

India's PPP Program: World Bank Support

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Presentation Outline

1. India's PPP Program

- Expectations and Major Initiatives
- Track Record: Overall PPI and PPPs
- Key Challenges

■ World Bank Support to PPP Program (Past, Ongoing & Planned)

1. India's PPP Program

Gol Expectations and Major Initiatives

- India requires \$500 billion of additional investments in infrastructure during 2007-12, to sustain a GDP growth rate of 9 percent per annum
 - Of these, about 30% (\$150 billion) are expected to be through private participation

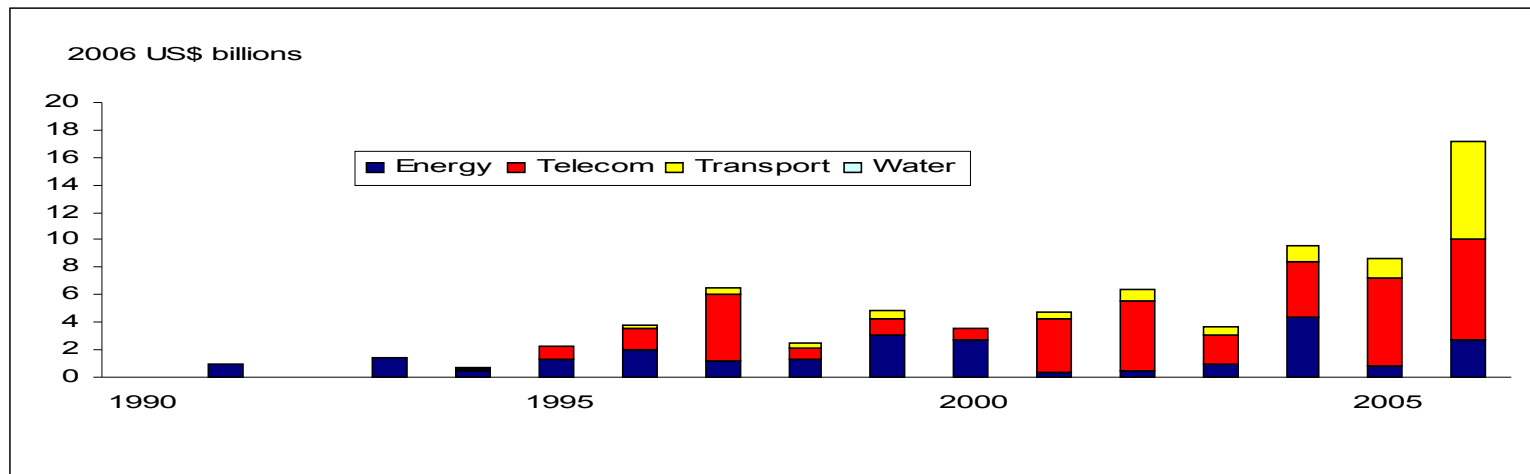
Source: Planning Commission
- Gol is keen to expand use of PPPs to the social sectors like health and education
- Number of states are using or exploring PPP approach for service delivery

Major Initiatives

- Gol established
 - A **Viability Gap Fund** to support PPPs
 - A **Project Development Fund** to finance PPP project preparation expenses
 - **India Infrastructure Finance Company Limited (IIFCL)** for increasing the availability of long-tenor debt financing for PPP projects
- The Planning Commission and DEA are developing PPP frameworks, guidance material and capacities
- Many states have established PPP Cells and some have enacted enabling legislation and set up dedicated agencies to facilitate PPPs

Track Record

- **Efforts to attract private participation in infrastructure began in early 90s**
 - Significant success achieved in Telecommunication and select Transport sub-sectors
 - India's PPP program, with investment commitments of over \$10.5 billion during 2006 and 2007, is already one of the largest in middle and low-income countries.
 - In 2006, PPI investments in transport and energy amounted to 1.1% of GDP
 - ❖ Investment commitments to infrastructure projects with private participation in India are nearly twice of those in Brazil and China
 - Sector-wise PPI, 1990-2007: Telecom - 45%; Energy - 35%; Transport - 20%

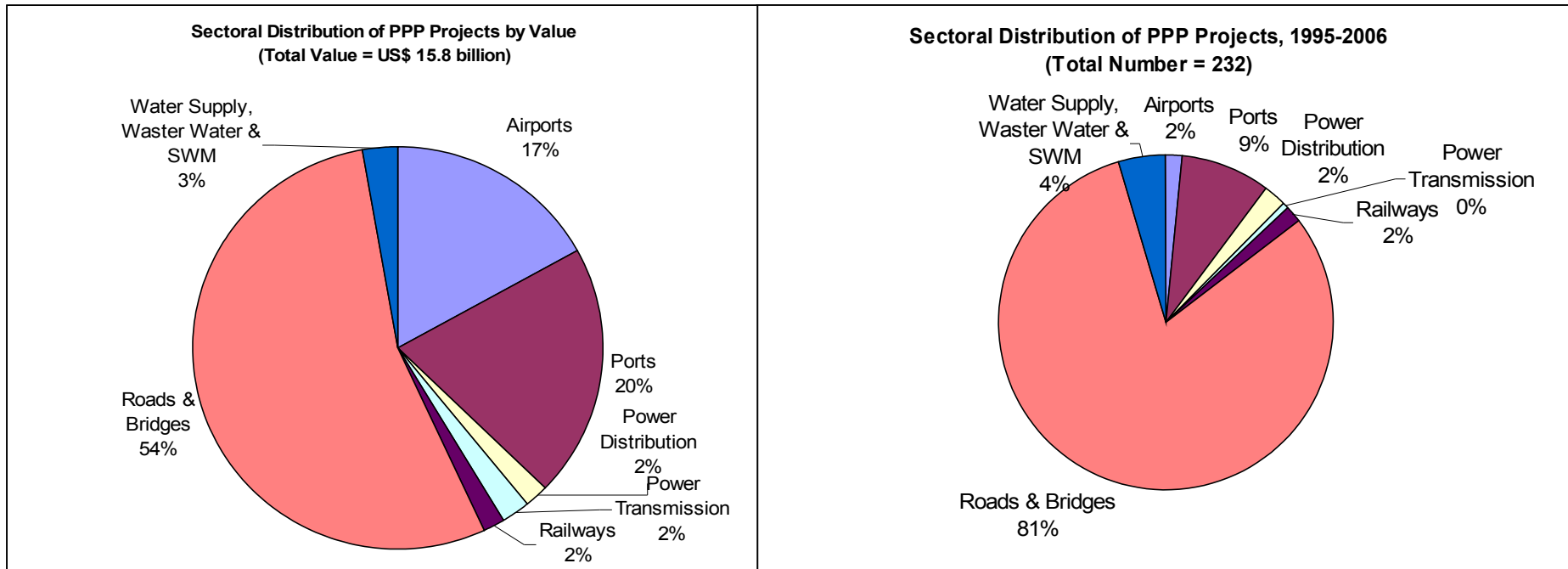


- **PPI flows were slow in sectors outside telecom and energy**
 - But now steep increasing trend in transport PPPs

Track Record...

■ During 1995-2006

- 230+ PPP projects with an estimate total cost of US\$15.8 billion achieved financial closure in sectors outside telecom and energy generation
- In terms of value, about 92% of these in transport sub-sectors



Source: Draft Report of a PriceWaterhouseCoopers Study, 2007

Key Challenges

■ In the ongoing projects...

- How to regulate contracts effectively during the entire project life cycle
- Measuring and management of fiscal risks associated with PPPs
- Evaluation and drawing lessons for structuring future PPP programs and also expanding into new sectors like health and education
- How to ensure adequate financing for meeting re-financing needs?

Knowledge of
Best Practices

Re-financing

■ In scaling up the program

- Mobilizing finances for new PPPs
 - ❖ Debt: increasing quantum as well as options, especially of longer-tenor, fixed term
 - ❖ Equity: increase avenues for participation by multiple variety of players, e.g., financial
 - ❖ Government
 - Viability gap funding support
 - Project preparation expenses, including land acquisition, R&R, etc.
- Building capacities and institutions to expand the PPP program
 - ❖ from the Central level to State and Local levels of government
 - ❖ beyond transport to other sectors, including health, education, and agribusiness

Financing

FINANCIAL
CRISIS

Capacity
Building
TOOLS & TRAINING

2. World Bank Support to PPP Program

AAA Support: Past and Ongoing

Cross-sectoral: Developing Frameworks and Capacity Building

- **DEA (Infrastructure), MoF**
 - Recipient-executed DFID TF Grant of \$450,000 (Closing date: June 2008)
 - ❖ Online PPP database, Training programs, Stakeholder consultations, etc.
 - PPIAF
 - ❖ Review of PPP Institutions and Processes, by PartnershipsUK
 - ❖ Study on Infrastructure PPP Financing, by PWC
 - Others
 - ❖ Managing the Fiscal Implications of PPPs
 - ❖ Advice on the design of the Viability Gap Fund (2003/04)
 - ❖ Reports on Infrastructure Financing/PPPs (2005/06)

- **The Planning Commission (Secretariat to the PM's Committee on Infrastructure)**
 - PPIAF assistance in drafting and/or desk review of various model documents e.g., MCAs for Ports, Non-Metro Airports, Metro Rail and Railway Station Modernisation

- **Bihar: Technical Assistance complementing State DPL (PPIAF and DFID TF)**
 - ❖ Review of legal and institutional frameworks for development of infra PPPs
 - ❖ Capacity building of the Infrastructure Development Authority

AAA Support: Past and Ongoing

Sector-specific interventions

- **State Roads:** Transaction Advisory support for road PPPs in Tamil Nadu, Orissa and AP
 - 15 road stretches with a total length of 1550 km and an estimate cost of \$1.9 bn
 - ❖ Of these, 6 road stretches are likely to be developed as PPPs
- **Energy**
 - Assisting the Maharashtra distribution company to better manage its private distribution franchisees;
 - Helping borrowers to explore PPPs in distributed power generation and in electricity distribution in Haryana (as part of a proposed lending operation)
- **Education:** Supporting the reform of current PPP models, through
 - Detailed policy advice to MHRD on establishment of new PPP models as part of their design of centrally sponsored schemes
 - State-level policy dialogue, particularly for secondary and vocational education
 - ❖ In Secondary Education, indicated strong interest in supporting implementation of new PPP models with investment lending
 - Provided significant inputs to Planning Commission's strategy relative to PPPs in education as part of the Five Year Plan, 2009-2012

AAA Support: WB

New NLTA for DEA (Infrastructure), MoF

- **Develop PPP Toolkits for 4-5 selected sectors**
 - To help central and state governments improve their management of key PPP processes
 - ❖ viz., identification (making a choice between PPP and traditional public sector route), procurement, contract management and monitoring of associated fiscal risks
 - **Review experience to-date with PPPs, through 15-20 case studies**
 - ❖ To inform design of future PPP program/projects
 - ❖ To provide inputs for all the components of the NLTA

- **Inputs to the National Level PPP Training Strategy**
 - Training needs assessment
 - Developing curriculum and content for Basic and Advanced PPP courses
 - Training a cadre of Trainers

- **Assistance in increasing stakeholder awareness about the concept of PPP**
 - Communications needs analysis
 - Review of how other countries address this challenge

Lending & Investment Support: WB

Ongoing & Planned

- **Line of credit to the India Infrastructure Finance Company Limited (IIFCL)**
 - A joint project of the Bank and IFC
 - IIFCL is an SPV set up by the Government of India to provide long term debt for infrastructure projects, with preference to PPP projects
 - Bank negotiations for support of US \$600 mn through IDA & IBRD funds completed
 - ❖ Board date November 18, 2008
 - ❖ Sectors covered will include power, roads, ports, airports, urban water supply & sanitation
 - IFC, through its sub-national finance window, is to sign an MoU with IIFCL

- **Karnataka State Highway Improvement Project (under preparation)**
 - Part-financing of modified long-term annuity contracts: 600 km
 - Part-VGF support for BOT-Toll projects: 340 km
 - A financing strategy for upgrading & managing 14,500 km of state highway network

- **Corporate loan (planned) of USD 100 million to MSETCL, the Government of Maharashtra's transmission utility, which plans to undertake PPP initiatives**
 - E.g., the strategic alliance model for building transmission infrastructure through IFC's sub-national finance window and involves a joint World Bank-IFC team

Lending & Investment Support: IFC

Past and Planned

■ Power Generation

- Investments in Classic IPPs selling to State utilities
 - ❖ e.g., Lanco Power, GPEC and AD Hydro
- Planned investment in hydro power PPP projects
- Planned grant funding of Moser Baer from GEF with follow-on debt and/ or equity support for undertaking solar power PPPs in Rajasthan, Punjab and TamilNadu.
- Planned funding of Tata Power for a similar 3 MW solar power project in Maharashtra

■ Power Transmission

- Loan of USD 75 mn to Powerlinks, the first transmission PPP in India, with 51% ownership with private partner and 49% with the Power Grid Corpn. (off-taker)

■ Gas

- Equity stake of USD 15 million in GSPC Gas with an envisaged downstream IPO
- A-Loan of USD 150 mn. and B-Loan of USD 150 mn. to Petronet LNG - a 50:50 PSU:Private Sector company with private management

- **Railways:** Investment in Gateway Rail, a private sector concessionaire to own rail-linked terminals, rail cars and containers for transportation of containerized cargo on the Indian railway network