



# Technical Assistance Report

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Project Number: 42510  
Capacity Development Technical Assistance (CDTA)  
September 2009

## India: Supporting an Initiative for Mainstreaming Public–Private Partnerships for Providing Urban Amenities in Rural Areas (Financed by the Japan Special Fund)

Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 24 August 2009)

Currency Unit	–	Indian rupee/s (Re/Rs)
Re1.00	=	\$0.02
\$1.00	=	Rs48.61

## ABBREVIATIONS

ADB	–	Asian Development Bank
DEA	–	Department of Economic Affairs
MORD	–	Ministry of Rural Development
PPP	–	public–private partnership
PRI	–	<i>panchayati raj</i> institution
PURA	–	providing urban amenities in rural areas
TA	–	technical assistance

## TECHNICAL ASSISTANCE CLASSIFICATION

<b>Type</b>	–	Capacity development technical assistance (CDTA)
<b>Targeting classification</b>	–	General intervention
<b>Sector (subsectors)</b>	–	Water supply and other municipal infrastructure and services (water supply and sanitation, waste management) Transport and information and communication technology (road transport and information and communication technology)
<b>Themes (subthemes)</b>	–	<b>Economic growth</b> (widening access to markets and economic opportunities), private sector development (public–private partnerships), capacity development (institutional development)
<b>Climate change</b>	–	Climate change mitigation
<b>Location impact</b>	–	Rural (high), national (medium), and regional (low)

## NOTES

- (i) The fiscal year (FY) of the Government of India begins on 1 April and ends on 31 March. Therefore, FY2009 extends from 1 April 2008 to 31 March 2009.
- (ii) In this report, "\$" refers to US dollars.

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## I. INTRODUCTION

1. The Government of India (the Government) has emphasized the need for public–private partnerships (PPPs) in addressing the enormous infrastructure gaps in the country. The Asian Development Bank (ADB) is supporting the mainstreaming of PPPs through lending and nonlending projects in India.<sup>1</sup> With a view to bridging the infrastructure deficit in the rural sector, the Government and ADB agreed on the objective, scope, implementation arrangements, and financing plan for capacity development technical assistance (TA) for a flagship government scheme, Providing Urban Amenities in Rural Areas (PURA). Fact-finding missions were fielded in November 2008 and January 2009. The TA is in line with (i) ADB’s *Country Strategy and Program Update 2006–2008*, (ii) ADB’s long-term strategic framework 2008–2020 (*Strategy 2020*) expectations for greater ADB involvement in private sector development, and (iii) *Country Operations Business Plan 2008–2010*.<sup>2</sup> The design and monitoring framework is in Appendix 1.

## II. ISSUES

2. India’s impressive economic growth rates, averaging close to 9% between fiscal year (FY) 2005 and FY2009, have considerably improved the population’s economic circumstances. The country’s per capita income has been growing at an average annual rate of around 7.3% between FY2003 and FY2008.<sup>3</sup> The latest per capita income (FY2008) at nominal exchange rate is estimated at \$1,021, and the proportion of those below the poverty line is estimated to have declined from around 36% of population in 1994 to 28% in 2004–2005.<sup>4</sup>

3. Over 70% of the country’s population of over 1 billion people live in rural areas, and the rural sector has a strong impact on India’s economic growth, with agriculture and allied activities averaging 5.0% growth (2004–2008) (footnote 4). Although this growth rate has fallen sharply in FY2009, rural non-farm sector (i.e., rural services, manufacturing, utilities, and construction) growth is still significantly contributing to the gross domestic product. In fact, agriculture and allied activities together accounted for 17.8% of India’s gross domestic product in 2007–2008. Benefits of economic growth in rural India are evidenced by a reduced gap in urban and rural income levels, from around \$82 per person in 1990 to around \$56 in 2006–2007.<sup>5</sup> The number of rural households with annual incomes greater than \$2,000 in 2006–2007 was estimated at 56 million compared with 51 million of urban households. However, over 250 million people in rural areas still live below the poverty line, and poor-quality infrastructure in these areas inhibits overall growth of India’s economy. Accordingly, rural development initiatives for inclusive economic growth and sustainable poverty alleviation are key policy priorities of the Government.

4. Several government schemes have focused on bridging rural infrastructure gaps including (i) *Bharat Nirman* for upgrading rural infrastructure, (ii) *Pradhan Mantri Gram Sadak Yojna* for rural road connectivity, (iii) *Indira Awas Yojna* for rural housing, and (iv) the Rural Electrification Program. While these schemes have had a positive impact, rural India still suffers

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<sup>1</sup> ADB. 2006. *Technical Assistance to India for Mainstreaming Public–Private Partnerships at the State Level*. Manila; ADB. 2007. *Technical Assistance to India for Mainstreaming Public–Private Partnerships at Central Line Ministries of the Government of India*. Manila; ADB. 2008. *Technical Assistance to India for Preparing the Public–Private Partnerships Pilot Projects Initiative*. Manila; and ADB. 2007. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to India for the MFF - India Infrastructure Project Financing Facility*. Manila. (Loan 2404 IND, approved on 14 December, for \$500 million).

<sup>2</sup> (i) ADB. 2005. *Country Strategy and Program Update (2006–2008): India*. Manila; (ii) ADB. 2008. *Strategy 2020: The Long-term Strategic Framework of the Asian Development Bank 2008–2020*. Manila; and (iii) ADB. 2008. *Country Operations Business Plan (2008–2010): India*. Manila.

<sup>3</sup> Central Statistical Organization, Government of India.

<sup>4</sup> Ministry of Finance, Government of India. 2008. *Economic Survey of India 2007-2008*. Delhi.

<sup>5</sup> National Council of Applied Economic Research. 2006. *India Rural Infrastructure Report*. Delhi.

from major infrastructure deficiencies which together with an economic slowdown, climate change, and poor monsoons, has led to a large rural population living on less than \$1 a day. This has also led to growing rural – urban migration resulting in increasing urban poverty estimated at over 80 million urban poor and expected to only increase as the urban population increases from 28% currently to an estimated 41% by 2030.<sup>6</sup>

5. Poor rural infrastructure and limited employment opportunities are major impediments to inclusive and sustainable rural sector growth<sup>7</sup> as well as poverty reduction.<sup>8</sup> Negative impacts are especially felt in the Ministry of Rural Development (MORD)-defined “urban amenities for rural areas” in which, despite several schemes, investment requirements remain staggeringly high and levels of rural road density, access to water, sanitation, electricity, health care, education, and skills development remain far behind urban and peri-urban areas.<sup>9</sup> Moreover, unsatisfactory implementation of some schemes has led to poorly maintained and operated assets. Under the 83rd amendment of the Constitution, responsibility for PURA lies with *panchayati raj* institutions (PRIs),<sup>10</sup> which also manage implementation of government schemes. However, existing capacity constraints at PRIs have led to wide variance in implementation and sustainability of assets created under such schemes.

6. PPPs are recognized by MORD and the Government as crucial for meeting large infrastructure investment requirements, effective project implementation, and sustainability of assets and operations. A rural infrastructure report<sup>11</sup> has identified, however, that major obstacles remain to PPPs, including pricing of services, enabling factors for ensuring private sector returns on investments, and a proper regulatory regime. In addition, weak capacity at a project sponsor level such as PRIs, lack of economies due to spread of villages, and lack of good models for PPPs have deterred effective PPPs from emerging in the rural sector.

7. To address these challenges, MORD revised the PURA scheme in early 2009 to focus on effective implementation of sustainable project models in the rural sector through PPPs. The scheme aims at improved rural connectivity through packaging development of integrated rural infrastructure clusters with livelihood development projects, both implemented through PPPs. Core financing will remain accessible through various government rural schemes, though implemented more effectively by private parties with strong participation from user communities, PRIs, and MORD. MORD believes that the combination of critical mass infrastructure with livelihood development will be economically attractive for both rural users and private sector commercial interests.

8. For effective implementation of the revised PURA scheme, MORD requires assistance for (i) development of a PURA framework, integrating funds from various rural sector schemes through a PPP implementation model; (ii) PPP capacity building of MORD and local PRIs; (iii) development of scheme rollout systems; (iv) awareness building for the private sector, commercial institutions, and end-users of the PURA scheme; and (v) development of PURA

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<sup>6</sup> UNDP India 2009.. *India: Urban Poverty Report, 2009*. Delhi; and Ministry of Urban Development, Government of India

<sup>7</sup> Kumar, P. 2008. *Rural Infrastructure in India, New Thrust Areas*. Delhi.

<sup>8</sup> National Council of Applied Economic Research. 2006. *India Rural Infrastructure Report*. Delhi.

<sup>9</sup> The Planning Commission of India estimates massive requirements for full coverage of infrastructure services in rural areas: \$20 billion for power, \$3 billion for rural roads, as well as major investments for safe drinking water and sanitation.

<sup>10</sup> A "panchayat" is an assembly of five respected elders chosen by the village community to settle individual and village disputes. The Government has decentralized several administrative functions, empowering panchayats. A "raj" means governance or government. Mahatma Gandhi advocated panchayati raj, a decentralized form of government where each village is responsible for its own affairs, as the foundation of India's political system.

<sup>11</sup> National Council of Applied Economic Research. 2006. *India Rural Infrastructure Report*. Delhi.

pilot projects to establish some replicable PPP models. The TA is a continuation of the series of efforts being made by ADB to mainstream PPPs in India. (footnote 2)

### III. THE TECHNICAL ASSISTANCE

#### A. Impact and Outcome

9. The TA will support the Government in developing a PPP implementation modality for the rural sector, the impacts of which will be improved coverage and sustainability of rural infrastructure facilities and rural employment generation.<sup>12</sup>

10. The outcome of the TA will be increased acceptance for, and involvement of, the private sector in providing rural infrastructure in selected areas, consistent with MORD's PURA framework. This includes (i) enhanced acceptance of PPP models in the rural sector; (ii) greater availability of competitive funds for rural projects; and (iii) improved PPP implementation, development, and monitoring capacities in MORD and local governments.

#### B. Methodology and Key Activities

11. The TA proposes an integrated value chain of support including (i) supporting MORD in creating an effective PURA framework; (ii) assisting PRIs in using the PURA scheme; (iii) capacity building of stakeholders on the PURA scheme, including through a communication and advocacy strategy; and (iv) developing bankable, replicable pilot PPP projects.

12. The TA will comprise four specific components which will be directed to support the MORD in New Delhi. Any support to PRIs and state governments under the TA will be limited to those states benefiting from previous ADB assistance for mainstreaming PPPs:<sup>13</sup>

- (i) **Component 1: Policy framework development (6 months).** Development of the overall PURA framework at MORD will include (a) defining sector policy objectives with PPP implementation modalities and well-defined scheme parameters; (b) defining cluster infrastructure asset classes to be funded through the PURA scheme<sup>14</sup> as different to assets being developed through other government schemes;<sup>15</sup> (c) identifying existing government funding schemes relevant to PURA asset classes, and developing a policy framework for these funds to be integrated into the PURA framework for PPP implementation; (d) developing generic PPP models and related contract documents for PURA clusters to be incorporated as guidelines; (e) identifying viability gap funds, if required; (f) consulting with local governments, PRIs, and the private sector on the PURA framework and PPP implementation modality; (g) identifying key risks and their mitigation for implementation; and (h) developing a communication and advocacy strategy.
- (ii) **Component 2: Development of PPP unit and scheme rollout procedures (12 months).** Initially, this component will assist MORD in establishing a PURA PPP

<sup>12</sup> This will include better infrastructure in rural areas, rural employment generation, skills upgrading, and slowing down the pattern of rural to urban migration.

<sup>13</sup> These states comprise Andhra Pradesh, Assam, Bihar, Chhattisgarh, Delhi, Gujarat, Haryana, Himachal Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttaranchal, and Uttar Pradesh.

<sup>14</sup> Cluster infrastructure to be developed under a PPP PURA will include essential urban amenities infrastructure (e.g., village streets, sewage, drainage, and end distribution of water supply) and add-on or livelihood infrastructure (e.g., marketing centers, industrial parks for village industries, and technical and vocational training institutions).

<sup>15</sup> Expected to be core infrastructure (e.g., major roads, electricity, and bulk water supply to villages).

unit to house the PURA framework and to establish systems for funds disbursement and scheme and project monitoring. Subsequent transition period support will be provided to operationalize this unit, including capacity building of officials. Activities will include (a) providing training on PURA scheme parameters and systems; (b) providing training on PPP modules such as value for money analysis; financial, legal, and regulatory structuring; and international best practices; (c) developing a dynamic monitoring and evaluation management information system; and (d) developing rural sector-specific PPP guidelines and manuals.

(iii) **Component 3: Capacity building in local governments (15 months)**<sup>16</sup>. PPP best practices and PURA scheme awareness will be institutionalized through capacity development workshops aimed at selected PRIs and other local and state governments.

(iv) **Component 4: Pilot project development (15 months)**. In consultation with the MORD and the PURA PPP unit, three or four project clusters (i.e., urban amenities infrastructure combined with add-on infrastructure) will be identified and capacity building assistance provided to the relevant PRIs in structuring these from concept to final bid process. This will demonstrate the practical application of the PPP modality developed under the PURA framework. Financial closure can also be facilitated through the process.

### C. Cost and Financing

13. The cost of the TA is estimated at \$1.875 million equivalent, of which \$1.5 million equivalent will be financed on a grant basis by the Japan Special Fund, funded by the Government of Japan. The Government of India will provide \$375,000 equivalent to finance the local currency cost to cover counterpart staff, office facilities, administrative support, facilitation for meetings, and other expenses. The detailed cost estimates and financing plan are in Appendix 2.

### D. Implementation Arrangements

14. The Department of Economic Affairs (DEA) PPP Cell will be the Executing Agency. MORD will be the Implementing Agency. A steering committee, to be chaired by a joint secretary at DEA, will be established and have representatives from ADB, DEA, and MORD. One person from the private sector, to be selected by DEA, will also be invited to steering committee meetings, to be held at least once every 6 months, with the mandate of providing implementation guidance and oversight to TA implementation. An implementation committee, to be chaired by a joint secretary at MORD, will also be established and have representatives from participating state governments, related departments, and selected developers of pilot projects. It will hold review meetings at least once every quarter. The TA will support MORD at the central level by providing consulting teams to undertake components 1–3 and separate teams for component 4 projects. Component 4 will aim to support the development of PURA pilot projects in selected PRIs. These will be selected in conjunction with MORD and DEA and limited to those states participating in previous ADB PPP assistance programs as noted in paragraph 12 above. Disbursements will be made in accordance with ADB's *Technical Assistance Disbursement Handbook*.<sup>17</sup>

15. Components 1–3 will be supported through the engagement of one team or association of consultants with expertise in rural sector program and management information system

<sup>16</sup> This activity is expected to commence at the same time as component 2.

<sup>17</sup> ADB. 2008. *Technical Assistance Disbursement Handbook*. Manila.

development, PPP, and legal and commercial structuring. While an individual international PPP sector expert will be engaged to incorporate international best practices into policy, an individual national communications specialist will assist MORD in developing a communication and public awareness strategy, and another individual national project management specialist will assist ADB in coordinating project management and assessing the progress achieved. Component 4 aims at developing four PPP pilot projects in selected PRIs for which separate teams of consultants with specific experience in PPP transaction structuring will be engaged. An inception report will be required within 1 month of the start of each assignment. Interim progress reports on milestones achieved will be prepared every 6 months. A draft final report for the assignment covering components 1–4 will be prepared within 2 months prior to completion of assignment. Interim project reports, laying out the intended PPPs and financial structure for approval; draft project information memoranda; and related bid documents will be submitted for each of the pilot projects under component 4.

16. Recruitment of teams of consultants will be undertaken through the engagement of individual consultants or a firm (or association of firms) for components 1–3 such that specialist skills required for the component activities are attained. These will include (i) financial and commercial structuring expertise, (ii) legal skills, (iii) policy development experience, (iv) management information system expertise, (v) training and project management skills, and (vi) social safeguard expertise. One or more consulting firms may be chosen for component 4, depending upon the depth of consultant expertise in this specialist sector in India. A PPP sector expert, communications specialist, and project management specialist will be recruited individually. All procurement will be in accordance with ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time), and any selection of consulting firms will be through a simplified technical proposal or a biodata technical proposal and quality- and cost-based selection. A fixed quality cost ratio of 80:20 will be applied to consulting firm selection. Lump sum payments will be made per milestones achieved. Recruitment of consultants will be done by ADB in consultation with the Government.

17. The Government and participating state governments will provide office space, furniture, and all administrative support necessary to implement the TA. Equipment and materials to be financed by the TA will be in accordance with ADB's *Procurement Guidelines* (2007, as amended from time to time). At the end of the TA, the procured equipment will belong to the local bodies using them. Implementation will last 36 months, from October 2009 to September 2012. The steering committee will disseminate TA results, and TA evaluation results will be made publicly available on the ADB website.

#### **IV. THE PRESIDENT'S DECISION**

18. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$1,500,000 on a grant basis to the Government of India for Supporting an Initiative for Mainstreaming Public–Private Partnerships for Providing Urban Amenities in Rural Areas, and hereby reports this action to the Board.

## DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
<p><b>Impact</b></p> <p>Improved coverage and sustainability of rural infrastructure and rural employment generation</p>	<p>Share of rural population with access to basic infrastructure increases by 2% yearly in participating states post-TA program.</p> <p>Life cycle costs of infrastructure service provision are covered by revenues and grants in rural PPP projects in participating states<sup>a</sup> 5 years post-TA program.</p> <p>Local employment ratio increases by 2% in participating states, 2 years post-TA program.</p> <p>Migration to urban areas from PURA PRIs decreases by 5%.</p>	<p>Annual reports of MORD and participating state governments</p> <p>Statistical reports of participating states</p> <p>ADB evaluation missions</p> <p>National statistics surveys from Central Statistical Organization of India and National Council of Applied Economic Research</p>	<p><b>Assumptions</b></p> <p>Strong commitment from Government, DEA, MORD, and targeted local governments to PPP</p> <p>Increased efficiency of infrastructure investment</p> <p><b>Risks</b></p> <p>Specific private sector parties may not be more efficient on projects.</p> <p>Migration to urban areas may not decrease, owing to limited employment opportunities in PRIs.</p>
<p><b>Outcome</b></p> <p>Increased acceptance for , and involvement of, the private sector in providing rural infrastructure in selected areas, consistent with the PURA PPP framework of MORD</p>	<p>The number of PURA PPP projects prepared by local governments with MORD support increases yearly.</p> <p>Share of private sector and/or commercial investments and/or operations in rural infrastructure rises on a year-on-year basis post-TA program completion.</p> <p>Enhanced ability of staff in PURA PPP Unit and participating local governments to (i) understand PPP rationale for projects, (ii) understand PPP models of risk sharing, (iii) understand the structure and regulatory implications of concession contracts, (iv) manage a bid process to maximize competition and appreciate competition issues, and (v) appraise PPP projects for contingent liabilities.</p>	<p>Annual budget reports of MORD and participating state governments</p> <p>Annual reports of MORD and participating state governments</p> <p>Statistical reports of participating states</p> <p>Project reports of participating states</p> <p>Project management information system data</p> <p>ADB review missions</p> <p>Consultants' reports</p> <p>Review of PURA PPP projects prepared by MORD and participating state governments</p>	<p><b>Assumptions</b></p> <p>Enough fiscal space for PURA PPP processing</p> <p>Political will of DEA and MORD</p> <p>Willingness and capacity of private sector (from technical and financial perspectives) to participate</p> <p>Consulting capacity for project preparation</p> <p>Regular ADB and steering committee reviews</p> <p>Trained staff will not leave the Government</p> <p>Trained staff will be retained in the same departments</p> <p>Private sector is ready to participate in PURA PPP projects</p> <p><b>Risks</b></p> <p>Commitment to PPPs may</p>

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
	The number of private sector firms that are aware of PURA PPP opportunities and the number of bids for potential projects increase yearly.	Review of reporting of contingent liabilities by MORD  Number of private sector players bidding for PURA projects	not be consistent across states.  Private sector interest may be lower than assumed.  Trained staff will leave the Government or not be retained in the same departments.  Capability may degrade over time without refresher training.  Private sector interest in PPP may take longer to mature.
<b>Outputs</b>  1. Policy and regulatory framework development  2. Development of unit and scheme rollout procedures  3. Capacity building in local governments  4. Pilot project development	Needs assessment reports that accurately highlight skills gaps  Capacity development plans that are realistic and useful  Materials of high quality (in substance and presentation), and that carry simple and easily understandable messages	ADB and steering committee reviews  Consultants' reports  Annual reports of MORD and participating state governments  Statistical reports of participating states  Project reports of participating states  Review of PURA PPP projects prepared by MORD and participating state governments  Review of reporting of contingent liabilities by MORD  Regular monitoring reports from MORD and participating state governments	<b>Assumptions</b>  Support for consulting input from DEA and MORD provided on time and to specifications  Assessments and reviews are rigorous and are conducted on time.  <b>Risks</b>  Counterpart staff members from MORD and participating state governments not made available on time.  There are inordinate delays in getting the program off the ground in states.  There is low-paying capacity and low willingness to pay at the level of PRIs.  Changes in the management level at PRIs cause delays in pilot project implementation.

Activities with Milestones	Inputs
<p><b>1. Policy and regulatory framework development (milestone: by Q2 2010)</b></p> <p>1.1 Measurable policy objectives and a linked reform agenda defined</p> <p>1.2 Cluster-based infrastructure asset classes to be funded through the PURA scheme defined</p> <p>1.3 Existing government funding schemes identified, and policy framework developed</p> <p>1.4 Financial and PPP models developed</p> <p>1.5 Viability gap funds identified</p> <p>1.6 Key risks and mitigations for implementation identified</p> <p>1.7 Phased disbursement pattern linked to PURA scheme developed</p> <p>1.8 Communication and advocacy strategy developed</p> <p><b>2. Development of unit and scheme rollout procedures (milestone: by Q4 2010)</b></p> <p>2.1 PURA PPP unit at MORD established</p> <p>2.2 Trainings and workshops on PPP structuring and international best practices provided</p> <p>2.3 Monitoring and evaluation management information system developed</p> <p>2.4 Guidelines and manuals to support project preparation, appraisal, and evaluation developed</p> <p><b>3. Capacity building in local governments (milestone: by Q1 2011)</b></p> <p>3.1 PPP best practices and PURA scheme awareness institutionalized through capacity development workshops at state and local governments.</p> <p><b>4. Pilot project development (milestone: by Q1 2012)</b></p> <p>4.1 Pilot projects for structuring with due governmental approvals identified</p> <p>4.2 PPP structuring for pilot projects completed, including appropriate risk sharing between public and private partners</p> <p>4.3 Adequate monitoring arrangements determined</p> <p>4.4 Stakeholder consultations, including with private sector partners, conducted</p> <p>4.5 Bid processes, including preparing appropriate bid documents, conducted</p> <p>4.6 Bid closure and, if required, financial closure facilitated</p> <p><b>5. Project supervision and administration</b></p> <p>5.1 Steering committee established with provisions to co-opt members (Q4 2009)</p> <p>5.2 Consultants engaged for project activities (Q4 2009)</p> <p>5.3 Reviews conducted, e.g., TA monitoring review (once every 3 months), steering committee review (once every 6 months), ADB review missions (once every 6 months)</p> <p>5.4 Reports prepared and submitted per components 1–3 and per each pilot project under component 4, e.g., TA inception report, TA first and second interim report, TA draft final report, TA tripartite and final report</p>	<p><b>ADB</b></p> <p>\$1.5 million</p> <p>National consultants (150 person-months)</p> <p>International consultants (5 person-months)</p> <p>Workshops, training seminars, and conferences</p> <p>Review missions</p> <p>Participation in tripartite meetings</p> <p><b>DEA, MORD, and participating local governments</b></p> <p>\$375,000</p> <p>Counterpart staff</p> <p>Office accommodation</p> <p>Administrative services</p> <p>Facilitation for meetings</p> <p>Participation in tripartite meetings</p>

ADB = Asian Development Bank, DEA = Department of Economic Affairs, MORD = Ministry of Rural Development, PPP = public-private partnership, PRI = panchayati raj institution, PURA = providing urban amenities in rural areas, Q = quarter, TA = technical assistance.

<sup>a</sup> Participating states comprise Andhra Pradesh, Assam, Bihar, Chhattisgarh, Delhi, Gujarat, Haryana, Himachal Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttaranchal, and Uttar Pradesh.

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

Item	Total Cost
<b>A. Asian Development Bank Financing<sup>a</sup></b>	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultant (5 person-months)	60.0
ii. National Consultants (150 person-months)	1,160.0
b. International and Local Travel	80.0
c. Reports and Communications	20.0
2. Equipment <sup>b</sup>	10.0
3. Workshops, Trainings, and Seminars	50.0
4. Miscellaneous Administration and Support Costs	10.0
5. Contingencies	110.0
<b>Subtotal (A)</b>	<b>1,500.0</b>
<b>B. Government Financing</b>	
1. Remuneration and Per Diem of Counterpart Staff	130.0
2. Office Accommodation	100.0
3. Seminars and Conferences, and Training	
a. Seminars and Conferences	30.0
b. Relevant Staff Training	30.0
4. Reports and Communications	10.0
5. Miscellaneous Administration and Support Costs	75.0
<b>Subtotal (B)</b>	<b>375.0</b>
<b>Total</b>	<b>1,875.0</b>

<sup>a</sup> Financed by the Japan Special Fund, funded by the Government of Japan

<sup>b</sup> Equipment: laptop computers and printers which will belong to the relevant governments using them at the end of technical assistance implementation.

Source: Asian Development Bank estimates.

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The technical assistance (TA) program encompasses two main activities: (i) assisting the Ministry of Rural Development (MORD) in developing the provision of urban amenities in rural areas (PURA) public–private partnership (PPP) policy framework and a related PURA PPP unit to house this framework, assisting in the initial transition phase of the unit in implementing the PURA framework, and providing capacity building to officials on PPP structuring and rollout as per the PURA framework; and (ii) assisting selected *panchayati raj* institutions (PRIs) in developing PURA pilot projects for the PPP modality. One team of consultants will be engaged for the initial grouping of activities under (i) above. For the pilot projects under (ii), a group of consultants will be engaged for each, depending upon the depth of consultant expertise available at that point in time.

### A. Ministry of Rural Development

#### 1. Public–Private Partnership Specialist and Team Leader (national, 10 person-months)

2. The consultant should have at least 7 years of professional experience in developing PPPs. The consultant should (i) be familiar with PPP methodology for resource generation; (ii) demonstrate familiarity with the formulation, appraisal, and approval procedures for PPP projects; and (iii) demonstrate expertise in infrastructure development financing.

3. The key task is to lead the development of a PURA PPP framework and PURA PPP unit at MORD, which includes (i) identifying PURA and other scheme funds available for use in rural infrastructure projects, and drawing these together for PPP project structuring; (ii) identifying sector cluster definitions with the rural sector specialist; (iii) conducting discussions with MORD and gathering lessons from the Jawaharlal Nehru National Urban Renewal Mission scheme on reforms and other parameters that can be linked to phased disbursement of funds; (iv) identifying appropriate PPP structures for the PURA scheme that can be formalized as recommendations and guidelines and disseminated; (v) developing generic templates for PPP processes to be followed; (vi) formalizing PURA scheme details and MORD approval procedures; (vii) developing appropriate entity structure and functions for the PURA PPP unit, and (viii) acting as a liaison between the Department of Economic Affairs and MORD.

4. As the pilot projects are developed, the consultant will also assist MORD in scheme rollout, PPP project evaluation, and other functions, including (i) leading the appraisal of pilot projects; (ii) assisting the ADB to ensure timely delivery of high-quality outputs and implementation of activities; (iii) ensuring TA activities are carried out properly; (iv) facilitating Asian Development Bank (ADB) and government approvals for project funds as appropriate; (v) facilitating intergovernmental approvals for recommended PPP modalities, nonsovereign project loans, and other cofinancing loan structures; and (vi) assisting with the implementation of pilot projects.

#### 2. Sector (Rural Development) Specialist (national, 10 person-months)

5. The consultant should have a graduate degree in rural development or a relevant educational background, and at least 5 years of experience. Tasks include (i) reviewing underlying sector assumptions utilized for PURA scheme development, and discussing scheme parameters with stakeholders to assess viability and suggestions for scheme rollout, milestones being set under the PURA framework, and capacity challenges and needs at PRIs; (ii) verifying

cluster definitions<sup>1</sup> being included under the PURA scheme as appropriate for PPPs, targeting, and ability to generate rural employment; (iii) assisting in setting appropriate PURA scheme parameters for availing PURA funds; (iv) developing a capacity-building road map of activities for the PURA scheme and PPPs through conducting a needs assessment for selected PRIs; (v) identifying appropriate private investments that could complement rural enterprise and, therefore, inform livelihood generation programs to be developed in clusters; (vi) developing implementation arrangements; (vii) analyzing projects proposed by PRIs to assess suitability for funding; (viii) estimating baseline costs for projects proposed and also extrapolating these to identify funding needs from the PURA scheme; (ix) in conjunction with the social impact specialist, conducting the baseline data review and survey on farmer incomes in project areas to understand likely trends that projects would have on farmer incomes and welfare; and (x) preparing the project social impact assessment.

### **3. Management Information System Specialist (national, 8 person-months)**

6. The consultant should have at least 5 years of experience in developing and managing information systems for organizations with complex mandates and national coverage or scope. The consultant should have an information systems management and information technology background, as well as experience in organizations and projects, preferably those involving PPPs. The consultant should be familiar with PPP methodology, particularly as it applies to implementation of relevant projects. Other requirements include (i) demonstrated experience in database development, (ii) using information systems as an input to a decision-support system, and (iii) ability to impart training. The consultant will be responsible for (i) developing a methodology for collecting and tracking data on a project basis; (ii) developing and collating benchmarking standards and helping apply them to PPP projects; (iii) analyzing data for decision support systems in the Government; (iv) assisting with baseline surveys relevant to particular PPP projects to best capture relevant information; (v) developing and maintaining an information system for tracking project management; (vi) identifying and documenting best practices in India and elsewhere so that they are accessible to other line departments; (vii) working with other vendors to ensure that all PPP project information is available in a public database; (viii) ensuring online data connectivity to databases in other entities; and (ix) training staff on use of the information system and database search to aid in their work.

### **4. Financial Specialist (national, 8 person-months)**

7. The consultant should have a graduate degree in management, finance, and/or accounting, and at least 5 years of experience and training in infrastructure finance. Experience in developing capacity of public sector comparators is required, and experience in evaluating and financing infrastructure investments from a private sector viewpoint, project finance, PPPs, and resource mobilization is an advantage. The consultant will assist the PPP team leader in developing both the PURA scheme as well as specific PPP projects or appraisals. Tasks include (i) estimating the funds required under the PURA and other rural schemes to finance targeted rural sector projects; (ii) incorporating rural sector funds into the PURA scheme, and establishing financial parameters for disbursement; (iii) assisting in developing generic PPP templates for defined PURA clusters, and formalizing these into models for dissemination; (iv) assisting the PPP unit in appraising pilot projects submitted for funding from a financial perspective, and providing structuring advice as necessary; (v) assisting in capacity building of

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<sup>1</sup> Clusters include “essential urban amenities infrastructure” (e.g., village streets, sewage, drainage, and end distribution of water supply) and “add-on or livelihood infrastructure” (e.g., marketing centers, industrial parks for village industries, and technical and vocational training institutions).

MORD, local government, and PRI officials through developing training modules for financial modeling for PPP structures, infrastructure financing, risk sharing and appraisal, cash flow and accounting analysis, capital structuring, revenue and tariff modeling, and lifecycle cost management; (vi) developing an inventory of financing sources for infrastructure investments, and exploring long-term options available for financing infrastructure; (vii) maintaining dialogue with potential financing sources; and (viii) conducting workshops to ensure widespread understanding of the public sector comparator concepts. In addition, the consultant may be required to assist some of the pilot projects in structuring or review of (i) project costs for completeness and accuracy under PURA cluster definitions, (ii) project financing plans and capital structures proposed, (iii) financial models proposed for project sustainability, and (iv) documentation for loans from ADB's nonrecourse window or other commercial banks.

#### **5. Legal Specialist (national, 5 person-months)**

8. The law firm should have in-house expertise in law and regulatory frameworks, including application, of at least 7 years, preferably in a PPP context. It should also have in-house individuals with demonstrated familiarity with legal issues surrounding PPPs. Legal drafting skills, familiarity with prior cases involving any PPP failures, and both public and private sector experience are essential. The firm will (i) assess all PPP proposals and possible projects from a legal perspective; (ii) provide opinions on the prevailing legal and regulatory environment; (iii) provide opinions on all matters relating to legal aspects of the PPP projects; (iv) provide necessary support in facilitating and simplifying legal and procedural frameworks in the work of the PPP cell; (v) build the capacity of government ministries and agencies to understand the legal ramifications in, for example, model concession templates, special purpose vehicles, or competition and regulation mechanisms; (vi) advise on legal issues related to competitive bidding and transparency in PPP processes; and (vii) review guidelines and documents on procurement, contracting, safeguards, and compliance that are related to PPP projects.

#### **6. Social Impact Specialist (national, 5 person-months)**

9. The consultant should have at least 5 years of experience in developing and managing social impact and safeguards analyses, with a relevant education background. The consultant will be responsible for ensuring adequate due diligence on project social impacts, consistent with ADB social safeguard policies. Tasks include (i) undertaking an initial poverty and social analysis in accordance with ADB guidelines, and based on this, a social analysis of likely social impacts, design measures, and implementation arrangements for maximizing project social benefits and minimizing social risks; (ii) summarizing social analysis results into a summary poverty reduction and social strategy with recommendations for involuntary resettlement, indigenous peoples, and gender safeguards; (iii) assessing project capacity to undertake social impact due diligence, impact monitoring, and implementation of mitigation measures implementation; (iv) ensuring adequate investigation and consultation with affected persons; (v) ensuring timely and correct project classification; (vi) ensuring overall project compliance with ADB's involuntary resettlement and indigenous peoples safeguards; and (vii) ensuring that capacity development workshops share best practices with relevant stakeholders.

#### **7. Environment Specialist (national, 5 person-months)**

10. The consultant should have at least 5 years of experience in developing environmental assessments and analyses, with a relevant education background. The consultant will be responsible for ensuring that the project environmental impact assessment is adequate and compliant with ADB guidelines. Tasks include (i) reviewing and finalizing any existing

environmental assessments, ensuring that substantive contents and format are consistent with ADB's environmental requirements, conducting environmental due diligence, information disclosure and public consultation requirements; (ii) in the absence of an environmental assessment, conducting a scoping exercise to identify major environmental issues, classifying the project in accordance with ADB guidelines, and determining the level of environmental assessment needed and consultation and disclosure requirements; (iii) conducting an environmental assessment, and preparing an initial environmental examination in accordance with ADB's *Environmental Assessment Guidelines* (2003); (iv) consulting with affected peoples and local nongovernment organizations in accordance with ADB requirements; (v) estimating the cost of an environmental management plan and funding sources, ensuring that these are included in the total project cost, and seeking government environmental clearance and approvals for the plan; (vi) ensuring adequate public consultation and information disclosure of project-specific information on potential environmental impacts and mitigation measures; (vii) evaluating the capacities of the project sponsor to implement mitigation measures, and recommending capacity improvement training programs and measures; (viii) including the environmental management plan in bid documents, with the requirement to comply with mitigation measures therein; and (ix) ensuring that capacity development workshops share best practices.

#### **8. Capacity Building and Training Specialist** (national, 5 person-months)

11. The consultant should have at least 10 years of experience in public resource management, and possess an educational background in economics, business, finance, or a related field. Tasks include (i) undertaking a training needs assessment focusing on related departments and stakeholders, and preparing training plans; (ii) developing an institutional link between the consulting team and related training institutes; (iii) designing a capacity development plan for achieving outcomes; (iv) conducting training workshops to disseminate reform initiatives, improved policy and procedure frameworks, and related information sharing; (v) ensuring that an evaluation of competency is implemented to monitor staff performance following training; and (vi) ensuring that training is of a high quality and that feedback is collected.

#### **9. Communications Specialist** (national, individual, 8 person-months)

12. The consultant should have a graduate degree in business administration with specialization in marketing, and have at least 10 years of relevant experience at the national or subnational level in public relations, communications, or advocacy. Previous experience of working within a government agency is preferred. Tasks include (i) supervising the design and maintenance of the PURA website, intranet, and web-based knowledge management system; (ii) assuring the timely development of communication tools and physical materials; (iii) managing contracts and external consultants to produce media and information products; (iv) coordinating and managing all publication activities; (v) promoting campaigns to local and regional media that position the PURA scheme as a groundbreaking government initiative to provide employment-based social security to rural areas; (vi) promoting and disseminating advocacy materials for creating greater awareness about the PURA scheme; (vii) creating public information campaigns on PURA activities and results; (ix) promoting activities to position the PURA scheme as the main instrument of rural infrastructure development; (x) increasing coverage and understanding of the PURA scheme through media contacts and public information dissemination; (xi) formatting, packaging, and submitting PURA initiatives for media review in close collaboration with the ADB; (xii) ensuring access for journalists to subject-matter experts; and (xiii) ensuring a regular flow of information to state governments for

better implementation of the PURA scheme. The consultant will report to the joint secretary at MORD and to ADB on operational matters.

**10. Project Management Specialist** (national, individual, 8 person-months)

13. The consultant should have at least 10 years of experience in complex project management, including understanding of Government of India processes and procedures, complex interorganizational tasks, large human resources networks deployed on myriad tasks, and performance evaluation- and milestone-based delivery assessment and budget management. The consultant will be responsible for coordination of recruitment of the PPP cells in association with ADB. This includes (i) assessing the criteria established for short-listing and finalizing the candidates with ADB and the Government as well as managing the time lines for interview panels; (ii) getting all performance reports from various PPP cells for their independent evaluation, as well as developing strategies for sharing PPP specialists across states, if required; (iii) managing and tracking the consultant engagement process; liaising with ADB and proposed consultants; and maintaining an up-to-date list of status of recruitment, invoices per milestones paid, and remaining contract periods; (iv) coordinating reports from pilot project work, and assisting in the review of all project reports and related transactions to develop PPP projects; (v) developing and preparing workshops with PPP specialists across the country; (vi) liaising with other consultants who are responsible for publications to coordinate timely delivery of draft reports; and (vii) holding discussions with PPP cells to identify any sector reports being produced at the state level.

**11. Public-Private Partnership Sector Expert** (international, individual, 5 person-months)

14. The consultant should have at least 5 years of experience in developing and managing PPPs. The requirements are similar to those of the PPP specialist and team leader. Tasks will include (i) reviewing, contributing to, and ensuring the quality of financial analyses, risk management analyses and protocols, and demand projections for PPP funding; (ii) reviewing and ensuring the quality of project development reports, needs assessment reports, subsequent capacity development plans, and training; (iii) developing and updating all financial projections for relevant PPP projects; (iv) advising government officials on the impact of regulations on the attractiveness of selected subsectors to local and international investors; (v) assisting officials in establishing the feasibility of specific forms of PPPs; (vi) providing on-the-job training and capacity building to appraise financial implications and risk modeling in PPP project proposals; (vii) supporting MORD and state governments in refining guidelines for bridge financing mechanisms; (viii) assisting in sensitizing relevant auditing and accounting entities in jurisdictions and/or sectors; (ix) ascertaining where partnership development for PPP projects could be most effective in raising the investment profile; (x) visiting government ministries and agencies to sensitize them to appropriate bridge financing mechanisms, and assessing their intentions and capacity to prepare PPP projects in infrastructure to access the PURA scheme; (xi) coordinating reviews and incorporation of any monitoring information into the mainstreaming work of PPP cells; and (xii) coordinating with development partners to ensure that work on mainstreaming PPPs across the line ministries is harmonized.

**B. Panchayati Raj Institutions (Pilot Project) Level**

15. At the pilot project level, required consulting services per each pilot project are a (i) commercial PPP structuring specialist (8 person-months), (ii) financial specialist (5 person-months), (iii) technical sector specialist (6 person-months), (iv) legal specialist (4

person-months), and (v) social impact and environment specialist (3 person-months). The professional experience and activities to be undertaken for these consultants are similar to those as defined for consultants at the MORD level above, with due variations to be made specific to each pilot project (once defined) and for its specific cluster, geography, or other requirements.

16. The technical sector specialist should have at least 5 years of experience in developing technical sector issues with a relevant academic background. The consultant will complete the technical validation of project design and cost estimates through (i) reviewing and updating the prefeasibility technical analysis to confirm the technical validity and viability of the project; (ii) verifying quantities and rates for major civil works and equipment; (iii) developing projected operation and maintenance costs; (iv) reviewing and quantifying costs and benefits from the project, and confirming the project design on a least-cost basis in financial and economic terms; and (v) assisting in the project's financial and economic analysis with inputs on project rationale, project costs, required contingency levels, and any other information as requested. The consultant may also be required to undertake a brief project economic analysis to provide an economic cost–benefit analysis and project rationale.<sup>2</sup>

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<sup>2</sup> ADB. 1997. *Guidelines for the Economic Analysis of Projects*. Manila.