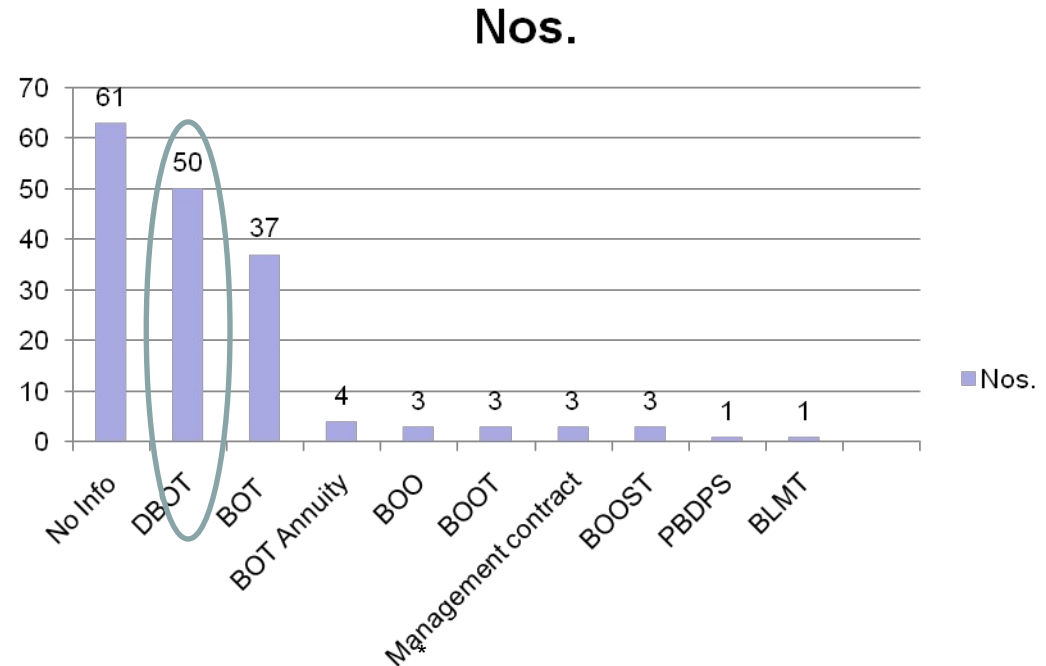


PPP Project Dist- Sector Wise Value



Distribution – PPP Modality wise

- DBOT is finding favor as Design risk is better managed by the concessionaire (mainly in Transport Solutions)



Selected Sectors- Aero

- PPP Projects - Airports
 - 1 Major Airport operational (BIAL)
 - 4 Minor airports under PPP modality
 - 3 Awarded (Shimoga and Gulbarga to Maytas, Hassan to Jupiter Aviation)
 - Bijapur: Project to be awarded shortly
 - Bellary: In Principle approval
 - Total Project Cost of 3300 Cr (USD 0.75 Bn)
- PPP envisaged for Bellary Airport
- Up-gradation of Airport at Hubli, Mangalore, Belgaum and Mysore.
- To allow Bidar Airforce airport for civilian use
- Karwar Airport to be taken up for Extension
- 11 Airstrips proposed in the state
 - 5 under implementation
 - District Admn. on land identification for rest 6
 - Agency identified for Transaction Advisory services
- 22 Helipads approved for encouraging Tourism



PPP Projects in Selected Sectors

- PPP Projects – Roads
 - No of Projects– 52 Projects
 - Value – Rs 20698 Crore
- Transaction Advisory process initiated for 4 Road projects of 975 km



Details of Major PPP Transaction 1

- Name of the Project: Nippani Talikote Road Project – 325 km
- Sponsoring Ministry/Dept: Karnataka State Highway Improvement Project
- Project Cost details
 - Total Cost: Rs 800 Cr
 - Govt. support, if any
 - Land, VGF/ Annuity
- Selection of private partner
 - Mode of selection : Competitive Bidding
 - Selection criteria: Lowest VGF/ Annuity
- Support provided by the PPP Cell
 - Selection of Transaction Advisor
 - Monitoring Project till Completion

Details of Major PPP Transaction 2

- Name of the Project: Shimoga- Tadasa Road Project- 171 km
- Sponsoring Ministry/Dept: Karnataka State Highway Improvement Project
- Project Cost details
 - Total Cost: Rs 430 Cr
 - Govt. support, if any
 - Land, VGF/ Annuity
- Selection of private partner
 - Mode of selection : Competitive Bidding
 - Selection criteria: Lowest VGF/ Annuity
- Support provided by the PPP Cell
 - Selection of Transaction Advisor
 - Monitoring Project till Completion

Sources & Uses of Funds for the Development of PPP Projects

- Sources
 - Budget Under IDD
- Uses
 - Consultants for various activities
 - Improving Cell Infrastructure

Major Opportunities & Challenges

- Major Opportunities
 - 168 Projects with Rs 1.09 Lac at various stages of development
 - Potential to develop further 200 projects in next 3 years
 - Notable among them in Road & Tourism Sector
- Critical Challenges
 - Capacity of Line Department to handle PPP project during the project life cycle
 - Land Acquisition

Areas in which PPP Cell needs support

(Type and Quantum)

- Project/Transaction Development
 - Fund for Project Development and Studies
- Additional staffing
 - Professional Staff – 3 (Finance, Legal, Commercial)
 - Administrative Staff – 8 (Project)
- Resources for engaging experts/consultants
 - Function areas of Finance(1), Legal(1), Commercial/ Contract Mgt(1)
- Training
 - Development of Course Material on PPP
 - Field Studies
 - Exposure to other successful PPP Projects in India and abroad
- Others- funding for
 - Study on Best Practices in Project development in each sector
 - Research on Cases