

Version 1.0

Status Report on Urban Reforms
(for the state of Maharashtra)

With focus on
Reform 'Encouraging Public Private Partnerships'

Urban India Reform Facility
School of Habitat Studies
Tata Institute of Social Sciences

Status Report on Urban Reforms - *for the state of Maharashtra*
Reform 'Encouraging Public Private Partnerships'

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I. Introduction

Setting the Context

1.01 Historically, providing infrastructure services was considered the responsibility of the State (i.e., central or federal as well as state governments) and expenses were made almost entirely from budgetary allocations. As demands from *social* sectors such as employment, education, and health on budgetary allocations increased over the years, it became increasingly difficult to contain the nation's fiscal deficit. States' resources available for funding capital intensive projects such as those in infrastructure sectors, shrunk. In addition, there were also issues regarding the quality of infrastructure delivery and services provisioning. All this led the ground for inviting private sector involvement in infrastructure.

1.02 Initially the government opened 'roads' (mostly highways) for private sector investment and involvement and later opened up other sectors too. However, keeping in mind the externalities of infrastructure projects, demands for equitable access, as also affordable prices of infrastructure services, there has been a lot of discontent on proposals of outright selling of infrastructure projects to the private sector. In response, world over, particularly in developing countries such as Latin America, led by multilateral institutions like World Bank, new organizational models were evolved which are popularly known as Public Private Partnerships (PPPs).

1.03 In India, very recently (i.e., in less than a decade) PPPs are being extensively employed in select set of sectors such as roads, airports, ports and power generation. Encouraged by positive responses or successes of some PPP efforts in other sectors, Government of India has recently directed State governments and Urban Local Bodies (ULBs) to encourage PPPs even in urban infrastructure and services provisioning.

PPPs in Urban Services

Criteria for Assessing PPPs in Urban Services

1.04 PPPs in provisioning of urban infrastructure services are characterized by a multitude of stakeholders. These *inter alia* include heterogeneous consumers (rich, middle class and poor), private partners, local government, state government, and/or parastatal agencies. More often it is seen that the dominant considerations of a particular stakeholder category are in conflict with those of the other category(ies). As an illustration, the private player would always aim to reap a higher rate of return while the consumer would hope that he be charged with a lower tariff or reduced user charges. So the challenge is to strike an optimal balance between the conflicting considerations. Evidently, there may not be any uniform criteria for assessing the success or failure of a PPP project.

1.05 Here, the position or perspective of viewing at PPP projects assumes greater significance. Adhering to the principles of *equity* and *social justice*, it is our earnest effort to position ourselves, safeguard and promote the interests of common citizen's in general and poorer sections in particular. Moving further, the criteria could be classified into: (a) General Criteria that would be applicable to all PPPs in urban services (across sectors) and (b) Sector Specific Criteria that would apply to a particular sector only (say water or solid waste management).

General Criteria

Capital Contribution

1.06 One of the most important and common justifications for inviting or involving private partner for any infrastructure project or service is lack of funds or *capital scarcity* with public sector or government. A comparative analysis of *promised capital* (capital specified in the contract) vis-à-vis *actual capital* (capital actually brought in) by the private player, ought to be carried out. Also equally important is to check whether the actual capital that is brought in is within the time frame or is it deferred—this being decisive for accrual of benefits to citizens or consumers. So also, the composition of capital brought in (i.e., Debt or Equity) which determines the cost of funds and ultimately the cost of service to end consumer should be as per the prevalent and/or pre-determined norms (usually specified in contract). The cost of capital is actually determined by cost of debt as well as equity (a weighted average) where, usually, debt is costlier than equity. The moratorium period (or terms) of funds differ, depending on the scale of the project and funds borrowed. It is also of significance to learn whether the interest burden would be passed on to the consumers or not. In case the government provides some sort of guarantee(s) for debt borrowing, the project no longer remains “risky” for the private player. Such guarantees may simply insulate the private player of any *debt risks* that could instead lead to skewed distribution of risks amongst both the partners.

Efficiency Gains

1.07 The second most important justification for opting to traverse the PPP route is *efficiency gains*. It is often cited that the private player (in a PPP project) strives to achieve timely completion of the infrastructure project (which could potentially save significant resources that otherwise would have been wasted on account of time and cost overruns in a delayed project). It is reported that the involvement of a private player is also often accompanied by the introduction of latest technological inputs (suitable to the project) that lead to productivity gains. Improved *collection efficiency* (i.e., frequency and quantum of user charges collection) is also stated as one of the envisaged positive outputs. It is important to learn the implication for non-payment of user-charges (especially on the poor and disadvantaged sections of society) since it is quite often reported that private players deploy arm-twisting or coercive or forceful measures to recover the charges or bills. It becomes important to learn whether proper incentives and better working conditions have been actually effected for the laborers to verify the claims of improvement in labor productivity (if any). Whenever the private player claims that there has been a reduction in operating costs, one should attempt to find out whether such reduction has been achieved at the cost of cutting down essential activities like Operation and Maintenance (O&M) or it is on account of some genuine improvement. Similarly, when there are claims of reduction in administrative expenses, one should investigate whether the same has been achieved by forceful expulsion of any staff or offering of a Voluntary Retirement Scheme (VRS). When the private player claims improvement in O & M efficiency, it is desirable to verify that the assets are being properly maintained (thereby resulting in extensions of their life).

Better services to consumers

1.08 Whenever an improvement in the quality of service is discussed, the parameters that gain prominence include, *inter alia*, improved coverage, reduced response time for grievance redressal, and sustainability of supply or service. The claim that a PPP project has resulted in *improved coverage* may be considered legitimate only when those areas which were hitherto un-served or under served by the public sector are now getting served (at stipulated service levels). Similarly, the *reduced response time* for redressal of consumers’ complaints (i.e., how frequently the repairs in service or queries of consumers are addressed) should be justified quantitatively. There is a natural tendency for the private player to provide better services in the short-run in order to win over the consumers’ trust and ensure gains. But the real test is to sustain the service levels in the long run, thus sustainability (of quality service delivery) is one of the key indicators of the commitment of any private player.

Contents of PPP Contracts

1.09 Mostly the regulation of PPP projects is—‘*regulation by PPP contractual agreements*’. In case of non-adherence to the laid down clauses of the contractual agreement, the liability (to be borne by each) of different partners assumes increased significance. Literature is full of experiences where the PPP projects have witnessed changes even in the in desired objectives. In such cases, the PPP contracts get re-negotiated and the important questions that often arise include “Such re-negotiation is in favor of which partner—private or public?” and “Is such re-negotiation at this stage going to pre-empt any benefits that could have otherwise accrued?”. Also, the degree of transparency or opaqueness practiced while executing the arbitration mechanisms determines whether the arbitration process followed is participative (for citizens or consumers) or not. The risk sharing clauses in the PPP contract document, which are supposed to be hallmarks of the PPP concept itself, should be defined after assessing the potential impact of these risks, on consumers as well as partners throughout the project life-cycle.

Transparency and Accountability

1.10 To ensure that the good governance principles are followed in PPP projects as any other project, there ought to be institutional and procedural provisions to ensure peoples’ participation (one of the goals set by 74th Constitutional Amendment) to improve service delivery and also to avoid corrupt practices.

Sector Specific Criteria

Urban Water Supply

1.11 Some of the key service parameters that are of significance from the individual beneficiary’s or customer’s point of view include: (a) change (increase or decrease) in water tariffs, (b) improvement in quality of water supplied, (c) improvement in the quantity of water supplied per head, (d) timing of the day during which water is supplied, (e) number of hours of supply per day, (f) pressure at which water is supplied, and (g) reliability of water supply.

1.12 Other performance parameters that are of significance and common to all beneficiaries or consumers include: (a) reduction in leakages, (b) reduction in Unaccounted for Water (UFW), (c) coverage of water supply connection, (d) metering of water connections, (e) cost recovery in water supply services, and (f) efficiency in collection of water supply related charges.

Municipal Solid Waste

1.13 Some of the key service parameters that are of significance from the individual beneficiary’s or customer’s point of view include: (a) effective source segregation of waste-at household and at collection level, (b) proper timing of waste collection, (c) frequency of street sweeping, (d) health hazards from waste processing plants-consumers/environment, (e) reduction in costs or user charges, (f) abolition of open dumping of waste, and (g) efficiency in redressal of customer complaints.

1.14 Other performance parameters that are of significance and common to all beneficiaries or consumers include: (a) collection efficiency of waste, (b) coverage of households under MSW management services, (c) proper maintenance of equipments, (d) measures undertaken for recycling of waste, (e) provision of service in slum areas, (f) reduction in costs of service provision, (g) introduction of new technology, (h) whether the waste is being transported every day, (i) proper adherence to standards, and (j) waste to energy plants

Challenges of developing PPP Projects in Urban sector

1.15 The Ministry of Urban Development (MoUD), Government of India (GoI), has identified some key challenges that PPP projects face while they are being envisaged and developed in urban sector (March 2009)¹. One of them is the *perceived* 'political risks' for the private sector on account of the involvement of the Urban Local Bodies (ULBs), since most of urban sector investment involves this *third tier* of government. Secondly, the general financial health of most of the ULBs (barring a few) is reported to be precarious. As we understand, this obviously has implications on the credit-rating of the ULBs and the subsequent responses from the banks, or financial institutions when they are approached to lend to projects (sponsored by these ULBs). This problem is further compounded by the fact that most of the urban sector projects have been dogged by low tariffs and further low collection of such tariffs or user charges. Evidently, this would have implications on the cash flows and returns (on investments) that are of primary concern to any private player. The MoUD acknowledges that PPPs are very different from the traditional procurement and project execution processes followed in urban sector by state and ULBs. It further admits that the factors that limit or constrain PPP development in urban sector *inter alia* include poor capacities to structure (PPP) projects and the complexity in unbundling of urban service delivery. The convergence and interplay of all the factors mentioned above may have led the MoUD to conclude that the "urban sector is seen as a high-risk sector, leading to anemic inflows of private capital".

All India PPP projects: Urban Development vis-a-vis Other Sectors

1.16 As on Nov 15, 2009, it is reported² that, out of the total 450 (100%) PPP projects across eight sectors in India, *urban development* sector with 73 (16%) PPP projects ranks second to the *roads* sector with 271 (60%) projects. Though ports account for 10% of the total number of projects, they contribute about 30% in terms of total *value* (*i.e.*, *value of contracts*) and hold the third position. Of the total *value* (in crores rupees) for PPP projects across sectors in India amounting to 224175.80 (100%), the share of different sectors in decreasing order is as follows: *roads* 102005 (45.5%), *ports* 102005 (29.66%), *airports* 19111 (8.53%), *energy* 17111 (7.63%), *urban development* 15288 (6.82%), *tourism* 2467 (1.10%), *railways* 1602 (0.71%) and *education* 93 (0.04%). The simple average *value* per PPP project in the *urban development* sector turns out to be 209.43 crores rupees.

Encouraging PPPs: An Optional Reform under the JNNURM regime

1.17 PPPs in the urban sector have received a considerable push through the recent initiatives of the GoI for urban renewal—the JNNURM regime. The release of funds under this regime has been tied to a select set of reforms; some of them mandatory while some being optional. One of the optional reforms is 'Encouraging PPPs' which is a concurrent responsibility of both, the state governments as well as municipal governments (or ULBs). The Primer³ on this reform envisages that "...the role of the state is to create an enabling environment with an aim to expand, broaden and deepen private sector investments in infrastructure, (while) the role of city is to develop and implement PPP projects in a process oriented approach." As shown in the *Table* below, the Primer (to facilitate the

¹ Third ADB-DEA Review Meeting, Ministry of Urban Development Presentation during the event titled "Mainstreaming of PPPs in the States and Central Line Ministries" by, New Delhi, 23rd March 2009. Source URL: http://www.pppinindia.com/state-presentation/Urban_Develop_PPP_Review_23Mar2009.pdf accessed on May 25, 2010, 2:56 PM

² "Note on PPP projects in India (Sample Size 450) (As on Nov 15, 2009)", PPP India Database, Department of Economic Affairs, Ministry of Finance, Government of India, Source URL: <http://www.pppindiadatabase.com/Screens/frmReportView.aspx>, accessed on May 22, 2010, 10:20 AM

³ Primer on "Encouraging Public Private Partnerships" - An optional reform under JNNURM
Source URL: <http://jnnurm.nic.in/nurmudweb/Reforms/Primers/Optional/PrimerPPP.pdf> accessed on June 9, 2010, 1:27 PM

encouragement of PPPs in the country) has attempted to delineate and assign the responsibilities to the different tiers of the government (including central, state governments as well as ULBs).

Table 1.17-A: State vis-a-vis ULB Role in “Encouraging PPPs”- An optional Reform under JNNURM

State		ULB
Minimum Essential Requirements for Creating Enabling Environment at State Level	Responsibility	Steps to implementing the reform at City (or ULB) Level
Formulation of PPP Policies, and governance framework	State	<ul style="list-style-type: none"> • Creation of PPP unit at ULB level • Project identification and prioritization • Project conceptualization and scoping • Approval of projects for development under PPP Mode • Identify main PPP options • Finalizing transaction advisor • Financial analysis for viability and sustainability • Preparation of detailed project report • Developing PPP framework • Designing, Evaluating and Managing Bid process • Selection of private sector partner • State government approval • ULB level approvals • Development of contractual structure and preparation of concession agreement • Finalizing agreements • Monitoring performance and costs • Developing and managing payment mechanism • Implement training programs • Public information dissemination
Setting up of PPP cell	State	
Formulating Legal and Regulatory Framework	State	
Formulating Procedures and Guidelines	State/Center	
Methodology for Selection of Private Sector Partner	--	
Developing and Dissemination of Guidance Materials including Change Management	State/ULB	
Selection of Transaction Advisor	State/ULB	

(Source: Primer on ‘Encouraging PPPs’)

1.18 The MoUD looks at urban renewal missions such as the JNNURM as “providing opportunities for expanding PPPs in urban infrastructure development”. The Ministry believes that “...with the launch of the reform-driven and part-grant financed JNNURM, both the macro-environment as well as project level micro-environment is becoming more and more congenial for PPPs in the urban sector. Many of the JNNURM-supported reforms are expected to create favorable governance and institutional framework for private sector to feel more confident to venture into the urban sector.”⁴

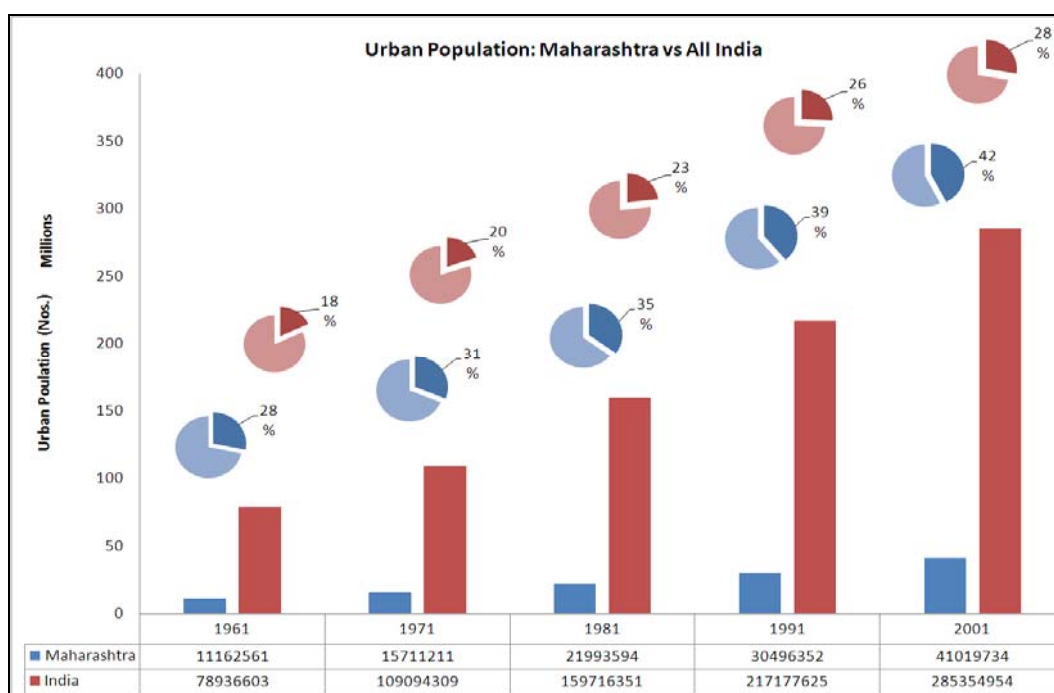
⁴ Third ADB-DEA Review Meeting, Ministry of Urban Development Presentation during the event titled “Mainstreaming of PPPs in the States and Central Line Ministries” by, New Delhi, 23rd March 2009. Source URL: http://www.pppinindia.com/state-presentation/Urban_Develop_PPP_Review_23Mar2009.pdf accessed on May 25, 2010, 2:56 PM

II. Urban Scenario in the state of Maharashtra

Urbanization in Maharashtra

2.01 As per Census 2001, the urban population in Maharashtra with 41019734 souls was 42.4% of its total population (96752247 souls). It is considered noteworthy to mention that this was substantially higher than the percentage of urban population at the national level (27.78%). The urban population in the state has been increasingly over the decades from 16.59% (1901)⁵ through 28.22% (1961), 31.17% (1971), 35.03% (1981), 38.73% (1991) to 42.4% (2001). The *average* level of urbanization (in terms of population) in Maharashtra over the half century (i.e. 1961-2001), has been at 35.11% against the national average of 22.94% during the same period. (See Figure below)

Figure: 2.01-A



Focus on Urban Infrastructure and Services in Maharashtra

2.02 As seen from above, urban population in the State has been increasing considerably and while the nation awaits her latest demographic profile through Census 2011 (for which the enumeration exercise is currently underway), it is expected that this proportion would rise even further. Naturally, this exerts increasing pressure on the already existing urban infrastructure of the State. It is reported that the GoM, in its attempt to deal with the situation, has been increasing the plan expenditure and non plan expenditure for provisioning of urban infrastructure⁶. Can making more funds available *alone* be the *panacea*?—the answer to this one question would

⁵ "Economic Survey of Maharashtra: 2008-09" Source URL: http://mahades.maharashtra.gov.in/files/noticeboard/eco_srurvy_2008-09_English.pdf accessed on February 4, 2010, 12:24:33 PM

⁶ "The state government made an allocation of Rs. 4791 crores for water supply, sanitation and other urban services in its budget for 2007-08. This allocation represented an increase of 108% over the budgetary allocation of Rs. 2301.54 crores in the budget for 2006-07. Similarly in the Tenth Five Year Plan for Maharashtra (2002-06), the plan allocation to water supply, sanitation, urban development and urban transport was Rs. 14628 Crores. This amount represented an increase of almost 180% from the corresponding allocations of Rs. 5216 Crores in the Ninth Five Year Plan for the state." Source URL: <http://www.muidcl.com/ud.htm> accessed on June 10, 2010, 2:43 PM

probably help us understand the changes currently happening in the legal, policy and institutional frameworks for infrastructure provisioning in the county (at all tiers of government).

2.03 The Annual Budget of Maharashtra for 2010-11 has proposed a provision of Rs 1840 crore for UIDSSMT. In addition to this an outlay of Rs 150 crores has also been proposed for Maharashtra's own urban renewal scheme known as the 'Maharashtra Suvarna Jayanti Nagrotthan Maha-Abhiyan'⁷. For JNNURM, 85 projects amounting to Rs. 12,204 crore had been approved as reported in the state's Annual Budget for 2009-10⁸ whereas the outlay for this scheme was Rs 400 Crores in the annual budget of 2007-08⁹.

2.04 In the annual plan outlay for the State of Maharashtra (2008-09) pertaining to urban infrastructure, 'Urban Development' and 'Water Supply & Sanitation' together comprise 42% of the total outlay of Rs 1029210.09 lakhs under 'Social and Community Services'. 'Urban Transport' on the other hand constitutes 27% of the total 'Transport' outlay of Rs 261408.22 lakhs under this plan. The actual figures for the various minor heads of development are given in the table below.

*Table: 2.04
Outlay for Annual Plan 2008-09 for State of Maharashtra
With focus on Urban Infrastructure and Services*

Sr. No.	Minor Heads of Development for the State of Maharashtra	Agreed Outlay for Annual Plan 2008-09 (Rs lakhs)
1	Urban Development #	381791.48*
2	Water Supply & Sanitation	53087.97
3	Urban Transport	70731.00
<p><i>Notes</i> # Additional Central Assistance (Grant Component) for JNNURM for the State of Maharashtra for 2008-09 is Rs 2582.57 Crores. * This includes infrastructure, UIDSSMT, BSUP, IHSDP, and BRIMSTOWARD</p>		

Source: Annual Plan 2008-09 for State of Maharashtra¹⁰

Investments not commensurate with requirements

2.05 The MUIDCL website reports that despite such allocations by the State in the urban sector, "the investments have not kept pace with the requirements" while the urban infrastructure existing in the cities (of Maharashtra) is proving to be "inadequate to cater to existing and the incremental population"¹¹. As seen from the table below,

⁷ Highlights of the Maharashtra State Budget 2010-2011 (Part I) presented by Shri Sunil Tatkare, Finance Minister of Maharashtra, on June 25th, 2010. Source URL: accessed on June 10, 2010, 11:50 AM

⁸ Highlights of the Additional Maharashtra State Budget 2009-2010 (Part I) presented by Shri Dilip Walse Patil, Finance Minister of Maharashtra, on June 4th, 2009. Source URL: accessed on June 10, 2010, 11:50 AM

⁹ Highlights of the Maharashtra State Budget 2007-2008 (Part I), presented by Shri Jayant Patil, Finance Minister of Maharashtra, on March 22nd, 2007 Source URL: accessed on June 10, 2010, 11:50 AM

¹⁰ Planning Commission Website, Source URL: <http://www.planningcommission.nic.in/plans/stateplan/ap0809/mh.pdf> accessed on June 10, 2010, 2:14 PM

¹¹ The website further illustrates this by giving examples for the State of Maharashtra such as: (a) only about 12-13 class I cities (classified according to the 1991 census) have managed to supply water as per the norm of 150 lpcd (b) Around 42% of the urban households in Maharashtra did not have proper latrines (2001 census).Source URL: <http://www.muidcl.com/ud.htm> accessed on June 10, 2010, 4:08 PM

the level of urban infrastructure developed even in prominent cities of the state (including metros, mega cities and JNNURM mission cities) is far from enough and satisfactory. This makes it easy to imagine the level of infrastructure (under-) development in smaller towns and cities in the state.

Table 2.05: Gaps in urban infrastructure in select cities of Maharashtra

Housing for urban poor					
Mumbai	Nagpur	Pune	Nashik	Nanded	Thane
54% of Mumbai's population live in about 1950 'slums' which are located both on public and private lands and lack basic services	Over 8 lakh persons or 40% of the city's population live in slums.	Slums account for 40% of Pune's population.	The population living in the slums is low at 12% (1.38 lakh people; 104 slum pockets and 59 declared slum pockets)	About one third of the city's population lives in 58 slums/low income settlements	- 35% of the total population lives in the slums. - 211 slums, with an estimated population size of 5,49,775
Water Supply and Sanitation					
Mumbai	Nanded	Nagpur	Nashik		
- 2-6 hours of water supply - leakages of 23% - 35% of households without sanitation - non-functioning meters	- System is generally not in good condition and needs rehabilitation. - UFW is high - Meters do not exist.	- Nonrevenue water 62%	- Non-revenue water estimate is 40%. - Leakage at 15%		
Sewage and/or Sewerage					
Mumbai	Pune	Nanded	Thane		
Drainage capacity limited to carrying 50% of the potential sewage	In the case of sewerage system, coverage is 54%; An additional problem identified is the release of untreated waste into rivers.	- The system is in a highly dilapidated condition with cracked pipeline and sunk chambers - Untreated waste is let into the natural drainage system and eventually into the river Godavari.	Existing sewage network covers only 15% geographical area and 17% of the population		
<p>Note: These observations are made in the Appraisal Reports¹² of City Development Plans (CDPs) for select cities in Maharashtra (Except Thane for which Executive Summary of its CDP¹³ has been referred)</p>					

Laying the Ground for PPPs in Urban sector

2.06 As we understand, with increasing urban population coupled with scarce state's resources and huge infrastructure gaps (or deficits), ULBs managing these cities are forced to look at alternatives. Before seeking alternatives, it is considered important to identify the various sources of financing/investment in infrastructure available to the ULBs. Governments (central, state and municipal), private sector, financial institutions and development agencies (domestic as well as international) are the possible entities that could be approached for funding requirements. While the state government does make annual plan outlays and executes its own set of schemes (involving grants or soft loans), so does the central government. However, it is reported that these are not enough to meet the investment requirements. So approaching and involving the private sector is portrayed and advocated as one of the feasible alternatives by all the entities listed above. Private sector may be approached for financing as well as for some or all components of any infrastructure project life cycle (such as design, build, refurbish, operate and maintain). One of the prominent alternatives for approaching and involving the private

¹² Source URL: http://jnnurm.nic.in/nurmudweb/cdp_apprep.aspx accessed on June 10, 2010, 6:03 PM

¹³ Source URL: <http://jnnurm.nic.in/nurmudweb/missioncities.htm> accessed on June 10, 2010, 6:03 PM

sector is through partnerships (PPPs) and it is being encouraged at all levels—international, national, state (and to some extent even local level).

III. Evolution of PPPs in the state of Maharashtra

Overview

3.01 The launch of JNNURM regime by the GoI may be considered as one of the important milestones in the way the public private partnership route is being promoted (at all levels—local, state as well as national) for urban infrastructure procurement. It would be interesting to look at the evolution of PPPs in Maharashtra (with focus on urban infrastructure and services), before and after the launch of this JNNURM regime in December 2005. The timeline considered for this purpose is the start of 1990's up to the year currently underway, i.e., 2010.

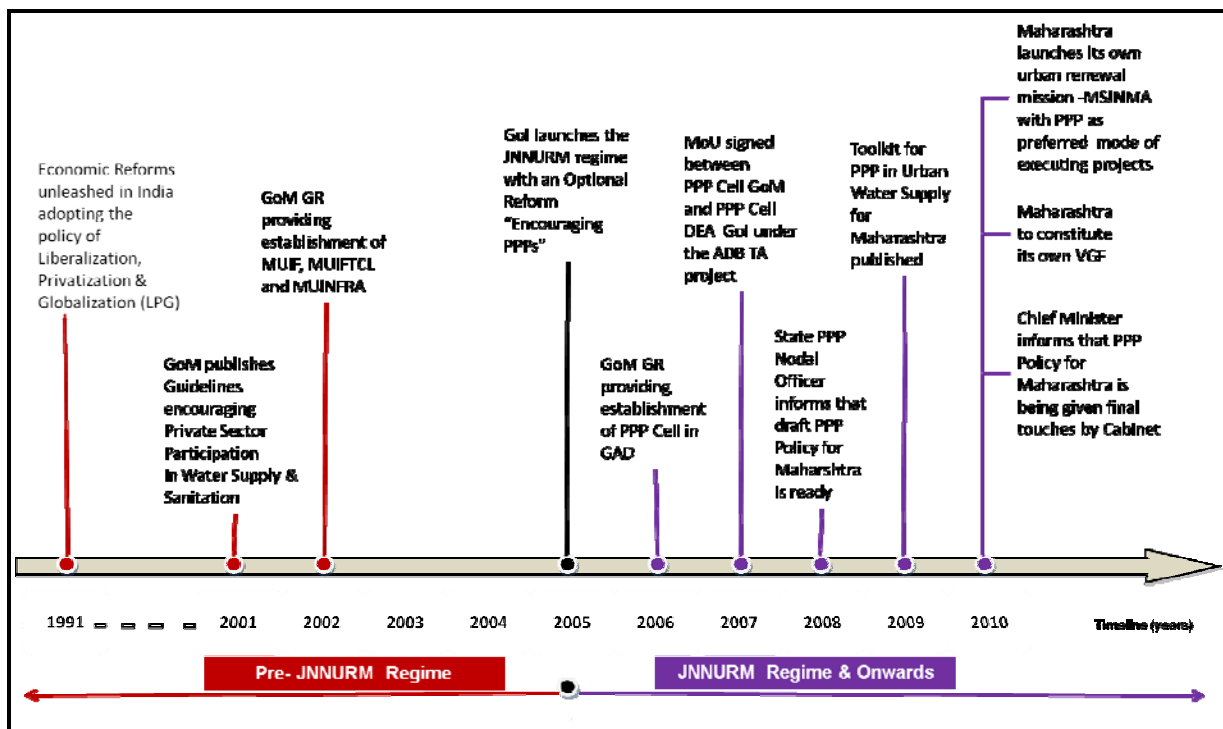


Figure 3.01: Overview of evolution of PPPs in Maharashtra: (1991-2010)

Pre JNNURM regime

3.02 The year 1991 is often reported as the watershed year for the India economy. With the unleashing of economic reforms, the nation adopted the policy of liberalization, privatization and globalization. This gradually opened up the hitherto relatively closed economy and ushered in the era that allowed private sector participation and Foreign Direct Investment (FDI) across a spectrum of key infrastructure sectors in the country. This may be seen as the starting point for encouraging the role of market in infrastructure provisioning in the country. This move at the federal level is reported to have benefitted the Indian national and state economies and the high growth rates of the country are attributed to this opening up the economy.

3.03 At the State level of Maharashtra, the year 2001 saw a significant development in the water supply and sanitation sector. In view of having participation of private organizations in water supply and sanitation works in the state, guidelines were issued by GoM in its Water Supply and Sanitation Department (WSSD) vide a WSSD circular no. *Na.Pa.Pu.1001/CR 503/Pa.Pu.-22* dated June 12, 2001¹⁴. It seems the expectations from such a move could have been eliciting the participation of private sector for addressing the *systemic* problems plaguing the water sector in the state. In addition to bridging the financial and infrastructural gap in the sector, the drivers would probably have included: aspiring for efficiency improvements and up gradation of water quality and service levels.

3.04 The subsequent year 2002 provided for laying the foundations of an institutional framework that would (in future) pave the way for PPPs in varied infrastructure sectors (physical as well as social infrastructure) in Maharashtra. Through a GoM Resolution *MRD No.1501/CR.No.252/UD-10* dated 19th July 2002, in the Urban Development Department, the state provided for the establishment of (i) Maharashtra Urban Infrastructure Fund [MUIF], (ii) Maharashtra Urban Infrastructure Trust Fund [MUITF], (iii) Maharashtra Urban Infrastructure Fund Trustee Company Ltd [MUIFTCL], and (iv) Maharashtra Urban Infrastructure Development Company Ltd [MUIDCL or MUIINFRA]. The drivers for such an initiative need some investigation while the section on *PPP Institutional framework* in Chapter 5 gives further details on this development.

JNNURM regime and onwards

3.05 The third quarter of financial year in 2005 saw the launch of the JNNURM regime by the GoI and PPPs at the State and local levels for the first time received a conscious thrust from the central government. “Encouraging PPPs” being one of the optional reforms, the states governments (including Maharashtra) committed to create an enabling environment in the state where PPPs could flourish. ULBs too committed to executing projects (within timelines and in a select set of eligible sectors as outlined in guidelines) through the PPP route in the PPP enabled environment to be simultaneously evolved by the State. The release of funds tied to the implementation of reforms ensured that all ULBs seeking funds under the regime, undertake some projects through this route.

3.06 It is observed that the evolution of PPPs in the state of Maharashtra from December 2005 onwards does not appear to be organic and it seems that the PPP option is forced *top-down*. Without assessing the capacities of the ULBs to understand, procure, implement and manage PPPs, the central government attempted to hurriedly push forward PPPs as the preferred option for infrastructure projects, more in a *supply driven* fashion rather than leaving it to be *demand driven*. This observation is restricted not only to the JNNURM regime but also the ADB-DEA Technical Assistance (TA) project titled ‘Mainstreaming PPPs in India’.

¹⁴ The MUIDCL website gives the background and rationale for the WSSD, GoM to come up with such guidelines for inviting private sector participation. “Water supply and sanitation services are treated as essential services. On account of increase in population, urban local bodies are facing lot of difficulties in providing these services to the residents. At present, some of the local bodies are implementing water supply schemes and undertake it’s O & M on their own while, in some cases, Maharashtra Jeevan Pradhikaran is the implementing authority for execution of water supply scheme and on commissioning, scheme is handed over to local body for O & M. However, for number of schemes, there is vast difference in O & M expenditure on water supply schemes and revenue gain on account of lack of trained technical manpower with local bodies for efficient O & M of scheme, vast unaccounted water losses in existing water supply schemes, water wastage on account of poor O & M, water leakages, unauthorized water connections, improper energy management etc. Naturally, essential O & M works cannot be undertaken as scheme is running in loss. Also, due to financial constraints, capital investments are not possible for implementation of improvements to water supply system. This leads to immense dissatisfaction in public minds regarding water supply system in the city. Taking into consideration these aspects, it is found to be essential to have private organization’s participation for providing and investing in efficient water supply and sanitation services and improvements in standards and qualities of the services. In view of having participation of private organizations in water supply and sanitation works”, the guidelines have been issued by the WSSD, GoM in the year 2001.

Source URL: <http://www.muidcl.com/misasp/projectrpt8.asp?wprojectid=%20146> accessed on June 11, 2010, 11:50 AM

3.07 In 2006, the GoM set up a PPP Cell in its General Administration Department (GAD) vide Government Order Astha-1206/pr.a.kra 307/06/19 issued by GAD dated 4th September 2006 and subsequent Notification No. ROB. 1006/C.R.63/2006/XVIII (O&M). This cell was envisaged to act as a nodal agency for all PPP projects in the state. The section on *PPP Institutional framework* in Chapter 5 gives further details on this institutional setup.

3.08 The year 2006 also witnessed a major development in the way PPPs were promoted in the country. The GoI through the Department of Economic Affairs (DEA), Ministry of Finance partnered with the Asian Development Bank (ADB) for a project titled ‘Mainstreaming PPPs in India’ with the latter committing to provide technical assistance (TA) in the said matter to the former. This further led to a couple of other projects on the same theme (i.e. *Mainstreaming PPPs*) but operating at a different levels—States and Central Line Ministries.

3.09 As a part of this ADB-DEA project of mainstreaming PPPs in India at the State level (Project No. 40243), the state governments were obliged to sign a Memorandum of Understanding (MoU) with the DEA, GoI agreeing to adhere to a predefined set of commitments (on the PPP front). The states had to sign MoUs (containing such commitments), if they were to avail of any technical assistance under the said project. The GoM through its PPP Cell, GAD signed a bipartite MoU with the DEA, GoI on July 9, 2007 undersigned by Secretary Special projects on behalf of the GoM. The commitments made by GoM under the MoU have been discussed in some detail in the forthcoming section ‘*Technical Assistance under ADB DEA programme*’ of this Chapter 3 itself.

3.10 In the presentation by Maharashtra State PPP Nodal Officer (Shri Manu Kumar Srivastava, Secretary Urban Development Department-II, GoM) in the event “*PPP Nodal Officers' Round Table 2008*” held on November 26-27, 2008 at Cochin, Kerala, it was informed that the draft of the PPP policy for the State of Maharashtra was ready and the decision-making process on the same was underway (at that time). However, the latest (January 2010) newspaper reports reveal that the PPP Policy of Maharashtra is still being given the final touches by the cabinet.

3.11 One of the conventional methods for equipping the decision-makers (including Municipal Commissioners, Chief Executive Officers of the ULBs, the Managing and Functional directors of the different technical agencies, top officials of the state governments and other parastatal agencies) with relevant (domestic and international) data, information, experiences, (good and bad) practices on PPPs; is the development and dissemination of sector specific *toolkits*. Very recently (in November 2009), a ‘Toolkit for PPP in Urban Water Supply for the State of Maharashtra’ Volume- 1, was published. Subtitled as ‘*Local Government Consultations and Sector Assessment for developing possible PPP Models for the state of Maharashtra*’, the toolkit has been prepared by Crisil Infrastructure Advisory (a private consulting firm), under the GOI-ADB PPP Initiative *Mainstreaming PPPs in India*. This toolkit has been discussed briefly in the subsection ‘*PPP Guidelines, Toolkits and Model Documents*’ under Chapter 5.

3.12 The state of Maharashtra in 2010 is witnessing major and rapid developments as far as PPPs are concerned. The Chief Minister (CM) of Maharashtra (Shri Vilasrao Chavan) on the sidelines a workshop on *Knowledge Sharing in PPPs* on January 29, 2010, made three important announcements. While one pertained to the State launching its own urban renewal mission (an adapted version of the JNNURM scheme)—*Maharashtra Suvarna Jayanti Nagarotthan Mahaabhiyan* (that advocates PPPs as the preferred mode of executing projects), the other was about the state to launch its own Viability Gap Fund (VGF) on similar lines of the VGF at the central level. The CM further informed that the draft of the PPP policy for the State was then being given final touches and the MUIDCL website¹⁵ further informs that the “state PPP Policy is under submission to approval of the Cabinet”. More details on these developments are given in Chapter 5.

¹⁵ Source URL: <http://www.muidcl.com/stateppppolicy.htm> accessed on June 11, 2010, 3:15 PM

Status of Reform 'Encouraging PPPs' under the JNNURM Regime

3.13 Out of the total 248 ULBs in Maharashtra, there are 22 Municipal Corporations (*Mahanagar Palika*), 222 Municipal Councils (*Nagar Parishad*), and the balance 4 being City Councils (*Nagar Panchayats*) as per Census 2001. Not all ULBs in the state have been able to garner the so called outputs or benefits (including projects as well as reforms) of the JNNURM regime. The status of optional reform 'Encouraging PPPs' for two schemes under this regime have been deliberated in some detail below.

UIDSSMT: Status of Reform 'Encouraging PPPs'

3.14 As per the data available upto the third quarter of 2009-10, only 74 ULBs (6 Municipal Corporations, 66 Municipal Councils and 2 Nagar Panchayats) in the state are beneficiaries of the Urban Infrastructure Scheme for Small and Medium Towns (UIDSSMT) scheme. All these ULBs have to report their status of implementation of reforms (and projects) on quarterly basis, to the Directorate of Municipal Administration (DMA), which is the State Level Nodal Agency (SLNA) for UIDSSMT for Maharashtra.

Table 3.14: UIDSSMT: Status of Reform 'Encouraging PPPs' in Maharashtra

Sr. No.	Urban Local Body (ULB) [UIDSSMT town or city]	Total No. of ULBs	No. of ULBs with their status of implementation of Reform "Encouraging PPPs"				Request for Extending Timeline
			Reform Achieved (YES)	Reform Not Achieved (No)	Reform is under progress (In Progress)	No Response (-)	
1	Municipal Corporations	6	2	1	3	0	0
2	Municipal Council	66	6	24	5	31	8
3	Nagar Panchayat	2	1	0	0	1	1
Total		74	9	25	8	32	9

[Status as on 31st December 2009, Source: Directorate of Municipal Administration (DMA), SLNA for UIDSSMT in Maharashtra]

3.15 As seen from the table above and as reported to the SLNA, only 9 (12%) ULBs out of 74 (100%) ULBs have achieved the reform. Of these 9 (100%) ULBs, 6 (67%) are Municipal Councils, 2 (22%) are Municipal corporations. 32 (43%) ULBs have not provided any response (neither *Yes* nor *No* nor *In Progress*) while giving the status of progress of this reform. A consequence of such poor reporting by the ULBs is that it does not enable one to get the true and complete picture. A total of 25 (34%) ULBs have reported of not having achieved the reform wherein almost all are Municipal Councils. Only 8 (11%) ULBs have reported that the reform is under implementation (or *in progress*) and completion is yet to be achieved. It is considered noteworthy to mention that 9 (12%) ULBs have requested for extending the timelines beyond the committed dates. These ULBs (with requests for extended timelines) include: Alibaug (2011), Amalner (2011), Arvi (2011), Chalisgaon (2012), Dapoli (2013), Pachora (2011), Pandharpur (2010-11), Phaltan (2011) and Yeola (2011). Dapoli (City Council or *Nagar Panchayat*) for instance, has requested that the timeline for achieving this reform be granted an extension to 2013 which is beyond the JNNURM mission period of 2007-2012. What are the reasons for such requests of extension (delays) is something that needs to be found out. Also, whether such extensions that are beyond the mission period could or should be allowed is something needs to be subjected to public scrutiny and debate.

UIG component of JNNURM: Status of Reform 'Encouraging PPPs'

3.16 As per the data available upto the third quarter of 2009-10, 11 mission cities or urban agglomerations (all Municipal Corporations) in the state are beneficiaries of the Urban Infrastructure and Governance (UIG) component of the JNNURM scheme. All these ULBs have to report their status of implementation of reforms (and projects) on quarterly basis, to the Mumbai Metropolitan Region Development Authority (MMRDA), which is the State Level Nodal Agency (SLNA) for JNNURM for Maharashtra.

Table 3.16: UIG component of JNNURM: Status of Reform 'Encouraging PPPs' in Maharashtra

Sr. No.	Urban Local Body (ULB) [JNNURM City or Urban Agglomeration]	Total No. of ULBs	No. of ULBs with their status of implementation of Reform "Encouraging PPPs"			
			Reform Achieved (YES)	Reform Not Achieved (No)	Reform is In Progress (In Progress)	No Response (--)
1	Municipal Corporations	11	9	0	0	2

[Status as on 31st December 2009, Source: Mumbai Metropolitan Region Development Authority (MMRDA), SLNA for UIG component of JNNURM in Maharashtra]

3.17 As seen from the table above and as reported to the SLNA, 9 (82%) ULBs out of 11 (100%) ULBs have achieved the reform. The remaining 2 ULBs (Kulgaon-Badlapur and Mira-Bhayandar Municipal Corporations) have not provided any response (neither *Yes* nor *No* nor *In Progress*) while giving the status of progress of this reform. The 11 ULBs (with committed timelines for few ULBs known) include: Mumbai (2007-08), Nashik (2007-08), Nagpur (2007-08), Pune (2007-08), Pimpri-Chinchwad (2007-08), Mira-Bhayandar (2010-11), Kulgaon-Badlapur (2010-11), Thane, Kalyan-Dombivali, Ulhasnagar and Navi Mumbai.

Technical Assistance under ADB-DEA TA Project

3.18 The Department of Economic Affairs (DEA), Ministry of Finance, GoI, through its PPP Cell and in collaboration with the Asian Development Bank (ADB) has undertaken a project titled "Mainstreaming Public-Private Partnerships in India" where the latter provides *advisory* Technical Assistance (TA) to the different tiers of the Indian government. The project titled *Mainstreaming PPPs in India at the State level* (project number: 40243) was approved on December 11, 2006 and is scheduled to be completed by December 31, 2010. The cost of the TA was initially estimated at \$3.75 million equivalent, of which ADB was to finance \$3 million equivalent on a grant basis from the Japan Special Fund (\$1.8 million) and ADB's technical assistance funding program (\$1.2 million). The Government of India was to provide \$750,000. It is considered noteworthy to mention that there have been major changes in the scope and amount of this project.

3.19 With the DEA as the executing agency, the project was envisaged to be implemented by the PPP Cells in the participating states/entities. For each entity (at both central and state levels), the following consultancy skills were envisaged to be provided as assistance: (i) PPP expertise (full-time), (ii) Management Information System (MIS) expertise (full-time), and (iii) legal expertise (intermittent basis). At the central level in DEA it was envisaged, in addition, there would be two financial specialists (full-time) and one public finance expert (full-time). Maharashtra is one of the states that has benefitted from this TA project and hence it is considered important to learn more about the envisaged contribution of this TA project, including its key components and outcomes.

3.19 The TA has two complementary components: capacity development and institutionalization of PPP skills (See *Table* below). The training and capacity building activities include: (i) enhancing the understanding of the rationale

for PPP projects; (ii) how to use risk assessment models and develop options for appropriate risk-sharing schemes; (iii) how to effectively use tools for assessing value for money like public sector comparator (i.e., what the government would have to pay if it undertook the project itself); (iv) understanding the structure and regulatory implications of concession contracts; (v) how to manage a bid process to maximize competition, and address issues relating to competition and regulation in infrastructure; (vi) how to appraise PPP projects; and (vii) how to evaluate contingent liabilities incurred as part of PPP projects.

Table 3.19: Components of TA project 'Mainstreaming PPPs at State Level'

Capacity Development of PPP Cells	Assisting PPP Cells in Institutionalization of PPP skills
<ul style="list-style-type: none"> • Determining training needs • Developing relevant management information systems (MIS) • Developing guidelines and manuals • Supporting project preparation, appraisal, and evaluation • Disseminating knowledge and awareness of international best practices 	<ul style="list-style-type: none"> • Refining the PPP policy and regulatory framework • Meeting compliance/public safety norms • Improving MIS • Improving bidding documents and procedures • Determining risk sharing • Conducting value-added research • Determining adequate monitoring arrangements

3.20 The outcomes envisaged from of this TA include: (i) capacity development in the PPP cell within DEA to help implement PPP schemes effectively and efficiently; (ii) enhanced capacity of PPP cells in participating entities to prepare, evaluate, and appraise PPPs in infrastructure; (iii) significantly improved monitoring of overall progress in PPPs in infrastructure at both central and state levels through well-knit databases; (iv) increased awareness among potential private sector partners about the project cycle of PPP projects in infrastructure, and Government expectations with respect to value for money; and (v) over the long term, an increase in private sector participation in infrastructure development and management throughout India. Speaking at the inaugural function of a *PPP Knowledge Sharing Workshop*¹⁶ on January 28th 2010, in Mumbai, the Chief Minister (CM), Shri Ashok Chavan requested the GoI and ADB “for continuation of support for at least 3 more years” so that Maharashtra would be “able to fulfill its dream of providing good infrastructure to its citizens”¹⁷.

MoU between PPP Cell GoM and PPP Cell DEA to avail ADB TA

3.21 The GoM has entered into a Memorandum of Understanding¹⁸ (MoU) with the Department of Economic Affairs (DEA) under Ministry of Finance, GoI to seek advisory Technical Assistance (TA) under the Asian Development Bank (ADB) project “India: Mainstreaming PPPs at State Level”. As a part of this MoU signed in July 2007, GoM has made several commitments on the PPP front, which *inter alia*, include the following:

- To adhere to the following set of targets for creating a robust shelf of projects amenable for PPPs at the State level:
 - During 2007-08 - bid out at least 3 projects with a total cost of Rs 750 crores or more in atleast 2 sectors;
 - During 2008-09 - bid out at least 5 projects with a total cost of Rs 1250 crores or more in atleast 3 sectors;

¹⁶ This *PPP Knowledge Sharing Workshop* was reported to have been organized under the DEA-ADB PPP initiative.

¹⁷ News “Maharashtra will launch it’s PPP (Public-Private Partnership) Policy soon - Chief Minister, Ashok Chavan, Mumbai, 28th January, Source URL: <http://www.maharashtra.gov.in/pdf/Microsoft%20Word%20-%2028.1.2010%20Eng%20Infrastrucuture%20through%20PPP%20cm%20news%20release%20f.pdf> accessed on February 18, 2010, 5:49:06 PM

¹⁸ Source URL: <http://www.muidcl.com/Downloads/taadb.pdf> accessed on May 24, 2010, 3:36 PM.

- During 2009-10 - bid out at least 5 projects with a total cost of Rs 1500 crores or more in atleast 4 sectors;
- To review/establish such policies and regulatory and governance frameworks in the identified infrastructure sectors to enable a transparent and effective private sector participation, and,
- To prepare a "Plan of PPP projects" in conjunction with its Annual Plan

3.22 The MoU has a couple of more commitments (with the important ones listed below) aimed at mainstreaming PPPs in the state. The PPP Cell will serve as the repository of all information relating to PPPs in the state, including on best practices, guidelines, schemes, PPP pipelines, etc. The PPP Cell would also endeavor to: establish a single window with a fully empowered approval framework for providing all State level approvals, including for the financing of PPP projects; to put in place transparent policies and processes in licensing, financing, risk-sharing, etc.; and to establish a system of PPPs on a performance-payment basis. GoM also commits to: (i) adopt standard concession agreements for PPP projects in defined infrastructure sectors; (ii) adopt competitive bidding procedures for bidding and awarding of infrastructure projects under defined rules and procedures according to best international commercial practices and GoI guidelines; (iii) designate a State-level dispute resolution mechanism for the speedy resolution of disputes relating to PPP projects; and (iv) adopt formal State policies on environment, resettlement and social safeguards with respect to the implementation of infrastructure projects, according to best international commercial practices. GoM will ensure stability of staff deployed for the assignment in the PPP Cell to facilitate creation of a strong capacity for development and monitoring of PPP projects in infrastructure sector by the end of the TA.

3.23 The actual progress on these commitments is yet to be learnt by us in detail. However, some information on the progress is known only through the *review meeting* presentations available on the different (central and state level) PPP portals or websites.

Thrust on PPPs in Maharashtra's own urban renewal scheme

3.24 As seen earlier, the state of Maharashtra in its various (not all) towns, cities and urban agglomerations, with 'Encouraging PPPs' as one of the optional reforms amongst others, has been a beneficiary of the JNNURM regime. The first tier of government leading this initiative has motivated or led the second tier (i.e. State GoM) to follow suit. Maharashtra has devised its own version for urban renewal titled "*Maharashtra Suvarna Jayanti Nagarothan Mahabhiyan (MSJNMA)*" for funding infrastructure projects with a thrust on PPPs. In a newspaper report, the Maharashtra state PPP Nodal Officer¹⁹ informed that the GoM has suggested three optional models to implement the scheme. "The mission cities will first have to explore the possibility of implementing the projects under public-private partnership (PPP). If the PPP model does not work out, the state will provide assistance either by 'viability gap funding' or by providing loans at concessional rates (through the MUIDCL)."²⁰ It is *prima facie* unclear how these comprise three (mutually exclusive) models because (conventionally) to make a PPP project viable, (if required) VGF is usually also sought. One could possibly interpret that all three proposed models fall within the PPP spectrum. Our reading says that the *encouraging PPPs* reform that was *optional* under the centre led initiative has now been graduated to almost a *mandatory* status in this state led initiative.

3.25 Although the MSJNMA draws majorly from the JNNURM design (e.g., *City Development Plan* preparation still being a pre-requisite for ULBs to avail this scheme), it has done so *albeit* with some adaptations or modifications

¹⁹ Shri Manu Kumar Srivastava, Secretary Urban Development Department-II, GoM

²⁰ News "Maharashtra to implement JNNURM-like scheme"—By Snehal Sonawane Sawant, TNN, Jan 25, 2010, 05:53am IST Pune, URL:<http://timesofindia.indiatimes.com/india/Maharashtra-to-implement-JNNURM-like-scheme/articleshow/5496800.cms> accessed on June 12, 2010, 2:43 PM

(e.g. it is envisaged to cover smaller cities not covered under JNNURM scheme that focused on big cities). The Finance Minister of Maharashtra in his Budget Speech for 2010-11 informed²¹ that an outlay of Rs 150 crores was proposed in the financial year 2010-11 for the scheme.

²¹ Source URL: [http://maharashtra.gov.in/english/budget/10-11/Speech%20Part%20I%20\(Eng\)%202010.pdf](http://maharashtra.gov.in/english/budget/10-11/Speech%20Part%20I%20(Eng)%202010.pdf) accessed on June 12, 2010, 2:43 PM

IV. Analysis of PPP projects in the state of Maharashtra

PPPs: Maharashtra vis-a-vis Other States

4.01 Maharashtra is leading the country in terms of the sheer number of PPP projects (across different sectors²²). As on Nov 15, 2009, it is reported²³ that Maharashtra, with 285 PPP projects²⁴ (63% of the total 450 PPP projects in India) is at the first position, followed by Karnataka with 95 PPP projects (one-third of the projects in Maharashtra!) and Andhra Pradesh with 63 PPP projects. However, when compared on the basis of the total *value*²⁵ for the PPP projects, Maharashtra (34,025.79 crores rupees) ranks third in the country, preceded by Andhra Pradesh (39,279.43 crores rupees) at the second position and Karnataka (39,491.85 crores rupees) at the first position.

4.02 The simple average *value* per PPP project for Maharashtra turns out to be 119.39 crores rupees. Also, it is noteworthy to mention that Maharashtra has an exceptionally high volume of expensive, large or *mega* projects. This is illustrated by the fact that 94% (32,061.95 crores rupees) of the total *value* of PPP projects in Maharashtra (34,025.79 crores rupees) is contributed by those projects whose *value* is more than 500 crores rupees.

PPPs in Maharashtra: Focus on Municipal Infrastructure and UDD

4.04 Speaking of PPP projects in Maharashtra (which are spread across several sectors), we wish to focus our attention and efforts on those PPP projects which are concerned with urban infrastructure and services. With this in mind, it would be interesting to look at the department-wise and sector-wise share of PPP projects in the State.

PPPs: Department-wise²⁶

4.05 It is reported²⁷ that, out of the total 204 (100%) PPP projects in Maharashtra; the *Urban Development Department* with 104 (51%) projects holds the first position (in terms of the sheer number of projects) followed by the *PWD* at the second position with 48 (23.52%) projects. *Industry* with 11 (5.39%) projects stands third while other departments have a very miniscule share of PPP projects pie in the state. With regards to the total project cost (in crores rupees) amounting to 95573.845 (100%) for all PPP projects in the state, *Urban Development Department* 19954.025 (20.87%) ranks third, whereas *Metro Rail* 22606 (23.65%) and *PWD* 25775.78 (26.96%) hold the second and first positions respectively.

²² The sectors include urban development, education, railways, tourism, energy, airport, ports and roads.

²³ "Note on PPP projects in India (Sample Size 450) (As on Nov 15, 2009)", PPP India Database, Department of Economic Affairs, Ministry of Finance, Government of India,

Source URL: <http://www.pppindiadatabase.com/Screens/frmReportView.aspx>, accessed on May 22, 2010, 10:20 AM

²⁴ "These projects in the database are in our (i.e., DEA, Ministry of Finance, Gol) main sectors of focus where a contract has been awarded and projects are underway in the sense that they are either operational, have reached construction stage, or at least construction/implementation is imminent."

²⁵ 'value' means *value-of-contract*

²⁶ The select set of departments as identified in the database and available on <http://www.muidcl.com/misasp/sumryrpt1.asp> include: Revenue, Animal Husbandry, Dairy and Fishery, Health, Education, Government of Maharashtra, Agriculture & Cooperation, Industry, Tourism, Irrigation, Energy /Power, Civil Aviation, Port, Urban Development, Metro Rail, Urban Development and Public Works Department.

²⁷ Source URL: <http://www.muidcl.com/misasp/sumryrpt1.asp> accessed on May 22, 2010, 1:57 PM

PPPs: Sector-wise²⁸

4.06 It is reported²⁹ that, out of the total 204 (100%) PPP projects in Maharashtra; *Municipal infrastructure*³⁰ with 101 (49.50%) projects holds the first position (in terms of the sheer number of projects) followed by *roads* at the second position with 50 (24.50%) projects. Except for *tourism* at the third position, with 13 (6.37%) projects, all other sectors have a very miniscule share of PPP projects pie in the state. With regards to the *total project cost* (in crores rupees) amounting to 95573.845 (100%) for all PPP projects in the state, *Municipal infrastructure* 14332.01 (15%) ranks third, whereas *roads* 25911.8 (27.11%) and *Metro Railway* 28092 (29.39%) hold the second and first positions respectively.

PPPs in Maharashtra: Spatial and Sectoral Spread

4.07 The PPP database available on MUIDCL website enables one to query the database on a select set of parameters. To serve our objectives and adhere to our scope of urban infrastructure and services, we have chosen the Department as 'Urban Development' and Sector as 'Municipal Infrastructure'. The resultant database that got generated has a total of 101 records of PPP projects, of which, the information for estimated project cost for 11 records is not given. Thus, a database of 90 PPP projects amounting to 14332.005 crores rupees has been analyzed further.

Table 4.07: Cost-wise Summary of PPP projects in Municipal infrastructure and under UDD

Sr. No.	Project Cost-Category	No. of Projects	Total Estimated Project Cost (Crores rupees)
A	Upto 150 crores	78	761.495
A.1	Excluding PPP projects located at Thane	28	392.435
A.2	Exclusive Thane located PPP projects	50	369.06
B	From 150 Crores to 500 Crores	3	493.4
C	Above 500 Crores	9	13077.11
C.1	From 500 Crores to 1500 Crores	7	5577.11
C.2	Above 1500 Crores	2	7500
	All PPP projects	90	14332.005

Note: The PPP projects referred to in this summary table include those listed under the PPP database of MUIDCL, with Department as 'Urban Development' and Sector as 'Municipal Infrastructure'. Website accessed on May 24, 2010, 1:49 AM

Source: MUIDCL PPP Database Portal³¹

²⁸ The select set of sectors as identified in the database and available on <http://www.muidcl.com/misasp/sumryrpt2.asp> include: Agriculture Marketing, Airport, Education, Industry, Information Technology, Irrigation, Medical & Health, Metro Railway, Municipal Infrastructure, Port, Power, Road and Tourism.

²⁹ Source URL: <http://www.muidcl.com/misasp/sumryrpt2.asp> accessed on May 22, 2010, 2:52 PM

³⁰ Municipal infrastructure sector is further classified into a select set of sub-sectors as identified and available on URL: <http://www.muidcl.com/misasp/sellist2.asp?wsector=%2010>. These sub-sectors include: Sanitation, Water Distribution, Transport System, Health (Diagnostic Centre, Hospital, PHCs), Education (School Buildings), Useful Conversion of Solid Waste, Markets (Vegetable Markets), Bus Shelter, Overhead signage & foot bridges, I.T. Or Amusement Park, Housing/ Shopping Complex, Convention Centre / Mahila V.Ken / Cultural Centre, Citizen Service Center, also there are PPP projects within the Municipal infrastructure sector but no information is available for their sub-sectors.

³¹ Source URL: <http://www.muidcl.com/misasp/reportmenu.asp> accessed on June 12, 2010, 3:23 PM

(A) Upto 150 Crores

4.08 It is of interesting to learn that 86% of all the PPP projects in the State are of estimated project costs below 150 crores. However, it is disturbing to learn that these 86% projects contribute a mere 5% of the total estimated costs of all PPP projects in the State. This is indicative of the balance, relatively smaller set of PPP projects being significantly expensive. This cost-category of 'Upto 150 crores' has 78 (100%) projects amounting to 761.495 (100%) crores rupees. Of these, only 5 (6%) projects of 10.805 (1.42%) crores are in UIDSSMT³² towns/cities while the rest 73 (94%) of 750.69 (98.58%) crores are in JNNURM³³ cities.

4.09 Thane (JNNURM city) with 50 projects (64% of the total projects) amounts to 369.06 crores (48% of the total estimated project costs) of all projects. Also, Nagpur (also a JNNURM city) with 6 projects (8% of the total projects) amounts to 211 crores (28% of the total estimated project costs) of all projects under this category. As illustrated above, Thane is occupying a significant share of the pie—both, in terms of the sheer number of PPP projects as well as the estimated costs. Hence it is considered feasible to analyze Thane located PPP projects separately. This is being done with the intention of deepening our understanding of the contribution by other locations.

4.10 *Realty* with 37% projects amounts to 31% of the estimated costs, whereas *social* sub-sector with 35% projects amounts to 40% of the estimated costs. Similarly, Transport with 8% projects amounts to 6% of estimated costs while WSS with 5% projects amounts to 7% of estimated costs. SWM with 1% projects amounts to 11% estimated costs while Municipal offices with 5% projects amount to 3% of estimated costs. Housing with 3% projects amounts to 1% of estimated costs and *Miscellaneous* sub-sector with 6% projects amount to 1% of estimated costs.

(A.1) Upto 150 crores: Excluding PPP projects located at Thane

4.11 Regarding the status of PPP projects under this category, out of the total 28 (100%) projects³⁴ amounting to 392.435 (100%) crores, 4 (14%) projects of 17.36 (4.42%) crores have been completed, while 12 (43%) projects of 115.57 (29.45%) crores are under implementation and 12 (43%) projects of 259.50 (66.13%) crores are in the preliminary³⁵ stage.

4.12 On the one hand, Chandrapur (UIDSSMT town), has three³⁶ PPP projects, all of which have been given on 'Lease' terms for 20 years (each) and all of these are realty³⁷ projects. On the other hand, Pimpri Chinchwad (JNNURM city), has four³⁸ PPP projects, all of which have been structured as 'Concession' contracts for 60 years (each) and all of these are also realty³⁹ projects.

4.13 Nagpur (JNNURM city) with 6 PPP projects amounting to 21100 lakhs has structured all of them as concession contracts and all of which are in preliminary stages.

³² The UIDSSMT towns and cities include, Chandrapur (3 projects), Ahmednagar (1 project) and Wardha (1 project)

³³ The JNNURM cities/urban agglomerations include: Bhiwandi-Nizampur, Mumbai, Nagpur, Nashik, Pimpri-Chinchwad, Pune and Thane.

³⁴ These 28 PPP projects range from: minimum 0.04 crores to maximum 80 crores (estimated project costs)

³⁵ Here the preliminary stage means the concept, pipeline or under bidding stage

³⁶ The projects estimated at 29, 67 and 128.5 lakhs result in a cumulative cost of 224.5 lakhs

³⁷ All three projects are commercial complexes.

³⁸ The projects estimated at 200, 700, 1500 and 1500 lakhs result in a cumulative cost of 3900 lakhs

³⁹ These four projects include: drama theatre, commercial complex cum cultural center, auditorium cum commercial exhibition center and commercial complex.

4.14 All UIDSSMT towns/cities together have five⁴⁰ PPP projects amounting to 1080.5 lakhs. Four of these belong to the realty sector and structured on lease terms for 20 or 30 years. The fifth project is in Ahmednagar with an estimated cost of 450 lakhs devoted to bus services and thus belonging to the transport sub-sector.

4.15 All JNNURM cities together have 23 (100%) PPP projects amounting to 38163 (100%) lakhs. On classifying these 23 projects on the basis of sub-sectors⁴¹ the following is observed: With respect to the sheer number of PPP projects, realty holds the first position with 10 (43%) projects of 13672 (36%) lakhs whereas with respect to total estimated project cost, the social sub-sector with 6 (26%) projects of 14700 (39%) lakhs holds the first position. Conversely, realty holds the second position with respect to total estimated project cost whereas social sector holds the second position with respect to the sheer number of PPP projects. Water Supply and Sanitation stands at third position with 4 (17%) projects of 5509 (14%) lakhs. Transport stands at fourth position with 2 (9%) projects of 3512 (9%) lakhs and Housing with 1 (4%) project of 770 (2%) lakhs stands at fifth and last position.

4.16 All six *social* sub-sector PPP projects⁴² are in JNNURM cities only, while there are none in UIDSSMT towns/cities. Of these, five⁴³ are hospitals and one is a school⁴⁴.

4.17 All four *Water Supply and Sanitation* projects⁴⁵ are in JNNURM cities only, while there are none in UIDSSMT towns/cities.

4.18 All eleven⁴⁶ *Concession* type PPP projects are located in JNNURM cities only while there are none in UIDSSMT towns/cities.

4.19 All nine *Management Contract* type PPP projects are located in JNNURM cities only while there are none in UIDSSMT towns/cities. Also, 8 of these 9 Management Contract PPPs are located in Pune, while one is located in Nashik.

(A.2) PPP projects: Exclusive Thane located PPP projects

4.20 Thane with 50 PPP projects⁴⁷ amounting to a total of 369.06 crores has the largest number of PPP projects in the state. Thane is the project location for 55.56% of all⁴⁸ PPP projects under *Urban Development* Department and *Municipal infrastructure* sector in the State of Maharashtra. It is noteworthy to mention that almost all⁴⁹ are structured on "Lease" basis.

⁴⁰ Total 5 projects in UIDSSMT towns/cities where 4 belong to *Nagpur Region* (3 in Chandrapur and 1 in Wardha) and 1 belongs to *Nashik Region* (1 in Ahmednagar)

⁴¹ The PPP projects are classified into 5 sub-sectors as : Housing, Realty, Social, Transport, and Water Supply and Sanitation

⁴² These six PPP projects under social sub-sector together amount to 14700 lakhs

⁴³ Of the five hospitals, two are located in Nagpur and three are located in Pune

⁴⁴ This includes a Primary/Secondary School at Nagpur

⁴⁵ Out of these 4 WSS projects there are two Water Supply projects, one each in Nashik and Bhiwandi-Nizampur Municipal corporations, whereas 2 Sanitation projects (Public toilets) are in Pune

⁴⁶ Of these 11 concession contracts, 10 are in preliminary stages whereas one is under implementation stage.

⁴⁷ These 50 PPP projects range from: minimum 0.5 crores to maximum 81 crores (estimated project costs)

⁴⁸ Of the database of 101 projects, estimated cost for 11 projects is not given. Hence the database of 90 projects is taken for analysis. Thane with 50 projects thus accounts for 55.56% of total 90 projects in the state under UD Department with Municipal infrastructure as sector.

⁴⁹ Of the 50 PPP projects in Thane, 47 are shown as lease projects, one is shown as Concession and the PPP type has not been given for 2 projects.

4.21 Regarding the status of PPP projects in Thane, out of the total 50 (100%) projects amounting to 369.06 (100%) crores, 23 (46%) projects of 84.65 (23%) crores have been completed, while 26 (52%) projects of 279.41 (76%) crores are under implementation and 1 (2%) project of 5 (1%) crores is under bidding stage.

4.22 Of the total 50 (100%) PPP projects in Thane, amounting to 369.06 (100%) crores, categorization on the basis of sub-sectors⁵⁰ reveals the following: *Social* sub-sector with 21 (42%) projects of 154.04 (42%) crores leads at the first position, followed by *realty* with 15 (30%) projects of 89.84 (24%) crores at the second position. With respect to the sheer number of PPP projects, the third position is held by *Miscellaneous* sub-sector with 5 (10%) projects of 9.92 (3%) crores. With respect to total estimated project cost, the third position is held by *SWM* sub-sector with 1 (2%) project of 81 (22%) crores. *Municipal offices* with 4 (8%) projects of 24.29 (7%) crores is at the fourth position and *Transport* with 3 (6%) projects of 8.15 (2%) crores is at the fifth position. *Housing* with only a 1 (2%) project of 1.46 crores (0.40%) is at the sixth and last position.

(B) From 150 Crores to 500 Crores

4.23 Three PPP projects (with estimated project cost 'Above 150 crores and Upto 500 Crores' each) amounting to 493.40 crores account for 3.44% of the total estimated cost of all PPP projects (14332 crores) under *Urban Development* Department and *Municipal infrastructure* sector in the State of Maharashtra. These include one water supply project (150 crores) of *Management Contract* type in Kolhapur (UIDSSMT city) and two *under implementation* Solid Waste Management (SWM) projects of *Concession* type in Mumbai⁵¹ (167.2 crores at Kanjur and 176.2 crores at Deonar).

(C) Above 500 Crores

4.24 Nine PPP projects (with estimated project cost 'Above 500 crores' each) amounting to 13077.11 crores account for 91.24% of the total estimated cost of all PPP projects (14332 crores) under *Urban Development* Department and *Municipal infrastructure* sector in the State of Maharashtra. All nine PPP projects can be further categorized into two sets, seven projects that are 'Above 500 Crores and Upto 1500 Crores' and two projects that are 'Above 500 Crores'.

(C.1) From 500 Crores to 1500 Crores

4.25 Seven PPP projects amounting to 5577.11 crores that lie in this cost-category range, account for 38.91% of the total estimated cost of all PPP projects (14332 crores) under *Urban Development* Department and *Municipal infrastructure* sector in the State. Of these seven projects, four are in *water supply* and one each in *housing* (544 crores)⁵², *realty* (1000 crores)⁵³ and *transport* (1452 crores)⁵⁴ sub-sectors. Two *water supply* PPP projects, both of

⁵⁰ The PPP projects are classified into 7 sub-sectors as : **Housing** (Transit Camp), **Municipal office** (Municipal Ward Office, Administrative Office), **Realty** (Market, Multipurpose Center, Shopping Center, Multipurpose Hall, Arct Center, Sports Complex, Drama Theater Complex), **Social** (School for Adivasi Children , Hospital, Schools, Nursing College & Hostel, Primary Health Center, Housing for dis-housed, Library & Reading Room, Community Center, Mahila Arthik Vikas Maha Mandal, Senior Citizen Club, Nana-Nani Park), **SWM** (Solid Waste Management), **Transport** (Parking and parking plaza), **Miscellaneous** (Fire Station, Police Training Center, Officers Accommodation, Playground , Eco-Garden,)

⁵¹ 'Mumbai' refers to Mumbai Metropolitan Region (MMR)- A JNNURM Urban Agglomeration

⁵² Development of Eco-Friendly Affordable Township at Bhosari, Sector 12, Pimpri Chinchwad, on lease basis, "PCNTDA (Pimpri Chinchwad New Township Development Authority) has appointed the consortium of CRISIL Risk and Infrastructure Solutions Limited, Omkar Associates and creations as project development consultants for the development of this township."

Source URL: <http://www.muidcl.com/misasp/projectrpt8.asp?wprojectid=%20143> accessed on May 23, 2010, 11:19 AM.

⁵³ International Trade Fair-cum-Convention Centre at Pimpri Chinchwad is reported to be in the preliminary stage (concept Stage/Pipeline), and PPP cell has assisted in hiring of Transaction Advisors (TA).

Management Contract type and estimated cost of 600 crores each are from Aurangabad⁵⁵ alone. The remaining two water supply projects include a PPP project by Bhiwandi-Nizampur Municipal Corporation (571.11 crores)⁵⁶ and the other being the Nira-Deoghar Project (810 crores)⁵⁷.

(C.2) Above 1500 Crores

4.26 Only two PPP projects (adding to 7500 crores) account for 52.33% of the total estimated cost of all PPP projects (14332 crores) under *Urban Development* Department and *Municipal infrastructure* sector in the State of Maharashtra! Wadala in the MMR region is about to witness these highly *investment intensive* PPP projects⁵⁸. Under the Inter State Bus Terminal (ISBT) and Iconic building projects at Wadala, two PPPs have already being envisaged—both of concession type. The PPP projects estimated to cost 3500 and 4000 crores rupees are at bidding⁵⁹ and preliminary (concept stage/pipeline) stages respectively.

4.27 The recent developments in these envisaged PPP projects at Wadala have not been reflected in the PPP database yet (as seen in previous para). After several failed attempts to lease out its 25,000 sq metre commercial plot at the Wadala Truck Terminal (WTT) for an iconic tower, the MMRDA which had invited bids on Design, Build, Own, Operate and Transfer (DBOOT) basis, this time around “tweaked tender conditions”⁶⁰ (the bids for which were to be opened on May 25, 2010). Such amendment then gave an option to the bidding developers to use the plot for solely (100%) residential purposes also, something that hitherto was not possible. It is reported that the *Lodha* Group won the bid at Rs 5723 crores. MMRDA that had set a reserve price of Rs 50000 per sq. meter, and

Source URL: <http://www.muidcl.com/misasp/projectrpt1.asp?wprojectid=%20135> accessed on May 23, 2010, 11:19 AM.

⁵⁴ A Transport System PPP project of Concession type ‘Bandra Station-BKC- Sion-Wadala’ is reported to be currently under concept stage or pipeline.

⁵⁵ Two water supply projects in Aurangabad include: [1] ‘Water Supply System of Aurangabad City’: “Aurangabad Municipal Corporation intends to undertake a comprehensive project aimed at improving the water supply system of the Aurangabad City on PPP basis. The approximate cost of the project is Rs 600 crores, which has the following main components with design period of 30 years (horizon year of 2041): (a) Augmentation of bulk water supply to the city from Jaikwadi Dam, Paithan; (b) Refurbishment of the distribution network of the city and (c) Metering of all water connections within the city and computerized billing and collection of the water charges. The private developer shall undertake the above activities and operate and maintain the entire system for a specific duration after which all the assets will have to be transferred to AMC.”

Source URL: <http://www.muidcl.com/misasp/projectrpt8.asp?wprojectid=%20137> accessed on May 23, 2010, 11:19 AM

[2] ‘Water Supply and Sewerage Treatment Aurangabad’ on Build Operate Transfer basis

⁵⁶ Bhiwandi-Nizampur City Municipal Corporation has selected a private organization, M/s Subhash Projects and Marketing Limited (SPML) through regular tendering process for implementation of works in 5 phases for Integrated Water Supply Scheme Stage 1 (B) for Bhiwandi Nizampur city on PPP Basis for which a Special Purpose Vehicle (SPV), ‘SPML-Bhiwandi Water Supply Infrastructures Limited’ would be established. Source URL: <http://www.muidcl.com/misasp/projectrpt8.asp?wprojectid=%20146> accessed on May 23, 2010, 12:05 PM

⁵⁷ It has been remarked that the Nira-Deoghar PPP project has got “Delayed due to Litigation by N.G.O. Prayas, Pune”. Source URL: <http://www.muidcl.com/misasp/projectrpt1.asp?wprojectid=%20178> accessed on May 23, 2010, 12:13 PM

⁵⁸ “The GoM, through MMRDA intends to develop Inter State Bus Terminal (ISBT) of international standards at Wadala that shall facilitate the Inter-City and Inter-State Bus services operated by public and private agencies. GoM has designated MMRDA as Appropriate Authority & Special Planning Authority to develop the said ISBT area. MMRDA intends to develop the ISBT on Design Build Operate and Transfer (DBOT) under PPP format, for 25 years of concession including the construction period. The Land Allocated for the Development of Inter State Bus Terminal, Associated Passenger Amenities and Commercial Development is 4.50 hectares. The ISBT complex will include the essential facilities like Bus platform, Operator’s office, Idle Bus Parking, Passenger Waiting and allied facilities, Bus Crew facilities, Food Courts, Communication Centre, Fuel Station, Bus repair & Maintenance facilities, Transport Interchange & Integration Facilities, Commercial, Entertainment facilities etc.”

Source URL: <http://www.muidcl.com/misasp/projectrpt8.asp?wprojectid=%20105> accessed on May 22, 2010, 6:26 PM

⁵⁹ Bid Details:- Date of Issue of EoI: 18/05/2009, Last Date of Receipt of EoI: 23/06/2009, Date of Issue of RFP: 21/01/2010, Last Date of Receipt of RFP: 04/03/2010

⁶⁰ Source URL: <http://timesofindia.indiatimes.com/City/Mumbai/Iconic-tower-could-be-100-residential/articleshow/5966473.cms> accessed on June 12, 2010, 3:50 PM

was seeking a minimum price of Rs 1980 crore for the property, was finally sold at Rs 81818 per sq metre. Granting a high 19.8 FSI to the successful bidder, Shri S V R Srinivas, Additional Metropolitan Commissioner, MMRDA, exclaimed he was sure that the Iconic structure, once completed “would assume significant relevance and attract international business to the State”⁶¹. It is noteworthy to mention the reaction of HDFC chairman Shri Deepak Parekh who termed the price as “ridiculous”.⁶²

4.28 Looking at such huge investments, several questions may arise in the mind of a common man. Are such mega projects really high on the priority needs of the state—at this hour? Is Pareto analysis of the existing problems in the state done, to arrive at the decision that; ‘ISBT and Iconic Building are the projects that needs such urgent and massive investments’? What is it in these projects that make them stand in the front rows on the state’s hierarchy of needs? Were the citizens of the state (including the MMR) consulted before deciding to pour in such huge amounts of funds (including public money) in this project? Can there be alternatives to such big projects—such as decentralized, distributed and small sized terminals designed on principles of smooth traffic flow and minimal traffic congestions, through spatial mapping of routes and facilities.

⁶¹ Source URL: <http://business.rediff.com/report/2010/may/25/rs-4053-crore-bid-for-mmrda-iconic-tower.htm> accessed on June 12, 2010, 3:47 PM

⁶² Source URL: http://www.dnaindia.com/money/report_land-deal-by-lodha-group-is-ridiculous-says-parekh_1387857 accessed on June 12, 2010, 3:44 PM

V. PPP Framework: Maharashtra

PPP Institutional Framework

Establishment of MUIF, MUIFTCL and MUINFRA

5.03 Maharashtra has been at the forefront in the country in taking initiatives on the institutional framework enabling PPPs, in as early as 2002. The Government of Maharashtra, in its Urban Development Department, vide resolution⁶³ no. *MRD No.1501/CR.No.252/UD-10* dated July 19th, 2002, envisaged the setting up of three entities with the endeavor to institutionalize the PPP efforts in the state. (See Figure below)

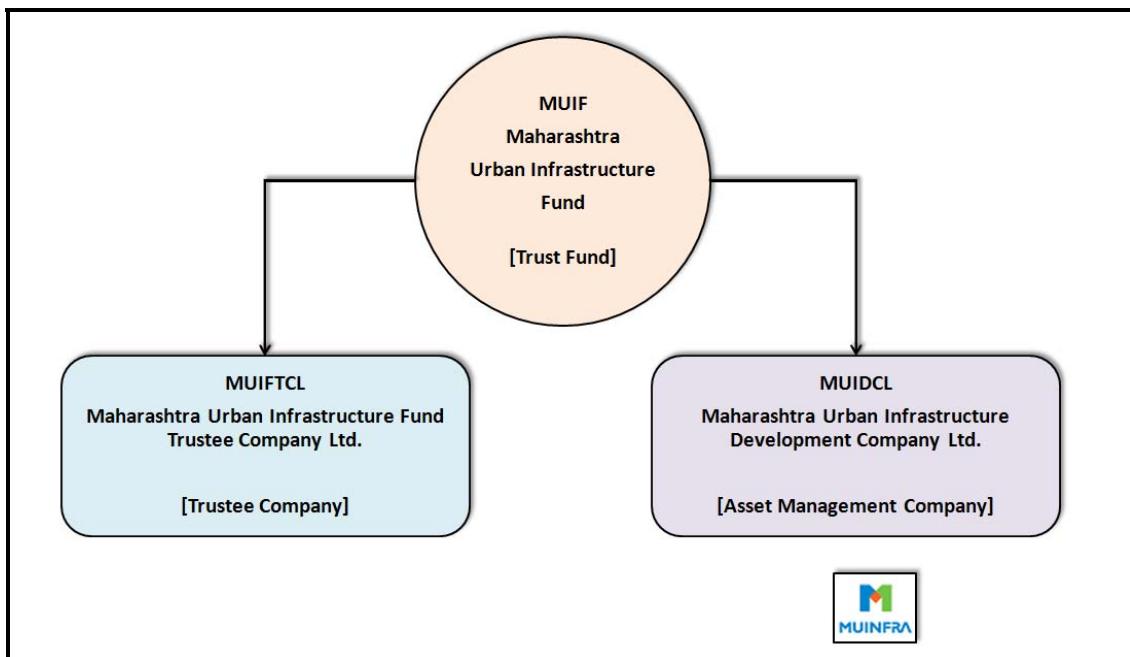


Figure 5.03-A: Early Steps of Institutional framework enabling PPPs in Maharashtra

Structure

5.04 The GoM GR envisioned the setting up of a *Trust Fund*, namely Maharashtra Urban Infrastructure Fund (MUIF), which would be managed by an *Asset Management Company* known as the Maharashtra Urban Infrastructure Development Company Ltd (MUIDCL). The trustee of this MUIF fund would be a *Trustee Company* by the name Maharashtra Urban Infrastructure Trust Company Ltd. (MUIFTCL). Our reading is that this structure comprising of a *Trust Fund*, *Trustee Company* and *Asset Management Company*, is very much the structure in which the *Mutual Funds* industry operates. The rationale behind adopting this structure needs further investigation and understanding.

⁶³ The Marathi version of this GR has been accessed from
URL: <http://maharashtra.gov.in/data/gr/marathi/2002/07/19/20051025162058001.pdf> on May 9, 2010, 10:35 AM.

MUIF

5.05 With contributions from the GoM and MMRDA, the MUIF has been set up with an initial corpus of Rs 47 Crores⁶⁴ whose objectives *inter-alia* include facilitating access to institutional finance and capital markets for increased investment in urban infrastructure, reduction of cost of capital, promoting private and community sector participation, improving creditworthiness of the local bodies, initiating and sustaining urban institutional reforms through capacity building, demonstration projects and policy support. The envisaged functions of the MUIF are Project Development, Capacity Building, Facilitating Finance, and Partial Direct Lending.⁶⁵ The MUIFTCL has constituted 3 funds under MUIF, namely, [1] Project Development Fund (PDF), [2] Project Finance Fund (PFF) and [3] Debt Service Reserve Fund (DSRF). The three funds that constitute the MUIF and the tasks that these funds are envisaged to enable are discussed in some detail in *Chapter 6*.

MUIDCL or MUINFRA

5.05 The MUIDCL (also popularly known as MUINFRA) with an “objective to promote PPPs”⁶⁶, was initially envisaged (as per GoM GR) to be setup with an *Authorised Capital* of Rs 2 Crores and a *Subscribed Capital* of Rs 1 Crore. For *Subscribed Capital*, the GoM GR laid down the following two options (See *Figure below*): [1] GoM (25%), MMRDA (24%) and Financial Institutions including SICOM (51%), where SICOM’s share would be capped at minimum 26% and maximum 51%. [2] GoM and MMRDA together (26%) and Financial Institutions including SICOM (74%). The options have also provided for increasing the *Subscribed Capital* (if required) by Rs 1 Crore. It has been reported that MUINFRA has been formed with 51% private equity⁶⁷.

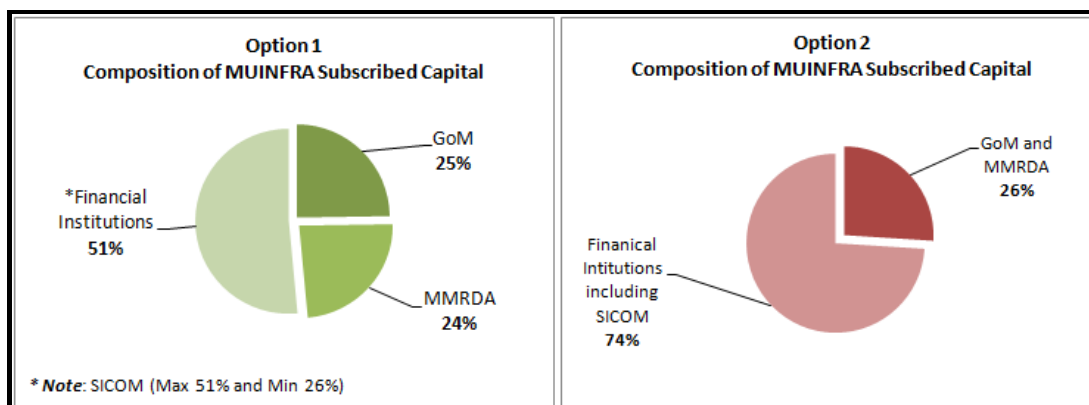


Figure 5.05-A: Options for composition of MUINFRA Subscribed Capital
Source: GoM GR setting up of MUIF, MUIFTCL and MUIDCL

5.06 The Board of Directors on the MUIDCL includes key officials from both, the GoM as well as the MMRDA. One may interpret that, the agenda, conduct of business, and the decision-making of the MUIDCL would be guided majorly by those state departments and parastatal agencies whose heads are on the Board of Directors. Therefore

⁶⁴ Source URL: http://www.pppinindia.com/pdf/maharashtra_3Jan2008_sanjay_ubale_PPP_initiatives.pdf accessed on April 15, 2010, 3:39 PM

⁶⁵ Source URL: <http://www.muidcl.com/> accessed on June 13, 2010, 10:40 AM

⁶⁶ Presentation by Shri Manu Kumar Srivastava, IAS, Secretary UD(II) and State Nodal Officer - PPP Cell, GoM, Event “PPP Nodal Officers’ Round Table 2008”, November 26-27, 2008, Venue: Le Meridien Resort & Convention Centre, Cochin, Kerala. Source URL http://www.pppinindia.com/round-table-files/states/maharashtra_ppp_nov2008_kochi_meet.pdf accessed on 16 April 2010, 2:15 PM

⁶⁷ Source URL: http://www.pppinindia.com/pdf/maharashtra_3Jan2008_sanjay_ubale_PPP_initiatives.pdf accessed on April 15, 2010, 3:39 PM

it is also indicative of the broad infrastructure sectors in which the MUIDCL is (atleast currently envisaging) to promote PPPs. The detailed *composition* of this asset management company is as shown the Table below.

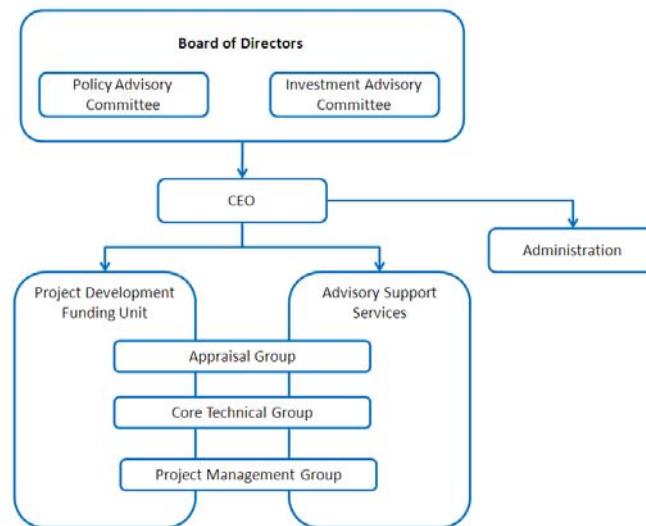
Table 5.06: Composition of MUIDCL

Sr. No.	MUIDCL Designation	Current Person In-Charge with Designation
1	Director	Shri T C Benjamin , The Principal Secretary, Urban Development Department, GoM
2	Director	Shri Ratnakar Gaikwad , The Metropolitan Commissioner, MMRDA
3	Director	Smt Malini Shankar, The Principal Secretary, Water Supply & Sanitation Department, GoM
4	Director	Shri Manu Kumar Srivastava, The Secretary, Special Projects, General Administration Department, GoM
5	Director	Smt Valsa Nayar Singh, The Secretary, Environment Department, GoM
6	Jt. Managing Director	Smt Ashwini Bhide , Jt. Metropolitan Commissioner, MMRDA
7	Chief Operations	Shri Vishram G. Patil , Sr. Planner, MMRDA

[contd.]
 Other MUIDCL personnel include:
 (8) Administrative Officer- Shri T.N.M. Nambiar; (9) Financial Analyst - Shri D.N. Ambegaonkar; (10) Project Development Consultant - Shri Atul Choudhari;
 (11) Accounts Officer- Shri V.J.Kale; (12) Company Secretary- Shri M.K.Varma; and (13) Computer Operator - Smt Sunita Shede

5.07 It was reported (in a presentation⁶⁸ by Maharashtra State PPP Nodal Officer in 2008), that a “study for restructuring MUINFRA (was) being conducted by International Finance Corporation (IFC) through CRISIL Infrastructure Advisory, with the assistance of Public-Private Infrastructure Advisory Facility (PIIAF)”. The need for such restructuring or the underlying rationale is “to support ULBs in taking up PPP Projects and also implementing MSJNMA”. It is felt that this needs to be further understood in detail in order to find out whether there is something beyond this simple justification also. Nevertheless, the MUIDCL portal has recently displayed the *proposed* MUINFRA structure and there is a lack of clarity about this being the *restructured* MUINFRA discussed above.

Figure 5.07: Proposed Organizational Structure of MUINFRA



Source: MUIDCL portal

⁶⁸ Source URL: http://www.pppinindia.com/round-table-files/states/maharashtra_ppp_nov2008_kochi_meet.pdf accessed on June 14, 2010, 12:48 PM

Establishment of PPP Cell GoM

5.08 The State of Maharashtra has set up a PPP Cell in 2006, vide Government Order Astha-1206/pra.kra 307/06/19 issued by General Administration Department (GAD) dated 4th September 2006 and subsequent Notification No. ROB. 1006/C.R.63/2006/XVIII (O&M). This institutional set-up housed in the GAD, GoM, is positioned to act as the nodal agency for processing all PPP projects in the State. A *hub and spoke* arrangement very aptly describes the role of the Cell. The PPP Cell acts as the *hub* and the relevant Departments/Ministries of the state may be viewed as *spokes*⁶⁹ (See figure below). While the relevant Departments/Ministries of the state are supposed to co-ordinate with the Cell at each stage of project development⁷⁰, the Cell is also envisaged to render advisory services to them *inter alia* in the *project preparation* phase. The cell also acts a node for all PPP matters concerning Maharashtra, outside the State, and it co-ordinates with the PPP Cell under DEA, at the national level. Thus, any PPP proposal from within the State that has to be forwarded to the Go⁷¹ would have to be routed through the PPP Cell. Also, the State Government has agreed to empower⁷² the PPP Cell to enable it to perform its duties and functions effectively.

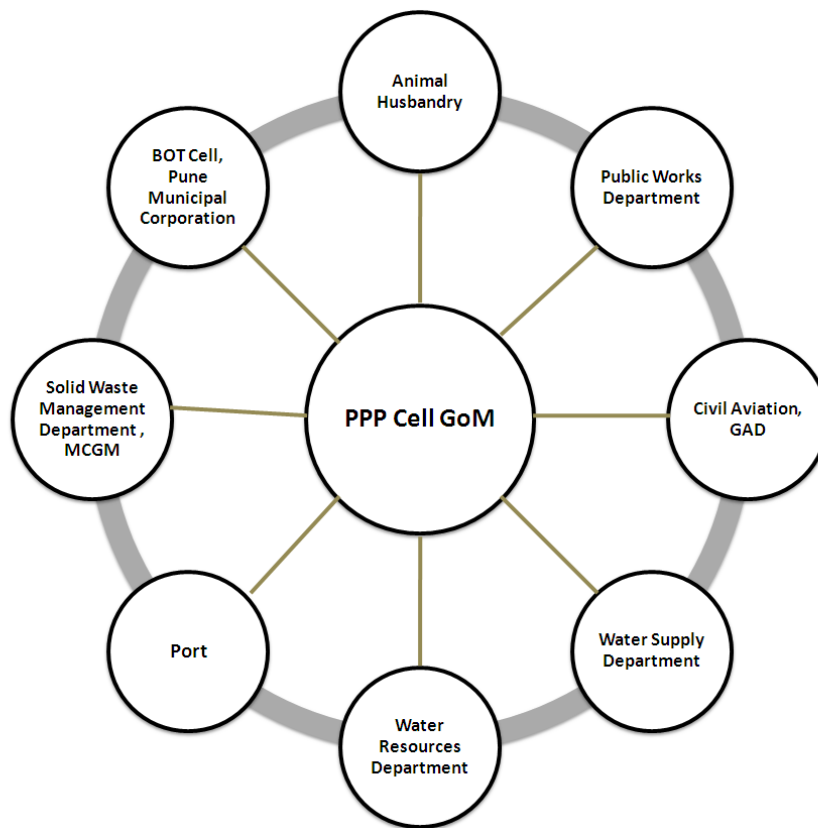


Figure: PPP Cell and State Departments: A Hub and Spoke Arrangement

⁶⁹ The ULBs and other statutory bodies also fit in this 'spoke' category, where they have to co-ordinate with the PPP Cell (hub) while dealing with PPP projects

⁷⁰ The Departments/Ministries have to keep the PPP Cell informed of the status of all the PPP project proposals.

⁷¹ Such proposals may involve those seeking technical assistance or availing of any financial mechanisms

⁷² Such empowerment to may be done by effecting the necessary orders

5.09 The PPP Cell GoM organogram shows the State PPP Nodal officer heads the Cell and is assisted by project and administrative staff. While the State PPP Nodal officer and administrative staff comprises (strictly) state government (i.e., GoM) employees, the project staff comprising of PPP and MIS experts are (currently) from the Asian Development Bank (ADB). It is important to note that the MUIDCL portal does not make any mention about the legal and financial experts as shown in figure below. The Cell can avail the advisory services on PPP transactions from empanelled consultants through the State PPP Nodal officer. The *Panel of Transaction advisors*, exclusively for the state of Maharashtra has been discussed in some detail in coming sections. However, the *Transaction Advisors* empanelled at the national level (i.e., GoI) are supposedly also accessible for assistance to the PPP Cell. (See figure below)

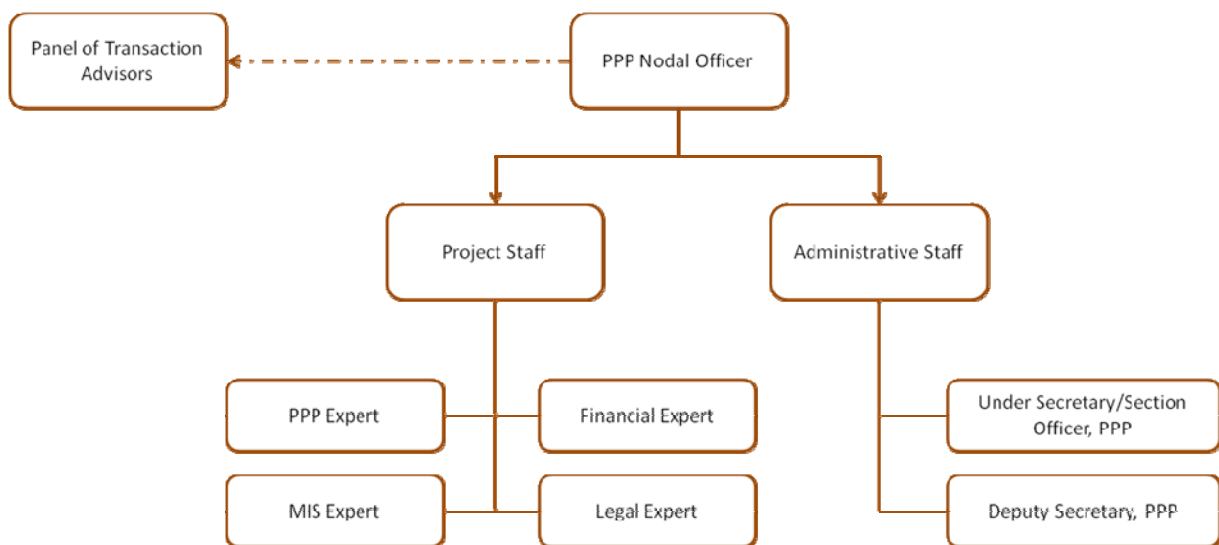


Figure: Organization Structure of PPP Cell GoM

Source: Presentation by Maharashtra State PPP Nodal officer, 2008⁷³

5.10 The Secretary, Special Projects, GAD, GoM has been appointed and designated as the Maharashtra state level PPP Nodal officer. The GoM representation on the PPP Cell also includes two other key officials of the GAD, namely the Deputy Secretary and Section officer. Two Asian Development Bank (ADB) experts (one PPP expert and one MIS expert) are Officers on Special Duty (OSD) to the PPP Cell, GoM. These experts have been inducted (or recruited) as part of the ADB-DEA Technical Assistance (TA) project titled “Mainstreaming PPPs in India at the State level” (discussed earlier in *Section 3.18, Chapter 3*), for which the GoM has signed a MoU with the DEA, GoI making significant commitments on the PPP front on behalf of the State (discussed earlier in *Section 3.21, Chapter 3*).

⁷³ Presentation by Shri Manu Kumar Srivastava, IAS, Secretary UD(II) and State Nodal Officer - PPP Cell, GoM, Event “PPP Nodal Officers’ Round Table 2008”, November 26-27, 2008, Venue: Le Meridien Resort & Convention Centre, Cochin, Kerala. Source URL http://www.pppinindia.com/round-table-files/states/maharashtra_ppp_nov2008_kochi_meet.pdf accessed on 16 April 2010, 2:15 PM

Table 5.09: Composition of PPP Cell GoM

Sr. No.	PPP Cell GoM Designation	Current Person In-Charge
1	State PPP Nodal Officer	Shri Manu Kumar Srivastava, The Secretary, Special Projects, General Administration Department, GoM
2	PPP Expert, Officer on Special Deputation (OSD)	Shri Ajay Saxena, OSD-PPP Asian Development Bank (ADB) Expert MUIDCL
3	Management Information System (MIS) Expert, Officer on Special Deputation (OSD)	Shri Satyaveer Singh, OSD-MIS Asian Development Bank (ADB) Expert MUIDCL
4	Deputy Secretary PPP	Shri R.T.Jhadav, Deputy Secretary, General Administration Department, GoM
5	Section Officer PPP	Shri Sanjay Bhandarkar, Section Officer, General Administration Department, GoM

5.11 As explained earlier, the relation between the PPP Cell and state line departments can be seen in terms of a *hub and spoke arrangement*. Having briefly deliberated on the hub, it is also important to know the setup by which the spokes communicate with the hub. To facilitate the *PPP Cell* interactions with the different state line departments (and departments within some ULBs) and enabling these entities to avail assistance or facilitation on PPP matters (in the sectors represented by these departments), departments now have set up a *PPP desk* with a *PPP Nodal Officer*. These Nodal Officers for PPP Projects in state departments of Maharashtra are listed in the table below.

Table 5.10: Nodal Officer for PPP Projects in State Departments, GoM

Sr. No.	Department	Current Person In-Charge with Designation
1	Public Works Department (PWD)	Shri M.N.Dekate, Deputy Secretary, PWD
2	General Administration Department GAD [Civil Aviation]	Shri R.T.Jadhav, Deputy Secretary, GAD (Civil Aviation)
3	General Administration Department GAD [Civil Aviation]	Shri Sadanand Atma Ram Kanetkar, Section Officer, GAD (Civil Aviation)
4	Water Supply Department (WSD)	Shri Laxmi Kant Dhoke, Section Officer, WSD
5	Water Resources Department (WRD)	Shri T.N.Munde, Deputy Secretary, WRD
6	Port	Chief Executive Officer
7	Solid Waste Management Department , Municipal Corporation of Greater Mumbai (MCGM)	Shri M.Y.Chikhale, Deputy Chief Engineer, Solid Waste Management Deptt., MCGM
8	BOT Cell, Pune Municipal Corporation (PMC)	Dy. Chief Engineer, PMC
9	Animal Husbandry	Dr Sanjay Vishwanath Rao Dojjode, Nodal Officer

Panel of Transaction Advisors

5.12 Usually, the agencies that envisage undertaking of infrastructure projects through routes such as PPPs, lack the requisite capacities (such as financial engineering and/or transaction capacities) for successful procurement of such projects. Recognizing this need, the Government of India (at the national level) has pre-qualified transaction advisors to provide advisory services as needed by the implementation agencies. Taking cue from this, the GoM has also accorded its approval for empanelment transaction advisors for the State through GR No. MVP-2008/C.R.91/S.P. dated 20th Nov 2009 issued by the General Administration Department. The GoM had requested the MUIDCL to carry out the Bid Process Management (BPM) for setting up the panels. These Panels would be

made available for rendering financial engineering and transaction advisory services for implementation of PPP and other types of projects to Maharashtra State government and its agencies (including ULBs and Project Implementation agencies). This panel would last until Nov 2012 (a period of three years from the date of issue of the GoM GR empanelling the consultants)

Table 5.12: GoM Empanelled Transaction Advisors

Panel 'A' of Transaction Advisors <i>Cost of infrastructure project Upto and More than Rs 100 Crores</i>	Panel 'B' of Transaction Advisors <i>Cost of infrastructure project Less than Rs 100 Crores only</i>
<ol style="list-style-type: none"> 1. A'XYKno Capital Services Ltd <ol style="list-style-type: none"> a. J.Sagar & Associates 2. Darashaw & Company Pvt. Ltd. 3. Infrastructure Professionals Enterprise (P) Ltd. <ol style="list-style-type: none"> a. Powertec Engineering Pvt Ltd. 4. Karvy Stock Broking Ltd & Karvy Investor Services Ltd. <ol style="list-style-type: none"> a. M/s Capital Fortunes Private Ltd b. M/s M. Bhaskar Rao & Co, Chartered c. Accountants d. M/s India Law services, Advocates & Solicitors 5. KPMG Advisory Services Private Ltd <ol style="list-style-type: none"> a. Hemant Sahai Associates (HSA) 	<ol style="list-style-type: none"> 1. A'XYKno Capital Services Ltd <ol style="list-style-type: none"> a. J.Sagar & Associates 2. Srei Infrastructure Finance Ltd. <ol style="list-style-type: none"> a. IFCI Ltd b. M/s Little & Company (Group firm of Fox Mandal Little) 3. Voyants Solutions Pvt. Ltd. <ol style="list-style-type: none"> a. Innovest Advisory Services Pvt. Ltd. b. Link Legal
<p><i>Note: The Lead consortium members are marked bold while the others are consortium partners.</i></p>	

Source: GoM GR No. MVP-2008/C.R.91/S.P. dated 20th Nov 2009 issued by General Administration Department

5.13 A recent development is that the GoM in its Urban Development Department is seeking to establish panels of pre-qualified consultants or advisers for the development of City Development Plans (CDPs) and sector-specific technical consultants for urban infrastructure projects in various sub sectors such as water supply and sanitation, integrated city roads, and solid waste management⁷⁴. A pre-bid meeting of prospective consultants for empanelment was held on May 14th, 2010 and interested parties were supposed to submit their proposals by June 10th, 2010.

PPP Policy Framework

State Level PPP Policy

5.14 In the presentation by Maharashtra state PPP nodal officer in the event *PPP Nodal Officers' workshop* held in November 2008⁷⁵, it was for the first time informed that the draft of the PPP policy for the state of Maharashtra was ready following a stakeholders workshop that was held on this matter. The policy, it deliberated, would

⁷⁴ Notice Inviting Request for Qualification (RfQ) dated April 22nd, 2010. Source URL: http://www.muidcl.com/tc_rfq.htm accessed on June 15, 2010, 11:19 AM

⁷⁵ Presentation by Shri Manu Kumar Srivastava, IAS, Secretary UD(II) and State Nodal Officer - PPP Cell, GoM, Event "PPP Nodal Officers' Round Table 2008", November 26-27, 2008, Venue: Le Meridien Resort & Convention Centre, Cochin, Kerala. Source URL http://www.pppinindia.com/round-table-files/states/maharashtra_ppp_nov2008_kochi_meet.pdf accessed on 16 April 2010, 2:15 PM

provide a broad framework and envisaged the issuance of PPP guidelines by respective departments. The presentation further revealed that the Maharashtra's "state legislation regarding PPPs would be possible by the end of March 2009, after the approval of PPP Policy". On the *forward programme for PPPs* in the State, the presentation remarked that an "Act is being pursued". This makes the intent of the GoM clear in that it seeks to come out (first) with a state PPP policy, followed by an Act (or consolidation of laws) dealing with PPPs (as its core subject matter).

5.15 The information to some extent was reiterated in March 2009, at the third ADB-DEA Review meeting on "Mainstreaming of PPPs in the States and Central Line Ministries". In this event the presentation delivered⁷⁶ on behalf of PPP Cell GoM again claimed that the "draft of PPP Policy (for the state of Maharashtra) has been prepared through a rigorous consultative process with all the stake-holders". This presentation divulged some more details about interactions with stakeholders, in that the "first concept note (pertaining to PPP policy) was put to test during a brainstorming session with private operators, govt. officials, GoI empanelled Transaction Advisors, Financial Institutions, ADB, World Bank etc". It is considered important to note that was no mention of any sort of *public participation* or representation on this matter by academicians-experts or Civil Society Institutions (CSIs). This leads us to conclude that the entire process of evolving, formulating and developing the State PPP policy is being dominated by the state (i.e., government) and market forces. This process is exclusionary (apparently) in that the *public* (or citizens of the state) who are *de facto* stakeholders to this entire subject matter on PPPs (since the *public* would constitute the end consumers or users of services or infrastructure projects implemented through the PPP route) are being deprived of the discourse shaping the state PPP policy. The presentation further made a cursory mention about the decision making process on the same being underway (i.e, in March 2009). Advocating the decentralized approach, it reported that, the PPP Cell would merely play the role of a *facilitator* ruling out any '*infrastructure authority approval*' requirements. It is unclear unto the policy is published whether the *status quo* would be maintained (without modifications) for projects costing more than Rs 25 crores. It stated that as per the "existing rules (in Maharashtra), all the projects costing more than Rs 25 crores are necessarily sent to Cabinet Sub-committee on Infrastructure chaired by Chief Minister".

5.16 Maharashtra, since the start of 2010 has been witnessing rapid and major developments on the PPP front in the state, which *inter alia* includes the State PPP policy. An attempt to capture the other recent developments has been made in following *Chapter 6*. Speaking at the inaugural function of a *PPP Knowledge Sharing Workshop*⁷⁷ on January 28th 2010, in Mumbai, the Chief Minister (CM), Shri Ashok Chavan announced that, "the state is soon going to launch its PPP Policy, which would set the guiding principles for the PPP based infrastructure development and delivery of services"⁷⁸. He further confirmed that the draft of this policy was currently "under finalization"⁷⁹. The MUIDCL portal informs that the "state PPP Policy is under submission to approval of the Cabinet"⁸⁰.

⁷⁶ Third ADB-DEA Review Meeting, PPP Cell GoM presentation during the event titled "Mainstreaming of PPPs in the States and Central Line Ministries" by, New Delhi, 23rd March 2009.

Source URL: http://www.pppindia.com/ppp_rev_meeting_23mar2009.php accessed on May 25, 2010, 2:56 PM

⁷⁷ This *PPP Knowledge Sharing Workshop* was reported to have been organized under the DEA-ADB PPP initiative.

⁷⁸ News "Maharashtra will launch it's PPP (Public-Private Partnership) Policy soon - Chief Minister, Ashok Chavan, Mumbai, 28th January, Source URL: <http://www.maharashtra.gov.in/pdf/Microsoft%20Word%20-%2028.1.2010%20Eng%20Infrastrucuture%20through%20PPP%20cm%20news%20release%20f.pdf> accessed on February 18, 2010, 5:49:06 PM

⁷⁹ News "State to come out with PPP policy", Special Correspondent, Friday, January 29, 2010 AT 11:57 AM (IST), Mumbai URL: <http://www.sakaaltimes.com/SakaalTimesBeta/20100129/5147322329638672567.htm>

⁸⁰ Source URL: <http://www.muidcl.com/stateppppolicy.htm> accessed on June 15, 2010, 2:56 PM

Sectoral PPP Policy

5.17 The MUIDCL portal informs that sectors such as water, road and bridges, ports, irrigation and tourism have some policy orientation for PPPs or *private sector participation*. This has been actualized by the state (via the GoM) through *key instruments* such as GoM Resolutions or circulars or policies. Two of these urban infrastructure sectors have been briefly discussed in the table below.

Table 5.17: Select urban infrastructure sectors in Maharashtra having some policy orientation for PPPs

Key Instruments	“Excerpts” from Key instruments that highlight the GoM inviting or eliciting ‘private sector participation’
Water Sector (Water Supply and Sanitation Department)	
<p>Government Circular No. NAPAPU/1001/CR.503/PAPU 22, Dated 12th June 2001, Water Supply and Sanitation Department, GoM</p> <p>-</p>	<ul style="list-style-type: none"> • There is a need to increase efficiency in the water supply and sewage schemes through <i>participation of the private institutions</i>. • Govt. was considering participation of private institutions in operation and maintenance of the water supply scheme in case of 'A' class municipal councils. • All the Municipal Corporations and 'A' class Municipal Councils were directed vide Government Resolution dated 27th September 2000 to carry out water and energy audits, check water leakages and reduce wastage <i>by seeking participation of the private sector</i>. • There are various options available with respect to the participation of the private institutions in the existing management of water supply scheme. • Three <i>options for participation of private institutions</i> include: (i) Management Agreement; (ii) Rent Agreement; and (iii) Tax Concession Agreement • Management of water supply schemes <i>can be operated by the private institutions</i> by taking the responsibilities of metering, billing recovery, distribution and maintenance. • Transparency shall be maintained by involving elected members, officers, consumer organizations as well as experts in the field from the start of the <i>privatization procedure</i> till its completion.
<p><i>Also read:</i></p> <p>Government Resolution No. NAPASU 1000/CR419/PAPU 22, dated 27th September 2000</p>	
Road and Bridges (Public Works Department)	
<p>GR No. PSP1095/CR.11/R.8, dated 19th July 1996, Public Works Department, GoM</p> <p><i>-Policy on implementation of Road and Bridge projects through Private sector participation</i></p>	<ul style="list-style-type: none"> • While implementing a road <i>project through Private Sector Participation (PSP)</i> it is assumed that the entrepreneur shall invest the cost of the project and that will be allowed to <i>recover his investment along with reasonable profit</i> through toll collection and other measures provided by the government. • Generally a <i>project with returns beyond 20% shall be deemed to be feasible for</i>

<p><i>Also read:</i></p> <p>GR No. 1089/CR22/Planning-2, Dated 30th June 1989, Planning Department, GoM</p> <p>GR No.PSP 1089/CR22a./ Planning-2, Dated 30th June 1989, Planning Department, GoM</p>	<p><i>taking up through PSP.</i></p> <ul style="list-style-type: none"> • To make road development <i>projects financially feasible through PSP</i> the government has decided to give some concessions and to make available some other sources of income to entrepreneurs. • To make suitable provisions in the bid documents for <i>covering risks</i> beyond their control in relation to the <i>investment made by the entrepreneurs</i>. • The principal objectives while establishing the Maharashtra Road Development Corporation Ltd <i>inter alia</i> included: (i) To implement through PSP, development programmes of roads, bridges and other related facilities; (ii) To generate funds <i>through PSP for development of roads and bridges</i>
<p><i>Note: Information of GoM GRs, circulars or policies for ports, irrigation and tourism sectors has been given on MUIDCL portal</i></p>	

Source: MUIDCL Portal (URL: <http://www.muidcl.com/stateppppolicy.htm>)

PPP Guidelines, Toolkits and Model Documents

5.18 Treating PPP Guidelines as ‘*policy statements* concerning PPPs’, the state PP Nodal Officer in 2008 informed⁸¹ that though the state PPP Policy was yet to be developed, the “following sectors had already issued *PPP Guidelines*, namely roads, power, port, industry, tourism, water sanitation, irrigation and housing”. The presentation also informed that *Public-Private Infrastructure Advisory Facility*⁸² (PPIAF) help was being sought in sector specific detailed PPP guidelines including model documents in five other sectors, namely water supply, sewerage and drainage, solid waste management, integrated road development in cities, and urban transportation.

Table 5.18: PPIAF assistance sought by GoM for developing Key PPP Documents, 2008

Sr. No.	Sectors	International agency assistance sought by GoM for developing sector specific detailed PPP guidelines including model documents
1	Water Supply	Public-Private Infrastructure Advisory Facility (PPIAF)
2	Sewerage and Drainage	Public-Private Infrastructure Advisory Facility (PPIAF)
3	Solid Waste Management	Public-Private Infrastructure Advisory Facility (PPIAF)
4	Integrated Road Development in cities	Public-Private Infrastructure Advisory Facility (PPIAF)
5	Urban Transportation	Public-Private Infrastructure Advisory Facility (PPIAF)

⁸¹ Presentation by Shri Manu Kumar Srivastava, IAS, Secretary UD(II) and State Nodal Officer - PPP Cell, GoM, Event “PPP Nodal Officers' Round Table 2008”, November 26-27, 2008, Venue: Le Meridien Resort & Convention Centre, Cochin, Kerala. Source URL http://www.pppinindia.com/round-table-files/states/maharashtra_ppp_nov2008_kochi_meet.pdf accessed on 16 April 2010, 2:15 PM

⁸² “The Public-Private Infrastructure Advisory Facility (PPIAF) was created in 1999 to act as a catalyst to increase private sector participation in emerging markets. It provides technical assistance to governments to support the creation of a sound enabling environment for private service provision.” Source URL: <http://www.ppiaf.org/ppiaf/> accessed on June 15, 2010, 8:43 PM

*Source: Presentation by Maharashtra State PPP Nodal Officer
in the event titled 'PPP Nodal Officers' Workshop', 26-27th November 2008*

5.19 A *status quo* on sectors in which PPP guidelines had been issued was maintained even till March 2009 as stated in the presentation made on behalf of PPP Cell GoM at the 3rd DEA-ADB Review meeting. This presentation informed that the state was in the process of developing PPP sectoral guidelines along with Model Request for Qualifications (RFQs), Model Request for Proposals (RFPs) and Model Concession Agreements (CAs) for all possible types of PPP structures by commissioning studies with the support of International Financial Institutions (IFIs) such as the Asian Development Bank (ADB) and World Bank (WB).

Table 5.19: ADB and WB support sought by GoM for developing Key PPP Documents, 2009

Sr. No.	Sectors	IFIs supporting GoM commissioned studies for developing sectoral PPP Guidelines, Model RfQs, Model RfPs, and Model CAs
1	Water	Asian Development Bank (ADB)
2	Urban Transportation	Asian Development Bank (ADB)
3	Solid Waste Management	World Bank (WB)
4	Education	Asian Development Bank (ADB)
5	Health	Asian Development Bank (ADB)

Source: Third ADB-DEA Review Meeting, PPP Cell GoM presentation during the event titled "Mainstreaming of PPPs in the States and Central Line Ministries, 23rd March 2009

5.20 The Chief Minister, Shri Ashok Chavan while inaugurating a *PPP Knowledge sharing workshop* on January 29, 2010, informed that “apart from the formal (PPP) policy, the state has taken the initiatives of the development of PPP toolkits for six important sectors of urban infrastructure viz. water supply and sanitation, urban transport (bus services), integrated city road development, solid waste management, urban health and education, with the help of the GoI, the ADB and the PPIAF”⁸³. There seems to be some progress on this front as the MUIDCL portal informs that toolkits have been developed and published for some (not all six as envisaged above) urban infrastructure sectors such as water and transport for the state of Maharashtra (very recently in November 2009). These have been prepared by Crisil Advisory (a consultancy firm) under DEA-ADB initiative on ‘*Mainstreaming PPPs in India*’. The toolkits (for both—*urban water supply* and *urban transport* in Maharashtra) report that they are “designed to help the decision makers in deciding whether a particular project might be suitable for the PPP route or not. The toolkits can therefore be the basis for approving a project implementation structure as part of the overall project approval methodology.”

⁸³ News “State to come out with PPP policy”, Special Correspondent, Friday, January 29, 2010 AT 11:57 AM (IST), Mumbai URL: <http://www.sakaalimes.com/SakaalTimesBeta/20100129/5147322329638672567.htm>

Table 5.20: PPP Toolkits for urban infrastructure sectors for the State of Maharashtra

PPP Toolkit for Maharashtra Urban Water Supply	PPP Toolkit for Maharashtra Urban Transport
<p>Toolkit for PPP in Urban Water Supply for the State of Maharashtra, November 2009</p> <p>“The toolkits so developed are expected to assist the relevant public entities in the state of Maharashtra for developing PPP-based projects in the water supply and sanitation sector.” (Pg. 3)</p> <p>It is expected that these “toolkits would be used by the Municipal Commissioners and the Chief Executive Officers of the urban local bodies, the Managing Directors and the functional directors of the Water Supply and Sanitation Boards and the state governments and other decision makers while considering PPP-based implementation of urban water supply and sanitation projects.” (Pg.4)</p> <p>A preliminary analysis of a selected sample of 12 cities of Maharashtra has been presented in the report. These are: “Jalna, Sangli-Miraj-Kupwad, Kolhapur, Virar, Navghar Manikpur, Chiplun, Akot, Saoner, Shirpur, Kulgaon-Badlapur, and Ambernath.” (Pg. 132)</p> <p>Review of documentation for preparing this report included “case studies on the implementation of PPP in urban water in cities like Latur and Chandrapur” in Maharashtra (Pg.15)</p>	<p>Toolkit for PPP in Urban Transport (Bus Transport) for State of Maharashtra, November 2009</p> <p>“The toolkits so developed are expected to assist the relevant public entities in the state of Maharashtra for developing PPP-based projects in the transport sector.” (Pg.3)</p> <p>It is expected that these “toolkits will be used by the Municipal Commissioners and the Chief Executive Officers of the urban local bodies, the Managing Directors and the functional directors of the bus transport undertakings and the state governments and other decision makers while considering PPP-based implementation of urban transport (bus transport) projects.” (Pg.4)</p> <p>“The sampled cities (selected for the urban bus transportation sector) include Navi Mumbai, Nashik, Aurangabad and Nanded.” (Pg. 12)</p> <p>Amongst the case studies dealt with in the report, in urban bus transport, “Pune (cost plus contract)” from Maharashtra has been included. (Pg.18)</p>
<p>Applicable to both Toolkits (urban water supply and urban bus transport sectors in Maharashtra)</p> <p>Sub Title: Local Government Consultation and Sector Assessment for developing possible Public–Private Partnership Models for the state of Maharashtra</p> <p>Structure of the toolkit: Volume 1: PPP toolkit, Volume 2: Details of PPP structures, Volume 3: Case Studies of PPP in Maharashtra</p> <p>Volume 4: Term Sheets for PPP structures</p> <p>Prepared by: Crisil infrastructure Advisory. The DEA, PPP Cell (Maharashtra) and ADB have worked closely in the development of these reports.</p> <p>Prepared under: GOI-ADB PPP Initiative “Mainstreaming PPPs in India”</p>	

Source URL: <http://www.muidcl.com/ppptoolkits.htm> accessed on June 16, 2010, 1:35 AM

PPP Regulatory Framework

5.21 The State PPP Nodal officer cursorily touched upon the subject of *PPP regulation* for Maharashtra in *PPP Nodal Officers' Workshop* in 2008. His presentation offered two commonly known options for PPP regulation, namely (i) regulation by specified agency and (ii) regulation by contract. These options were cited as *regulatory* or *conciliatory functions* under guiding principles for institutional framework. In the following year (2009), the presentation made on behalf of PPP Cell GoM in 3rd DEA-ADB review meeting, informed that the PPP Cell was (then) "commissioning a study to prepare a concept Paper for PPP Regulator to be established through PPP Policy of the State". It reported that this was being done "with the help of PPIAF, World Bank". Further, under salient features of the state PPP policy, it remarked *PPP regulator* with a "sunset clause"⁸⁴.

5.22 This seems to lay the ground for a new institutional set up at the State level, namely *State PPP Regulator* and the proposed state PPP policy would provide for its establishment. To sum it up, it appears that the GoM (for regulation of PPPs in the state of Maharashtra) has opted for the first option (regulation by specified agency—*PPP regulator*) in addition to the second option (regulation by contract). The latter is currently being practiced in the state (and even country) and may be treated as *de facto* method of regulating PPPs. This is because almost all PPP projects are executed through PPP contracts known as Concession Agreements. The pre-determined clauses in these contractual agreements *inter alia* attempt to regulate the partnership in a way that is binding on both partners (public as well as private).

⁸⁴ "A statutory provision providing that a particular agency, benefit, or law will expire on a particular date, unless it is reauthorized by the legislature."

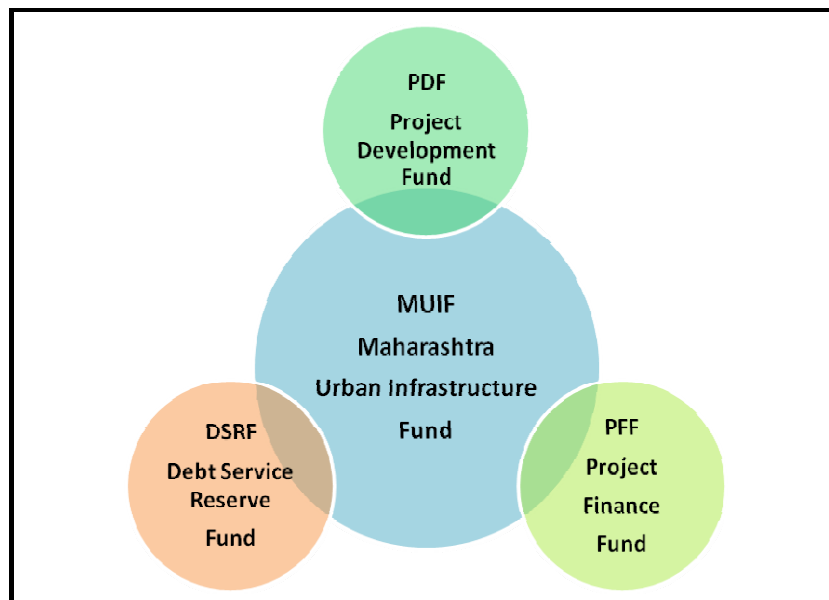
Source URL: <http://legal-dictionary.thefreedictionary.com/Sunset+clause> accessed on June 16, 2010, 5:13 PM

VI. PPP Financing for Maharashtra: At State and Central Levels

PPP Financing for Maharashtra: At State Level (GoM)

6.1 As seen earlier, the establishment of MUIF, MUIFTCL and MUIDCL under the PPP institutional framework in Maharashtra (*Chapter 4*) were envisaged to deal *inter alia* with PPP financing for the State. PPP financing in itself is meant facilitate, amongst other things, the funding of project development expenses as well as the financing of projects through debt. Towards this end, the Maharashtra Urban infrastructure Fund (MUIF) that is managed by the Maharashtra Urban Infrastructure Development Company Ltd (MUIDCL) has formed 3 funds within its framework, namely (1) Debt Service Reserve Fund (DSRF), (2) Project Finance Fund and (3) Project Development fund. (See figure below)

Figure 6.1 : Funds within MUIF framework



6.2 While speaking at the inauguration of a *PPP Knowledge sharing workshop* on January 28th 2010, Chief Minister, Shri Ashok Chavan informed that “the Project Development Fund (PDF) of Rs 51 Cr. in the MUIDCL would support the need-based *project development* activities of the ULBs. The Government has also decided to establish a corpus of Rs 500 Crores in the Maharashtra Urban Infrastructure Fund (MUIF), in collaboration with MMRDA, which would also allow ULB’s to get credit support while implementing PPP Projects”⁸⁵. The state has envisaged three schemes (dealing with three funds) to be executed through its PPP institutional framework. The table below tries to highlight the envisaged functions under these three schemes. (See Table below)

⁸⁵News “Maharashtra will launch it’s PPP (Public-Private Partnership) Policy soon - Chief Minister, Ashok Chavan, Mumbai, 28th January, Source URL: <http://www.maharashtra.gov.in/pdf/Microsoft%20Word%20-%2028.1.2010%20Eng%20Infrastructure%20through%20PPP%20cm%20news%20release%20f.pdf> accessed on February 18, 2010, 5:49:06 PM

Project Development Fund (PDF)* Scheme
<p>The envisaged functions under this scheme include:</p> <ul style="list-style-type: none"> • Facilitate Project development (PPP as well as Non-PPP infrastructure projects); • Giving advice on project financing; • Assisting (obtaining or arranging) in raising funds from various sources; • Providing interest free or soft loans or grants for development of projects (PPP as well as Non-PPP infrastructure projects); • Capacity Building; • Providing Policy support and also support for Policy reforms to the GoM • Assistance for preparing City Development Plans (CDPs); • Promoting private and community sector participation in urban infrastructure projects; • Assisting GoM and state agencies in bench marking, policy analysis, design of sector strategies, system development, formulation of model guidelines, and information management.
Project Finance Fund (PFF) Scheme
<p>The envisaged functions under this scheme include:</p> <ul style="list-style-type: none"> • Providing Loan assistance for execution of projects (PPP as well as Non-PPP infrastructure projects); • Borrow and Lend funds for projects to Project Implementation Agencies (PIAs) which find it difficult to raise resources; • Providing Loan assistance in the form of Viability Gap funding (VGF) for PPP projects; • Providing Loan assistance towards substantial cost funding of non-PPP projects
Debt Service Reserve Fund (DSRF) Scheme
<p>The envisaged functions under this scheme include:</p> <ul style="list-style-type: none"> • Provide Financial guarantee for raising loans from other agencies -MUIDCL would provide guarantees to loans raised by Project Implementation Agencies (PIAs); • Appraisal of debt guarantee proposals;
<p>* Note</p> <p>Success fees (with an upper limit of 25% of project development cost) to be paid to MUIDCL by PIA or ULB, where project development has been done by MUIDCL or where MUIDCL has helped the latter in obtaining finance.</p>

Table 6.2: PPP financing in Maharashtra through PDF, PFF and DSRF

PPP Financing for Maharashtra: At Central Level (GoI)

Credit Lending

India Infrastructure Finance Company Ltd (IIFC)

6.3 As on 24th May 2010, a total of eight projects (5-roads, 1-port, 1-airport and 1-power) amounting to Rs 14014.29 crores were reported⁸⁶ as being funded by the IIFC, in the state of Maharashtra. Five projects (4-roads and 1-airport) amounting to Rs 7115.29 crores out of these eight are envisaged as to be executed through the PPP route. For these five PPP projects, on an average, 19% of the total project cost has been sanctioned by the IIFC as loans. Against the sanctioned sum of Rs 1395 crores (100%), only Rs 483 crores (35%) have been allocated. Against this allocated sum of Rs 483 Crores (100%) Rs 47.56 crores (9%) have been disbursed. Effectively, only 3% of the sanctioned sums have actually been disbursed by the IIFC for PPP projects in the state. Also, it is considered

⁸⁶ Source URL: <http://www.pppinindia.com/IIFCprojects.php> accessed on May 24, 2010, 11:51 AM

important to note that the average rate of interest (of loans issued by IIFC) for road sector PPP projects in Maharashtra turns out to be 10.4%.

Project Development Funding

India Infrastructure Project Development Fund (IIPDF)

6.4 As on 24th May 2010, a total of three PPP projects from Maharashtra were reported⁸⁷ to have been granted approval under the IIPDF scheme. It is interesting to note that all three PPP projects (with Aurangabad, Kolhapur and Nashik Municipal Corporations as sponsoring authorities) are from the *water supply and sanitation* sector. The PPP project proposal by Aurangabad Municipal Corporation seeking funding for its *project development* expenses under the IIPDF scheme was granted final approval by the *Empowered Institution* on March 20th 2009. For this proposed 'Parallel water supply project in Aurangabad', Rs 90 lakh (75%) is the support sought under the IIPDF scheme against the estimated *project development* expenses Rs 120 Lakh (100%). Also, the *Empowered Institution* has granted *In Principle* approvals (subject to conditions) to the 'Kolhapur PPP Water Supply and Sewerage project' and 'Nashik PPP Water Supply Operations (Billing and Collection) project' on March 20th, 2009 and September 29th, 2008 respectively.

Viability Gap Funding

VGF Scheme⁸⁸

6.5 As on 24th May 2010, the proposals that were granted approval under the VGF scheme where bidding processes had been completed included three projects. Two *highway* projects with estimated project costs of Rs 300.19 crores and Rs 95.91 crores were approved VGF to the tune of Rs 60 crores and Rs 19.18 crores respectively. Similarly a *metro rail* project of estimated cost Rs 7 Crores has been approved a VGF of Rs 1 crore. Thus, for these projects, an average VGF of 20% was granted for *highways* as compared to 14% for *metro rail* projects.

6.6 As on 24th May 2010, the proposals that were given *in-principle* approval under the VGF scheme included nine projects. Four *highway* projects with total estimated project costs of Rs 947.46 crores were given *in principle* approval for VGF to the tune of Rs 203.65 crores. While VGF of 20% was approved for three of these projects, one project was given VGF approval of 29%. *In principle* approval was also given to five projects in *roads* sector where VGF of Rs 323.24 crores was given approval against total estimated cost of Rs 1616.17 crores. An average VGF of 20% was given in principle approval for these five *roads* projects.

6.7 As on 24th May 2010, two proposals were *under consideration* from the *highways* sector. Two *highway* projects with estimated project costs of Rs 470.26 crores and Rs 238.60 crores were *under consideration* for VGF sought to the tune of Rs 94.05 crores and Rs 47.72 crores respectively. An average VGF of 20% was *under consideration* for these two *highway* projects.

6.8 As on 24th May 2010, there were four special cases. Two of them pertained to *water* sector⁸⁹ in which the VGF requirement indicated very high. It was reported that the sponsoring authorities had been requested to send revised proposals. One *highways* project with an estimated cost of Rs 5 crores and seeking VGF of Rs 1 Crore was

⁸⁷ Source URL: <http://www.pppinindia.com/IIFCprojects.php> accessed on May 24, 2010, 11:51 AM

⁸⁸ Source URL: <http://www.pppinindia.com/projects-next.php> accessed on May 24, 2010, 11:47 AM

⁸⁹ Both projects were related to 'Development of passenger water transport on the west coast of Mumbai'

reported to be withdrawn by the GoM. Another *metro rail* project was remarked in that it would be supported by the Ministry of Urban Development under a Scheme administered by it.

VII. Case Studies of PPP projects in the state of Maharashtra

Aurangabad Water Supply Scheme on PPP basis

Existing water Scenario in Aurangabad

7.1 Aurangabad is a city of historical significance⁹⁰ in the *Marathwada* region of Maharashtra. With a population of 8.75 lakhs (2001 Census) and 10 lakhs (2009 estimates)⁹¹, it serves as the administrative headquarters of this region and is reported to be recognized as the fastest developing city in Asia. The historical significance also extends to the water supply system in the city that is surrounded by hills in all directions. The city has the system of clay conduits transporting water (down the hill slopes) called *Nehers* under a system popularly known as *Naher-E-Ambari*. These *Nehers* (a very few now being actually functional) originate from the aqueducts atop the hills and cause the water to flow through clay conduits employing simple gravitational force. The existing sources for supplying water to this city include Jaikwadi dam (main source), Kham intake, Harsul dam and *Nehers*.

7.2 The responsibility of water supply in Aurangabad city, unto March 1998, was with the Maharashtra Jeevan Pradhikaran (MJP). April 1st, 1998 onwards the system was handed over (in totality) to the Aurangabad Municipal Corporation (AMC) and since then the corporation has been entrusted with this task of supplying and distributing water to the city. Water is not supplied to the city on daily basis and it is reported that since September 2001, the city is being supplied water only on alternate days. Also, the quantity of water supplied is reported to be inadequate while the city is presently supplied water at the rate of 90-100 lpcd (liters per capita per day). As informed by AMC official⁹², "as on April 2010, AMC had approximately 1 lakh water connections for which the annual O&M expenditure roughly amounted to Rs 38 Crores. Against this expenditure, the AMC was able to recover only to the tune of around Rs 18 Crores"⁹³. The existing water tariff structure for different consumer categories and size wise number of connections in Aurangabad are given in the table below.

Table 7.2: Existing water tariff structure for different consumer categories in Aurangabad

Sr. No.	Diameter of Connection	Consumer Category			
		Residential		Commercial	
		No. of Connections	Existing Rate (Rs)	No. of Connections	Existing Rate (Rs)
1	1/2"	88450	1800	531	6500
2	3/4"	2206	2925	164	12000
3	1"	612	6825	144	25000
4	1.5"	41	30000	18	70000
5	2"	68	50000	15	140000
6	3"	23	80000	3	200000
7	4"	15	120000	6	300000

⁹⁰ Aurangabad is the only tourist district of India having two world heritage monuments to its credit. With the Ajanta and Ellora caves, Daulatabad and Bibi-Ka-Maqbara, the district is of historical, religious and national importance." Source URL: <http://aurangabad.nic.in/htmldocs/index.htm> accessed on June 18, 2010, 3:43 PM

⁹¹ Source: Dr. Vijay Diwan made a cursory mention of the estimated population during a *Personal interview* with our team-members.

⁹² Shri K M Phalak, Deputy Engineer, Water Supply Department, AMC (Interaction during April 2010)

⁹³ The accurate figures reported are as follows: "For water supply (and sewerage), the total O&M cost amounts to Rs 37.23 crores against which Rs 19.07 crores are the collected user charges" which means a collection efficiency of 51.23%.

8	6"	7	200000	2	400000
9	8"	2	300000	0	

Earlier attempts of introducing PPP in water supply in Aurangabad

7.3 Rising population, lack of commensurate resources (financial, human as well as technical) and existing infrastructure of the city (for water supply) in bad shape, the AMC has in the past tried to involve private players for supplying and distributing water. It however failed in one of its earlier attempts when it had tried to augment its water supply by opting for the PPP route on Build Operate Own Transfer (BOOT) basis. The AMC official as well as the Mayor informed that although the tendering process was carried out, the final bids were not opened primarily on account of non-consensus amongst the political parties on involvement of private players.

Project under UIDSSMT

7.4 Having encountered failure in its previous attempt, the AMC now opted to take the project forward under the centrally sponsored scheme—UIDSSMT. The AMC through its Water Supply Department worked on the broader framework and contents of the Detailed Project Report (DPR).

7.5 The AMC through its General Body meeting (dated August 11, 2006) passed a resolution that it was necessary to execute a parallel water supply scheme (estimated Rs 391 crores) for covering the demand of the city for the year 2038 with Jaikwadi dam as its source. Having submitted this GB Resolution as one of the key documents along with the DPR, the AMC now forwarded the required documents to DMA for its technical appraisal. The Technical Appraisal of this DPR was done by Maharashtra Jeevan Pradhikaran (MJP), Pune (for a consultancy fees of Rs 45, 84,250 rupees), it being the State Level Technical Agency for water supply projects appointed by SLNA-DMA. The key assumptions made while designing the scheme have been enumerated in the table below.

Table 7.5: Assumptions for escalation made while designing the PPP project

Sr. No.	Key Assumptions for designing the water scheme	Percentage
1	Expenditure (% escalation per year)	6%
2	Preliminary and pre-operative expenses (% Escalation per year)	1%
3	Discounting rate for computing cash flows	10%
4	Average Power rate for raw and pure water pumping (% increase in rate every year)	5%
5	Consumables cost (% escalation per year)	6%
6	Maintenance & Repairs Cost (% escalation per year)	6%
7	Manpower Cost (% escalation per year)	10%
8	Insurance as a percentage of capital cost	0.18%
9	Water charges per ML paid to irrigation department (% escalation per year)	6%
10	Interest rate per year for loans/debt (for borrowings by AMC)	9%
11	Debt:Equity percentage (or ratio)	80:20 %
12	Population growth rate in Aurangabad (per year)	2.75%
13	Illegal connections (percentage of total connections)	20%
14	Distribution Losses (even till 2038) (percentage of total supply)	15%
15	System and Line Losses (even till 2038) (percentage of total supply)	5%

7.6 The tripartite Memorandum of Agreement (MoA) between the AMC, GoM and Gol was signed on September 15th, 2009. Subsequently, the first installment of the Gol share (50% of its total committed share) as ACA (Additional Central Assistance) of Rs 143.868 crores was released to AMC on Nov 3rd, 2009. The GoM share of Rs 35.967 crores is yet to be released (and received as on 23 April 2010).

Project already delayed: Postponement of final design year to 2041 from 2038

7.7 As per the original DPR (submitted by AMC to DMA and MJP in August 23, 2006), the scheme of 325 MLD was designed time span of 30 years, considering population of 23.58 lakh souls up to year 2038. However, due to the project getting delayed by 3 years on account of plethora of reasons, the scheme of 392 MLD is now designed up to year 2041.

Rationale for PPP route

7.8 The drivers for adopting the PPP route for this project may be many⁹⁴ but the *prime* reason cited by all three—the Mayor, key informant⁹⁵ as well as the AMC official is the poor fiscal (and financial) position of the AMC. This is evident from the fact (as reported by them all) that the corporation does not have enough money to even regularly pay the salaries of its employees. The AMC official informed that (as on April 2010) the corporation has yet to pay its arrears for the electricity consumed (for pumping and supplying water to the city) to the tune of Rs 300 Crores (Rs 200 Crores principal amount and Rs 100 Crores interest). Against this, the AMC annual budget itself amounts to a similar sum of Rs 300-350 Crores. These seem to obviate the need for PPPs based on the premise that it is the only option given that the financial condition of AMC has been in doldrums. The AMC official did mention that “if adequate financial resources are made available, then the AMC, rather than opting for the PPP route, could think of executing and implementing the project on the conventional *Engineering, Procurement and Construction (EPC)* basis.”

7.9 The decision to go through the PPP route was taken through a General Body meeting of the AMC. The project that has been taken under UIDSSMT scheme, where the expected Gol’s share (of total project cost) is 80%, GoM’s share is 10% and AMC’s share is 10%, the corporation is unable to raise even this 10% share. Although the AMC in its *Undertaking* vide office letter no AMC/MC/PA/2006/397, dated September 16, 2006, had committed to make budgetary provisions under the AMC budget as a part of its contribution towards 10% share of the project, in its subsequent letter to the DMA dated April 21, 2010, the AMC states that it does not have requisite financial resources to contribute its 10% share of Rs 35.967 crores. It is designing the PPP contract such that the private player would contribute this share.

Project Cost Escalation

7.10 On interaction with AMC officials, it is learnt that the initial project cost of Rs 359.67 crores (as per District Schedule of Rates 2005-06) as approved by the Maharashtra State Level Sanctioning Committee (SLSC) (in its meeting convened on May 4th, 2007) has escalated⁹⁶ by 75% to Rs 628.99 crores (as per District Schedule of Rates

⁹⁴ Some of the drivers have been cursorily mentioned in paragraph 7.3

⁹⁵ Dr. Vijay Diwan

⁹⁶ Final tender was floated in 2009, at that time the applicable DSR was 2008-09. No further revision would be done in the DPR because post floating of tender; no changes should be made pertaining to costing.

2008-09) as on April 2010. To bridge this gap of 269.32 crores, the AMC expects that the GoM would give 50% (Rs 134.66 crores) as grant and the balance 50% on soft-loan basis. This would be over and above the GoM contribution of 10% of sanctioned cost amounting to Rs 35.967 crores). If this expectation of the AMC (from GoM) is fulfilled then the State contribution stands at Rs 170.627 crores (only grants) or Rs 305.287 crores (grants and a soft loan). The 50% soft loan would be in the name of the successful bidder. The same has been illustrated in the table below and in following figure.

Aurangabad Project: Envisaged as per UIDSSMT versus Actual			
As per UIDSSMT Scheme Guidelines			Actual (as in April 2010)
Particulars	Amount (Rs Crores)	Percentage (%)	Remarks
Aurangabad Approved Scheme	359.67	100%	As in April 2010, the total project cost had escalated to Rs 628.99 Crores as per revised DSR (District Schedule of Rates 2008-09). As per UIDSSMT guidelines, any cost escalation above the sanctioned project cost has to be dealt with by the concerned ULB and the GoI would not provide any relief in such a case.*
GoI Grant	287.74	80%	1st installment of 50% [of 80%] = 143.87 Crores has been released by GoI and credited into AMC account; 2nd installment of remaining 50% [of 80%] is to be given only after utilization of 70% of 1st installment by AMC. Since the project has still not started, 2nd installment cannot be requested by AMC to GoI
GoM Grant	35.97	10%	GoM has till date not released a single rupee under UIDSSMT to AMC for this project since project is yet to start
AMC Share	35.97	10%	AMC lacks the financial resources to raise this 10% share of the project. It is designing the PPP Model such that the private player would pump in this 10% of AMC share.
<p>Note *</p> <p>To deal with this difference due escalation of cost to Rs 628.99 Crores from Rs 359.67 Crores, the AMC expects the GoM to extend help in the form of some grant and soft loan.</p>			

Table 7.10: Aurangabad Project: Envisaged as per UIDSSMT versus Actual

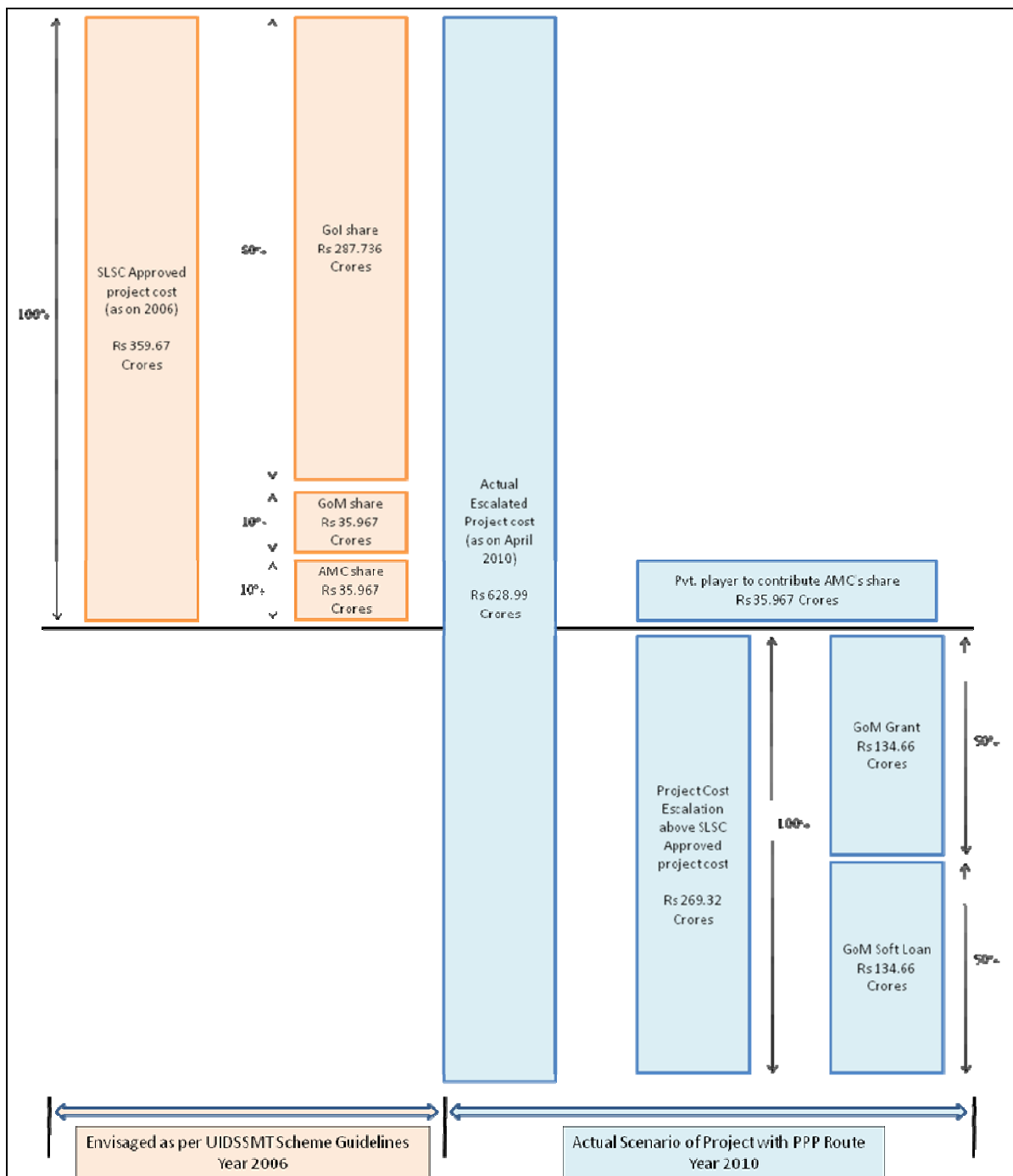


Figure 7.10: Graphical representation of Aurangabad water supply project Cost: Envisaged vis-a-vis Actual Escalated

Project Development: IIPDF Scheme

7.11 Interestingly, this project is one of the few PPP projects in the water supply and sanitation sector from Maharashtra State that has been granted approval under the central government’s IIPDF scheme. Of the estimated project development expenses of Rs 1.20 Crores, the support sought under the IIPDF scheme was Rs 90 lakhs and the proposal was granted final approval by the Empowered Institution on March 20, 2009.

(Source URL: http://www.pppinindia.com/iipdf_projects.php)

7.12 In pursuance of the IIPDF scheme and this project, Department of Economic Affairs (DEA) has appointed *Crisil Risk and Infrastructure Advisory Solutions Ltd.* as the PPP Transaction Advisor (TA). As informed by Shri. K M. Phalak (Dy. Engineer, Water Supply Department, AMC), of the total Rs 1.2 Crores required for the project development, 75% of the TA fees (i.e., Rs 90 lakhs) would be paid by DEA through AMC to Crisil while the balance 25% fees (i.e., Rs 30 lakhs) would be paid to Crisil (without routing through AMC). The involvement of ADB is on apparently on account of its Technical Assistance project, “Mainstreaming PPPs in India”, in collaboration with DEA.

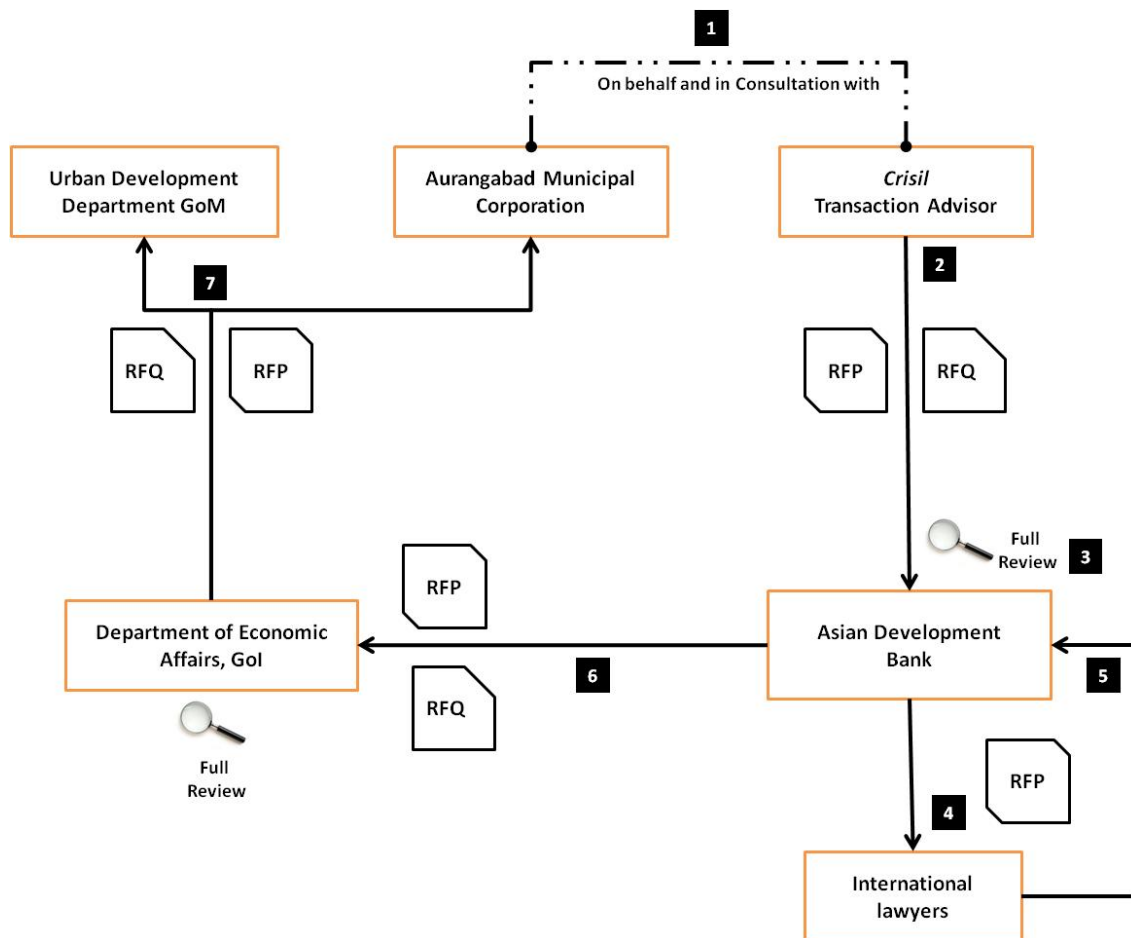


Figure 7.12: Process flow Diagram for preparation of RFQ and RFP documents

7.13 (See above figure) An integral part of Project Development stage, it is considered essential to map the process being followed for developing important documents such as the Request for Qualification (RFQ) and Request for Proposal (RFP) (See figure above). Crisil, in the capacity of a Transaction Advisor has been entrusted with the

responsibility of preparing the draft RFQ and RFP documents. Crisil has done so—on behalf and in consultation with AMC and forwarded them to ADB for full review. The ADB is supposed to fully review the drafts and send only the RFP to its international lawyers (i.e., legal experts). Based on the feedback from them, the ADB would then forward the revised versions of the RFQ and RFP to DEA, Ministry of Finance, GoI. The DEA would also perform a full review of the documents and send the approved RFP and RFQ to both—Commissioner of AMC and the GOM in its Urban Development Department. These approved documents would then be used by the AMC to carry out the bidding process.

PPP: Two stage process of private partner selection

7.14 In its letter dated April 21, 2010, the Aurangabad Municipal Corporation reported to the Directorate of Municipal Administration (DMA) that the water supply scheme in the city to be executed through the PPP route was in the tendering phase. Bids for Stage I ‘Request for Qualification’ (RFQ) were opened on December 2nd, 2009 wherein eleven parties submitted their proposals for qualification, of which, nine bidders have been shortlisted for the Stage II ‘Request for Proposal’ (RFP). The letter further informed that the documents of Stage II were prepared and submitted to the Asian Development Bank (ADB) and Department of Economic Affairs (DEA), Ministry of Finance, under the IIPDF scheme for their approval.

Table 7.15: Extracts from Notice Inviting RfQ for Parallel Water Supply Scheme in Aurangabad

Request for Qualification (“RFQ”) for the Selection of a Private Developer to Build, Refurbish, Operate and Maintain the Water Supply System of Aurangabad City, Maharashtra, India on Public Private Partnership (PPP) Basis.

Aurangabad Municipal Corporation intends to undertake a comprehensive project aimed at improving the water supply system of the Aurangabad City on PPP basis.

The approximate cost of the project is Rs 600 crores, which has the following main components with design period of 30 years (horizon year of 2041):

1. Augmentation of bulk water supply to the city from Jaikwadi Dam, Paithan;
2. Refurbishment of the distribution network of the city and;
3. Metering of all water connections within the city and computerized billing and collection of the water charges.

The private developer shall undertake the above activities and operate and maintain the entire system for a specific duration after which all the assets will have to be transferred to AMC.

Source URL: <http://www.muidcl.com/misasp/projectrpt8.asp?wprojectid=%20%20137> accessed on May 22, 2010, 6:26 PM

Request for Qualification (RfQ)

7.15 The AMC had given a *Public Notice* in National level newspapers (in Dec-2009) inviting interested parties to submit their proposals for qualification for this PPP project (See table below). About 20 RFQ documents were purchased from AMC, i.e. they just purchased the RFQ documents but did not submit the duly filled RFQs to the AMC).

Table 7.17: Newspapers in which Public Notices for RFQ stage of Aurangabad PPP project were published

Sr. No.	Newspaper	Coverage	Language
1	Times of India	National	English
2	Hindustan Times	National	English
3	Dainik Sakaal	Pune Edition	Marathi

4	Lokmat Times	Aurangabad Edition	English
Note: No International advertisement published by AMC			

7.16 Eleven parties or consortiums submitted their RFQ documents. The RFQ allowed for the bidding agencies to take the form of consortiums with a maximum of 4 members with the Lead member having not more than 51% contribution or stake. A lot of international players submitted their proposals for qualification. Also, Indian companies that have bid have taken these international companies as consortium partners. As informed by AMC official there was a clause in the RFQ document that 'only those firms with experience of handling water supply and distribution system of more than or equal to 2 lakh population would be qualified'. (See Table below)

Table 7.16: Nine Consortiums or parties shortlisted for RFP Stage

Sr. No.	Lead Consortium Member	Consortium Member 1	Consortium Member 2
1	Ranhill Utilities ⁹⁷	Jamshedpur Utilities and Services Company - TATA (JUSCO) ⁹⁸	
2	United Phosphorus Ltd. (UPL)	Pratibha Industries	Salcon Engineering Berhad ⁹⁹
3	Jindal water Infrastructure Ltd.	Hindustan Construction Company (HCC)	Manila Water Company ¹⁰⁰
4	JMC projects India Ltd.	Metito Berlinwasser Ltd. ¹⁰¹	SREI Infrastructure Finance Ltd.
5	VEOLIA Water India ¹⁰²	-	-
6	Subhash Projects Marketing Ltd. (SPML)	National Water & Sewerage Corporation (NSWC)	Va Tech Wabag Ltd. ¹⁰³
7	Mahindra Lifespace Developers Ltd. (MLSD)	Suez Environment ¹⁰⁴	-
8	ILF&S Water Ltd.	Acciona Agua ¹⁰⁵	-
9	CASCAL NV ¹⁰⁶	EA Infrastructure Pvt. Ltd.	Nagarjuna Construction Company Ltd. (NCC)

Note: International players have been highlighted

Request for Proposal (RfP)

7.17 One may note that while the RfQ sought *technical* information, the RfP seeks information that is majorly *financial* in nature. The RfP is reported to be made up of three volumes (i.e., Volume 1- Instructions to Bidders, Volume 2- Project Information: Technical, and Volume 3- Concession Agreement). As informed by the AMC official, in December 2009, the initial drafts of the three volumes of RfP were submitted by *Crisil* (on behalf of the AMC) to the AMC Council. The AMC Council passed a *Resolution* (with some Terms and Conditions) asking the AMC PPP team to proceed with the work in the said matter. Once the private partner is finalized, the AMC would issue a Letter of Intent (LoI) to it followed by the Concession Agreement. Immediately before or after signing of PPP

⁹⁷ <http://www.ranhill.com.my/>

⁹⁸ <http://www.juscoltd.com/>

⁹⁹ <http://www.salcon.com.my/>

¹⁰⁰ <http://www.manilawater.com/>

¹⁰¹ http://www.berlinwasser.net/content/language1/html/133_1404.php

¹⁰² <http://www.veoliawater.com/veolia-water/locations/middle-east/india.htm>

¹⁰³ <http://www.wabag.com/MainWabag/Wabag/English/home.asp>

¹⁰⁴ <http://www.suez-environnement.com/>

¹⁰⁵ <http://www.acciona-agua.com/>

¹⁰⁶ <http://www.cascal.co.uk/>

contract, the AMC official shared the information that the state would issue a GoM Resolution (GR) notifying the same in the state gazette.

7.18 At the bidding stages (RFQ and RFP), the consortiums do not have a legal status as such and the only document that bonds them together is a Memorandum of Agreement (MOA) between all the members that constitute a consortium. Only after a bidder or consortium succeeds through all bidding stages, a Special Purpose Vehicle (SPV) would be formed and would it constitute a legal entity. While executing the RFP and RFQ stages, the AMC official informed that the guidelines issued by the GoI have been followed.

7.19 There are several important features that the AMC official shared during the discussions. Although the exact details would be known only after the RfQ and RfP documents have been examined, it is considered important to note some of the features that were shared during the discussions. (See Table below)

Table 7.19: Some Key features of the Aurangabad PPP Project

Some Key features of the Aurangabad PPP Project	
	(As informed by AMC official)
<ul style="list-style-type: none"> • The successful bidder would intimate the first annual installment that the AMC is supposed to make to it. Thereafter the annuity to be paid by the AMC to the successful bidder would be escalated at the rate of 6% per annum. • The private player to build, O&M, augment distribution network • Of the total concession period, the first three years to be devoted by the private player in developing the new infrastructure along with the running of the existing scheme. Post this period, the private partner would run the newly established as well as the existing infrastructure. • The PPP contract is designed such that there would be 100% metering of all water connections in the city and the new meter charges would not be recovered from the consumers. • There would be no ownership (through equity) of AMC in the yet-to-be formed SPV. • The infrastructure development that has been planned to be completed in 3 years is divided into 12 milestones (each milestone after a 3 month period) • 10% of the Total Project cost to be given by the SPV (formed by the successful bidder) as a Bank Guarantee (from a nationalized bank only). • There would be just two consumer categories: (a) residential/domestic and (b) commercial/industrial/institutional consumers • SPV audit report to be submitted by SPV to AMC. • <i>Crisil</i> has undertaken the following studies: Social Impact Assessment (SIA) and Environmental Impact Assessment (EIA) • An Independent Engineer would be selected for day-to-day monitoring of this PPP project. A tripartite Agreement between the AMC, private partner and Independent Engineer would be signed for this purpose. 	

Some Observations

1. When the AMC official was questioned about the *Viability Gap Funding* (VGF) for this PPP project, he shared his understanding that (given the project in its state—delayed, funds sought under UIDSSMT and funds sought under IIPDF) it was not possible for the project to be eligible for VGF funding. This according to us needs further investigation for determining the eligibility of this project for VGF funding.
2. The AMC official was unaware of the term and concept of ‘Public Sector Comparator’ (PSC) and replied that he would learn more about it from *Crisil (the PPP Transaction Advisor)*.
3. The amount payable by the AMC to the private player each year would be incremented by 6%. This rate, the official informed, has been taken assuming an approximate average inflation rate of the same order. However, when asked about which inflation indicator—Wholesale Price Index (WPI) or Retail Price Index (RPI), the AMC official did not have a concrete answer.

4. The AMC official informed that *public participation* had not been envisaged and hence not sought apprehending that there would be opposition to the PPP project. According to AMC, the public (including the water consumers) would fear that such an initiative would ultimately result in unreasonable increase in tariffs.
5. It has been reported that the AMC has till date not opened any separate bank account for this project. So all expenses that have been incurred on this project, till date, have been debited from the usual AMC bank account. This requires some thinking because if PSC is to be computed or verified, then it would be difficult or impossible to do so if a separate account has not been opened and operated.
6. When asked about the mechanism for giving new water connections and redressal of grievances, the officer informed that the mechanism envisaged is such that all such applications for connections and grievances/complaints would be submitted at AMC, which in turn would be forwarded to the private partner. On a weekly basis, the action taken on the complaints received would be submitted by the private partner to the AMC. On a quarterly basis, the vital statistics on inflow, outflow, losses, etc. would be reported by the private partner to the AMC.
7. It is reported that no Right to Information (RTI) applications have been received by AMC till date pertaining to this PPP project. One may interpret that there is lesser awareness about the project and that is hindering public participation.

Excerpts of Personal Interview with Smt. Vijaya Rahatkar, Mayor Aurangabad City

Date: April 23rd, 2010

About Existing Water Scenario in Aurangabad City

The predominant water source for the city is the Jaikwadi dam reservoir—*Nathsagar*, about 45 Kms from the main city, while the water treatment plant is at *Pharola* and the Master Balancing Reservoir (MBR) is located at *Nakshatrawadi*. The existing system has become non-dependable as well as non-predictable. The problems become more acute during the summer season (when the water source itself has less water) and the pipes (carrying water) expand that result into frequent instances of bursting of these pipes. This not only disrupts the supply to the consumers but also causes substantial loss of the already scarce natural resource (i.e., water). Since the last couple of years the citizens of this city have been receiving water supply every alternate day (and not daily), indicative of the fact that the supply is not commensurate with the demand (even as per the minimum water supply norms). The old system is already stressed and loading it more would make it increasingly difficult for the system to function efficiently and sustainably. The different schemes that are being initiated by the GoI such as JNNURM and UIDSSMT are positive steps towards improving the urban infrastructure in cities and towns in the country. Also, the reforms that are a part of these schemes are a welcome change and are very much the need of the ULBs, if the urban areas are to progress in the future. One of the reforms under the JNNURM/UIDSSMT is “Encouraging PPPs” and this assumes increased significance when financial resources of the ULBs are neither sufficient nor adequate. Water accounting is currently not done. As a consequence, there is no accurate count of the exact extent of water losses in the city. This is the case because the water connections in the city are not metered. Further there ought to be a balance/tally between the volume of water lifted and the volume of water billed (after due factoring of the commercial and technical losses)—which unfortunately is not happening. As a result the ULB has to suffer significant monetary losses and this has been happening perennially. We should aim at reducing the water losses and in fact progress towards recycling of sewage water. As of now there is no incentive for citizens to pay their bills regularly. Apparently one would argue that a lot of water is lost on account of theft for which money is recovered from those who pay their bills. This must change. When would be able to arrest the water theft we should be able to then supply water to the poor at subsidized rates. What is required is private investment in rejuvenating the water supply infrastructure in a time bound fashion and a simultaneous process of creating greater public awareness. If there is no metering and subsequent billing on the volume of water consumed by each connection, how is water accounting possible? Unless this (i.e., metering, billing as per consumption and water accounting) is done, how does one know where the water losses are occurring and what is the extent of such losses? It is therefore necessary that flow-meters be installed at each water connection. We have acknowledged this and under the proposed PPP project, 100% metering of water connections in the city is envisaged.

Different wards with different classes of citizens having their own peculiar problems.

The CIDCO colony is one such section of the city where the residents (predominantly belonging to medium and low income groups) do not have time to voice their water related complaints, as subsistence is (naturally) accorded a higher priority. This colony is a home to a large number of families wherein the females have to finish off their (water-consuming) daily chores (such as washing clothes, utensils, and cleaning the house) within an hour—time for which the water is supplied to the colony. This is rooted in the fact that the families do not have the requisite capacity to store enough water that can last beyond one day. This lack of capacity may be seen in terms of space (for placing of drums for storing water) as well as money (for purchasing of big sized drums). It is in fact assumed that residents of this colony would in fact support a project like this, hoping that it would rescue them from their water woes.

The wards that house the educated and elite classes of citizens have their own set of demands. The water tariff has never been much of a concern for them (given that they usually being financially well-off). In fact they are the highest and most regular taxpaying citizens of the city. Also the storage of water has not been an issue with them since they have the capacity—space as well as money for placing and purchasing drums/tanks respectively. They demand better service levels in terms of quality and pressure of water supply.

Those living in shanties on *Gunthewari* plots have a different set of problems and they have to seek alternative ways of accessing the basic services (mainly water). Affordability is also a major concern for this section of the society that further complicates the problem. Making available these essential services (in this case water) to them at affordable prices should be on high priority for any ULB (and the same view should be endorsed by the fellow citizens of the city). It is expected that the proposed parallel water supply project (with increased supply of water for the city) would usher in a new ray of hope in the lives of these people. A lot of people meet the AMC officials and the Mayor herself, with their complaints and grievances pertaining to water related problems in the city. This is how The Mayor keeps herself updated of the ground realities of the water sector in her city.

Political Will and PPP Project

An earlier attempt to propose this project through the BOOT mode was encountered with strong opposition and although the bids were invited, the tenders were subsequently not opened. It has taken me about two and a half years to convince all the members of the AMC that this parallel water supply project is needed for the Aurangabad city and the PPP route seems the only available option (citing the reason of the AMC finances being in doldrums). The convincing and persuasion has been a very demanding and taxing experience. It required making the Corporators understand that such a project would reduce the water thefts, increase the frequency and volume of water supplied (to end consumers) and that too not by increase in water tariffs or taxes. The Corporators representing the people residing in notified slums also needed to be assured that the water supply would be increased (in volume, frequency and pressure), its reliability would be enhanced and there would not be any tariff shock to the consumers.

About the PPP Project

“We are really glad that the central government (GoI) has been taking keen interest in this PPP project.” To the best of her knowledge, the Mayor claimed that this project is the largest PPP project (in terms of estimated cost) in water sector in Maharashtra as well as India. As far as the interest shown by international players in the RFQ stage of this PPP project is concerned, the Mayor felt excited and expressed her hope that, through this the city would benefit from the latest technologies that the international player (in the successful bidder consortium) would bring in. It is expected that the existing infrastructure would then be raised to international standards. This PPP project has given the AMC an opportunity where some of the biggest water companies of the world get to study and analyze the water scenario of the city. It is expected that this would result in a much balanced view of the water related problems and solution alternatives thereto (i.e., after considering all aspects). This PPP project has been widely debated in AMC General Body (GB) meetings, the minutes of which (post 2008) could be accessed from the AMC website. The local media has also covered the proposed project in some breadth and depth. Corporators have held discussion with their individual ward citizens to seek their opinion on this project. Even the Mayor has consulted water experts to learn their views on this project. The Mayor specifically mentioned of an article published in *Sakaal* newspaper that

quotes her views on this project as also of some key AMC officials.

She believed that the PPP initiative by Nagpur Municipal Corporation for 24x7 water supply to Nagpur city is the way forward that all ULBs should progress. She feels that it is a good model that she looks up to and it could lay the path for other ULBs in the state and country to follow. This would eliminate the need to store water and avoid the subsequent discarding of water that usually accompanies such storage.

Has Maharashtra Water Resources Regulatory Authority (MWRRA) been approached for the PPP project?

She was not aware whether MWRRA had been approached or not.

Excerpts of Telephonic interview with Dr. Vijay Diwan, Aurangabad

Date: April 23rd, 2010

About PPP project in Aurangabad

Everyone in the AMC is for erecting this parallel water supply scheme. The present line is old and dilapidated resulting in frequent disruptions endangering the water supply of the city. The proposal that would require bringing water from Jaikwadi dam to Aurangabad city was made four years back and has today escalated multiple times in its initial cost. For this project, the Corporation has been trying to get funds from the governments—both central (GoI), as well as the state (GoM). AMC has received some assistance from the GoI but which is significantly insufficient to execute it. The corporation finances are in doldrums to the extent that it even lacks the money to pay to its employees. The average recovery of dues and property tax is about 30%. The corporation budget has always been in deficit.

The present scheme proposed is for 30 years for operating the infrastructure (pump houses remain the same) pipeline Nakshatra Wadi (6 km) 54 km pipeline and 600 crores investment. The proposal is to hand over the entire scheme to private player for 30 years.

Since last 10 years several Civil Society Organizations and voluntary groups have been making the submissions such as “the Corporation should look to raise money on its own and work should be carried out by the corporation itself”. Since the last 10 years they have been advocating for re-evaluation of the proposal of import of water from such a long distance of 54 km. The city is surrounded by hills on both sides which were once upon a time thickly forested. In the 16th century Mallikamber (who was one of the ministers of the erstwhile Nizam of Hyderabad) visualized a system where he would collect water atop hills around the city and they implemented a scheme by bringing water by gravity through clay pipes. Even today this scheme works well. In the 16th century this scheme known as “Neher-E-Ambri”. We even find 2 Neher open and bringing water to the city. “Begampura” (Near Bibi-ka-Makbara) is the place where one can see this. Also the *Thatte* tank is perennially full all year round and the tank is fed by such pipes. Even AMC uses that water supplementary to water brought from Jaikwadi. If Mallikamber could do that in the 16th century then why could we not do it using our “technical minds” today? We could save a lot of money that would otherwise go into paying huge electricity bills (for pumping water). Even gradient wise, Jaikwadi is 150 feet lower than Aurangabad. We are bringing water against gravity and gradient. Electricity charges for pumping water are to the tune of Rs 30 crores every year. AMC is unable to pay such a huge amount. AMC owes about Rs 200 Crores to electricity companies. Aurangabad water supply has become highly unsustainable due to the high power demanding scheme and huge power supply dependability. The only wise way is to bring water in a manner through minimum cost and in sustainable manner. He also expressed concerns about Jaikwadi dam not being able to supply water to expected levels by 2030 due to several reasons including *inter alia* about 11 dams came into existence in the upstream of Jaikawadi dam where some of the dams are directly on the Godavari river while others are on its tributaries. Aurangabad will have to think of some other alternative source, some local source and import of water from 54 kms distance may not be the solution.

What is the local source? AMC with involvement of Social Forestry and GoM should undertake extensive efforts for coming 10-12 years for afforesting all hills surrounding the city. Real investment must be made on this. Intensive efforts by AMC must be made on this front. Afforestation would increase the level of precipitation. Even if the precipitation increases by 3-5% we would be able to collect water in tanks atop the hills. Less costly, maintainable and sustainable if 7-8 tanks are constructed atop the

hills, it would be easier to bring water by gravity with minimal are no recurring expenses. This is not a dream. This was done in the 16th century by Mallikamber. But the main problem is that there is no political will in Aurangabad city over this option. No one wants to be a proponent of low cost sustainable projects. The elected representatives usually wish for big ticket projects.

Chandrapur PPP Project in Water Sector

Excerpts of Personal Interview with Shri Chandak, Director, Guru Kripa Associates (GKA) April 19th, 2010

Pre 2004 Scenario

When asked about any (feasibility) studies undertaken by GKA prior to bidding for this PPP project, the Director informed that GKA had made a *Feasibility study* prior to applying for this PPP contract. He shared some information (orally) albeit without any supporting documents. As informed by him, before this PPP scheme, there were 18,000 connections in the city under the ambit of the CMC with 40 % water losses (including technical and commercial losses). The electricity losses in pumping and supplying water were 35%. CMC establishment expenses (i.e., including salaries and wages of its employees) were 75% of the total revenue generated from recovery of water tariffs. The distribution system being in bad shape, only 60% (10,800) of the connections received water. Even these received water only for one hour per day. One could easily imagine the plight of the remaining 40% connections (7,200). Against the water supply norm of 135 lpcd for urban areas in the country, the water in Chandrapur, as informed, was actually supplied at the rate of 60 lpcd.

Post Signing of PPP Contract

As informed, there were 22,600 connections in Chandrapur city as on March 31st, 2010. This means a 26% increase in the number of connections over a period of 6 years of this PPP contract. “While the water losses have reduced to 15% (technical) and 5% (commercial), there are no electricity losses!” One is faced with a very basic question-how technical losses were measured and determined given that there is no metering of individual connections (pre as well as post 2004)?

“Only this year there has been a shortage of water supply in summer season. As a result, we are being forced to supply water every alternate day” said the Director of GKA. “The main sources include *Irai* dam and river which have less water this time around. Prior to summer we used to supply water for 2 hours per day. However, during summer this has been reduced by 50% and we are able to supply water only for 2 hours every alternate day. So the 130 lpcd that we used to supply has now reduced to 70 lpcd.” Asked whether why was water not supplied daily for 1 hour per day, he responded saying that it was not feasible to do so. He informed that pumps operate every day, just that water is supplied to different wards each day and any particular ward receives water every alternate day.

Earlier, it used to take 3 months for the CMC to give (i.e., actually operationalise) new water connections, whereas now, the GKA Director claims, new connections are operationalised in 3 days only.

He further claims that 80% of the domestic water complaints get addressed well within in 48 hours whereas complaints about general leakages on distribution/main lines get resolved within 3 days.

Water Distribution: Technical Issues

One of the major technical issues of the water supply system in Chandrapur, as the GKA Director has pointed out, is the technically-unsound distribution system in place in the city that is prevalent from the time even before it was handed over by the CMC to the GKA in 2004. (See Figure below) Water distribution should (technically) begin from beyond the Elevated Service Reservoirs (ESRs)—a standard method adopted even by Maharashtra Jeevan

Pradhikaran (MJP) in designing most of the water supply systems in the state. As a norm, the Master Balancing Reservoir (MBR) feeds the ESRs while being at its upstream and the distribution system is a takeoff from the downstream of such ESRs.

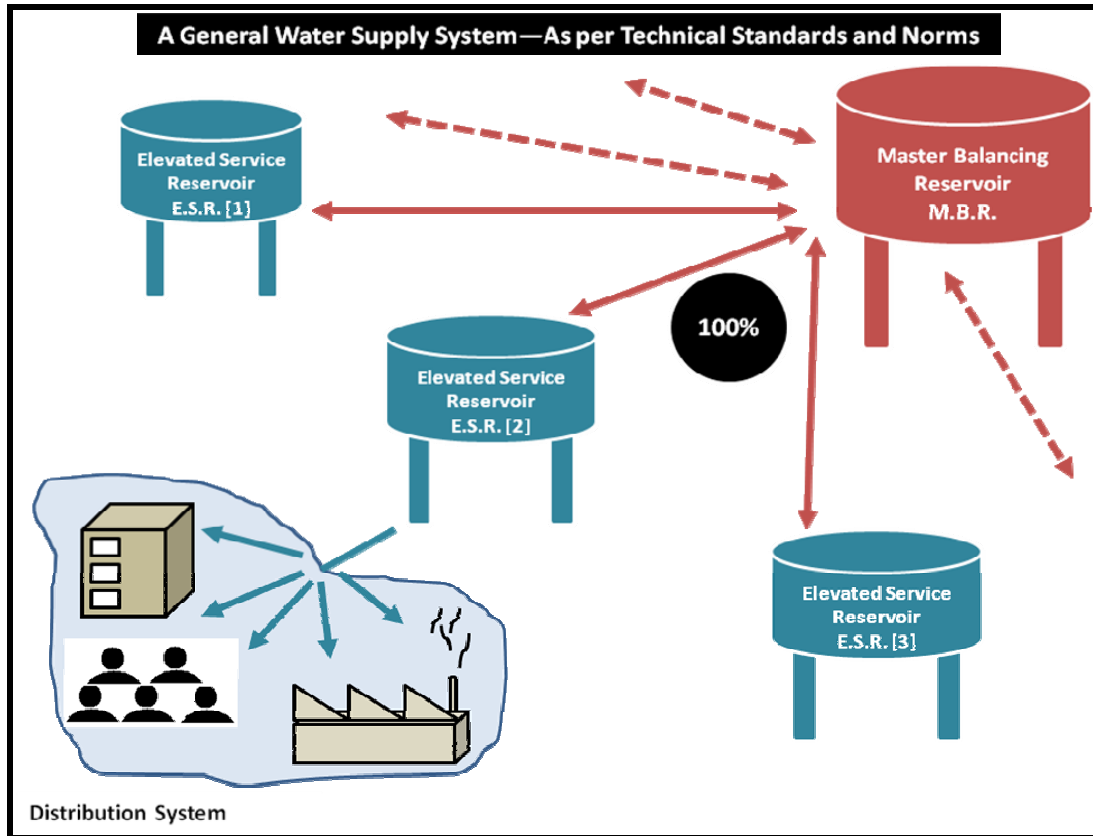


Figure: A general water Supply System as per Technical Standards and norms

(See Figure) As informed by the GKA Director, there is a substantial amount of direct distribution from the MBR, i.e., water connections (accounting for almost half of the water distributed) in Chandrapur are taken directly from the main line on the MBR without any intermediary ESR. This system in Chandrapur is evidently a gross violation of the existing technical norms and practices. What would be the implications of such technically unsound practices is something that requires further detailed technical investigation and research.

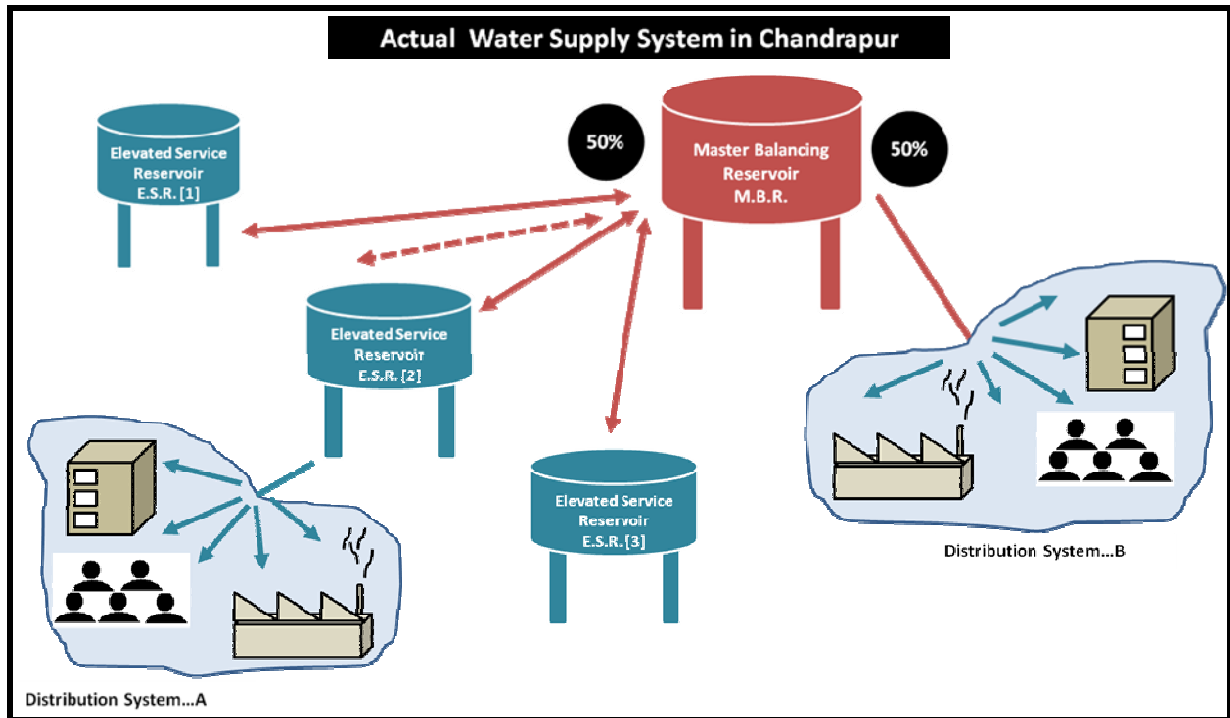


Figure: Actual Water Supply System in Chandrapur

For all previous years (since 2004), the GKA itself claims that, there has been a fairly good recovery of water charges/bills from the consumers to the tune of 90-95%. However, this time (i.e., 2009-10), the bill collection has been reported at a mere 60-70% due to acute shortage of water supply. The citizens of Chandrapur, the GKA Director informed, have been receiving less water throughout the year (2009-10) and especially throughout the summer season that led to a wider public dissatisfaction, and on account of which they were unwilling to pay the water bills. “Even the councilors”, he further informed, “have been at the receiving end on account of poor water supply in the wards they represent”, and this, he revealed “had serious implications on manner in which the political executive interfered in the schedule and quantity of water to be supplied in different wards of the city”.

This summer, the Irai Dam reservoir had very little volume of available stored water, primarily due to scanty precipitation (i.e. rainfall) in the previous monsoon. This was further aggravated by the (much publicized and debated) uptake of water from the reservoir for feeding the coal based power plants in Chandrapur. These plants were, reportedly, shut down for several months on account of lack of adequate water for washing of (indigenous) coal—a pre-requisite for coal based electricity generation given the quality of coal and state of technology in the country.

This may be construed as an apt example of the inter-connectedness between the seemingly independent infrastructure sectors (here, namely electricity and water). This demands looking further deep into the different legal, policy and regulatory frameworks and instruments in both of these sectors whilst analyzing the water problems in Chandrapur. This would equip one to know which competing use of water (from amongst drinking or domestic use, electricity generation, agriculture, and industry) ought to be given higher priority, attention and significance in the event of scarcity. It leads one to appreciate that treating these sectors as silos (or mutually exclusive water tight compartments) is grossly inappropriate and misleading and one has to be aware and considerate of the interconnectedness, dependencies and overlaps between the different sectors. This when

coupled with a water supply system being administered through a PPP mode makes things a bit complex and it calls for multi- or inter-disciplinary skills, personnel and research.

The billing to the water consumers (i.e., citizens) in Chandrapur is done on an annual basis while there is also a provision for the bill payment on quarterly basis. New connection charges are of the order of Rs 1200. The tariff, as informed by GKA Director in April 2010, is Rs 887 per year for a 50 mm diameter residential/domestic water connection. Such indicative tariff rate neither has any element of subsidy nor any cross-subsidy. As learnt, the private player (GKA) does not receive any form of rebates or tax concessions from the Government (State or ULB or Central) for provision of such a public utility and the PPP Concession agreement governs/regulates the water tariff rates for the entire contract period of 10 years (2004-2014).

GKA did not have any history or previous experience of administering, managing or handling water supply system. It is claimed by GKA, that they are registered with the Public Works Department (PWD), Chandrapur Municipal Council (CMC) and Maharashtra Jeevan Pradhikaran (MJP). As informed, there were total 150 employees with GKA as on March 2010, with 90 as field level workers, 50 as administrative staff and 10 as managerial level personnel.

VIII. Broad Observations, Conclusions and Recommendations

Based on interactions with several government and ULB officials in the state of Maharashtra on the subject of PPPs in general and urban infrastructure in particular, it clearly becomes evident that there exists a serious capacity deficit at various levels (state as well as city, town levels) as far as PPPs in UI are concerned. Bridging this knowledge gap would warrant serious and concerted efforts by the government in terms of capacity building. Capacity building is also required and advocated for other stakeholders including elected representatives, citizens, and NGOs if they are to meaningfully play a role in ensuring that these partnership arrangements result in value for public money. Developing PPP Toolkits in UI (including *inter alia* UWS and SWM) in Marathi (viz. vernacular) or other local languages is something that the state level government agencies may want to pursue. Also, presently there do not exist effective regulatory mechanisms to ensure that the intended objectives under the PPP arrangement are achieved. *Regulation by contract* is the norm and there usually is a provision for an *Independent Engineer* during the construction and O&M phases. However, effectively enforcing the PPP contracts *in letter and spirit* to protect the interests of the users and citizens in general, and poor, vulnerable and marginalized sections of society in particular, is the need of the hour. There is a need to relook at PPPs as if they were a governance intervention rather than looking at them purely from the financial perspective. There is also a need to study PPPs from multi-stakeholders' perspectives, interests, concerns and stakes aimed at achieving reconciliation and innovative models be evolved for PPPs to result in sustainable and inclusive urban development.