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Public Private Partnerships (PPP) – the MP Story



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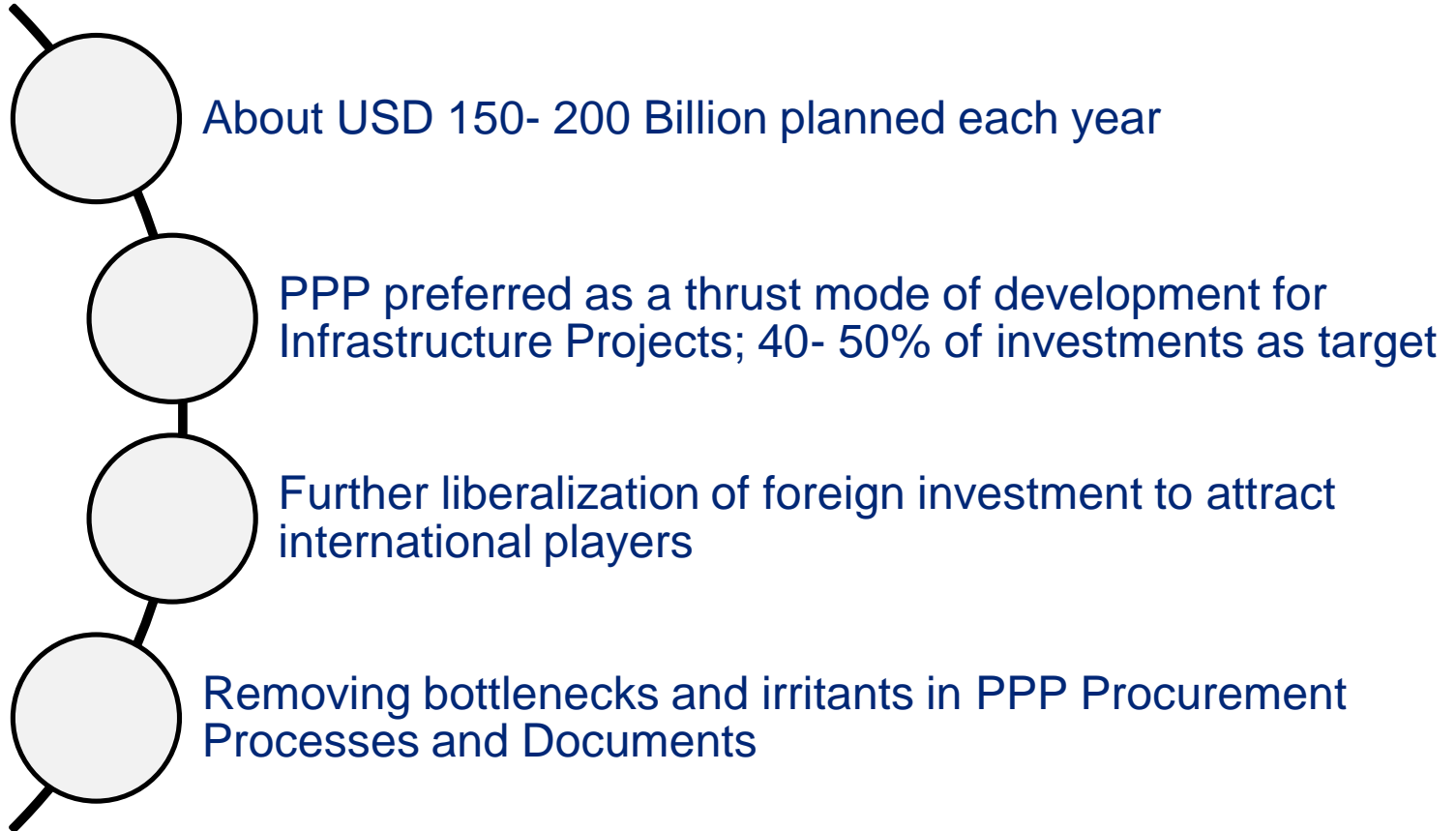
Global Investors Summit, 2014, Indore, Madhya Pradesh

Discussion Points

- **PPP Context – India**
- **PPP Context in MP**
- **Institutional Framework for PPPs in MP**
- **Innovative PPP Models in MP**

PPP Context - India

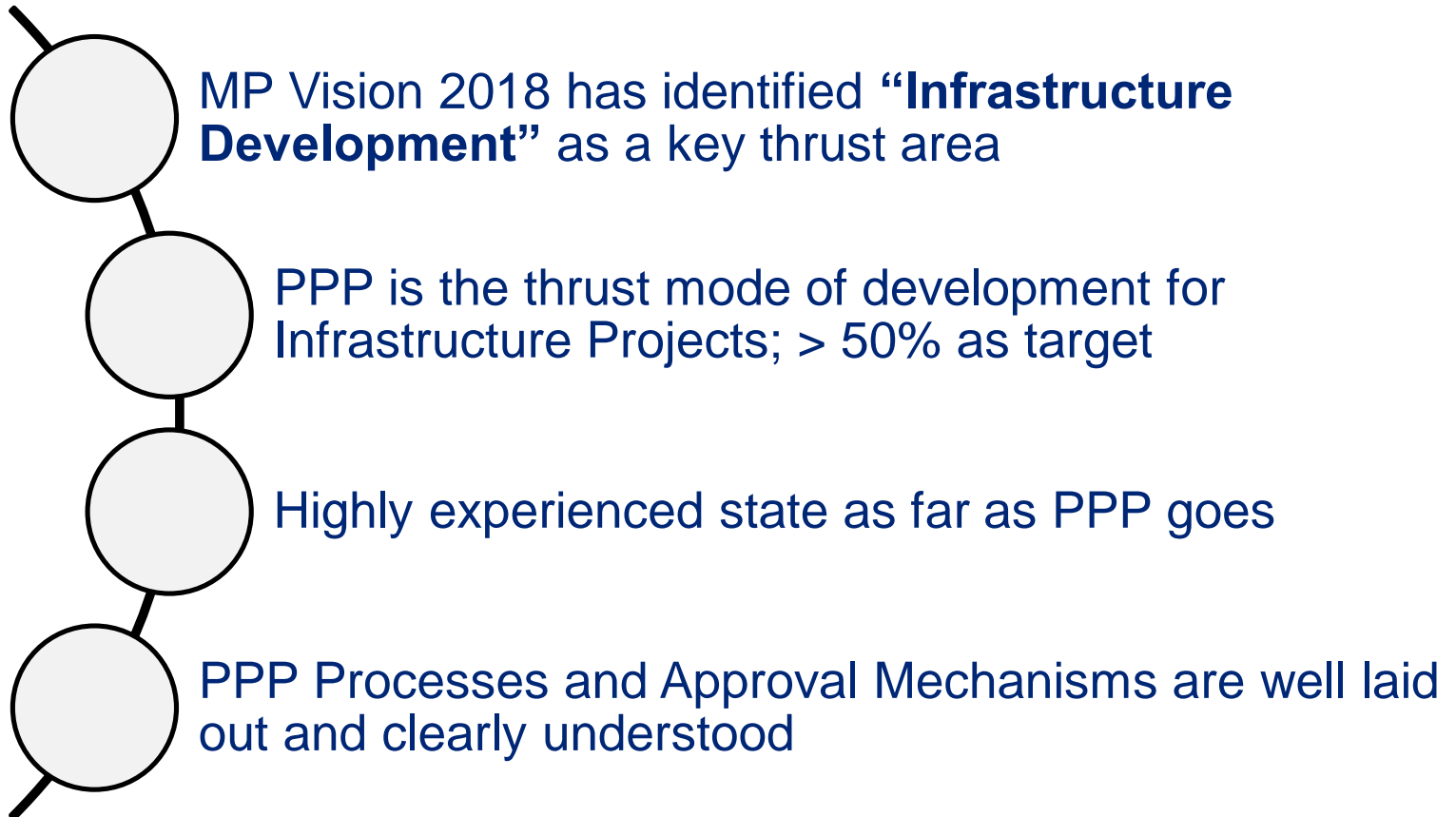
Infrastructure Development - A key focus area for all parts of Government – National, State and Local Levels



PPP Context in Madhya Pradesh

PPP Context - Madhya Pradesh

Infrastructure Development - Top priority for the State Government



“MP Vision 2018” gives thrust to PPPs

S No	Name of the Department	MP Vision 2018 - Under PPP
1	Agriculture and Farmers Welfare	Soil health card
2	Horticulture & Food Processing	Model nurseries in 6 Horticulture Hubs 5 Tissue culture laboratoires for Banana Plantation Hub 4 Horticulture Hubs
3	Food and Civil supplies	8.5 Lac MT steel silos Establishment of Logistic hub in Burhanpur, Jabalpur, Ratlam, Bina, Dewas and Katni (3000 TEU per month)
4	Medical Education	Establishment of Medical colleges and Nursing colleges (Increase medical seats to 5000 Medical from 1620 currently (Increase of 3380 seats))
5	Technical education and skill development	Increasing private sector investment through PPP mode
6	Public works department	Conversion from 2 lane to 4 lane of 1400 km of National Highways
7	Urban administration and development	Establishing bus terminals at all district headquarters with a population of more than 100,000 Encouragement to Public Transport run by Public transport companies which can be considered financial assistance under VGF
8	Tourism	Attracting Private investment and PPPs in Tourism

MP has already achieved substantial progress in PPP Projects.....

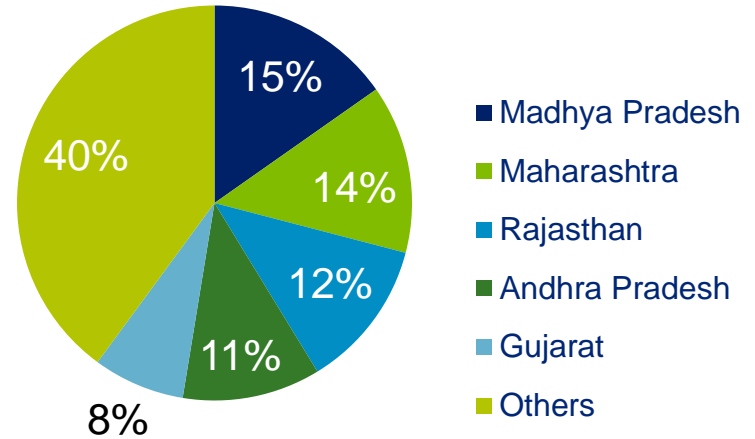
- **236 projects** worth close to **Rs 33,774 Cr.**
- More than half of the Projects are competed or are in construction phase
- The state has also **initiated projects in the Energy distribution and transmission sector.**
- MP also has PPP projects **like “check posts” for the transport department.**
- 10 Food grain silos with a capacity of 5 Lakh MT have been approved
- **Recently New projects** on Integrated solid waste management & Rural water supply approved for next stage

Status	No of Projects	Cost of Projects (INR Cr)	% by cost of projects
Construction	113	13559	40%
Completed	41	5343	16%
Pipeline	56	11739	35%
Bidding	26	3105	9%
Total	236	33745	

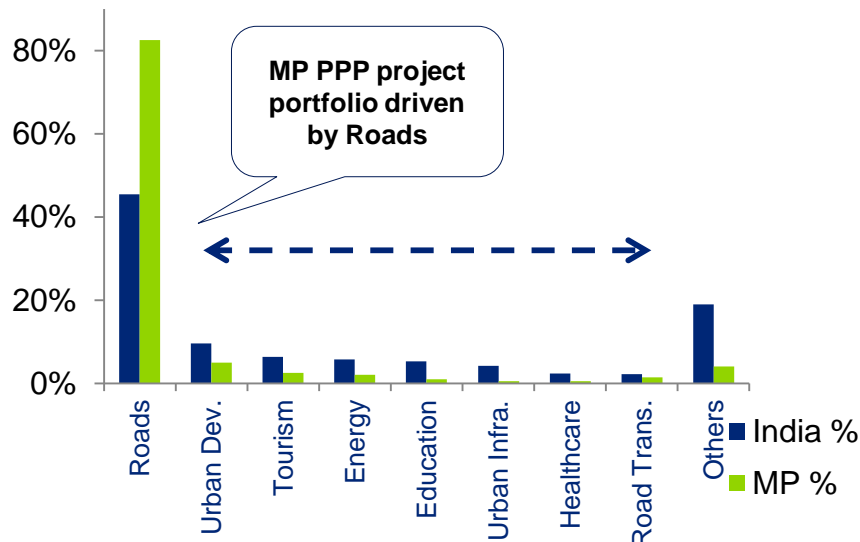
Source: Directorate of Institutional Finance, Madhya Pradesh

Madhya Pradesh: One of the leading states in PPPs

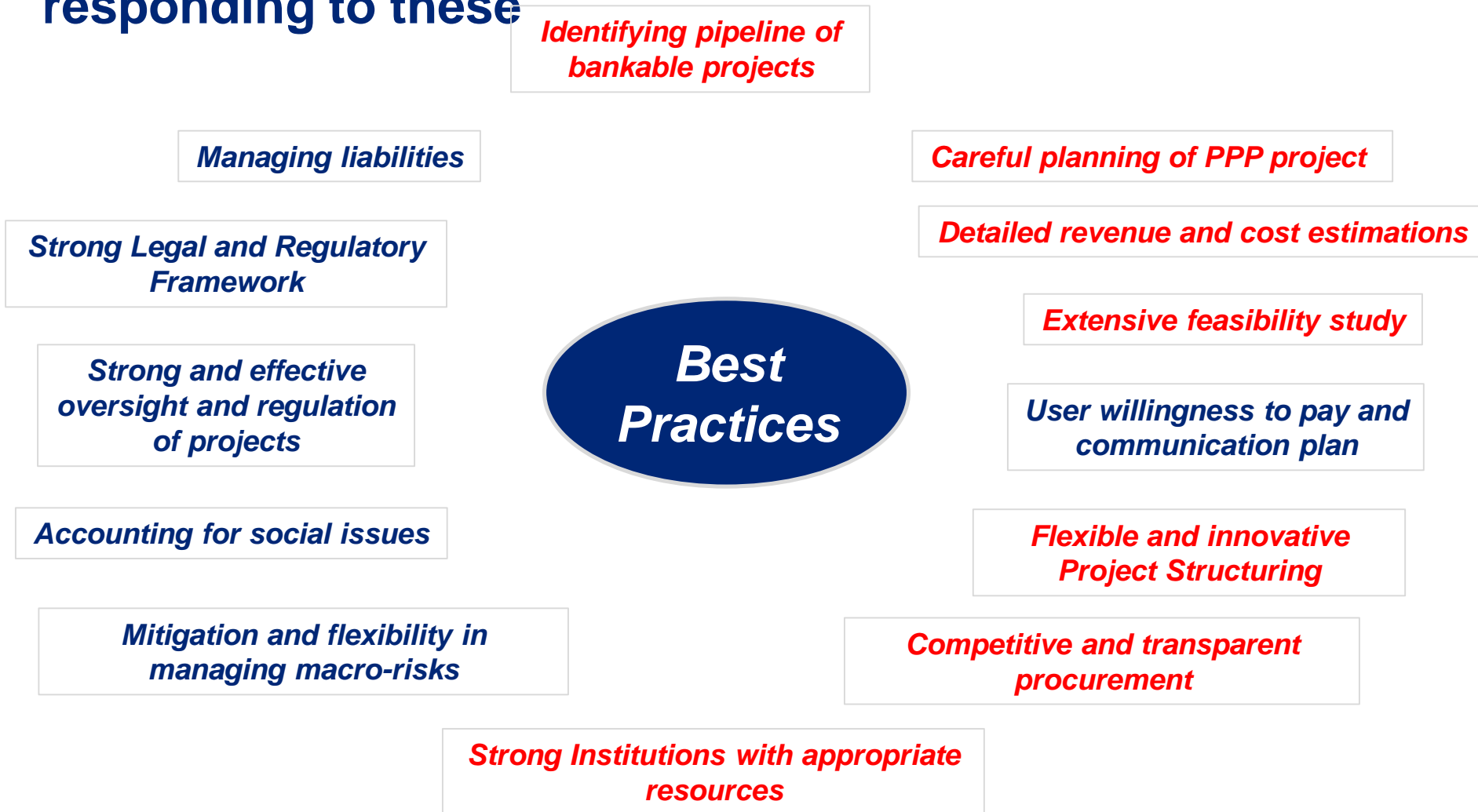
PPP Projects by No – State wise contribution



% Sector wise PPP Projects – India v/s MP



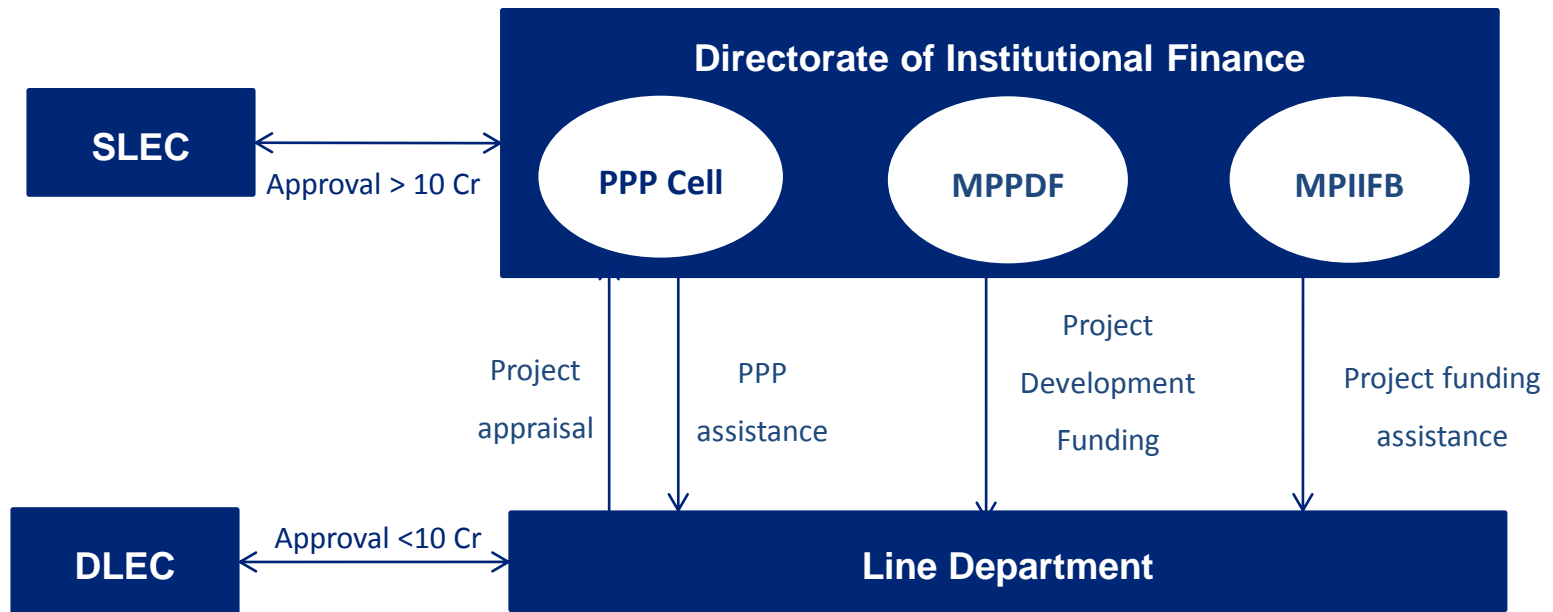
What make a PPP Program successful- and how MP is responding to these



Source: Various case studies

Institutional framework for PPPs in Madhya Pradesh

Role of various Institutions involved in PPP project development at State Level



State Level / Department Level Empowered Committee

- Committees empowered to provide approvals for PPP projects.
- DLEC can grant approvals to projects with Project Cost of not more than Rs.10 crores and which do not require VGF.
- PPP Cell acts as technical secretariat

Role of various Institutions involved in PPP project development at State Level

PPP Cell

- Nodal agency to co-ordinate all efforts of the State Government regarding development of PPP projects and funding from various sources
- Functions of PPP Cell
 - ✓ Assist in getting VGF for PPP projects
 - ✓ Deliberate and recommend to SLC proposals for VGF
 - ✓ To examine and approve various documents including Concession Agreements
 - ✓ To assist Implementing Agencies in obtaining GoI support for project development funding

Line Departments/Agencies

- Identifies and Conceptualizes the Project
- Engages Technical, Financial and Transaction consultants
- Prepares all project reports, project structure, transaction documents and approval notes
- Conducts entire Bid Process
- Nodal agency for project management

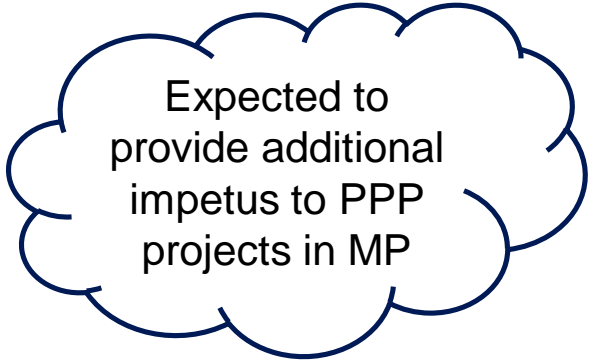
PPP Internal processes in MP are progressive.....

- MP “ Vision 2018” document having PPP projects across various sectors :
 - A close follow up by the state at all levels on the progress against plan
- Regular meetings between PPP Cell and Line departments on new opportunities and decisions by higher officials (Public investment v/s PPPs)
- Fast recruitment of Transaction advisors (TAs) by line departments ,with handholding from PPP Cell , through Empanelled list or Open tender
- Transition from Lowest cost to Quality cum cost based selection of TAs
- Close coordination between Line departments and PPP Cell for preparation of proposals. Inter- department formal feedback minimized to expediate preparation of proposal documents
- Close coordination between PPP Cell and SLEC (State level empowered committee) for approval of PPP proposals.
 - To avoid delays meetings organized as soon as the proposal (s) are ready for approval
- Open door approach for discussions and resolution of issues related to proposals by higher officials

MP Swiss Challenge Guidelines – 2014

To encourage Private investment in Infrastructure development and maintenance, through innovative Projects GoMP has issued the “Swiss Challenge guidelines”

- **“Swiss Challenge Approach”** - a private sector participant (Original Project Proponent) submits an unsolicited or *suo-motu* proposal and draft contract principles for undertaking a Project
 - *The Project could be innovative and efficiency enhancing*
- The Government then invites competitive counter proposals
- The proposal and contract principles of the Original Project Proponent to any interested applicants; except proprietary information
- The applicants then will have an opportunity to better the Original Project Proponent’s proposal.
- If the Government finds one of counter proposals more attractive, Original Project Proponent to get the opportunity to match the same.
- In case the Original Project Proponent is not able to match, the Project is awarded to the Private Sector Participant, submitting the more attractive competing counter proposal



Expected to provide additional impetus to PPP projects in MP

Project implementation – Madhya Pradesh

- Madhya Pradesh Road Development corporation (MPRDC) has been a pioneer in developing various PPP models for implementation of projects. **First amongst states to attempt :**
 - Operation, Maintenance and Transfer
 - Annuity
 - Deemed shadow fee concept



Innovative PPP Models in Madhya Pradesh

Innovative Models Explored....

- Innovative models explored to minimize the risks associated with the private investment, especially social sector projects :
 - Shadow fee as well as Hybrid Annuity models – Successful experience of Road sector being replicated in other sectors
 - Tariff collection risks – taken up by the Government (SWM & Water supply projects)
 - Uncertainties in number of users – taken up by Government (Medical college proposed on Annuity basis for Infrastructure development and maintenance; Government to take up operations part)
 - States support during construction as funded work – new approach in managing Concessionaire risk

Innovative Projects in MP – A snapshot (1/3)

Item	Description
Project Name	Engineering, Procurement, Construction, Testing, Commissioning, and Operation & Maintenance of various components of Narmada-Kshipra multi village rural water supply scheme covering three districts of Indore, Dewas and Ujjain in the State of Madhya Pradesh
Project Description	The area under this proposed Narmada - Kshipra water supply scheme is located across Indore, Dewas & Ujjain district covering 331 villages
Details	<ul style="list-style-type: none"> • Total project cost is estimated at INR 656.91 Crores • 20% Viability gap funding from Government of Madhya Pradesh • The Concessionaire shall get payment as Water Charges on the basis of the measured quantity of supplied water at the entry of individual village. • The “O&M” responsibility shall be for whole scheme which the Concessionaire has executed except for “Operation” of Infrastructure within Village beyond the point of measurement of aforesaid quantity. The responsibility of “maintenance and repair” of Infrastructure within the Village area shall lie with the Concessionaire. • The construction period of 730 Days is envisaged • The Concession period has been estimated at 22 Years including 2 years of Construction period • The Equity IRR for the Investor is estimated to be between 15-16%



Source: Directorate of Institutional Finance, Madhya Pradesh


Innovative Projects in MP – A snapshot (2/3)

Item	Description
Project Name	Implementation of Regional Integrated Solid Waste Management Project, Katni, Madhya Pradesh
Project Description	The provisioning of Municipal Solid waste management system (MSWM) which encompasses waste collection, transportation, segregation, processing and disposing waste within the specially developed land fill site within the municipal limit is sole responsibility of Urban Local Body (ULB).
Details	<ul style="list-style-type: none"> • Total project cost is estimated at Rs 35.39 Crores • The legal provisions of Section 130(B) of Madhya Pradesh Municipal Corporation Act 1956, Section 127(B) of Madhya Pradesh Municipality Act 1961 require the ULBs to fix the user charges • The sources of revenue for the Concessionaire includes - <ul style="list-style-type: none"> • Tipping fee from ULBs • Sale of byproducts or any useful components of Waste • O&M grant will be given for 5 years, as it is expected that ULBs will be able to collect 80% through user charges by the end of five years • Providing Project Assistance: Grant (50%) and Soft Loan (20%) from MPUIF to ULBs. • Payment Guarantee from GoMP for payment of tipping fee to Concessionaire

70% assistance from Govt; Tariff risk with Govt, Payment Guarantee

Source: Directorate of Institutional Finance, Madhya Pradesh

Innovative Projects in MP – A snapshot (3/3)

Item	Description
Project Name	Logistics Park at Powarkheda Hoshangabad District Madhya Pradesh
Project Description	The geographic location of Powarkheda Logistics hub provides a distinctive advantage of being centrally located and well connected by Road and Railway network. The area is also an upcoming industrial belt, already having sizable number of industries in production. Total project cost – Rs 150 Cr for 33 years (3 years of construction) of concession period on DBFOT basis
Details 	<p>Development by Concessionaire (88.3 acres)</p> <ul style="list-style-type: none"> • Railway siding/private freight terminal • CFS/ICD • Warehouse for agro and industrial cargo (Bulk, Bonded, transit etc.) • Cold Storage • Processing Facility • Value add services area <p>Development by Govt Agencies (26.7 acres)</p> <ul style="list-style-type: none"> • Wholesale market for agriculture and horticulture (developed by Mandi Board) • Warehousing Facilities (developed by MP Warehousing & Logistics Corp as National Storage Reserve)

Source: Directorate of Institutional Finance, Madhya Pradesh

PPP Opportunities that will come up with innovative structuring....

PPP done in India	PPP done in MP
Medical colleges	
Mobile health services	Y
Emergency response services	Y
Superspecialty hospital	
Dialysis units	
Arogyasri insurance scheme	
Diagnostics	
ICT in schools	Y
Higher secondary schools	
Multiskill development centre	
Upgradation of ITI	Y
New Polytechnique college	
Biotech park	Y

PPP done in India	PPP done in MP
Multilevel parking	Y
Municipal garbage processing unit	
Centralized Biomedical waste treatment facilities	
ISBT	Y
Sewage treatment plant	
Bus stand with commercial complex	
Metro rail	
Industrial Water supply project	Y
Useful conversion of solid waste	
Door to door collection of solid waste	

Project opportunities – Transport, Schools, Multiskill development centres and in social sector; Healthcare, Water .& Sanitation

With projects like Medical colleges, SWM, Water distribution, Multi- skill development centers, MP is expected to bridge the gaps

Source: PPP in India database, 2014

THANK YOU



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