



Completion Report

Project Number: 42510-012
Technical Assistance Number: 7342
August 2016

India: Supporting an Initiative for Mainstreaming Public–Private Partnerships for Providing Urban Amenities in Rural Areas

This document is being disclosed to the public in accordance with ADB's Public Communications Policy 2011.

Asian Development Bank

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

TA Number, Country, and Name:			Amount Approved: \$1,500,000	
TA 7342-IND: Supporting an Initiative for Mainstreaming Public–Private Partnerships for Providing Urban Amenities in Rural Areas			Revised Amount: Not Applicable	
Executing Agency: Public–Private Partnership Cell Department of Economic Affairs Ministry of Finance		Source of Funding: Japan Special Fund	Amount Undisbursed: \$508,863.55	Amount Utilized: \$991,136.45
TA Approval Date: 11 September 2009	TA Signing Date: 12 October 2009	Fielding of First Consultant: 2 December 2010	TA Completion Date Original: 30 Sep 2012 Actual: 30 Sep 2015	
			Account Closing Date Original: 30 Sep 2012 Actual: 20 Oct 2015	
Description				
<p>The Government of India has emphasized the need for public–private partnerships (PPPs) in addressing the enormous infrastructure gaps in the country. Poor rural infrastructure and limited employment opportunities are major impediments to inclusive and sustainable rural sector growth as well as poverty reduction. PPPs are recognized by Ministry of Rural Development (MORD) and the government as crucial for meeting large infrastructure investment requirements, effective project implementation, and sustainability of assets and operations in the rural areas. Absence of reasonable pricing of services and adequate regulatory mechanism, weak capacity of sponsoring Panchayat Raj Institutions (PRIs), lack of economies because of spread of villages, and absence of proven PPP models have been identified as obstacles for PPPs in rural areas.</p> <p>To address these challenges, MORD revised the Provision of Urban Amenities in Rural Areas (PURA) scheme in early 2009 to focus on effective implementation of sustainable project models in the rural sector through PPPs. In this context, the government approached ADB for a technical assistance (TA) under Japan Special Fund (JSF) for effective implementation of the revised PURA scheme through: (i) development of a framework for 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 pilot projects to establish some replicable PPP models. Department of Economic Affairs (DEA) was the executing agency and MORD was the implementing agency for the TA.</p>				
Expected Impact, Outcome, and Outputs				
<p>The expected impact of the TA was improved coverage and sustainability of rural infrastructure facilities and rural employment generation through developing a PPP implementation modality for the rural sector. The expected outcome of the TA was increased acceptance for, and involvement of, the private sector in providing rural infrastructure in selected areas, consistent with MORD's PURA PPP framework. The outputs of the TA were: (i) development of policy and regulatory framework; (ii) development of unit and scheme rollout procedures; (iii) capacity building in local governments and; (iv) pilot project development.</p>				
Delivery of Inputs and Conduct of Activities				
<p>The TA was implemented under 2 phases, specifically, PURA version 1.0 in which 9 pilot projects were to be developed for PRIs of Kerala, Andhra Pradesh, Telangana, Maharashtra, Uttarakhand, Rajasthan and Puducherry and PURA version 2.0 under which about 10–15 projects were to be developed.</p> <p>CRISIL Infrastructure Advisory, IPE Global Private Limited and eight individual consultants were recruited to support the implementation of the following activities under the TA: (i) development of policy and regulatory framework which would include measurable policy objectives and linked reform agenda, defining cluster based infrastructure asset classes to be funded through PURA scheme and development of financial and PPP models; (ii) development of unit and scheme rollout procedures which would include establishment of PURA PPP unit at MORD, trainings and workshops on PPP structuring, development of guidelines and manuals to support project preparation, appraisal, and evaluation; (iii) PPP best practices and PURA scheme awareness institutionalized through capacity development workshops at state and local governments and; (iv) pilot project development through identification of pilot projects for structuring with due governmental approvals, appropriate risk sharing between public and private partners, conduct of stakeholder consultations, conduct of bid processes, including preparing appropriate bid documents and facilitation of bid and financial closure.</p>				

The performance of IPE Global, CRISIL Infrastructure Advisory and individual consultants under the TA was satisfactory. Project supervision and administration was carried out through a steering committee. Periodical reviews through TA monitoring review (once every three months), steering committee review (once every six months) and ADB review missions (once every six months) were conducted. The steering committee also supported coordination among ministries of the government.

The TA was extended by three years because of additional time needed in scheme approvals and pilot project development, inclusion of additional pilot projects, finalization of contracts with transaction advisors and capacity building firm and for giving inputs to new national program¹. About 34% of the TA amount remained unspent primarily because of savings and non-recruitment of some consultants under consultancy component of the TA. The performance of DEA, MORD and ADB was satisfactory as regular monitoring of the TA was conducted through Steering Committee and ADB TA review missions.

Evaluation of Outputs and Achievement of Outcome

The outputs of the TA have been achieved. Development of policy and regulatory framework, development of unit and scheme rollout procedures, capacity building in local governments and, pilot project development activities were undertaken under the TA, as planned.

The TA has partially achieved the envisaged outcome:

(i) *There would be enhanced acceptance of PPP models in the rural sector.* However, only 3 of the 9 projects conceptualized in PURA version 1.0 resulted in signing of concessional agreements. Under PURA version 1.0, two concession agreements were signed for projects in Kerala and Andhra Pradesh. Letter of award was issued for projects in Telangana and Uttarakhand. The projects in Kerala have been terminated at the request of the state government, as they were facing field level coordination issues with the implementation of project sub components, and this was delaying the progress of the entire project. The project in Andhra Pradesh is progressing slowly. The projects in Telangana and Uttarakhand did not go beyond letter of award stage as the state government and the private sector partners did not obtain approvals from other government ministries on some of the project subcomponents. Under PURA version 2.0 bid process was conducted for about 10 additional projects and proposals were received. But the proposals were not concluded as the transaction process was annulled because the government conceptualized the new SPMRM scheme.

(ii) *Greater availability of competitive funds for rural projects.* The TA did not result in convergence of budgetary allocations under various schemes meant for rural development and availability of more competitive funds for rural projects as each scheme had its own process for obtaining approvals for funds.

(iii) *Improved PPP implementation development, and monitoring capacities in MORD and local governments.* The TA conducted various capacity development workshops for PRIs and MORD which has resulted in improved capacities of these organizations in engaging with private sector agencies and entering into long term PPP contracts. The documents drafted under the TA have been utilized for the pilot transaction and has been extensively disseminated to various state government implementation departments and agencies. The outcome proposed under the TA is first of its kind in the country. For the first time, private sector willingness to participate in rural infrastructure development was solicited. The learnings from the TA were ploughed back in formulating the government's new program.

Overall Assessment and Rating

TA is rated as less than successful. While the outputs of the TA have been achieved, the outcome has been partially achieved. Implementation of the TA was a learning experience for MORD, DEA and ADB.

¹The new national program is Shyama Prasad Mukherji Rurban Mission (SPMRM) launched by Government of India in 2016 to deliver integrated project-based infrastructure in the rural areas, which will also include development of economic activities and skill development. State governments would lead the implementation of the scheme and Public-Private Partnerships will be one of the modes of implementation.

Major Lessons

- (i) The TA was innovative and visionary in conceptualization and design but lacked suitable implementation mechanism. The involvement of numerous agencies like PRIs, state government, MORD and DEA made decision making and monitoring cumbersome. Strong coordination role should be assigned to specific institution(s) with adequate capacity and strong ownership for efficient implementation;
- (ii) Investigate the interest of private sector in PPP in advance and if necessary, include components to attract the private sectors to the projects in rural areas;
- (iii) Local and state governments should have been given greater role in selecting the candidate PURA projects and in the awarding process and;
- (iv) Given that the PURA scheme relied on convergence of various budgetary sources for local development, upstream ownership of targeted state and local governments should have been ensured before developing the PPPs.

Recommendations and Follow-Up Actions

MORD and DEA should aspire to bring in sectoral convergence by making state governments as nodal agencies for conceptualization and implementation of schemes. Adequate institutional arrangements should be made at the district and block level to enhance implementation capacities of local agencies.

TA = technical assistance.

Prepared by: Vikram Harsha Annamraju

Designation and Division: Senior Project Officer (Social Sector), INRM