CHAPTER 25

PUBLIC PRIVATE PARTNERSHIP

25.1 Public Private Partnership (PPP) is increasingly becoming the preferred mode of construction and operation of infrastructure services such as highways, airports, ports etc. both in developed and developing countries. PPP offers significant advantages in terms of attracting private capital in creation of public infrastructure as well as in improving efficiencies in the provision of services to the users. It enables the Government to transfer construction and commercial risks to the private sector, which is best suited to manage them. PPPs can be undertaken through a range of alternative modes such as Build-Operate-and-Transfer (BOT), Build-Own-Operate-and-Transfer (BOOT), Build-Own-and-Operate (BOO), Build-and-Transfer (BT), Build-Lease-and-Transfer (BLT) and Lease-Management-Agreement (LMA).

25.2 Government of Odisha is committed to rapid industrial and economic development in the State. With its rich natural resources and investor friendly policies, Odisha is slated to become a favourable investment destination for investors / developers, both Domestic and International. The State has vast scope to bring in substantial investments in the sectors like Mining, Industries, Information Technology and Tourism. For this it is imperative that the Government not only follows investment friendly policies but also provides high quality physical and social infrastructure. This needs significant investment, which is not possible out of public financing alone because of limitation of Government resources. Government of Odisha recognizes that greater private sector participation would be critical for development of quality physical and social infrastructure in the State. With this broad objective, the State Government has promulgated a PPP policy i.e. "Policy for facilitating Public Private Partnership for Infrastructure Development in the State of Odisha".

ODISHA PPP POLICY - 2007

Objectives

25.3 The Odisha PPP Policy – 2007 envisages following key objectives:

- To leverage State and Central Government funds, support private investment and to create a conducive environment to utilize the efficiencies, innovativeness & flexibility of the private sector to provide better infrastructure & service at an optimal cost.
- To set up a transparent, consistent, efficient administrative mechanism to create a level playing field for all participants and protect interest of all stakeholders.
- To prepare a shelf of projects to be offered for PPP and take them forward with assistance of the owner departments through a transparent selection process.
To put in place an effective and efficient institutional mechanism for speedy clearance of the projects.

To provide necessary risk sharing framework in the project structure so as to assign risks to the entity most suited to manage them.

To create a robust dispute redressal mechanism / regulatory framework for PPP projects.

To provide the required viability gap funding (VGF) where the essential projects are intrinsically unviable.

To create Odisha Infrastructure Development Fund (OIDF) to facilitate implementation of the objectives of the Policy.

Salient Features of the PPP Policy

25.4 Some of the important mandates of the PPP Policy formulated by the State Government are:

- Formation of a High Level Clearance Authority (HLCA) consisting of a group of Ministers under the Chairmanship of the Hon’ble Chief Minister to clear PPP Projects having investments of over Rs.500.00 crore and also to grant any special concessions.

- Formation of an Empowered Committee on Infrastructure (ECI) consisting of a group of Secretaries under the Chairmanship of Chief Secretary to sanction PPP Projects up to Rs.500.00 crore and to adopt, adapt, develop Model Concession Agreements for various sectors and grade and supervise the PPP initiatives in the State.

- Creation of a PPP Cell and its Technical Secretariat to take forward and guide the PPP Initiatives of different Departments to create a Shelf of PPP Projects, to act as secretariat of the Empowered Committee on Infrastructure (ECI) and High Level Clearance Authority (HLCA), to interact with Planning Commission, Government of India and other funding agencies like World Bank particularly for arranging Viability Gap Funding (VGF).

- Taking necessary steps for protecting rights of all stakeholders by way of structured concession agreements, necessary legislative support, dispute redressal mechanism, setting up of Special Purpose Vehicles (SPVs).

- Formation of Odisha Infrastructure Development Fund (OIDF) to provide direct financial support to the essential projects for enhancing project viability and also to support PPP initiatives like taking up technical and financial pre-feasibility and feasibility studies, preparation of reports and bid documents and other activities that need to be undertaken for PPP Projects including capacity building and training.

- Systematic project identification and structuring for implementation in PPP mode.
Infrastructure Sectors Covered Under PPP Policy

25.5 The infrastructure sectors covered under the PPP Policy are:

- Roads, Bridges and Bypass
- Ports and Harbours
- Airports, Airstrips and Heliports
- Inland container depots and logistics hubs
- Industrial parks, Theme Parks like Information Technology (IT)/ Bio-Technology (BT) Parks, Knowledge Parks, Special Economic Zones and Townships.
- Water supply, Treatment and Distribution
- Power Generation, Transmission and Distribution Systems
- Solid waste Management
- Sewerage & Drainage
- Inland water Transport
- Tourism and related infrastructure
- Healthcare Facilities
- Education
- Trade fair, convention, exhibition, cultural centers
- Urban infrastructure including entertainment and recreational facilities
- Urban Transportation Systems / Improvement of Public Transport Facilities including construction of state of art bus-stands.
- Railway & related projects
- Agricultural Production and Marketing
- Any other sector / facility as may be included by the Government from time to time

OPERATIONALISATION OF PPP POLICY

25.6 In conformity with the PPP Policy, State PPP Cell has been set up under the Planning and Co-ordination Department, which is headed by a Special Secretary as per the recommendations that emerged in the National level conference of the Chief Secretaries organized by the Planning Commission on 20th May, 2006. A Society has been formed and registered in the name and title of “Odisha PPP Technical Society” to assist the State PPP Cell and to discharge the functions of the Technical Secretariat as laid down in the Odisha PPP Policy 2007. Minister P & C is the President of this society with Chief Secretary as its Vice-President and the Special Secretary PPP its Managing Director-cum-Member Secretary. Further it has been decided to have a PPP Cell in each department, headed by a Nodal Officer to look after the departmental PPP projects including co-ordination with State PPP Cell.

25.7 The goals envisaged in the PPP Policy are being operationalised as per the following strategy:
• Each Department is to prepare a PPP Plan outside the regular Plan, giving
details of the projects proposed to be taken up in PPP mode and the amount
of additional private sector resources it would try to attract.

• Each Department has to set up a PPP Cell with a Nodal Officer to look after
the PPP projects including co-ordination with State PPP Cell.

• Each Department has to identify, conceptualize probable PPP projects and
prepare a preliminary report/ concept note wherein the need for the project,
the benefits of doing under PPP mode, the responsibilities of the State and the
concessionaires, outlines of the project and its structure, its main features,
value for money (VFM) test etc may be indicated. This would be done by the
department in close co-ordination with the State PPP Cell.

• All projects should normally be tested for PPP amenability and only strong
reasons {Economic Rate of Return (ERR) if not Internal Rate of Return
(IRR)} need to justify for fully state funded projects.

• The above shelf of probable PPP projects is to be placed before the ECI
through the State PPP Cell for prioritization and taking approval to go ahead.

• After in-principle approval of ECI/ HLCA (as the case may be) on the basis
of concept note, the Departments will have to get prepared an Initial
Screening Report (ISR) of projects either in-house or through suitably hired
consultants.

• After ascertaining the feasibility of the projects through the ISR, the same shall
again be put up to ECI/ HLCA (as the case may be) through the State PPP Cell for
approval.

• Further modalities including preparation of Detailed Project Report (DPR),
other structuring details, concessions required, details of land requirement,
VGF requirement, types of State support, value for money analysis, proper
risk allocation etc need approval of ECI/ HLCA.

• Proposal for VGF, if any, is to be processed through the State PPP Cell, at all
stages.

• The Departments have to go for preparation of bid documents and also
adoption & modification of Model Concession Agreements (MCAs).

• The bid and concession documents and the outcome of bid process is to be
got approved from ECI/ HLCA as the case may be, before award of the
project to the Developer.

• Appropriate structure to manage, run and supervise the project both in its
construction and Operation and Maintenance stage shall be worked out by the
departments concerned.

• Provision for contingency of failure and abandoning of the project by
Developer should be made at the conceptualization/ Project report preparation
stage.
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CAPACITY DEVELOPMENT

25.8 Under the National PPP Capacity Building Programme (NPCBP), Government of Odisha has signed a tripartite agreement with the Department of Economic Affairs (DEA), Govt. of India and IDFC Foundation for PPP Capacity building in the State. The Programme envisages creating a cadre of trainers through selection and training and thereafter rolling out training programmes on PPP in different modules to suit different target groups at the State level, through State Administrative Academies with the help of these trainers.

25.9 In Odisha, Gopabandhu Academy of Administration (GAA) has been identified as the centre for organising roll out training programmes on PPP under NPCBP. In the meantime eight Officers of different departments/ agencies of the State Government have participated in the Training of Trainers (ToT) programmes organised by the IDFC Foundation at different centres. These Officers along with other identified resource persons will act as trainers in the roll out training programmes to be organised by GAA.

25.10 In the 17th meeting of the Empowered Committee on Infrastructure held on 2nd March, 2012 under the Chairmanship of Chief Secretary, a presentation on NPCBP was made by the IDFC Foundation. The urgent need for capacity building among the officials of different Government departments/ agencies implementing PPP projects was appreciated and it was decided to take early steps to organise roll out training programmes on PPP at GAA in different modules for different categories of participants. It was further decided that the GAA, with the technical support of IDFC Foundation, will draw up an Action Plan for the purpose, with training calendar for different PPP modules and submit this to Government for necessary budget provision.

STATE PLAN SUPPORT

25.11 As per the provision of the Odisha PPP Policy – 2007, State PPP Cell and Odisha PPP Technical Society (OPPPTS) have been created to attend following activities:

(a) To identify, conceptualize and create a shelf of projects in consultation with the owner departments/ agencies and recommend approval of such projects for PPP from time to time to the ECI.

(b) To assist different government departments/agencies in preparing prefeasibility reports by itself or through consultants.

(c) To assist the respective departments/agencies for preparing Detailed Project Reports.

(d) To appoint / select consultants to take the projects up to selection of developer stage in consultation with the concerned department.

(e) To help respective departments/agencies to conduct the bidding process for appointment of developers.
(f) To interact with the Planning Commission, Government of India (GoI) and other funding agencies like World Bank for obtaining approval under VGF and any other fund created for such purpose.

(g) To recommend the requirement of multilateral/bilateral funding for furthering the objectives of the Policy.

(h) To act as the nodal agency for capacity building for PPP in the state. To further this function it shall conduct/recommend exposure visits and training programs on PPP.

(i) To recommend appropriate regulatory mechanism / robust grievance redressal mechanism as per requirement of the project.

(j) To recommend requirements from the PPP Fund for development of projects, gap funding and for any other requirement for furthering the objectives of the PPP Policy. Formulation and recommendation of any legislation if required for creation, administration and monitoring of the Fund.

(k) To develop internal evaluation guidelines by PPP Cell in consultation with the respective departments/agencies to evaluate and assess the projects whether the projects are to be funded by the State Government through multilateral/bilateral funding and/or implemented with Private Sector participation.

25.12 In the Annual Plan: 2012-13 an outlay of Rs 200.00 lakh has been proposed to enable the PPP Cell and the OPPPTS to carry on their mandated activities.

**State Viability Gap Fund (VGF) and other new initiatives**

25.13 With a view to provide viability gap funding for the PPP projects of State priority requiring such support, an outlay of Rs 40.00 crore has been proposed in the Annual Plan: 2012-13 as a new intervention of State.

25.14 It has been envisaged to put in place guidelines for State Level Viability Gap Fund (VGF) and Project Development Fund. In addition, strengthening and capacity building of State PPP Cell and the line departments implementing PPP projects will be undertaken during 2012-13.