



Technical Assistance Report

Project Number: 42271
Capacity Development Technical Assistance (CDTA)
December 2009

India: Sustaining the Government of India–ADB Initiative for Mainstreaming Public–Private Partnerships

CURRENCY EQUIVALENTS

(as of 07 December 2009)

Currency Unit	–	Indian rupee/s (Rs/Rs)
Re1.00	=	\$0.021
\$1.00	=	Rs46.294

ABBREVIATIONS

ADB	–	Asian Development Bank
DEA	–	Department of Economic Affairs
GDP	–	gross domestic product
IDC	–	indefinite delivery contract
PPP	–	public–private partnership
TA	–	technical assistance
ULB	–	urban local body

TECHNICAL ASSISTANCE CLASSIFICATION

Type	–	Capacity development technical assistance (CDTA)
Targeting classification	–	General intervention
Sector (subsectors)	–	Multisector (water supply and sanitation, slum upgrading and housing, other municipal services, urban sector development, transport management and policies, road transport, urban transport, health systems, education sector development, energy sector development)
Themes (subthemes)	–	Economic growth (promoting economic efficiency and enabling business environment; widening access to markets and economic opportunities; knowledge, science, and technological capacities), private sector development (public–private partnerships), capacity development (institutional development)
Location impact	–	Rural (medium), urban (high), national (medium)

NOTE

In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. The Asian Development Bank (ADB) has been assisting the Government of India to develop public–private partnerships (PPPs) to meet the country's large infrastructure needs. The assistance is through a joint government–ADB initiative¹ in PPP mainstreaming and pilot project development. In response to increasing demand to widen the initiative's coverage and scope, the Government has requested additional ADB support through this technical assistance (TA).

2. Fact-finding missions were conducted in October 2009. The Government and ADB agreed on the objective, scope, implementation arrangements, and financing plan for the TA.² The TA is in line with (i) India's Eleventh Five Year Plan (2007–2012),³ (ii) ADB's long-term strategic framework 2008–2020 (Strategy 2020) for deepening private sector development,⁴ and (iii) ADB's country operations business plan 2008–2010.⁵ The agreed design and monitoring framework is in Appendix 1.

II. ISSUES

3. **The PPP rationale.** Infrastructure development is a key government strategy for sustaining the country's positive annual gross domestic product (GDP) growth, measured at 8.6% from 2004 to 2008.⁶ However, there is a large infrastructure funding need. To address the sizeable infrastructure gaps across the country, the government is pursuing a strategy to enable PPPs to attract private investment while leveraging their operation efficiencies to improve service standards.

4. **The government–ADB PPP initiative.** In a joint initiative commenced in 2007, ADB has provided comprehensive support to the government in building the PPP-enabling environment. The initiative includes institutionalization of policies and processes, capacity building, sector-specific strategies and toolkits, and pilot project development. The initiative has led to (i) the successful establishment and operation of 25 PPP cells at state governments and central line ministries; (ii) capacity building of relevant government staff to prepare, evaluate, appraise, and implement PPP projects; (iii) the development of information systems and PPP databases; (iv) the standardization of, and support to, project risk appraisal processes; (v) the development of pilot projects in challenging sectors; (vi) support for the viability gap fund and project development funds; and (vii) the development of sector-specific toolkits.

5. **Evolving challenges.** The positive outcomes from earlier TA projects are well recognized across the country. With the emergence of PPP project pipelines, the government wishes to expand the current coverage and scope of PPP mainstreaming efforts to cover additional states,⁷ namely Bihar, Delhi, Goa, Himachal Pradesh, Jharkhand, Kerala, Sikkim,

¹ The initiative comprises four TA projects: ADB. 2006. *Technical Assistance to India for Mainstreaming Public–Private Partnerships at State Level*. Manila; ADB. 2007. *Technical Assistance to India for Mainstreaming Public–Private Partnerships at Central Line Ministries of India*. Manila; ADB 2008. *Technical Assistance to India for Preparing the Public-Private Partnerships Pilot Projects Initiative*. Manila; ADB. 2009. *Technical Assistance to India for Mainstreaming Public–Private Partnerships for Providing Urban Amenities in Rural Areas*. Manila.

² The TA first appeared in the business opportunities section of ADB's website on 4 December 2009.

³ Government of India, Planning Commission. 2008. *Eleventh Five Year Plan, 2007-12*. Delhi.

⁴ ADB. 2008. *Strategy 2020: The Long-term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.

⁵ ADB. 2007. *Country Operations Business Plan: India, 2008-2010*. Manila.

⁶ The Eleventh Five Year Plan (2007–2012) requires increased government spending on infrastructure from 4.6% to 8.0% of GDP to accelerate average GDP growth from 7% to the targeted 9%.

⁷ The actual selection of the states could vary during TA implementation.

Mizoram, and West Bengal, and including relevant urban local bodies (ULBs) and line ministries and sector departments. The objective is to eventually develop a PPP project pipeline, particularly in small municipalities that generally have limited economies of scale, or in the challenging sectors of water supply and sanitation, health, education, power distribution, and rural development.

6. A key lesson from the ongoing initiative is the difficulty in developing self-sustaining, bankable PPP projects. For example, because of the political sensitivity in tariff setting, certain water PPP projects deter private operators from taking on greater revenue risk. These projects are often structured through a management contract or annuity-type structure, with limited capital investment from private operators. The lack of adequate capacity and enabling environment also causes the government to utilize grants and internally generated resources to fund the capital and operating costs without leveraging other private capital. Therefore, improving the PPP enabling environment through policy and regulatory reform is crucial to increase private sector confidence in making sizable investments and help the government structure PPP infrastructure projects on a sustainable basis.

7. **Addressing the challenges.** The TA will strengthen the capacity of government staff in the states not yet covered by ongoing ADB assistance (footnote 1).⁸ The capacity will be built upon designated state PPP nodal officers at state PPP cells and a team of PPP specialists at state, ULB, and relevant line ministry and sector department levels. Over a 2–3 year period, certain staff with appropriate PPP skill sets is intended to be designated with specific responsibility of PPP development. Clarifications of these positions and related human resources strategy to retain these talents will be included in the future ADB dialogue with the government and is intended to be incorporated in the relevant future ADB assistance.

8. The enhanced capacity will help improve the provision of infrastructure and service delivery in target states. Consultants will be recruited through a pooled PPP cell within the central government to support these additional states. Bankable projects will be developed with a focus on challenging sectors. They will serve as replicable models capable of blending commercial lending, private sector investment, and government funds. This TA will also examine the policy and regulatory framework and address the lifecycle costs of operating and maintaining utilities, whether through user fees and/or tariffs or shadow-tariff structures. Altogether, these efforts should create an enabling PPP environment in the additional states and a PPP project pipeline on a bankable and sustainable basis.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

9. The impact of the TA will be improved provision of infrastructure and delivery of service in additional states (at state, ULB, line ministry, and sector department levels). The outcome of the TA will be improved public sector capacity to develop, implement, and monitor infrastructure PPP projects.

⁸ In terms of ADB's overall PPP assistance (initiative) road map in India, this TA is an extension of the three ADB TA projects in PPP mainstreaming (footnote 1), by targeting additional state government entities. During the capacity building process, this TA also complements ongoing ADB TA in PPP pilot project development and proposed ADB TA in national PPP policy formulation through more detailed scoping of relevant project potentials and policy and regulatory issues at state and sector and subsector levels.

B. Methodology and Key Activities

10. The TA activities will support the government in developing an enabling PPP environment and building a bankable PPP project pipeline through the following three capacity building components.

11. **Component 1: Deepening PPP capacity building in additional state government entities.** A pool of PPP consultants will be recruited to form an enhanced PPP cell at the Department of Economic Affairs (DEA), Ministry of Finance, to provide capacity building at additional states, ULBs, line ministries/sector departments, and other government entities. The target group is selected government staff tasked with PPP development activities, led by the respective state PPP nodal officers. Sustainability is built upon the capacity building process to clarify and institutionalize the PPP function in the government entities. The cell will perform selected tasks of (i) training government staff on PPP processes and methodologies; (ii) assisting in developing PPP-enabling policies and regulations; (iii) supporting development, appraisal, and implementation of PPP projects; (iv) conducting awareness building of domestic and international best practices; and (v) developing monitoring mechanisms and parameters for PPP projects.

12. **Component 2: Development of bankable PPP project structures.** PPP projects sometimes are not bankable on commercial terms. Various government supports are required. This is obvious in the challenging infrastructure sectors because cost recovery is difficult. Through the development of bankable PPP project structures and concepts, government can create project sustainability, in which (i) financing options are optimized to blend private equity, commercial debt, concessional funds, and government grant funds;⁹ (ii) sound financial models are developed; (iii) other technical and commercial aspects are considered; and (iv) financial closure is achieved through negotiations and agreements with the identified investors. This component will align with the existing ADB PPP pilot project TA (footnote 1).

13. **Component 3: Development of PPP enabling toolkits.** This component supports capacity building of additional government entities through PPP-enabling toolkits, documents, and knowledge-sharing activities. It includes (i) development of sectorwide policy and regulatory assessments and proposed policy frameworks at state and sector and subsector levels,¹⁰ (ii) development of good governance institutional structures for sector vehicles such as a proposed corporatized entity structure for utilities, and (iii) communications strategy and framework for PPP projects.

C. Cost and Financing

14. The TA is estimated to cost \$1 million equivalent, of which ADB will finance \$800,000 equivalent on a grant basis from the ADB's Technical Assistance Special Fund (TASF—other sources). The Government will provide \$200,000 equivalent to finance local currency costs to cover counterpart staff, office facilities, administrative support, facilitation for meetings, and other expenses. The cost estimates and financing plan are in Appendix 2.

⁹ Such as the India Infrastructure Project Development Fund.

¹⁰ This supports the proposed TA for developing a national PPP policy. ADB. Forthcoming. *Technical Assistance to India for Developing a National PPP Policy Framework for Mainstreaming Public–Private Partnerships*. Manila.

D. Implementation Arrangements

15. DEA will be the TA executing agency. TA implementation will be coordinated in a coherent manner with the joint government–ADB initiative, allowing for integration of all PPP activities without duplication of efforts. DEA and ADB PPP focal points based in India will oversee the implementation process. DEA will establish a steering committee, chaired by a joint secretary at DEA, to provide overall guidance and monitor TA activities. Steering committee will meet every 6 months and have representatives from the participating PPP cells. Private sector participation in the steering committee, such as from potential concessionaires, is encouraged.

16. Procurement methods for recruiting consultants will be determined according to the following three components. A total of 151 person-months of consulting (20 person-months of international consulting and 131 person-months of national consulting) is envisaged to provide the TA inputs. A consulting firm or consortium could be selected to provide 70 person-months of consulting under component 2. All procurement for individuals and a consulting firm or consortium will be in accordance with ADB's Guidelines on the Use of Consultants (2007, as amended from time to time). Disbursements under the TA will be made in accordance with ADB's *Technical Assistance Disbursement Handbook* (January 2008).¹¹

17. **Under component 1.** A pool of up to four individual PPP consultants (national consultants) with experience in PPP financial structuring will be recruited for the enhanced PPP cell in DEA. The consultants will be recruited for 12–18 months each for a total of 45 person-months.

18. **Under component 2.** Either a consulting firm or consortium or a pool of at least five individual consultants will be recruited with backgrounds in (i) financial structuring and modeling, (ii) relevant technical engineering, (iii) legal and regulatory advisory, (iv) social safeguards, and (v) environmental safeguards (as appropriate). The requirement for flexibility in the recruitment method is due to the tight market conditions in India for experienced PPP specialists. The consulting firm or consortium will be selected based on quality and cost-based selection (QCBS) method with a quality–cost ratio of 80:20. The firm or consortium will be selected under a full technical proposal.

19. **Under component 3.** An individual PPP policy and regulatory consultant will be recruited for a total of 12 person-months to develop (i) sectorwide regulatory assessments and proposed policy frameworks, (ii) good governance institutional structures, and (iii) a communications strategy and framework for PPP projects.

20. In addition, a separate, individual TA project management consultant will be engaged for 24 person-months to coordinate all activities.

21. DEA will provide office space, logistics, and administrative support for establishing the pool of consultants. The TA will be implemented from February 2010 to February 2012. Project results and evaluation reports will be disseminated by the steering committee and made publicly available on the appropriate website. The advance payment facility, to be administered and managed by DEA, may continue to be used to facilitate TA disbursement.

¹¹ ADB. 2008. *Technical Assistance Disbursement Handbook*. Manila.

IV. THE PRESIDENT'S DECISION

22. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$800,000 on a grant basis to the Government of India for Sustaining the Government of India–ADB initiative for Mainstreaming Public–Private Partnerships, 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>Impact</p> <p>Improved provision of infrastructure and delivery of service in additional states (at state, ULB, and line ministry/sector department levels)</p>	<p>In the additional states:</p> <p>Coverage of population with access to basic infrastructure increases by 2 percentage points yearly between 2015-2017 (2009 baseline: to be determined by the specific sectors during implementation)</p> <p>Improved service standards in key infrastructure sectors (2009 baseline: to be determined by sector-specific indicators)</p> <p>At least 50% of the new public infrastructure development with private sector proposals or participation by 2017 (2009 baseline assumption: 5%)</p>	<p>Review reports, statistics, and other surveys from the government, including periodic reports from the Planning Commission of India and similar government reports on infrastructure</p> <p>Other international and domestic surveys</p> <p>Relevant ADB reports (such as the Asian Development Outlook) and sector evaluation reports</p>	<p>Assumptions</p> <p>Continued development policy on infrastructure-led growth model</p> <p>Commitment from the government on reforms in relevant infrastructure sectors and subsectors, especially in additional states</p> <p>Stable policy environment for attracting private and foreign investment in relevant sectors and subsectors</p> <p>Risks</p> <p>Inadequate enabling environment deters commercial investments in infrastructure, such as tariff reform and inadequate PPP policy and regulation</p>
<p>Outcome</p> <p>Improved public sector capacity to develop, implement, and monitor infrastructure PPP projects</p>	<p>In the target entities:</p> <p>Government agencies develop an average of five PPP projects per year per state between 2012 and 2017 (2009 baseline assumption: 0)</p> <p>The share of commercial financing for infrastructure projects increased by at least 10% between 2012 and 2017 (2009 baseline assumption: 10%)</p> <p>Bid process and financial closure of all developed PPP proposals completed</p>	<p>Annual budget reports of state governments</p> <p>Project management information system data</p> <p>Data from DEA and state PPP cells, including ADB consultant reports</p> <p>ADB staff review missions</p> <p>Review of PPP projects prepared by the states</p>	<p>Assumptions</p> <p>Sustained fiscal resources for grant support and viability gap funding</p> <p>Government's willingness for sectorwide reform</p> <p>Improved enabling environment for private sector participation in public infrastructure projects</p> <p>Risks</p> <p>Commitment and capacity gap across the</p>

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
	between 2012 and 2017 (2009 baseline assumption: 0)		states Slow economic growth affects business confidence and private sector interests in PPP
<p>Outputs</p> <ol style="list-style-type: none"> 1. Creation of an enhanced PPP cell at DEA to build capacity at additional state government entities 2. Increased PPP project pipelines from additional states previously not covered by ADB TA projects 3. Development of a number of bankable project structures for replication across relevant sectors 4. Development of PPP enabling toolkits, structures, and documents 	<p>In the target entities:</p> <p>At least two PPP projects per state by 2012 from additional states (2009 baseline: 0)</p> <p>An average of 10 PPP project pipeline proposals per state by 2012 from additional states (2009 baseline: 0)</p> <p>Dissemination of developed bankable structures through workshops and case notes; at least three model structures by 2012 (2009 baseline: 0)</p> <p>Dissemination of institutional and regulatory best practices in workshops; at least three models by 2012 (2009 baseline: 0)</p> <p>Adoption of developed toolkits, structures, and documents, as relevant, by 2014 (2009 baseline: 0)</p>	<p>TA review reports from DEA PPP cell, state PPP cells, and project sponsoring government entities</p> <p>ADB consultant reports</p> <p>ADB staff review missions</p>	<p>Assumptions</p> <p>Stable international and domestic economic and political environment</p> <p>Sustained government support in PPP initiative</p> <p>Successful implementation of other ADB TA projects including the PPP pilot project^a and the proposed national PPP policy^b</p> <p>Close supervision and evaluation of consultant work</p> <p>Risks</p> <p>Reduced state government buy-in during the TA implementation</p>
Activities with Milestones			Inputs
<ol style="list-style-type: none"> 1. Deepening PPP capacity building of additional state government entities <ol style="list-style-type: none"> 1.1 Review existing resources, such as ongoing TA consultant reports and other existing TA outputs, from the joint government–ADB initiative TAs (footnote 1), within the first month of TA implementation. 1.2 Help state government identify and select relevant staff that will be responsible for PPP activities and examine its capacity building needs, within the first month of TA implementation. 1.3 Design and provide training, in line with other existing assistance from ADB and other development partners, to the identified state government staff on (i) PPP processes and methodologies; (ii) PPP enabling policies and legislation; (iii) development, appraisal, implementation of PPP projects; (iv) procurement; and (v) development of monitoring mechanisms and parameters for PPP projects, on a continuous basis over the remaining period of TA implementation. 			<p>ADB: \$800,000</p> <ul style="list-style-type: none"> • International consultants (20 person-months) • National consultants (131 person-months) <p>Government of India: \$200,000</p>

Activities with Milestones	Inputs
<p>1.4 Provide awareness building of domestic and international best practices for PPPs, on a continuous basis over the remaining period of TA implementation.</p> <p>2. Development of bankable PPP project structures</p> <p>2.1 Review existing PPP project proposals and structuring methodologies from across the country, including those developed from the ADB TA on PPP pilot projects^a and any others from the additional states, within the first month of TA implementation.</p> <p>2.2 Help state government identify and select relevant staff that will be responsible for PPP activities and examine its capacity gap and resource constraints in the state government entities by comparing to the national benchmark, within the first month of TA implementation.</p> <p>2.3 Identify institutional capacity and training needs within the first month of TA implementation.</p> <p>2.4 Design and provide training, in line with other existing assistance from ADB and other development partners, to the identified state government staff on (i) financial models, (ii) funding options, (iii) other related technical and commercial issues, and (iv) financial closure, on a continuous basis over the remaining period of TA implementation.</p> <p>2.5 Help build bankable PPP project pipeline and support project structuring in order to develop processes, procedures, templates, case studies, and model projects; these outputs are to be used for hands-on training and twinning with selected government staff, on a continuous basis over the remaining period of TA implementation.</p> <p>3. Development of PPP enabling toolkits</p> <p>3.1 Review, develop, and propose a sectorwide PPP policy and regulatory framework, in conjunction with the proposed national PPP policy TA,^b on an intermittent basis over the 24 months of TA implementation.</p> <p>3.2 help state government identify and select relevant staff that will be responsible for PPP policy activities, within the first month of TA implementation.</p> <p>3.3 Examine and identify the capacity gap and resource constraints in the state government entities and design and provide relevant training programs, on an intermittent basis over the 24 months of TA implementation.</p> <p>3.4 Develop good governance institutional structures for sector vehicles such as a proposed corporatized entity structure for utilities, on an intermittent basis over the 24 months of TA implementation.</p> <p>3.5 Disseminate and consult government entities to adopt the developed policies and regulations as toolkits, on an intermittent basis over the 24 months of TA implementation.</p> <p>3.6 Develop communications strategy and framework for PPP projects, on an intermittent basis over the 24 months of TA implementation.</p>	

ADB = Asian Development Bank, DEA = Department of Economic Affairs, PPP = public-private partnership, TA = technical assistance

^a ADB. 2008. *Technical Assistance to India for Preparing the Public-Private Partnerships Pilot Projects Initiative*. Manila.

^b ADB. Forthcoming. *Technical Assistance to India for Developing a National PPP Policy Framework for Mainstreaming Public-Private Partnerships*. Manila.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Total Cost
A. Asian Development Bank Financing^a	
1. Consultants	
a. Remuneration and Per Diem ^b	
i. International (20 person-months)	120.00
ii. National (131 person-months)	480.00
b. Local Travel	100.00
c. Reports and Communications	20.00
2. Equipment	10.00
3. Training, Seminars, and Conferences	20.00
4. Reports and Publications	10.00
5. Survey	10.00
6. Contingencies	30.00
Subtotal (A)	800.00
B. Government Financing	
1. Office Accommodation and Transport	100.00
2. Remuneration and Per Diem of Counterpart Staff ^b	50.00
3. Other Miscellaneous Costs (such as publication)	50.00
Subtotal (B)	200.00
Total	1,000.00

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF—other sources).

^b Because market condition for public–private partnership consultants is very tight in India, remuneration rates for international and national public–private partnership consultants do not vary significantly. The actual rate will be adjusted on a case-by-case basis.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. Component 1. PPP Consultants (national, 45 person-months)

1. The position is designed to address (i) public–private partnership (PPP) processes and methodologies; (ii) PPP enabling policies and legislation; (iii) development, appraisal, and implementation of PPP projects; (iv) procurement; and (v) development of monitoring mechanisms and parameters for PPP projects. The consultants are to be recruited on an individual basis. Required skill sets are divided into two areas: PPP commercial and financial structuring, and PPP procurement and administration. The combined pool of PPP consultants is to be based in the PPP cell of the Department of Economic Affairs (DEA). Main activities are to

- (i) examine relevant infrastructure sectors and subsectors to assess their readiness for PPPs;
- (ii) review existing resources, such as ongoing TA consultant reports and other existing TA outputs, from the joint government–ADB initiative TAs;¹
- (iii) help state government identify and select relevant staff that will be responsible for PPP activities and examine its capacity building needs;
- (iv) design and provide training at target state government entities on infrastructure PPP project lifecycle, policy and regulatory environment, and financial and commercial structure. More specifically, they include
 - (a) PPP principle;
 - (b) basic project finance;
 - (c) legal, policy, and regulatory relevance;
 - (d) financial analysis of PPP projects, related risk management and contingent liability issues, and demand projections; and
 - (e) financial modeling (including sensitivity analysis) especially to estimate the need for and extent of PPP viability enhancement mechanisms.
- (v) help examine the PPP enabling environment with legal and other consultants under ongoing ADB TA projects to prepare for both broad and sector-specific reform plans, especially in ensuring cost recovery;
- (vi) provide training on procurement for (a) bid processes and closure; (b) complex project agreements; (c) tendering arrangements, templates, and model agreements; and (d) other detailed legal and contractual agreements;
- (vii) prepare project monitoring information and case notes on successful model projects, and coordinate the submission of regular progress reports to the project steering committee; and train government staff on the development of monitoring mechanisms and parameters for PPP projects;
- (viii) conduct workshop with state government agencies, ULBs, and line ministries/sector departments, in coordination with other relevant consultants, on international and national best practices and PPP policy and regulatory issues, particularly on the impact of different tariff-setting methodologies in attracting private sector investors, and on future private sector investment;
- (ix) disseminate and consult government entities to adopt the developed best practices, policies, and regulations as appropriate; and

¹ ADB. 2006. *Technical Assistance to India for Mainstreaming Public–Private Partnerships at State Level*. Manila; ADB. 2007. *Technical Assistance to India for Mainstreaming Public–Private Partnerships at Central Line Ministries of India*. Manila; ADB 2008. *Technical Assistance to India for Preparing the Public-Private Partnerships Pilot Projects Initiative*. Manila; ADB. 2009. *Technical Assistance to India for Mainstreaming Public–Private Partnerships for Providing Urban Amenities in Rural Areas*. Manila.

- (x) help review and analyze projects received by the PPP cell, and assess their commercial viability for PPP structuring and access to appropriate funding schemes, and provide hands-on training (or through twinning) to relevant government staff.

B. Component 2. PPP Consulting Firm or Consortium (combined international and national, 70 person-months).

2. The capacity building efforts are to expand the government's ability to manage the PPP processes and to achieve long-term project sustainability and viability through bankable PPP projects. Bankability is based on commercial terms that (i) financial models are sound; (ii) financing options achieve the lowest project cost; (iii) risks are shared among the parties best able to handle them; and (iv) all legal conditions are met. In addition to direct capacity building, developed bankable PPP project pipeline leaves resources on developed processes, procedures, templates, case studies, and model projects.

3. The consulting firm or consortium focuses on (i) PPP financial and commercial structuring, (ii) technical and economic support, (iii) procurement, (iii) legal advisory and review,² (v) environmental safeguards, and (vi) social safeguards. Because of the complexity of the PPP transaction support work, a consulting firm or consortium is preferred. If this is not possible because of market conditions, individual consultants can be recruited. The work should also be closely aligned with similar consultants under other ADB TA projects for a national PPP policy³ and PPP pilot project development⁴ to synergize resources and avoid duplication of efforts. The specific terms of reference for the proposed consultants in the consortium or individual consultants follow.

4. **PPP financial and commercial structuring.** Provide capacity building on PPP rationale and relevant financial analyses, such as expenditure (capital, operations, provisions) review and projected revenues for reasonableness, completeness with project objectives, and accuracy to develop financial models. In addition to ADB's mainstreaming of PPP work, such capacity building work should leverage work already carried out by the consultants under the ADB PPP pilot project TA and be closely aligned with work under the national PPP policy TA to

- (i) undertake an objective analysis of relevant infrastructure sectors and subsectors to assess their readiness for PPPs;
- (ii) review existing PPP project proposals and financial and commercial structures across the country and examine past and current financial projections (balance sheet, cash flow, income statement, key ratio analysis) and sensitivity scenarios to draw lessons and develop case studies;
- (iii) help state government identify and select relevant staff that will be responsible for PPP financial and commercial structuring activities and examine its capacity gap and resource constraints in the state government entities by comparing to the national benchmark;
- (iv) review, identify, design, and provide training on a bankable financing models for the recommended PPP structure, including appropriate debt–equity ratios, loan tenures, cost, term sheet requirements for project viability, and financial closure;

² Terms of reference are not provided for legal advisors because of the existence of a legal advisory panel.

³ ADB. 2009. *Proposed Technical Assistance to India for Developing a National PPP Policy Framework for Mainstreaming Public–Private Partnerships*. Manila.

⁴ ADB 2008. *Technical Assistance to India for Preparing the Public–Private Partnerships Pilot Projects Initiative*. Manila.

- (v) help build bankable PPP project pipeline and support project structuring in order to develop relevant processes, procedures, templates, case studies, and model projects;
- (vi) provide relevant hands-on training and twinning with selected government staff, on a continuous basis over the remaining period of TA implementation;
- (vii) examine and provide training on funding options, including the role of available public grant funds and their incorporation into the financial analysis, along with commercial borrowing and ADB's nonsovereign lending facility, including their likely terms and conditions; and review the application process;
- (viii) support applications for the potential sources of financing, particularly the viability gap fund arrangement and other government programs (such as the India Infrastructure Project Development Fund) and provide relevant training;
- (ix) assess and provide training on relevant legal (such as concession contracts) and institutional (such as developing special purpose vehicles) gaps in promoting recommended PPP structure to investors and potential lenders;
- (x) work with PPP policy and regulatory consultants under other ADB TA projects and provide training on recommended institutional measures to improve the governance of the project entity after implementation;
- (xi) in consultation with other consultants, review and provide training on the desired equitable benefits to end users, with a sound project rationale;
- (xii) train government staff on developing all required due diligence documents for potential lenders;
- (xiii) provide project risk analysis with suitable mitigation strategies and provide relevant training;
- (xiv) provide valuable feedback to the consultants under other ADB TA projects, particularly for PPP policy and regulatory framework; and
- (xv) provide any other training and project development support as deemed necessary by ADB and DEA.

5. **Technical and economic support.** Review the technical validation of project design and cost estimates and identify evolving capacity in additional state government entities to

- (i) undertake an objective analysis of relevant infrastructure sectors and subsectors to assess their readiness for PPPs;
- (ii) help state government identify and select relevant staff that will be responsible for PPP technical and economic activities and examine its capacity gap and resource constraints in the state government entities by comparing to the national benchmark;
- (iii) leverage the work carried out by existing ADB consultants on technical analysis and review, identify, design, and provide training on prefeasibility studies on technical validity and viability of the project and verifications of assumptions such as population coverage, losses, national policy guidelines, current and projected demand for project outputs, design criteria and standards, capacity, and prevailing topographical and other conditions;
- (iv) support PPP project pipeline development particularly on project structuring and project financial and economic analyses with inputs on project rationale, project costs (capital expenditures, operation, maintenance), required contingency, and any other information as requested;
- (v) support project technical and economic analysis in order to develop relevant processes, procedures, templates, case studies, and model projects;

- (vi) provide relevant hands-on training on technical bankability measures for the proposed PPP project structure, such as fee payment mechanisms, preconditions for a private operator to fulfill in meeting service obligations, default and risk clauses, and step-in rights of government;
- (vii) support and provide training on project economic rationale in comparison with alternative options, project economic analysis, and economic cost–benefit analysis;
- (viii) provide assessments of sectors and subsectors, demand–supply for public services, opportunity cost implications, and projected project benefits and impacts; the economic analysis should be based on ADB's *Guidelines for the Economic Analysis of Projects*;⁵
- (ix) provide forums on comprehensive technical and economic review, including projected operation and maintenance costs for various subsectors and their costs and benefits from the project; confirm the project design on a least-cost basis in financial and economic terms;
- (x) host workshops on such subjects as quantity and rates for major civil works, equipment, construction and supervision consulting, and other input items;
- (xi) provide valuable feedback to consultants under other ADB TA projects; and
- (xii) provide any other training and project development support as deemed necessary by ADB and DEA.

6. **Procurement.** Support bid process, project documentation, and evaluation procedures. In addition to ADB's mainstreaming PPP work, such capacity building work will

- (i) leverage the work carried out by existing ADB consultants, and review and identify the evolving capacity in additional state government entities;
- (ii) help state government identify and select relevant staff that will be responsible for PPP related procurement activities and examine its capacity gap and resource constraints in the state government entities by comparing to the national benchmark;
- (iii) review, identify, design, and provide training on (a) bid documents (request for qualification and request for proposal), contractual agreements, and agreed institutional reform clauses and issues; (b) project marketing and prebid consultations; (c) bidder qualification and bid evaluation criteria; (d) monitoring and evaluation frameworks; (e) required due diligence documents for potential debt providers, including ADB's nonsovereign lending facility; and (f) bid process, bid evaluations, and contract negotiations;
- (iv) help build bankable PPP project pipeline and support project procurement issues in order to develop relevant processes, procedures, templates, case studies, and model projects;
- (v) provide valuable feedback to consultants under other ADB TA projects; and
- (vi) provide any other training and project development support as deemed necessary by ADB and DEA.

7. **Social safeguards.** Support capacity building in project social safeguards and impact assessment to ensure compliance with ADB's and other required guidelines. Such work leverages work already carried out by the social safeguard transaction advisors under the ADB PPP pilot project TA to

⁵ ADB. 1997. *Guidelines for the Economic Analysis of Projects*. Manila.

- (i) leverage previous ADB TA on reviewing existing social safeguard assessments and identify evolving capacity in additional state government entities;
- (ii) help state government identify and select relevant staff that will be responsible for social safeguard activities and examine its capacity gap and resource constraints in the state government entities by comparing to the national benchmark;
- (iii) review, identify, design, and provide training on relevant social analysis (such as gender action plans, resettlement plans, indigenous peoples development plan), involuntary resettlement, indigenous peoples, gender safeguards, and other basic training in compliance with ADB's safeguards policies;
- (iv) help build bankable PPP project pipeline and support project social safeguard issues in order to develop relevant processes, procedures, templates, case studies, and model projects;
- (v) develop project poverty and social analysis on social impacts, impact monitoring, and mitigation measures design and implementation (such as resettlement implementation) for maximizing project social benefits and minimizing and/or avoiding social risks;
- (vi) provide training and project support on project classification, including involuntary resettlement checklist and key impacts on indigenous peoples and project categorization forms;
- (vii) provide valuable feedback to the consultants under the national PPP policy TA; and
- (viii) provide any other training and project development support as deemed necessary by ADB and DEA.

8. **Environmental safeguards.** Support capacity building in project environmental safeguards and environmental impact assessment in compliance with ADB guidelines and other requirements. Such work leverages work already carried out by the environmental safeguard transaction advisors under the ADB PPP pilot project TA to

- (i) leverage existing ADB TA, and review environmental assessments and conduct basic training by comparing them with ADB's environmental requirements;
- (ii) help state government identify and select relevant staff that will be responsible for environmental safeguard activities and examine its capacity gap and resource constraints in the state government entities by comparing to the national benchmark;
- (iii) review, identify, design, and provide training on environmental impact assessments and other basic training in compliance with ADB's safeguards policies;
- (iv) draw lessons from and provide training on work already carried out through consultations with affected persons and local nongovernment organizations in accordance with ADB's executing agency requirements, including estimation of the cost of an environmental management plan and processes of seeking government environmental clearance, required permits, and approvals; provide any valuable feedback to consultants under the ADB national PPP policy TA;
- (v) help build bankable PPP project pipeline and support project environmental safeguard issues in order to develop relevant processes, procedures, templates, case studies, and model projects;
- (vi) develop project environmental management plan (following ADB and government approvals) included in bid documents, and provide training, including the requirement to comply with mitigation measures;

- (vii) review public consultations and information disclosure processes of project-specific and quantitative information on potential environmental impacts (both positive and negative), including on mitigation measures, and provide relevant training;
- (viii) review the capacity of project sponsors to implement mitigation measures; provide training, including capacity improvement programs and measures; and
- (ix) provide other training with understanding of the subject matter developed during conduct of environmental due diligence.

C. Component 3. PPP Policy and Regulatory Consultant (national, 12 person-months)

9. In coordination with other relevant TA consultants, the consultant will assist in developing a sectorwide PPP policy and regulatory framework, good governance institutional structures, and a communication strategy and framework for the additional state government entities. The main activities for additional state government entities include

- (i) undertake an objective analysis of relevant infrastructure sectors and subsectors to assess their readiness for PPPs;
- (ii) conduct a sectorwide regulatory assessment and review proposed policy framework by examining relevant central and state legislation, regulatory arrangements, and PPP-related policy documents (if any) on a sector and subsector basis; if not available, then develop such an analysis;
- (iii) provide a gap analysis on the need to improve the immediate and longer-term PPP policy and regulatory framework, institutional development, and corporate governance on a sector and subsector basis;
- (iv) help state government identify and select relevant staff that will be responsible for PPP policy activities and provide relevant training as needed;
- (v) in coordination with other relevant consultants, review the work undertaken on institutional development and corporate governance on a sector and subsector basis, including for sector vehicles such as a proposed corporatized entity structure for utilities, and develop relevant documents as toolkits for knowledge sharing;
- (vi) review and analyze PPP policy and regulatory issues, particularly on the impact of different tariff-setting methodologies in attracting private sector investors, and draft a comprehensive proposal on the PPP policy and regulatory challenges and respective solutions on a sector and subsector basis, and develop relevant documents as toolkits for knowledge sharing;
- (vii) disseminate and consult government entities to adopt the developed policies and regulations documents as toolkits, as appropriate;
- (viii) help state government develop communications strategy and framework for PPP projects; provide workshop, publication, or other methods to disseminate the relevant knowledge and new findings;
- (ix) provide valuable feedback to the consultants under the national PPP policy TA; and
- (x) provide any other training and project development support as deemed necessary by ADB and DEA.

D. Individual TA Project Management Consultant (national, 24 person-months)

10. The position is designed to assist the ADB PPP focal point and DEA's PPP cell in undertaking administrative and project management roles. Main activities are to

- (i) manage recruitment of PPP and other consultants and the selection of a consulting firm/consortium, in coordination with the relevant ADB administrative assistants in India and Manila; this will include assessing the criteria established for short-listing candidates, finalizing the shortlist with ADB and DEA, and managing the timelines for interviews and evaluations;
- (ii) track the engagement process for the consultants and maintain an up-to-date list of recruitment status, invoices per milestone, and remaining contract period;
- (iii) help consolidate and prepare consultant payment invoices, including liaising with ADB national officers on contract variations and reimbursing out-of-pocket expenses to ensure timely TA administration and management;
- (iv) help with individual consultant performance review and independent evaluation of PPP cells in the country;
- (v) develop strategies for sharing the consultants across states if required;
- (vi) manage the budget in consultation with ADB staff, and develop and maintain a budget by line items;
- (vii) coordinate reports from this and other ongoing ADB PPP TA projects, including an inception report, interim project report after preliminary structuring, and a final project report after detailed structuring;
- (viii) support administrative work in hosting the workshop, and preparing publications and knowledge dissemination materials; and
- (ix) provide any other project administrative and logistic support as required.