



Completion Report

Project Number: 43013-012
Technical Assistance Number: 7441
September 2015

India: Assisting in Framework Development for Mainstreaming Public–Private Partnerships

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TA Number, Country, and Name: TA 7441-IND: Assisting in Framework Development for Mainstreaming Public–Private Partnerships			Amount Approved: \$1.0 million		
			Revised Amount: \$1.0 million		
Executing Agency: Department of Economic Affairs, Ministry of Finance		Source of Funding: TASF-Others	Amount Undisbursed: \$310,651	Amount Utilized: \$689,349	
TA Approval Date: 11 Dec 2009	TA Signing Date: 9 March 2010	Fielding of First Consultant: 5 July 2010	TA Completion Date Original: 31 Dec 2011 Actual: 31 Dec 2013		
			Account Closing Date Original: 31 Dec 2011 Actual: 27 Jun 2014		
Description					
<p>The Asian Development Bank (ADB) has been assisting the Government of India in mainstreaming public-private partnership (PPP) to meet the country's large infrastructure gap through a series of technical assistance (TA) projects. Focusing on mainstreaming PPPs, these TAs covered (i) capacity building, (ii) developing PPP project pipelines, and (iii) assisting states and sectors in developing a supportive policy environment for PPPs. Building on the success of these TAs, TA 7441-IND was designed to support the government to establish policies, processes, and entities for improving the PPP enabling environment and help generate high-quality PPP transactions. The TA was in line with ADB's country operations business plan, and country partnership strategy, which envisaged greater ADB involvement in private sector development.</p>					
Expected Impact, Outcome and Outputs					
<p>The expected impact of the TA was enhanced private sector investment in infrastructure, improving infrastructure across the country with private investment inflows and efficient resource management. The expected outcomes of the TA were (i) improved PPP-enabling environment and service delivery with streamlined PPP processes and guidelines and sector, legal, and regulatory frameworks for catalyzing PPP investments, and (ii) enhanced PPP process and structuring awareness at local, state, and central government levels with streamlined PPP coordination between government entities. The expected outputs were (i) a PPP policy framework that includes guidelines for PPP definitions, legislative amendments, value for money and risk analysis tools, project development schemes, and PPP knowledge dissemination tools and instruments; (ii) a PPP policy manual including best practices for PPP processes, sector templates and structures, and legal and regulatory issues for PPP structuring; (iii) an operational central PPP entity responsible for knowledge management, managing policy evolution, and providing project-specific guidance; and (iv) sector regulatory and road maps. In addition, the TA also envisaged supporting the Department of Economic Affairs (DEA), Ministry of Finance, in areas such as evaluating proposed PPP processes, and sector and project PPP structures.</p>					
Delivery of Inputs and Conduct of Activities					
<p>The TA design and formulation reflected the need for enhancing the PPP enabling environment as assessed in consultation with the government. The TA originally envisaged implementation over 24 months with consulting inputs estimated at 106 person-months, both national and international, provided by consulting firms and individuals.</p>					
<p>The actual requirements for the studies and reports and the consulting inputs were finalized in consultation with the government during TA implementation. Minor changes in implementation arrangements were carried out to meet requests for additional studies and reports. A total of 15 consultants were fielded under the TA, with 186 person-months inputs, comprising 11 individuals including 9 individuals through a firm, 2 of which were international consultants; and 4 firms, all of which were national consultants. All consultants were recruited following ADB Guidelines on the Use of Consultants. Overall, the performance of the consultants in carrying out responsibilities specified in their respective terms of reference was satisfactory.</p>					
<p>The TA followed a highly consultative process and used surveys, various reviews, and consultation workshops to aid preparation of specific PPP documents, as illustrated by the following. For drafting and finalizing the PPP Manual several consultations were held with sector experts to compile the manual. For developing the PPP Compendium, consultations were carried out with sector experts to validate the contents of the Compendium. During preparation of the Greenbook for PPPs in health sector, consisting of model concession agreements for the sector, a private sector stakeholder consultation meeting was held to discuss and identify the contractual issues in the implementation of the PPPs in health care, as well as solutions for such issues from private sector point of view. The process of</p>					

preparation of Haryana Infrastructure Vision 2030 Document for the Government of Haryana (GoH) included data collection from state departments, two stakeholders' workshops, and a presentation of the finalized document to the Chief Secretary, GoH, attended by representatives from various GoH departments.

The TA was extended twice in May 2010 and September 2012 for a cumulative period of two years to allow for completion of activities under the TA. All the identified documents were drafted and finalized by December 2013. With the completion of all activities envisaged under the TA in consultation with DEA, the TA closed in December 2013. Since the consulting contracts under the TA for the various assignments had been awarded at much lower costs than budgeted, there were savings under the TA.

The implementation of the TA was responsive to the requirements and the fast changing PPP policy landscape. ADB and DEA closely coordinated the activities under the TA. The performance of ADB and DEA as the executing agency was satisfactory.

Evaluation of Outputs and Achievement of Outcome

The achievements towards the outputs included the following:

- (i) **Output 1:** A national PPP policy framework was drafted that included PPP definition; PPP contracting structures; key principles for PPP project selection, preparation and contracting; managing PPP contracts; and institutional and governance mechanisms. A study was also carried out for creating a dedicated fund to support annuity payments to PPPs in priority sectors and a report was prepared for the government on formulation of a comprehensive annuity fund scheme. In addition, a separate report was prepared on recommendations for developing PPP standard contract provisions that covered key risks common to PPP contracts with respect to specific contract provisions across sectors.
- (ii) **Output 2:** A PPP Manual was developed, involving compilation of existing guidance material and toolkits and developing of detailed guidance note on additional areas, to serve as a PPP guide for practitioners. The manual included project identification, PPP project development process, technical and financial feasibility, value for money and public sector comparator, economic analysis, legal compliance framework, risk analysis, project structuring, procurement process, bid documents, financial closure, and contract management. Recommendations were also developed for scaling up PPPs through a step-wise structured approach in emerging sectors such as irrigation, municipal solid waste treatment and disposal mechanisms, and water and sanitation. In addition, a PPP Compendium was prepared that documented the evolution of PPPs in the country, covered the PPP eco-system tracing the evolution of PPP policies, and contained multiple modules pertaining to the infrastructure sectors of power, transport, urban, and social (health and education). The modules on the infrastructure sectors included key milestones in the evolution of PPPs, policy initiatives, chronology of private investments and experience, strengths, challenges, and the way forward.
- (iii) **Output 3:** A "3P India" (a proposed corporate entity for supporting PPPs) business plan was developed. In its 2014–2015 budget, the government announced establishing 3P India to provide institutional support for mainstreaming PPPs. 3P India's functions will include, among others, providing support for PPP projects, giving inputs to the government on policy, and providing support for advocacy and capacity building. The TA entitled "Supporting PPPs for Infrastructure Development",¹ approved in December 2014, will help transition activities to 3P India. This could become a sustainable model for providing long-term support for PPPs.
- (iv) **Output 4:** A Greenbook for PPPs in the health sector was developed involving a gap assessment to identify key contractual challenges and issues in PPPs in healthcare in India, study of domestic and international PPP formulations and identifying best practices and clauses favorable for PPPs in the Indian context, and developing guides for practitioners and model concession agreements for various asset classes in the health sector. In addition, work on the development of integrated waste-to-energy (WTE) projects on PPPs was prepared that included (a) the project structure, analyzing the financials of a typical project, and implementation framework, drawing up a plan for implementation, and project specific and sector specific provisions to be included in the concession agreement; (b) concept note on implementation of WTE scheme being planned by the government; and (c) guidelines for availing of financial assistance for integrated municipal solid waste management projects through PPPs under a scheme notified by the government. To support development of sector roadmaps for a state government, a Haryana Infrastructure Vision 2030 Document was prepared for GoH covering the key infrastructure sectors of water supply, sewerage, solid waste management, urban transport and urban infrastructure, rural infrastructure (focused on water and sanitation facilities) and power, which reviewed the demand and supply gap, provided strategic direction for investment goals, key flagship projects and funding options, and provided a broad roadmap for the selected sectors that could be translated into an actionable agenda for the respective departments. Additionally,

¹ ADB. 2014. *Technical Assistance to India for Supporting Public-Private Partnerships for Infrastructure Development*. Manila (TA 8799-IND).

preliminary studies were also carried out on assessment of PPPs in the renewable energy sector, and water supply and solid waste management sector.

In view of the comprehensive documents developed under this TA and extensive TA activities, the TA is assessed to have delivered its key outputs. This takes into account the complexity and scale of any PPP work, the prevailing environment and the multi-dimensional nature of this TA. While not all PPP documents were approved within the stipulated timelines, the drafting and finalizing of these documents were in itself substantial achievements. This contributed to improving the PPP enabling environment and helped prepare sector and legal frameworks for catalyzing PPP investments and furthered the mainstreaming of PPPs. The states of India had about 2,192 PPP projects in 2013 in various stages of development with an estimated project cost of about \$133 billion, as against about 900 projects in 2010; thus exceeding the outcome indicator target of 5% increase in number of PPP projects over 2009 levels. While 3P India did not become operational during the TA implementation period, the foundation was laid under the TA and the government is now taking steps for setting up and operationalizing the entity. The key outcomes of the TA were, therefore, achieved. DEA was appreciative of the results achieved under the TA.

Overall Assessment and Rating

The TA is rated successful. The TA contributed towards establishing policies, processes, and entities for improving the PPP enabling environment that would help generate high-quality PPP transactions. The comprehensive work under the TA can be used by the government to improve the PPP processes and practices. The work on 3P India has laid the foundation for providing institutional support for PPPs that will help sustain the activities towards mainstreaming PPPs in the longer term.

Major Lessons

The outputs and key activities under the TA have contributed to the PPP enabling environment. It helped enhance and streamline the PPP processes, guidelines and frameworks for catalyzing PPPs. Some of the documents developed under the TA may, however, require a long standing effort to ensure adoption and integration into practices and processes. Accordingly, the government would need to continue with the efforts beyond the TA period. In light of this, indicators and performance targets for the outputs in the design and monitoring framework (DMF) should be well considered at the time of TA design so that they are realistically achievable within the TA period. Further, the DMF should have one clearly defined outcome statement with carefully selected indicator(s) to avoid any attribution issues.

Recommendations and Follow-Up Actions

The government should continue to take steps necessary for adopting of the documents developed under the TA and integrating these into practices.

TA = technical assistance.